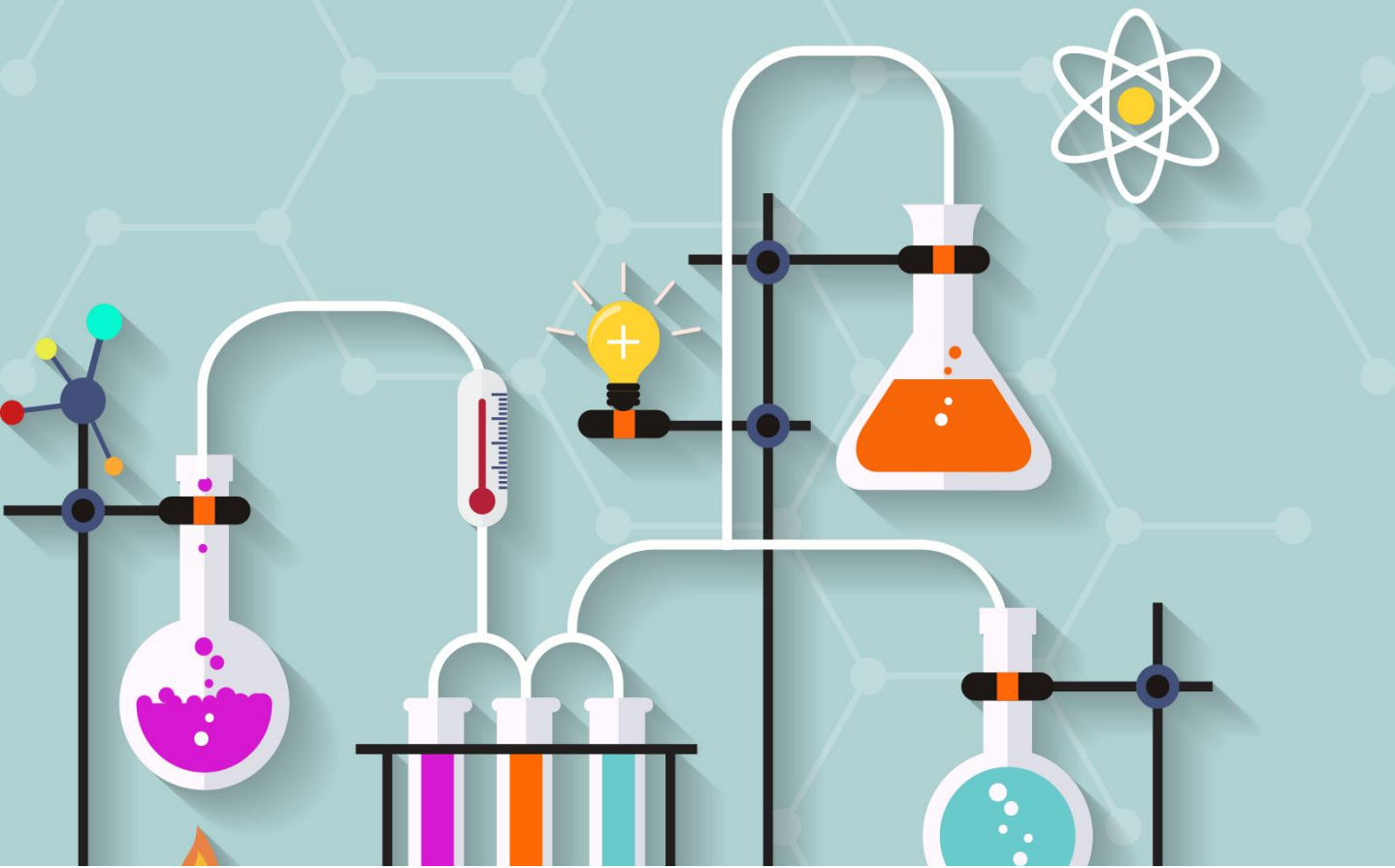


Alkyl Amines Chemicals Ltd.



Alkyl Amines Chemicals Ltd.

Growth pace to continue !

