



BODHI CAPITAL

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Balaji

BALAJI AMINES

Mcaps: 7209 (Rs. Cr)

CMP: Rs. 2169 (EOD 11/02/2023)

Analyst Take: BUY

Holding Period: Reconsider based on headwinds due to demand slowdown and oversupply.

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Company Overview

- Set up in 1988, Balaji Amines Limited (Balaji) is one of India's leading manufacturers of Specialty and Fine Chemicals with a specialization in manufacturing Methylamines, Ethylamines, Derivatives of Specialty Chemicals and Pharma Excipients
- BAL's primary operations are carried out from the facility in Tamalwadi Village, near Solapur in Maharashtra. This is apart from a new greenfield project in Solapur that began operations in FY20.
- Their long-term issuer rating has Long-Term Issuer Rating has been upgraded to 'IND AA' from 'IND AA-' by India Ratings and Research, which is significant for a firm of this size.
- BAL has followed the below-mentioned strategy in identifying and manufacturing chemicals:
 - Choosing products that are being imported by India for development.
 - Developing indigenous technology to develop and manufacture these products.
 - Re-engineering designs and processes to make products cost-effective for our customers.
- Its primary moat is its international export quality designation, and its position as the only Indian firm with the indigenous technology to produce Amines and being sole producer of some specialty chemicals.

Company Overview

Currently, they are the only player in India to manufacture:

- Morpholine
- Dimethylformamide (DMF)
- N-Ethyl-2-Pyrrolidone (NEP)
- N-Methyl-Pyrrolidone (NMP)
- Pharmapure Povidone
- Pharmapure Povidone (PVP K30 & PVP K25)
- Gamma Butyrolactone (GBL)

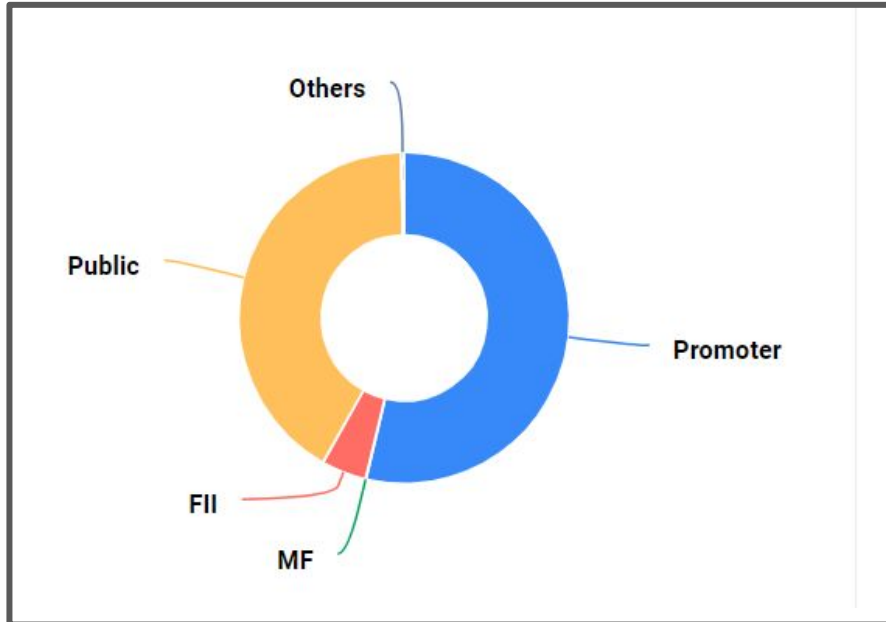
And they are among the only two Indian producers of the following products:

- Methyl amines
- Ethyl amines
- Di-Methyl Acetamide (DMAC)

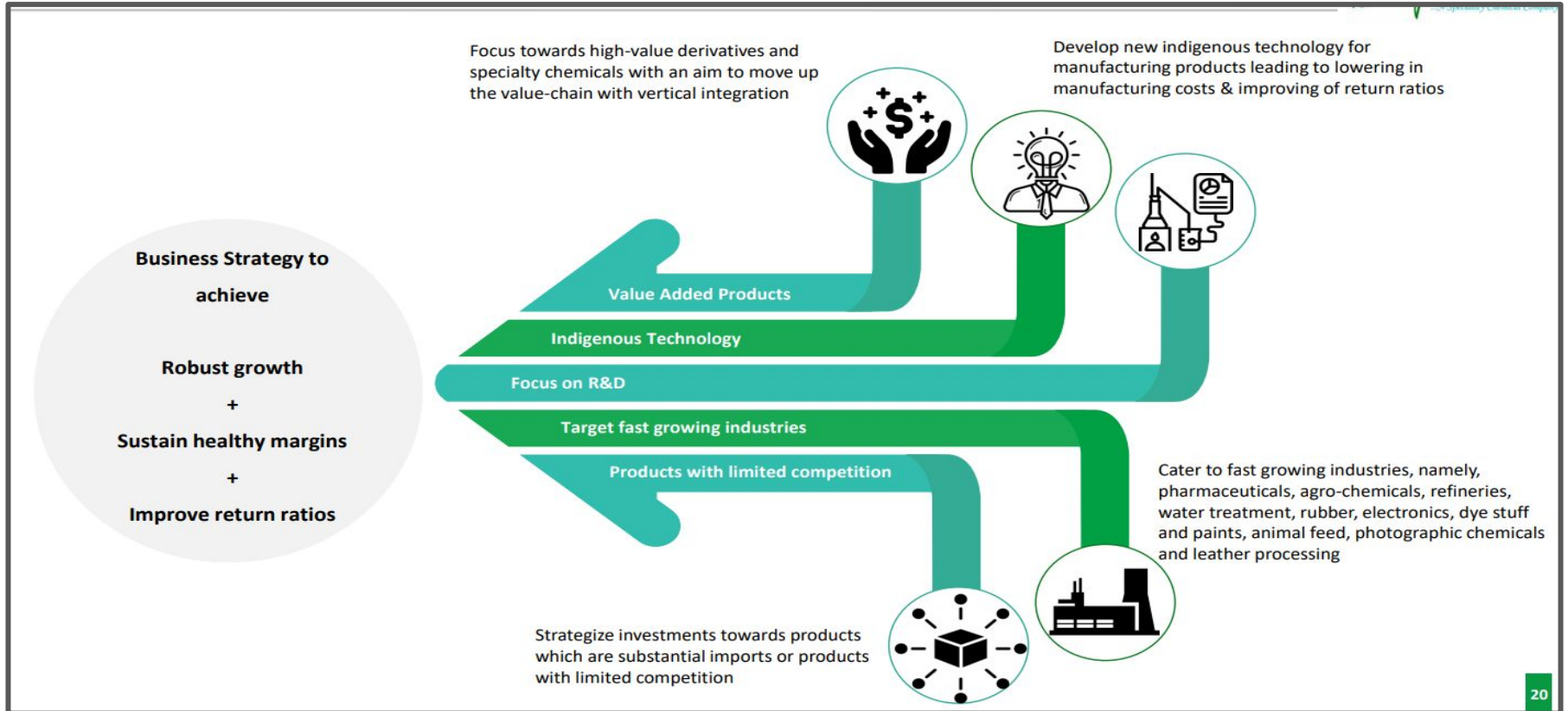
Also, they are the largest Indian producer of the following products:

- Methylamines
- Ethylamines
- Di-Methyl Acetamide (DMAC)
- Di-Methyl Amine Hydrochloride (DMA HCL)
- Dimethylformamide (DMF)

Ownership Structure



Business Model



Business Model

- BAL produces a wide portfolio of specialty chemicals which feed several high-growth industries, primarily pharmaceuticals, textiles, and other product-specific requirements.
- Ammonia, methanol and denatured ethyl alcohol are the key raw materials used to manufacture Aliphatic Amines.
- Methanol and a few other key inputs are primarily imported from Middle East countries like Iran and Saudi Arabia.
- 17.28% of the raw materials are sourced from small producers and MSMEs.
- 2.76% of the raw materials are sourced from nearby districts.
- Manufactured chemicals are then supplied to the wide range of clients.

