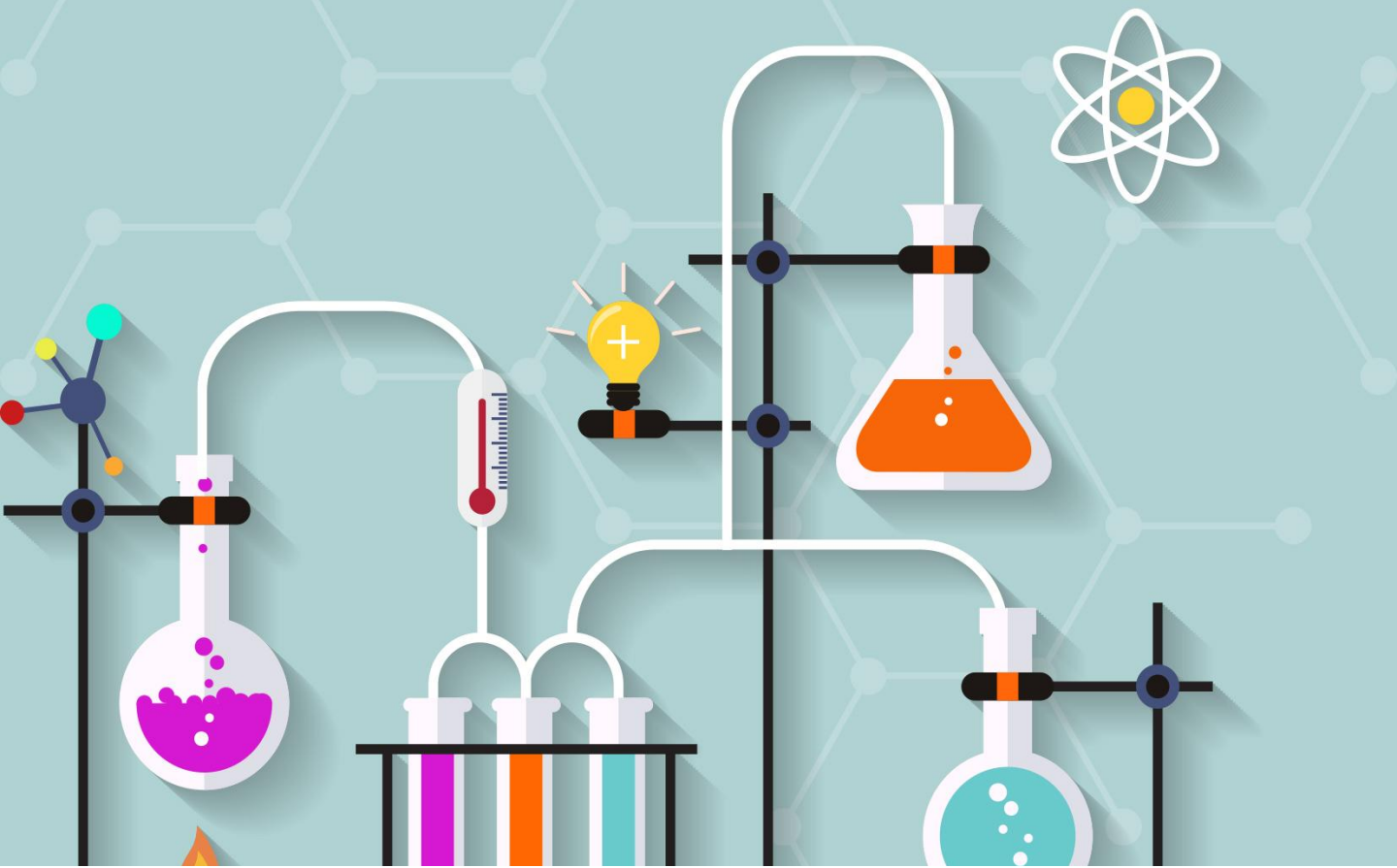


Alkyl Amines Chemicals Ltd.



Alkyl Amines Chemicals Ltd.

Robust outlook going ahead !

