

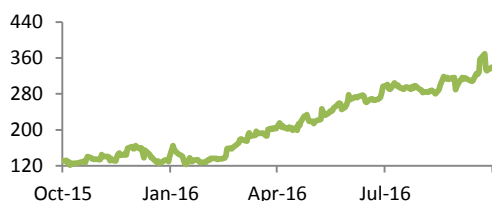
Balaji Amines Ltd

Recommendation	BUY
CMP	Rs 336
Target Price	Rs 405
Sector	Speciality Chemicals

Stock Details

BSE Code	530999
NSE Code	BALAMINES
Bloomberg Code	BLA IN
Market Cap (Rs cr)	1089
Free Float (%)	45.58
52- wk HI/Lo (Rs)	371/115
Avg. volume NSE (Quarterly)	42,570
Face Value (Rs)	2.0
Dividend (FY 16)	100%
Shares o/s (Cr)	3.2

Relative Performance	1Mth	3Mth	1Yr
BAL	13.6%	12.6%	157.7%
Sensex	-0.1%	-0.6%	4.4%

Shareholding Pattern 30th Sept 16

Promoters Holding	54.42
Institutional (Incl. FII)	3.08
Corporate Bodies	3.51
Public & others	38.99

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Decent quarter

Balaji Amines Limited (BAL), set up in 1988, is a leading manufacturer of Aliphatic Amines. It specialized in manufacturing Methylamines, Ethylamines and derivatives of them. It also operates a 5 star hotel in Solapur – Balaji Sarovar, the only 5 star property in the city.

The company posted flat sales for the quarter at Rs 172.2 cr as one of its plant was shutdown for 10-15 days. Hence there was no volume growth in Q2 where as 1HFY17 has witness 10-12% volume growth. However, EBITDA margins improved to 23% in Q2FY17 from 16.1% in Q2FY16 and 22.2% in Q1FY17. Higher EBITDA and lower interest cost led to 84% jump in PAT to Rs 21.7 cr. The management has indicated that prices (realisations) are stable and whole volume growth should drop down to sales growth hence for full year management has indicated of 18-20% sales growth. We are forecasting 17.4% CAGR for next two years.

Key takeaways

- The company is undertaking Morphaline expansion and increasing capacity from 3000 MT to 10000 MT with capex of Rs 25-30 cr, which is funded by internal accruals. The facility is likely to be operational by Q1FY18. Morphaline is mainly used in water and rubber treatment plants. Currently, there are only 3 players worldwide, including BAL, excluding Chinese players. India's local demand is 600 ton/month out of which BAL is supplying Rs 200 ton/month. With the increased capacity the company would be able to substitute imports. Till now, imports of Morphaline used to enjoy anti-dumping duty however recently being removed, still management believes that without anti-dumping also, BAL would be competitive enough to garner market share from other players including Chinese manufacturers.
- The company has stopped all the manufacturing activities at its loss making subsidiary – Greentech and has decided to merger it with itself. This would help the parent company in claiming the tax benefits on Greentech's accumulated losses.
- The DMF prices still down which is continue to hurt's company's volumes however management seems confident of anti-dumping getting imposed on it soon. As and when it happens, it will boost the company's volumes and margins further as the company continues to incur fixed costs on it.
- Methanol prices have started moving up which should drive the realisations up. Company doesn't expect any adverse impact of it on its margins.
- Hotel business is continue to do well and the losses have come down.

Valuation & Recommendation

For FY16-18E we expect the company's sales to grow by 17.4% and PAT by 42.6% (as interest cost if likely to come down and with no major capex lined up depreciation is likely to be stable at current levels). BAL is leading amine player and enjoys handsome market share in its basket of products. It is consistent dividend paying company and is poised for good growth and is available at attractive valuations. We believe there is scope of re-rating of the stock given the improvement in ROCE and ROE with positive free cash flow. **We recommend HOLD on the stock for price target of Rs 405 (11x FY18E)**

