

Balaji Amines (BLA IN)

Rating: Not Rated | CMP: Rs2,108 | TP: NA

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)

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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		-		Pharma, Agro, Petro, Dyes, Paints	
NMP	33,000	-		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	
Total	2,46,000	1,47,500			

Balaji Speciality Chemicals	* n-Butylamine : This product is successfully commissioned on 16th January 2024																												
	<table border="1"> <thead> <tr> <th>Product</th> <th>Licensed Capacity</th> <th colspan="2">Application Areas</th> </tr> </thead> <tbody> <tr> <td>Ethylenediamine</td> <td>37,350</td> <td colspan="2">Pharma, Fungicides, Pesticides, Polymers and Coatings</td></tr> <tr> <td>Piperazine</td> <td>4,050</td> <td colspan="2">Pharma, Oilfield</td></tr> <tr> <td>Diethylenetriamine</td> <td>3,150</td> <td colspan="2">Coatings, Polymers, Pharma</td></tr> <tr> <td>Mixture of Amines</td> <td>780</td> <td colspan="2">Multiple Industries</td></tr> <tr> <td>Total</td> <td>45,330</td> <td colspan="2"></td><td></td></tr> </tbody> </table>				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		Total	45,330			
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Source: Company, PL

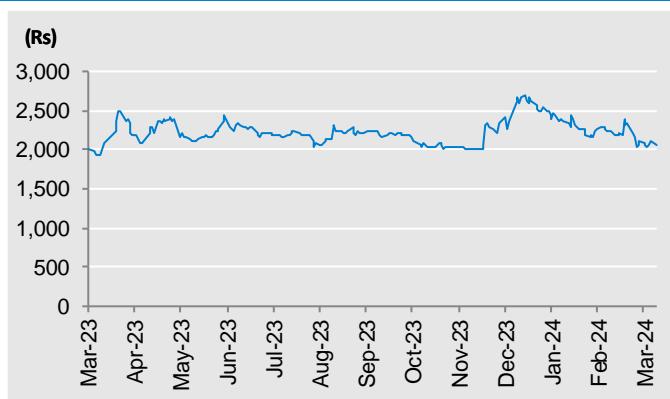
Exhibit 2: Financial Snapshot Q3FY24

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

Source: Company, PL

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	2023-03-01	Accumulate	2,000	1,900
2	2023-04-01	Hold	2,200	2,100
3	2023-05-01	Hold	2,100	2,000
4	2023-06-01	Hold	2,100	2,000
5	2023-07-01	Hold	2,100	2,000
6	2023-08-01	Hold	2,100	2,000
7	2023-09-01	Hold	2,100	2,000
8	2023-10-01	Hold	2,100	2,000
9	2023-11-01	Hold	2,100	2,000
10	2023-12-01	Accumulate	2,500	2,400
11	2024-01-01	Hold	2,400	2,300
12	2024-02-01	Hold	2,400	2,300
13	2024-03-01	Hold	2,400	2,300

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

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