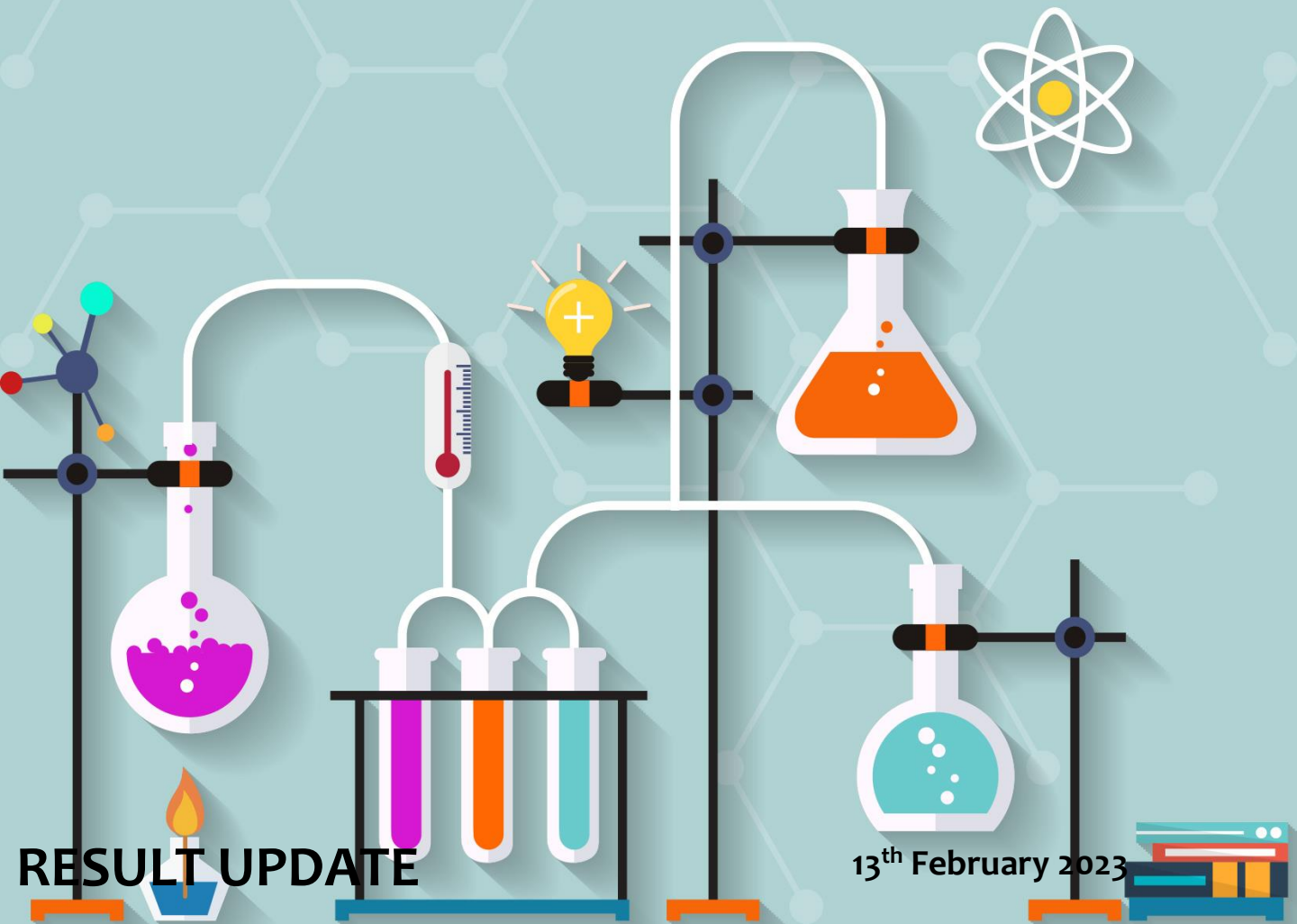


BALAJI AMINES Ltd.



RESULT UPDATE

13th February 2023



BALAJI AMINES LTD.

