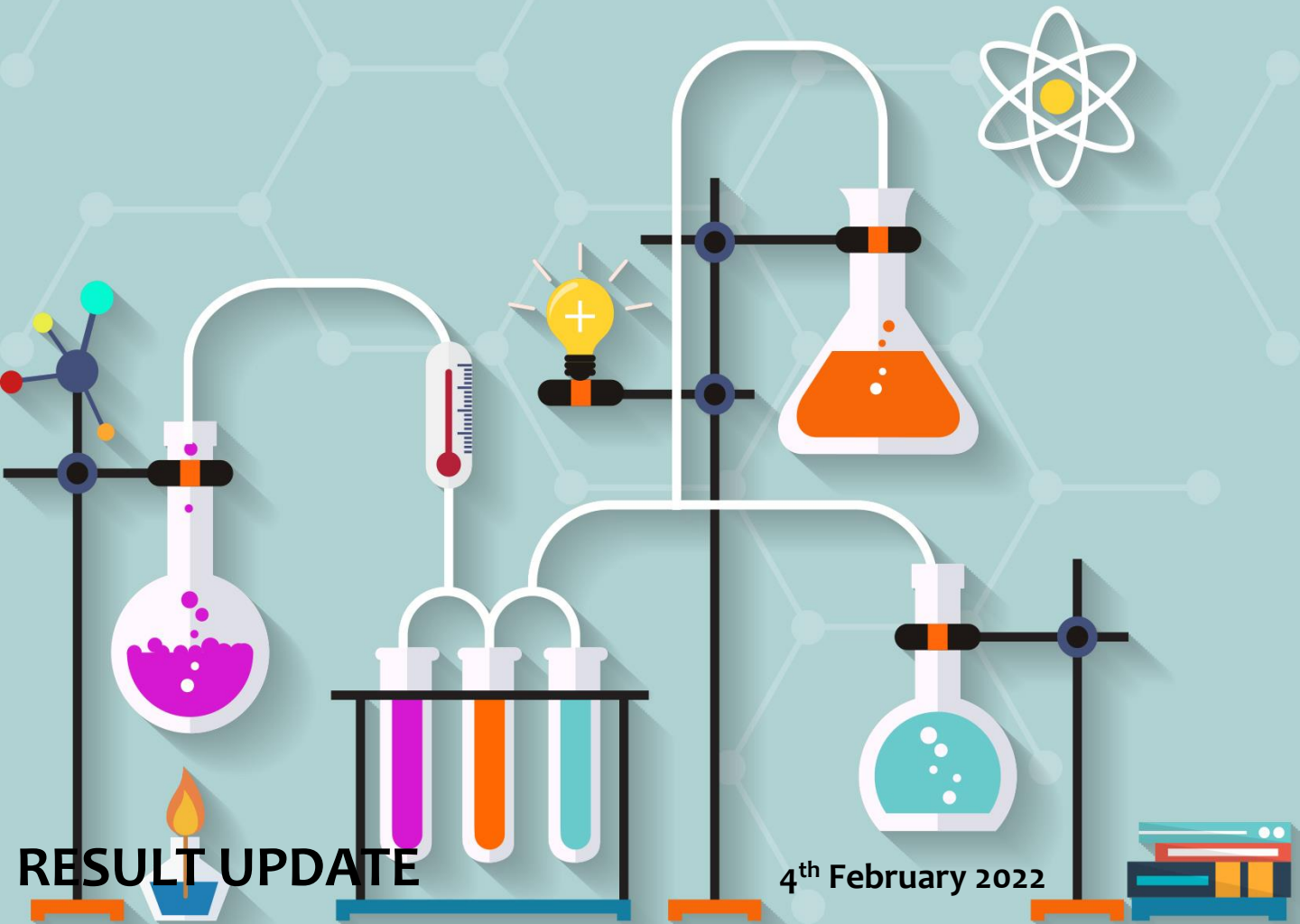


# BALAJI AMINES Ltd.



**RESULT UPDATE**

4<sup>th</sup> February 2022



# BALAJI AMINES LTD.

**Debottlenecking activities to bring strong traction**

CMP <b>INR 3,509</b>	Target <b>INR 5,674</b>	Potential Upside <b>61.69%</b>	Market Cap (INR Mn) <b>INR 1,13,700</b>	Recommendation <b>BUY</b>	Sector <b>Specialty Chemicals</b>
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## Result Highlights of Q3FY22:

- During the quarter, Balaji Amines Ltd reported revenue of INR 5,649 Mn (+44.07% YoY / +7.46% QoQ). Such robust performance was mainly driven higher realisations from Amines & specialty chemical segment (+42.39% YoY / +8.72% QoQ), followed by growth in Hotel division (+103.57% YoY / +54.05% QoQ).
- On operational front EBITDA in Q3FY22 stood at INR 1,587 Mn (+35.33% YoY / +20.99% QoQ), OPM got hit by 182bps YoY, but improved 314 bps QoQ to 28.10% in Q3FY22. Margins fell on account of rising input costs.
- Net Profit in Q3FY22 stood at INR 1,016 Mn showing an improvement of 28.77% on YoY basis and 15.32% on QoQ basis, with NPM at 17.99% (-214 bps YoY / +123 bps QoQ). Higher taxes dented the margins during the quarter.
- EPS during the quarter came at 27.64 against 23.14 in the same quarter last year.