CMP INR 661	Target INR 766	Potential Upside 16 %	Market Cap (INR mn) 13,476	Recommendation Buy	Sector Specialty Chemicals
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Result highlights

- The company reported top line for Q1FY19 at INR 1781 mn as against INR 1474 mn for Q1FY18 and INR 1741 mn for Q4FY18; increasing by 20.8% YoY and 2.3% QoQ.
- EBITDA during the quarter came in at INR 369 mn which was up by 54.3% YoY and down by 8.5% QoQ. OPM stood at 20.7% impacted by changes in inventory and was broadly in line with our estimates of 20.8%.
- Further, the bottom line stood at INR 177 mn growing by 40% on YoY basis while taking a hit of 24% on sequential basis mainly on account of higher interest costs and higher income taxes. Accordingly, NPM came in at 10% (+136 bps YoY; -347 bps QoQ).

MARKET DATA

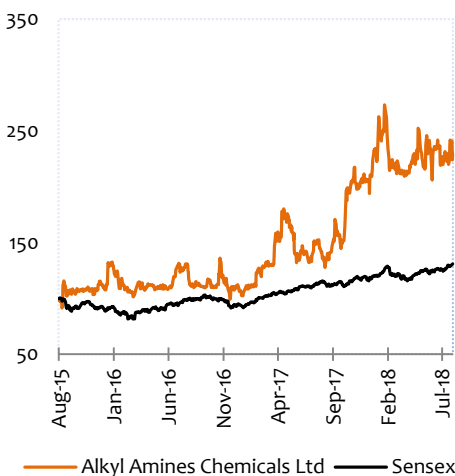
Shares outs (mn)	20
Equity Cap (INR mn)	102
Mkt Cap (INR mn)	13476
52 Wk H/L (INR)	790/362
Volume Avg (3m K)	11
Face Value (INR)	5
Bloomberg Code	AACL IN

Exhibit 1: Key Financials

Particulars (INR mn)	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue	4764	4836	5006	6162	8254	9520
EBITDA	868	910	951	1176	1621	1848
PAT	451	500	518	660	904	1043
EBITDA Margin	18.2%	18.8%	19.0%	19.1%	19.6%	19.4%
PAT Margin	9.5%	10.3%	10.4%	10.7%	10.9%	11.0%
EPS	22	25	25	32	44	51
P/E	14	13	18	20	15	13

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



Capacity addition plans to drive top-line: The Company reported a steady quarter registering a growth of 21% YoY and 2% QoQ at INR 1781 mn. The top line was almost in line with our estimates of INR 1880 mn showing a deviation of 5%. The new Methylamine plant came on stream during March 2018 and going ahead we believe the volume and revenue growth from the same is likely to be seen from the coming quarters. On acetonitrile front, the Company has pushed its plan and expect the same to commence from FY21E onwards. Consequently, we expect volume/revenue growth of 21.9%/24.3% over FY18-Fy2-E from INR 6162 mn to INR 9520 mn supported by ongoing capex plans coupled with growing demand end users especially pharmaceuticals and agrochemicals.

Profitability almost in-line with estimates: EBITDA for Q1FY19 came in at INR 369 mn as against INR 239 mn in Q1FY18 and INR 404 mn in Q4FY18. EBITDA was in line with our estimate of INR 391 mn. On the margins front, due to changes in inventory amounting to INR ~192 mn, OPM witnessed an erosion of 248 bps on sequential basis while increasing by 449 bps on annual basis. OPM came in at 20.7% vis-avis our estimate of 20.8%.

Further, PAT stood at INR 177 mn while NPM margin came in at 9.9% (+136 bps YoY; -347 bps QOQ) impacted via combination of higher interest costs and higher income taxes.

Valuation & Outlook: We remain positive on the long term outlook of the company owing to 1) pick up in demand from pharmaceuticals and agrochemicals industries; 2) outperforming volume growth; 3) stable operating margins; and 4) increase in return ratios. With net debt of INR 1543 mn and debt/equity ratio of 0.5x, the company currently trades at P/E of 19.5x.