Year Consol	Sales (Rs cr)	Growth (%)	EBITDA (Rs cr)	Margin (%)	PAT (Rs cr)	Margin (%)	Adj EPS (Rs)	P/E (x)	RoE
FY15A	618.8	1.4%	101.8	16.4%	34.3	5.5%	10.6	31.8	15.0%
FY16A	643.1	3.9%	126.7	19.7%	57.6	9.0%	17.8	18.9	20.6%
FY17E	748.2	16.3%	168.5	22.5%	89.9	12.0%	27.7	12.1	24.8%
FY18E	887.0	18.6%	205.3	23.1%	117.2	13.2%	36.2	9.3	24.9%

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QUARTERLY RESULT

Standalone (Rs cr)	FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	FY16	Q1FY17	Q2FY17
Net sales	604.9	159.6	173.2	150.0	166.5	634.9	181.8	172.2
Cost of Materials	350.7	94.8	91.9	79.0	83.1	348.9	86.3	80.1
Staff cost	24.5	6.6	6.9	7.7	10.4	31.5	8.1	8.5
Other Exps	127.3	29.3	46.4	32.2	32.1	125.7	47.1	43.9
Total Expenses	502.5	130.7	145.2	118.9	125.6	506.0	141.5	132.5
EBITDA	102.4	29.0	27.9	31.1	40.9	128.9	40.3	39.7
margins	16.9%	18.2%	16.1%	20.7%	24.6%	20.3%	22.2%	23.0%
Depreciation	18.6	4.4	4.4	4.4	4.7	17.9	4.5	4.5
EBIT	83.8	24.6	23.6	26.7	36.1	111.0	35.8	35.2
Interest	31.4	5.7	5.2	5.2	4.0	20.1	3.5	3.0
Other income	3.4	0.7	0.8	0.1	0.7	2.2	0.6	1.1
PBT	55.7	19.6	19.1	21.7	32.8	93.2	32.9	33.2
Tax	19.4	6.7	7.3	8.4	9.5	31.9	8.2	11.5
Tax rate	34.8%	34.4%	38.2%	38.6%	28.9%	34.2%	24.9%	34.6%
MI & EO	0.0	0.0	0.0	0.0	0.0	0.0	-1.6	0.0
PAT	36.4	12.8	11.8	13.3	23.3	61.3	26.3	21.7
Equity Capital	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
FV	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
EPS	11.2	4.0	3.6	4.1	7.2	18.9	8.1	6.7

SEGMENTAL BREAKUP

	FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	FY16	Q1FY17	Q2FY17
Amines								
- Sales	593.6	156.3	170.2	145.3	162.6	620.1	178.1	168.4
- EBIT	103.8	26.1	25.1	26.6	37.1	114.9	38.7	36.6
margins %	17.5%	16.7%	14.8%	18.3%	22.8%	18.5%	21.7%	21.7%
Hotel								
- Sales	11.5	3.4	3.0	4.7	3.8	15.0	3.7	3.8
- EBIT	2.0	-0.8	-0.8	0.2	-0.3	-1.7	-0.7	-0.3
margins %	17.0%	-24.0%	-27.5%	4.8%	-7.4%	-11.4%	-17.8%	-9.3%

Hotel division's performance is improving and likely to continue the momentum going forward.

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Financials – Consolidated – Rs cr

