

## Balaji Amines Ltd (BAL)

No. of shares (m)	32.4
Mkt cap (Rs/\$m)	9161/1215.2
Current price (Rs/\$)	2827/37.5
Price target (Rs/\$)	3916/51.9
52 W H/L (Rs.)	5224/1555
Book Value (Rs/\$)	352/4.7
Beta	1.4
Daily volume NSE (avg. monthly)	113160
P/BV (FY22e/23e)	7.4/5.3
EV/EBITDA (FY22e/23e)	14.8/11.4
P/E (FY22e/23e)	24.4/18.8
EPS growth (FY21/22e/23e)	127.2/57.8/29.9
OPM (FY21/22e/23e)	28.5/28.1/27.0
ROE (FY21/22e/23e)	31.0/35.3/32.9
ROCE(FY21/22e/23e)	26.3/34.9/33.4
D/E ratio (FY21/22e/23e)	0.1/0.1/0.1
BSE Code	530999
NSE Code	BALAMINES
Bloomberg	BLA IN
Reuters	BAMN.NS

## Shareholding pattern%

Promoters	53.7
MFs / Banks / FIs	0.2
Foreign Portfolio Investors	3.9
Govt. Holding	-
Public & Others	42.2
<b>Total</b>	<b>100.0</b>

As on 31.12.2021

## Recommendation

**BUY**

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## Quarterly Highlights

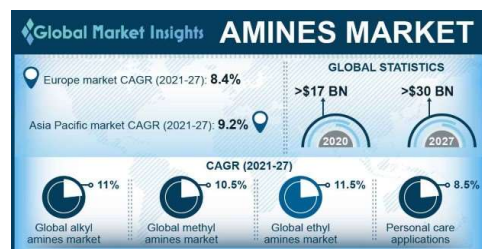
- Despite overall consolidated sales volume witnessing a decline of 13.8% to 27,589 mt in Q3FY22, Balaji Amines' revenue from operations grew by a pleasing 44.1% to Rs. 564.90 crs as against Rs. 392.13 crs in the corresponding period in the prior year. The demand for certain products from pharmaceutical clients remained suppressed on account of unavailability of Chinese API key starting materials (KSMs) for some of Balaji's matching products due to challenges in Chinese supplies and ocean freight logistics. Also, the quarter was marked by temporary shutdowns of DMF and acetonitrile plants for debottlenecking. Yet, the growth in revenue was on account of better product mix and volumes boost from the recently commissioned 16,500 tons ethylamines plant.
- Due to lag effect in passing on higher raw material prices and rising logistics costs, BAL's standalone operating profit growth of 10.6% y-o-y was not apace the top-line growth of 29.5%. Subsequently, the company did report barely indistinct drop in standalone operating margins – 22.6% in Q3 vs 26.5% in Q3FY21 (vs. 22.5% in Q2FY22). Margin suppression was primarily on account of higher methanol and ammonia prices. However, better price realization across products of the subsidiary provided much needed respite to the overall consolidated margins, which stood at 28.1% in Q3 vs 29.9% in Q3FY21 (vs. 25.0% in Q2FY22).
- The subsidiary, Balaji Speciality, delivered a stellar Q3FY22 performance clocking in revenues of Rs. 130 crs compared to Rs.57.12 crs in the previous year on the back of robust demand and higher price realization. It logged in volume of 3,887 MT in Q3 as against 3,640 MT in same quarter last year, thereby taking the 9MFY22 capacity utilization to about 52%. Constraints in the availability of raw materials are easing and that may result in volume growth in the coming quarters.
- The stock currently trades at 24.4x FY22e EPS of Rs. 115.95 and 18.8x FY23e EPS of Rs. 150.64. Factoring in sustainability of higher margins, we have upped our FY23 EPS estimates by some 25%. Growth in the coming years would barely stymie not least due to higher contribution from DMF (post debottlenecking), start of DMC plant, ramp up in new ethylamines plant, improved availability of KSM for matching products, increased production of acetonitrile post normalization in acetic acid prices, and increased offtake from the subsidiary. A favourable pricing environment could boost overall revenues by 69.0% this fiscal and by 34.4% crs in FY23e. We retain our 'buy' rating on the stock with a revised target of Rs. 3916 (previous target: Rs 3613) based on 26x FY23 earnings.

