

Alkyl Amines

Robust export growth in FY23

We maintain REDUCE on Alkyl Amines (AACL) with a price target of INR 2,294 (WACC 12%, terminal growth 5%). The stock is currently trading at ~37x FY25E EPS. We believe that the current valuation already factors in positives from potential volume growth, after doubling of the acetonitrile plant capacity and ~40% additional capacities of the aliphatic amines plant. EBITDA/APAT were 14/20% below our estimates, owing to higher-than-expected raw material cost, higher-than-anticipated depreciation, and lower-than-anticipated other income.

- Financial performance:** Revenue grew 6% QoQ to INR 4.1bn. The company registered a 10% YoY volume growth in FY23 despite facing various global disruptions. Exports strongly grew in FY23 and formed ~23% of the total revenue. Gross margin came in at ~46% (-258/+219bps QoQ/YoY) as raw material prices still remain elevated even after cooling down. The company has started witnessing further cooling off of raw material prices. EBITDA margin remained flattish sequentially and grew 141bps YoY to ~19% and witnessed a rise on account of lower energy and utility costs. APAT came in at INR 486mn (+6/+5% QoQ/YoY).
- Call takeaways:** (1) Capex guidance for FY24/25 is of INR 2/1bn. (2) The ongoing ethyl amines expansion is almost complete and the plant is expected to be commissioned in Q2FY24. (3) The company plans to clock a 10-15% YoY volume growth in FY24. (4) The management believes that raw material prices have peaked and should soften by 10-15%, going forward. (5) The company has applied for an additional land parcel to GIDC for its future expansion plans.
- Change in estimates:** We cut our FY24/25 EPS estimates by 6.1/6.9% to INR 55.8/69.5 per share to factor in reduced realisations across products courtesy correction in raw material prices and lower acetonitrile spreads.

Financial summary

INR mn	Q4FY23	Q3FY23	QoQ (%)	Q4FY22	YoY (%)	FY21	FY22	FY23P	FY24E	FY25E
Net Sales	4,117	3,885	6.0	4,256	(3.3)	12,424	15,428	16,823	18,518	23,258
EBITDA	769	697	10.4	736	4.6	4,291	3,265	3,431	4,331	5,402
APAT	486	457	6.4	464	4.8	2,953	2,249	2,287	2,851	3,554
AEPS (INR)	9.5	8.9	6.4	9.1	4.8	57.8	44.0	44.7	55.8	69.5
P/E (x)						44.0	57.8	56.9	45.6	36.6
EV/EBITDA(x)						30.0	39.7	38.1	30.5	23.9
RoE (%)						44.4	25.2	21.2	22.2	23.1

Source: Company, HSIE Research

Change in estimates

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch
EBITDA (INR mn)	4,585	4,331	-5.5	5,735	5,402	-5.8
Adj. EPS (INR/sh)	59.4	55.8	-6.1	74.7	69.5	-6.9

Source: Company, HSIE Research

REDUCE

CMP (as on 12 May 23)	INR 2,541
Target Price	INR 2,294
NIFTY	18,315

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 2,404	INR 2,294
EPS %	FY24E -6.1%	FY25E -6.9%

KEY STOCK DATA

Bloomberg code	AACL IN
No. of Shares (mn)	51
MCap (INR bn) / (\$ mn)	130/1,587
6m avg traded value (INR mn)	74
52 Week high / low	INR 3,230/2,119

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.5)	(11.4)	(15.2)
Relative (%)	(4.7)	(11.8)	(32.4)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	71.99	71.99
FIs & Local MFs	1.12	1.15
FPIs	2.69	2.79
Public & Others	24.20	24.07
Pledged Shares	0.00	0.00

Source : BSE

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Disclosure:

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