Product Portfolio

Particulars	Amines	Amine Derivatives	Specialty & Other Chemicals
Description	<ul style="list-style-type: none">Aliphatic Amines find increasing consumption and applications in a Chemically mature Industry such as India, Europe, US, China and JapanThe Aliphatic Amines industry is expected to grow at a CAGR of 5%-7%	<ul style="list-style-type: none">Amine Derivatives are used to make further salts and other complex chemical Intermediates and API'sIn derivatives, Di-Methyl Amine Hydrochloride (DMA HCL) is one of BAL's key product offerings.	<ul style="list-style-type: none">Albeit a small and fastest growing segmentWithin specialty chemicals, is the single-largest product in specialty chemicals.
Products	<ul style="list-style-type: none">Mono Methyl Amine (MMA)Di-Methyl Amine (DMA)Tri-Methyl Amine (TMA)Mono-Ethyl Amine (MEA)Di-Ethyl Amine (DEA)Tri-Ethyl Amine (TEA)Di-Methyl Amino Ethanol (DMAE)Di-Ethyl Amino Ethanol (DEAE)	<ul style="list-style-type: none">Mono-Methyl Amine Hydrochloride (MMA HCL)Di-Methyl Amine Hydrochloride (DMA HCL)Tri-Methyl Amine Hydrochloride (TMA HCL)Mono-Ethyl Amine Hydrochloride (MEA HCL)Di-Ethyl Amine Hydrochloride (DEA HCL)Tri-Ethyl Amine Hydrochloride (TEA HCL)Di-Methyl Acetamide (DMAC)Di-Methyl Urea (DMU)Choline Chloride	<ul style="list-style-type: none">MorpholineAcetonitrile (ACN)Dimethylformamide (DMF)N-Ethyl-2-Pyrrolidone (NEP)2-Pyrrolidone (2-P)Gamma Butyrolactone,N-Methyl-Pyrrolidone (NMP)Pharmapure Povidone (PVP K30 & PVP K25)
Application	<ul style="list-style-type: none">PharmaAgroPhotographic chemicalsRocket fuelDyestuff intermediatesRubber chemicals, etc	<ul style="list-style-type: none">PharmaPesticidesPerformance chemicalsSpecialty chemicalsAnimal/poultry feed additive etc.	<ul style="list-style-type: none">Production of Water Treatment chemicals and pesticide formulationsSolvents across industries like pharmaceuticals, petrochemicals, dyes, Agro and paint industries

Production

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	30,000	Pharma, Agro, Polymers, Petro, Dyes, Paints
	Acetonitrile	9,000	15,000	Pharma, Petro, Textile, Plastics
PVP K-30	750	-	Pharma, Agro, Cosmetics	
Tetra Hydro Furan	-	8,000	Pharma API Agro	
Di-methyl Carbonate (DMC)	15,000	-	Pharma, Polycarbonate, Automobiles	
Propylene Glycol (PG)	15,000	-	Pharma	
N-Butylamine	-	15,000	Pharma, Agro	
Total	2,31,000	1,15,500		
Balaji Speciality Chemicals	Product	Licensed Capacity	Application Areas	
	Ethylenediamine	37,350	Pesticides, Polymers	
	Piprazine	4,050	Pharma, Oilfield	
	Diethyltriamine	3,150	Coatings, Polymers, Pharma	
	Mixture of Amines	780	Multiple Industries	
	Total	45,330		

Global presence



Clientele

Amines



Cipla



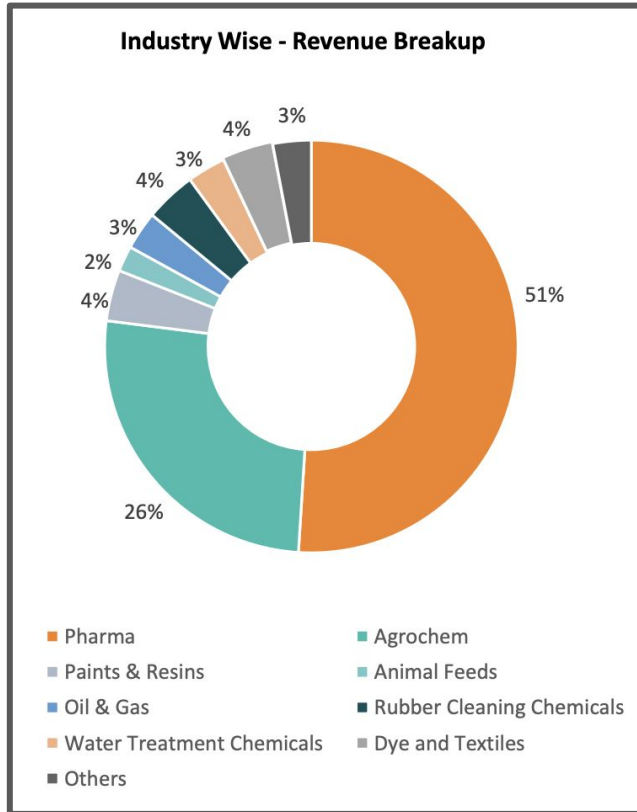
Amine Derivatives



Specialty & Other Chemicals



Revenue segmentation



Segment Revenue FY22:

- Amines & Speciality Chemicals - 2,417.8 Crs
- Hotel Division - 16.20 Crs
- CFL Lamps - 0.71. Crs
(Including Inter-segment revenue of 114.36 Crs)
- 19.37% of the Total Revenue for FY22 i.e. Rs. 373.83 Crore is generated from exports spanning across continents.

Management Analysis

- Mr. A. Prathap Reddy is the Founder and Chairman of BAL. He is a civil engineer by qualification, He founded BAL in 1988 for the manufacture of Methyl Amines and Ethyl Amines. He is also one of the five whole-time directors of BAL.
- Mr. N. Rajeshwar Reddy is the Joint M.D and joined the team of directors in 1988. He holds a Bachelor's degree in Commerce. He was initially appointed as an Executive Director in Balaji Cement Pvt Ltd. for the implementation of a project, which he successfully completed. Today, he oversees the routine operations of the Solapur plant.
- The other three whole-time directors are also members of the undivided family. There are also five Independent Directors on the board of the firm.
- The average tenure of the Board members is approximately 12.8 years, which is a healthy number for a family-run firm.

Management Analysis

- Management compensation has been consistent with earnings growth.
- The CEO compensation increased by over 20% in FY 21. However, this is coupled with a five-year average earnings growth of 39.5%.
- The Executive chairman's annual compensation is approx. 23 times higher than the annual compensation of the median employee, which is a healthy number for a family enterprise.
- The average tenure of the management is 6.2 years, indicating high experience which is critical in the chemical industry.
- The total number of employees, which was consistent at 770 till March 2018, has increased to 1100 by March 2022
- The most precipitous increase took place from 818 to 1100 from June 2021 to March 2022.

Management Remuneration

Board Member		2017-18	2018-19	2019-20	2020-21	2021-22
Mr. A. Prathap Reddy	Executive Chairman	55111000	55392049	51235444	103316625	141010981
Mr. D. Ram Reddy	Managing Director	36740000	36928032	34156962	68877750	94007321
Mr. N. Rajeshwar Reddy	Joint Managing Director	36740000	36928032	34156962	68877750	94007321
Mr. G. Hemanth Reddy	Whole-time Director & CFO	18370000	18464016	17078481	68877750	47003660
Mr. A. Srinivas Reddy	Whole-time Director	36740000	36928032	34156962	34438875	94007321
Family Remuneration		183701000	184640161	170784811	344388750	470036604
PBT		1658384000	1696029000	1537141000	3099700000	4231400000
Family Rem./PBT (%)		11.0771088	10.88661579	11.11054946	11.11038972	11.10829995

- Family remuneration has remained constant at approx. 11% of PBT.
- Despite the negative effects of Covid19 on profit, family remuneration remained consistent.

Management Case Studies

- In FY22, an untoward incident in the DMF plant meant it had to be shut down. The management undertook a process improvement exercise, which resulted in a capacity increase from around 50 TPD to 75 TPD.
- In the Q2 of FY22, an unprecedented increase in acetic acid prices was utilized to implement a long pending project of debottlenecking the Acetonitrile plant from 9 TPD to 12 TPD.
- A new Acetonitrile plant (with a capacity of 50 TPD) under BAL's expansion plan aims to undertake production through a new technology, which will address the adverse impact of higher prices of acetic acid as seen above.

Subsidiaries

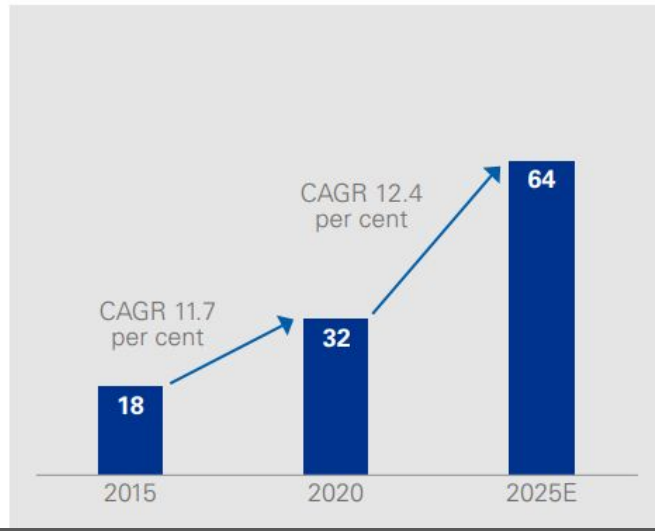
- BAL owns 55% of Balaji Specialty Chemicals Ltd., its only subsidiary.
- BSCL is under expansion with a capex of INR 200 Cr., 60% funded by debt and 40% from internal accruals. It entails a new Greenfield project in Solapur, Maharashtra.
- Management expects annual revenue at Peak Utilization of INR 350-400 Cr.
- Post expansion, BSCL will produce products such as Ethylene Diamine, Piperazine, Aminoethylpiperazine (AEP) and Diethylenetriamine.
- The plant commenced commercial operations and contribute to revenue from FY20.

