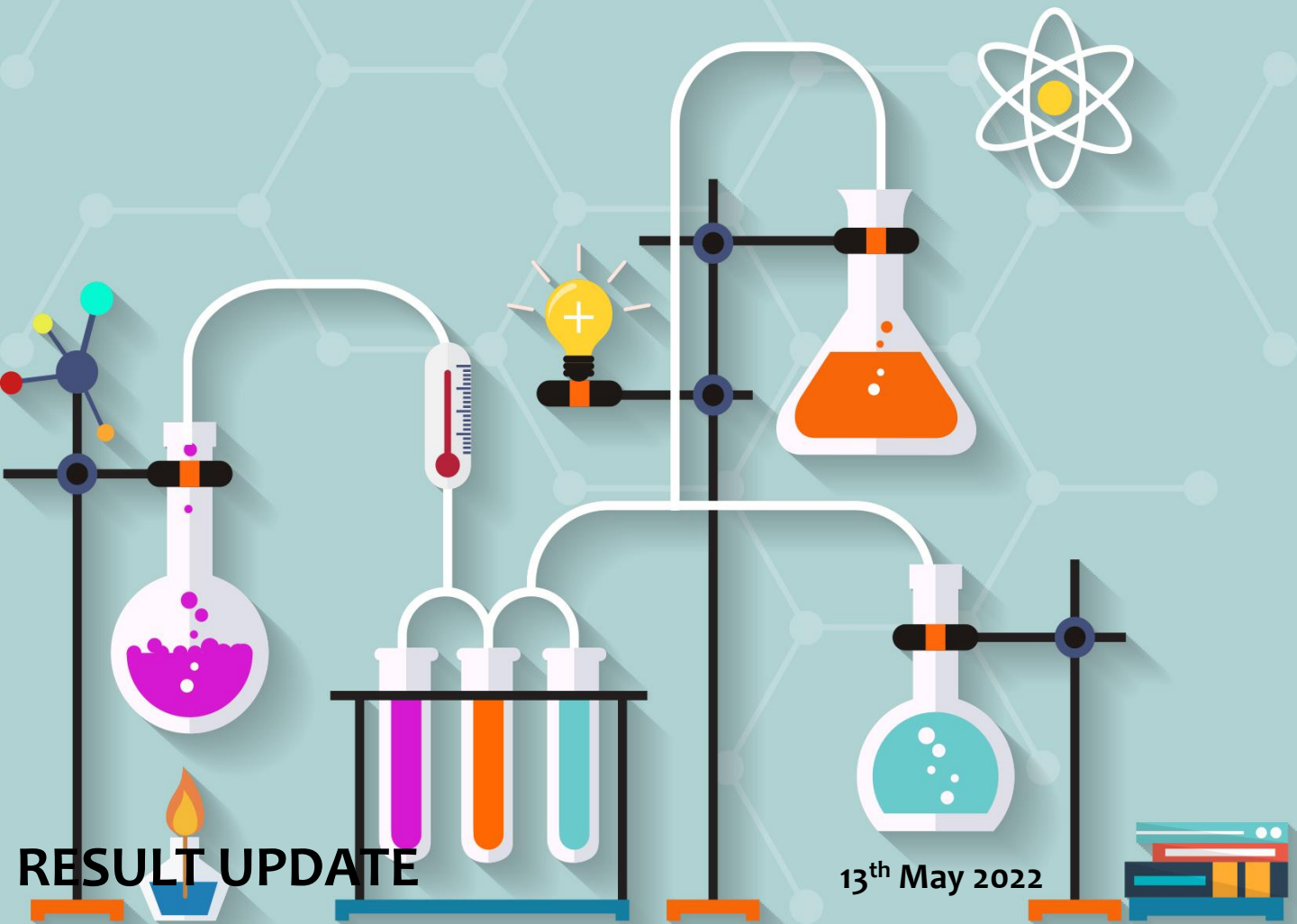


BALAJI AMINES Ltd.



RESULT UPDATE

13th May 2022



BALAJI AMINES LTD.

