

BALAJI AMINES LTD

STOCK REPORT BY FINVEZTO.COM

UPDATED ON

15 April 2023

Our Investment Mantra

Look for Companies that consistently grow their Revenue, Profits & Free Cash Flow by maintaining a stable or increasing Profit Margin & ROCE with a manageable amount of Debt.



Product B
Product C
FINVEZTO
Product A

Column Chart



Stacked Column



Analysis Methodology



Analysis Methodology

The 3 Checks



1 Quality



2 Safety



3 Value





01 Quality

- Growth
- Profitability
- Efficiency
- Cash Flow Assessment
- Quality Assessment of Revenue and Profits
- Pricing power & Competitive Advantage Assessment
- Is the Business Creating “Value” for Shareholders?
- Dividend Payout Assessment



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02 Safety

- Debt & Leverage
- Liquidity
- Red Flags & Suspicious Activities Checklist

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03 Value

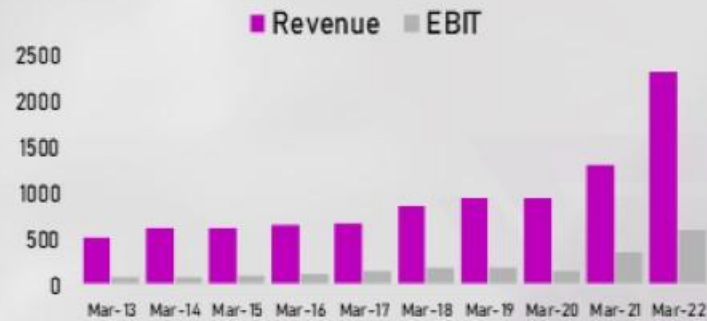


- Intrinsic Value
- Intrinsic Value Growth Rate
- Future Growth already accounted for in Share Price
- Margin of Safety (Quantitative & Qualitative)
- Mind Value of Investors

Let's start with 01. Quality Check

Quality - Dashboard

Revenue & EBIT in ₹Cr



EBIT Margin %



Return on Capital Employed ROCE %



FCFF ■ FCFE



Operating Cash Conversion

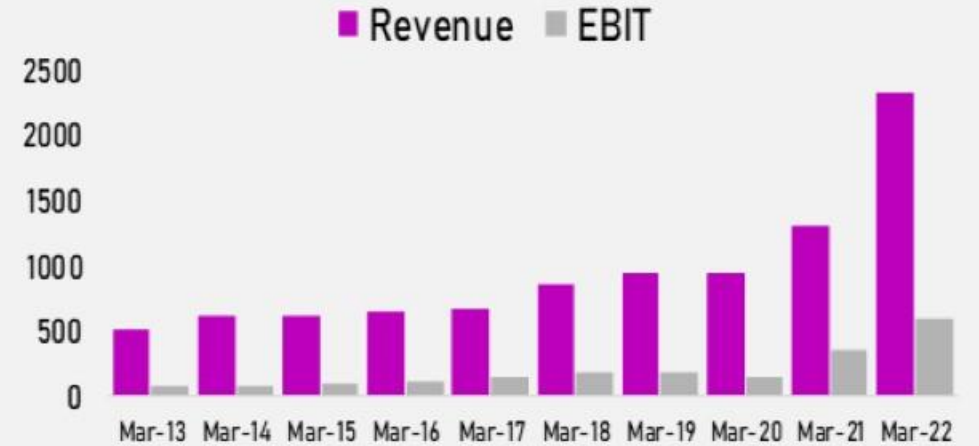


Revenue & EBIT Growth

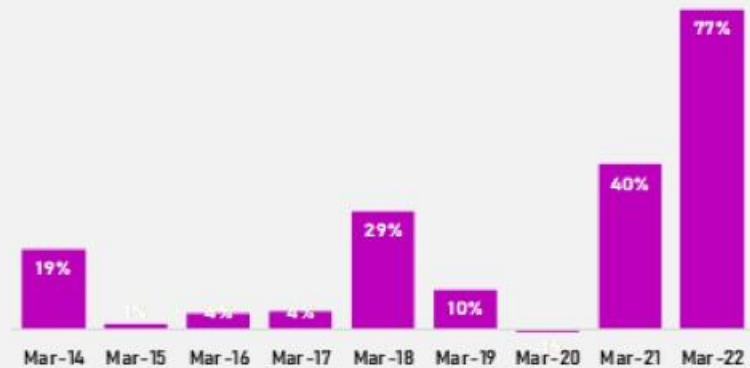
- ✓ The first indicator of quality is consistency in growth of Revenue & EBIT
- ✓ The graph on the right shows the last 10-Years Revenue and EBIT of this company
- ✓ Look for a consistent rising trend in Revenue & EBIT
- ✓ Poor Revenue Growth could indicate lack of demand for the company's products due to declining quality, lack of skills of the company personnel etc.

ALERT: When you read the Annual report, check if the Revenue growth has come through more Volumes sold or an Increase in Price.

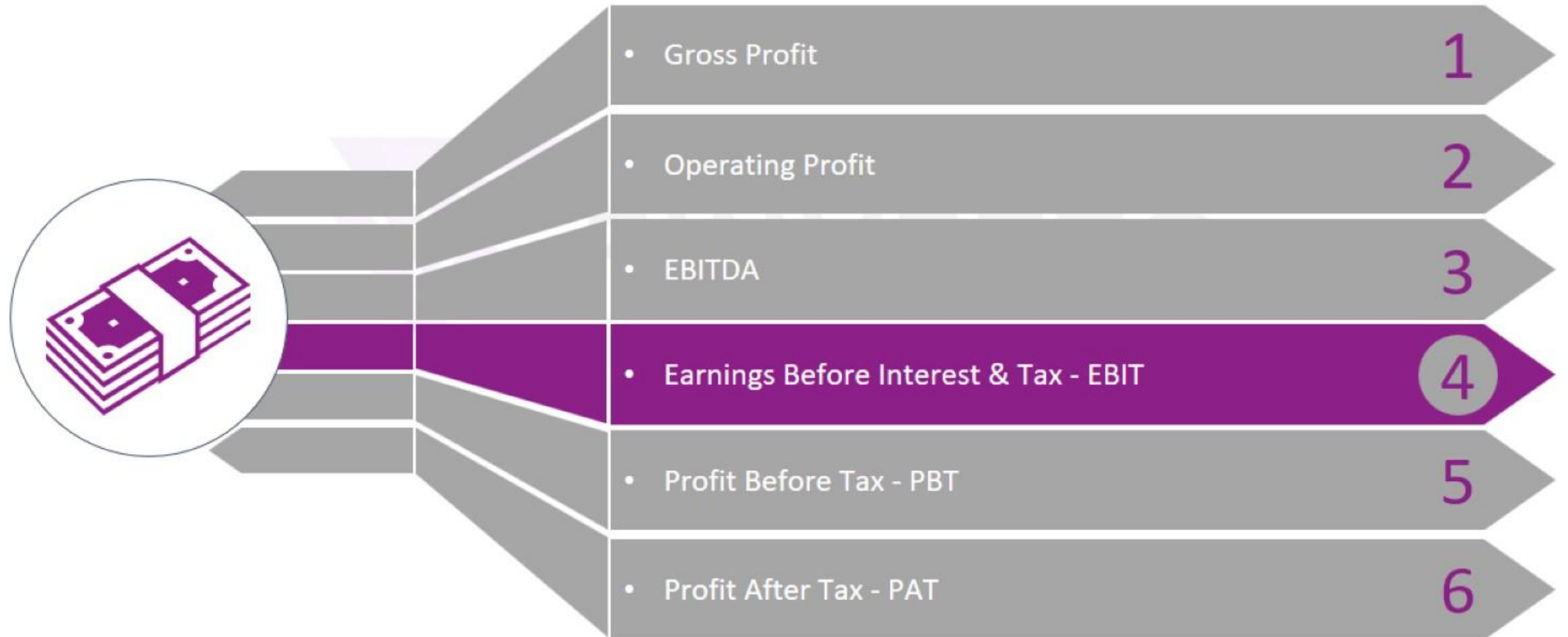
Revenue & EBIT in ₹Cr



Revenue Change %



Note: There are 6 Profit Measures. But, we prefer to use EBIT in most of our calculations. EBIT is the core business profit before reducing the financing expenses. It is a cleaner number than Profit After Tax and helps in gauging the business better.



EBIT Margin %

- ✓ The graph on the right shows the last 10-Years EBIT Margin% during the different economic cycles.
- ✓ Look for Stable or Increasing Margins.
- ✓ If a company can maintain its margins for several years, it indicates pricing power & competitive advantage.
- ✓ Fluctuations in the Margin could indicate a Cyclical business. We usually avoid investing in such stocks.
- ✓ Look for Businesses with an Average EBIT Margin of at least 10%
- ✓ EBIT margin will vary across sectors. Please compare it with peers.

ALERT: Check if the EBIT margin has grown because of increasing revenues or reducing costs. If it is mainly because of reducing costs, then protecting future margins might not be possible. You should stay away from such companies.

EBIT Margin %



Factors affecting EBIT Margin

Price

Higher Product Prices boost Margin.
It is the ability of the company to command a premium in the market.

Cost Structure

Companies with high fixed costs see an increase in margins when revenue increases.

Revenue Mix

Some products are more profitable than other products that the company sells.

Volumes Sold

Increase in the volume of products sold by the company.

Operational Leverage

Increase in Sales elevating the Profit Margins. Typical to Manufacturing Businesses.

ROCE

- ✓ $ROCE = EBIT / \text{Average Capital Employed}$
- ✓ The graph on the right shows the last 10-Years ROCE
- ✓ ROCE indicates the profits the company is generating using the capital available. It indicates if the borrowed debt and shareholders' capital is being put to good use or not.
- ✓ It is also indicative of how well the management is allocating capital.
- ✓ ROCE should be stable and increasing. Check if the ROCE is at least 10% or above.

