

Balaji Amines Ltd

Recommendation	BUY
CMP	Rs 364
Target Price	Rs 485
Sector	Speciality Chemicals

Stock Details

BSE Code	530999
NSE Code	BALAMINES
Bloomberg Code	BLA IN
Market Cap (Rs cr)	1179
Free Float (%)	45.54
52- wk HI/Lo (Rs)	4011/195
Avg. volume NSE (Quarterly)	39,870
Face Value (Rs)	2.0
Dividend (FY 17)	110%
Shares o/s (Cr)	3.2

Relative Performance	1Mth	3Mth	1Yr
BAL	-1.3%	8.7%	83.8%
Sensex	1.8%	6.5%	17.1%

Shareholding Pattern 31st March 17

Promoters Holding	54.46
Institutional (Incl. FII)	4.22
Corporate Bodies	2.97
Public & others	38.35

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Steady quarter

Balaji Amines Limited (BAL), set up in 1988, is a leading manufacturer of Aliphatic Amines. It specialized in manufacturing Methylamines, Ethylamines and derivatives of them. It also operates a 5 star hotel in Solapur – Balaji Sarovar, the only 5 star property in the city.

The company posted decent sales growth of 16% for the quarter at Rs 193.1 cr despite high methanol prices (which impacts the volume) and Ethylamine plant shut down (for 20-25 days, was shut down after 3-4 years). Volume growth for FY17 was around 10-12% against our expectation of 20%. Methanol prices have remained on high end throughout the year (and especially in Q4) which we believe has deferred the volume. However methanol prices have corrected since April and hence we expect some of the volumes to come back during the year. EBITDA margins improved to 21.3% in FY17 from 20.3% in FY16. Higher EBITDA and lower interest cost led to 40% jump in PAT to Rs 85.6 cr.

Key takeaways

- The company has recently undertaken expansion for Morpholine and increased capacity from 3000 MT to 10000 MT with capex of Rs 25-30 cr, funded by internal accruals. The company is awaiting the environmental clearance soon for it before commencing the operations. Morpholine is mainly used in water and rubber treatment plants. Currently, there are only 3 players worldwide, including BAL, excluding Chinese players. India's local demand is 600 ton/month out of which BAL is supplying Rs 200 ton/month. With the increased capacity the company would be able to substitute imports. Till now, imports of Morpholine used to enjoy anti-dumping duty however recently being removed, still management believes that without anti-dumping also, BAL would be competitive enough to garner market share from other players including Chinese manufacturers.
- Greentech – its loss making subsidiary has been merged with the company and all the operations have been stopped in it. This would help the parent company in claiming the tax benefits on Greentech's accumulated losses.
- The DMF has shown increased traction and the company said the product has started contributing marginally to the bottomline. The management remains confident of getting anti-dumping on it soon. As and when it happens, it will boost the company's volumes and margins further as the company continues to incur fixed costs on it.
- The company is expecting environmental approval for Acetonitrile by month end.
- Hotel business is continue to remain steady

Valuation & Recommendation

For FY17-19E we expect the company's sales to grow by 16% and PAT by 24% (as interest cost is likely to come down and with no major capex lined up depreciation is likely to be stable at current levels). BAL is leading amine player and enjoys handsome market share in its basket of products. It is consistent dividend paying company. We maintain our positive outlook given the improvement in ROCE and ROE with positive free cash flow. **We recommend BUY on the stock for price target of Rs 485 (12x FY19E)**

Year Consol	Sales (Rs cr)	Growth (%)	EBITDA (Rs cr)	Margin (%)	PAT (Rs cr)	Margin (%)	Adj EPS (Rs)	P/E (x)	RoE
FY16A	643.1	3.9%	126.7	19.7%	57.6	9.0%	17.8	20.5	20.6%
FY17A	730.6	13.6%	152.7	20.9%	82.4	11.3%	25.4	14.3	23.3%
FY18E	850.4	16.4%	183.6	21.6%	109.7	12.9%	33.9	10.7	24.1%
FY19E	978.9	15.1%	212.4	21.7%	130.9	13.4%	40.4	9.0	22.7%

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QUARTERLY RESULT

Standalone (Rs cr)	FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	FY17
Net sales	634.9	181.8	172.2	180.2	193.1	727.3
Cost of Materials	348.9	86.3	80.1	83.1	91.6	341.1
Staff cost	31.5	8.1	8.5	9.7	12.5	38.7
Other Exps	125.7	47.1	43.9	50.9	50.9	192.7
Total Expenses	506.0	141.5	132.5	143.6	155.0	572.5
EBITDA	128.9	40.3	39.7	36.6	38.2	154.8
margins	20.3%	22.2%	23.0%	20.3%	19.8%	21.3%
Depreciation	17.9	4.5	4.5	4.5	4.7	18.2
EBIT	111.0	35.8	35.2	32.1	33.4	136.5
Interest	20.1	3.5	3.0	2.7	2.5	11.7
Other income	2.2	0.6	1.1	0.6	0.9	3.1
PBT	93.2	32.9	33.2	30.0	31.8	127.9
Tax	31.9	8.2	11.5	10.6	14.6	44.9
Tax rate	34.2%	24.9%	34.6%	35.3%	46.1%	35.1%
MI & EO	0.0	-1.6	0.0	-0.2	-0.7	-2.6
PAT	61.3	26.3	21.7	19.6	17.9	85.6
Equity Capital	6.5	6.5	6.5	6.5	6.5	6.5
FV	2.0	2.0	2.0	2.0	2.0	2.0
EPS	18.9	8.1	6.7	6.1	5.5	26.4