BSCCL Pre-IPO Shareholding

S. No.	Name of the Shareholder	Pre-Offer Equity Share capital	
		No. of Equity Shares held	% of total paid-up Equity Share capital
<i>Promoters</i>			
1.	Balaji Amines Limited	110,000,000	55.00
2.	Ande Srinivas Reddy	17,570,600	8.79
3.	Ande Prathap Reddy	12,894,900	6.45
4.	Ram Reddy Dundurapu	6,030,100	3.02
5.	Rajeshwar Reddy Nomula	5,979,800	2.99
6.	Gaddam Hemanth Reddy	4,359,795	2.18
Total (A)		156,835,195	78.42
<i>Promoter Group (other than Promoters)</i>			
7.	Ande Shakuntala Devi	7,200,000	3.60
8.	Gaddam Madhumathi	2,500,000	1.25
9.	Dundurapu Vandana Reddy	6,889,900	3.44
10.	Achanta Annapurna	4,500,200	2.25
11.	Gaddam Tanmai Reddy	2,656,325	1.33
12.	Saritha Nomula	1,535,100	0.77
13.	Eeshan Reddy Nomula	6,885,100	3.44
14.	Nomula Deepti Rajeshwar Reddy	3,200,000	1.60
15.	Gaddam Laasya Reddy	1,850,000	0.93
16.	Gaddam Komali Reddy	1,850,000	0.93
17.	Chandra Bhushan Reddy Nomula	18,400	0.01
18.	Gaddam Sunitha	10,000	0.01
19.	Gaddam Raja Reddy	5,000	0.00
20.	SVS Food Processors Private Limited	11,500	0.01
21.	Dundurapu Durga Reddy	4,500	0.00
Total (B)		39,116,025	19.56
Total (A+B)		195,951,220	97.98

Industry Overview

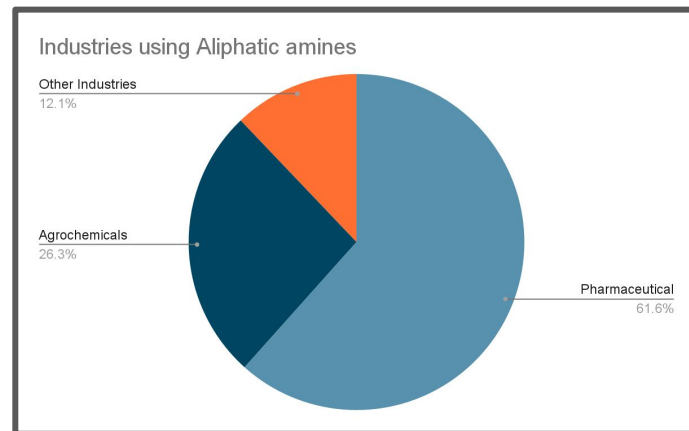
Exhibit 1: Indian specialty chemicals industry size (USD billion)¹



- The specialty chemicals (defined in terms of their end-use applications) industry in India is about 22% of the overall chemicals and petrochemicals market, valued at \$32 billion, and it is expected to grow at a CAGR of 12.4% to reach \$64 billion.
- Such a growth is attributable to a rise in demand from end-user industries, favourable policies, and geopolitical changes.
- Balaji Amines works in the segment of Aliphatic Amines, the size of which is \$4.1 billion globally. The nature of the market is oligopolistic with two-three producers catering to the majority of demand in any region.

Industry Overview (cont)

- The top 6 companies have 50% of the world's capacity. China is the largest consumer and producer of aliphatic amines accounting for 60% of the global production.
- Globally, ~61% of aliphatic amines and amine based chemicals get consumed in the pharmaceutical sector, 26% in the agrochemicals industry and the rest finds application in other industries. In terms of the usage, Aliphatic Amines and derivatives have application as solvents (44%), followed by pesticides (15%) and animal/poultry feed additives (8%).



Demand

There is a very strong correlation between the growth of the Amines industry and end user industries.

There are several positive factors in this context:

- Production Linked Incentives by the Centre and State governments to boost specialty chemicals, pharmaceutical and agrochemical industries.
- Due to China+1, countries importing from China are looking for Indian alternatives.
- Due to stringent environmental norms in the West, MNCs depended on India and China as manufacturing hubs, apart from benefiting from low cost and skilled manpower supply. However, recent pollution control regulations in China have put Indian chemical manufacturers in an advantageous position.
- Being the first Indian firm producing the Dimethyl Carbonate (DMC) used in Lithium batteries, and the EV market booming at a rapid pace, there is a huge new market waiting.

Supply

- Balaji has enjoyed healthy business relations with all its vendors for decades.
- Due to High payables period, the net working capital cycle remained at 121 days in FY22.
- Inventory Days is decreasing, a good sign.
- Ammonia, methanol and denatured ethyl alcohol are the key raw materials used to manufacture Aliphatic Amines. Methanol is primarily imported from Middle East countries like Iran and Saudi Arabia.
- Balaji has substantial capex plans (300-350 crore) which will be initiated over FY23 and FY24 adding several plants with huge capacities.

Porter's 5 forces

A) Threat of Entry

- High level of R&D, high fixed costs(with fixed asset turns in the range of 1.5- 2x), environmental clearances and regulatory compliances are huge entry barriers. They also make the industry increasingly unviable for smaller firms.
- For half a dozen products, Balaji is the only manufacturer in india. It is also the largest Indian producer of many amine products. It has always focused on developing products that are import-substitutes, creating domestic markets that did not exist hitherto. Thus, it has enjoyed the first mover advantage.
- As Aliphatic Amines have huge handling risk and it is difficult to transport them, end-user industries prefer local suppliers, reducing risk of imports.

Porter's 5 Forces

B) Threat of Substitutes

- Produces Non-substitutable products, which are used as core raw materials in end-user industries like pharmaceuticals and agrochemicals.
- With regards to the specialty chemical subsidiary of Balaji, however, several mature products in the specialty chemicals sector have already been commoditized or are at risk of the same. Thus, there is a need to focus on niche applications.

C) Bargaining power of Buyers

- As it is mainly B2B buyers have significant bargaining power. Many of the buyers operate in the pharma and the agrochemical industries, which are dominated by few big players.
- As Balaji's products are primarily bought in bulk under contracts, it has less control over its prices.

Porter's 5 Forces

D) Bargaining Power of Suppliers

The Company imports a big chunk of its major raw material in bulk quantities against spot prices or annual contracts with the suppliers.

A spike in input costs (many of which are crude oil/gas derivatives) can dampen profitability.

Balaji aims to increase the share of its domestic suppliers to reduce risks associated with foreign exchange rates and global economic turbulence.

Percentage of input material (inputs to total inputs by value) sourced from suppliers:

	FY 2021-22	FY 2020-21
Directly sourced from MSMEs/ small producers	17.28%	16.83%
Sourced directly from within the district and neighboring districts	2.76%	3.90%

Porter's 5 Forces

E) Industry Rivalry

- In India, there are few scaled up companies in especially chemicals. Aarti, Kumar Organic, Pidilite, PI Industries, Rallis, Sharda Cropchem, Synthite and Vivimed Labs are some of the players that have demonstrated consistent growth rates and profitability in their segments.
- As previously discussed, aliphatic amine market is controlled by handful corporations. Few Indian firms have the scaling, innovation and product differentiation capabilities to match these global giants. Balaji is the largest Indian player.
- Avendus Report on Specialty Chemicals anticipates increase in M&A in the sector.

SWOT Analysis

Strengths

- Imports uncompetitive in the aliphatic amines segment
- Dimethyl Carbonate which is a complete import substitute will be added into the product portfolio of Balaji Amines in the next financial year.
- Time in setting up chemical plants with a capacity of 50mt has reduced from 2 years to now 6 months
- largest installed capacity of Ethyl Amines in India at 22,500 metric tonnes per annum
- a stable and diverse blue-chip customer base (Sun Pharmaceuticals , Dr. Reddy's , Hindustan Petroleum)

SWOT Analysis

Weaknesses

- The Company imports its major raw material and hence there is a commodity price risk.
- Business very sensitive to government regulations (environmental factors)
- A lot of time required to realize revenue from products
- High cost and logistical challenges of transporting amines

SWOT Analysis

Opportunities

- There is room to increase import substitution and enormous possibilities for end user industry growth.
- According to Technavio's projections, the Asia-Pacific (APAC) amines market would expand by USD\$ 4.69 billion between 2021 and 2026, progressing at a CAGR of 9.58%.
- The Chinese govt. clamping down on polluting industries has prompted Indian pharma and agro companies to depend on domestic suppliers for raw materials
- New project capex undertaken to add new products and further drive growth
- Methyl Amines and derivatives, utilized by bulk drugs players, are expected to continue to see a surge in demand

SWOT Analysis

Threats

Competition from low-cost imported products - amines industry in India faces tough competition from low-cost imported products, especially from countries like China and Southeast Asia, which have a cost advantage due to lower production costs.

Stringent regulations and environmental concerns - subject to strict regulations regarding the handling and disposal of hazardous chemicals

Lack of technological advancements and R&D - limited investment in research and development and lacks access to the latest technologies

Dependence on raw material imports - amines industry in India is heavily dependent on the import of key raw materials

Fluctuations in demand and prices - demand for amines products is subject to fluctuations in various end-use industries, such as agriculture, pharmaceuticals, and water treatment, which can lead to unstable prices

MOAT

MONOPOLY: Sole manufacturer in 60% of their products in India

TECHNOLOGICAL ADVANTAGE: Produces Amines using homegrown technology

COST OPERATING EFFICIENCY: Company is seeing better operational leverage, increase in volume offtake.