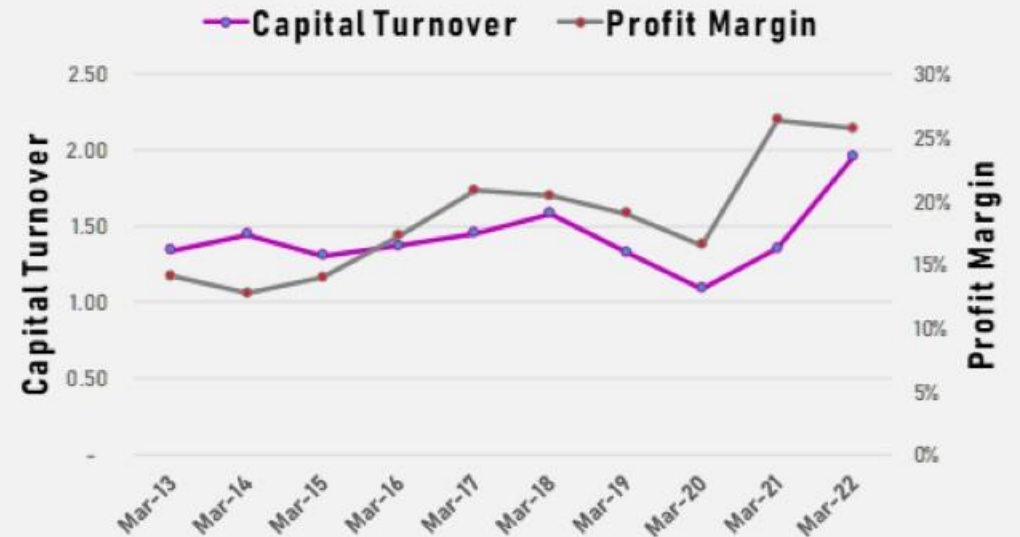
Return on Capital Employed ROCE %



ROCE - DuPont Analysis

$$\frac{EBIT}{Capital\ Employed} = \frac{EBIT}{Sales} * \frac{Sales}{Capital\ Employed}$$

- ✓ ROCE can also be thought of as a product of EBIT Margin and Capital Turnover
- ✓ EBIT Margin % = EBIT / Sales
- ✓ Capital Turnover = Sales / Capital Employed
- ✓ Capital Turnover spots how effectively a company is using its capital to produce sales
- ✓ DuPont ROCE tells us whether the ROCE is increasing because of EBIT Margin or Capital Turnover or both.



Factors affecting Capital Turnover

New Products Sale

New Brands and products boosting Sales.

Capital Employed

A Reduction in Capital Invested could boost Capital Turnover.

Working Capital

Lesser Inventory; Collecting Customer payments quickly; Paying Suppliers late.

Reduction in New Assets

Company focuses on improving efficiency rather than creating new assets

Getting Rid of old assets

Companies get rid of their underperforming assets that have low capital turnover or ROCE.

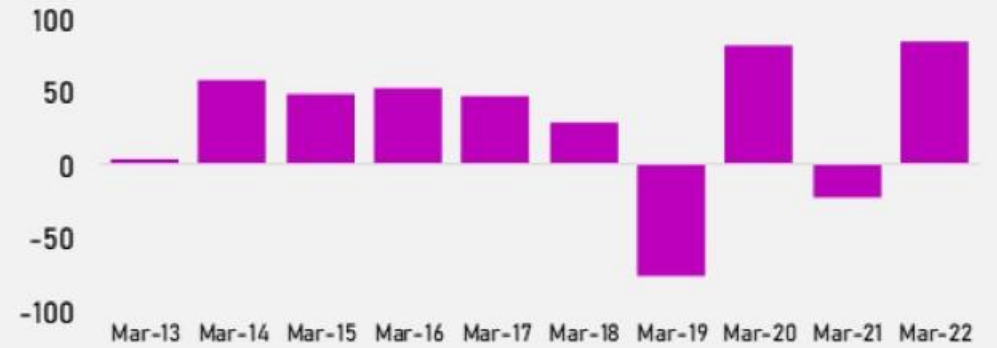
Why ROCE is high for some Businesses?

- ✓ Some companies such as Hindustan Unilever have very high ROCE (More than 100%)
- ✓ Also, few retail store chains, airlines etc have high ROCE.
- ✓ One of the main reasons is that these companies are not owning the retail outlets. Rather, they have rented the retail outlet, or they operate on a franchise model or dealership model.
- ✓ If the stores are owned (asset side), it will create a parallel entry in the liability side of the balance sheet. The Capital Employed will shoot up and it will reduce the ROCE.
- ✓ Hence, don't get carried away by the high ROCE value.
- ✓ You should calculate an adjusted ROCE if sales from rented outlets is a significant part of the business.
- ✓ This is one of the reasons why Capital-Intensive Businesses have a low ROCE.

FREE CASH FLOW (FCF)

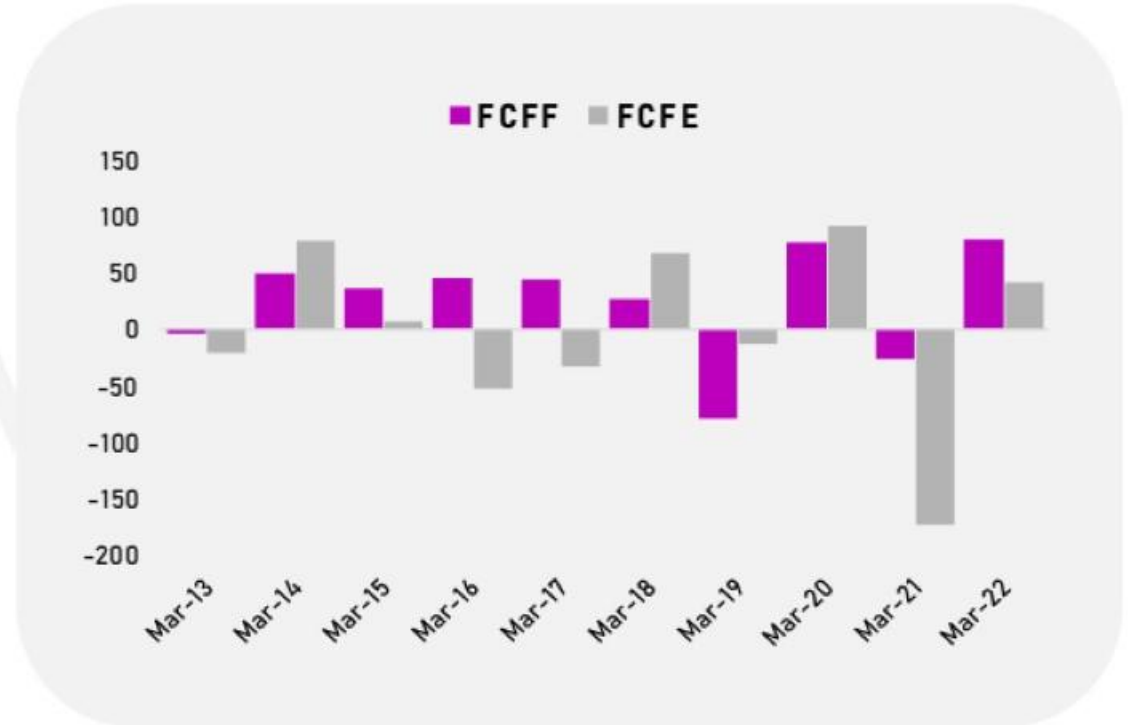
- ✓ $FCF = \text{Cash Flow from Operations} - \text{Capex}$
- ✓ The graph on the right shows the last 10-Years FCF
- ✓ Check if the FCF is growing year after year
- ✓ FCF growth is an indication of a very high-quality company
- ✓ FCF indicates that the business is profitable and that it is also converting its profits into operating cash flow.
- ✓ FCF also indicates that the business, after making the necessary CAPEX, still has money in hand to take further actions such as Dividends, Buybacks, Debt repayments, Acquisitions etc.

Free Cash Flow in ₹Cr



FCF_F & FCF_E

- ✓ Free Cash Flow to the Firm and Equity
- ✓ The graph compares the Free Cash Flow available to the firm and the Free Cash Flow available to the Shareholders (Equity).
- ✓ If you are an investor, you want the FCFE and FCFF to be almost the same.
- ✓ Free Cash flow to Equity is calculated after subtracting interest and debt payments by the firm.
- ✓ If the gap between FCFF and FCFE is huge, it might be because of the debt burden.
- ✓ It is alright if the FCFE is lower than the FCFF in 1 or 2 years. But, if it is consistently below the FCFF by a big margin, then you should avoid such stocks.

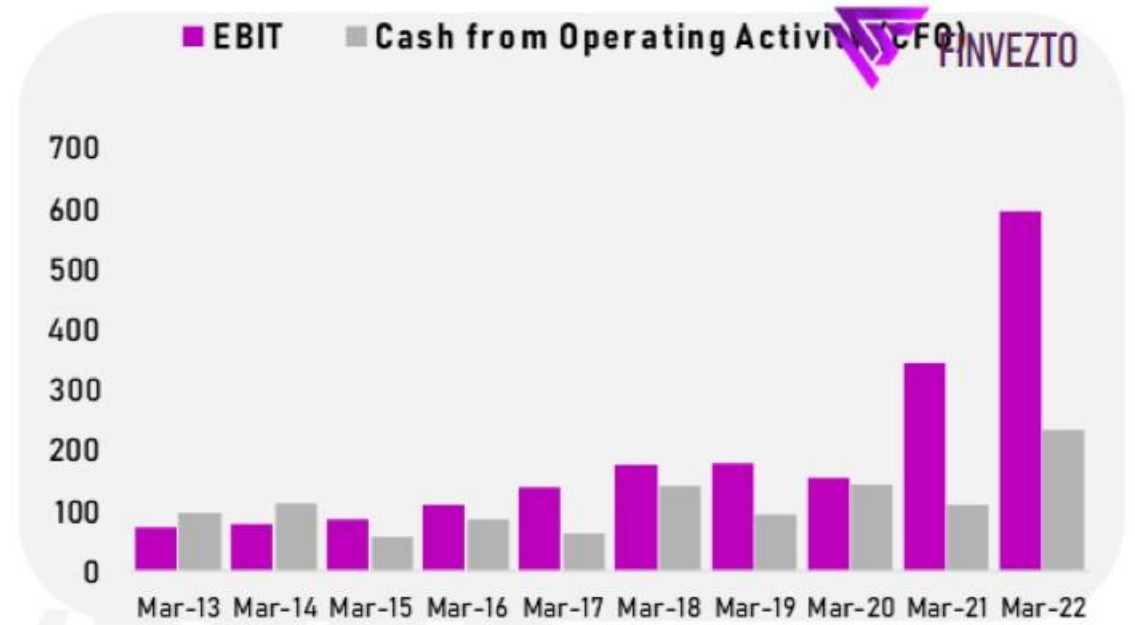


Operating Cash Conversion

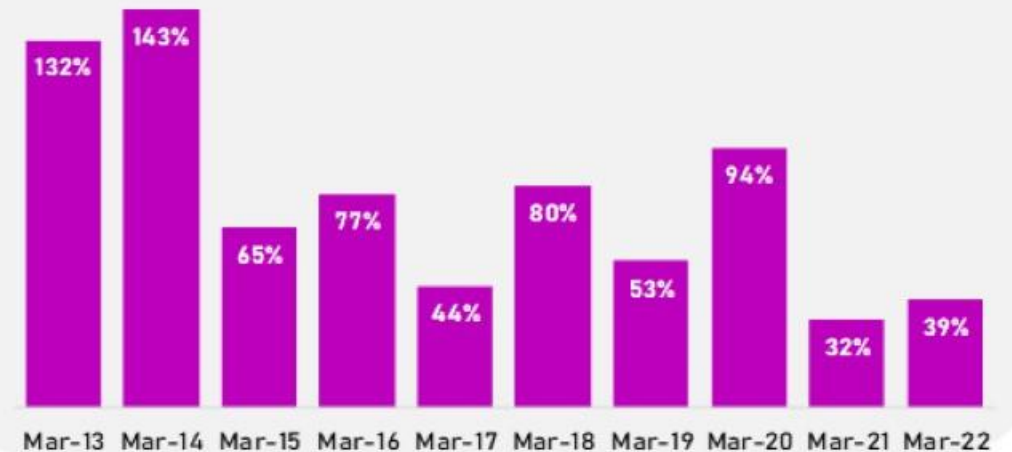
- ✓ We need to look for companies turning most of its operating profits (EBIT) into operating cash flow (CFO).
- ✓ Operating Cash Conversion = $CFO / EBIT$
- ✓ Check if the average Operating Cash Conversion Ratio given below is at least above 50%