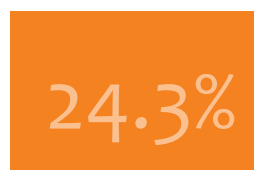
We maintain our “BUY” rating on the stock and value the company at a two year forward P/E of 15x thereby arriving at a target price of INR 766/share resulting in an upside of 16% from the CMP of INR 661.

MARKET INFO

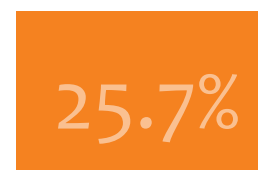
SENSEX	37165
NIFTY	11245

SHARE HOLDING PATTERN (%)

Particulars	Jun 18	Mar 18	Dec 17
Promoters	74.19	74.19	74.19
FIIIs	1.55	1.55	1.38
DIIIs	0.07	0.08	0.09
Others	24.19	24.18	24.35
Total	100	100	100



Revenue CAGR over FY18 and FY20E



PAT CAGR over FY18 and FY20E

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Exhibit 2: Result Snapshot

Particulars (INR mn)	Q1FY19	Q4FY18	Q1FY18	Q-o-Q change %	Y-o-Y change %
Net Sales	1,781	1,741	1,474	2.34%	20.87%
Total Expenditure	1,412	1,337	1,234	5.64%	14.40%
Cost of Raw Materials	1,090	943	789	15.56%	38.19%
Changes in inventory, FGs, WIPs	(192)	(40)	27	373.09%	-809.47%
Employee Benefit Expenses	126	111	105	13.15%	20.54%
Other Expenses	387	322	314	20.17%	23.43%
EBIDTA	369	404	239	-8.59%	54.26%
EBITDA Margins (%)	20.7%	23.2%	16.2%	-248 bps	449 bps
Depreciation	55	40	39	39.08%	41.46%
Other income	0	3	6	-92.67%	-95.57%
EBIT	314	367	206	-14.54%	52.62%
Interest	39	25	19	55.92%	110.84%
PBT	275	342	187	-19.74%	46.81%
Tax	98	109	61	-10.29%	60.76%
PAT	177	233	126	-24.17%	40.06%
PAT Margin (%)	9.9%	13.4%	8.6%	-347 bps	136 bps
EPS	8.7	11.4	6.2	-24.17%	40.06%

Source: Company, KRChoksey Research

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Alkyl Amines Chemicals Ltd.

Exhibit 3: Financials

Income Statement (INR mn)	FY15	FY16	FY17	FY18	FY19E	FY20E
Net Revenues	4764	4836	5006	6162	8254	9520
Cost Of Revenues (incl Stock Adj)	2591	2519	2633	3342	4539	5283
Gross Profit	2172	2317	2373	2819	3714	4236
Employee Cost	312	347	372	420	525	604
Other Expenses	992	1060	1050	1223	1568	1785
EBITDA	868	910	951	1176	1621	1848
Other Income	20	26	11	27	35	40
EBITDA (including OI)	888	935	963	1203	1656	1888
Depreciation	114	129	143	157	221	254
Net Interest Exp.	102	80	81	81	144	144
EBT	672	726	739	953	1291	1490
Taxes	221	226	236	315	387	447
Net Income	451	500	504	638	904	1043
Diluted EPS (INR)	22.1	24.5	25.4	32.3	44.3	51.1

