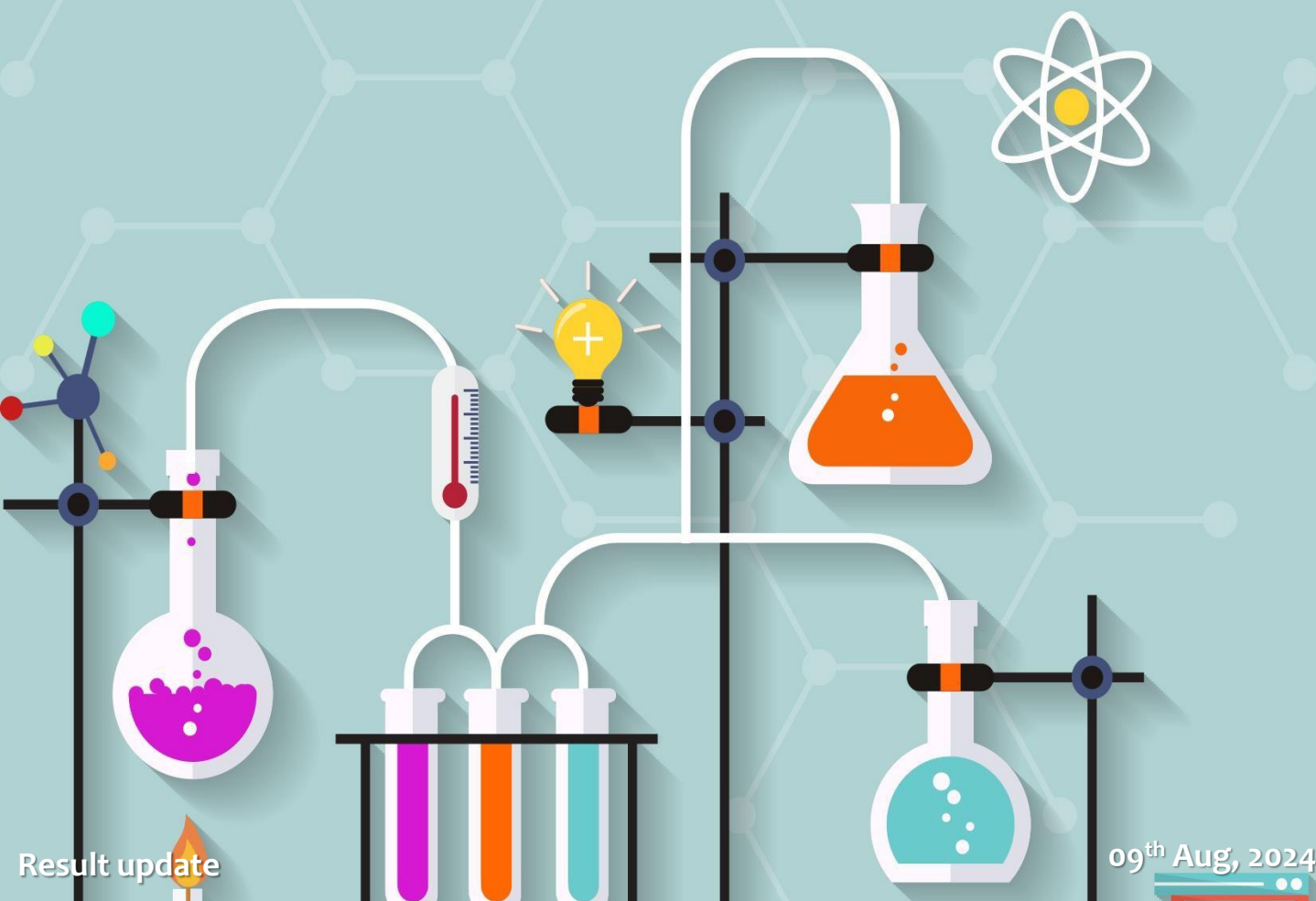




Q1FY25 Balaji Amines Ltd



Balaji Amines Ltd

Lack of demand in agrochemical sector impacted the quarterly performance

CMP INR 2,222*	Target INR 2,569	Potential Upside 15.6%	Market Cap (INR Mn) INR 71,735	Recommendation BUY	Sector Specialty Chemicals
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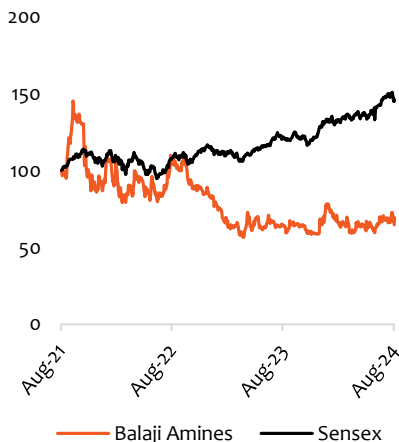
Result Highlights of Q1FY25:

- Balaji Amines missed our revenue estimate significantly due to a steep fall in the price realization. The EBITDA missed our estimates primarily due to a lower-than-expected revenue and higher-than-expected operating expenses.
- We believe the pharmaceutical market is showing positive momentum, which bodes well for future growth prospects. While the agrochemical market has experienced some softness in Q1FY25, we expect conditions to stabilize and see improvements in the coming quarters.
- We lower our FY25E/FY26E EPS by 5.4% and 2.8%, respectively due to a continued decline in price realization. Currently, the stock is trading at PE multiples of 24.6x and 18.6x, based on FY25E/FY26E EPS, respectively. We assign a P/E multiple of 21.5x (maintained) on FY26E EPS of INR 119.5 (previously: INR 122.9) to arrive at a target price of INR 2,569/share.

MARKET DATA

Shares outs (Mn)	32.4
Equity Cap (INR Mn)	18,932
Mkt Cap (INR Mn)	71,735
52 Wk H/L (INR)	2,735/1,960
Volume Avg (3m K)	109
Face Value (INR)	2
Bloomberg Code	BLA IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	78,886
NIFTY	24,117

KEY FINANCIALS

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Revenue	23,229	23,554	16,415	17,393	20,871
EBITDA	6,227	6,091	3,237	4,095	5,531