SWITCHING COSTS: As it has created domestic markets for several products, enjoyed the dominant player position in several others, there are high switching costs.

NETWORK EFFECT: High interoperability due to a wide usage of its products across segments.








ENTRY BARRIER: As previously discussed, there are entry barriers due to R&D, regulations etc

Income Statement

Balaji Amines									
(Rupees in lakhs)									
Profitability	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	CAGR (Till FY20)	CAGR (till FY22)	
Net Sales and Operating Revenues	663.90	853.95	949.80	908.74	1,304.93	2,312.80	28.35%	23.12%	
Cost of Sales	347.00	460.00	547	482	615	1,276	29.75%	24.24%	
EBITDA	171	224	195	233	422	418	19.61%	16.10%	
Depreciation and impairment	19.71	19.28	19.55	24.00	34.41	42.00			
Operating Profit (EBIT)	151	205	175	209	388	376	26.61%	20.02%	
Interest and Finance Charges	12.93	9.04	13.02	12.13	18.29	17.1		5.75%	
Other Income	3.10	4.05	5.20	10.26	6.07	7.20		18.36%	
Profit before Tax and Exceptional Items	123	165	166	153	326	578	27.56%	36.25%	
Exceptional Items (Net)	2.5	0.5	-	-	-	-			
Profit before Tax	126	165	166	153	326	578	26.91%	35.68%	
Tax Expense	43	53	48	40	83	160			
Net Profit	82.35	113.00	118.00	113.75	243.00	417.00	31.06%	38.32%	

Income Statement Analysis

- Revenue and COGS have increased in equal proportion
- Continuous increase in EBITDA and Operating Margins barring FY20 due to covid shock and price volatility of raw materials. FY21 saw tremendous sales and operating profit growth due to pent up demand and increasing operating leverage
- Degrowth in the pharmaceutical and API industries was the main cause of the operating margin decline.

Growth Y-o-Y	FY18	FY19	FY20	FY21	FY22	
Sales Growth	28.63%	11.22%	-4.32%	43.60%	77.24%	
EBITDA Growth	31.38%	-13.26%	19.96%	81.00%	-1.04%	
Operating Profit Growth	35.76%	-14.63%	19.65%	85.31%	-3.09%	
Net Profit Growth	37.22%	4.42%	-3.60%	113.63%	71.60%	
Margins	FY18	FY19	FY20	FY21	FY22	
EBITDA Margin	26.26%	20.48%	25.68%	32.37%	18.07%	
Operating Margin	24.01%	18.42%	23.04%	29.73%	16.26%	
Net Margin	13.23%	12.42%	12.52%	18.62%	18.03%	

	Quarter Ended							12 Months Ended	
Quarterly Results	Mar-21	Mar-22	Jun-21	Jun-22	Sep-21	Sep-22	Dec-21	Mar-21	Mar-22
Sales	41,763	78,115	45,335	67,485	52,999	63,041	56,583	1,31,752	2,32,035
Expenses	29,736	59,792	32,187	46,987	41,094	46,857	42,130	99,083	1,74,930
EBITDA	12,636	21,583	9,475	14,648	12,255	21,421	15,023	39,376	58,351
Other Income	359	211	267	468	426	285	93	607	724
Depreciation	846	1,078	967	1,108	1,105	1,101	1,048	3,441	4,200
Interest	378	516	313	341	415	310	465	1,829	1,710
Profit Before Tax	12,027	18,323	13,148	20,498	11,905	16,184	14,452	32,659	57,828
Tax	3,146	5,238	3,408	5,694	3,098	4,320	4,293	8,309	16,038
Net Profit	8,880	13,084	9,739	14,803	8,806	11,863	10,159	24,349	41,790

Income Statement Analysis (10 /17)

1) Revenue Breakdown and Analysis (over the past 10 years) (1pt)	0
2) Correlation between Net sales and Gross Revenue from operations, would establish whether there is an improvement in the quality of the product/service the business offers. (1pt)	1
3) Other Income has risen however it is less than that of the business revenue growth. (1pt)	1
4) Over the past 5 years, other income growth has not contributed to an increasing share of income when compared to that of the revenues of the business (1pt)	1
5) Expenses are decreasing due to cost rationalisation (1pt)	0
6) Expenses are increasing in line with the growth in revenues, however not at a faster rate. (1pt)	1
7) Expenses are the same however more units are sold/higher prices are charged. (1pt)	0
8) Expenses are the same however more units of higher profit margin is sold in the product mix. (1pt)	1
9) What has been the trend of the prices of important raw materials for the business? What impact has it had and will continue to have on the cost of raw materials? (1pt)	0
10) Are the prices of raw materials largely stable or cyclical in nature? (1pt)	0
11) Observe and try to ascertain why the change in Employees Benefit Expenses is taking place. (1pt)	1
12) Attempt to ascertain whether the pension is overfunded or underfunded by comparing projected benefit obligation with fair value of plan assets at the end of the year. (1pt)	NA
13) ESOPs are not issued at steep discounts to market price (1pt)	NA
14) The business is charging Depreciation and Amortization Expenses as per industry standards (1pt)	1
15) For Sin Industries keep an eye of tax rates in order to estimate how dependent the government is over the business' revenue. (1pt)	NA
16) The business has had an increasing trend of PBT over the past 10 years. (1pt)	1
17) The business has had an increasing trend in EPS growth over the past 10 years (1pt)	1
18) What is more prominent in the business' cost structure, fixed or variable costs? (1pt)	0
19) The independent auditors report on matters as to revenue recognition and statement of expenses are in line with what management has stated.	1
20) Observe the trend of discretionary costs (R&D, advertising and maintainance) over the past few years and keep an eye out for irregular patterns, which may be the management's attempt to smooth earnings. (1pt)	0

Balance Sheet

Particulars	As at March 31, 2019	As at March 31, 2020	As at March 31, 2021	at March 31, 2022	
ASSETS					
1. Non - current assets					
2. Current assets	1,63,15,21,728	1,10,44,14,720	1099380000	2223583000	
ii. Trade Receivables	1,67,21,83,771	2,07,43,86,362	3056582000	5881457000	
iii. Cash and cash equivalents + Other Bank Balances	203987953	189866689	168042555	329161555	
Total Assets	10,45,88,87,160	11,13,10,32,537	3103293000	18747739000	
EQUITY AND LIABILITIES					
EQUITY					
(a) Equity Share capital	6,48,02,000	6,48,02,000	64802000	64802000	
Reserves and surplus	5,67,97,69,091	6,51,66,11,476	8879096000	12433680000	
Non controlling interest of Subsidiary	17,55,55,115	10,22,80,171	155311000	650130000	
LIABILITIES					
1. Non - current liabilities	1,45,45,07,812	1,80,39,49,722	1,56,63,43,000	1,40,92,30,000	
(i) Borrowings	83,33,20,085	1,19,90,84,476	888490000	575743000	
(ii) Trade payables	13,17,51,224	11,75,41,531	176685000	151937000	
2. Current liabilities					
(i) Borrowings	1,07,40,57,311	1,21,47,62,054	109452000	157912000	
(ii) Trade payables	85,05,02,616	59,36,21,824	767960000	1764240000	
Total Equity and Liabilities	10,45,88,87,160	11,13,10,32,537	13103293000	18747739000	

Balance Sheet Analysis

- Trade Receivables have increased consistently over the four financial years.
- Borrowings have seen a decline after the completion of the Greenfield Project in Solapur in FY20.
- In particular, short-term borrowings have declined by approx. 44.3% from FY21 to FY22.
- Reserves and Surplus have also increased consistently indicating a more prudent approach but also corresponds to low dividend payout ratio that the firm has experienced.
- Cash and Cash equivalents have been relatively stable despite the downward trend seen before 2022. In FY22 an uptick in the same has been observed.

Balance Sheet Checklist

Balance Sheet Analysis (19 /23)

