

CMP: Rs 533

Outlook: Positive (Not Rated)

Technical TP: Rs 605

Stock Info

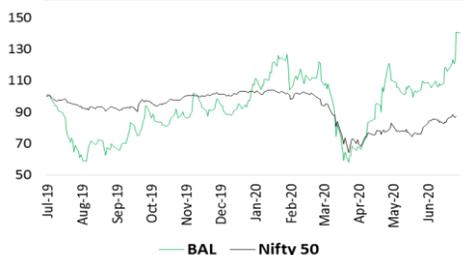
BSE	530999
NSE	BALAMINES
Bloomberg	BLA IN
Reuters	BAMN.BO
Sector	Speciality Chemicals
Face Value (Rs)	2
Equity Capital (Rs mn)	65
Mkt Cap (Rs mn)	17,271.4
52w H/L (Rs)	558 / 204
Avg Yearly Volume (in 000')	88.8

Shareholding Pattern %

(As on March, 2020)

Promoters	53.67
FII	1.72
DII	0.28
Public & Others	44.33

BALAJI AMINES Vs Nifty



Peer Group Comparison (as on FY20)

in mn.	BALAJI AMINES	ALKYL AMINES	GALAXY SURF
Revenue	9358	9928	26217
EBITDA	1808	2571	3615
EBITDAM (%)	19.3	25.9	13.8
PAT	975	2013	2247
PATM (%)	10.4	20.3	8.6
EPS (Rs)	30.0	98.7	63.4
PE(x)	17.7	22.0	24.3
ROE(%)	14.8	37.5	22.6
D/E(x)	0.4	0.1	0.3

Balaji Amines Ltd (BAL), set up in 1988, is a one of the leading manufacturers of Aliphatic Amines in India. Broadly, the company is specialized in manufacturing Methyl Amines, Ethyl Amines, Derivatives of Specialty Chemicals and Natural Product and its business is broadly classified into three segments - Amines, Specialty Chemicals and Derivatives. The company has three state of the art manufacturing facilities – two near Solapur and one near Hyderabad. The company also operates a 5 star hotel in Solapur – Balaji Sarovar.

Key Highlights of Q4FY20:

Increase in volumes drive revenue growth: : BAL reported consolidated revenue from operation growth up 14% YoY/13% QoQ to Rs 2580 mn in Q4FY20, driven by volume growth in both the standalone business and Balaji Specialty Chemicals private Limited (BSCPL) subsidiary. During the quarter, BAL volumes stood at 22,146 MT in Q4FY20, which is an increase of 5% on a QoQ basis. This was primarily driven by a 9% volume growth in specialty chemicals and 6% volume growth in amine derivatives QoQ.

Higher Volumes and benign raw material cost led margin expansion : BAL's EBITDA for Q4FY20 Stood at Rs 556 mn which was up by 17% YoY and 30% QoQ basis respectively. EBITDA margin stood at 21.6%, higher by 60 bps YoY and 270 bps QoQ respectively. The improvement in margin was primarily on account of marked increase in volume off take with improved price realizations largely across all products and benign raw material prices.

Profit growth was higher: Consolidated PAT for Q4FY20 stood at Rs 296 mn, up 14% YoY and 43% QoQ backed by growth in top line and better operating profit.

Q4FY20 Result Snapshot:

in mn.	Q4FY20	Q4FY19	YoY	Q3FY20	QoQ
Revenue	2850	2266	14%	2275	13%
EBITDA	556	474	17%	428	30%
EBITDAM (%)	21.6	20.9	60bps	18.8	270bps
PAT	296	260	14%	207	43%
PATM (%)	11.5	11.5	-	9.1	240bps
EPS	9.5	8.0	14%	6.4	43%

Valuation & View: BAL's products see significant share of applications in pharmaceuticals and agrochemical industries, BAL had continued to operate during the lockdown at 80-85% utilization levels. We expect volume growth in FY21 to come from increasing acetonitrile and DMF sales, and higher off-take of BSCPL's products. Company is trading at P/E multiple of 15.1(x)/11.7(x) to is FY21E/22E(Bloomberg Estimate) We have positive outlook on the stock.

Key Risk: Any substantial change in RM prices

in mn.	FY19	FY20	FY21E	FY22E
Revenue	9431	9358	10653	12522
EBITDA	1934	1808	2091	2545
EBITDAM (%)	20.5	19.3	19.6	20.3
PAT	1171	975	1145	1477
PATM (%)	12.4	10.4	10.7	11.8
EPS	36	30	35.2	45.4
PE(x)	13.7	17.7	15.1	11.7

Source: Arihant Research, Company Filings, Bloomberg Consensus

Key Con-Call Highlights of Q4FY20:

Balaji Specialty Chemicals (BSCPL): BSCPL, a subsidiary, reported an EBIT loss during the quarter due to higher depreciation and interest outgo. Management expects performance to improve from FY21 onwards with a ramp-up in capacity utilisation, as the company is yet to enter into contract with domestic agro chemical companies. However, for Q1FY21 the company is expected to supply 2,000 tonnes. .

Gross debt As Compared to Rs1bn in short term debt taken by the standalone entity, consolidated debt stands at Rs 2.4bn. This is largely owing to long term borrowings of Rs 1.3bn taken by BSCPL.

The Greenfield project: The commercial production has been pushed back to Mar-21 (earlier, Dec-20).

Capex: BAL has spent Rs 720mn on the Greenfield project and plans to incur an additional Rs 700-750mn in FY21.

Plant utilization & Hotel business: Plant utilisation stood at 70-75% in April, 80-85% in May and at pre- Covid-19 levels in June. BAL’s hotel continues to remain inoperative in the current environment

Technical Chart & View



Technical View : The stock has given an inverse Head and shoulder pattern breakout at 484 levels with huge volumes. Further the momentum indicator viz the RSI is gaining momentum. One can initiate a long with a stop loss of 446 for a target of 580 - 605 levels.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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