SEGMENTAL BREAKUP

	FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	FY17
Amines						
- Sales	620.1	178.1	168.4	175.9	188.9	711.4
- EBIT	114.9	38.7	36.6	33.1	34.4	142.7
margins %	18.5%	21.7%	21.7%	18.8%	18.2%	20.1%
Hotel						
- Sales	15.0	3.7	3.8	4.3	4.3	16.1
- EBIT	-1.7	-0.7	-0.3	-0.1	-0.1	-1.3
margins %	-11.4%	-17.8%	-9.3%	-3.2%	-3.4%	-8.1%

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Financials – Consolidated – Rs cr

Profit & Loss	FY16A	FY17A	FY18E	FY19E
Net Sales	643.1	730.6	850.4	978.9
% change	3.9%	13.6%	16.4%	15.1%
EBITDA	126.7	152.7	183.6	212.4
EBITDA margin	19.7%	20.9%	21.6%	21.7%
Depn & Amort	19.4	19.7	20.9	22.2
Operating income	107.3	132.9	162.7	190.2
Interest	22.2	12.9	5.7	2.1
Other Income	2.8	3.1	5.0	5.0
PBT	88.0	123.1	161.9	193.1
Tax	30.3	43.3	52.2	62.2
MI & EO	0.0	-2.6	0.0	0.0
PAT	57.6	82.4	109.7	130.9
PAT margin (%)	9.0%	11.3%	12.9%	13.4%
Sh o/s - Diluted	3.2	3.2	3.2	3.2
Adj EPS	17.8	25.4	33.9	40.4
Cash EPS	23.8	31.5	40.3	47.3

Qtrly-Stdalone	Jun.16	Sept.16	Dec.16	Mar.17
Revenue	181.8	172.2	180.2	193.1
EBITDA	40.3	39.7	36.6	38.2
Dep & Amorz	4.5	4.5	4.5	4.7
Op Income	35.8	35.2	32.1	33.4
Interest	3.5	3.0	2.7	2.5
Other Inc.	0.6	1.1	0.6	0.9
PBT	32.9	33.2	30.0	31.8
Tax	8.2	11.5	10.6	14.6
EO	-1.6	0.0	-0.2	-0.7
PAT	26.3	21.7	19.6	17.9
EPS (Rs.)	8.1	6.7	6.1	5.5

Performance Ratio	FY16A	FY17A	FY18E	FY19E
EBITDA margin(%)	19.7%	20.9%	21.6%	21.7%
EBIT margin (%)	16.7%	18.2%	19.1%	19.4%
PAT margin (%)	9.0%	11.3%	12.9%	13.4%
ROE (%)	20.6%	23.3%	24.1%	22.7%
ROCE (%)	21.3%	26.7%	28.6%	29.2%
PAT growth (%)	68.1%	38.5%	37.6%	19.3%
Debt/Equity (x)	0.6	0.3	0.1	0.0

Valuation Ratio	FY16A	FY17A	FY18E	FY19E
PE (x)	20.5	14.3	10.7	9.0
Price/BV (x)	1.3	1.0	0.8	0.6
EV / Sales	2.1	1.7	1.4	1.2
EV / EBITDA	10.6	8.3	6.6	5.3

Balance Sheet	FY16A	FY17A	FY18E	FY19E
Share Capital	6.5	6.5	6.5	6.5
Reserves & Surplus	273.7	347.4	448.7	570.9
Net Worth	280.2	353.9	455.2	577.4
Net Deferred Tax Li	50.5	50.8	50.8	50.8
Total Loans	172.7	94.0	63.7	23.7
Trade Payables	49.3	67.7	63.8	73.4
Provisions	34.4	51.6	51.6	51.6
Other CL	5.6	11.1	10.5	12.1
Total Liabilities	604.7	635.0	701.4	794.8
Net Fixed Assets	342.4	325.5	355.8	365.6
Capital WIP	16.3	25.1	5.5	3.6
Investments	0.0	0.0	0.0	0.0
Cash & Bank	8.6	3.5	34.0	73.6
Inventories	78.0	99.0	94.5	108.8
Debtors	124.3	124.3	160.6	184.9
Loans & Advances	36.7	57.7	51.0	58.3
Misc Exp	0.0	0.0	0.0	0.0
Total Assets	606.3	635.0	701.4	794.8

Cash Flow	FY16A	FY17A	FY18E	FY19E
Op CF before tax	126.7	155.2	183.6	212.4
Change in WC	41.7	-6.9	-29.8	-34.7
Tax	-30.3	-43.3	-52.2	-62.2
CF from Operation	138.1	105.0	101.6	115.6
Capex	-31.8	-11.6	-31.7	-30.0
Oth Inc & Investme	2.8	3.1	5.0	5.0
CF from Investing	-29.1	-8.5	-26.7	-25.0
Financing				
Dividend Paid	-7.8	-8.3	-8.3	-8.7
Share Capital	0.0	0.0	0.0	0.0
Loans	-83.2	-78.7	-30.3	-40.0
Interest	-22.2	-12.9	-5.7	-2.1
Others	5.6	-1.6	0.0	0.0
CF from Financing	-107.5	-101.5	-44.5	-50.9
Net Chg. in Cash	1.6	-5.1	30.5	39.7
Cash at beginning	7.0	8.6	3.5	34.0
Cash at end	8.6	3.5	34.0	73.6
Per Share Data	FY16A	FY17A	FY18E	FY19E
Adj EPS	17.8	25.4	33.9	40.4
BV per share	86.5	109.2	140.5	178.2
Cash per share	2.6	1.1	10.5	22.7
Dividend per share	2.0	2.2	2.2	2.3

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