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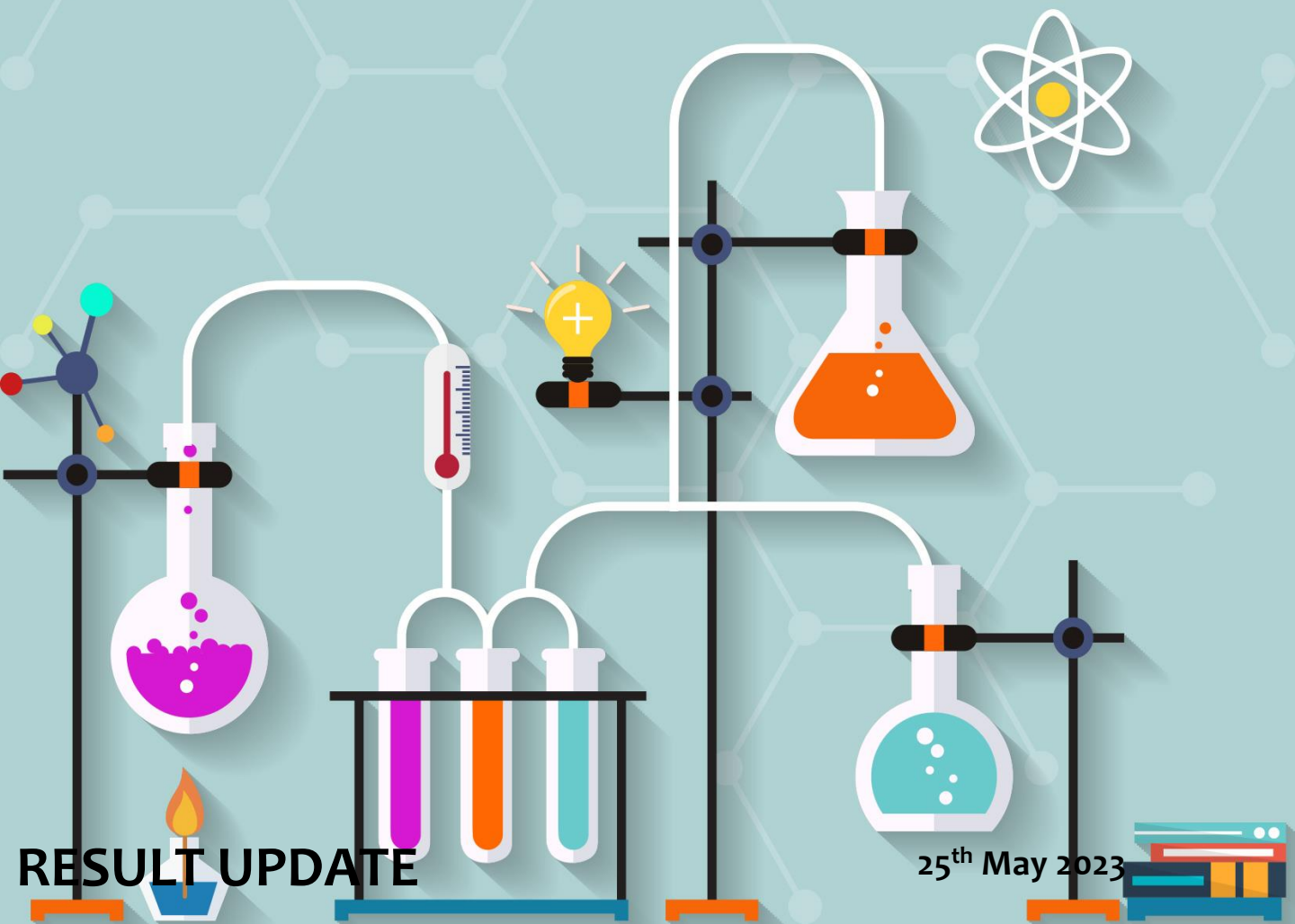
BALAJI AMINES Ltd.