Business model aimed at sustainable growth

| | | | | | |
|-------------------------|----------------------------|----------------------------------|--|------------------------------|--------------------------------------|
| CMP INR 3,068 | Target INR 4,313 | Potential Upside 40.6% | Market Cap (INR Mn) INR 99,408 | Recommendation BUY | Sector Specialty Chemicals |
|-------------------------|----------------------------|----------------------------------|--|------------------------------|--------------------------------------|

Result Highlights of Q4FY22:

- During the quarter, Balaji Amines Ltd reported robust revenue of INR 7,790 Mn (+88% YoY / +37.80% QoQ). Such robust performance was mainly driven higher realisations from Amines & specialty chemical segment (+77.41% YoY / +29.68% QoQ), followed by growth in Hotel division (+50% YoY).
- On operational front EBITDA in Q4FY22 stood at INR 1,970 Mn (+52.86% YoY / +24.12% QoQ), OPM got hit by 584bps YoY and 281 bps QoQ to 25.29% in Q4FY22. Margins fell on account of rising input costs.
- Net Profit in Q4FY22 stood at INR 1,308 Mn showing an improvement of 47.34% on YoY basis and 28.79% on QoQ basis, with NPM at 16.80% (-465 bps YoY / -119 bps QoQ). Higher taxes dented the margins during the quarter.
- EPS during the quarter came at 33.56 against 26.08 in the same quarter last year.
- The company recommended a final dividend of INR 6 per share during the quarter.

MARKET DATA

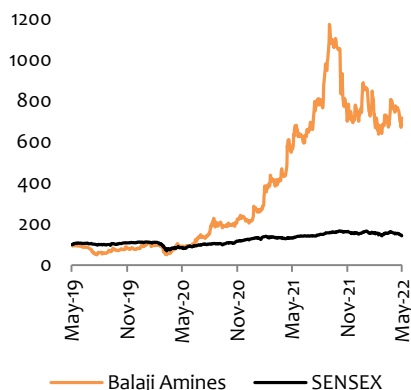
| | |
|-------------------|---------------|
| Shares outs (Mn) | 32 |
| Mkt Cap (INR Mn) | 99,408 |
| 52 Wk H/L (INR) | 5,220/2,361 |
| Volume Avg (3m K) | 112.7 |
| Face Value (INR) | 2 |
| Bloomberg Code | BLA IN Equity |

KEY FINANCIALS

| INR Mn | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------|--------|--------|--------|--------|--------|
| Revenue | 9,358 | 13,115 | 23203 | 26325 | 32910 |
| EBITDA | 1,807 | 3,734 | 6302 | 6844 | 8721 |
| PAT | 975 | 2,437 | 4179 | 4627 | 5947 |
| EBITDA Margin (%) | 19.31% | 28.47% | 27.16% | 26.00% | 26.50% |
| NPM (%) | 10.42% | 18.58% | 18.01% | 17.58% | 18.07% |

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

| | |
|--------|--------|
| SENSEX | 52,930 |
| NIFTY | 15,808 |

Improved volume offtake:

Balaji Amines Ltd in Q4FY22 reported robust revenue of INR 7,790 Mn (+88% YoY / +37.80% QoQ). Such robust performance was mainly driven by Amines & specialty chemical segment (+77.41% YoY / +29.68% QoQ), followed by growth in Hotel division (+50% YoY). Improved capacity utilisation pushed the volumes of its DMF and new Ethylamines plant supporting the growth. Total volumes stood at 33,780 MT for Q4FY22 as against 28,547 MT in Q4FY21.

Increase in input costs offset by higher price realisation:

On operational front EBITDA in Q4FY22 stood at INR 1,970 Mn (+52.86% YoY / +24.12% QoQ), OPM got hit by 584bps YoY and 281 bps QoQ to 25.29% in Q4FY22. The company's better operating leverage and improved price realization for some of its products helped offset rise in the input cost. Net Profit in Q4FY22 stood at INR 1,308 Mn showing an improvement of 47.34% on YoY basis and 28.79% on QoQ basis, with NPM at 16.80% (-465 bps YoY / -119 bps QoQ). Higher taxes dented the margins during the quarter.