Consolidated (Rs crs)	FY19	FY20	FY21	FY22e	FY23e
Income from operations	943.05	935.77	1311.46	2216.17	2977.46
Other Income	4.23	5.01	6.07	8.81	16.73
EBITDA (other income included)	197.64	185.76	379.30	630.86	820.65
PAT after EO	117.53	104.76	238.05	375.69	488.09
EPS(Rs)	36.27	32.33	73.47	115.95	150.64
EPS growth (%)	4.2	-10.9	127.2	57.8	29.9

## Outlook & Recommendation

### Global Amines Market

According to Global Market Insights, the global amines market size, which was valued at \$17.30 billion in 2020, is anticipated to cross \$30.00 billion mark by 2027, growing at a CAGR of 8%. Much of this growth is likely to come from the rapidly growing end-user industries such as pharmaceutical, personal care, agrochemical, agriculture, water treatment, paint, coating and petroleum. This trend was significantly heightened amidst the pandemic, which led to an uptick in demand from pharmaceutical industry and eventually pushed the demand for the amines industry. The Asia Pacific region, which led the global amines market in 2020 with a value of over \$7.50 billion, is expected to be the key growth driver growing at a CAGR of 9.2% by 2027.



Source: Global Market Insights

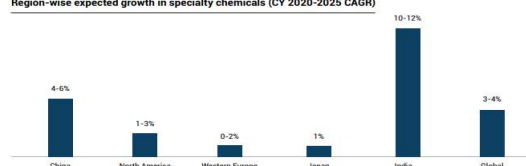
The industry is characterized by heavy capex requirements, stringent government regulations and complex manufacturing processes that create high entry barriers leaving a country with just a handful of producers catering to the majority of demand in the region. Moreover, continuous fluctuations in prices of the raw materials, which are mainly petroleum derivatives, are hindering the market growth. Nevertheless, growing demand from pharma and agrochemical markets bodes well for the overall sector. With respect to Indian market, the complex logistics involved is substantially reducing the likelihood of imports, thereby keeping the overall outlook of the local industry positive.

### Indian Specialty Chemicals Industry

By some industry reports, India is one of the fastest growing markets in the global specialty chemicals space contributing almost 21% to the Indian chemical industry and the size of which is estimated to be around \$40 billion, accounting ~50% of total Indian chemical exports. Given the large consumption patterns, manufacturing capabilities and favourable government policies, investments in this sector have considerably risen. This increased capex towards facility set-ups to scale up capacities coupled with increased R&D spending to cater the growing demand are likely helping the region in moving ahead at a brisk pace.

China's specialty chemicals market has seen a downturn in recent years due to various factors including stringent compliance of environmental norms, rising labour costs, slowing domestic demand, tightening of liquidity, appreciation of Chinese currency, etc. that has reduced its competitiveness in the export market. This coupled with the US-China trade war and COVID-19 pandemic have propelled companies across the globe towards adopting the "China plus one" strategy to diversify supply risk. This has served as a great opportunity for Indian manufacturers in gaining cost advantage over their Chinese counterparts. As per Crisil Research, India's specialty chemicals industry is likely to exhibit a CAGR of 10-12% by 2025 given that the region has requisite scale, technology, skilled labour, intellectual property protection, availability of raw materials and government support, to leverage on this opportunity.

Region-wise expected growth in specialty chemicals (CY 2020-2025 CAGR)