Average

58%



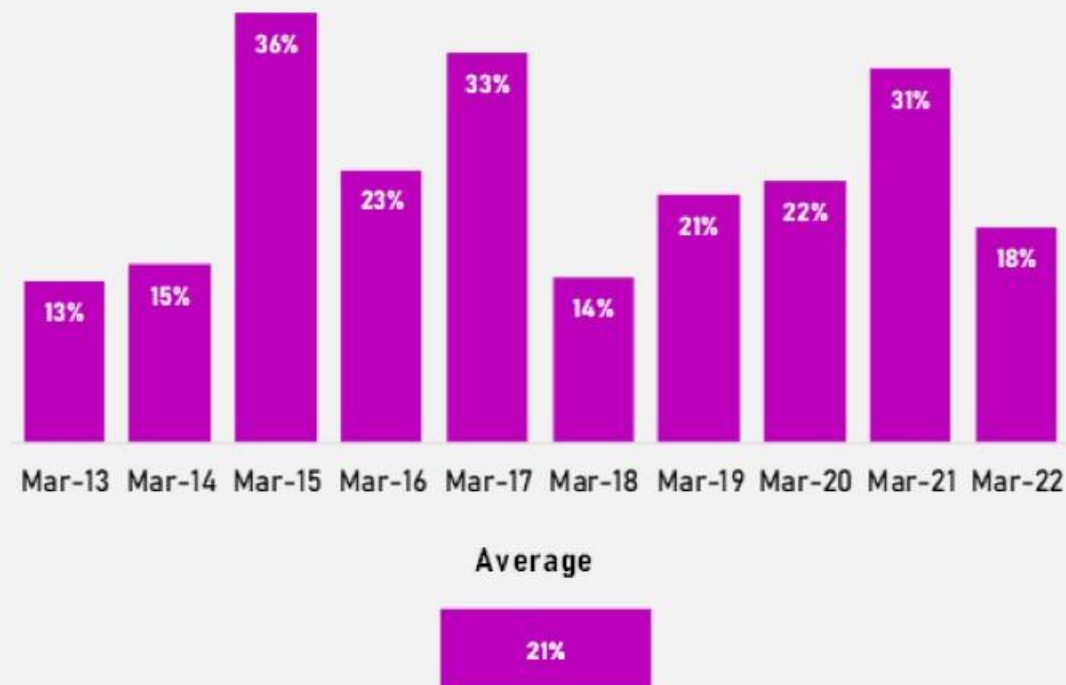
Operating Cash Conversion



Depreciation as a % of CFO

- ✓ Some Manufacturing Business inherently have high Operating Cash Conversion as depreciation is a part of CFO.
- ✓ While checking for companies with high Operating Cash Conversion, also check for companies with low Depreciation as a percentage of CFO.
- ✓ Typically, we look for companies with a Depreciation percentage of below 35%.
- ✓ The reason being that the company must spend the same amount (35%) from the Cash Flow towards maintenance of the depreciating assets.

Depreciation as a % of CFO



CAPEX Ratio (CAPEX/CFO)

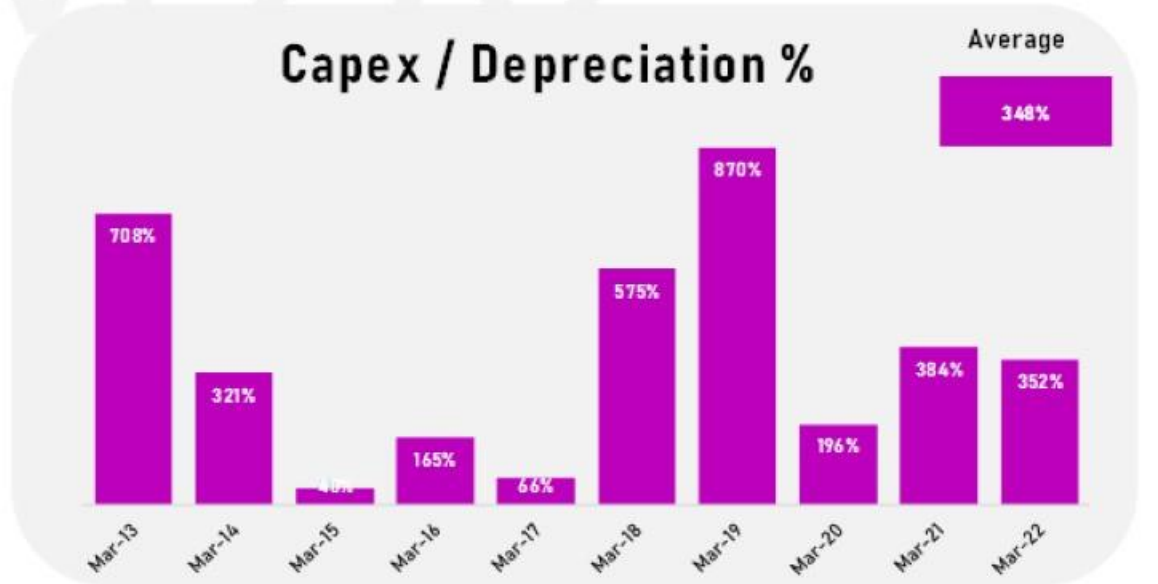
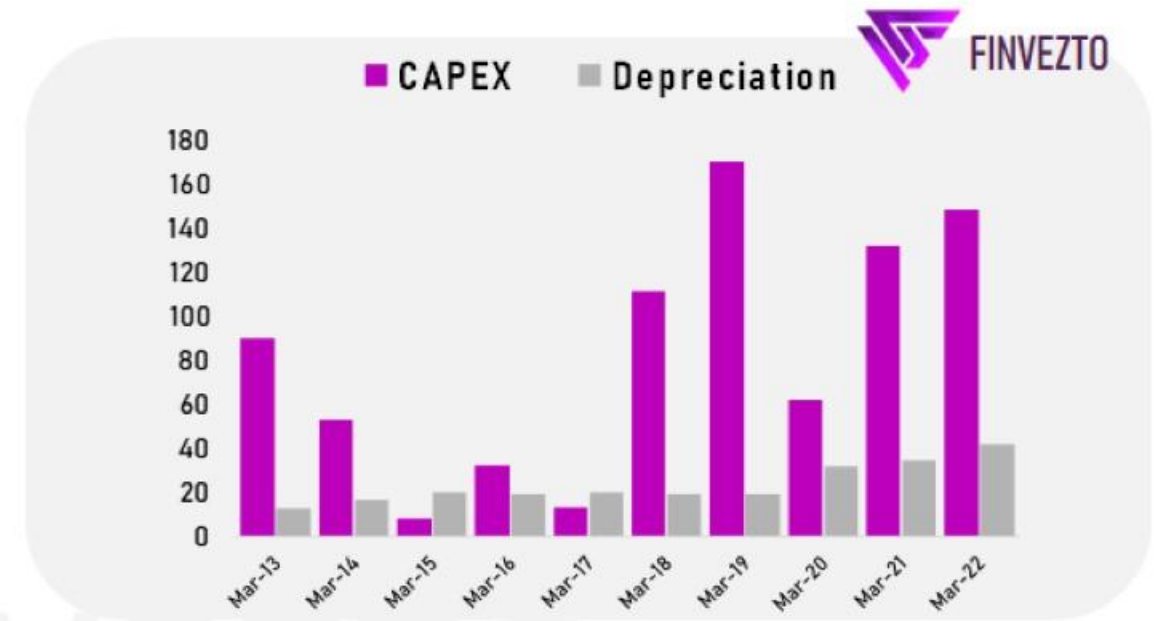
- ✓ We want businesses to grow without having the need to shell out Capex year after year.
- ✓ The graph shows the CAPEX ratio of the business over the past 10 years.
- ✓ It is an indication of how capital intensive the business is.
- ✓ If the average CAPEX ratio is above 50%, then the business is capital intensive.
- ✓ Companies allocating CAPEX year after year tend to have a lower ROCE.
- ✓ Typically, we look for companies with an average CAPEX ratio of less than 35%.

Capex / CFO (Capex Ratio)