Expansion plans under phase 2:

The company under phase 2 of expansion plan intends to incur capex of INR 3,000-3,500 Mn over the next 2years for setting up of New N-Butylamine plant (capacity 15,000 tpa), Acetonitrile plant (capacity 15,000 tpa), Methylamine plant (capacity 40,000 tpa), DMF plant (capacity 30,000 tpa). While most of the plants are likely to commence by FY25. Acetonitrile plant is likely to get commissioned by the mid of FY24. The entire capex will be funded mostly by internal accruals.

SHARE HOLDING PATTERN (%)

| Particulars | Mar-22 | Dec-21 | Sep-21 |
|-------------|--------|--------|--------|
| Promoters | 53.70 | 53.70 | 53.70 |
| FIIs | 3.99 | 3.90 | 4.00 |
| DIIs | 0.16 | 0.16 | 0.48 |
| Others | 42.15 | 42.24 | 41.82 |
| Total | 100 | 100 | 100 |

35.89%
**Revenue CAGR
between FY21 - FY24E**
34.63%
**PAT CAGR between
FY21 - FY24E**

BALAJI AMINES LTD.

Valuation and view:

We believe its higher return ratios depict the inherent strength of the business and capabilities developed in product manufacturing. In near term we see substantial increase in demand for its product's led by ramp up in production of subsidiary plant and also improvement in capacity utilization at its new Ethylamines, DMF and Acetonitrile plants. At a CMP of INR 3,068, BAL is trading at a P/E valuation of 22.05x/17.16x FY23E/24E earnings. **We maintain 'BUY' recommendation and apply P/E multiple of 23.5x to its FY24E earnings. We expect moderation in our estimated margins and hence we have reduced our estimated FY24 EPS slightly by 9%, with revised target price of INR 4,313 per share (earlier 5,674).**

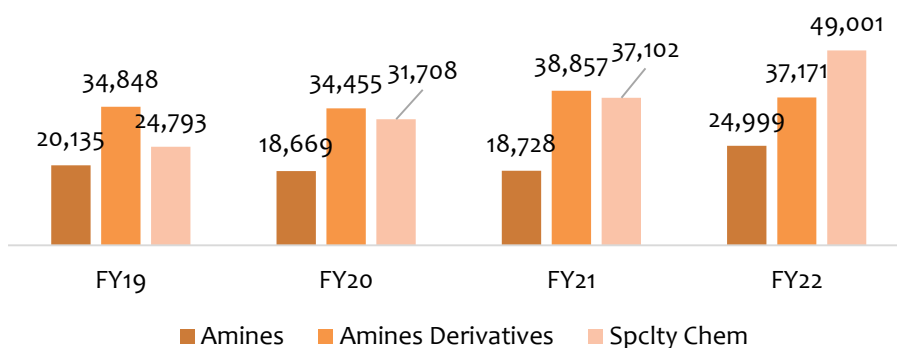
Key Concall Highlights:

- DMF and new Ethylamines plants have been running at much improved capacity utilization as compared to previous quarters.
- Plans to commence operations of its DMC plant under Phase 1 of our 90-acre Greenfield Project (Unit IV) by the end of May 2022.
- The company is confident of achieving the plant capacity utilization of 60-70% of its DMC plant in first year of its operation.
- Management sees enormous scope for DMC exports as well.
- Agrochemical and Pharma space would be the major growth driver for rise in demand for Methylamine.
- The demand for DMF continues to remain healthy with capacity utilization in Q4FY22 at 65%. This is expected to increase further to 75-80% in FY23 from about 42% in FY22.