Source: Crisil Research

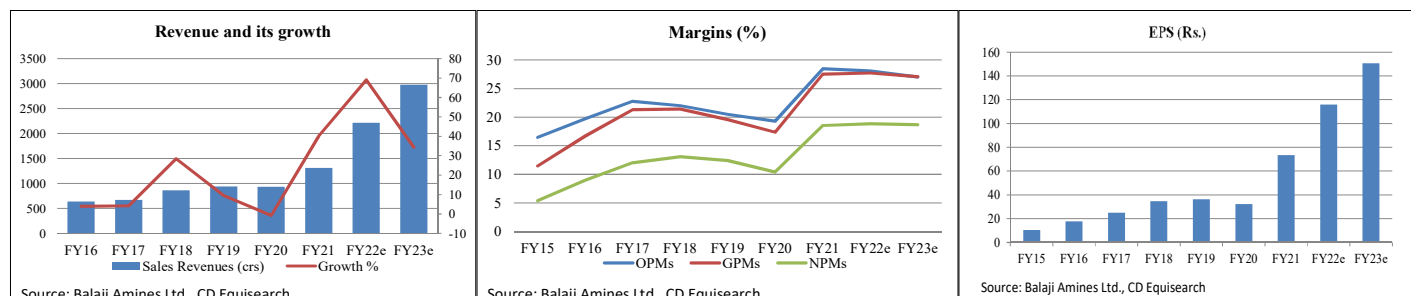


## Financials & Valuation

Much of the Indian chemical industry, particularly the specialty chemicals space, has been undertaking capacity expansions along with increased capital expenditure commitments on account of impetus being given to 'China Plus One' policy by companies in western economies. This trend has been further fueled by the GOI's Aatmanirbhar Bharat and PLI schemes. Balaji Amines is no different as apprehending the growing demand for amines and specialty chemicals, the company has planned to gradually ramp-up its production capabilities- DMF to be further debottlenecked; DMC to start production soon; new acetonitrile plant likely to commence operations by FY24; and a slew of other capacity expansion plans to be announced soon.

Overall volume growth of 5.24% in 9MFY22 (81,569 mt vs. 77,510 mt in 9MFY21) barely help us understand the top-line growth of 71.7% (Rs. 1541.31 crs vs. 897.42 crs in 9MFY21) not least due to favourable product mix and unprecedented jump in raw material price inflation. Although, ability to pass on high raw material prices has been hindered across the chemical industry, Balaji Amines has demonstrated superior pricing power in the past quarters compared to its peers, though its subsidiary accounts for much of this strength recently.

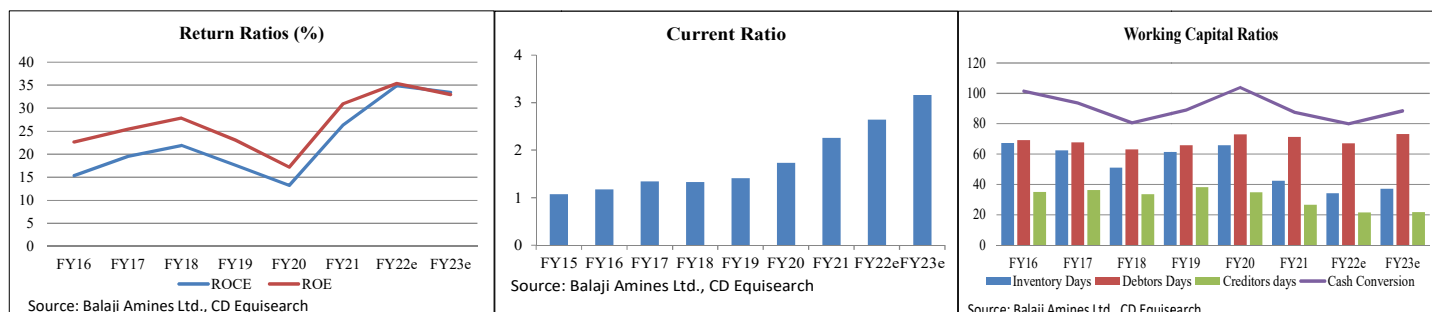
BSC's overall volume offtake stood at 12268 mt in 9MFY22 as against 7701 mt in 9MFY21 that helped in clocking sales of Rs. 326.55 crs exhibiting a pleasing growth of 190.0% compared to the corresponding period in FY21. Given the high demand and scarce availability of the products associated with subsidiary, its OPMs for 9MFY22 stood at some 35%, marked higher when compared with that in the corresponding period in the prior year. Such positive outlook has pushed the management to plan capacity expansions in subsidiary plants as well, the details of which could be announced in the coming quarters. Moreover, supply bottlenecks, especially regarding the availability raw materials, have started easing since the onset of this year could lend scalability to its business, which would help in attaining capacity utilization levels of 70% to 80% in the next fiscal.



