

Alkyl Amines

Estimate changes

TP change

Rating change



CMP: INR2,334

TP: INR2,350 (+1%)

Neutral

Volume growth remains strong; guidance intact

- Alkyl Amines (AACL)'s 1QFY24 revenue declined 13% YoY, in line with expectation, primarily due to the current pricing conditions. Volumes grew ~15% YoY/10-12% QoQ. Gross margin contracted to 44.7% in 1QFY24. EBITDA was marginally ahead of our forecast at INR740m, driven by lower-than-anticipated expenses. This resulted in an EBITDAM of 18.1% (-60bp QoQ) for the quarter.
- After a period of post-Covid slowdown caused by inventory buildup, the pharma industry's outlook is now moderately optimistic. The company is experiencing a strong demand for its products from the agrochemicals sector. Management's guidance of a 10-15% volume growth remains unchanged.
- Significant pricing pressure is observed in ACN due to aggressive product dumping by Chinese competitors. While some dumping activities are also seen in Methylamines and Ethylamines, these are not as severe as in ACN. Despite these, the company maintains its domestic market share of 60%, considering the overall market contraction in ACN. The current average utilization is at 60% with realizations of INR150/kg.
- The Di-Ethyl Ketone plant is currently stabilizing. With demand being strong (AACL is the leading player in domestic market), management is working on expanding capacity to 2.5ktpa from 1.5ktpa, which is likely to take 3-6 months. The second product is scheduled for a launch during Jan-Mar'24, while the fourth product is planned for Jun-Sep'24. The launch of the third product might be cancelled due to weak demand.
- We have cut of EBITDA/ EPS estimate by 9%/ 10% for FY24 while keeping estimates for FY25 broadly unchanged. The stock is trading at 35x FY25E EPS and 24x FY25E EV/EBITDA. **We reiterate our Neutral rating on the stock, and value it at 35x FY25E EPS to arrive at our TP of INR2,350.**

Beat on EBITDA and PAT; margin contracts sequentially

- AACL's revenue stood at INR4.1b (est. of INR4.1b, -13% YoY) in 1QFY24.
- Gross margin was at 44.7%** with EBITDAM at 18.1% (vs. ~24.5% in 1QFY23)
- EBITDA came in at INR740m (est. of INR700m, -36% YoY) due to lower than-expected other expenses during the quarter.
- PAT stood at INR498m (est. of INR451m, -39% YoY), primarily due to higher-than-expected other income.

Valuation and View

- The upcoming expansions are set to increase aliphatic amines capacity by ~30%. These expansions involve a capex of INR4b, and are likely to be completed by 2QFY24. Presently, the capacity for aliphatic amines is within the range of 90-100ktpa. Additionally, AACL is venturing into new specialty products that are likely to improve its margins. This would be driven by robust demand for these products that encompass a blend of amine derivatives and specialties.



Bloomberg	AACL IN
Equity Shares (m)	51
M.Cap.(INRb)/(USDb)	119.3 / 1.4
52-Week Range (INR)	3198 / 2119
1, 6, 12 Rel. Per (%)	-12/-20/-36
12M Avg Val (INR M)	92

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	16.8	18.8	22.6
EBITDA	3.4	3.7	4.9
PAT	2.3	2.4	3.4
EPS (INR)	44.7	47.8	67.2
EPS Gr. (%)	1.6	6.8	40.6
BV/Sh.(INR)	228.5	265.6	317.7

Ratios

Net D:E	0.1	0.0	-0.0
RoE (%)	21.2	19.3	23.0
RoCE (%)	19.5	17.6	21.6
Payout (%)	22.4	22.4	22.4

Valuations

P/E (x)	52.8	49.4	35.1
P/BV (x)	10.3	8.9	7.4
EV/EBITDA (x)	35.4	33.1	24.3
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	-0.5	0.6	1.3

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	72.0	72.0	72.0
DII	1.2	1.1	1.3
FII	2.9	2.8	2.3
Others	24.0	24.1	24.5