CMP INR 647	Target INR 762	Potential Upside 17.8 %	Market Cap (INR mn) 13,563	Recommendation Buy	Sector Specialty Chemicals
-----------------------	--------------------------	-----------------------------------	--------------------------------------	------------------------------	--------------------------------------

Result highlights

The company reported top line for the quarter at INR 1531 mn as against INR 1364 mn for Q3FY17 and INR 1381 mn for Q2FY18; which grew by 12.3% y-o-y and 10.9% q-o-q. The top line was in line with our expectations of INR 1498 Mn showing a deviation of 2%. EBITDA during the quarter stood at INR 267 mn; down by 10% y-o-y; up by 10.7% q-o-q on account of higher than expected raw material costs. This resulted in margin erosion by 429 bps y-o-y and 3 bps q-o-q standing at 17.4%. Further, PAT for the quarter came in at INR 152 mn down 10% y-o-y; up 13.5% q-o-q while PAT margin stood at 9.8% declining by 269 bps y-o-y but increasing by 23 bps q-o-q.

MARKET DATA

Shares outs (mn)	20
Equity Cap (INR mn)	102
Mkt Cap (INR mn)	13563
52 Wk H/L (INR)	790/338
Volume Avg (3m K)	24.51
Face Value (INR)	5
Bloomberg Code	AACL IN

SHARE PRICE PERFORMANCE

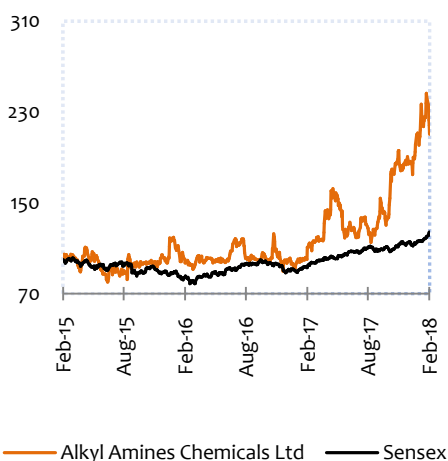


Exhibit 1: Key Financials

Particulars	FY15	FY16	FY17	FY18E	FY19E	FY20E
Revenue	4,764	4,836	5,006	5,962	7,484	8,713
EBITDA	868	910	917	1,072	1,373	1,737
PAT	451	500	510	562	760	1,038
EBITDA Margin	18.2%	18.8%	18.3%	17.9%	18.3%	19.9%
PAT Margin	9.5%	10.3%	9.9%	9.4%	10.1%	11.9%
EPS	22	25	25	28	37	51
P/E	14	13	18	23.5	17.4	12.7

Source: Company, KRChoksey Research

Potent growth on the back of capex plans: During Q3FY18, AACL reported net sales of INR 1531 mn (up 12.3% y-o-y and 10.9% q-o-q) in line with our estimate of INR 1498 mn showing a variation of meager 2%. However, there has been a delay in the forthcoming capacity expansion plan (methylamine plant) of the company and the same is expected to operationalize by Q4FY18E. Meanwhile, the horizon for acetonitrile plant commencement is still in place. Going ahead, we believe that growth phase of the company will continue on account of AACL's presence in high growth segments – pharmaceuticals and agrochemicals combined with volume growth of 18.7% over FY17-FY20E supported by capex plans. Likewise, we expect the total revenue for the Company to witness a CAGR of 20.3% from INR 5006 in FY17 to INR 8713 in FY20E.

Profitability marginally below estimates: EBITDA for Q3FY18 stood at INR 276 mn down 10% y-o-y; up 11% q-o-q as against our estimate of INR 157 mn. Further, EBITDA margin came in at 17.4% declining by 429 bps y-o-y and 3 bps q-o-q. We believe, the margin erosion was on account of higher than expected raw material costs (55.6% of net sales for Q3FY18 as against 50.5% of net revenue for Q3FY17). Similarly, PAT stood at INR 152 mn marginally below our estimate of INR 157 mn while PAT margin came in at 9.9% (down 269 bps y-o-y; up 23 bps q-o-q) supported via combination of higher other income and lower finance costs.