The volatile inflationary environment has put little brakes on BAL's capex programme as the setting up of new DMC plant under Phase 1 of its 90-acre greenfield project (Unit IV) is nearing completion and is expected to commence production by April. Balaji would be the sole manufacturer of this product in India with a capacity of 10,000-12,000 tons p.a. gaining a major advantage in substituting imports. The outlook of DMC seems appealing on account of various government incentives being into play and the plant could achieve utilization of 60-70% next fiscal given its use as a major solvent in the production of polycarbonate and lithium batteries- the consumption of which is anticipated to grow exponentially backed by GOI's Rs 18,100-crore production-linked incentives (PLI) scheme for advanced chemistry cells (ACC) announced last year. In fact, recently a total of 10 companies, including a subsidiary of Reliance Industries, Hyundai Global Motors and Ola Electric, have applied for the same and Balaji has already started formal marketing of the product to its prospective customers. Moreover, another of its product-N-Methyl Pyrrolidone (NMP) - that is also used for the battery manufacturing could pick-up on account of combined synergies associated.

Similarly, completion of debottlenecking exercise of the DMF plant undertaken in Q3 enhanced its operating capacity from earlier 50 tpd to 75 tpd, thus paving way for the capacity utilization to reach 70-80% in the coming quarters from about 34% in 9MFY22. However, the debottlenecking of acetonitrile plant in Q3 to increase capacity from 9 tpd to 13 tpd has done little to enhance its capacity utilization given the sky-high prices of acetic acid. To address this, the company has planned an additional allocation of Rs. 70-80 crs to set up another acetonitrile plant having capacity of 50 tpd using a different technology. However, timely execution of capex is essential in maintaining the growth momentum.

Increased 'sales velocity' in Balaji Speciality not least due to higher demand from various end-user industries and better utilization of plant capacity would support higher margins. As pressures on raw material availability and prices ease next fiscal, earnings are estimated to rise by a pleasing 57.8% this fiscal and by 29.9% in FY23. Consequently, falling debt would improve interest coverage to 35.5 this fiscal and 52.7 in FY23 (vs. 18.8 in FY21). Higher utilization of available capacities of DMF, acetonitrile, and subsidiary coupled with increased pricing power of DMF, subsidiary products and other derivatives would further boost ROE to 35.3% this fiscal and 32.9% in FY23 from an already high 31.0% in FY21. Reduction in borrowings on account of ploughing back of retained earnings would push FY22 current ratio towards 2.6 and 3.2 in FY23 (vs. 2.3 in FY21).

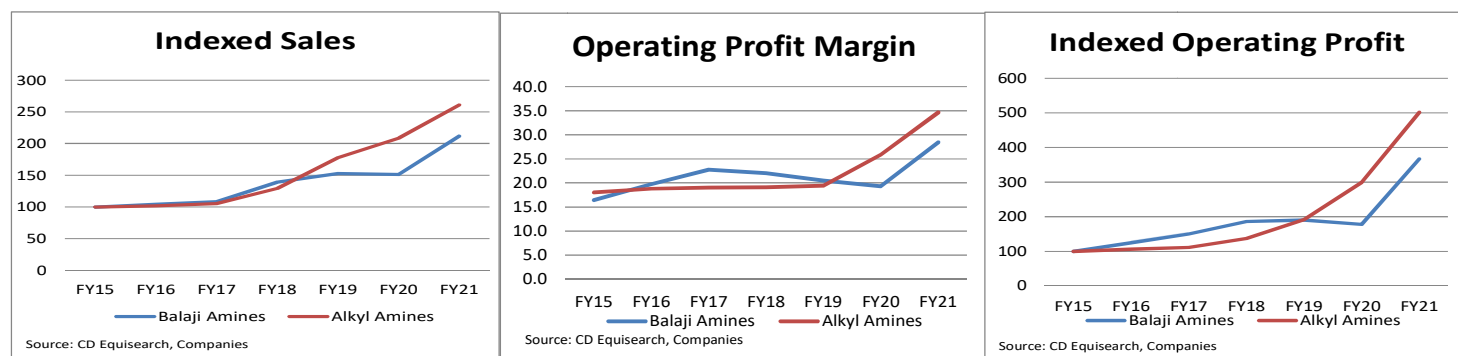


The stock currently trades at 24.4x FY22e EPS of Rs. 115.95 and 18.8x FY23e EPS of Rs. 150.64. Dependability on Indian pharmaceutical companies and agrochemicals is expected to continue to improve on account of 'China Plus One' policy. Hence, volumes are barely expected to waver- thanks to growing demand from end-user industries. Balaji Amines derives much of its competitive advantage from vertical integration; wide basket of finished products; cost efficiencies from specialization in production of amines and its derivatives; low capital cost of production infrastructure; supply integration of the subsidiary with the parent; bulk sourcing of materials; and harnessing low cost technology (new ethyl amine and acetonitrile plants case in point). Capacity utilization of existing capacities will partly rest on streamlining of raw material availability. Weighing odds, we retain our 'buy' rating on the stock with a revise target of Rs. 3916 (previous target: Rs 3613) based on 26x FY23 earnings. For more info refer to our June 2021 report.

