

March 26, 2024

## Visit Update

### Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22	FY23
Sales (Rs. m)	9,358	13,115	23,204	23,554
EBITDA (Rs. m)	1,807	3,732	6,194	6,091
Margin (%)	19.3	28.5	26.7	25.9
PAT (Rs. m)	1,048	2,382	3,684	3,255
EPS (Rs.)	32.3	73.5	113.7	100.5
Gr. (%)	(10.5)	127.3	54.7	(11.6)
DPS (Rs.)	2.6	4.0	6.0	10.0
Yield (%)	0.1	0.2	0.3	0.5
RoE (%)	17.0	30.7	34.4	23.2
RoCE (%)	14.6	27.4	34.3	25.7
EV/Sales (x)	7.0	5.0	2.8	2.8
EV/EBITDA (x)	36.2	17.5	10.6	10.7
PE (x)	63.8	28.1	18.1	20.5
P/BV (x)	10.16	7.5	5.3	4.3

### Key Data

BAMN.BO | BLA IN

52-W High / Low	Rs. 2,735 / Rs. 1,880
Sensex / Nifty	72,641 / 22,012
Market Cap	Rs.66.9bn/ \$ 803.5m
Shares Outstanding	32.4m
3M Avg. Daily Value	Rs. 353.1m

### Shareholding Pattern (%)

Promoter's	53.70
Foreign	4.57
Domestic Institution	1.43
Public & Others	40.30
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(6.1)	(6.1)	4.2
Relative	(5.6)	(18.4)	(26.2)

**Swarnendu Bhushan**

swarnendubhushan@plindia.com | 91-22-66322260

**Saurabh Ahire**

saurabhahire@plindia.com |

## DME can be a game changer

### Quick Pointers:

- Methyl Amine and DME projects on track, to be commissioned in FY25
- Expected capacity addition for PVP K-30, as the current capacity is fully utilised

**We visited Balaji Amine Ltd's (BAL IN) Solapur plant in Maharashtra and had an opportunity to meet the management to better understand the key products manufactured, business operations and capex plans. Established in 1988, the company is one of the leading manufacturer of Methylamines, Ethylamines and derivatives. Balaji has total 6 manufacturing units spread across approx. 270 acres. In 9MFY24, EPS stood at Rs42.2. The stock trades at 37x annualized 9MFY24 EPS.**

- **Improvement in Q4FY24 anticipated, primarily led by volume growth:** Management suggests a projected increase in volumes across segments, albeit with limited impact on revenue due to lower realizations. The management foresees a sustainable EBITDA margin ranging between 21-23% in the foreseeable future. The butyl amine plant, which commenced operations in January, has successfully sold 500tons; post April we can see substantial improvement in sales.
- **Dimethyl Ether (DME) has the potential to be the game changer:** The company is currently undertaking civil work for the establishment of India's inaugural Dimethyl Ether (DME) plant, set to have a total capacity of 100,000 tons. Operations are expected to commence around September to October. The plant's technology has been acquired from China, with a contractual agreement in place prohibiting the sharing of this technology with any other party for the next 10 years. DME serves as a substitute for LPG Gas, fulfilling a demand currently met through LPG imports. The project will unfold in two phases, with the second phase, a 50,000-ton capacity, to commence post anticipated demand improvement. Upon full utilization of the initial phase, the topline is projected to receive a contribution of Rs3,500mn to Rs4,000mn. It is expected that per kg realization will range between Rs60 to Rs75. Government mandate to blend LPG with 30% DME is also anticipated. If passed it will act as a catalyst in the company's growth.
- **Challenges persist for dimethyl formamide (DMF):** The company is facing ongoing challenges due to continued dumping of DMF from Saudi Arabia and China. The DMF plant has a total capacity of 30,000 mtpa, with current utilization standing at just 40%. Headwinds are anticipated to persist in the near term.
- **New products in pipeline:** The company has achieved a breakthrough for producing M-methyl morphine directly from monomethyl amine and Diethylene Glycol. Additionally, it is exploring products like 1,2 propylene diamine, a USD6 product currently manufactured by BASF globally. The current demand for 1,2 propylene diamine is 2,800 tons, which is currently met through imports. Furthermore, the company is focusing on NBPT, a product aimed at reducing the use of Urea.

### Exhibit 1: Product portfolio





Balaji Amines

Product	Existing Installed Capacity	Proposed Capacity	Application Areas
Methyl Amine	48,000	40,000	Pharma, Agro, Dye & Rubber
Ethyl Amine	22,500	-	Pharma, Agro, Dye & Rubber
DMAHCL / DMAC	31,000	7,500	Pharma
Choline Chloride 60% (Corn Cob)	6,000	-	Animal Feed
Choline Chloride 75% & 98%	6,000	-	Animal Feed
2P / NEP	33,000	-	Pharma, Agro, Petro, Dyes, Paints
NMP		-	Pharma, Agro, Petro, Dyes, Paints
GBL		-	Pharma, Agro, Petro, Dyes, Paints
DMU	2,000	-	Pharma, Textile, Agro
DMAE / DEAE	2,000	-	Cosmetics
Morpholine	10,000	-	Pharma, Agro, Dyes, Paints, Textile, Rubber
Other HCL'S	750	-	Animal Feed
DMF	30,000	-	Pharma, Agro, Polymers, Petro, Dyes, Paints
Acetonitrile	9,000	-	Pharma, Petro, Textile, Plastics
PVP K-30	750	-	Pharma, Agro, Cosmetics
Di-methyl Carbonate (DMC)	15,000	-	Pharma, Polycarbonate, Automobiles
Propylene Glycol (PG)	15,000	-	Pharma
Dimethyl Ether (DME)	-	1,00,000	Replacement of LPG
n-Butylamine *	15,000	-	Pharma, Agro
<b>Total</b>	<b>2,46,000</b>	<b>1,47,500</b>	