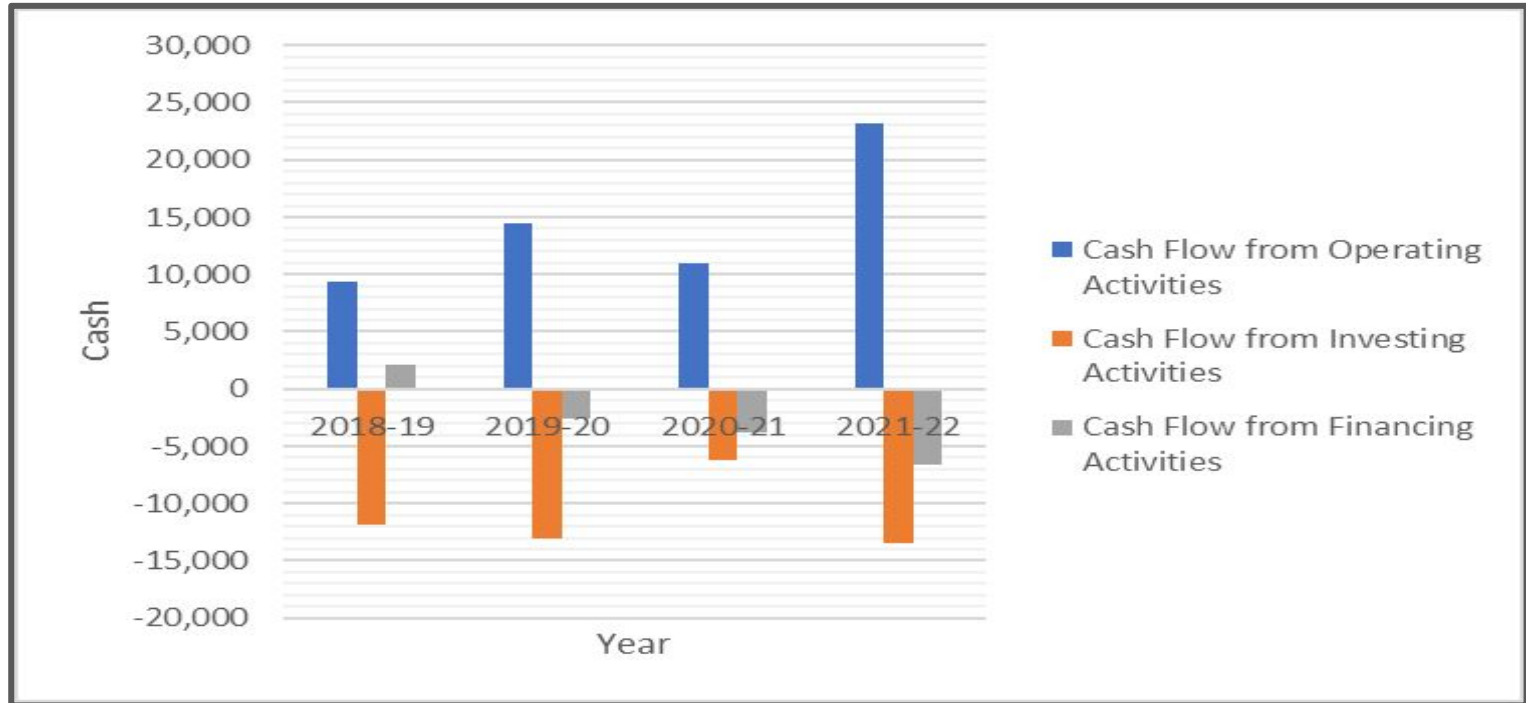
1) The business never uses short term sources of funds to finance long term uses of said funds (1pt)	1
2) Increase in PP&E is line with managements plans for expansion (if any) (1pt)	1
3) Inventories are not piling up (increasing at a rate faster than sales) (1pt)	1
4) The business is not undercharging depreciation relative to it's peers (1pt)	0
5) After observing the trend of receivables over the past 5 years, ensure they don't form an increasing composition of sales in the business. (1pt)	0
6) Ensure receivables aren't increasing at a rate faster than sales (1pt)	0
6) Earnings are not propped up through aggressive use of debt via the leveraging effect (1pt)	1
8) Ascertain the Degree Of Operating Leverage, the business experiences. (1pt)	1
9) The business does not experience the phenomena of high earnings and low cash flow. (1pt)	1
10) No subsidiaries (if any) of the business holds a large proportion of bad debts. (1pt)	1
11) The business has a strong liquid position (1pt)	1
12) The business has a short working capital cycle and thus sees high inventory turns (1pt)	0
13) The businesses earnings cover interest payments by a significant margin (1pt)	1
14) The business has a low amount of long term debt and thus no threat to solvency (1pt)	1
15) The business has no prior instance in recent history of defaulting on any obligations (such as bonds) (1p	1
16) The business has an appreciating balance sheet (Increase in cash, Decrease in Borrowings) (1pt)	1
17) The businesses' Equity Share Capital has remained constant over a period of time (5 years) (1pt)	1
18) Increased trend in Investments could signal, in conjunction to stagnant revenues could signal the stagnation of the business' primary business model. (1pt)	1
19) The business is not using debt to finance dividend payments (1pt)	1
20) Take into consideration Off-Balance Sheet Liabilities and ascertain their impact on the business (1pt)	1
21) No sign of Cash balances evaporating. (1pt)	1
22) The business does not have a high amount of intangibles such as goodwill. (1pt)	1
23) There has been no extension of the useful life of assets and hence a reduced chance of deferring expenses (1pt)	1

Cash Flow Statement

- Free Cash Flow has been erratic due primarily to high investment outflow.
- Cash Flow from Operating Activities has increased consistently over the period and has doubled from 2020-21 to 2021-22.

Particulars	2018-19	2019-20	2020-21	2021-22
Cash Flow from Operating Activities	9,421	14,420	10987.21	23,240.48
Cash Flow from Investing Activities	-11,869	-13,012	-6,158.85	-13,422.04
Cash Flow from Financing Activities	2,071	-2,567	-3,745.15	-6,626.84
Free Cash Flow	-75.37	64	-21.47	84.48

Cash Flow Statement Analysis



Cash Flow Statement Checklist

Cash Flow Statement Analysis (3 /5)

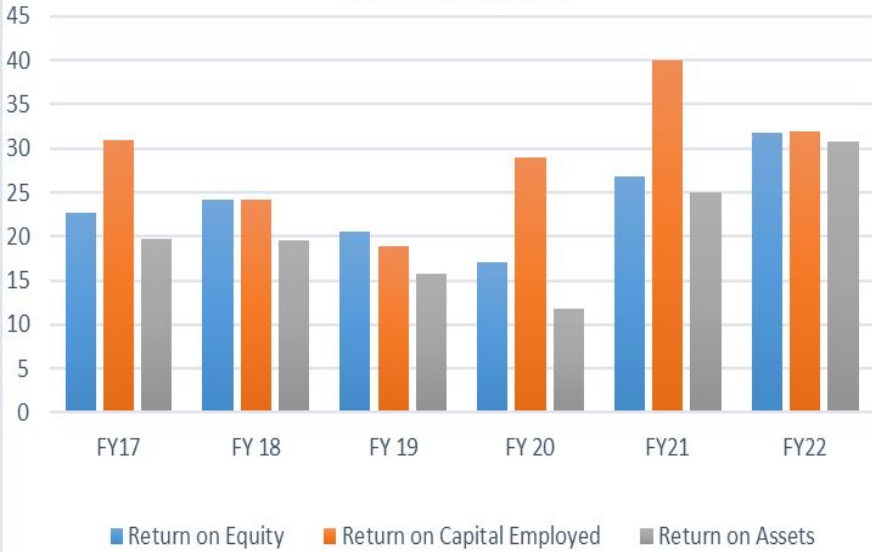
- | | |
|---|---|
| 1) The business has had consistently increasing Cash Flow from Operations over the past 10 years (1pt) | 1 |
| 2) The business has had a an increasing trend of FCFs for the past 10 years (1pt) | 0 |
| 3) The business' CFOs are positive, indicating a functional business model. (1pt) | 1 |
| 4) The analyst has successfully been able to ascertain where and why the dips in cash flow took place (1pt) | 1 |
| 5) The business has adequate free cash flow to finance a share buyback (1pt) | 0 |

Ratios

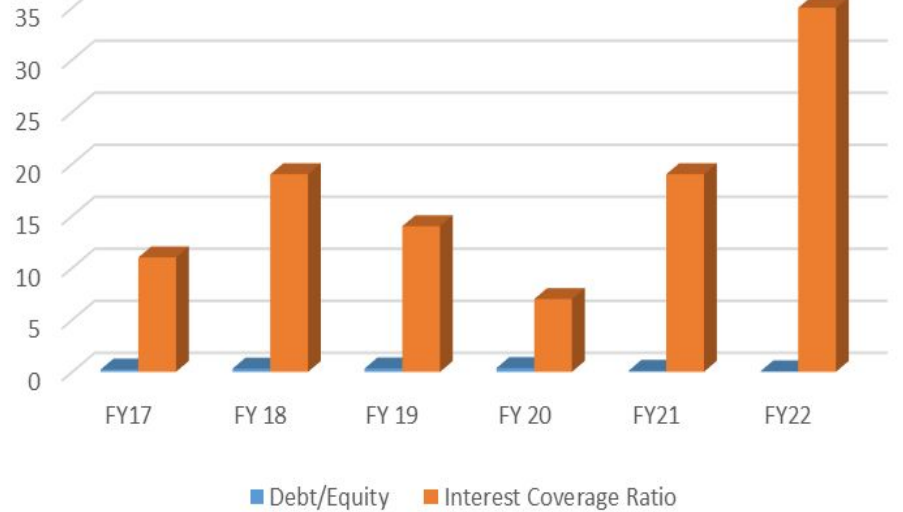
RATIOS							
Return Ratios(%)	FY17	FY 18	FY 19	FY 20	FY21	FY22	
Return on Equity	22.68	24.23	20.53	17.04	26.76	31.78	
Return on Capital Employed	30.95	24.18	18.81	28.88	40.00	32.00	
Return on Assets	19.68	19.49	15.78	11.78	24.92	30.85	
Basic EPS(Rs)	₹ 26.41	₹ 34.93	₹ 36.44	₹ 35.11	₹ 71.51	₹ 95.04	
Cash EPS(Rs)	18.66	43.20	29.08	44.50	33.91	71.73	
Book Value per share(Rs)	113.79	149.71	182.71	206.28	280.83	405.81	
Market Price(Rs)	₹ 379.60	₹ 562.75	₹ 489.10	₹ 250.95	₹ 1,762.85	₹ 2,902.16	
Face Value(Rs)	2.00	2.00	2.00	2.00	2.00	2.00	
No of Shares(lakhs)	324.01	324.01	324.01	324.01	324.01	324.01	
market capitalization(lakhs)	122994.20	182336.63	158473.29	81310.31	571181.03	940328.86	
Enterprise Value(lakhs)	130947.00	195229.00	177263.00	105590.00	580749.00	949008.00	

