



**Bodal Chemicals Ltd.**  
COLOURS. INTEGRATION. INNOVATION.

ANNUAL  
REPORT 19-20



**WE KEEP  
MOVING**



ON A  
**STRONG**  
footing



**The essential elements below authenticate our progress in the right direction...**

#### ○ **Diversified product portfolio**

Our growing diverse range of products across Dye Intermediates and Dyestuffs make us one of a kind to meet our customers' requirement.

#### ○ **Geographical presence**

Exports in 45+ countries and overseas marketing subsidiaries is an affirmation of the fact that we are a global powerhouse.

#### ○ **Capacity expansion**

We are progressing well to meet the demand through a clear focus on capacity expansion, largely sourced through internal accruals.

#### ○ **Innovation**

All the testing undertaken across our well-equipped laboratories through strong R&D leads to product development, hence testifying our innovative capability.

#### ○ **Sustainability**

Our continuous efforts in improving resource efficiencies while minimising environmental footprint, assists our growth in a sustainable manner.

#### ○ **Stakeholder engagement**

Our strong stakeholder relationships are exhibited in our engagement with them through different channels.

**allowing us to be on a strong footing despite...**

#### ○ **Competitive market**

The industry is dominated by China which is facing slowdown owing to environmental concerns. The Company already has capacities in place to meet the resultant transfer demand opportunities coming to India from the western countries.

#### ○ **Volatile raw material prices**

The Company lays its dependence on a myriad of raw materials, which are vulnerable to price volatility. Integration within business functions has insulated the Company from the rising costs.

#### ○ **Forex fluctuation**

Bodal Chemicals' global presence exposes it to foreign currency risk. The Company has a clear policy to hedge its imports/exports contract from forex fluctuations.

#### ○ **Stringent credit lending**

The rising NPAs have enabled the financial service providers to adopt a very cautious approach towards lending. This has disrupted growth strategies for companies looking at expansion through debt. However, Bodal Chemicals has a strong credit rating and is focused on growing through internal accruals.

#### ○ **Strict regulatory norms**

The changing regulatory landscape has created challenges for many small-sized companies. Bodal Chemicals, however, is eco-conscious and adheres fully to the regulatory requirements. Thus, it is fairly well placed through inhouse environmental facilities.

## INSIDE THIS REPORT

### Corporate Overview

○ At a Glance	2
○ Integrated Product Value Chain	4
○ Message to the Shareholders	6
○ Shared Opportunities	8
○ Responding to Critical Issues	10
○ Financial Highlights (Consolidated)	12

### Statutory Reports

○ Corporate Information	13
○ Board's Report	14
○ Report on Corporate Governance	63
○ Business Responsibility Report	97
○ Management Discussion and Analysis	104

### Financial Section

○ Standalone	111
○ Consolidated	173

### Investor information

○ Market Capitalisation as on 31st March 2020	: ₹ 5,174.57 Million
○ CIN	: L24110GJ1986PLC009003
○ BSE Code	: 524370
○ NSE Symbol	: BODALCHEM
○ Dividend Declared (Interim)	: ₹ 0.80 per Equity Share
○ AGM Date	: 20th August 2020
○ AGM Mode	: Video conferencing/ other audio-visual means

Please find our online version at  
<https://bodal.com/annualreport.php>

Or simply scan to download



**Disclaimer:** This document contains statements about expected future events and financials of Bodal Chemicals Limited, which are forward looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as several factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis section of this Annual Report.



## Right Location

Our manufacturing plants are strategically located in Gujarat, giving us the advantage of close proximity to abundant feedstock and well-connected transport infrastructure. Moreover, our distribution facilities throughout Europe, Asia and the Asia-Pacific region, make our supply network across the globe extensive.

## Right Organisation

Open and rewarding work culture encourages people to work in a comfortable manner.

## Right Leaders

Leaders with rich experience, strong cultural background and right mindset, ensure complete transparency in work, enhancing stakeholder confidence.

**Together these factors shape up well as we move forward with a strong footing to overcome short-term hindrances.**

**Among  
25**

Best Companies to  
Work For, 2019, by  
CEO Insights



# AT A GLANCE

Bodal Chemicals ('The Company' or 'Bodal' or 'We') is one of the largest manufacturers and exporters of multiple chemical products including Dyestuffs, Dye Intermediates, Basic Chemicals, and its variants. The Company's wide range of products make it a well-integrated player enjoying a lowered cost of production. Besides, the Company is also an end-to-end solution provider for its customers.