## Cross Sectional Analysis

Company	Equity*	CMP	MCAP*	Sales*	Profit*	OPM (%)	NPM (%)	IntCov	ROE (%)	Mcap/Sales	P/BV	P/E
Balaji Amines	6.48	2827	9161	1955	344	28.7	19.2	33.7	35.3	4.7	8.0	26.6
Alkyl Amines	10.2	2982	15231	1499	272	25.8	18.1	82.2	32.8	10.2	16.2	56.0

Revenues of Alkyl Amines for the quarter ended 31<sup>st</sup> December 2021 were Rs. 377.66 crs as against Rs. 323.88 crs for the corresponding period in FY21, representing a 16.3% growth overall. However, continued volatility in prices of key raw materials, especially acetic acid, has at least near-term margin impact. As a reflection of that, operating profits have fallen by barely miniscule 45.9% to Rs. 66.59 crs in Q3FY22 as against Rs. 123.09 crs in Q3FY21 (vs. Rs. 75.46 crs in Q2FY22). Operating margins at 17.7% have also witnessed a significant decline by over 2000 bps on a year-over-year basis and by 396 bps sequentially. Lag effect in passing on high raw material prices will have some adverse impact on margins. The commissioning of the new acetonitrile plant has been completed and it was capitalized in the month of December.



## Financials

### Consolidated Quarterly Results

Figures in Rs crs

	Q3FY22	Q3FY21	% chg.	9MFY22	9MFY21	% chg.
<b>Income From Operations</b>	<b>564.90</b>	<b>392.13</b>	<b>44.1</b>	<b>1541.31</b>	<b>897.42</b>	<b>71.7</b>
Other Income	0.94	0.51	83.0	5.14	2.48	107.5
<b>Total Income</b>	<b>565.83</b>	<b>392.64</b>	<b>44.1</b>	<b>1546.45</b>	<b>899.90</b>	<b>71.8</b>
Total Expenditure	406.17	274.76	47.8	1108.23	653.12	69.7
<b>EBITDA (other income included)</b>	<b>159.67</b>	<b>117.88</b>	<b>35.4</b>	<b>438.22</b>	<b>246.78</b>	<b>77.6</b>
Interest	4.66	4.81	-3.2	11.95	14.51	-17.7
Depreciation	10.49	8.71	20.4	31.22	25.94	20.3
<b>PBT</b>	<b>144.52</b>	<b>104.36</b>	<b>38.5</b>	<b>395.06</b>	<b>206.32</b>	<b>91.5</b>
Tax	42.93	25.45	68.7	108.00	51.64	109.2
<b>PAT</b>	<b>101.59</b>	<b>78.91</b>	<b>28.8</b>	<b>287.05</b>	<b>154.69</b>	<b>85.6</b>
Minority Interest	12.04	3.93	205.9	27.36	0.99	-
<b>PAT after Minority Interest</b>	<b>89.56</b>	<b>74.97</b>	<b>19.5</b>	<b>259.70</b>	<b>153.69</b>	<b>69.0</b>
EO	-	-	-	-	-	-
<b>Adjusted Net Profit</b>	<b>89.56</b>	<b>74.97</b>	<b>19.5</b>	<b>259.70</b>	<b>153.69</b>	<b>69.0</b>
EPS(Rs)	27.64	23.14	19.5	80.15	47.43	69.0