Valuation(x)	FY17	FY 18	FY 19	FY 20	FY21	FY22	
P/E	25.07	13.10	12.46	22.58	33.52	21.21	
EV/EBIDTA	8.31	10.09	8.92	5.56	17.15	20.66	
P/BV	3.34	3.76	2.68	1.22	6.28	7.15	
EBIDTA/Sales	0.24	0.22	0.21	0.21	0.28	0.24	
Market Cap/Sales	1.84	2.12	1.67	0.88	4.65	4.90	
Other Ratios	FY17	FY 18	FY 19	FY 20	FY21	FY22	
Receivable(days)		61.45	65.31	71.1	68.85	67.41	
Payable(days)		48.48	54.26	49.84	38.02	40.21	
Inventory(days)		35.7	44.52	46.62	27.96	28.41	
Debtor Turnover ratio	5.88	5.89	5.55	5	5.11	5.19	
Inventory Turnover Ratio	10.71	19.35	13.67	6.88	11.99	13.97	
Debt/Equity	0.23	0.31	0.33	0.37	0.11	0.06	
Interest Coverage Ratio	11	19	14	7	19	35	
Dividend Payout Ratio	9.47	7.58	0	8.03	0.81	3.51	
Asset Turnover Ratio		1.19	1.05	0.87	1.05	1.19	

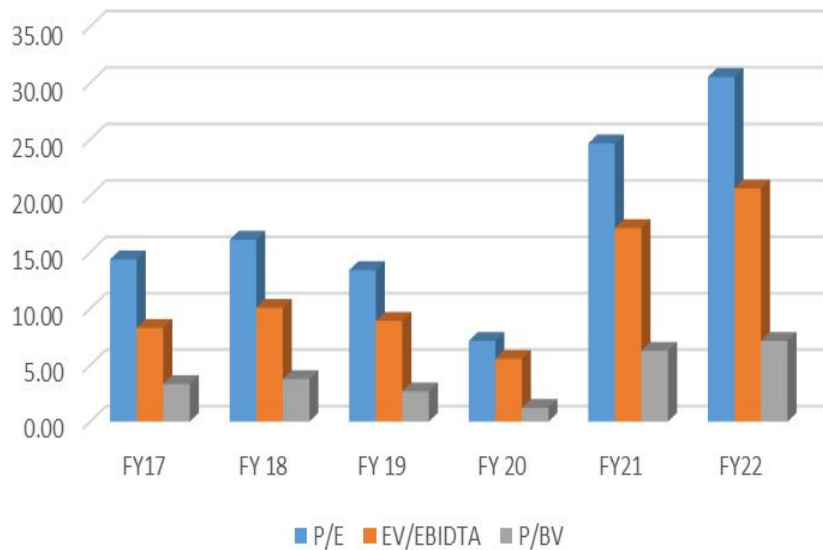
Return Ratios



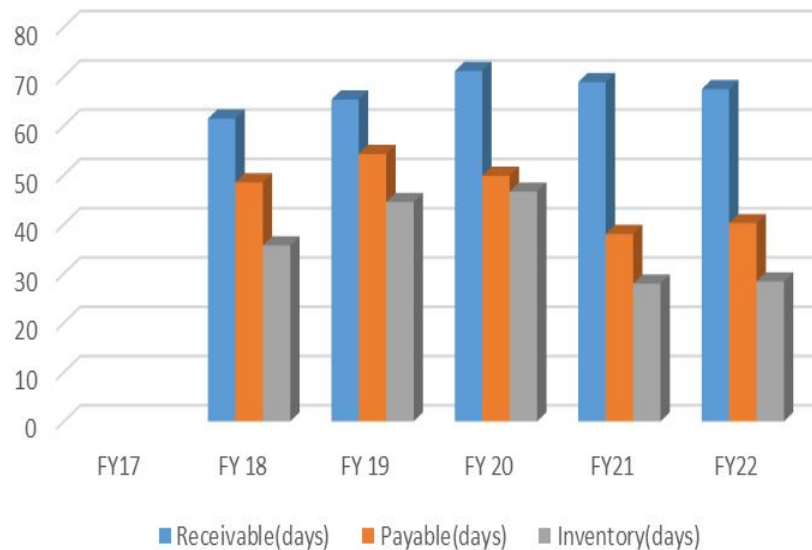
Financial Stability Ratios



Valuation Ratios



Turnover Periods



Ratio Analysis

- High ROE and ROCE% and increasing trend in returns to assets.
- BVPS has increased substantially.
- Earnings per share has risen consistently at a high rate.
- Due to almost zero debt, the firm has a very healthy debt-equity ratio and interest coverage ratio.
- Due to High payables period, the net working capital cycle remained at 121 days in FY22.
- Inventory Days is decreasing, a good sign.
- Low Asset Turnover ratio(~ 1). From conference call transcripts, the Balaji Specialty Chemicals Ltd is operating at a 56% capacity utilization, which the management wants to increase in the upcoming year.
- Valuation metrics are increasing. However, they seem to be undervalued as compared to their peers

Ratio Analysis (13/20)

1) The business has enjoyed stability and increase in it's OPM % over the past 5 years (1pt)		1
2) The business has witnessed stability and increase in it's NPM % (1pt)		1
3) The business has a sufficiently high ROCE% and ROE % as per the classification the business falls u		1
4) ROE % and ROCE % are greater than Cost of Equity and Cost of Capital respectively (1pt)		1
5) The business has witnessed a stable/increasing ROA % over the past 5 years (>5%) (1pt)		1
6) The business has seen improving Inventory turns over the past 5 years (ITR) (1pt)		1
7) The business utilises it's assets efficiently (2.5 ATR or greater) (1pt)		0
8) The Debtor Days have witnessed a consistent decrease, implying the bargaining power of customers has been reducing (1pt)	NA	1
9) The business doesn't have liquidity problems ($CR \geq 1$) (1pt)	NA	
10) If the first condition, applies then the business should also be sufficiently liquid to meet it's short term debt obligations ($QR \geq 1$) (1pt)	NA	
11) The business has tolerable amounts of Debt ($D/E < 1$) (1pt)		1
12) The business p/e ratio should be akin to what type of business the stock comes under (1pt)		1
13) The business' should be selling at a valuation at/below it's 10 year historic p/e ratio		0
14) The business' earnings growth should mirror the expansion in p/e (PEG = 1 or below) (1pt)		1
15) Historic PEG, compares investor expectation over a period of time along with Earnings growth (1pt)		1
16) The business has a tolerable P/B ratio (<3) in the case of ROE and ROCE % being below 20% (1pt)	NA	
17) BONUS: The business has a P/B below 1 and a ROE % > 15% (1pt)		0
18) Free Cash Flow Ratio > 40 % (1pt)		0
19) Free Cash Flow Yield > 5% (1pt)		0
20) Earnings Yield % > 5.5% (1pt)		0
21) Dividend Payout Ratio % < 50% (1pt)		1
22) Dividend Yield % (in the case of slow growers) > 3.9% (1pt)		0
23) The price line and EPS graph aren't diverging /No expansion in p/e due to a drop in earnings (1pt)		1

DCF

Balaji Amines

	<i>Hist</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>
Calculations	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27
<i>Property, plant and equipment, net</i>						
Beginning balance	54,291.67	68,117.77	83,663.06	1,00,506.20	1,18,846.65	1,38,904.41
Capital expenditure	18,026.47	20,790.36	23,285.20	26,079.42	29,208.95	32,714.03
Depreciation	4,200.37	5,245.07	6,442.06	7,738.98	9,151.19	10,695.64
Ending balance	68,117.77	83,663.06	1,00,506.20	1,18,846.65	1,38,904.41	1,60,922.80
<i>Investment Property</i>						
Beginning balance	0.00	0.00	0.00	0.00	0.00	0.00
Capital expenditure	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	0.00	0.00	0.00
Ending balance	0.00	0.00	0.00	0.00	0.00	0.00
<i>Intangible Assets</i>						
Beginning balance	0.00	0.00	0.00	0.00	0.00	0.00
Capital expenditure	0.00	0.00	0.00	0.00	0.00	0.00
Amortization	0.00	0.00	0.00	0.00	0.00	0.00
Ending balance	0.00	0.00	0.00	0.00	0.00	0.00
<i>Equity</i>						
Beginning balance		1,31,486.12	1,59,745.09	1,91,034.46	2,25,738.16	2,64,295.33
Net income		29,436.42	32,593.10	36,149.68	40,163.72	44,687.79
Dividends		1,177.46	1,303.72	1,445.99	1,606.55	1,787.51
Ending balance		1,59,745.09	1,91,034.46	2,25,738.16	2,64,295.33	3,07,195.61
<i>OWC</i>						
Operating current assets	94,342.77	1,01,362.08	1,13,525.53	1,27,148.60	1,42,406.43	1,59,495.20
Operating current liabilities	37,215.48	41,804.21	46,820.71	52,439.20	58,731.90	65,779.73
OWC	57,127.29	59,557.87	66,704.82	74,709.40	83,674.53	93,715.47