Led by a vision to grow globally, the Company has been growing at an accelerated pace, through diversification of business, capacity expansion and concentration on high margin products. The Company has been moving ahead with a focused strategic mindset, ably supported by high-tech infrastructure, modern laboratories and well-qualified chemists, among others.

The Company works diligently and is characterised by its ability to embrace sustainability across all spheres. The Company has undertaken an environmentally conscious approach through effective disposal of waste, appropriate liquid discharge, energy optimisation and adherence to the philosophy of water stewardship. It also plays a prominent role in employee and community development.

**1989**

Year of inception

**58.30%**

Promoter's share

**45+ Countries**

Product sold



## Operational KPIs 2019-20

**10**

Manufacturing Facilities

**3**

R&amp;D Facilities

**7**

Depots

**6**

Operating Subsidiaries

**150+**

Overseas Customers

**0.30%**

R&amp;D to Sales Ratio

## Market share\*

INDIA

**20%**

Dye Intermediates

GLOBAL

**6%**

Dye Intermediates

**13%**

Dyestuffs

**3%**

Dyestuffs

\* Estimates for our range of products

## Financial KPIs 2019-20

₹ **12,124** Million  
Revenues from Operation

₹ **1,022** Million  
Profit after Tax (PAT)

**10.64%**  
Return on Equity

**13.43%**  
Return on Capital Employed

**5.06**  
P/E Ratio

**0.25**  
Debt to Equity Ratio



# INTEGRATED PRODUCT VALUE CHAIN

## INPUT MATERIAL


### Inhouse

- Ice
- Steam
- Power

### External

- Water
- Sulphur
- Aniline
- Naphthalene
- PNCB
- Caustic Soda
- Chlorine

*Finds its way in*

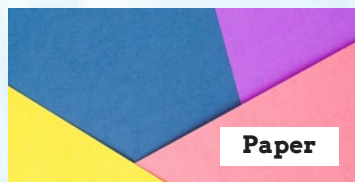
Products	Description
<b>Basic Chemical</b>	Bodal produces 12 variants of Basic Chemicals, which are used as inputs in the production of Dye Intermediates and Dyestuffs.
<b>Dye Intermediates</b>	Dye intermediates finds its application in the processing of finished Dyes and Pigments. The Company primarily started its operations with one variety of Vinyl Sulphone Ester and now manufactures over 25 variants.
<b>Dyestuffs</b>	Dyestuffs are organic compounds used for imparting colour into various products. A strong footing in Dye Intermediates enabled the Company to forward integrate into Dyestuffs. Today, the Company manufactures 150 variants of Dyestuffs.
<b>End-user Industries</b>	 <p><b>Textiles</b></p>



Major chemicals Produced	KPIs	Clients
<ul style="list-style-type: none"> <li>○ Sulphuric Acid</li> <li>○ Chlorosulphonic Acid</li> <li>○ Sulphur Trioxide</li> <li>○ Oleum 23% &amp; 65%</li> <li>○ Sodium Bisulphate</li> <li>○ Acetanilide</li> <li>○ Thionyl Chloride</li> <li>○ Beta Nephthol</li> </ul>	<ul style="list-style-type: none"> <li>○ Contribution to the consolidated revenue: <b>10.58%</b></li> <li>○ Production capacity: <b>2,26,000 MT</b></li> <li>○ Capacity utilisation: <b>87.9%</b></li> </ul>	<ul style="list-style-type: none"> <li>○ Lanxess India Pvt. Ltd. ○ Grasim Industries Ltd. (Chemical Division) ○ Deepak Nitrite Ltd.</li> <li>○ Meghmani Organics Ltd. ○ SRF Ltd.</li> <li>○ Gujarat Fluorochemicals Ltd. ○ Vertelus Specialty Materials (India) Pvt. Ltd. ○ Evonic Specialty Silica India Pvt. Ltd. ○ Aksharchem India Ltd. ○ Jay Chemicals Ltd.</li> </ul>
<ul style="list-style-type: none"> <li>○ Vinyl Sulphone</li> <li>○ H Acid</li> <li>○ DASA</li> <li>○ FC Acid</li> <li>○ Gamma Acid</li> <li>○ Viny Sulphone Derivatives</li> </ul>	<ul style="list-style-type: none"> <li>○ Contribution to the consolidated revenue: <b>38.09%</b></li> <li>○ Production capacity: <b>33,000 MT</b></li> <li>○ Capacity utilisation: <b>81.5%</b></li> </ul>	<ul style="list-style-type: none"> <li>○ Ohyoung Inc. ○ Mcfills Enterprises Pvt. Ltd. ○ Hubei Color Root Technology Co. Ltd.</li> <li>○ Jay Chemical Industries Ltd. ○ Chemistar Intermediates Pvt. Ltd. ○ Anil Organics</li> <li>○ Chempro Exports (India) ○ Alps Chemicals Pvt. Ltd. ○ Ornet Intermediates Pvt Ltd.</li> </ul>
<ul style="list-style-type: none"> <li>○ Reactive Dyes</li> <li>○ Acid Dyes</li> <li>○ Direct Dyes</li> </ul>	<ul style="list-style-type: none"> <li>○ Contribution to the consolidated revenue: <b>43.91%</b></li> <li>○ Production capacity: <b>35,000 MT</b></li> <li>○ Capacity utilisation: <b>54%</b></li> </ul>	<ul style="list-style-type: none"> <li>○ Dystar ○ Huntsman ○ Archroma</li> <li>○ Colorantes Industriales S.a ○ BASF ○ Stahl ○ United Fabricare Supply. Inc ○ Exel Chemicals India Pvt. Ltd. ○ Raj Chemicals Ltd.</li> </ul>



