

17th August 2022

CMP – ₹3557/-

View – Buy

Q1FY23 Result Update

- During Q1FY23, the company reported revenue growth of 49% yoy & declined by 14% qoq to ₹670Cr v/s ₹451Cr in Q1FY22. The growth was supported by volume offtake due to ramp up of DMF & new Ethylamines plants as well as better realization & product mix across products. The total volumes increased by 7% yoy to 27,358 MT v/s 25,620 MT in Q1FY22.
- EBITDA for quarter stood at ₹215Cr v/s ₹143Cr up by 50% yoy & 9% qoq. Despite increase in all overhead, EBITDA margins improved to 32% v/s 25% qoq on account of better product mix, better realization across products and increase in operating leverage. PAT grew by 52% yoy & 13% qoq to ₹123Cr in Q1FY23, PAT margins stood at 18% v/s 20% in Q1FY22.

Key highlights:

- Ethylamines plant is running at (60-70%) improved capacity utilization as compared to Q4FY22.
- On the capex front, DMC plant under phase 1 of 90 acre Greenfield project (unit IV) is completed however, it is delayed due to chip shortage and expected to commence operations by the end of Aug 2022. Both DMC & Propylene Glycol manufacturing capacity will be ~15,000 tons per annum each. The management estimated that at the peak capacity utilization, this plant will generate revenue of ₹250-300Cr per year and also confident of achieving capacity utilization of 60-70% at DMC in 1st year of operation.
- Apart from phase 1 expansion, the company will be investing ₹300-350Cr in phase 2 Greenfield projects and will initiate construction in FY23 and FY24. This phase 2 expansion includes new product N-Butylamine (capacity of 15,000 tons), will be adding capacity in Acetonitrile (15,000 tons), Methylamine (40,000 tons) and DMF (30,000 tons) plants. These four projects are expected to commence production between mid FY24 till end of FY25.
- Going ahead in FY23, the management has provided revenue guidance of ₹700-750Cr, expects margins to sustain at current elevated levels and expect optimal capacity utilization of 70-80% in Balaji Speciality chemicals.
- Going ahead, BAL will be commissioning four projects over the next two years, it continues to explore opportunity within import substitution products and focus on expanding value added products in amine derivative and speciality products. The management expects to achieve revenue ₹2,200-2,300Cr on stand-alone basis and operating margins in the range of 24-26% would be sustainable in FY23.

Important Statistics

MCAP (₹ bn)	~₹115.32
52-Week H/L (₹)	5,223.55/2,692.75
NSE Code	BALAMINES
BSE Code	530999

Shareholding Pattern(%) June'22

Promoter Holding	53.7
FII	4.51
DII	0.19
Public& Others	41.61

Financials

Particulars	(₹ cr)				
	FY20	FY21	FY22	FY23E	FY24E
Revenues	936	1,311	2,320	2,827	3,265
EBITDA	181	373	630	735	865
EBITDA Margin (%)	19%	28%	27%	26%	27%
Net Profit	90	238	368	439	521
EPS (₹)	27.82	73.52	113.71	135.46	160.72
RoE (%)	14%	27%	29%	26%	24%
RoCE (%)	17%	33%	42%	39%	36%
P/E(x)	128	48	31	26	22
EV/EBITDA (x)	65	31	18	16	13

View

- Going ahead, we estimate that the company will report revenue/EBITDA/PAT growth of 19%/17%/19% CAGR over FY22-24E, this growth will be driven by commissioning of DMC plant by Q2FY23, incremental volume from debottlenecked DMF plant, ethyl amine capacity ramp-up and higher BSC plant utilization and new capex completions. It will sustain EBITDA margins in the range of 25-27%.
- At CMP ₹3557, the stock is trading at PE 22x EPS of ₹161, EV/EBITDA at 13.45x on FY24E. Considering attractive valuation, hence, **we recommend investor to BUY the stock.**

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Consolidated Quarterly Financials

(₹ Cr)					
Particulars	Q1Y23	Q1FY22	YoY %	Q4FY22	QoQ %
Net sales	670	451	49%	779	-14%
Total Income	670	451	49%	779	-14%
COGS	319	220	45%	437	-27%
Employees cost	26	19	41%	29	-11%
Other expenses	110	69	59%	116	-5%
Total Expenditure	455	308	48%	582	-22%
EBITDA	215	143	50%	197	9%
EBITDA margins %	32%	32%		25%	
Depreciation	11	10	15%	11	3%
EBIT/ Operating Profit	204	133	53%	186	9%
Interest	3	3	9%	5	-34%
Other income	5	1	272%	2	122%
PBT	205	131	56%	183	12%
Provision for current tax	57	27	111%	48	19%
Provision for Deferred Tax		7	-100%	5	-100%
PAT	148	97	52%	131	13%
Minority interest	-25	-7	254%	-22	13%
Reported PAT	123	90	36%	109	13%
PAT margins %	18%	20%		14%	
No. of Shares	3	3	0%	3	0%
EPS (Basic & diluted)	37.95	27.88	36%	33.56	13%

Source: Company Filing, Way2wealth Research

Segment Performance

(₹ Cr)					
Segments	Q1Y23	Q1FY22	YoY %	Q4FY22	QoQ %
Amines & Speciality chemicals	733.82	469.53	56%	802.90	-9%
hotel division	6.19	1.42	337%	5.39	15%
CFL lamps	0.00	0.71	-100%	0.00	
Total	740.47	471.66	57%	808.29	-8%
Less: Inter segmt rev.	65.61	20.98	213%	29.24	124%
Net sales	674.86	450.68	50%	779.04	-13%
Segment Results					
Amines & Speciality chemicals	206.44	135.28	53%	187.85	10%
EBIT margin %	28%	29%		23%	
hotel division	1.53	-0.60	-355%	0.58	163%
EBIT margin %	25%	-42%		11%	
CFL lamps	-0.04	-0.07	-45%	-0.04	-10%
total PBIT	208.39	134.62	55%	188.39	11%
Less: Interest	3.41	3.14	9%	5.15	-34%
Amines & Speciality chemicals	3.37	3.13	8%	5.12	-34%
hotel division	0.04	0.01	400%	0.03	33%
CFL lamps	0.00	0.00		0.00	-100%
total PBT	204.98	131.48	56%	183.24	12%
Amines & Speciality chemicals	203.06	132.15	54%	182.72	11%
hotel division	1.49	-0.61	-345%	0.55	171%
CFL lamps	-0.04	-0.07	-45%	-0.04	-10%

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement Balaji Amines Ltd. as on August 17th, 2022

Name of the Security	Balaji Amines Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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