Balaji Amines

Debt

	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>
	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27
Cash flow from operations	30,112.2	31,576.4	35,534.8	39,958.6	44,904.4
Cash flow from investing	(23,154.5)	(26,653.8)	(29,747.5)	(33,220.5)	(37,117.7)
Less Dividends	(1,177.5)	(1,303.7)	(1,446.0)	(1,606.5)	(1,787.5)
Cash flow generated to service debt	5,780.2	3,618.8	4,341.3	5,131.5	5,999.1
Beginning cash and cash equivalents	5,155.9	9,357.0	12,975.9	17,317.2	22,448.7
Cash available to service debt	10,936.2	12,975.9	17,317.2	22,448.7	28,447.8
Long term debt issuance/(repayment)	0.0	0.0	0.0	0.0	0.0
Surplus cash/(revolver) requirement	10,936.2	12,975.9	17,317.2	22,448.7	28,447.8
Revolver					
Beginning revolver/short term debt	1,579.1	0.0	0.0	0.0	0.0
Issue/(repayment)	(1,579.1)	0.0	0.0	0.0	0.0
Ending revolver/short term debt	0.0	0.0	0.0	0.0	0.0
Long-term debt					
Beginning balance	7,317.4	7,317.3	7,317.3	7,317.3	7,317.3
Issuance	0.0	0.0	0.0	0.0	0.0
Repayment	0.0	0.0	0.0	0.0	0.0
Ending balance	7,317.4	7,317.3	7,317.3	7,317.3	7,317.3
interest on revolver/short term debt	0.0	0.0	0.0	0.0	0.0
interest on long term debt	365.9	365.9	365.9	365.9	365.9
Total Interest Exp.	365.9	365.9	365.9	365.9	365.9
Interest Income	195.9	301.5	409.0	536.8	687.1

Balaji Amines

Income Statement (INR lakhs)

	Hist	Hist	Hist	Hist	Hist	Proj	Proj	Proj	Proj	Proj
	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27
Revenue From Operations	86,123.36	94,305.12	93,577	1,31,145.51	2,32,035.23	2,59,879.46	2,91,064.99	3,25,992.79	3,65,111.93	4,08,925.36
Cost of Materials Consumed	46,096.92	54,101.22	49,797.11	61,580.22	1,27,641.00					
Excise Duty	0.00	0.00	0.00							
Purchases of stock-in-trade	0.00	0.00	0.00	0.00	0.00					
Changes in inventories of finished goods, stock-in-trade and work-in-progress	311.61	(2,565.56)	1,585.93	1,445.39	-5,388.41					
Total COGS	46,408.53	51,535.66	51,383.04	63,025.61	1,22,252.59	1,42,673.82	1,59,794.68	1,78,970.04	2,00,446.45	2,24,500.02
Gross Profit	39,714.83	42,769.46	42,194.14	68,119.90	1,09,782.64	1,17,205.64	1,31,270.31	1,47,022.75	1,64,665.48	1,84,425.34
Employee benefit expenses	2,689.48	2,946.92	5,098.71	6,714.16	9,154.25					
Advertisement and Publicity	0.00	0.00	0.00	0.00	0.00					
Other Operating/Recurring Expenses	18,075.96	20,481.70	19,020.66	24,014.99	37,613.60					
Total SG&A	20,765.44	23,428.62	24,119.37	30,729.15	46,767.85	67,048.90	75,094.77	84,106.14	94,198.88	1,05,502.74
EBITDA	18,949.39	19,340.84	18,074.77	37,390.75	63,014.79	50,156.74	56,175.54	62,916.61	70,466.60	78,922.59
Depreciation - PPE	1,928.79	1,955.38	3,162.29	3,441.10	4,200.37	5,245.07	6,442.06	7,738.98	9,151.19	10,695.64
EBIT	17,020.60	17,385.46	14,912.48	33,949.65	58,814.42	44,911.67	49,733.49	55,177.63	61,315.41	68,226.95
Interest Income	38.15	37.15	95.82	57.62	55.87	195.93	301.49	408.96	536.84	687.10
Other Non-Operating/Non-Recurring Income	369.21	385.53	405.55	549.79	668.69	475.00	475.00	475.00	475.00	475.00
Finance Costs	(904.00)	(1,302.58)	(2,303.46)	(1,829.23)	(1,710.16)	365.87	365.87	365.87	365.87	365.87
Other Non-Operating/Non-Recurring Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Earnings Before Tax	16,523.96	16,505.56	13,110.39	32,727.83	57,828.82	45,948.46	50,875.85	56,427.45	62,693.11	69,754.92
Profit before exceptional items and tax	16,523.96	16,505.56	13,110.39	32,727.83	57,828.82	45,948.46	50,875.85	56,427.45	62,693.11	69,754.92
Less: Exceptional Items	0.00	0.00	0.00	68.29	0.00	0.00	0.00	0.00	0.00	0.00
Profit before tax	16,523.96	16,505.56	13,110.39	32,659.54	57,828.82	45,948.46	50,875.85	56,427.45	62,693.11	69,754.92
Current Tax	5,325.00	5,600.00	4,000.00	8,135.00	13,837.75					
Deferred Tax	(59.25)	(803.30)	(636.66)	174.99	1,900.08					
Total Tax Expense	5,265.75	4,796.70	3,363.34	8,309.99	15,737.83	12,497.98	13,838.23	15,348.27	17,052.53	18,973.34
Net Profit	11,258.21	11,708.86	9,747.05	24,349.55	42,090.99	33,450.48	37,037.62	41,079.18	45,640.59	50,781.58
Less: Non-Controlling Interest	0.00	(44.44)	(732.72)	530.31	4,948.19	4,014.06	4,444.51	4,929.50	5,476.87	6,093.79
Net Profit Attributable to Owners of Balaji	11,258.21	11,753.30	10,479.77	23,819.24	37,142.80	29,436.42	32,593.10	36,149.68	40,163.72	44,687.79
After tax non recurring (income)/expense	(241.43)	(252.14)	(265.23)	(314.90)	(437.32)	(310.65)	(310.65)	(310.65)	(310.65)	(310.65)
Recurring Net income	11,016.78	11,501.16	10,214.54	23,504.34	36,705.48	29,125.77	32,282.45	35,839.03	39,853.07	44,377.14
Dividends	857.95	1,013.94	2,111.29	194.41	1,296.04	1,177.46	1,303.72	1,445.99	1,606.55	1,787.51
Basic weighted average shares outstanding	324.01	324.01	324.01	324.01	324.01	324.01	324.01	324.01	324.01	324.01
Diluted weighted average shares outstanding	324.01	324.01	324.01	324.01	324.01	324.01	324.01	324.01	324.01	324.01
EPS (Basic)	34.75	36.27	32.34	73.51	114.63	90.85	100.59	111.57	123.96	137.92
EPS (Diluted)	34.75	36.27	32.34	73.51	114.63	90.85	100.59	111.57	123.96	137.92
Dividends per share	2.65	3.13	6.52	0.60	4.00	3.63	4.02	4.46	4.96	5.52

Balaji Amines

Calculations

	Proj	Proj	Proj	Proj	Proj
	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27
Cash Flows From Operations					
Net Income	29,436.42	32,593.10	36,149.68	40,163.72	44,687.79
Add Depreciation	5,245.07	6,442.06	7,738.98	9,151.19	10,695.64
Add Amortisation	0.00	0.00	0.00	0.00	0.00
(Inc)/Dec in OWC	(2,430.58)	(7,146.94)	(8,004.58)	(8,965.13)	(10,040.94)
(inc)/Dec in Other Long Term Assets	(2,138.75)	(311.86)	(349.28)	(391.19)	(438.13)
Inc/(Dec) in Other Long Term Liabilities	0.03	0.00	0.00	0.00	0.00
Increase in Cash From Operating Activities	30,112.18	31,576.36	35,534.80	39,958.59	44,904.36
Cash Flow from Investing Activities					
Change in Capital WIP	(2,639.03)	(3,368.63)	(3,668.09)	(4,011.55)	(4,403.68)
Capex on PPE	(20,790.36)	(23,285.20)	(26,079.42)	(29,208.95)	(32,714.03)
Capex on Investment Property	0.00	0.00	0.00	0.00	0.00
Purchase of Intangible Assets	0.00	0.00	0.00	0.00	0.00
(Inc)/Dec in Other Current Financial Assets	274.91	0.00	0.00	0.00	0.00
Increase in Cash From Investing Activities	(23,154.48)	(26,653.83)	(29,747.51)	(33,220.51)	(37,117.71)
Cash Flow From Financing Activities					
Reissuance of LTD	0.00	0.00	0.00	0.00	0.00
Reissuance of Lease Liabilities	0.00	0.00	0.00	0.00	0.00
Payment of LTD	0.00	0.00	0.00	0.00	0.00
Payment of Lease Liabilities	0.00	0.00	0.00	0.00	0.00
Payment of Dividends	(1,177.46)	(1,303.72)	(1,445.99)	(1,606.55)	(1,787.51)
Short Term Debt	(1,579.12)	0.00	0.00	0.00	0.00
Increase in Cash From Financing Activities	(2,756.58)	(1,303.72)	(1,445.99)	(1,606.55)	(1,787.51)
Cash From Prev Year	5,155.92	9,357.05	12,975.85	17,317.16	22,448.69
Change in Cash Flow	4,201.13	3,618.81	4,341.30	5,131.53	5,999.14
Current Cash Balance	9,357.05	12,975.85	17,317.16	22,448.69	28,447.83

