

Result Snapshot

<u>Amt. in Rs. Crs.</u>	Q4FY20	Q3FY20	Q-o-Q(%)	Q4FY19	Y-o-Y(%)
Revenue	368.47	326.36	12.90%	344.26	7.03%
Other Income	3.69	4.82		7.39	
Total Income	372.16	331.18	12.38%	351.64	5.83%
EBITDA	39.94	23.02	73.51%	43.81	-8.83%
EBIDTA (%)	10.84%	7.05%		12.73%	
EBIT	32.52	15.97	103.56%	38.05	-14.55%
PBT	31.42	14.02	124.17%	42.69	-26.38%
PAT	26.07	12.85	102.82%	29.37	-11.24%
PAT%	7.07%	3.94%		8.53%	

Result / Con-call Highlights:

1) Result Update:

Bodal Chemicals reported a topline of Rs. 372.16 cr up 12.38% on Q-o-Q basis mainly on account of increase in Dye Intermediates and Dyestuff prices due to shut down in China. EBITDA was at Rs. 39.94 cr whereas EBITDA margins improved 379 bps Q-o-Q basis to 10.84% for the quarter ended March, 2020. The company reported PAT of Rs. 26.07 cr compared to Rs. 12.85 cr reported in Q3 FY20.

Revenue Split (Standalone)	Q4 FY20	Q4 FY19
Dye Intermediates	40%	48%
Dyestuff	39%	37%
Basic Chemicals	10%	14%
Others	10%	2%
Total	332.1 Cr	312.7 Cr

2) Con-Call Highlights:

The average price of H-acid was ~Rs. 390 per kg in Q4 compared to ~Rs. 350 per kg in Q3, and of Vinyl Sulphone was ~Rs. 210 per kg in Q4 compared to ~Rs. 185 per kg in Q3. As Wuhan is considered one of the largest manufacturers of Dye Intermediaries, a nationwide lockdown in China helped surge prices of H-acid and Vinyl Sulphone by 30% – 50% for a month. However, the price hike was short lived as China opened up. The management has guided that the prices of raw materials such as Aniline as well as finished products such as (H-acid and Vinyl Sulphone) have come down in Q1 FY21. H-acid is currently trading at Rs. 370 per kg whereas Vinyl Sulphone is trading at Rs. 170 per kg.

Bodal Chemical's utilisation levels stood at 76% in Q4 FY20 which was down to ~30%-40% in May and ~65% in June. The company plans to achieve pre-covid utilisation levels by September. As it would take another 3 months to achieve normalcy, we believe H1 would be a complete washout and H2 would only achieve normalcy to pre-covid levels resulting in de-growth for the current financial year.

Result / Con-call Highlights: (Continued)

Working capital cycle got stretched to 86 days on standalone basis. The receivables have reduced by ~Rs. 200 cr as well as inventory has reduced post Q4 FY20. The production resumed after 50 days in Q1 FY21. On the expectation of lower sales in Q1 FY21E, the working capital cycle is expected to improve marginally. However, the working capital cycle will remain stretched H2 onwards as the company focuses more on dyestuff business which requires higher inventory levels as well as more credit period.

On the subsidiaries front, SPS posted revenues of Rs 24.9 cr with an EBITDA of Rs. 1.1 cr in Q4 FY20. Vinyl Sulphone plant in SPS could not resume operation on time due to raw material issue from reliance industries. The issue has been resolved now however, the management is waiting for demand to pick up in order to resume operations.

Trion posted loss of Rs. 2.8 cr in Q4 FY20. Bodal Chemicals acquired 100% stake in Trion Chemicals during Q3 FY '20 and plans to start its plant operations in next 30 days.

3) Outlook:

The chemical sector is expected to grow in India over long term on the back of isolating China from global trade. However, medium term outlook remains subdued as there is a demand collapse and slower pick-up of the utilisation levels.

With stretched working capital cycle, operating losses in subsidiary and muted finished product prices we recommend to Hold the stock at current levels as the company trades at fair valuation of 9.52x FY20 earnings of Rs. 86 cr

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