Profit & Loss	FY15A	FY16A	FY17E	FY18E	Balance Sheet	FY15A	FY16A	FY17E	FY18E
Net Sales	618.8	643.1	748.2	887.0	Share Capital	6.5	6.5	6.5	6.5
% change	1.4%	3.9%	16.3%	18.6%	Reserves & Surplus	221.4	273.7	356.0	464.9
EBITDA	101.8	126.7	168.5	205.3	Net Worth	227.9	280.2	362.5	471.3
EBITDA margin	16.4%	19.7%	22.5%	23.1%	Net Deferred Tax Li.	45.1	50.5	50.5	50.5
Depn & Amort	20.1	19.4	20.6	21.9	Total Loans	255.9	172.7	160.7	120.7
Operating income	81.7	107.3	147.9	183.4	Trade Payables	47.6	49.3	57.2	67.5
Interest	34.9	22.2	13.9	10.3	Provisions	18.0	34.4	34.4	34.4
Other Income	4.3	2.8	3.0	5.0	Other CL	9.8	5.6	9.5	11.1
PBT	51.1	88.0	137.0	178.1	Total Liabilities	622.5	604.7	686.7	767.5
Tax	17.9	30.3	47.1	60.9	Net Fixed Assets	341.1	342.4	367.9	377.7
MI & EO	-1.1	0.0	0.0	0.0	Capital WIP	3.3	16.3	5.1	3.5
PAT	34.3	57.6	89.9	117.2	Investments	0.0	0.0	0.0	0.0
PAT margin (%)	5.5%	9.0%	12.0%	13.2%	Cash & Bank	7.0	8.6	26.2	48.5
Sh o/s - Diluted	3.2	3.2	3.2	3.2	Inventories	112.4	78.0	98.7	114.4
Adj EPS	10.6	17.8	27.7	36.2	Debtors	119.4	124.3	142.6	168.9
Cash EPS	16.8	23.8	34.1	42.9	Loans & Advances	39.4	36.7	46.1	54.6
Qtrly-Standalone	Dec.15	Mar.16	Jun.16	Sept.16	Misc Exp	0.0	0.0	0.0	0.0
Revenue	150.0	166.5	181.8	172.2	Total Assets	622.5	606.3	686.7	767.5
EBITDA	31.1	40.9	40.3	39.7	Cash Flow	FY15A	FY16A	FY17E	FY18E
Dep & Amorz	4.4	4.7	4.5	4.5	Op CF before tax	101.8	126.7	168.5	205.3
Op Income	26.7	36.1	35.8	35.2	Change in WC	-37.5	41.7	-36.6	-38.5
Interest	5.2	4.0	3.5	3.0	Tax	-17.9	-30.3	-47.1	-60.9
Other Inc.	0.1	0.7	0.6	1.1	CF from Operation	46.4	138.1	84.7	105.9
PBT	21.7	32.8	32.9	33.2	Capex	-34.1	-31.8	-35.0	-30.0
Tax	8.4	9.5	8.2	11.5	Oth Inc & Investme	24.2	2.8	3.0	5.0
EO	0.0	0.0	-1.6	0.0	CF from Investing	-9.9	-29.1	-32.0	-25.0
PAT	13.3	23.3	26.3	21.7	Financing				
EPS (Rs.)	4.1	7.2	8.1	6.7	Dividend Paid	-4.7	-7.8	-8.0	-8.3
Performance Ratio	FY15A	FY16A	FY17E	FY18E	Share Capital	0.0	0.0	0.0	0.0
EBITDA margin(%)	16.4%	19.7%	22.5%	23.1%	Loans	-5.8	-83.2	-12.0	-40.0
EBIT margin (%)	13.2%	16.7%	19.8%	20.7%	Interest	-34.9	-22.2	-13.9	-10.3
PAT margin (%)	5.5%	9.0%	12.0%	13.2%	Others	6.0	5.6	-1.3	0.0
ROE (%)	15.0%	20.6%	24.8%	24.9%	CF from Financing	-39.3	-107.5	-35.1	-58.6
ROCE (%)	15.4%	21.3%	25.8%	28.5%	Net Chg. in Cash	-2.7	1.6	17.6	22.3
PAT growth (%)	2.3%	68.1%	56.0%	30.4%	Cash at beginning	9.7	7.0	8.6	26.2
Debt/Equity (x)	1.1	0.6	0.4	0.3	Cash at end	7.0	8.6	26.2	48.5
Valuation Ratio	FY15A	FY16A	FY17E	FY18E	Per Share Data	FY15A	FY16A	FY17E	FY18E
PE (x)	31.8	18.9	12.1	9.3	Adj EPS	10.6	17.8	27.7	36.2
Price/BV (x)	1.5	1.2	0.9	0.7	BV per share	70.3	86.5	111.9	145.5
EV / Sales	2.2	1.9	1.6	1.3	Cash per share	2.2	2.6	8.1	15.0
EV / EBITDA	13.1	9.9	7.3	5.7	Dividend per share	1.2	2.0	2.1	2.2

Balaji Amines Ltd

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