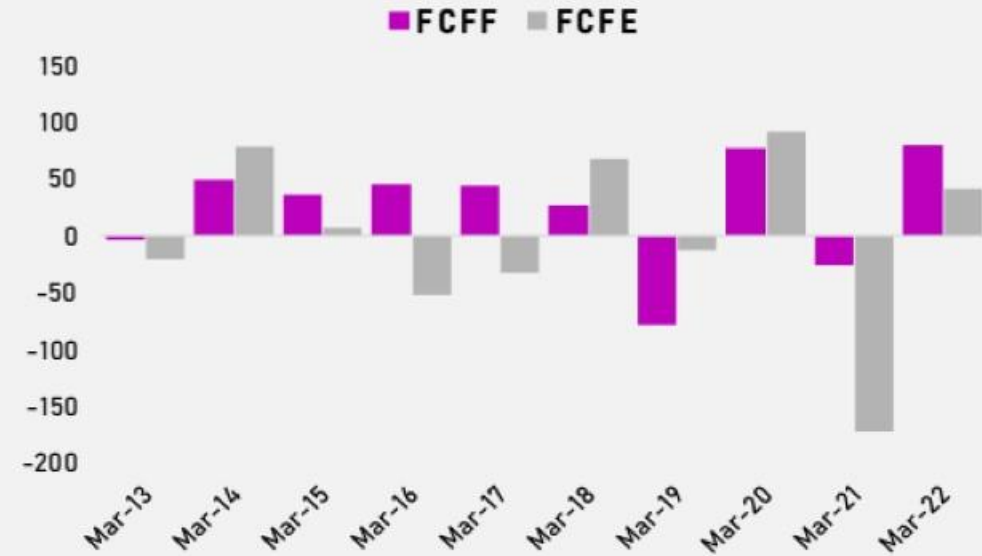
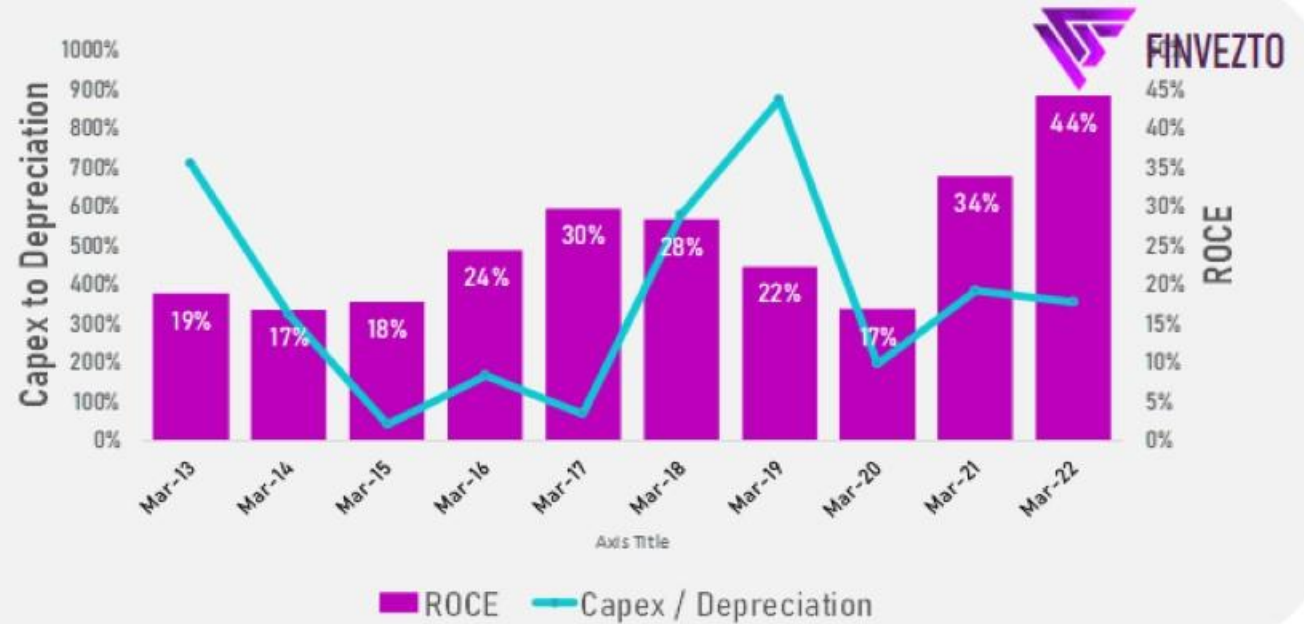
Is the CAPEX enough?

- ✓ Check if the company is spending more on CAPEX than the depreciation and amortization of its assets
- ✓ If the CAPEX is too low, the company may not be able to sustain its cash flows in the future.
- ✓ If the CAPEX spend is more than the Depreciation, then the company is spending just enough to maintain its competitive advantage.
- ✓ Compare with other peer companies as well.
- ✓ Check how the CAPEX has changed during the economic downturns. If the company has cut CAPEX during testing times, then it might affect their future cash flows.
- ✓ Sometimes, in software-based companies, the CAPEX might be consistently lower than the Amortization expenses. Hence, CAPEX spend should be linked to the industry that you are evaluating.



CAPEX vs ROCE vs FCF

- ✓ Sometimes the FCF might be negative for a few years. It could mean that the company is investing heavily in CAPEX.
- ✓ The CAPEX investment could bring in future cash flows.
- ✓ Hence, one should look at ROCE along with CAPEX and FCF.
- ✓ If the ROCE is stable or increasing as the CAPEX increases, we can expect future cash flows to increase.
- ✓ Check for Stable or Reducing Capex to Depreciation; Check for Increasing or Stable ROCE; Check for Increasing Cash Flow. If a company satisfies all 3 conditions above, it is of the highest quality.



CROCI

- ✓ $CROCI = FCFF / \text{Capital Employed}$
- ✓ This indicates the Free cash flow generated by the business on the capital employed or invested.
- ✓ The Average CROCI Value should preferably be greater than 8%
- ✓ CROCI should be consistent over the years.

$CROCI = FCFF / \text{Capital Employed}$

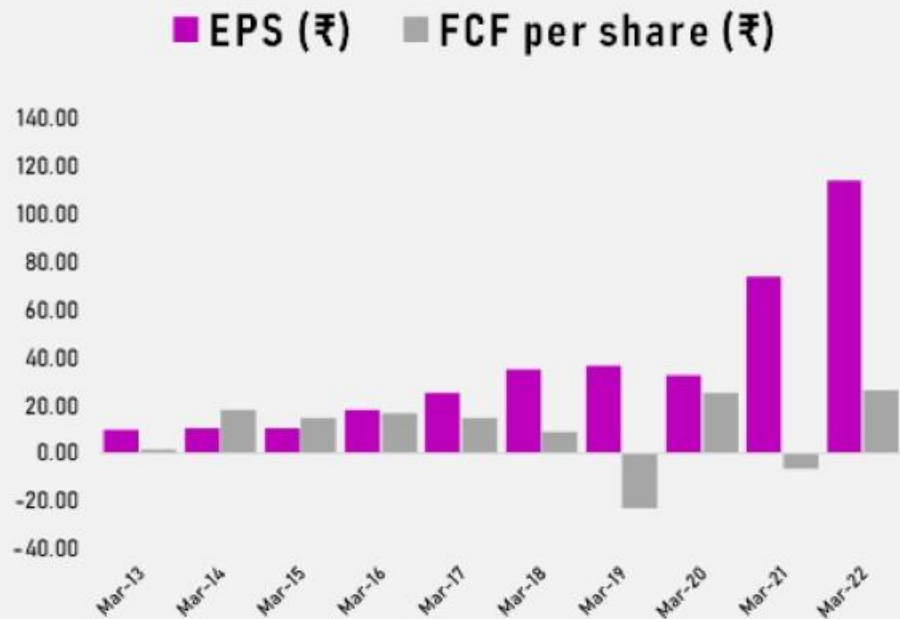


Average

4%

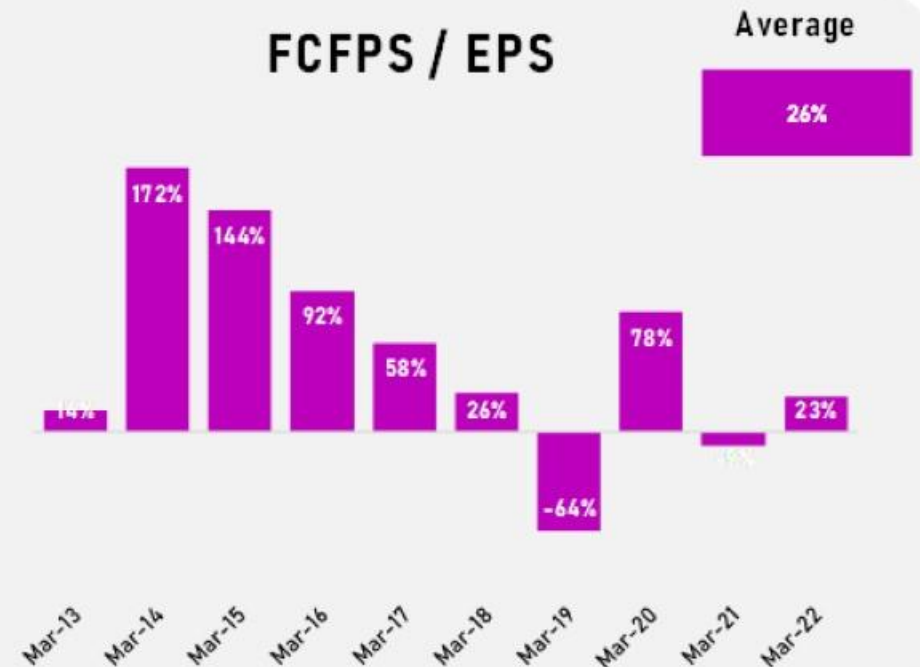
FCF per share vs EPS

- ✓ Indicates Quality of Earnings and the cash left for the shareholders.
- ✓ Wise investors focus on FCFPS more than EPS.
- ✓ If FCF per share is significantly lower than EPS, then you should avoid the stock.



- ✓ If FCFPS percentage is below 25% or negative, avoid the stock.
- ✓ If FCFPS is above 75%, then add the stock to the watchlist blindly.
- ✓ If FCFPS is above 25% with ROCE rising, add to watchlist.

FCFPS / EPS



If FCFPS is significantly lower than EPS...

✓ **Low Operating Cash Conversion**

Company might be struggling to convert the profits into free cash flow. The company might be selling more on credit. There could also be a lot of inventory stuck within the company.

✓ **High Capex to Depreciation**

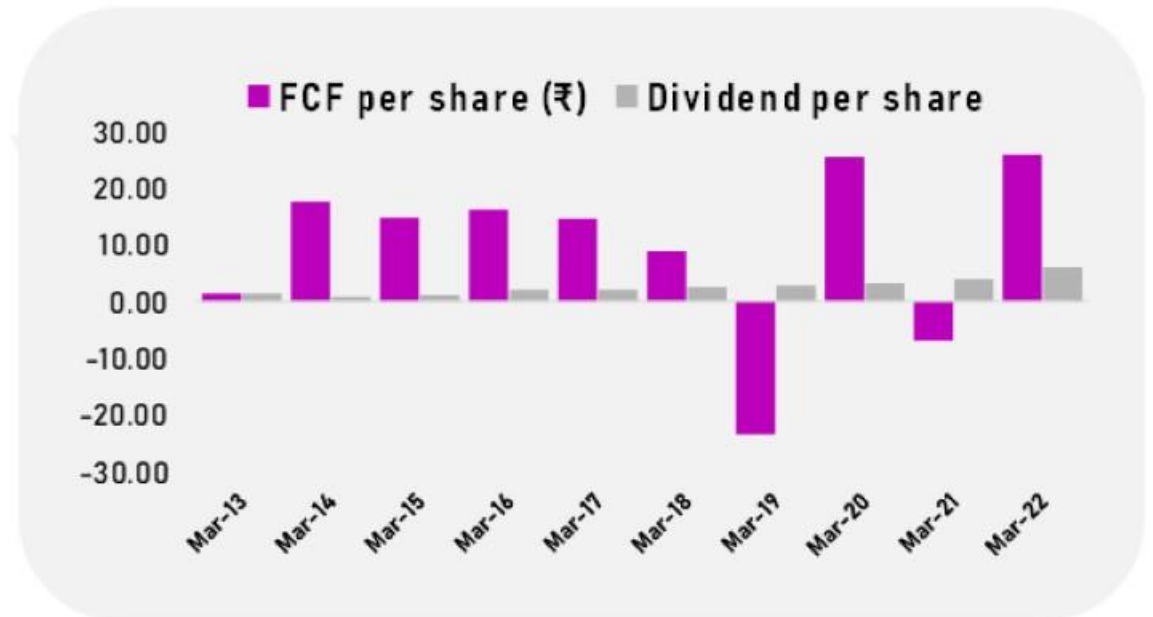
The company could be constantly investing in new assets to maintain their position in the market. You need to be doubtful about Companies which need to allocate CAPEX year after year consistently. If the company is allocating CAPEX, then you need to check for ROCE and the company's ability to generate Free Cash Flows in the future.

