

24th May 2024

CMP – ₹2,213/-

View – Buy

Q4FY24 Result Update

- Balaji Amines' financial performance improvement in Q4FY24 on a sequential basis hints to a start of positive trajectory going forward. Volume uptick comes on the back of recovery in domestic demand along-with healthy overseas market trends.
- In Q4FY24, consol. revenue fell -12% YoY/+8% QoQ to ₹414crs. It was driven by strong performance of standalone business wherein revenues were up +6% YoY/ +19% QoQ to ₹367crs, however, dragged by Balaji Specialty Chemicals, with topline of ₹47crs falling significantly on YoY and QoQ basis.
- Consolidated realizations improved sequentially +4% QoQ (-16% YoY) to ₹151/kg with standalone realizations rising +8% QoQ (-11% YoY) to ₹144/kg but subsidiary Balaji Specialty's realizations growing by only +2% QoQ (-10% YoY) to ₹230/kg.
- Aided by the recovery seen in domestic market demand, BAL's consol volumes came higher by +6% YoY/ +4% QoQ at 27,984 MT driven mainly by standalone amines business as volumes surged by +20% YoY/ +10% QoQ to 25,814 MT, but Balaji Specialty's volumes were down -56% YoY/ -37% QoQ to 2,170 MT impacted due to plant shutdown during the quarter.
- While raw material prices remained stable during the quarter, better realizations led to gross profit coming in at ₹201crs down -4% YoY/up +17% QoQ and gross profit margins improving +416bps YoY/+372bps QoQ to 49%.
- During Q4FY24, EBITDA was up by +5% YoY/+32% QoQ to ₹98crs with margins coming in at 24%, up +385bps YoY/+425bps QoQ. It was primarily on account of significant margin expansion of +857bps YoY/+509bps QoQ to 25.5% at the standalone amines entity. This margin expansion was observed despite elevated employee cost amid strong capex cycle as it was offset by well controlled operating costs.
- Aided by further reduction in finance costs and inched up other income, profit after tax (after MI), came at ₹68crs up +44% YoY/+38% QoQ.

Key highlights:

○ **Update on capex –**

Methylamine – Project is likely to be commissioned around end-Dec 2024.

Electronic Grade DMC – Existing DMC plant to be modified to produce Electronic Grade DMC and will be commissioned in FY25. BAL is only DMC producer in India with installed capacity of 15,000 MTPA.

Dimethyl Ether – Plant to manufacture DME is under execution at Unit-IV, to be commissioned around March 2025.

N-Methyl Morpholine (NMM) – A plant to manufacture 3,000 MTPA to be commissioned by end-FY25.

N-(n-butyl) Thiophosphorictriamide (NBPT) – A plant to manufacture 2,500 MTPA to be commissioned by end-FY25.

Isopropylamine – By modifying the existing Ethylamines plant at Unit-I, company plans to manufacture Isopropylamine (Mono & Di).

In first phase of capex, BAL will add 6 new products, Triethyl orthoformate, Trimethyl Orthoformate, Hydrogen Cyanide, EDTA, Benzyl Cyanide and Phenylacetic Acid which would entail ₹300-400crs of capex investment.

Important Statistics

Nifty	22,968
Sensex	75,418
MCAP (₹ bn)	~₹72
52-Week H/L (₹)	2735/2000
NSE Code	BALAMINES
BSE Code	530999
Bloomberg Code	BLA:IN

Shareholding Pattern(%) Mar'24

Promoter Holding	53.70
FII	4.92
DII	1.48
Public & Others	39.91

Financials

Particulars	₹ cr		
	FY24	FY25E	FY26E
Revenue	1,642	2,052	2,612
EBITDA	324	447	588
EBITDA Margin	20%	22%	23%
PAT	205	278	367
EPS	63	86	113
P/E	35	26	20
RoE	11%	14%	15%

Source: Company, Way2wealth Research

Relative Performance

Return(%)	1Yr	3Yr	5Yr
Balaji Amines	2%	-22%	447%
Nifty 50	26%	51%	94%
Sensex	22%	49%	91%