RESULT UPDATE

25th May 2023

BALAJI AMINES LTD.

Ramp up in new capacities will drive volume growth

CMP	Target	Potential Upside	Market Cap (INRmn)	Recommendation	Sector
INR 2,170	**INR 3,191**	**47.0%**	**INR 70,317**	**BUY**	**Specialty Chemicals**

Result Highlights of Q4FY23:

- Revenue from Operations for Q4FY23 stood at INR 4714.0 mn, as compared to INR 7790 mn in Q4FY22 and INR 5859 mn in Q3FY23, declined by 39.5% YoY and 19.6% QoQ. Total volumes stood at 26,505 MT for Q4FY23 as against 33,780 MT in Q4FY22. EBITDA for Q4FY23 was INR 931 mn, as compared to INR 1972 mn in Q4FY22 and 1278 mn in Q3FY23, declined by 52.8% YoY and 27.1% QoQ.
- EBITDA margin for Q4FY23 stood at 19.8% as against 25.3% in Q4FY22 and 21.8% in Q3FY23. The fall in operating margin was primarily on account of degrowth in pharma and API sector.
- PAT for Q4FY23 was INR 552.1 mn, as compared to INR 1310.0 mn in Q4FY22 and INR 837.9 in Q3FY23, declined by 57.8% YoY and 34.1% QoQ. Diluted EPS for Q4FY23 stood at ₹ 14.63 per equity share as against ₹ 33.56 in Q4FY22.

MARKET DATA

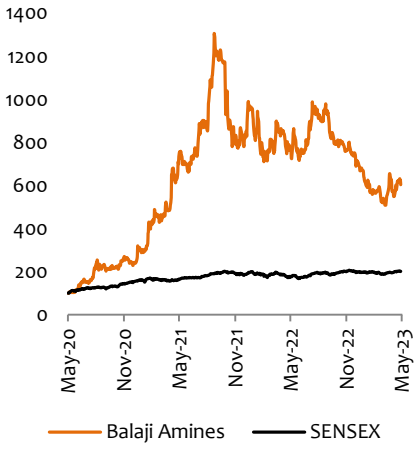
Shares outs (Mn)	32
Mkt Cap (INRmn)	70,317
52 Wk H/L (INR)	3,842/1,873
Volume Avg (3m K)	119.9
Face Value (INR)	2
Bloomberg Code	BLA IN

KEY FINANCIALS

INR mn	Q4FY23	Q4FY22	YoY	Q3FY23	QoQ
Revenue	4,714	7,790	-39.49%	5,859	-19.55%
EBITDA	931	1,972	-52.77%	1,278	-27.13%
PAT	552	1,310	-57.84%	838	-34.13%
EBITDA Margin (%)	19.76%	25.31%	-556 bps	21.81%	-205 bps
NPM (%)	11.71%	16.81%	-510 bps	14.31%	-259 bps

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	61,803
NIFTY	18,301

Decline in volume and realisation impacted the revenue:

The standalone revenue of the company experienced a significant decline, falling by 44% YoY and 16% QoQ, amounting to INR 3470 mn. This decline can be attributed to weak demand in the pharma, API, and agro industries, along with the volatility in key input prices such as ammonia, methanol, and acetic acid. Moreover, realisations also dipped, falling by 26% YoY and 14% QoQ to INR 159/kg due to correction in key raw material prices.

Balaji Specialty chemicals witnessed a significant decline in the revenue by 22% YoY and 28% QoQ to INR 1240 mn. This decline can be attributed to the non-availability of certain key raw materials, which led to lower utilization levels of around 70-72%. While volumes remained relatively flat compared to the previous year, there was a significant decline of 21% QoQ. Furthermore, realisations also experienced a decline, falling by 33% YoY and 9% QoQ to INR 261/kg due to correction in key input prices.