FII Includes depository receipts

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

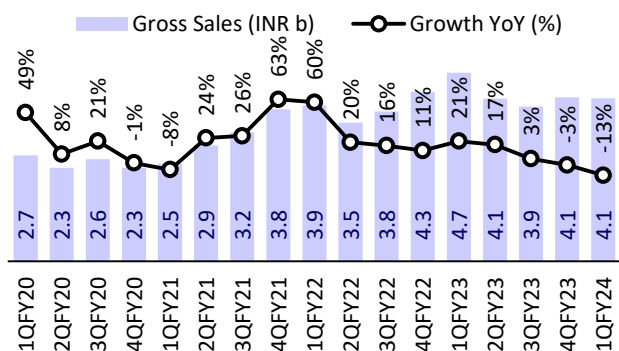
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- We predict ~14% revenue CAGR over FY23-FY25 for AACL, accompanied by 15% EPS CAGR during the same period. Potential risks to our outlook include increased competition, leading to AACL having limited pricing power as the competitors influence the market prices.
- The stock is trading at 35x FY25E EPS and 24x FY25E EV/EBITDA. **We reiterate our Neutral rating on the stock, and value it at 35x FY25E EPS to arrive at our TP of INR2,350.**

Standalone - Quarterly Snapshot

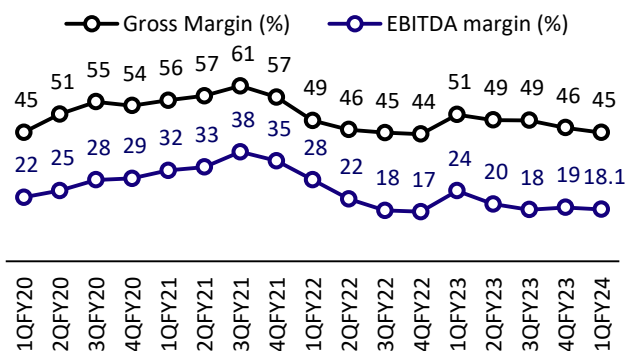
Y/E March	FY23				FY24				FY23	FY24E	FY24	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Gross Sales	4,735	4,089	3,884	4,117	4,098	4,569	4,946	5,229	16,824	18,842	4,111	0%
YoY Change (%)	20.8	17.3	3.1	-3.2	-13.5	11.8	27.3	27.0	9.1	12.0	-13.2	
Gross Margin (%)	50.9%	49.0%	48.9%	46.4%	44.7%	45.9%	48.5%	50.2%	48.9%	47.5%	45.6%	-0.9%
EBITDA	1,158	813	696	769	740	862	973	1,091	3,436	3,666	700	6%
Margin (%)	24.5	19.9	17.9	18.7	18.1	18.9	19.7	20.9	20.4	19.5	17.0	1.0
Depreciation	118	112	107	116	122	126	129	134	452	510	118	
Interest	8	11	7	11	9	9	8	9	37	35	12	
Other Income	42	23	45	28	55	27	38	24	138	144	32	
PBT before EO expense	1,075	714	626	671	664	754	873	973	3,085	3,264	602	10%
PBT	1,075	714	626	671	664	754	873	973	3,085	3,264	602	10%
Tax	256	189	169	185	166	190	220	246	799	822	152	
Rate (%)	23.8	26.5	27.0	27.5	25.0	25.2	25.2	25.2	25.9	25.2	25.2	
Reported PAT	819	524	457	486	498	564	654	727	2,286	2,443	451	10%
YoY Change (%)	4.3	-3.1	-0.4	4.8	-39.2	7.6	43.0	49.6	1.6	6.8	-45.0	
Margin (%)	17.3	12.8	11.8	11.8	12.1	12.3	13.2	13.9	13.6	13.0	11.0	1.2