EBITDA margin (%)	26.8%	25.9%	19.7%	23.5%	26.5%
Adj PAT	3,684	3,255	2,049	2,927	3,873
Adj PAT margin (%)	15.9%	13.8%	12.5%	16.8%	18.6%
Adj EPS	113.7	100.5	63.2	90.3	119.5
P/E (x)	19.5	22.1	35.2	24.6	18.6

Source: Company, KRChoksey Research

Steep fall in price realization impacted top-line

- In Q1FY25, the revenue declined by 17.0% YoY (-7.1% QoQ) to INR 3,847 Mn, due to a steep fall in the price realization which was partially offset by mid-single-digit volume growth.
- Total volume growth was 4.7% YoY (+0.3% QoQ) to 28,071 MT (Metric Tons). This was primarily driven by growth in Amines' volume of about 9.5% YoY (-16.9% QoQ) to 7,401 MT, contributing 26.4% of total volume.
- Specialty Chemicals volume grew 5.1% YoY (+31.6% QoQ) to 12,371 MT (44.1% of total volume). Amines Derivatives volume had a flat growth of about 0.1% YoY (-14.2% QoQ) to 8,299 MT (29.6% of total volume).
- On average, price realization declined 20.7% YoY (-7.3% QoQ) to INR 137, due to a fall in raw material prices. The capacity utilization was constant at 46.0% in Q1FY25.

Increase in employee costs and fall in gross margins affected profitability

- Gross profit declined by 19.2% YoY (-16.5% QoQ) to INR 1,677 Mn. Gross profit margin contracted by 119 bps YoY (-492 bps QoQ), due to a fall in price realization.
- EBITDA for the quarter declined by 32.6% YoY (-32.4% QoQ) to INR 661 Mn. EBITDA margins contracted by 397 bps YoY (-643 bps QoQ) to 17.2%, primarily due to a fall in gross margin and increased employee costs.
- Adj. PAT declined 17.9% YoY (-36.4% QoQ) to INR 433 Mn. Adj. PAT margin contracted 12 bps YoY (-518 bps QoQ) to 11.3% due to a 43.9% YoY increase in other income.