### Segment Results

Figures in Rs crs

	Q3FY22	Q3FY21	% chg.	9MFY22	9MFY21	% chg.
<b>Segment Revenue</b>						
Amines &Speciality Chemicals	596.63	419.04	42.4	1614.89	964.94	67.4
Hotel Division	5.70	2.78	104.8	10.82	3.64	197.2
CFL lamps & Capsules	0.00	0.19	-	0.71	0.61	17.4
Inter segmental elimination	37.43	29.88	25.3	85.11	71.76	18.6
<b>Income From Operations</b>	<b>564.90</b>	<b>392.13</b>	<b>44.1</b>	<b>1541.31</b>	<b>897.42</b>	<b>71.7</b>
<b>Segment EBIT</b>						
Amines &Speciality Chemicals	148.16	118.26	25.3	406.68	241.03	68.7
Hotel Division	1.09	-0.60	-	0.53	-4.04	-
CFL lamps & Capsules	-0.07	-8.48	-	-0.20	-16.15	-
<b>Total</b>	<b>149.18</b>	<b>109.17</b>	<b>36.6</b>	<b>407.00</b>	<b>220.83</b>	<b>84.3</b>
<b>Interest</b>						
Amines &Speciality Chemicals	4.62	4.79	-3.5	11.88	14.48	-17.9
Hotel Division	0.03	0.02	-	0.07	0.03	-
CFL lamps & Capsules	-	-	-	-	-	-
<b>Total</b>	<b>4.66</b>	<b>4.81</b>	<b>-3.2</b>	<b>11.95</b>	<b>14.51</b>	<b>-17.7</b>
<b>PBT</b>						
Amines &Speciality Chemicals	143.54	113.47	26.5	394.80	226.55	74.3
Hotel Division	1.06	-0.62	-	0.47	-4.07	-
CFL lamps & Capsules	-0.07	-8.48	-	-0.20	-16.15	-
<b>Total</b>	<b>144.52</b>	<b>104.36</b>	<b>38.5</b>	<b>395.06</b>	<b>206.32</b>	<b>91.5</b>



## Consolidated Income Statement

Figures in Rs crs

	FY19	FY20	FY21	FY22e	FY23e
<b>Income From Operations</b>	<b>943.05</b>	<b>935.77</b>	<b>1311.46</b>	<b>2216.17</b>	<b>2977.46</b>
Growth (%)	9.5	-0.8	40.1	69.0	34.4
Other Income	4.23	5.01	6.07	8.81	16.73
<b>Total Income</b>	<b>947.28</b>	<b>940.79</b>	<b>1317.53</b>	<b>2224.99</b>	<b>2994.20</b>
Total Expenditure	749.64	755.02	938.23	1594.13	2173.55
<b>EBITDA (other income included)</b>	<b>197.64</b>	<b>185.76</b>	<b>379.30</b>	<b>630.86</b>	<b>820.65</b>
Interest	13.03	23.03	18.29	16.61	14.65
Depreciation	19.55	31.62	34.41	41.57	48.53
<b>PBT</b>	<b>165.06</b>	<b>131.10</b>	<b>326.60</b>	<b>572.67</b>	<b>757.47</b>
Tax	47.97	33.63	83.10	154.62	200.73
<b>PAT</b>	<b>117.09</b>	<b>97.47</b>	<b>243.50</b>	<b>418.05</b>	<b>556.74</b>
Minority Interest	-0.44	-7.33	5.30	42.36	68.65
<b>PAT after Minority Interest</b>	<b>117.53</b>	<b>104.80</b>	<b>238.19</b>	<b>375.69</b>	<b>488.09</b>
EO	-	0.04	0.14	-	-
<b>Adjusted Net Profit</b>	<b>117.53</b>	<b>104.76</b>	<b>238.05</b>	<b>375.69</b>	<b>488.09</b>
EPS (Rs)	36.27	32.33	73.47	115.95	150.64

## Segment Results

Figures in Rs crs

	FY19	FY20	FY21
<b>Segment Revenue</b>			
Amines &Speciality Chemicals	928.99	952.72	1401.01
Hotel Division	21.25	20.37	7.20
CFL lamps & Capsules	0.02	0.00	0.61
Inter segmental elimination	7.21	37.32	97.37
<b>Income From Operations</b>	<b>943.05</b>	<b>935.77</b>	<b>1311.46</b>
<b>Segment EBIT</b>			
Amines &Speciality Chemicals	179.66	156.06	366.26
Hotel Division	-0.02	-0.33	-3.03
CFL lamps & Capsules	-1.56	-1.59	-18.34
<b>Total</b>	<b>178.08</b>	<b>154.14</b>	<b>344.89</b>
<b>Interest</b>			
Amines &Speciality Chemicals	12.19	22.88	18.24
Hotel Division	0.83	0.16	0.05
CFL lamps & Capsules	0.00	0.00	0.00
<b>Total</b>	<b>13.03</b>	<b>23.03</b>	<b>18.29</b>
<b>PBT</b>			
Amines &Speciality Chemicals	167.47	133.19	348.02
Hotel Division	-0.85	-0.49	-3.08
CFL lamps & Capsules	-1.56	-1.59	-18.34
<b>Total</b>	<b>165.06</b>	<b>131.10</b>	<b>326.60</b>