## MARKET DATA

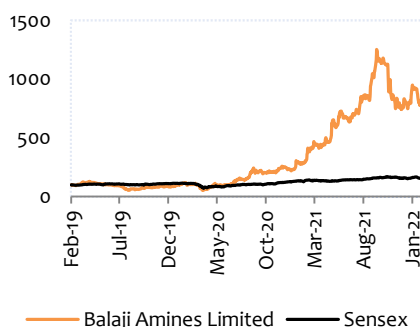
Shares outs (Mn)	32
Mkt Cap (INR Mn)	1,13,700
52 Wk H/L (INR)	5,220/1,188
Volume Avg (3m K)	92
Face Value (INR)	2
Bloomberg Code	BLA IN Equity

## KEY FINANCIALS

INR Mn	FY20	FY21	FY22E	FY23E	FY24E
Revenue	9,358	13,115	21,061	26,326	32,908
EBITDA	1,807	3,734	5,914	7,635	9,872
PAT	975	2,437	3,943	4,968	6,472
EBITDA Margin (%)	19.31%	28.47%	28.08%	29.00%	30.00%
NPM (%)	10.42%	18.58%	18.72%	18.87%	19.67%

Source: Company, KRChoksey Research

## SHARE PRICE PERFORMANCE



## Better product mix led to higher realisations:

In Q3FY22, Balaji Amines Ltd reported revenue of INR 5,649 Mn (+44.07% YoY / +7.46% QoQ). Overall the volumes were impacted which stood at 27,589 MT in Q3FY22 against 31,993 MT in Q3FY21. Revenue was affected mainly due to stagnant demand for few of its products as its customers couldn't procure Key Starting Materials (KSMS) for some of the matching products and temporary shutdown of its DMF and Acetonitrile plants for the debottlenecking exercise. This was offset by higher realisations from Amines & specialty chemical segment, whose revenue was (+42.39% YoY / +8.72% QoQ), followed by growth in Hotel division (+103.57% YoY / +54.05% QoQ).

## Input costs dented the margins:

On operational front EBITDA in Q3FY22 stood at INR 1,587 Mn (+35.33% YoY / +20.99% QoQ), OPM got hit by 182bps YoY, but improved 314 bps QoQ to 28.10% in Q3FY22. The prices of acetic acid continued to remain elevated which eroded the margins of Acetonitrile. Net Profit in Q3FY22 stood at INR 1,016 Mn showing an improvement of 28.77% on YoY basis and 15.32% on QoQ basis, with NPM at 17.99% (-214 bps YoY / +123 bps QoQ). Higher taxes dented the margins during the quarter.

## Margins to sustain at subsidiary level:

Balaji Specialty Chemicals Pvt Ltd (BSCPL) experienced strong demand & higher realisation for its products which has its applications in multiple industries such as pharma, polymer, agrochemical etc. It delivered EBITDA margins at 40% levels in Q3FY22 with topline of INR 3,260 Mn for 9MFY22. Unavailability of raw materials disrupted the performance marginally but we expect that with increasing share of exports and ramp up in capacities in the coming quarters it is likely to strengthen its performance further by helping it reach 70-80% utilisation levels.

## MARKET INFO

SENSEX	58,675
NIFTY	17,541

## SHARE HOLDING PATTERN (%)

Particulars	Dec-21	Sep-21	Jun-21
Promoters	53.70	53.70	53.68
FIIs	3.90	4.00	2.35
DIIIs	0.16	0.48	0.30
Others	42.24	41.82	43.67
Total	100	100	100

**35.88%**
**Revenue CAGR  
between FY21 - FY24E**
**38.48%**
**PAT CAGR between  
FY21 - FY24E**

# BALAJI AMINES LTD.

## Valuation and view:

We expect substantial pick-up for its products in the coming quarters on the back of debottlenecking and PLI incentives provided by Govt leading to substantial capex by pharmaceutical and agrochemical companies. We believe ramp up of DMF and Acetonitrile facility with commencement of DMC unit shall help its operating margins to inch upwards and support the profitability. At a CMP of INR 3,509, BAL is trading at a P/E valuation of 28.83x/22.88x/17.57x FY22E/23E/24E earnings. **We maintain ‘BUY’ recommendation as we remain optimistic about the company’s growth prospects and apply P/E multiple of 28.4x to its FY24E earnings, which yields a target price of INR 5,674 per share (unchanged).**