EBITDA margin declined, expected to improve in the upcoming quarters:

In Q4FY23, the EBITDA margin of the company was under pressure due to lower realisation, elevated input prices and the non-availability of certain key raw materials. These factors also impacted the utilization levels of the company. As a result, the consolidated EBITDA margin contracted by 556 bps YoY and 205 bps QoQ to 19.8%. Despite the recent decline in revenue and other challenges, the management is optimistic about the future performance of the company. They expect to deliver a margin of approximately 26% and anticipate an improvement in margins starting from the H2FY24 on back of uptick in the volume in Pharma and API sectors, ramp up in capacity utilization and optimization of raw material costs.

Capex plan to drive volume growth:

BAL has outlined its capex plans with an outlay of INR 2500-3000mn in FY24 and FY25. Newly commenced plants including DMC, PG, and Ethylamines, will start contributing to the company's revenue in the upcoming quarters. New capex pipeline such as N-Butylamines, Methylamine, Di Methyl Ether (DME), Acetonitrile, DMAHCL and DMF will drive company revenue and profitability for the next 2-3 years.

SHARE HOLDING PATTERN (%)

Particulars	Mar-23	Dec-22	Sep-22
Promoters	53.7	53.7	53.7
FIIs	4.5	4.4	4.6
DIIs	0.3	0.4	0.2
Others	41.5	41.5	41.5
Total	100	100	100

25.0%
Revenue CAGR between FY23 - FY25E

26.0%
PAT CAGR between FY23 - FY25E

ANALYST
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BALAJI AMINES LTD.

Key Concall Highlights:

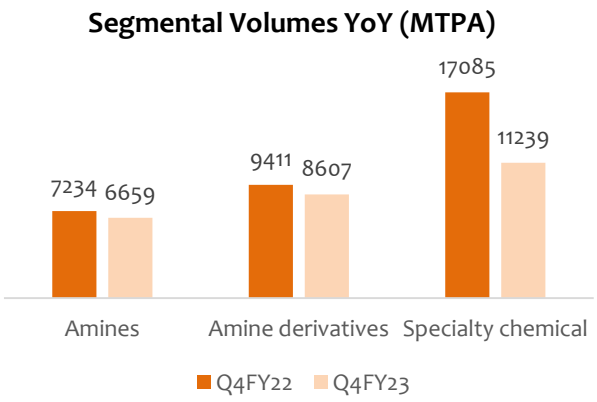
- Revenue performance of the company impacted due to weak demand in Pharma, API and Agrochemical industries.
- Unavailability of key raw materials coupled with high channel inventory, affected both revenue and profitability for Balaji specialty chemical.
- The company is currently experiencing an improvement in the availability of raw materials, and it is expected that this issue will be resolved in the next few quarters.
- The prices of all key raw materials have declined compared to previous highs. For example, the price of ammonia has fallen from 90-100/kg to 48-50/kg, while methanol price has decreased from $320 to $260 in the China market and is anticipated to reach a similar level in the Indian market. Additionally, the price of acetic acid has dropped from INR 78/kg to 38-40/kg. The management expects that these prices have significantly moderated from their peak and anticipates a further 10-15% decrease in the next two months before stabilizing.
- Despite the raw material shortage, Balaji specialty chemical has achieved a capacity utilization rate of 72% in FY23, compared to 56% in FY22. The company had anticipated reaching a utilization rate of over 75%.
- The management has guided to do growth capex of 2500-3000 mn in FY24 and same in FY25.
- The company expects a volume growth of 10% in FY25 from its existing facilities and aims to double its volume within the next three years through the planned capital expenditure.
- The management has guided for EBITDA margin of 22% of the standalone business and 26% on the consolidated basis.
- The construction of the DMC plant under Phase 1 of the 90-acre Greenfield Project (Unit IV) is almost complete, and it is expected to start operations by the end of May 2022.
- Revenues from newly commenced plants, including DMC, PG, and Ethylamines, will contribute to the company's top line in the upcoming quarters, potentially improving its margin profile starting from Q1FY24.