SHARE HOLDING PATTERN (%)

Particulars	Jun-24	Mar-24	Dec-23
Promoters	53.7	53.7	53.7
FIIIs	5.0	4.9	4.6
DIIIs	1.6	1.5	1.4
Others	39.7	39.9	40.3
Total	100.0	100.0	100.0

*Based on previous closing

12.8%

Revenue CAGR between FY24 and FY26E

37.5%

Adj. PAT CAGR between FY24 and FY26E

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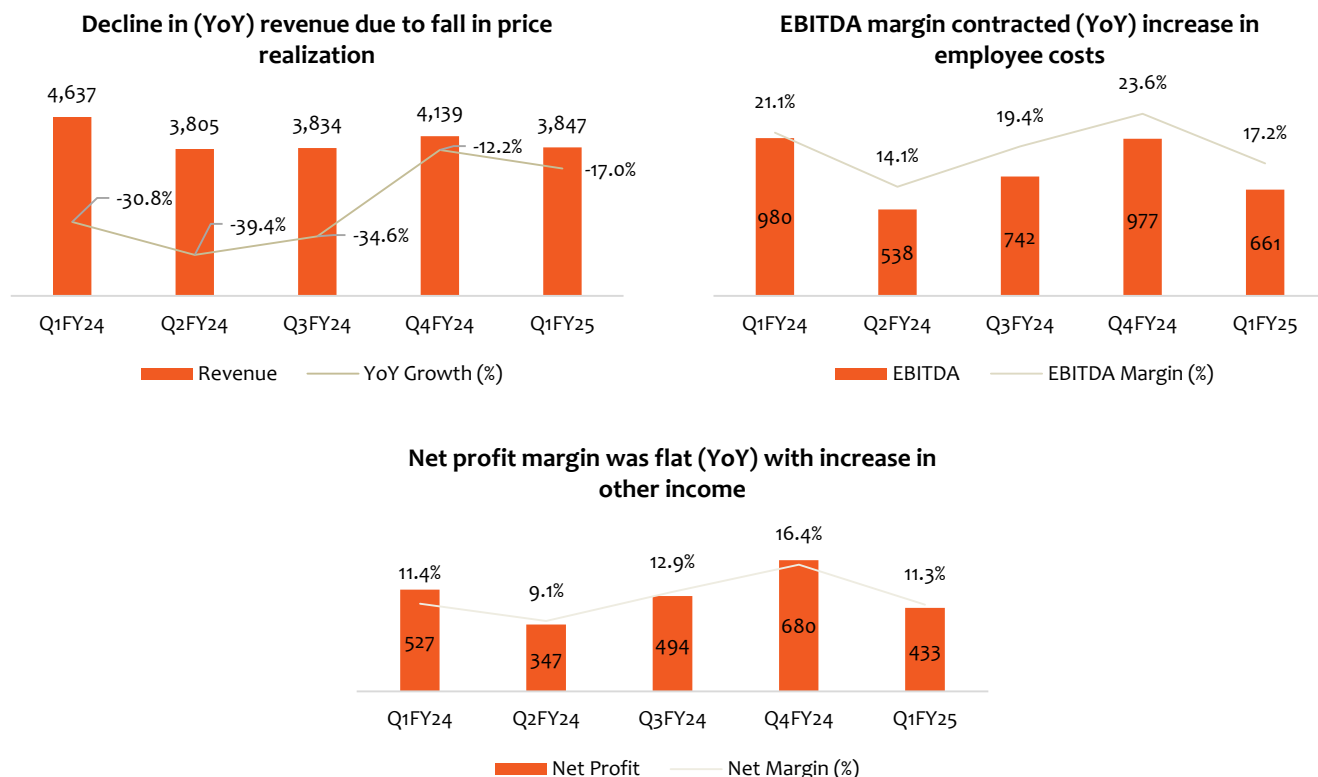
Updates on expansion projects:

- The **Methylamines** project is progressing as planned and is expected to be **commissioned by the end of Q3FY25E**.
- The **Electronic Grade DMC** (Dimethyl Carbonate) plant, which caters to the EV battery sector, is also on track for **commissioning during FY25E**.
- Currently, the Company is the sole manufacturer of DMC in India, with an **installed capacity of 15,000 MTPA**. Given the rising demand for **EV batteries**, this product line has significant growth potential in the coming years.
- The **Dimethyl Ether (DME)** project, with potential **applications in the aerosol industry** and as a replacement for LPG (Liquefied Petroleum Gas), is expected to be operational by Q4FY25E.
- The Company is looking for expansion into new product lines such as N-Methyl Morpholine (NMM), N-(n-butyl) Thiophosphoric triamide (NBPT), and Isopropylamine.
- Greenfield solar power Plant of 20 MW capacity, with the first phase of 8 MW expected to be operational by Q4FY25E.
- The Company has secured all necessary approvals for the establishment of a **20 MW greenfield solar power Plant** near MIDC, Solapur, Maharashtra.
- Construction is advancing rapidly, with the **first phase of 8 MW** expected to become operational by **Q4FY25E**. This strategic investment underscores the Company's commitment to sustainable energy initiatives.

Valuation and view:

In Q1FY25, Balaji Amines saw a notable revenue decline driven by a sharp drop in price realizations, mitigated by mid-single-digit volume growth. EBITDA margins contracted considerably, impacted by a reduction in gross margins and higher employee costs. We believe the pharmaceutical market is showing positive momentum, which bodes well for future growth prospects. While the agrochemical market has experienced some softness in Q1FY25, we expect conditions to stabilize and see improvements in the coming quarters. The ongoing capital expenditure projects are seen as crucial for enhancing the Company's product portfolio and long-term growth. **We lower our FY25E/FY26E EPS by 5.4% and 2.8%, respectively due to a continued decline in price realization. The stock has been flat since our last update. Currently, the stock is trading at PE multiples of 24.6x and 18.6x, based on FY25E/FY26E EPS, respectively. We expect the revenue to grow at 12.8% CAGR and PAT to grow at 37.5% CAGR over FY24-FY26E. We assign a P/E multiple of 21.5x (maintained) on FY26E EPS of INR 119.5 (previously: INR 122.9) to arrive at a target price of INR 2,569/share (previously: INR 2,643). Given the 15.6% upside, we maintain our rating of "BUY" on the stock.**

Quarterly trend in charts

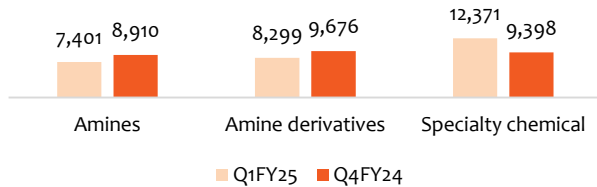


Source: Company, KRChoksey Research

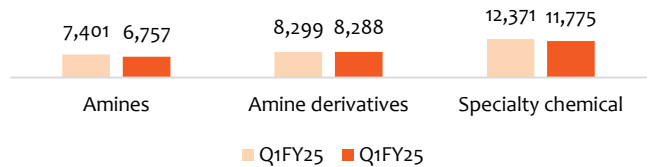
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Segmental volumes in a chart

Sequentially, overall volume was flat (MT)



Mid-single digit growth in YoY overall volume (MT)



KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Revenues	23,229	23,554	16,415	17,393	20,871
COGS	6,158	12,764	12,612	9,162	8,704
Gross profit	17,071	10,790	3,803	8,230	12,167
Employee cost	966	851	823	867	1,148
Other expenses	3,811	4,154	3,323	3,726	3,757
Adj EBITDA	6,227	6,091	3,237	4,095	5,531
Depreciation & amortization	420	456	454	435	720
EBIT before exceptional items	5,807	5,635	2,784	3,661	4,811
Exceptional item	0	0	0	0	0
EBIT	5,807	5,635	2,784	3,661	4,811
Interest expense	171	120	64	55	60
Other income	147	152	296	464	455
PBT	5,783	5,668	3,016	4,069	5,206
Tax	1,604	1,611	693	867	1,059
PAT before MI	4,179	4,057	2,323	3,202	4,147
Minority Interest	495	802	274	274	274
PAT	3,684	3,255	2,049	2,927	3,873
EPS (INR)	113.7	100.5	63.2	90.3	119.5