Exhibit 1: Sales remained flat QoQ



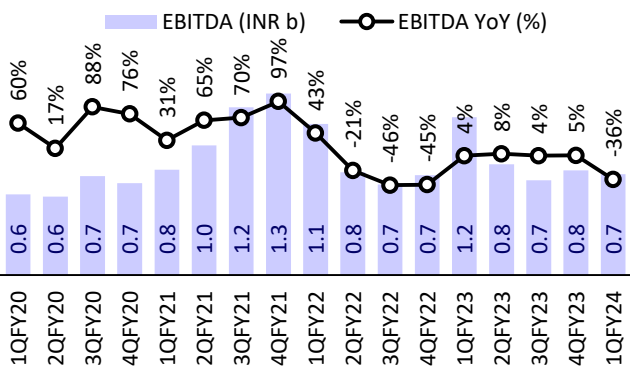
Source: Company, MOFSL

Exhibit 2: EBITDAM declined slightly during the quarter



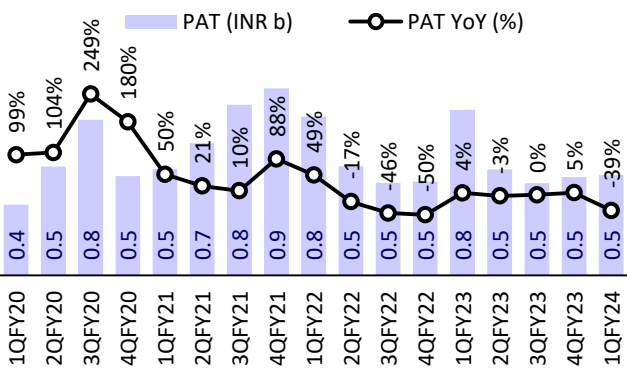
Source: Company, MOFSL

Exhibit 3: EBITDA was down 36% QoQ (margin at 18.1%)



Source: Company, MOFSL

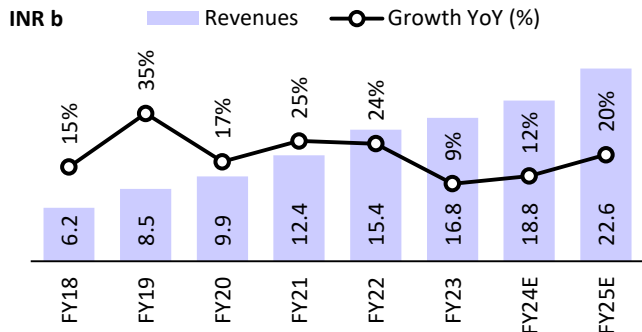
Exhibit 4: PAT rose 2% QoQ (margin at 12.1%)



Source: Company, MOFSL

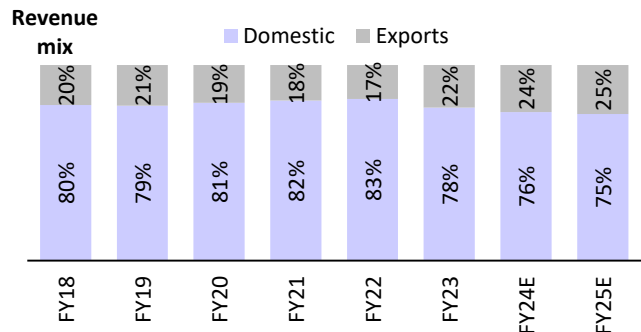
Financials story in charts

Exhibit 5: Expect ~14% revenue CAGR over FY23-25...