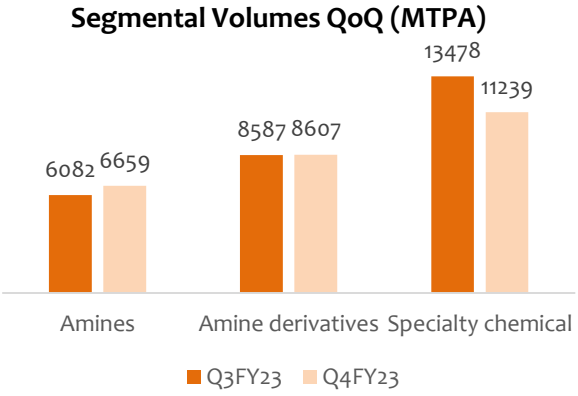
Capex plan:

- An N-Butylamines plant with a capacity of 15,000 tons per annum is under construction. The project is progressing at a fast pace, and it is expected to be commissioned in the second half of FY 2023-24.
- A Methylamine plant with a capacity of 40,000 tons is also in the works. The implementation work for this project has started, and it is likely to be commissioned around March 2024.
- The company is venturing into the production of Di Methyl Ether (DME) with an annual capacity of 100,000 tons. DME is a modern gas with various applications, including being used as a replacement for LPG as a fuel and in aerosol usage. Currently, the demand for DME is being met through imports of LPG. The company is exploring other applications and uses for DME, aiming to replace the usage of LPG.
- An Acetonitrile plant with a capacity of 15,000 tons is planned, and the company intends to adopt a new upgraded technology for its production. This technology will provide a cost advantage and enable the company to withstand higher prices of acetic acid.
- Additionally, the company is setting up a DMAHCL plant with a capacity of 12,000 tons and a DMF plant with a capacity of 30,000 tons.

Valuation and view:

During FY23, Balaji Amines Ltd. faced multiple macro headwinds such as pricing pressure, a correction in raw material prices, the unavailability of some of the key raw materials, and lower utilisation, which impacted both revenue and profitability of the company. However, we continue to hold a positive view on the company in the medium and long term, owing to the ramp-up of new capacities, normalisation of raw material costs, better operating leverage, and strategic investments in products that are substantial imports or products with limited competition. **At CMP, BAL is trading at 17.1x/13.6x its FY24E/25E earnings. We remain positive as it will sustain growth potential and value the stock at a target P/E multiple of 20x FY25E, which yields a price of INR 3,191 per share(Earlier target price of INR 3,790 per share), thus maintaining 'BUY' recommendation.**





Source: Company, KRChoksey Research

BALAJI AMINES LTD.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

Income Statement (INRmn)	FY21	FY22	FY23	FY24E	FY25E
Revenues	**12,122**	**19,199**	**17,263**	**21,579**	**26,973**
COGS	4,980	6,158	12,764	12,612	15,899
Gross profit	**7,142**	**13,041**	**4,499**	**8,967**	**11,074**
Employee cost	678	966	851	1,030	1,274
Other expenses	2,401	3,811	4,154	5,005	6,190
EBITDA	**3,734**	**6,302**	**6,844**	**8,721**	**8,721**
Depreciation & amortization	344	420	456	557	707
EBIT	**3,390**	**5,882**	**6,388**	**8,164**	**8,014**
Interest expense	183	171	120	105	105
Other income	61	147	152	160	170
PBT	**3,268**	**5,783**	**5,668**	**7,006**	**8,824**
Tax	831	1,604	1,611	1,892	2,383
Exceptional item	0	0	0	0	0
PAT	**2437**	**4,179**	**4,057**	**5,114**	**6,442**
EPS (INR)	**75.2**	**113.7**	**100.5**	**126.7**	**159.5**