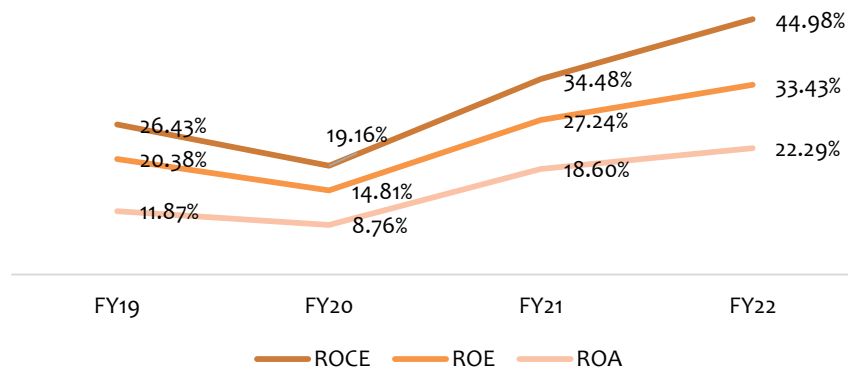
Update on subsidiary:

- Product portfolio is witnessing robust demand and higher price realization.
- Unavailability of key raw materials like ammonia impacted the operations in FY22.
- The company aims to increase the share of its exports to inch upwards from current 25% to about 30% going forward.
- For our new Acetonitrile plant, we plan to undertake production through a new upgraded technology, where we envisage to have cost advantage, which will enable us to withstand higher prices of acetic acid and shall lead to healthy operating margins.

Segmental volumes (tpa)



Improving Profitability ratios



Source: Company, KRChoksey Research

BALAJI AMINES LTD.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

| Income Statement (INR Mn) | FY20 | FY 21 | FY 22 | FY 23E | FY 24E |
|-----------------------------|--------------|---------------|---------------|---------------|---------------|
| Revenues | 9,358 | 13,115 | 23203 | 26325 | 32910 |
| COGS | 5,139 | 6,302 | 12764 | 14215 | 17607 |
| Gross profit | 4,219 | 6,813 | 10978 | 12109 | 15303 |
| Employee cost | 510 | 678 | 915 | 1053 | 1316 |
| Other expenses | 1,902 | 2,401 | 3761 | 4212 | 5266 |
| EBITDA | 1,807 | 3,734 | 6302 | 6844 | 8721 |
| Depreciation & amortization | 316 | 344 | 420 | 460 | 546 |
| EBIT | 1,491 | 3,390 | 5582 | 6384 | 8175 |
| Interest expense | 230 | 183 | 171 | 111 | 94 |
| Other income | 50 | 61 | 72 | 65 | 65 |
| PBT | 1,311 | 3,268 | 5783 | 6338 | 8146 |
| Tax | 336 | 831 | 1604 | 1711 | 2199 |
| Exceptional item | 0 | 0 | 0 | 0 | 0 |
| PAT | 975 | 2,437 | 4179 | 4627 | 5947 |
| EPS (INR) | 30.1 | 75.2 | 128.98 | 142.81 | 183.54 |

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

| Cash Flow Statement (INR Mn) | FY20 | FY 21 | FY 22 | FY 23E | FY 24E |
|------------------------------------|---------|-------|---------|--------|--------|
| Operating Cash Flow | 1,423 | 1,101 | 2,324 | 4,372 | 3,787 |
| Investing Cash Flow | (1,300) | (620) | (1,342) | (824) | (1766) |
| Financing Cash Flow | (256) | (374) | (660) | (476) | 14 |
| Net Inc/Dec in cash equivalents | (133) | 107 | 322 | 3,073 | 2,034 |
| Opening Balance | 204 | 70 | 196 | 518 | 3,591 |
| Closing Balance Cash & Cash Equiv. | 70 | 177 | 518 | 3,591 | 5,625 |

Source: Company, KRChoksey Research

Exhibit 3: Key Ratios

| Key Ratio | FY20 | FY21 | FY22 | FY23E | FY24E |
|-----------------------|--------|--------|--------|--------|--------|
| EBITDA Margins (%) | 19.31% | 28.47% | 27.16% | 26% | 26.50% |
| Net Profit Margin (%) | 10.42% | 18.58% | 18.01% | 17.58% | 18.07% |
| RoE (%) | 14.81% | 27.25% | 33.40% | 28.10% | 27.80% |
| RoCE (%) | 12.53% | 24.79% | 45.0% | 37.70% | 37.50% |
| RoA (%) | 8.76% | 18.60% | 22.29% | 20.08% | 20.56% |
| Debt/Equity | 0.18x | 0.10x | 0.05x | 0.03x | 0.01x |

Source: Company, KRChoksey Research

BALAJI AMINES LTD.