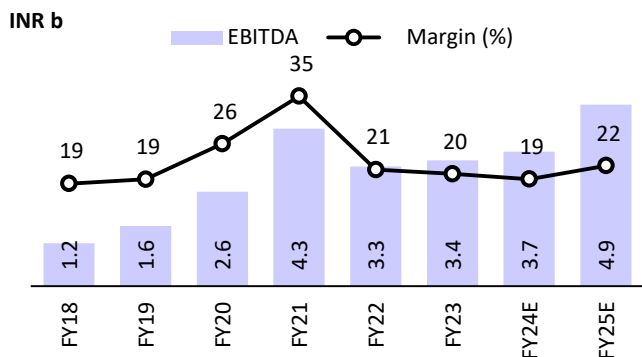
Source: Company, MOFSL

Exhibit 6: ...with exports rising to 25% by FY25



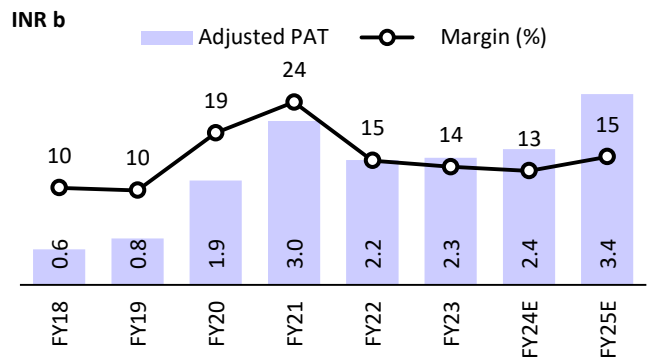
Source: Company, MOFSL

Exhibit 7: Expect EBITDA margin to be at ~22%...



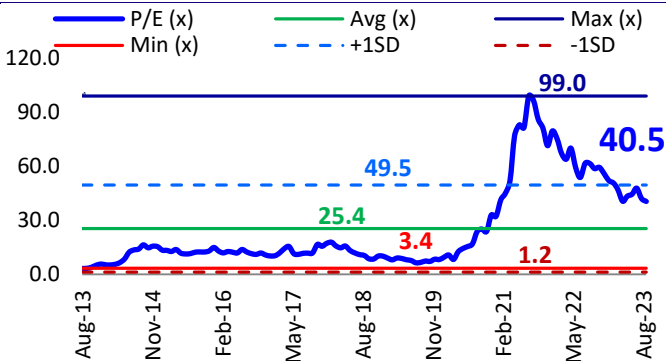
Source: Company, MOFSL

Exhibit 8: ... with PAT margin expanding by FY25



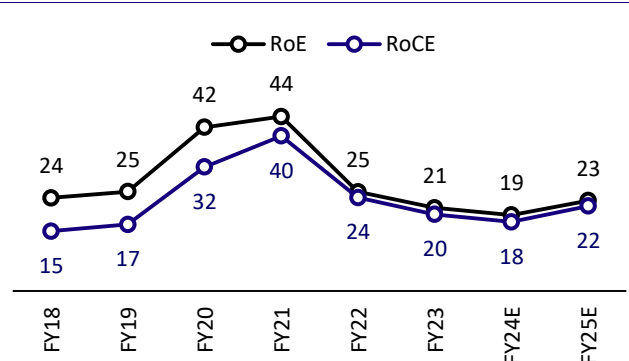
Source: Company, MOFSL

Exhibit 9: One-year forward P/E trades at 40.5x...