Valuation & Outlook: Going forward, we expect revenue/EBITDA/PAT to grow at 20.3%/23.7%/26.7% over FY17-FY20E on account of 1) higher volumes supported by AACL's capacity addition plans; 2) slow revival in demand for pharma industry and agrochemical industry with enhanced focus on specialty segment (higher amine derivatives).

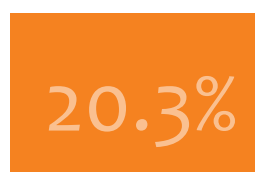
Further, with net debt of INR 973 and ROCE/ROE for the Company standing at 22%/20%, the company trades at trailing P/E of 25x. Consequently, going forward, we estimate the debt/equity ratio to improve to 0.26x and expect ROCE/ROE to scale to 28%/24% by FY20E. At **CMP of INR 647**, we maintain our **"BUY"** rating on the stock with **target price of INR 762** **assigning a P/E of 15x on FY20E EPS 50.8 resulting into an upside of 17.8%.**

MARKET INFO

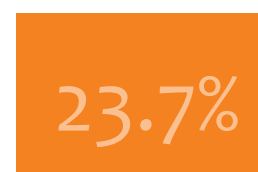
SENSEX	34757
NIFTY	10667

SHARE HOLDING PATTERN (%)

Particulars	Dec 17	Sep 17	Jun 17
Promoters	74.19	74.19	74.19
FIIs	1.38	1.35	1.56
DIIIs	0.09	0.08	0.1
Others	24.35	24.39	24.15
Total	100	100	100



Revenue CAGR between FY17 and FY20E



EBITDA CAGR between FY17 and FY20E

ANALYST

 Kunal Shah, kunal.shah@krchoksey.com, +91-22-6696 5568
 Neha Mehta, neha.mehta@krchoksey.com, +91-22-6696 5413

KRChoksey Research

 is also available on Bloomberg KRCS<GO>
 Thomson Reuters, Factset and Capital IQ

 +91-22-6696 5555 / +91-22-6691 9576
www.krchoksey.com

Alkyl Amines Chemicals Ltd.

Exhibit 2: Result Snapshot

Particulars (INR mn)	Q3FY18	Q2FY18	Q3FY17	Q-o-Q change %	Y-o-Y change %
Net Sales	1,531	1,381	1,364	10.88%	12.29%
Total Expenditure	1,264	1,140	1,067	10.92%	18.50%
Cost of Raw Materials	832	674	724	23.37%	14.89%
Changes in inventory, FGs, WIPs	20	98	(36)	-79.51%	-155.84%
Employee Benefit Expenses	101	103	100	-2.52%	0.72%
Other Expenses	312	265	279	17.79%	11.84%
EBIDTA	267	241	297	10.68%	-10.02%
EBITDA Margins (%)	17.4%	17.5%	21.8%	-3bps	-429bps
Depreciation	39	39	34	1.07%	13.18%
Other income	11	13	2	-17.17%	496.99%
EBIT	239	216	264	10.76%	-9.66%
Interest	11	15	14	-24.07%	-20.88%
PBT	228	201	250	13.30%	-9.03%
Tax	78	67	81	15.99%	-4.45%
PAT	152	134	169	13.48%	-10.03%
PAT Margin (%)	9.9%	9.7%	12.4%	23bps	-269bps
EPS	7.4	6.6	8.3	13.48%	-10.03%

Source: Company, KRChoksey Research

ANALYST

Kunal Shah, kunal.shah@krchoksey.com, +91-22-6696 5568
 Neha Mehta, neha.mehta@krchoksey.com, +91-22-6696 5413

KRChoksey Research

is also available on Bloomberg KRCS<GO>
 Thomson Reuters, Factset and Capital IQ

+91-22-6696 5555 / +91-22-6691 9576
www.krchoksey.com

Alkyl Amines Chemicals Ltd.