Source: Company, KRChoksey Research

Balance Sheet (INR mn)	FY15	FY16	FY17	FY18	FY19E	FY20E
SOURCES OF FUNDS						
Share Capital	102	102	102	102	102	102
Reserves	1741	1989	2456	2988	3720	4537
Total Shareholders Funds	1843	2091	2558	3090	3822	4639
Long Term Borrowings	560	447	701	1147	1194	1194
Net Deferred Tax liability	208	286	327	405	405	405
Other long term liabilities	0	0	1	34	34	34
Long term provisions	22	27	32	17	17	17
Current Liabilities and Provisions						
Short term borrowings	605	533	341	428	581	581
Trade Payables	387	438	809	672	895	1028
Other Current Liabilities	378	331	448	663	859	991
Short Term Provisions	112	8	8	33	44	51
Total Current Liabilities	1482	1310	1606	1795	2380	2651
Total Liabilities	4115	4160	5224	6489	7852	8940
APPLICATION OF FUNDS :						
Net Block	1505	1871	2201	3552	4130	4676
Capital Work in Progress	310	161	348	184	184	184
Intangible asset under development	1	1	0	0	0	0
Non-current investments	99	100	117	133	133	133
Long term loans and advances	171	142	3	4	4	4
Other Non-Current Assets	27	29	266	198	198	198
Non - Current tax Assets	0	0	40	34	34	34
Current Assets, Loans & Advances						
Current Investments	0	0	0	0	0	0
Inventories	705	632	1114	852	1157	1346
Sundry Debtors	989	903	973	1238	1651	1904
Cash and Bank	94	60	30	32	42	92
Loans and Advances	194	247	2	1	2	2
Other Current assets	20	16	131	260	317	365
Total Current Assets	2002	1857	2250	2384	3168	3710
Total Assets	4115	4160	5224	6489	7852	8940

Source: Company, KRChoksey Research

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Exhibit 4: Cash flow statement

Cash Flow Statement (INR mn)	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT & Extraordinary	672	726	754	975	1291	1490
Depreciation	114	129	129	154	221	254
(Inc) / Dec in Working Capital	(63)	205	(104)	26	(343)	(221)
Taxes	(216)	(148)	(198)	(198)	(387)	(447)
Others	0	(1)	0	81	144	144
Cash from Operations	609	1014	635	1016	925	1220
Purchase of Fixed Assets	(410)	(353)	(660)	(1356)	(800)	(800)
Others	12	2	20	14	0	0
Cash from Investing	(312)	(353)	(649)	(1322)	(800)	(800)
Proceeds from issue of shares	0	0	231	433	0	0
Borrowings (Net)	(153)	(242)	39	520	200	0
Others	(198)	(430)	(40)	(179)	(316)	(370)
Cash from Financing	(359)	(682)	(16)	325	(116)	(370)
Net Change in Cash	(62)	(20)	(30)	19	10	50
BF cash	120	59	60	30	32	42
END Cash	59	60	30	32	42	92

Source: Company, KRChoksey Research

Ratio Analysis	FY15	FY16	FY17	FY18	FY19E	FY20E
Growth (%)						
Total Sales	6.8%	1.5%	3.5%	23.1%	33.9%	15.3%
EBITDA	2.3%	4.8%	4.6%	23.6%	37.8%	14.0%
APAT	4.3%	10.9%	3.6%	27.4%	36.9%	15.4%
Profitability (%)						
EBITDA Margin	18.2%	18.8%	19.0%	19.1%	19.6%	19.4%
Adj. Net Profit Margin	9.5%	10.3%	10.4%	10.7%	10.9%	11.0%
ROCE	26%	26%	23%	22%	26%	25%
ROE	24%	24%	20%	21%	24%	22%
Per Share Data (Rs.)						
AEPS	22.1	24.5	25.4	32.3	44.3	51.1
BVPS	90	102	125	151	187	227
Valuations (x)						
PE(x)	14.2	12.7	17.8	20.4	14.9	12.9
P/BV (x)	3.5	3.0	3.6	4.4	3.5	2.9
Turnover days						
Debtor Days	76	68	71	73	73	73
Inventory Days	99	92	154	93	93	93
Payable Days	54	63	112	73	72	71
Gearing Ratio						
D/E	0.63	0.47	0.41	0.51	0.46	0.38

Source: Company, KRChoksey Research

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Alkyl Amines Chemicals Ltd.

Alkyl Amines Chemicals Ltd.				Rating Legend	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
02-Aug-18	661	766	BUY	Buy	More than 15%
06-Feb-18	647	762	BUY	Accumulate	5% – 15%
27-Nov-17	582	762	BUY	Hold	0 – 5%
01-Nov-17	617	762	BUY	Reduce	-5% – 0
				Sell	Less than – 5%

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