✓ **Profit Manipulation**

A significantly lower FCFPS could also mean that the company is manipulating its earnings to show a higher EPS.

Will the company continue to pay Dividends?

- ✓ Compare FCF per share with Dividend per share.
- ✓ This will give you an idea of whether the company can continue to pay dividends to shareholders.
- ✓ The FCF per share needs to be consistently higher than the Dividend per share.



Diving Deeper into Free Cash Flows

- ✓ When it comes to real estate companies, the FCF per share might be negative or consistently lower than Dividend per share. That is because of the nature of the business. Sale of Assets is not considered part of the cash flow from operations. Hence, the FCF might be low. You need to add the Sale of Assets back to the CFO to get a true measure of the FCFPS.
- ✓ Sometimes, what needs to be considered as CFO is often hidden inside Cash flow from Investing (CFI) Activities. Some companies, mainly education or consulting companies, grow through acquisitions. Acquisitions are accounted in CFI and not in CFO. It might seem like these companies are generating FCF to shareholders. But, in reality, they might be growing through acquisitions with lesser FCF to shareholders.

Manipulating the Cash Flow

Ignoring the Long Term

- ✓ Sometimes companies boost their Cash flows in the short term through certain actions.
- ✓ Delaying Payments to Suppliers is one way to boost cash flows. But, in the long term it brings down supplier loyalty.
- ✓ Reducing the CAPEX. It might not be needed in the short term, but the company might lose its edge in the long term if appropriate investments aren't made.
- ✓ Some Companies also grow through acquisitions (related and unrelated) rather than building their own assets or efficiencies. They show increased profits and cash flows in the short term. In the long term, very few acquisitions have proved to be create value for shareholders.

Quality of Sales & Profits

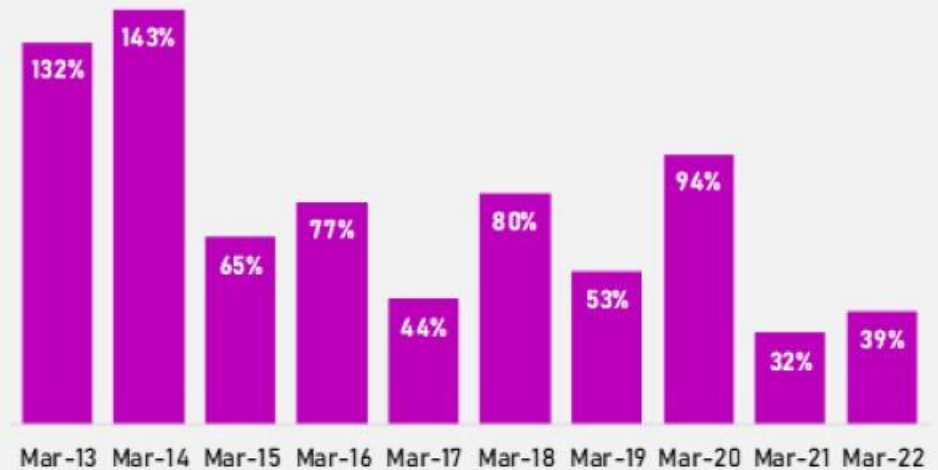
A Low, Falling or Stable Receivables to Revenue ratio indicates **High Quality Sales**

Receivables / Revenue



A Rising or Stable Operating Cash Conversion (>75%) indicates **High Quality Profits**

Operating Cash Conversion



Working Capital Cycle and Cash Conversion

ACTIVITY, EFFICIENCY & WORKING CAPITAL RATIOS										
Net Working Capital	124.46	136.17	183.75	146.37	172.27	189.78	245.37	257.25	338.60	634.51
Net Working Capital Turnover	4.09	4.46	3.35	4.38	3.88	4.52	3.83	3.63	3.86	3.66
Net Working Capital Days	89	82	109	83	94	81	95	100	94	100
Trade Receivable Days	74	79	71	71	68	73	65	81	85	93
Trade Receivable Turnover	4.91	4.62	5.16	5.15	5.37	4.97	5.62	4.51	4.28	3.94
Inventory Days	57	67	92	71	85	59	92	65	53	53
Inventory Turnover	6.41	5.43	3.98	5.15	4.27	6.21	3.95	5.58	6.90	6.83
Trade Payable Days	36	64	39	51	44	47	48	35	37	42
Trade Payable Turnover	10.11	5.72	9.33	7.18	8.29	7.69	7.58	10.30	9.85	8.62
Cash Conversion Cycle or Working Capital Cycle	95	82	123	91	109	85	109	111	101	104
Net Fixed Assets Turnover	2.17	1.87	1.81	1.88	2.05	2.71	2.94	1.63	2.41	3.40

- ✓ The lower the Cash Conversion cycle, the better. If the Cash conversion is negative, it is even better. It means that the business is making use of Supplier's Capital & Time to run the business.

SUMMARY – Quality Checklist

- ✓ Consistent Increasing trend in Revenue, EBIT and Free Cash Flow over 5+ years
- ✓ Stable or Increasing EBIT Margin (>10%)
- ✓ Stable or Increasing ROCE (>10%)
- ✓ The FCF to Firm and Equity should be more or less equal
- ✓ Operating Cash Conversion should be at least 50%
- ✓ Depreciation Ratio and Capex Ratio should be less than 35%
- ✓ Check if the CAPEX is more than the Depreciation
- ✓ CROCI should be more than 8%
- ✓ FCF per share should be closer to the EPS
- ✓ Compare the Dividend per share with Free Cash flow per share to check the ability of the company to pay Dividends
- ✓ Low Cash Conversion Cycle

02. Safety Check

Let us evaluate if the company is safe or risky

Safety - Dashboard

D/CFO (Debt to CFO)

<5



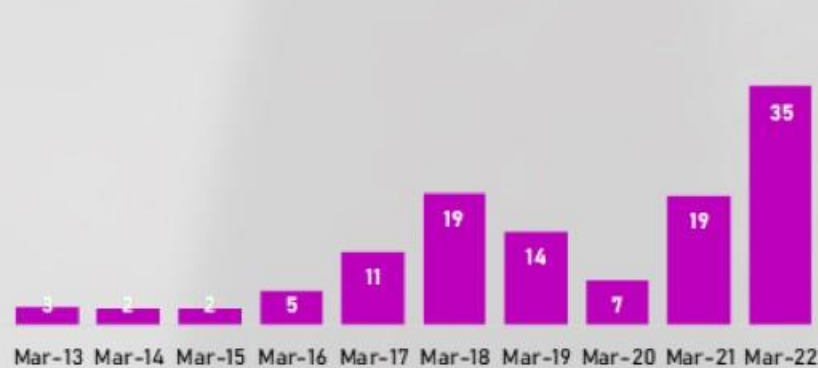
D/FCF (Debt to Free Cash Flow)

<10



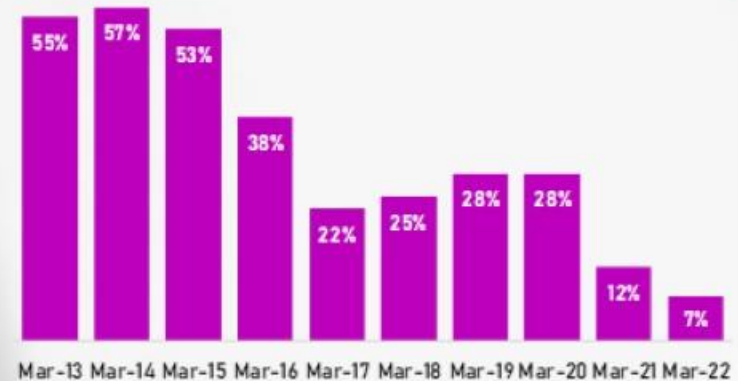
Interest Coverage Ratio

>5



Debt to Assets

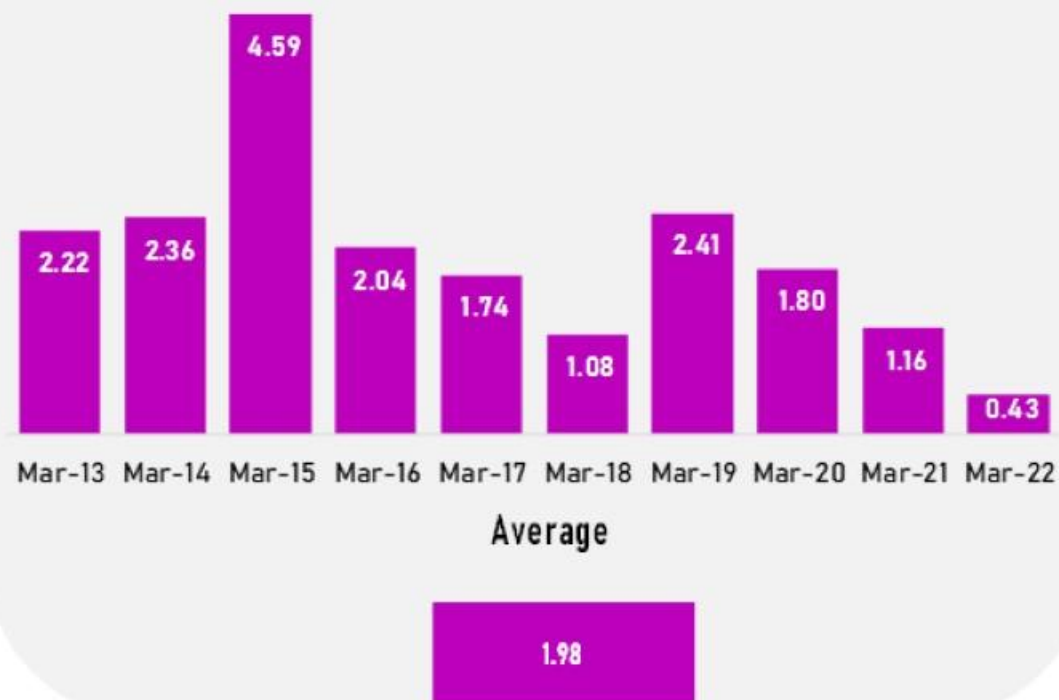
<50%



Debt to CFO

- ✓ This indicates the number of years the company will take to repay its debt if it stops making any new investments.
- ✓ We would avoid companies which will take more than 5 Years to repay the loans with their CFO.
- ✓ In the graph on the right, check if the average Debt to CFO is less than 5.
- ✓ A falling trend is a good sign.
- ✓ If the CFO is negative, then the graph might show a negative value. It means the company is not generating free cash flow and still has some debt to pay off.