Ramp up in new capacities will drive better operating leverage

CMP INR 2,180	Target INR 3,790	Potential Upside 73.8%	Market Cap (INRmn) INR 1,04,646	Recommendation BUY	Sector Specialty Chemicals
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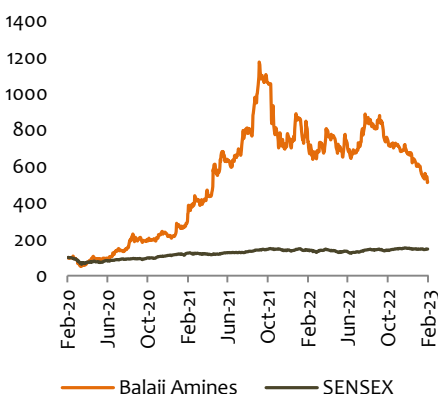
Result Highlights of Q3FY23:

- During the quarter, Balaji Amines Ltd (BAL) reported robust revenue of INR 5,859mn (+3.73% YoY / -6.62% QoQ). Such performance was mainly driven by higher volumes from amines & specialty chemical segments.
- On the operational front, EBITDA in Q3FY23 stood at INR 1,278mn (-19.52% YoY / -26.13% QoQ), OPM declined by 630bps/576bps YoY/QoQ. The decline in operating margin was mostly attributable to pharma and API industry contraction.
- Net Profit in Q3FY23 stood at INR 838mn showing a decline of -17.6%/-29.29% on YoY/QoQ basis, with NPM at 14.3%.
- EPS during the quarter came at 19.3 against 27.6 in the same quarter last year.

MARKET DATA

Shares outs (Mn)	32
Mkt Cap (INRmn)	1,04,646
52 Wk H/L (INR)	3,842/2,153
Volume Avg (3m K)	115.3
Face Value (INR)	2
Bloomberg Code	BLA IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	60,683
NIFTY	17,857

KEY FINANCIALS

INR mn	Q3FY23	Q3FY22	YoY	Q2FY23	QoQ
Revenue	5,859	5,649	1.04%	6,275	0.93%
EBITDA	1,278	1,588	0.80%	1,730	0.74%
PAT	838	1,017	0.82%	1,186	0.71%
EBITDA Margin (%)	21.81%	28.11%	630bps	27.57%	-446bps
NPM (%)	14.31%	18.00%	370bps	18.89%	-459bps

Source: Company, KRChoksey Research

Volumes continue to be steady despite challenging macro environments:

In Q3FY23, Balaji Amines Ltd reported stable revenue of INR 5,859mn (+3.73% YoY/-6.62% QoQ). Total volumes were 28,147 MT in Q3FY23, compared to 27,589 MT in Q3FY22 and 28,498 MT in Q2FY23. Such performance was mainly attributable to higher volumes from amines & specialty chemical segments on a YoY basis. However, the specialty chemical volume declined marginally by 6.5% on a sequential basis. Despite the challenging global environment, the specialty business continues to deliver a strong volume of 13,478 MT in Q3FY23 compared to 11,217 MT in Q3FY22 and 14,419 MT in Q2FY23. Standalone business continues to underperform with a YoY volume decline of 7.34%, whereas Balaji Specialty Chemicals Ltd (BSCL) has posted strong growth of 59% YoY. The ramp-up in capacity from Phase I capex and the newly commissioned plants in Phase II will begin contributing to the top line in the following quarters.

New capacities will lead to the greater operating leverage:

BAL's EBITDA in Q3FY23 stood at INR 1,278mn (-19.52% YoY / -26.13% QoQ). OPM declined by 630bps/576bps YoY/QoQ due to weak performance in the Pharma and API Industries. Moreover, the fall in realisation to 208/kg from 220/kg during the quarter, led to decline in the EBITDA margin for the company, which is expected to improve with the normalisation of raw material costs. Aside from that, the revenue contribution from the newly launched facilities will result in an increase in the EBITDA margin beginning in Q1 FY24.

Update on the recent capex announcement:

BAL has outlined its capex plans for the next 2-3 years with an outlay of INR 400-500mn. Out of the above capital expenditures, the company has also begun construction on the Methylamines plant, which is anticipated to be commissioned during the second half of FY24, and the production of other plants will begin within the next 2-3 years, subject to government approvals and environmental clearances.