## Consolidated Balance Sheet

Figures in Rs crs

	FY19	FY20	FY21	FY22e	FY23e
<b>Sources of Funds</b>					
Share Capital	6.48	6.48	6.48	6.48	6.48
Reserves	567.98	651.66	887.91	1250.64	1725.77
<b>Total Shareholders' Funds</b>	<b>574.46</b>	<b>658.14</b>	<b>894.39</b>	<b>1257.12</b>	<b>1732.25</b>
Minority Interest	17.56	10.23	15.53	57.89	126.54
Long Term Debt	83.33	119.91	88.85	58.85	28.85
<b>Total Liabilities</b>	<b>675.34</b>	<b>788.28</b>	<b>998.77</b>	<b>1373.86</b>	<b>1887.64</b>
<b>Application of Funds</b>					
Gross Block	501.88	786.40	789.57	942.64	1067.85
Less: Accumulated Depreciation	182.14	213.40	246.66	288.23	336.76
<b>Net Block</b>	<b>319.75</b>	<b>573.00</b>	<b>542.92</b>	<b>654.41</b>	<b>731.09</b>
Capital Work in Progress	269.46	46.27	173.28	115.21	130.00
Investments	0.00	47.50	0.00	0.00	0.00
<b>Current Assets, Loans &amp; Advances</b>					
Inventory	163.15	108.81	109.94	188.37	253.08
Trade receivables	167.22	207.44	305.66	509.72	684.82
Cash and Bank	20.40	8.81	19.64	169.03	412.32
Other Current Assets	98.63	88.05	141.84	192.93	243.58
<b>Total CA</b>	<b>449.40</b>	<b>413.11</b>	<b>577.08</b>	<b>1060.06</b>	<b>1593.81</b>
Current Liabilities	286.01	243.28	202.79	333.35	426.17
Provisions-Short term	22.42	21.06	40.02	55.02	65.02
<b>Total Current Liabilities</b>	<b>308.43</b>	<b>264.34</b>	<b>242.81</b>	<b>388.37</b>	<b>491.19</b>
Net Current Assets	140.98	148.77	334.27	671.68	1102.61
Net Deferred Tax Liability	-45.75	-43.73	-47.24	-65.32	-74.75
Net long term assets ( net of liabilities)	-9.09	16.47	-4.46	-2.12	-1.31
<b>Total Assets</b>	<b>675.34</b>	<b>788.28</b>	<b>998.77</b>	<b>1373.86</b>	<b>1887.64</b>



## Key Financial Ratios

	FY19	FY20	FY21	FY22e	FY23e
<b>Growth Ratios (%)</b>					
Revenue	9.5	-0.8	40.1	69.0	34.4
EBITDA	2.1	-6.0	104.1	66.4	30.1
Net Profit	4.2	-10.9	127.2	57.8	29.9
EPS	4.2	-10.9	127.2	57.8	29.9
<b>Margins (%)</b>					
Operating Profit Margin	20.5	19.3	28.5	28.1	27.0
Gross profit Margin	19.6	17.4	27.5	27.7	27.1
Net Profit Margin	12.4	10.4	18.6	18.9	18.7
<b>Return (%)</b>					
ROCE	17.6	13.2	26.3	34.9	33.4
ROE	23.0	17.2	31.0	35.3	32.9
<b>Valuations</b>					
Market Cap/ Sales	1.7	0.9	4.3	4.1	3.1
EV/EBITDA	9.2	5.5	15.3	14.8	11.4
P/E	13.7	7.8	23.9	24.4	18.8
P/BV	2.9	1.2	6.5	7.4	5.3
<b>Other Ratios</b>					
Interest Coverage	13.7	6.7	18.8	35.5	52.7
Debt Equity	0.4	0.4	0.1	0.1	0.1
Net Debt-Equity Ratio	0.4	0.3	0.1	0.0	-0.2
Current Ratio	1.4	1.7	2.3	2.6	3.2
<b>Turnover Ratios</b>					
Fixed Asset Turnover	3.0	2.1	2.4	3.7	4.3
Total Asset Turnover	1.6	1.3	1.5	1.9	1.8
Inventory Turnover	5.9	5.6	8.6	10.7	9.8
Debtors Turnover	5.5	5.0	5.1	5.4	5.0
Creditor Turnover	9.6	10.5	13.8	17.0	16.7
<b>WC Ratios</b>					
Inventory Days	61.4	65.7	42.5	34.2	37.1
Debtor Days	65.8	73.1	71.4	67.1	73.2
Creditor Days	38.2	34.9	26.5	21.5	21.8
Cash Conversion Cycle	89.0	103.9	87.5	79.8	88.5