## Key Concall Highlights:

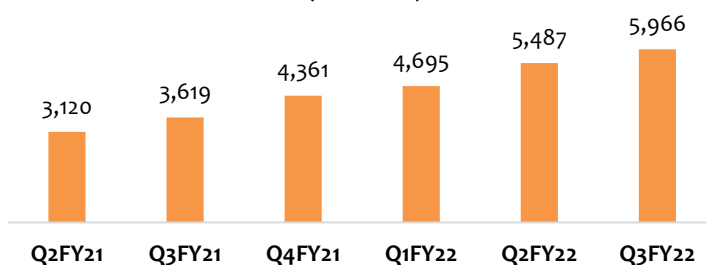
### Capex plans:

- It’s Greenfield project at Unit IV is nearing completion and operations are expected to commence during Q1FY23.
- BAL is the sole manufacturer in India and the capacity of its DMC plant would be about 10,000 to 12,000 tons per annum.
- Intends to add up new Acetonitrile plant having 50tpd capacity.
- The commercial production of same is likely to commence in FY24.

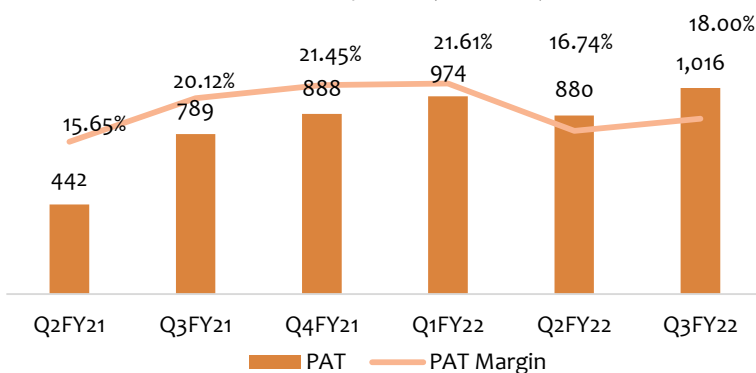
### Other highlights:

- BAL had carried down a plant shut down for 30-40days to carry out debottlenecking of DMF and Acetonitrile.
- The prices of DMF continues to remain healthy and its plant capacity utilization is likely to increase from about 34% in 9MFY22 to 70-80% in coming quarters.
- The company is confident about achieving capacity utilization of 60-70% at its DMC plant in its very first year.
- It aims to increase the share of exports from the subsidiary plant to about 25-30% going forward from about 18% in 9MFY22.
- Agrochemical and Pharma space would be the major growth driver for rise in demand for Methylamine.
- DMC finds application in the production of Polycarbonate and Lithium Batteries whose consumption in India will be driven by various government incentives.
- Management sees enormous scope for DMC exports as well.

Increasing revenue contribution from Amines & specialty segment (INR in Mn)



Profitability trend (INR in Mn)



Source: Company, KRChoksey Research

# BALAJI AMINES LTD.

## KEY FINANCIALS

### Exhibit 1: Profit & Loss Statement

Income Statement (INR Mn)	FY20	FY 21	FY 22E	FY 23E	FY 24E
<b>Revenues</b>	<b>9,358</b>	<b>13,115</b>	<b>21,061</b>	<b>26,326</b>	<b>32,908</b>
COGS	5,139	6,302	11,498	13,163	16,125
<b>Gross profit</b>	<b>4,219</b>	<b>6,813</b>	<b>10,268</b>	<b>13,163</b>	<b>16,783</b>
Employee cost	510	678	847	1,053	1,316
Other expenses	1,902	2,401	3,507	4,475	5,594
<b>EBITDA</b>	<b>1,807</b>	<b>3,734</b>	<b>5,914</b>	<b>7,635</b>	<b>9,872</b>
Depreciation & amortization	316	344	416	711	889
<b>EBIT</b>	<b>1,491</b>	<b>3,390</b>	<b>5,498</b>	<b>6,924</b>	<b>8,984</b>
Interest expense	230	183	164	183	183
Other income	50	61	68	65	65
<b>PBT</b>	<b>1,311</b>	<b>3,268</b>	<b>5,402</b>	<b>6,806</b>	<b>8,866</b>
Tax	336	831	1,458	1,838	2,394
Exceptional item	0	0	0	0	0
<b>PAT</b>	<b>975</b>	<b>2,437</b>	<b>3,943</b>	<b>4,968</b>	<b>6,472</b>
<b>EPS (INR)</b>	<b>30.1</b>	<b>75.2</b>	<b>121.71</b>	<b>153.34</b>	<b>199.75</b>