Source: Company, Way2wealth Research

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 View – **Buy**
Outlook

- In Q4FY24 BAL posted resilient performance as subdued volume growth at the subsidiary was overshadowed by demand recovery led strong volume surge at the standalone entity. Key highlight for the quarter was the fact that management ascribed the volume growth to improving demand scenario at domestic as well as international markets hinting to a start of positive journey ahead.
- Management has laid down a strong capex pipeline of ~₹750crs for next couple of years which would largely be funded through company's internal accruals. This new product basket largely falls under the specialty chemicals category and contribution from these products would favorably change the product mix to increase operating margins.
- Amid challenging external environment, BAL was able to post ~8% volume growth in FY24. With improving demand dynamics, management aims to achieve 10% volume growth in FY25 and in anticipation of increase in realizations, operating margins could be between 21-24%.
- **At CMP ₹2,213, the stock is trading at 20x its FY26e P/E multiple, As we see recovery in demand from end-user industries especially Agro-chemicals, and expect situation to normalise by 2HFY25, BAL remains one of the preferred pick from chemical basket as it is slated to benefit out of improving export trends. As margins are likely to improve hereon led by company's changing product mix towards specialty chemicals, we believe current valuation are attractive and thus we recommend investors to BUY the stock.**

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Consolidated Quarterly Financials

									(₹ Cr)
Particulars	Q4FY24	Q4FY23	% Chng YoY	Q3FY24	% Chng QoQ	FY24	FY23	% Chng YoY	
Revenue from operations	414	471	-12%	383	8%	1,642	2,355	-30%	
Cost of raw materials consumed	244	227	7%	201	21%	916	1,261	-27%	
Changes in inventories	-30	36	-186%	10	-393%	-13	-15	-15%	
Cost of Raw material	213	262	-19%	212	1%	903	1,246	-27%	
Gross Profit	201	209	-4%	172	17%	738	1,110	-33%	
Gross profit margin	49%	44%	416 bps	45%	372 bps	45%	47%	-213 bps	
Employee expense	25	18	36%	21	19%	82	85	-3%	
Other expense	79	98	-20%	77	2%	332	415	-20%	
Operating expense	103	116	-11%	97	6%	415	500	-17%	
EBITDA	98	93	5%	74	32%	324	609	-47%	
EBITDA margin	24%	20%	385 bps	19%	425 bps	20%	26%	-614 bps	
Depreciation and amortization	12	11	10%	11	13%	45	46	0%	
EBIT	85	82	4%	63	35%	278	564	-51%	
Finance costs	1	3	-48%	2	-15%	6	12	-46%	
Other income	9	6	59%	8	3%	30	15	94%	
Profit before tax	93	85	9%	70	32%	302	567	-47%	
Tax expense	20	30	-31%	14	41%	69	161	-57%	
Profit after tax	72	55	31%	56	30%	232	406	-43%	
Exception items	-	-	-	-	-	-	-	-	
Non-controlling interest	4	8	-43%	6	-30%	27	80	-66%	
Shareholder's Profit	68	47	44%	49	38%	205	326	-37%	

Source: Company, Way2wealth Research

Consolidated Financials

						(₹ Cr)
Particulars	FY22	FY23	FY24	FY25E	FY26E	
Net sales	2,323	2,355	1,642	2,052	2,612	
COGS	1,223	1,246	903	1,112	1,397	
Gross Profit	1,100	1,100	738	940	1,214	
Gross Profit Margin	47%	47%	45%	46%	47%	
Employees cost	97	85	82	103	131	
Other expenses	381	415	332	390	496	
EBITDA	623	609	324	447	588	
EBITDA margins %	27%	26%	20%	22%	23%	
Depreciation	42	46	45	57	73	
EBIT/ Operating Profit	581	564	278	390	515	
Interest	17	12	6	5	5	
Other income	15	15	30	31	39	
PBT	578	567	302	415	548	
Tax Expense	160	161	69	98	129	
PAT	418	406	232	318	420	
Minority interest	49	80	27	40	52	
Reported PAT	368	326	205	278	367	
PAT margins %	16%	14%	12%	14%	14%	
EPS (Dil.)	114	100	63	86	113	

Source: Company, Way2wealth Research

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Disclosure of Interest Statement Balaji Amines Ltd. as on May 24th, 2024

Name of the Security	Balaji Amines Ltd.
Name of the analyst	Prasad Hase
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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