## Cumulative Financial Data

Figures in Rs. crs	FY18-20	FY21-23e
Income from operations	2740	6505
Operating profit	564	1799
EBIT	506	1706
PBT	461	1657
PAT	335	1102
Dividends	33	39
OPM (%)	20.6	27.7
NPM (%)	11.9	18.7
Interest coverage	11.2	34.4
ROE (%)	22.1	30.9
ROCE (%)	17.3	29.0
Debt-Equity*	0.4	0.1
Fixed asset turnover	2.0	3.3
Debtors turnover	5.5	4.9
Inventory turnover	7.0	8.7
Creditors turnover	13.1	15.1
Debtor days	66.3	75.1
Inventory days	52.3	42.1
Creditor days	27.9	24.2
Cash conversion	90.7	93.0
Dividend payout ratio (%)	9.9	3.5

FY18-20 implies three year period ending fiscal 20

\*as on terminal year

Revenues for the cumulative period FY21-FY23e is expected to advance by 137.4% on account of higher capacity utilization and higher realizations across most of its products. High realizations, particularly in DMF and products of Balaji Speciality Chemicals, and commencement of DMC production is likely to boost OPM from 20.6% in FY18-20 to 27.7% in FY21-23e. Record profit would propel return on capital during FY21-23 period (ROE projected at 30.9% vs. 22.1%) despite distinct fall in financial leverage - interest coverage ratio estimated to jump to 34.4 from 11.2 in FY18-20 period; debt – equity ratio is projected to fall to 0.1 by FY23 from 0.4 in FY20. Overall inflationary trend in finished product prices would do little to prevent surge in fixed asset turnover ratio – 3.3x projected for FY21-23 period compared to 2.0 in FY18-20 period. Rise in debtor days would be only partially counterbalanced by the fall in creditors days leading to some increase in cash conversion cycle (see table).

## Financial Summary- US Dollar denominated

million \$	FY19	FY20	FY21	FY22e	FY23e
Equity capital	0.9	0.9	0.9	0.9	0.9
Shareholders' funds	81.5	87.0	119.9	165.0	228.1
Total debt	32.9	34.5	17.3	18.4	14.4
Net fixed assets (incl. CWIP)	85.2	82.1	97.4	102.1	114.2
Investments	0.0	6.3	0.0	0.0	0.0
Net current assets	18.8	19.5	43.7	87.4	144.5
Total assets	96.1	104.3	134.1	180.5	248.7
Revenues	134.9	132.0	176.7	294.0	394.9
EBITDA	28.3	26.2	51.1	83.7	108.9
EBDT	26.4	23.0	48.6	81.5	106.9
PBT	23.6	18.5	44.0	76.0	100.5
PAT	16.8	14.8	32.1	49.8	64.7
EPS(\$)	0.52	0.46	0.99	1.54	2.00
Book value (\$)	2.51	2.69	3.70	5.09	7.04

Income statement figures translated at average rates; balance sheet at year end rates; projections at current rates (Rs 75.39/\$).  
All dollar denominated figures are adjusted for extraordinary items.



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buy: >20%    accumulate: >10% to ≤20%    hold: ≥-10% to ≤10%    reduce: ≥-20% to <-10%    sell: <-20%

Exchange Rates Used- Indicative

Rs/\$	FY18	FY19	FY20	FY21
Average	64.45	69.89	70.88	74.20
Year end	65.04	69.17	75.39	73.50

All \$ values mentioned in the write-up translated at the average rate of the respective quarter/ year as applicable. Projections converted at current exchange rate. Cumulative dollar figure is the sum of respective yearly dollar value.