D/CFO (Debt to CFO)



Debt to Free Cash Flow

- ✓ This indicates the number of years the company will take to repay its debt after making the required investments to stay competitive.
- ✓ We would avoid companies which will take more than 10 Years to repay the loans with their Free Cash Flow.
- ✓ In the graph on the right, check if the average Debt to CFO is less than 10.
- ✓ A falling trend is a good sign.
- ✓ If the FCF is negative, then the graph might show a negative value. It means the company is not generating free cash flow and still has some debt to pay off. In those cases, you might want to look at the average.

D/FCF (Debt to Free Cash Flow)



Interest Coverage Ratio

- ✓ This indicates the company's ability to repay interest.
- ✓ Generally, we look for an average interest coverage ratio > 5 to add the stock to the watchlist.
- ✓ For the stock to enter the portfolio, we look for an average interest coverage > 10 .

Interest Coverage Ratio



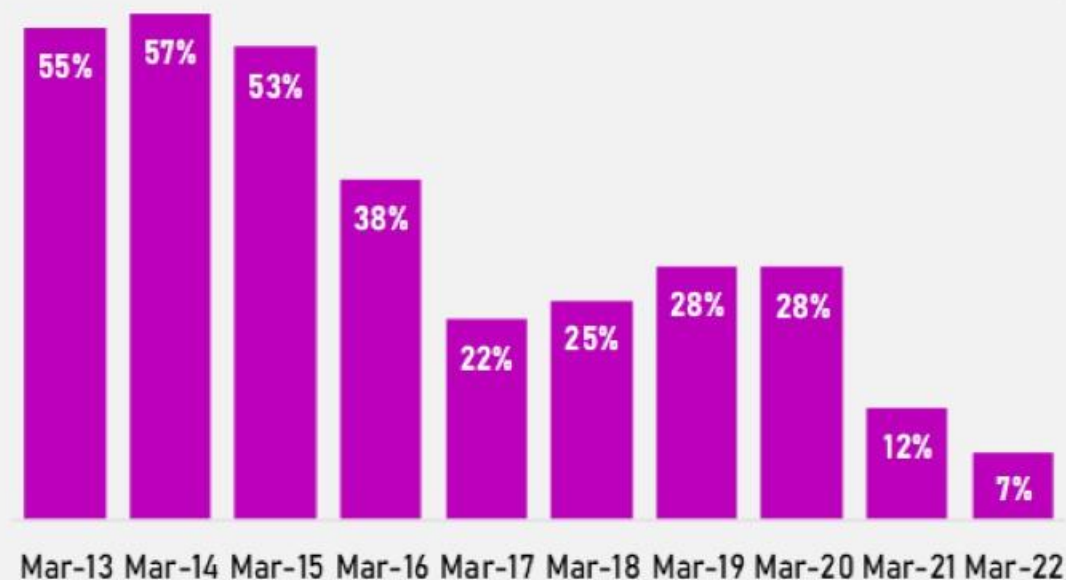
Average

12

Debt to Assets

- ✓ This indicates the % of assets that have been built through debt.
- ✓ We generally look for a Debt to Asset ratio of less than 50%.
- ✓ A Falling Trend is better.

Debt to Assets



Average

33%

Red Flags – Areas of Suspicion

- Receivables Days; Receivables as a % of Revenue
- Low Tax Rate year after year; What is the Reason?
- Depreciation Rate Volatility; Aggressive accounting in Depreciation?
- Large cash outflows to Creditors = Creditors demanding faster payment = Power of Company Diluting
- Check if company needs High Capex Ratio year after year
- Check if there are any obligations that the company might have to fulfil in the coming years such as Contingent Liabilities, Employee Pension etc.
- Is Other Expenses a big chunk of expenses? Avoid such stocks.
- Goodwill and Intangibles as a % of Total Assets. If it is higher than 20%, avoid the stock.
- Is there any write off in Trade receivables and Equity Reserves? You can find it in the Auditor's report. Avoid such stocks.
- Check if Other Expenses is increasing as a percentage of Sales. Avoid.
- Check if the interest rates on debt are fixed or floating. We generally prefer fixed interest rate loans as it gives the management some level of certainty.
- Sales to Subsidiaries and Related Parties as a total % of Revenue; Avoid companies with too many related party transactions.
- Contingent Liabilities as a % of Book Value or Market Cap.
- Huge Cash lying in Current Account, Cheques, Foreign Banks etc.
- One time Income dominating the company Revenues consistently
- Check if the Accumulated Depreciation is inline with the Increase in Gross Block.
- Check if the company is having too much idle cash in bank.
- Check if the Employee cost and Sales per employee is on par with that of the industry.

Red Flags Checklist

BALAJI AMINES LTD



Red Flags List

	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Trend	Check
Revenue Change YoY%		19%	1%	4%	4%	29%	10%	-1%	40%	77%		Check for Consistency
COGS Change		40%	-12%	-7%	5%	33%	17%	-8%	24%	107%		Check if it is inline with Revenue Change
COGS/ Revenue	56%	66%	58%	52%	52%	54%	58%	53%	47%	55%		Check if it is inline with Revenue
Receivables Change		27%	-9%	4%	0%	39%	-3%	24%	47%	92%		Check if it is inline with Revenue Change
Payables Change		139%	-44%	17%	-9%	41%	18%	-31%	31%	129%		Sharp rise is bad. Leads to future cash outflows.
Inventory Change		60%	24%	-31%	27%	-10%	83%	-33%	1%	102%		Rising inventory is bad. Possible inventory write-off in future.
Receivables / Revenue	20%	22%	19%	19%	19%	20%	18%	22%	23%	25%		Rising levels indicate poor sales quality.
Depreciation / Revenue	2%	3%	3%	3%	3%	2%	2%	3%	3%	2%		Volatility in depreciation % indicates aggressive accounting.
Dividend Payout %	14%	10%	12%	11%	9%	7%	8%	10%	5%	5%		Intention to reward shareholders.
Cash as a % of Total Assets	1%	2%	1%	1%	1%	3%	2%	1%	1%	3%		Decline in cash is bad.
Fixed Assets %	45%	52%	55%	56%	51%	37%	31%	51%	41%	36%		Sharp rise or fall is bad.
Self Sustainable Growth	16%	15%	13%	18%	21%	22%	19%	14%	25%	28%		Ability to grow with own reserves without taking any more Equity or Debt
Other Expenses %	1%	1%	1%	0%	1%	1%	1%	1%	0%	0%		Rising is bad.
Return on Cash & Investments	17%	9%	61%	32%	264%	50%	21%	9%	31%	14%		How much is the company earning from their Cash in Bank & Investments? Is it more than 4%?

VALUE

03. Value Check



Why P/E Ratio is not a useful Valuation measure?

- ✓ EPS or Earnings Per Share is the denominator in P/E Ratio
- ✓ The Earnings and EPS of a company are subject to manipulations.
- ✓ A company can boost its earnings by aggressive accounting policies. For example, a manufacturing company might increase the life of its useful assets which will lead to a lower depreciation expense and eventually magnified profits.
- ✓ EPS of a company can also be increased through buyback of shares by the company. Sometimes, buybacks are performed even when the stock is expensively priced. That is a warning signal for investors.
- ✓ EPS also does not indicate the quality of profits earned unlike the Free Cash Flow per share.
- ✓ P/E Ratio can be used while doing peer comparisons. But, it does not help us arrive at the intrinsic valuation of a company.
- ✓ We will follow a different approach to value companies.

Valuation – What we look at?

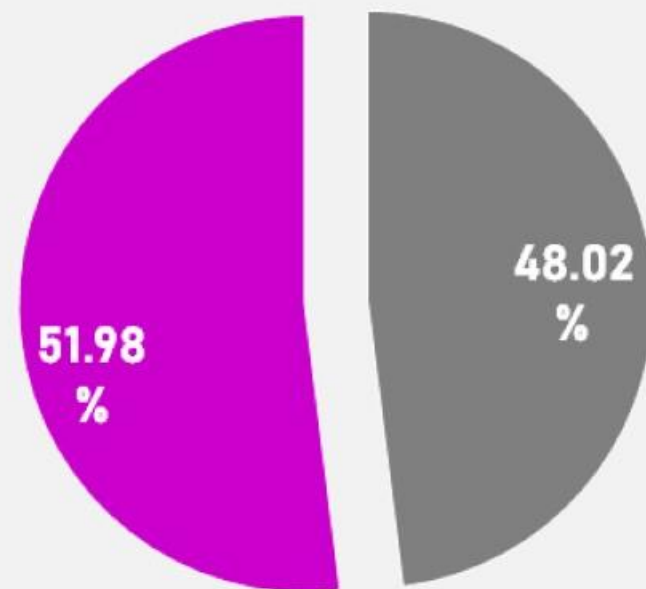
1. How much of the Future Growth is already accounted in the current market price?
2. What is the Intrinsic Value of the Stock?
3. What is the Intrinsic Value Growth Rate (Compounding Rate) of the Stock?
4. Margin of Safety
5. What is the Mind Value that other investors have associated with this stock?

Note: We have a different framework for Banks & Financial Services⁴.

Future Growth % already discounted in Price

- ✓ We look at the price as 2 parts.
- ✓ One, which tells us how the market is valuing the current ability of the company to keep generating profits.
- ✓ Two, which tells us how the market is valuing the future growth prospects of the firm
- ✓ If the market values the future growth at more than 50% of the current stock price, we will avoid buying the stock. This means the stock must perform significantly well to provide good returns at the current price. However, the stock will remain in our watchlist.
- ✓ Future Growth % is indicated in Purple.