Leather



Paper



Paint and others



# MESSAGE TO THE SHAREHOLDERS



***I am confident that once the industry and economic situation improves, it will positively impact our established businesses. It will further allow us to enhance value creation for all our stakeholders.***

## **Dear Shareholders,**

I am pleased to report that, collectively, the Management and its people have risen above disruptive headwinds faced in the fiscal 2019-20. And, against the challenging backdrop, one element that remained unchanged throughout the period was our progress in strategy implementation. This approach, along with our social initiatives and environmental stewardship, is what makes us sustainable for the future.

## **Economic scenario**

Things were looking good for the global economy in the first three quarters of 2019-20 with phase one trade talk, stability in crude oil prices, Brexit coming to a closure and a low-interest rate environment. In consonance with the global economy, India was on a relative growth trajectory, with the strengthening of the agrarian space, corporate and income tax rate cuts, narrowing trade deficit and increasing foreign investments. The positive outcome of this was expected to translate into increased consumer demand and private investments, which had been slacking for a while. However, the unprecedented occurrence of Covid-19 outbreak led every economy, industry and company to re-think their strategic road map and lay out a path ahead. And, I am confident, even

in the face of this crisis there are certain silver linings in the form of growing interest amongst multinational companies to shift their manufacturing facilities to India, adoption of digital payments, favourable crude oil prices for India and more. Though this is one-in-a-lifetime event, we are also confident of overcoming this crisis like done with many other crises in the past.

## **Industry landscape**

The Indian Chemical Industry has witnessed tremendous growth owing to the lucrative advantage it possesses over other countries. It benefits from the easy availability of key raw material, lower cost of labour, large end-user industries' base. Whereas, the adoption of technology by big companies has enabled them to strengthen cyber security system, improve overall operational efficiency and measure the environmental impact. The Indian chemical players recorded a CAGR of 15% as Total Returns to Shareholders (TRS), over the last decade or so (Source: *The Indian chemical industry: Unleashing the next wave of growth, McKinsey February 2020*). The growth was primarily on the back of an increasing topline, which was supported by favourable policy environment, efforts to curb import and strict regulatory norms around the globe. However, smaller players are finding it challenging to cope with the pace of evolution and hence are forced to either liquidate



**Our Strategic decisions**

- Adding capacities into core business.
- Expanding reach into different geographies.
- Integration of business.
- Gradual margins expansion.

**in action**

- Expansion of Dyestuffs capacity by 18,000 MTPA in the last two years to improve margins.
- Acquired ~ 80% stake in Turkish entity Sener Boya to strengthen the foothold in marketing and on the trading front.
- Stabilised production of the Thionyl Chloride (TC) plant with a capacity of 36,000 tonnes. The plant will play a vital role in strengthening our forward and backward integration.
- The Company has acquired 100% stake in Trion Chemicals to turn it into a profitable business in the near term.
- Opened several warehouses in India.

**enable us to build a promising future...**

- Strong bottomline numbers and increasing market share.
- Increase in stakeholders' value.
- Higher cash flow generation.

or consolidate. Going ahead, the Indian Chemical Council's (ICC) goal to reach a USD 300 Billion-industry turnover by 2025, seems to be a possibility, with full support from the Governments to set up a strong infrastructure and compete against the threat from China.