Source: Company, KRChoksey Research

### Exhibit 2: Cash Flow Statement

Cash Flow Statement (INR Mn)	FY20	FY 21	FY 22E	FY 23E	FY 24E
Operating Cash Flow	1,423	1,101	653	3,460	4,721
Investing Cash Flow	(1,300)	(620)	(297)	(294)	(474)
Financing Cash Flow	(256)	(374)	(-95)	(-828)	(-1,108)
Net Inc/Dec in cash equivalents	(133)	107	262	2,338	3,139
Opening Balance	204	70	177	439	2,777
Closing Balance Cash & Cash Equiv.	70	177	439	2,777	5,917

Source: Company, KRChoksey Research

### Exhibit 3: Key Ratios

Key Ratio	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margins (%)	19.31%	28.47%	28.08%	29.00%	30.00%
Net Profit Margin (%)	10.42%	18.58%	18.72%	18.87%	19.67%
RoE (%)	14.81%	27.25%	34.65%	32.42%	31.89%
RoCE (%)	12.53%	24.79%	31.06%	30.30%	30.79%
RoA (%)	8.76%	18.60%	22.90%	22.95%	23.50%
Debt/Equity	0.18x	0.10x	0.12x	0.07x	0.04x

Source: Company, KRChoksey Research

## BALAJI AMINES LTD.

### Exhibit 4: Balance Sheet

Balance Sheet (INR Mn)	FY20	FY 21	FY 22E	FY 23E	FY 24E
Property, plant and equipment (PPE)	5,730	5,429	6,095	6,105	6,142
Capital work-in-progress	463	1,733	1,457	1,438	1,528
Other financial assets	58	59	42	42	42
Deferred tax assets (Net)	0	0	0	0	0
Other non-current assets	274	111	316	395	494
<b>Total non-current assets</b>	<b>6,525</b>	<b>7,332</b>	<b>7,910</b>	<b>7,980</b>	<b>8,206</b>
Inventories	1,088	1,099	2,597	3,246	4,057
Trade receivables	2,074	3,057	4,443	5,554	6,942
Cash and cash equivalents	43	173	439	2,777	5,917
Bank balances other than (iii) above	45	23	23	23	23
Current tax assets	400	752	752	752	752
Other current assets	480	667	1,053	1,316	1,645
Total current assets	4,605	5,771	9,307	13,668	19,336
<b>TOTAL ASSETS</b>	<b>11,130</b>	<b>13,103</b>	<b>17,216</b>	<b>21,648</b>	<b>27,542</b>
Equity share capital	65	65	65	65	65
Other equity	6,517	8,879	11,316	15,259	20,227
Non-controlling interests	102	155	155	155	155
<b>Total equity</b>	<b>6,684</b>	<b>9,099</b>	<b>11,536</b>	<b>15,479</b>	<b>20,447</b>
Borrowings	1,199	888	1,315	1,073	727
Trade payables	117	177	142	142	142
Other financial liabilities	24	29	521	950	1,562
Deferred tax liabilities (Net)	437	472	372	80	0
Other non-current liabilities	26	10	15	15	15
<b>Total non-current liabilities</b>	<b>1,803</b>	<b>1,576</b>	<b>2,365</b>	<b>2,260</b>	<b>2,446</b>
Borrowings	1,215	109	109	109	109
Trade payables	594	768	1,212	1,515	1,893
Other financial liabilities	189	301	632	790	987
Other current liabilities	35	36	23	23	23
Provisions	210	400	527	658	823
Current tax liabilities (Net)	400	814	814	814	814
<b>Total current liabilities</b>	<b>2,643</b>	<b>2,428</b>	<b>3,316</b>	<b>3,909</b>	<b>4,649</b>
<b>Total liabilities</b>	<b>4,446</b>	<b>4,004</b>	<b>5,680</b>	<b>6,169</b>	<b>7,094</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11,130</b>	<b>13,103</b>	<b>17,216</b>	<b>21,648</b>	<b>27,542</b>

Source: Company, KRChoksey Research

# BALAJI AMINES LTD.

Balaji Amines Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
4-Feb-22	3,509	5,674	BUY	Buy	More than 15%
29-Oct-21	3,560	5,674	BUY		
1-Oct-21	4,551	5,674	BUY	Accumulate	5% – 15%
				Hold	0 – 5%
				Reduce	-5% – 0
				Sell	Less than – 5%

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