Riskfree rate=						
10 Year Government Bond Rate - CDS						
10 year government bond rate				7.29%		Source: Trading Econ
CDS				2.18%		Source: Damodaran (
Risk free rate=				5.11%		
Beta=						
Country/Region	% of total revenues		Country-wise betas	Adjusted Betas		
India	80.6%		0.79	0.63674		
ROTW	19.4%		1.039	0.2012543	Average rest of the world	
			Final Beta	0.84		
Equity Risk Premium=						
			Moody's	ERP	Revenue Exposure	Adjusted ERP
	India		Baa3	6.42%	80.6%	5.17%
	ROTW		Taken B2	9.68%	19.4%	1.88%
ERP=				7.05%		
Cost Of Equity				Risk-free rate+ beta*ERP =		
				11.02%		
Cost Of Debt= (Risk-free rate+ company default spread+ country risk premium)(1- Marginal Tax rate)						
Company Default spread						
Interest Coverage Ratio=				61.1		
	If ICR > 12.5		AAA			
	Therefore CDS=			0.67%		
Marginal Tax Rate=				34.94%		
Cost of Debt=				5.17877600%		
Cost Of Capital=	Cost of equity (Value of Equity/(Value of Equity + Value of Debt)) + Cost of Debt(Value of Debt/(Value of Equity + Value of Debt))					
Share Price			2330			
Number of Shares (Cr.)			3.24			
Value of Equity			7,549.43 cr			
Value of Debt			119.03 cr			
Cost of Capital/WACC				10.93%		

Balaji Amines Financial Model

All amounts are in INR lakhs

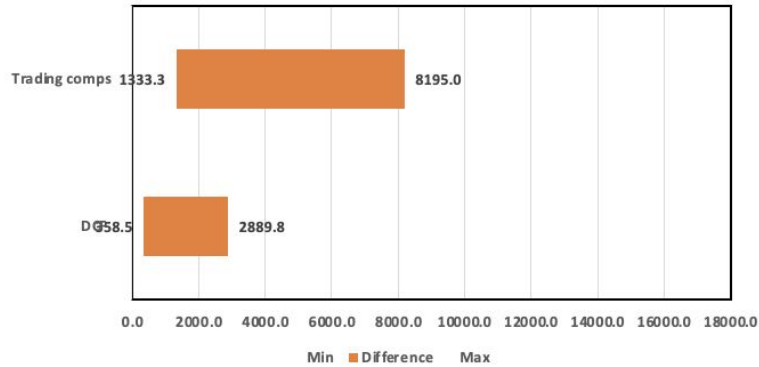
	Hist.	Hist.	Proj	Proj	Proj	Proj		
	31-Mar-18	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	
Assumptions								
Marginal Tax Rate			34.94%					
WACC			10.93%					
Terminal year growth rate			8.00%					
Free Cash Flows								
EBIT		58,814.4	44,911.7	49,733.5	55,177.6	61,315.4	68,227.0	
Effective Tax Rate		27.2%	27.2%	27.2%	27.2%	27.2%	27.2%	
NOPAT		42,808.4	32,695.7	36,206.0	40,169.3	44,637.6	49,669.2	
Depreciation & Amortization			5,245.1	6,442.1	7,739.0	9,151.2	10,695.6	
(Inc)/Dec in Operating Working Capital			(2,430.6)	(7,146.9)	(8,004.6)	(8,965.1)	(10,040.9)	
(Inc)/Dec in Other operating non-current assets			(2,138.8)	(311.9)	(349.3)	(391.2)	(438.1)	
Inc/(Dec) in Other operating non-current liabilities			0.0	0.0	0.0	0.0	0.0	
Purchase of Intangibles			0.0	0.0	0.0	0.0	0.0	
Capital Expenditure			(23,429.4)	(26,653.8)	(29,747.5)	(33,220.5)	(37,117.7)	
Free Cash Flows			9,942.1	8,535.4	9,806.9	11,212.0	12,768.1	
Key Ratios								
Sales Growth			12.00%	12.00%	12.00%	12.00%	12.00%	
EBIT Margin			17.28%	17.09%	16.93%	16.79%	16.68%	
EBITDA Margin			19.30%	19.30%	19.30%	19.30%	19.30%	
NOPAT Growth			-23.62%	10.74%	10.95%	11.12%	11.27%	
Invested Capital			1,55,679.5	1,83,350.1	2,13,712.5	2,47,138.1	2,81,032.8	
ROIC			21.00%	19.75%	18.80%	18.06%	17.67%	
Reinvestment Rate			69.59%	76.43%	75.59%	74.88%	74.29%	
Implied Growth Rate				9.12%	9.39%	9.62%	10.98%	13.13%
Terminal Value								
Terminal year growth rate				8.0%				
Terminal value using growing perpetuity formula				470754.61				
Implied TV multiple				5.96				
Discounting Model								
Year Count			1	2	3	4	5	
Discount factor			90.1%	81.3%	73.3%	66.0%	59.5%	
Present value of cash flows			8,962.5	6,936.4	7,184.5	7,404.5	7,601.4	
PV of forecast period cash flows		38,089.3						
PV of terminal value		2,80,262.1						
Enterprise value		3,18,351.5						
Implied EBITDA multiple		4.03 x						
Less net debt		(14.4)						
Equity value		3,18,337.1						
Share outstanding (millions)		324.0						
Implied share value (INR)		982.5						

Balaji Amines Trading Comparables

All amounts are in INR crores as of Mar 22

Company	Alkyl Amines	Jubilant Ingreva	Supreme Petro	Laxmi Organic	Balaji Amines
Valuation					
Share price (INR)	2,640.7	478.2	382.8	271.4	
Shares outstanding	5.1	15.9	18.8	26.5	
Equity value	13,493.7	7,603.4	7,196.6	7,196.7	
Net Debt	16.0	52.8	(858.8)	(208.7)	
Enterprise value	13,509.8	7,656.2	6,337.8	6,988.0	
Value drivers					
Sales					
Hist	1,710.4	4,949.3	5,032.3	3,084.2	2,320.4
Proj 1	1,787.6	5,356.1	5,530.0	3,393.5	2,485.3
EBITDA					
Hist	340.7	863.2	935.9	382.6	630.1
Proj 1	347.0	987.8	1,003.3	393.5	673.1
Diluted EPS					
Hist	43.95	29.97	70.54	9.59	114.63
Proj 1	44.72	33.74	76.81	10.15	120.44
				Sector average	
Multiples					
EV / sales					
Hist	7.90 x	1.55 x	1.26 x	2.27 x	3.24 x
Proj 1	7.56 x	1.43 x	1.15 x	2.06 x	3.05 x
EV / EBITDA					
Hist	39.65 x	8.87 x	6.77 x	18.26 x	18.39 x
Proj 1	38.94 x	7.75 x	6.32 x	17.76 x	17.69 x
P/E					
Hist	60.08 x	15.96 x	5.43 x	28.30 x	27.44 x
Proj 1	59.05 x	14.17 x	4.98 x	26.73 x	26.23 x
Balaji Valuation		EV / EBITDA		PE	
	Hist	Proj 1	Hist	Proj 1	Hist
Enterprise value		7,524.06	7,575.48	11,588.28	11,907.83
Net debt + Long Term Investments		(14.4)	(14.4)	(14.4)	(14.4)
Equity value		7,538.5	7,589.9	11,602.7	11,922.2
Shares outstanding		3.2	3.2	3.2	3.2
Implied share price		2,355.77	2,371.84	3,625.84	3,725.69
Forward EV/EBITDA		min	max		
Multiple			6.3	38.9	
EBITDA			673.1	673.1	
EV			4,252.1	26,209.5	
Net debt + Long Term Investments			(14.4)	(14.4)	
Equity value			4,266.5	26,223.9	
Share price			1,333.3	8,195.0	

Valuation for Balaji



Share price sensitivity analysis

	982.5	4%	5.00%	6%	7.00%	8%
9%	656.495219	796.077775	1028.71537	1493.99055	2889.816111	
10.00%	544.582201	634.299283	768.874905	993.167609	1441.753017	
11.0%	464.737611	526.542941	613.070403	742.861595	959.1802496	
12.00%	404.931708	449.652245	509.279629	592.757966	717.9754708	
13%	358.48151	392.049154	435.207554	492.752087	573.3144327	

	Min	Difference	Max
DCF	358.5	2531.3	2889.8
Trading comps	1333.3	6861.7	8195.0

Investment Thesis

- Rating: Buy
- ROCE and ROE have been consistently improving and have been above 20% over the past 5 years indicating good capital allocation.
- The debt is close to 0, indicating good financial health and credit score.
- The company is undertaking significant Capex and expanding its capacity and efficiency. (Greenfield project)
- The subsidiary Balaji Specialty Chemicals is soon going for IPO.
- The company is the sole/largest Indian seller of many amine products, and enjoys a dominant market share, giving it competitive advantage.
- Company is currently trading at lower multiples than its peers.