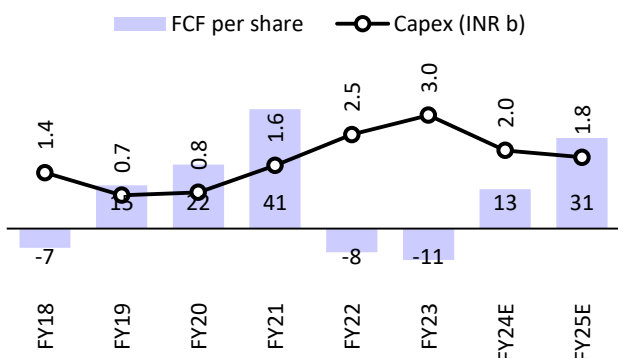
Source: Company, MOFSL

Exhibit 10: ...with return ratios stabilizing at 18-23%



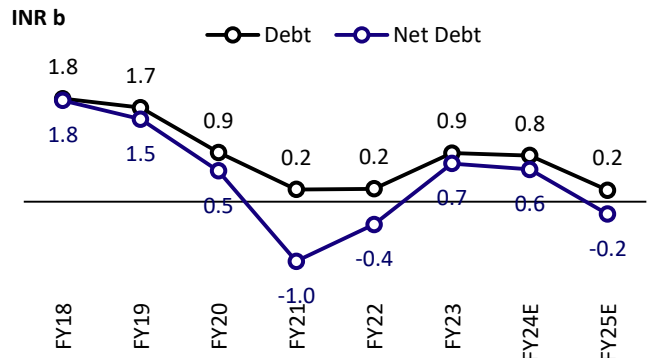
Source: Company, MOFSL

Exhibit 11: Expect strong FCF generation over FY24-25



Source: Company, MOFSL

Exhibit 12: Debt profile of AACL



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

	(INR m)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	6,248	8,464	9,929	12,424	15,428	16,823	18,842	22,611
Change (%)	15.3	35.5	17.3	25.1	24.2	9.0	12.0	20.0
Gross Margin (%)	46.5	45.5	51.2	57.9	45.8	48.9	47.5	49.5
EBITDA	1,164	1,644	2,570	4,291	3,265	3,431	3,666	4,948
Margin (%)	18.6	19.4	25.9	34.5	21.2	20.4	19.5	21.9
Depreciation	157	233	269	291	348	452	510	481
EBIT	1,008	1,410	2,301	4,001	2,918	2,980	3,156	4,468
Int. and Finance Charges	81	148	103	63	38	33	35	27
Other Income	32	39	70	70	142	139	144	149
PBT bef. EO Exp.	958	1,302	2,269	4,007	3,021	3,086	3,264	4,590
EO Items	0	0	328	0	0	0	0	0
PBT after EO Exp.	958	1,302	2,597	4,007	3,021	3,086	3,264	4,590
Total Tax	315	464	444	1,054	772	799	822	1,155
Tax Rate (%)	32.9	35.7	17.1	26.3	25.6	25.9	25.2	25.2
Reported PAT	643	837	2,153	2,953	2,249	2,287	2,443	3,435
Adjusted PAT	643	837	1,881	2,953	2,249	2,287	2,443	3,435
Change (%)	27.6	30.3	124.5	57.0	-23.9	1.7	6.8	40.6
Margin (%)	10.3	9.9	18.9	23.8	14.6	13.6	13.0	15.2

Standalone - Balance Sheet

	(INR m)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	102	102	102	102	102	102	102	102
Total Reserves	2,869	3,548	5,264	7,822	9,796	11,587	13,483	16,150
Net Worth	2,972	3,650	5,366	7,924	9,898	11,689	13,586	16,252
Total Loans	1,813	1,653	866	216	227	855	812	203
Deferred Tax Liabilities	405	507	404	414	472	560	560	560
Capital Employed	5,189	5,810	6,636	8,554	10,598	13,104	14,957	17,015
Gross Block	3,846	4,280	4,971	5,315	7,377	8,713	10,713	12,513
Less: Accum. Deprn.	295	515	736	1,026	1,374	1,825	2,335	2,816
Net Fixed Assets	3,552	3,764	4,235	4,288	6,003	6,887	8,377	9,697
Capital WIP	184	432	449	1,376	1,426	3,520	3,520	3,520
Total Investments	14	14	0	302	0	0	0	0
Curr. Assets, Loans&Adv.	2,621	3,275	3,150	5,486	6,283	5,493	6,192	7,557
Inventory	852	1,057	837	1,219	1,645	1,837	2,057	2,468
Account Receivables	1,238	1,526	1,642	2,280	2,767	2,584	2,894	3,473
Cash and Bank Balance	32	202	323	1,260	626	182	245	420
Cash	22	193	312	961	379	172	234	409
Bank Balance	10	8	10	299	247	11	11	11
Loans and Advances	499	490	349	727	1,245	890	996	1,195
Curr. Liability & Prov.	1,182	1,676	1,198	2,899	3,116	2,797	3,132	3,759
Account Payables	848	1,304	748	1,790	2,285	1,897	2,125	2,550
Other Current Liabilities	250	264	354	1,002	730	772	864	1,037
Provisions	84	107	97	107	101	128	143	171
Net Current Assets	1,439	1,599	1,952	2,587	3,168	2,696	3,060	3,798
Appl. of Funds	5,189	5,810	6,635	8,554	10,597	13,103	14,957	17,015