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

Cash Flow Statement (INRmn)	FY21	FY22	FY23	FY24E	FY25E
Operating Cash Flow	1,101	1,759	3,822	4,037	5,209
Investing Cash Flow	-1,257	-1,415	-1,863	-2,208	-2,580
Financing Cash Flow	-421	-200	-812	-220	-105
Net Inc/Dec in cash equivalents	-577	143	1146	1610	2524
Opening Balance	304	154	331	1478	3087
Closing Balance Cash & Cash Equiv.	-273	297	1478	3087	5611

Source: Company, KRChoksey Research

Exhibit 3: Key Ratios

Key Ratio	FY21	FY22	FY23	FY24E	FY25E
EBITDA Margins (%)	28.5%	26.8%	25.9%	25.5%	26.0%
Net Profit Margin (%)	18.6%	18.0%	17.2%	17.4%	17.7%
RoE (%)	26.8%	31.8%	23.9%	23.1%	22.6%
RoCE (%)	34.2%	42.1%	33.0%	31.5%	30.8%
RoA (%)	18.6%	23.9%	20.7%	20.5%	20.3%
Debt/Equity	0.11	0.08	0.03	0.02	0.02

Source: Company, KRChoksey Research

ANALYST
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BALAJI AMINES LTD.

Exhibit 4: Balance Sheet

Balance Sheet (INRmn)	FY21	FY22	FY23	FY24E	FY25E
Property, plant and equipment (PPE)	5,429	6,812	7,805	10,248	12,541
Capital work-in-progress	1733	1,409	1,132	500	250
Other financial assets	59	61	62	77	95
Deferred tax assets (Net)	0	0	0	0	0
Other non-current assets	111	100	301	376	465
Total non-current assets	**7,332**	**8,382**	**9,300**	**11,201**	**13,351**
	0	0	727	727	727
Inventories	1,099	2,224	3,028	3,785	4,681
Trade receivables	3,057	5,881	3,778	4,723	5,840
Cash and cash equivalents	173	331	1,478	3,087	5,611
Bank balances other than (iii) above	23	184	886	886	886
Current tax assets	752	0	0	0	0
Other current assets	667	450	427	534	661
Total current assets	5,771	9,071	10,328	13,741	18,405
TOTAL ASSETS	**13,103**	**17,453**	**19,628**	**24,942**	**31,756**
Equity share capital	65	65	65	65	65
Other equity	8,879	12,434	15,478	20,592	27,034
Non-controlling interests	155	650	1,439	1,439	1,439
Total equity	**9,099**	**13,149**	**16,982**	**22,096**	**28,538**
Borrowings	888	576	303	303	303
Trade payables	177	0	0	0	0
Other financial liabilities	29	9	10	13	15
Provisions	0	7	18	23	28
Deferred tax liabilities (Net)	472	677	812	812	812
Other non-current liabilities	10	28	10	12	15
Total non-current liabilities	**1,576**	**1,297**	**1,153**	**1,163**	**1,174**
Borrowings	109	431	273	158	158
Trade payables	768	1,809	622	778	962
Other financial liabilities	301	630	480	600	742
Other current liabilities	36	83	58	73	90
Provisions	400	0	3	4	5
Current tax liabilities (Net)	814	55	57	71	87
Total current liabilities	**2,428**	**3,007**	**1,493**	**1,684**	**2,045**
Total liabilities	**4,004**	**4,304**	**2,646**	**2,846**	**3,219**
TOTAL EQUITY AND LIABILITIES	**13,103**	**17,453**	**19,628**	**24,942**	**31,756**

Source: Company, KRChoksey Research

BALAJI AMINES LTD.

Balaji Amines Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
25-May-23	2,170	3,191	BUY
13-Feb-23	2,180	3,790	BUY
28-Oct-22	3,039	4,313	BUY
16-Aug-22	3,557	4,313	BUY
13-May-22	3,068	4,313	BUY
4-Feb-22	3,509	5,674	BUY
29-Oct-21	3,560	5,674	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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