Exhibit 3: Financials

Income Statement (INR mn)	FY15	FY16	FY17	FY18E	FY19E	FY20E
Net Revenues	4,764	4,836	5,006	5,962	7,484	8,713
Cost Of Revenues (incl Stock Adj)	2,591	2,519	2,633	3,100	3,892	4,444
Gross Profit	2,172	2,317	2,373	2,862	3,592	4,269
Employee Cost	312	347	382	478	573	659
Other Operating Expenses	992	1,060	1,074	1,312	1,646	1,873
EBITDA	868	910	917	1,072	1,373	1,737
Other Income	20	26	11	14	17	20
EBITDA, including OI	888	935	928	1,086	1,390	1,757
Depreciation	114	129	143	186	209	213
Net Interest Exp.	102	80	56	97	95	62
EBT	672	726	729	803	1,086	1,482
Taxes	219	233	225	241	326	445
Net Income	451	500	510	562	760	1,038
Diluted EPS (INR)	22	25	25	28	37	51

Source: Company, KRChoksey Research

Balance Sheet (INR mn)	FY15	FY16	FY17	FY18E	FY19E	FY20E
SOURCES OF FUNDS						
Share Capital	102	102	102	102	102	102
Reserves	1,741	1,989	2,451	2,878	3,455	4,243
Total Shareholders Funds	1,843	2,091	2,553	2,980	3,557	4,345
Long Term Borrowings	560	447	662	1,146	1,114	727
Net Deferred Tax liability	208	286	327	327	327	327
Other long term liabilities	-	-	38	38	38	38
Long term provisions	22	27	32	32	32	32
Current Liabilities and Provisions						
Short term borrowings	605	533	364	630	612	399
Trade Payables	387	438	805	680	800	852
Other Current Liabilities	378	331	466	555	696	811
Short Term Provisions	112	8	8	10	13	15
Total Current Liabilities	1,482	1,310	1,643	1,874	2,120	2,077
Total Liabilities	4,115	4,160	5,256	6,398	7,189	7,546
APPLICATION OF FUNDS :						
Net Block	1,505	1,871	2,201	3,115	3,506	3,394
Capital Work in Progress	310	161	348	348	348	348
Intangible asset under development	1	1	-	-	-	-
Non-current investments	99	100	104	104	104	104
Long term loans and advances	171	142	283	283	283	283
Other Non-Current Assets	27	29	4	4	4	4
Current Assets, Loans & Advances						
Current Investments	-	-	-	-	-	-
Inventories	705	632	1,114	1,019	1,173	1,278
Sundry Debtors	989	903	973	1,160	1,456	1,695
Cash and Bank	94	60	52	154	52	134
Loans and Advances	194	247	165	196	246	287
Other Current assets	20	16	12	14	18	20
Total Current Assets	2,002	1,857	2,316	2,544	2,944	3,414
Total Assets	4,115	4,160	5,256	6,398	7,189	7,546

Source: Company, KRChoksey Research

ANALYST

Kunal Shah, kunal.shah@krchoksey.com, +91-22-6696 5568
 Neha Mehta, neha.mehta@krchoksey.com, +91-22-6696 5413

KRChoksey Research

is also available on Bloomberg KRCS<GO>
 Thomson Reuters, Factset and Capital IQ

+91-22-6696 5555 / +91-22-6691 9576
www.krchoksey.com

Alkyl Amines Chemicals Ltd.

Cash Flow Statement (INR mn)	FY15	FY16	FY17	FY18E	FY19E	FY20E
PBT & Extraordinary	672	726	729	803	1,086	1,482
Depreciation	114	129	143	186	209	213
(Inc) / Dec in Working Capital	(63)	205	(119)	(161)	(239)	(219)
Taxes	(216)	(148)	(194)	(241)	(326)	(445)
Others	-	(1)	0	97	95	62
Cash from Operations	609	1,014	623	684	825	1,093
Purchase of Fixed Assets	(410)	(353)	(756)	(1,100)	(600)	(100)
Others	12	2	2	-	-	-
Cash from Investing	(312)	(353)	(755)	(1,100)	(600)	(100)
Proceeds from issue of shares	-	-	487	-	-	-
Borrowings (Net)	(153)	(242)	137	750	(50)	(600)
Others	(198)	(430)	4	(233)	(277)	(311)
Cash from Financing	(359)	(682)	125	517	(327)	(911)
Net Change in Cash	(62)	(20)	(8)	102	(103)	82
BF cash	120	59	60	52	154	52
END Cash	59	60	52	154	52	134