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	12.6	16.4	36.9	57.9	44.0	44.7	47.8	67.2
EPS Growth (%)	27.6	30.3	124.5	57.0	-24.0	1.6	6.8	40.6
Cash EPS	15.7	21.0	42.1	63.6	50.8	53.5	57.7	76.6
BV/Share	58.2	71.5	105.2	155.3	193.7	228.5	265.6	317.7
DPS	2.4	3.4	8.7	16.0	10.0	10.0	10.7	15.0
Payout (%)	19.1	20.6	20.6	27.7	22.7	22.4	22.4	22.4
Valuation (x)								
P/E	187.2	143.7	64.0	40.8	53.6	52.8	49.4	35.1
Cash P/E	150.5	112.4	56.0	37.1	46.4	44.1	40.9	30.8
P/BV	40.5	33.0	22.4	15.2	12.2	10.3	8.9	7.4
EV/Sales	19.5	14.4	12.2	9.6	7.8	7.2	6.4	5.3
EV/EBITDA	104.9	74.1	47.0	27.8	36.8	35.4	33.1	24.3
Dividend Yield (%)	0.1	0.1	0.4	0.7	0.4	0.4	0.5	0.6
FCF per share	-6.5	14.8	21.8	40.7	-8.1	-10.7	13.4	30.9
Return Ratios (%)								
RoE	23.7	25.3	41.7	44.4	25.2	21.2	19.3	23.0
RoCE	15.2	17.0	31.6	39.5	23.8	19.5	17.6	21.6
RoIC	15.8	17.9	34.6	51.4	30.7	24.6	22.9	27.6
Working Capital Ratios								
Fixed Asset Turnover (x)	2.2	2.3	2.5	2.9	3.0	2.6	2.5	2.5
Asset Turnover (x)	1.2	1.5	1.5	1.5	1.5	1.3	1.3	1.3
Inventory (Days)	50	46	31	36	39	40	40	40
Debtor (Days)	72	66	60	67	65	56	56	56
Creditor (Days)	50	56	27	53	54	41	41	41
Leverage Ratio (x)								
Current Ratio	2.2	2.0	2.6	1.9	2.0	2.0	2.0	2.0
Interest Cover Ratio	12.4	9.5	22.4	63.2	76.2	89.8	89.1	166.1
Net Debt/Equity	0.6	0.4	0.1	-0.1	0.0	0.1	0.0	0.0

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	958	1,302	2,597	4,007	3,021	3,086	3,264	4,590
Depreciation	154	233	269	291	348	452	510	481
Interest Expenses	81	148	103	63	38	33	35	27
Others	-6	51	-308	1	-31	61	0	0
Direct Taxes Paid	-198	-356	-581	-1,012	-744	-714	-822	-1,155
(Inc)/Dec in WC	26	64	-193	290	-585	-434	-302	-563
CF from Operations	1,016	1,442	1,886	3,640	2,047	2,484	2,686	3,379
(Inc)/Dec in FA	-1,350	-689	-771	-1,561	-2,462	-3,030	-2,000	-1,800
Free Cash Flow	-334	753	1,115	2,079	-415	-546	686	1,579
Change in Investments	16	0	343	-587	369	237	0	0
Others	-6	21	22	21	36	22	0	0
CF from Investments	-1,340	-668	-407	-2,127	-2,057	-2,771	-2,000	-1,800
Issue of Shares	0	0	0	4	7	12	0	0
Inc/(Dec) in Debt	547	-268	-797	-381	-228	616	-43	-609
Interest Paid	-83	-150	-107	-68	-40	-31	-35	-27
Dividend Paid	-123	-172	-443	-408	-306	-511	-546	-768
Others	-16	-13	-13	-11	-6	-7	0	0
CF from Fin. Activity	325	-603	-1,360	-864	-573	80	-625	-1,404
Inc/Dec of Cash	1	171	119	649	-583	-207	62	175
Opening Balance	22	22	193	312	961	379	172	234
Closing Balance	22	193	313	962	379	172	234	409

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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