\* n-Butylamine : This product is successfully commissioned on 16th January 2024

Product	Licensed Capacity	Application Areas
Ethylenediamine	37,350	Pharma, Fungicides, Pesticides, Polymers and Coatings
Piperazine	4,050	Pharma, Oilfield
Diethylenetriamine	3,150	Coatings, Polymers, Pharma
Mixture of Amines	780	Multiple Industries
<b>Total</b>	<b>45,330</b>	

Balaji Speciality Chemicals

Source: Company, PL

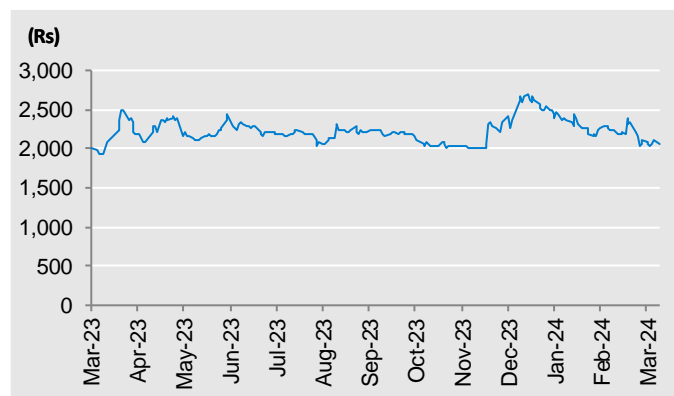
### Exhibit 2: Financial Snapshot Q3FY24

Particulars (in Rs. Crore)	Q3FY24	Q2FY24	Q-o-Q	9MFY24	9MFY23	Y-o-Y
<b>Total Revenue</b>	<b>392</b>	<b>387</b>	<b>1.29%</b>	<b>1,248</b>	<b>1,894</b>	<b>-34.11%</b>
Raw Material	211	223		690	983	
Employee expense	21	19		58	67	
Other expenses	77	85		254	318	
<b>EBITDA</b>	<b>83</b>	<b>61</b>	<b>36.07%</b>	<b>247</b>	<b>526</b>	<b>-53.04%</b>
<b>EBITDA Margin</b>	<b>21%</b>	<b>16%</b>		<b>20%</b>	<b>28%</b>	
Depreciation	11	11		33	34	
<b>EBIT</b>	<b>72</b>	<b>50</b>	<b>44.00%</b>	<b>214</b>	<b>492</b>	<b>-56.50%</b>
<b>EBIT Margin</b>	<b>18%</b>	<b>13%</b>		<b>17%</b>	<b>26%</b>	
Finance Cost	2	2		5	10	
<b>Profit before Tax</b>	<b>70</b>	<b>48</b>	<b>45.83%</b>	<b>209</b>	<b>482</b>	<b>-56.64%</b>
<b>PBT Margin</b>	<b>18%</b>	<b>12%</b>		<b>17%</b>	<b>25%</b>	
Tax	15	12		49	131	
<b>Profit after Tax</b>	<b>56</b>	<b>36</b>	<b>55.56%</b>	<b>160</b>	<b>350</b>	<b>-54.29%</b>
<b>PAT Margin (%)</b>	<b>14%</b>	<b>9%</b>		<b>13%</b>	<b>19%</b>	
<b>EPS (in Rs.)</b>	<b>15.24</b>	<b>10.71</b>		<b>42.23</b>	<b>85.83</b>	

Source: Company, PL

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
-----	------	--------	----------	-------------------

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	599	663
2	Bharat Petroleum Corporation	Sell	513	633
3	Bharti Airtel	Accumulate	1,225	1,134
4	Clean Science and Technology	Hold	1,425	1,461
5	Deepak Nitrite	Reduce	1,985	2,283
6	Fine Organic Industries	Hold	4,575	4,496
7	GAIL (India)	Reduce	157	172
8	Gujarat Fluorochemicals	Hold	3,727	3,616
9	Gujarat Gas	Hold	548	562
10	Gujarat State Petronet	Accumulate	402	353
11	Hindustan Petroleum Corporation	Sell	411	543
12	Indian Oil Corporation	Sell	146	182
13	Indraprastha Gas	Hold	382	405
14	Jubilant Ingrevia	Hold	497	484
15	Laxmi Organic Industries	Sell	221	271
16	Mahanagar Gas	Reduce	1,124	1,345
17	Mangalore Refinery & Petrochemicals	Sell	140	252
18	Navin Fluorine International	BUY	3,727	3,018
19	NOCIL	Reduce	254	270
20	Oil & Natural Gas Corporation	Hold	262	258
21	Oil India	Accumulate	538	499
22	Petronet LNG	Sell	212	268
23	Reliance Industries	Accumulate	2,912	2,735
24	SRF	Reduce	2,127	2,320
25	Vinati Organics	Hold	1,626	1,638

## PL's Recommendation Nomenclature (Absolute Performance)

Buy	: >15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

## **ANALYST CERTIFICATION**

### **(Indian Clients)**

We/I, Mr. Swarnendu Bhushan- IIT, MBA Finance, Mr. Saurabh Ahire- MBA, Passed CFA Level II Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

### **(US Clients)**

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

## **DISCLAIMER**

### **Indian Clients**

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at [www.plindia.com](http://www.plindia.com).

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Swarnendu Bhushan- IIT, MBA Finance, Mr. Saurabh Ahire- MBA, Passed CFA Level II Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

### **US Clients**

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

**Prabhudas Lilladher Pvt. Ltd.**

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

[www.plindia.com](http://www.plindia.com)