Source: Company, KRChoksey Research

Ratio Analysis	FY15	FY16	FY17	FY18E	FY19E	FY20E
Growth (%)						
Total Sales	6.8%	1.5%	3.5%	19.1%	25.5%	16.4%
EBITDA	2.3%	4.8%	0.8%	17.0%	28.0%	26.5%
APAT	4.3%	10.9%	1.9%	10.2%	35.2%	36.5%
Profitability (%)						
EBITDA Margin	18.2%	18.8%	18.3%	18.0%	18.3%	19.9%
Adj. Net Profit Margin	9.5%	10.3%	10.2%	9.4%	10.2%	11.9%
ROCE	26%	26%	22%	19%	22%	28%
ROE	24%	24%	20%	19%	21%	24%
Per Share Data (Rs.)						
AEPS	22.1	24.5	25.0	27.5	37.2	50.8
BVPS	90	102	125	146	174	213
Valuations (x)						
PE(x)	14.2	12.7	18.1	23.5	17.3	12.7
P/BV (x)	3.5	3.0	3.6	4.0	3.4	2.8
Turnover days						
Debtor Days	76	68	71	71	71	71
Inventory Days	99	92	154	120	110	105
Payable Days	54	63	112	80	75	70
Gearing Ratio						
D/E	0.63	0.47	0.40	0.60	0.49	0.26

Source: Company, KRChoksey Research

ANALYST

Kunal Shah, kunal.shah@krchoksey.com, +91-22-6696 5568
 Neha Mehta, neha.mehta@krchoksey.com, +91-22-6696 5413

KRChoksey Research

is also available on Bloomberg KRCS<GO>
 Thomson Reuters, Factset and Capital IQ

+91-22-6696 5555 / +91-22-6691 9576
www.krchoksey.com

Alkyl Amines Chemicals Ltd.

Alkyl Amines Chemicals Ltd.				Rating Legend	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
06-Feb-18	647	762	BUY	Buy	More than 15%
27-Nov-17	582	762	BUY	Accumulate	5% – 15%
01-Nov-17	617	762	BUY	Hold	0 – 5%
				Reduce	-5% – 0
				Sell	Less than – 5%

ANALYST CERTIFICATION:

We, Kunal Shah (BE), research analyst and Neha Mehta (B.Com – Financial Markets, CS), research associate, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & Conditions and other disclosures:

KRChoksey Shares and Securities Pvt. Ltd (hereinafter referred to as KRCSPL) is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and MCX Stock Exchange Limited. KRCSPL is a registered Research Entity vides SEBI Registration No. INH00001295 under SEBI (Research Analyst) Regulations, 2014.

We submit that no material disciplinary action has been taken on KRCSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

KRCSPL prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers.

The information and opinions in this report have been prepared by KRCSPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSPL. While we would endeavor to update the information herein on a reasonable basis, KRCSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or KRCSPL policies, in circumstances where KRCSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

Associates (Group Companies) of KRCSPL might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

KRCSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months

KRCSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSPL nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that, Kunal Shah (BE), research analyst and Neha Mehta (B.Com – Financial Markets, CS), research associate, of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

KRCSPL or its associates (Group Companies) collectively or its research analyst do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, Kunal Shah (BE), research analyst and Neha Mehta (B.Com – Financial Markets, CS), research associate, do not serve as an officer, director or employee of the companies mentioned in the report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

Please send your feedback to research.insti@krchoksey.com

Visit us at www.krchoksey.com

Kisan Ratilal Choksey Shares and Securities Pvt. Ltd

Registered Office:

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

Corporate Office:

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.

ANALYST

Kunal Shah, kunal.shah@krchoksey.com, +91-22-6696 5568
Neha Mehta, neha.mehta@krchoksey.com, +91-22-6696 5413

KRChoksey Research

is also available on Bloomberg KRCS<GO>
Thomson Reuters, Factset and Capital IQ

+91-22-6696 5555 / +91-22-6691 9576
www.krchoksey.com