

Balaji Amines

Robust performance

Our ADD recommendation on Balaji Amines (BLA) with a price target of INR 2,950 is premised on (1) robust demand from pharma and agrochemical industry that comprise 77% of its revenue mix; (2) ramp-up in BSCL's production; (3) doubling of methylamines by FY24; and (4) production linked incentive scheme that provides the right tailwinds for long-term volume growth. 4Q EBITDA/APAT were 20/13% above our estimates, owing to 6% rise in revenue, lower-than-anticipated raw material costs, and lower-than-expected depreciation. These were offset by higher-than-expected tax outgo.

- Volumes, realisations and margins:** Total sales volume was 24.88kt (+12/-12% YoY/QoQ). Along with the healthy volumes, per-unit gross margin also improved by 58/28% YoY/QoQ to INR 78/kg. The tabulated per-kg realisation from the Amines segment comes to INR 148 (+42/16% YoY/QoQ). Back calculated per-kg EBITDA improved by 82/29% YoY/QoQ to INR 44. Gross margin stood at 53.1%, +497/509bps YoY/QoQ. EBITDA margin jumped by 664/286bps YoY/QoQ to 29.4% (HSIE 25.9%) on the back of better price realisations across most of the products and increase in operating leverage due to surge in volume offtake.
- Con call takeaways:** (1) The Board has recommended a final equity dividend of INR 4/sh for FY21. (2) The new plant of Ethylamines at Solapur, which has installed capacity of 50 tons per day, has commenced operations from May'21. Now, BLA has the largest installed capacity of Ethylamines in India at 22.5ktpa. (3) The de-bottlenecking of the Acetonitrile plant has been delayed on account of lack of skilled manpower due to pandemic-led restrictions. In 4Q, capacity utilisation of the DMF plant was at about 48%. (4) BSCL witnessed substantial ramp-up in capacity utilisation due to increase in demand for EDA. BLA is currently manufacturing 1,300-1,500 tons per month.
- Change in estimates:** We raise our FY22/23E EPS estimate by 26.8/28.7% each to INR 79.9/91.6 to factor in FY21 performance and management's positive guidance on volumes and margins.

DCF-based valuation: Our price target is of INR 2,950 (WACC 10%, terminal growth 3.5%). The stock is trading at 30.3x FY23 EPS.

Standalone financial summary

YE Mar (INR mn)	4Q FY21	3Q FY21	QoQ (%)	4Q FY20	YoY (%)	FY19*	FY20*	FY21P*	FY22E*	FY23E*
Net Sales	3,717	3,647	1.9	2,355	57.8	9,431	9,358	13,115	15,326	17,304
EBITDA	1,091	967	12.9	535	103.9	1,934	1,807	3,732	3,855	4,403
APAT	792	702	12.9	324	144.9	1,171	975	2,435	2,588	2,968
Adj. EPS (Rs)	24.5	21.7	12.9	10.0	144.9	36.1	30.1	75.2	79.9	91.6
P/E (x)						76.8	92.2	36.9	34.7	30.3
EV/EBITDA(x)						47.6	51.1	24.4	22.9	19.5
RoE (%)						19.8	14.6	26.8	22.1	20.3

Source: Company, HSIE Research | *Consolidated

Consolidated Change in Estimates

	FY22 Old	FY22 New	Change (%)	FY23 Old	FY23 New	Change (%)
EBITDA (INR mn)	3,190	3,855	20.8	3,592	4,403	22.6
EPS (INR/sh)	63.0	79.9	26.8	71.2	91.6	28.7

Source: Company, HSIE Research

ADD

CMP (as on 26 May 2021)	INR 2,778
Target Price	INR 2,950
NIFTY	15,301

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,540	INR 2,950
EPS %	FY22E	FY23E
	+26.8%	+28.7%

KEY STOCK DATA

Bloomberg code	BLA IN
No. of Shares (mn)	32
MCap (INR bn) / (\$ mn)	90/1,210
6m avg traded value (INR mn)	494
52 Week high / low	INR 2,960/379

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	70.5	186.2	616.2
Relative (%)	66.6	170.9	549.5

SHAREHOLDING PATTERN (%)

	Dec-20	Mar-21
Promoters	53.70	53.70
FIs & Local MFs	0.37	0.46
FPIs	1.64	2.18
Public & Others	44.29	43.66
Pledged Shares	0.00	0.00

Source: BSE

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Disclosure:

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