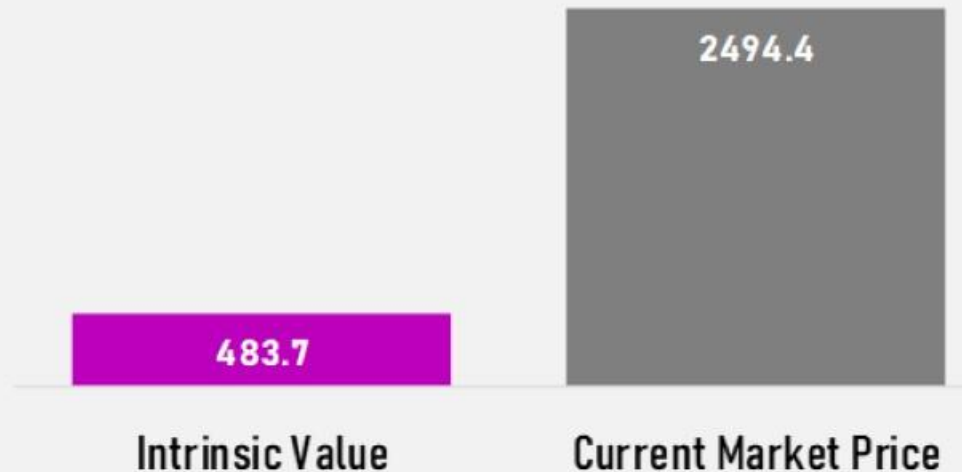
Future Growth



Intrinsic Value

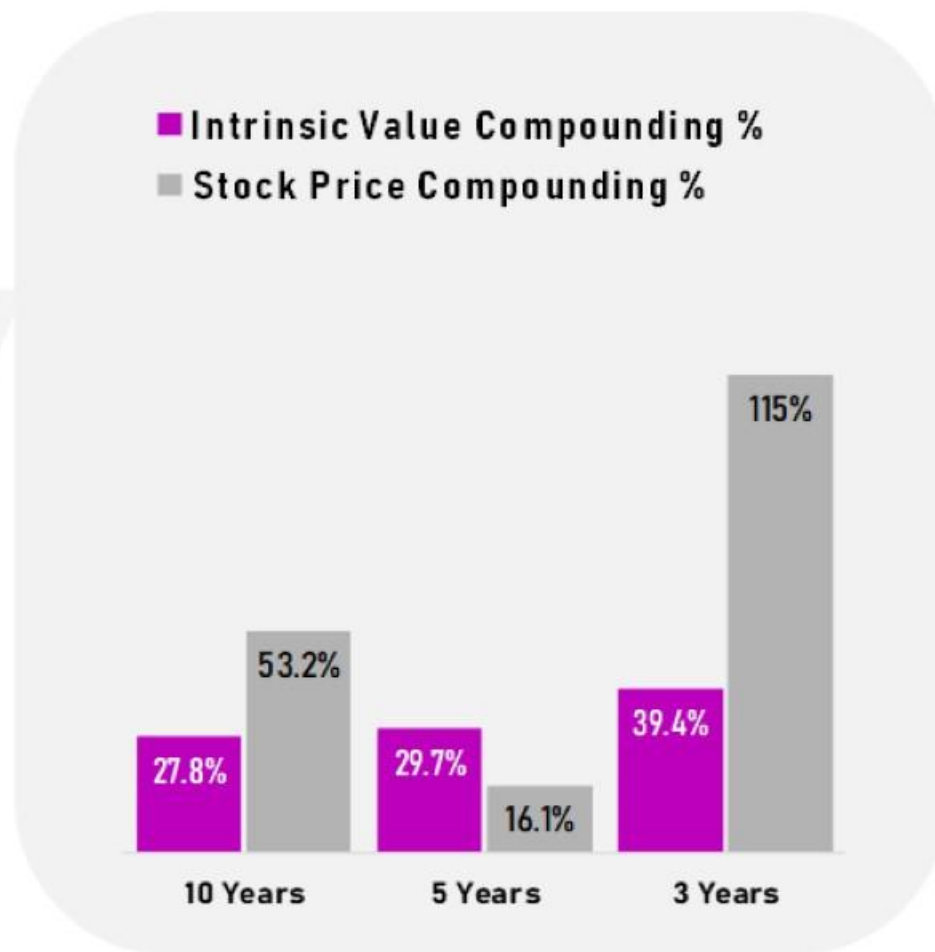
- ✓ The Intrinsic value is the computed fair value of the company arrived at after discounting all its future cash flows and growth.
- ✓ If the current price of the stock is below its intrinsic value, then the stock is undervalued.
- ✓ If the current price of the stock is higher than the intrinsic value, then the stock is overvalued.
- ✓ A discount rate of 9% is assumed while calculating Intrinsic Value.

Intrinsic Value vs Market Price



Intrinsic Value Compounding Rate

- ✓ The rate at which the company is growing its intrinsic value.
- ✓ We have observed that over the years, the share price growth is mostly higher than the Intrinsic Value growth rate of the Company.
- ✓ The market always gives a premium to companies which can compound their intrinsic value at attractive rates.



Margin of Safety (MOS)

- ✓ Margin of Safety indicates the % difference between the Intrinsic Value and the Current market price.
- ✓ Ideally, you want the current market price below the intrinsic value.
- ✓ If the Price is above Intrinsic Value, then there is no margin of safety.
- ✓ If the Margin of Safety is 50%, it means the stock is trading 50% below the Intrinsic Value.

Price is above Intrinsic Value

Note: Please remember that the above is only a **Quantitative** definition of Margin of Safety. We prefer to look at it qualitatively as well. Companies with consistent growth and capable management have a **Qualitative Margin of Safety**. The consistency of companies indicate that the management can adapt to changes. They are either way ahead of the game or they have the luxury of time to react to external changes. Management might also be pardoned for some wrong decisions they have made over time. The nature of business itself ensures the management minimizes error in decision making. Even if management commits a mistake, it is not penalized heavily. This is how we look at Margin of Safety. That is why we have Quality and Safety as the first 2 checks and valuation as the 3rd check.

A background graphic consisting of a 3x3 grid of light purple, rounded rectangular blocks. Each block has a dark purple arrow pointing to the right. The text "Other Checks & Tests" is overlaid in white on the center of the grid.

Other Checks & Tests

Earnings Retention Test

BALAJI AMINES LTD											
Market Value Added - Earnings Retention Test											
₹Cr	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Current
Retained Earnings	27	30	29	51	75	105	108	94	225	349	
Market Capitalization	113	130	266	577	1228	1818	1606	815	5700	9414	8082
One Rupee Test - Market Value Added for every 1 Rupee of Retained Earnings											
	Earnings Retained		Change in Market Cap		Market Value added per Rupee of Retained Earnings						
Last 10 Years	1094.75		7968.54		7.28						
Last 5 Years	881.86		6264.138		7.10						
Last 3 Years	668.64		7266.756		10.87						

- ✓ Earnings Retention Test checks if the company is adding ₹1 in Market Cap for every ₹1 of its Retained Earnings. If the number is more than 1 over the last 3 or 5 or 10 years, then it is good.

Economic Value Added

Economic Value Added										
₹Cr	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
WACC (Cost of Capital) % Assumption	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
ROIC	13%	12%	12%	16%	19%	19%	16%	12%	25%	32%
Capital Employed	380.69	462.74	483.76	452.9	467.39	618.91	801.86	917.71	1021.46	1350.5
Cost of Capital (₹Cr)	45.68	55.53	58.05	54.35	56.09	74.27	96.22	110.13	122.58	162.06
NOPAT	48.42	56.65	55.86	72.12	90.84	119.35	126.33	114.60	257.14	430.26
Economic Value Added = NOPAT - Cost of Capital	2.73	1.12	-2.19	17.77	34.75	45.08	30.11	4.48	134.56	268.20
ROIC - WACC	→ 1%	→ 0%	↓ 0%	↑ 4%	↑ 7%	↑ 7%	↑ 4%	→ 0%	↑ 13%	↑ 20%

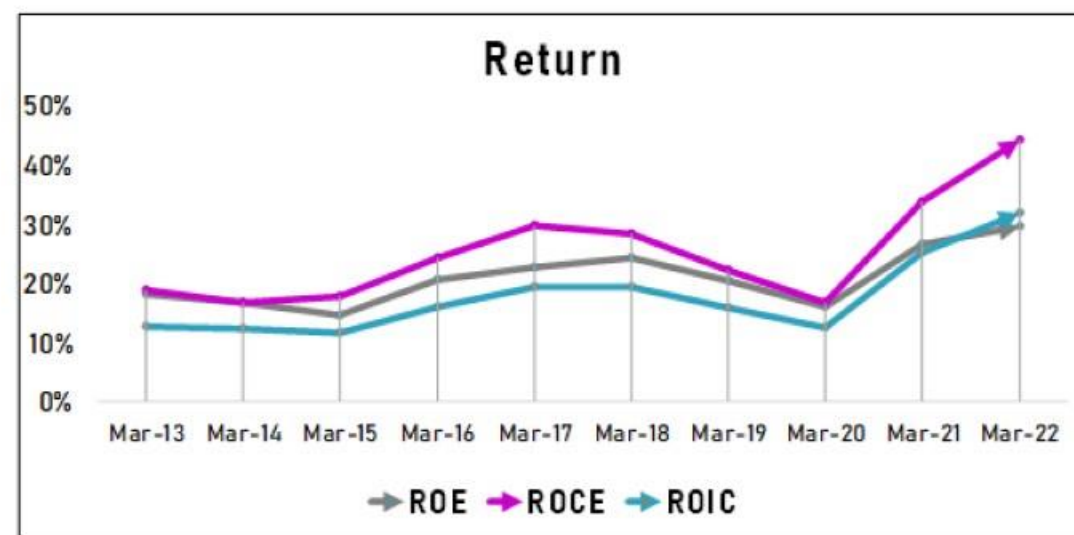
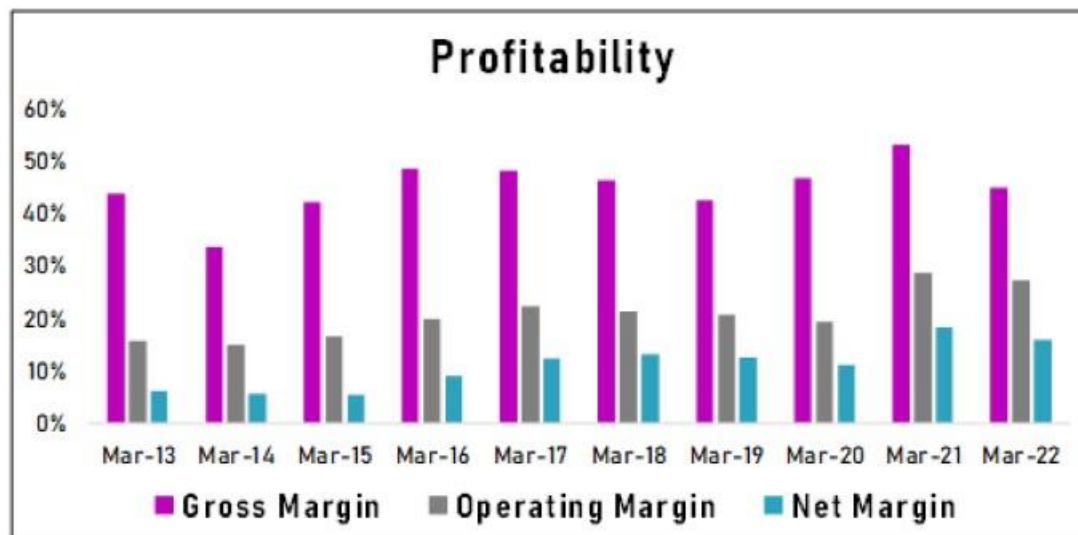
- ✓ Economic Value Added checks if the company is making more returns than the Cost of Capital. If the Economic Value Added is positive and increasing over the years, it is a good sign.