SHARE HOLDING PATTERN (%)

Particulars	Dec-22	Sep-22	Jun-22
Promoters	53.70	53.70	53.70
FIIIs	4.39	4.55	4.51
DIIIs	0.37	0.24	0.18
Others	41.53	41.51	41.61
Total	100	100	100

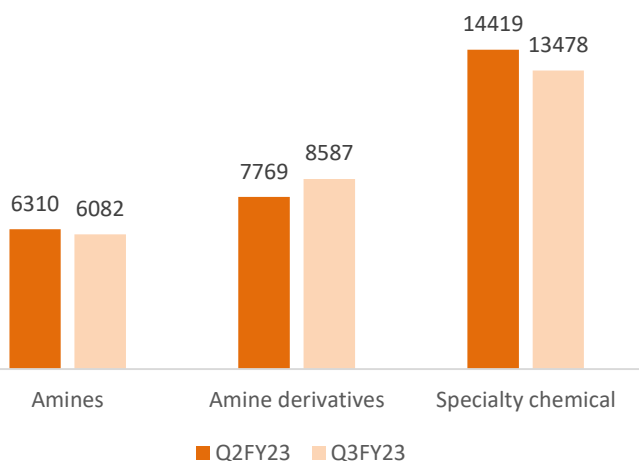
10.93%
**Revenue CAGR
between FY22 - FY24E**
13.03%
**PAT CAGR between
FY22 - FY24E**

BALAJI AMINES LTD.

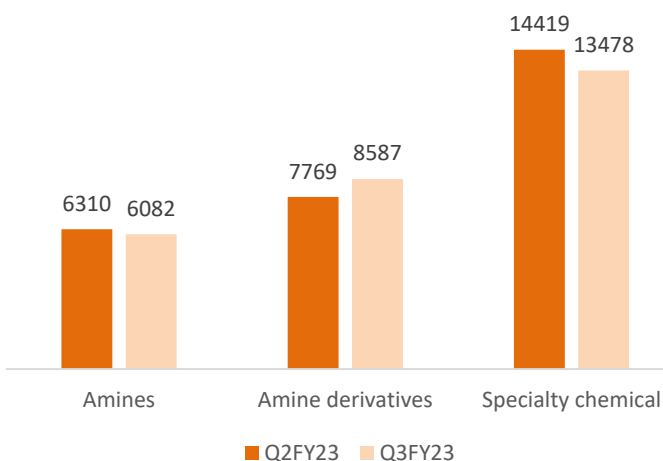
Valuation and view:

We believe BAL’s improved capacity utilisation at different plants will result in better operating leverage. Going ahead, Its strategic investments towards products which are substantial imports or products with limited competition will aid growth. **At CMP, BAL is trading at 21.28x/16.56x its FY23E/24E earnings. We remain positive as it will sustain growth potential and value the stock at a target P/E multiple of 23x FY24E, which yields a price of INR 3,790 per share(Earlier target price INR 4,313 per share) and thus maintain ‘BUY’ recommendation.**

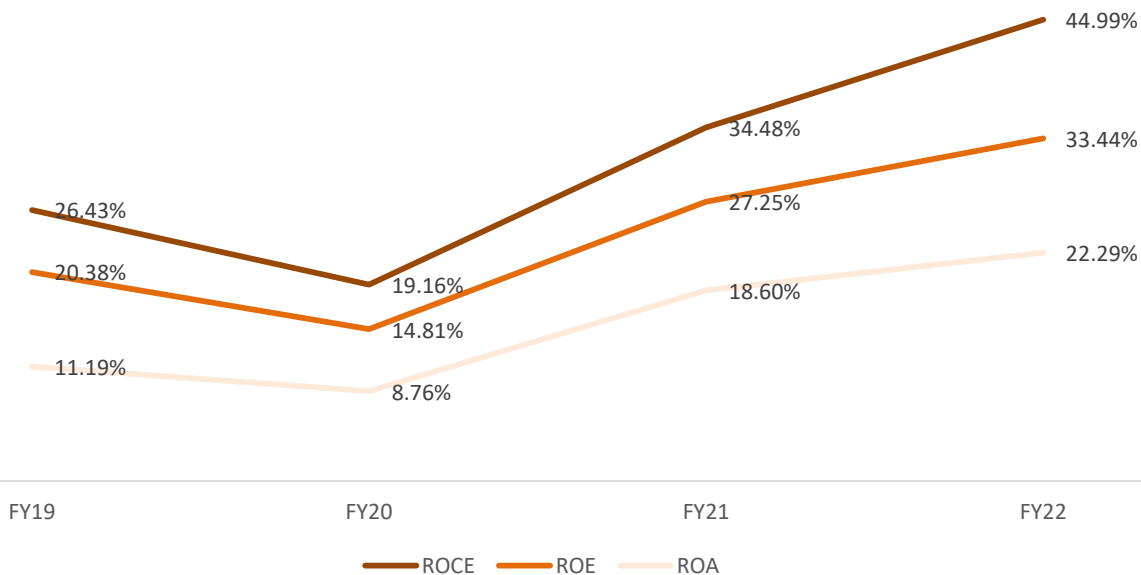
Segmental Volumes QoQ (MTPA)