**Business landscape**

Dyestuffs covers every aspect of our lives. This signifies the importance of Dyes and Pigment sector for the economy. Intermediates are a prominent raw material used in the production of Dyestuffs. Over the years, India has reduced its reliance on other countries for intermediates used in Dyestuffs and today, the country is gradually becoming 'Atmanirbhar'. However, the country is still dependent for k-acid, J-acid, Bromamine Acid, Sulpho Tobias Acid and Cyanuric Chloride on a large share of imports. With China facing issues owing to the environmental norms, India is well-poised to benefit from the same.

**Let us see how we have performed in the last ten years:**

- Total Revenues from Operations increased by 157% (10% CAGR) to ₹ 12,318 Million in 2019-20 from ₹ 4,793 Million in 2009-10.
- EBITDA increased by 200% (12% CAGR) to ₹ 1,580 Million in 2019-20 as compared to ₹ 527 Million in 2009-10.
- PAT strengthened by 658% (22% CAGR) to ₹ 1,022 Million in 2019-20 as compared to ₹ 135 Million in 2009-10.
- Debt to Equity ratio decreased from 4.56 in 2009-10 to 0.25 in 2019-20.

**A responsible firm**

As a proactive response to the current paradigm change, we remain ardent to our duties and responsibilities. These include creating a safe working environment, adhering to the best management practices and embedding sustainability into our facilities.

Through strong R&D, we are doing our bit in adding economic value by strengthening our in-house feed production. This reduces our dependency on other countries for raw material import and through this, we are also aligned to the Government's 'Aatmanirbhar Bharat Abhiyan' initiative. Moreover, our 45% of revenue comes from export, thereby, playing a minuscule role in contributing to the country's foreign exchange.

At the same time, our social contribution, through renowned NGOs like YUVA and other various Trusts, has helped us to focus on a wide array of areas such as health, education and basic infrastructure, among others. We take pride in positively having influenced many people's lives through our initiatives.

**Responding to the pandemic**

As a responsible corporate citizen, we adhered to the Government guidelines that were issued during different phases of the Covid-19 induced lockdown to contain the spread of the virus. With the slow and gradual upliftment of regulations, the reopening of plants in different sectors, is likely to lead to a gradual recovery. The Company's fundamentals are intact to support the strong growth prospects. And, I am confident we will start from where we left and keep moving to be on a strong footing.

**In closing**

I would like to thank the entire team at Bodal Chemicals, for their constant commitment and efforts undertaken during the year. It is this pride of working with such an illustrious team that drives us every day as we work to honour our stakeholders' faith and investment in us.

**Suresh J. Patel**

Chief Executive Officer, Chairman & Managing Director

# SHARED OPPORTUNITIES

## What we depend on

### Stakeholder insight

- Interactive Annual General Meeting
- Effective insights from our consultants and vendors
- Constant customer reviews and employee feedback

**48,000+**

Shareholders invested

**600+**

Number of customers

### Talent

Employees, qualified chemists, research engineers and experienced management team

**1,560**

Employees onboard

**30+**

Management experience in years

### Financial resources

Healthy topline revenue, working capital and strong net worth

₹ **9,601.82**

**Million**

Net worth

₹ **56.18**

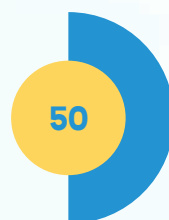
**Million**

Net cashflow

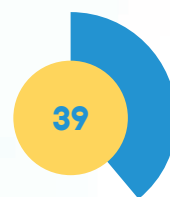
## What we create

### Customer demand

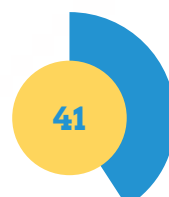
Revenue from exports (%)



2009-10



2014-15



2019-20

### Increasing transparency & trust

**A+/STABLE**

CRISIL rating and  
INDIA rating on  
long-term debt

**A1+**

CRISIL rating and  
INDIA rating on  
short-term bank facility

### Product choices

**200+**

Types of products produced

### Economic development

₹ **777.48**

**Million**

Salaries paid

₹ **201.96**

**Million**

Taxes paid

₹ **14.90**

**Million**

CSR spend

₹ **195.73**

**Million**

Dividends paid

### Profit

**8.43%**

PAT margin