Pricing Power Assessment

BALAJI AMINES LTD

COMPETITIVE EDGE - Margin Protection & Pricing Power

Profitability	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Gross Margin	44%	34%	42%	48%	48%	46%	42%	47%	53%	45%
Operating Margin	16%	15%	17%	20%	22%	21%	21%	19%	29%	27%
Net Margin	6%	6%	5%	9%	12%	13%	13%	11%	18%	16%
Return	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
ROE	18%	17%	15%	21%	23%	24%	20%	16%	27%	29%
ROCE	19%	17%	18%	24%	30%	28%	22%	17%	34%	44%
ROIC	13%	12%	12%	16%	19%	19%	16%	12%	25%	32%



Note : In the previous pricing power assessment slide, check if the company has been able to maintain its margins above 15% over the years while maintaining its ROE, ROCE & ROIC above 15%. If it holds true, then the company might have a strong pricing power & competitive advantage. Identify what it is from the Annual Report. It could be brand, distribution network, switching costs, network effects etc.

DuPont Analysis

DuPont Return on Equity

Du Pont Analysis										
Financial Year	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
ROE (Return on Equity) DuPont	18%	17%	15%	21%	23%	24%	20%	16%	27%	29%
Net Profit Margin	6%	6%	5%	9%	12%	13%	13%	11%	18%	16%
x Asset Turnover Ratio	0.98	0.98	0.99	1.06	1.05	1.01	0.90	0.84	1.00	1.24
x Financial Leverage	3.03	3.08	2.73	2.16	1.75	1.82	1.82	1.69	1.47	1.50

- ✓ DuPont Return on Equity is a product of Net Profit Margin, Asset Turnover Ratio and Financial Leverage of the company.
- ✓ The strength of the purple color indicates which out of the 3 factors has contributed most to the ROE over the years.



Financial Statements

P&L Statement

P&L Statement



(₹Cr)	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	TTM
Revenue	509.47	607.58	616.36	640.4	667.61	858	940.12	934.55	1308.39	2319.34	2,663.04
Revenue Change %		19%	1%	4%	4%	29%	10%	-1%	40%	77%	
Expenses	429	517	515	514	519	676	747	754	935	1689	1,953.53
Cost of Goods Sold	287	403	357	331	347	461	541	498	616	1276	
Power and Fuel Cost	54	64	65	62	58	77	85	95	125	212	
Employee Cost	18	21	27	32	39	45	48	51	68	92	
Selling & General Expenses	26	33	32	52	55	69	74	74	90	127	
Other Expenses	19	18	32	11	25	21	25	20	22	37	
Gross Profit	222	204	260	310	320	397	399	437	693	1043	
Gross Profit Margin	44%	34%	42%	48%	48%	46%	42%	47%	53%	45%	
Operating Profit	80	91	102	127	149	182	193	181	373	630	710
Operating Profit Margin	16%	15%	17%	20%	22%	21%	21%	19%	29%	27%	27%
Other Income	4	3	4	3	9	12	4	5	6	7	15
Depreciation	13	16	20	19	20	19	20	32	34	42	45
EBITDA	84	94	106	129	158	194	198	186	379	637	724
EBITDA Margin %	16%	15%	17%	20%	24%	23%	21%	20%	29%	27%	27%
EBIT	71	77	86	110	139	175	178	154	345	595	679
EBIT Margin %	14%	13%	14%	17%	21%	20%	19%	16%	26%	26%	25%
Interest	25	32	35	22	13	9	13	23	18	17	14
Profit Before Tax (PBT)	46	46	51	88	126	166	165	131	327	578	665
Tax	15	12	18	30	43	53	48	34	83	160	184
Tax Rate	32%	27%	35%	35%	34%	32%	29%	26%	25%	28%	28%
Net Profit	31	34	33	58	82	113	118	105	238	368	387
Net Profit Margin	6%	6%	5%	9%	12%	13%	13%	11%	18%	16%	15%

Common Size P&L

BALAJI AMINES LTD										
Common Size P&L										
(₹Cr)	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Raw Material Cost	56%	66%	58%	52%	52%	54%	58%	53%	47%	55%
Power and Fuel	11%	11%	10%	10%	9%	9%	9%	10%	10%	9%
Other Mfg Expenses	4%	4%	4%	1%	3%	2%	2%	2%	1%	1%
Employee Cost	4%	3%	4%	5%	6%	5%	5%	5%	5%	4%
SGA Expenses	5%	5%	5%	8%	8%	8%	8%	8%	7%	5%
Other Expenses	1%	1%	1%	0%	1%	1%	1%	1%	0%	0%
Operating Profit	16%	15%	17%	20%	22%	21%	21%	19%	29%	27%
Other Income	1%	0%	1%	0%	1%	1%	0%	1%	0%	0%
Depreciation	2%	3%	3%	3%	3%	2%	2%	3%	3%	2%
Interest	5%	5%	6%	3%	2%	1%	1%	2%	1%	1%
Profit Before Tax	9%	8%	8%	14%	19%	19%	18%	14%	25%	25%
Tax	3%	2%	3%	5%	6%	6%	5%	4%	6%	7%
Net Profit	6%	6%	5%	9%	12%	13%	13%	11%	18%	16%

BALAJI AMINES LTD



BALANCE SHEET

(₹Cr)	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Equity Share Capital	6	6	6	6	6	6	6	6	6	6
Reserves	165	195	221	274	356	461	568	652	888	1,243
Borrowings	209	262	256	173	105	152	227	260	127	101
Other Liabilities	139	158	139	152	168	229	244	195	289	524
Trade Payables	36	86	48	56	51	72	85	59	77	176
Total Liabilities	519	620	623	605	635	848	1046	1113	1310	1875
Net Fixed Assets	234	325	341	341	325	316	320	573	543	681
Capital Work in Progress	63	8	3	16	25	123	269	46	173	141
Investments	20	20	0	0	0	0	0	48	0	0
Other Assets	202	267	278	248	284	409	457	446	594	1053
Inventory	57	91	112	78	99	89	163	109	110	222
Trade Receivables	104	132	119	124	124	173	167	207	306	588
Cash Equivalents	3	10	7	9	3	24	20	9	20	52
Total Assets	519	620	623	605	635	848	1046	1113	1310	1875
Working Capital	63	109	139	96	117	180	213	251	305	528
Trade Receivables	104	132	119	124	124	173	167	207	306	588
Inventory	57	91	112	78	99	89	163	109	110	222

Balance Sheet

Common Size Balance Sheet

BALAJI AMINES LTD										
Common Size Balance Sheet										
(₹Cr)	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Equity Share Capital	1%	1%	1%	1%	1%	1%	1%	1%	0%	0%
Reserves	32%	31%	36%	45%	56%	54%	54%	59%	68%	66%
Borrowings	40%	42%	41%	29%	17%	18%	22%	23%	10%	5%
Other Liabilities	27%	25%	22%	25%	26%	27%	23%	18%	22%	28%
Total Liabilities	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Net Fixed Assets	45%	52%	55%	56%	51%	37%	31%	51%	41%	36%
Capital Work in Progress	12%	1%	1%	3%	4%	15%	26%	4%	13%	8%
Investments	4%	3%	0%	0%	0%	0%	0%	4%	0%	0%
Other Assets	39%	43%	45%	41%	45%	48%	44%	40%	45%	56%
Total Assets	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(As % of Total Assets)										
Receivables	20%	21%	19%	21%	20%	20%	16%	19%	23%	31%
Inventory	11%	15%	18%	13%	16%	11%	16%	10%	8%	12%
Cash & Bank	1%	2%	1%	1%	1%	3%	2%	1%	1%	3%

BALAJI AMINES LTD

CASH FLOW STATEMENT

₹Cr	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Cash from Operating Activity (CFO)	94	111	56	85	60	140	94	144	110	232
Cash from Investing Activity (CFI)	-86	-50	-4	-29	-10	-135	-119	-130	-62	-134
Cash from Financing Activity (CFF)	-10	-53	-55	-54	-55	16	21	-26	-37	-66
Net Cash Flow	-1.8	7.07	-3.07	1.57	-5.08	20.67	-3.77	-11.59	10.83	31.92
CAPEX	90	53	8	32	13	111	170	62	132	148
Free Cash Flow	4	58	48	53	47	29	-76	82	-22	84
Capex / CFO (Capex Ratio)	95%	48%	14%	38%	22%	79%	180%	43%	120%	64%
Average Capex Ratio	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%
Interest Expense	25	32	35	22	13	9	13	23	18	17
Tax Rate	32%	27%	35%	35%	34%	32%	29%	26%	25%	28%
Tax Benefit from Interest	8.16	8.37	12.21	7.64	4.46	2.87	3.79	5.91	4.65	4.74
FCF _F	-4	49	36	45	43	26	-80	76	-27	80
- Interest	25.40	31.51	34.88	22.15	12.94	9.04	13.03	23.03	18.29	17.10
+ Tax Benefit from Interest	8.16	8.37	12.21	7.64	4.46	2.87	3.79	5.91	4.65	4.74
- Debt Repaid		0.00	5.77	83.16	67.76	0.00	0.00	0.00	132.50	26.42
+ New Debt Taken		52.31	0.00	0.00	0.00	46.92	75.55	32.17	0.00	0.00
FCF _E	-21	78	7	-53	-33	67	-13	91	-173	41

Quarterly Results – Last 10 Quarters

BALAJI AMINES LTD Recent 10 Quarters Results

₹Cr	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Revenue	282.38	392.13	414.03	450.68	525.73	564.90	779.04	670.17	627.88	585.95
Revenue Change QoQ%		39%	6%	9%	17%	7%	38%	-14%	-6%	-7%
Revenue Change YoY%					86%	44%	88%	49%	19%	4%
Expenses	208.68	274.76	285.11	309.05	394.42	409.72	584.73	455.37	455.26	458.17
Operating Profit	73.70	117.37	128.92	141.63	131.31	155.18	194.31	214.80	172.62	127.78
Operating Profit Margin	26%	30%	31%	31%	25%	27%	25%	32%	27%	22%
Other Income	0.69	0.51	3.60	2.67	2.94	3.80	4.87	4.69	2.53	2.52
EBITDA	74.39	117.88	132.52	144.30	134.25	158.98	199.18	219.49	175.15	130.30
Depreciation	9.30	8.71	8.47	9.67	11.05	10.49	10.79	11.08	11.01	12.34
EBIT	66.65	105.24	119.75	127.61	114.89	136.46	166.27	183.33	138.07	96.75
Interest	5.38	4.81	3.78	3.14	4.15	3.97	5.16	3.42	2.30	2.94
Profit before tax	59.71	104.36	120.27	131.49	119.05	144.52	183.23	204.99	161.84	115.02
Tax	15.51	25.46	31.47	34.09	30.99	42.93	52.39	56.94	43.20	31.24
Net Profit	45.76	74.97	84.50	90.38	79.75	89.56	108.72	122.97	92.57	62.57
Net Profit Margin	16%	19%	20%	20%	15%	16%	14%	18%	15%	11%

That's All Folks!