Exhibit 4: Balance Sheet

| Balance Sheet (INR Mn) | FY20 | FY 21 | FY 22 | FY 23E | FY 24E |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Property, plant and equipment (PPE) | 5,730 | 5,429 | 6,812 | 7,457 | 8,870 |
| Capital work-in-progress | 463 | 1,733 | 1,409 | 750 | 250 |
| Other financial assets | 58 | 59 | 60 | 42 | 42 |
| Deferred tax assets (Net) | 0 | 0 | 0 | 0 | 0 |
| Other non-current assets | 274 | 111 | 46 | 290 | 362 |
| Total non-current assets | 6,525 | 7,332 | 8,327 | 8,538 | 9,524 |
| Inventories | 1,088 | 1,099 | 2,223 | 3,101 | 3,877 |
| Trade receivables | 2,074 | 3,057 | 5,881 | 5,842 | 7,303 |
| Cash and cash equivalents | 43 | 173 | 331 | 3,591 | 5,625 |
| Bank balances other than (iii) above | 45 | 23 | 184 | 184 | 184 |
| Current tax assets | 400 | 752 | 1,330 | 475 | 734 |
| Other current assets | 480 | 667 | 472 | 1,053 | 1,316 |
| Total current assets | 4,605 | 5,771 | 10,421 | 14,246 | 19,040 |
| TOTAL ASSETS | 11,130 | 13,103 | 18,748 | 22,785 | 28,564 |
| Equity share capital | 65 | 65 | 65 | 65 | 65 |
| Other equity | 6,517 | 8,879 | 12,434 | 16,377 | 21,345 |
| Non-controlling interests | 102 | 155 | 650 | 650 | 650 |
| Total equity | 6,684 | 9,099 | 13,149 | 17,092 | 22,060 |
| Borrowings | 1,199 | 888 | 576 | 490 | 416 |
| Trade payables | 117 | 177 | 152 | 144 | 144 |
| Other financial liabilities | 24 | 29 | 4 | 28 | 28 |
| Deferred tax liabilities (Net) | 437 | 472 | 677 | 440 | 93 |
| Other non-current liabilities | 26 | 10 | 10 | 15 | 15 |
| Total non-current liabilities | 1,803 | 1,576 | 1,419 | 2,039 | 2,230 |
| Borrowings | 1,215 | 109 | 158 | 158 | 158 |
| Trade payables | 594 | 768 | 1,764 | 1,731 | 2,164 |
| Other financial liabilities | 189 | 301 | 301 | 526 | 658 |
| Other current liabilities | 35 | 36 | 19 | 23 | 23 |
| Provisions | 210 | 400 | 554 | 658 | 823 |
| Current tax liabilities (Net) | 400 | 814 | 1,384 | 814 | 814 |
| Total current liabilities | 2,643 | 2,428 | 4,180 | 3,911 | 4,640 |
| Total liabilities | 4,446 | 4,004 | 5,599 | 5,693 | 6,504 |
| TOTAL EQUITY AND LIABILITIES | 11,130 | 13,103 | 18,748 | 22,785 | 28,564 |

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 |
| 13-May-22 | 3,068 | 4,313 | BUY | Buy | More than 15% |
| 4-Feb-22 | 3,509 | 5,674 | BUY | | |
| 29-Oct-21 | 3,560 | 5,674 | BUY | Accumulate | 5% – 15% |
| 1-Oct-21 | 4,551 | 5,674 | BUY | | |
| | | | | Hold | 0 – 5% |
| | | | | Reduce | -5% – 0 |
| | | | | Sell | Less than – 5% |

ANALYST CERTIFICATION:

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