Segmental Volumes QoQ (MTPA)



Improving Profitability ratios



Source: Company, KRChoksey Research

BALAJI AMINES LTD.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

Income Statement (INRmn)	FY20	FY 21	FY 22	FY 23E	FY 24E
Revenues	9,062	12,122	20,459	21,891	25,175
COGS	4,980	4,980	6,158	12,764	14,031
Gross profit	4,082	7,142	14,301	9,127	11,144
Employee cost	510	678	915	889.6301	1025.135
Other expenses	1,902	2,401	3,761	4,245	4,686
EBITDA	1,807	3,734	6,302	6,844	8,721
Depreciation & amortization	316	344	420	470	536
EBIT	1,491	3,390	5,882	6,374	8,185
Interest expense	230	183	171	125	105
Other income	50	61	72	128	135
PBT	1,311	3,268	5,783	6,296	7,314
Tax	336	831	1604	1700	1975
Exceptional item	0	0	0	0	0
PAT	975	2437	4179	4596	5339
EPS (INR)	30.09	75.22	128.98	141.85	164.80

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

Cash Flow Statement (INRmn)	FY20	FY 21	FY 22	FY 23E	FY 24E
Operating Cash Flow	1,423	1,101	2,324	4,680	4,709
Investing Cash Flow	-1,300	-620	-1,342	-824	-1,766
Financing Cash Flow	-256	-374	-660	-536	-164
Net Inc/Dec in cash equivalents	-133	107	322	3321	2778
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%	26.45%	26.50%
Net Profit Margin (%)	10.42%	18.58%	18.01%	17.58%	18.07%
RoE (%)	14.81%	27.25%	33.44%	27.95%	24.94%
RoCE (%)	19.16%	34.48%	44.99%	37.17%	33.37%
RoA (%)	8.76%	18.60%	22.29%	20.22%	18.85%
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 (INRmn)	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	1733	1409	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	2,994	3,451
Trade receivables	2,074	3,057	5,881	5,641	6,500
Cash and cash equivalents	43	173	331	3839	6617
Bank balances other than (iii) above	45	23	184	184	184
Current tax assets	400	752	1330	475	734
Other current assets	480	667	472	1053	1316
Total current assets	4,605	5,771	10,421	14,187	18,802
TOTAL ASSETS	11,130	13,103	18,748	22,725	28,326
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	2,643	2,428	4,180	3,851	4,402
Borrowings	1,215	109	158	158	158
Trade payables	594	768	1764	1671	1926
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	1384	814	814
Total current liabilities	2,643	2,428	4,180	3,851	4,402
Total liabilities	4,446	4,004	5,599	5,633	6,266
TOTAL EQUITY AND LIABILITIES	11,130	13,103	18,748	22,725	28,326

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-Feb-23	2,180	3,790	BUY	Buy	More than 15%
28-Oct-22	3,039	4,313	BUY		
16-Aug-22	3,557	4,313	BUY	Accumulate	5% – 15%
13-May-22	3,068	4,313	BUY		
4-Feb-22	3,509	5,674	BUY	Hold	0 – 5%
29-Oct-21	3,560	5,674	BUY		
1-Oct-21	4,551	5,674	BUY	Reduce	-5% – 0
				Sell	Less than – 5%

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KRChoksey Shares and Securities Pvt. Ltd

Registered Office:

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

Corporate Office:

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.

ANALYST

Abhishek Agarwal, research5@krchoksey.com, +91-22-6696 5540

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Phone: +91-22-6696 5555, Fax: +91-22-6691 9576

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