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Operating Cash Flow	2,196	3,822	2,196	2,373	3,261
Investing Cash Flow	(1,473)	(1,863)	(1,598)	(2,537)	(2,545)
Financing Cash Flow	(565)	(812)	(750)	12	(60)
Net Inc/Dec in cash equivalents	158	1,146	(152)	(151)	657
Opening Balance	173	331	964	812	661
Closing Balance Cash & Cash Equivalent	331	1,478	812	661	1,317

Source: Company, KRChoksey Research

Exhibit 3: Key Ratio

Key Ratio	FY22	FY23	FY24	FY25E	FY26E
EBITDA Margins (%)	26.8%	25.9%	19.7%	23.5%	26.5%
Net Profit Margin (%)	15.9%	13.8%	12.5%	16.8%	18.6%
RoE (%)	28.0%	19.2%	10.8%	13.4%	15.0%
RoCE (%)	42.1%	33.0%	16.1%	18.6%	20.3%
RoA (%)	21.1%	16.6%	9.5%	12.2%	13.8%
Debt/Equity (x)	0.08	0.03	0.01	0.01	0.01

Source: Company, KRChoksey Research

Balaji Amines Ltd

Exhibit 4: Balance Sheet

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Property, plant and equipment (PPE)	6,812	7,805	8,961	13,047	15,327
Capital work-in-progress	1,409	1,132	2,026	2,026	2,026
Other financial assets	61	62	71	45	55
Other non-current assets	100	301	415	222	267
Total non-current assets	8,382	9,300	11,492	15,340	17,674
Investment	0	727	0	0	0
Inventories	2,224	3,028	2,869	2,236	2,683
Trade receivables	5,881	3,778	3,194	2,790	3,348
Cash and cash equivalents	331	1,478	812	661	1,317
Bank balances other than (iii) above	184	886	2,586	2,586	2,586
Other current assets	450	427	506	316	379
Other financial assets	0	5	3	0	0
Total current assets	9,071	10,328	9,970	8,588	10,313
TOTAL ASSETS	17,453	19,628	21,462	23,928	27,987
Equity share capital	65	65	65	65	65
Other equity	12,434	15,478	17,154	20,081	23,953
Non-controlling interests	650	1,439	1,714	1,714	1,714
Total equity	13,149	16,982	18,932	21,860	25,732
Borrowings	576	303	106	106	106
Other financial liabilities	9	10	6	7	9
Provisions	7	18	44	13	16
Deferred tax liabilities (Net)	677	812	875	875	875
Other non-current liabilities	28	10	11	7	9
Total non-current liabilities	1,297	1,153	1,042	1,009	1,015
Borrowings	431	273	91	158	158
Trade payables	1,809	622	778	460	552
Other financial liabilities	630	480	503	355	425
Other current liabilities	83	58	50	43	52
Provisions	0	3	29	2	3
Current tax liabilities (Net)	55	57	37	42	50
Total current liabilities	3,007	1,493	1,487	1,059	1,240
Total liabilities	4,304	2,646	2,529	2,068	2,255
TOTAL EQUITY AND LIABILITIES	17,453	19,628	21,462	23,928	27,987

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
09-Aug-24	2,222	2,569	BUY	Buy	More than 15%
18-May-24	2,211	2,643	BUY		
12-Feb-24	2,201	2,831	BUY	Accumulate	5% – 15%
21-Nov-23	2,030	2,172	ACCUMULATE	Hold	0 – 5%
04-Sep-23	2,229	2,803	BUY	Reduce	-5% – 0
25-May-23	2,170	3,191	BUY		
13-Feb-23	2,180	3,790	BUY	Sell	Less than – 5%

ANALYST CERTIFICATION:

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