

Alkyl Amines

Estimate changes



TP change



Rating change



Bloomberg	AACL IN
Equity Shares (m)	51
M.Cap.(INRb)/(USDb)	105.1 / 1.3
52-Week Range (INR)	2735 / 1805
1, 6, 12 Rel. Per (%)	0/-18/-38
12M Avg Val (INR M)	171

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	14.4	17.3	21.6
EBITDA	2.5	3.5	4.4
PAT	1.5	2.1	2.9
EPS (INR)	29.1	41.5	55.8
EPS Gr. (%)	-34.9	42.7	34.5
BV/Sh.(INR)	247.7	274.9	311.6

Ratios

Net D:E	-0.0	-0.1	-0.1
RoE (%)	12.2	15.9	19.0
RoCE (%)	11.5	15.3	18.4
Payout (%)	34.4	34.4	34.4

Valuations

P/E (x)	70.6	49.5	36.8
P/BV (x)	8.3	7.5	6.6
EV/EBITDA (x)	41.8	29.8	23.2
Div. Yield (%)	0.5	0.7	0.9
FCF Yield (%)	1.5	1.7	1.8

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	72.0	72.0	72.0
DII	1.1	1.1	1.2
FII	3.1	3.0	2.9
Others	23.9	23.9	24.0

FII Includes depository receipts

CMP: INR2,056
TP: INR1,955 (-5%)
Neutral

Robust quarter; expect momentum to continue

- Alkyl Amines (AACL)'s 1QFY25 revenue declined 2% YoY to INR4b, with gross margin of 47% (up 230bp YoY) and EBITDAM of 19.8%. PAT stood at INR489m vs. our estimate of INR407m.
- A new Ethylamines plant was commissioned in FY24, which clocked 60% utilization in 2HFY24. AACL has a larger market share vs. competition, and with steady growth in demand (5-7% every year) and improved margin, the management is confident of maintaining its market share despite capacity expansions by competition.
- AACL continues to maintain its market share in ACN. The company has applied for an anti-dumping duty (ADD) and expects interim relief in FY25, which could lead to a market share gain for AACL. Currently the impact from imports is to the tune of 15-20% of revenues from ACN.
- We keep our estimates unchanged. We expect a CAGR of 22%/33%/38% in revenue/EBITDA/EPS during FY24-26 (due to a lower base in FY24). The stock is trading at 36.8x FY26E EPS of INR55.8 and 23.2x FY26E EV/EBITDA. **We reiterate our Neutral rating on the stock and value it at 35x FY26E EPS to arrive at our TP of INR1,955.**

Earnings beat with expansion in margin YoY

- Revenue stood at INR4b (est. INR3.8b, -2% YoY). **Gross margin was 47%** with EBITDAM of 19.8% (vs. ~18.1% in 1QFY24).
- EBITDA came in at INR791m (est. INR699m, +7% YoY). PAT stood at INR489m (est. INR407m, -2% YoY).
- The board has approved the reappointment of Mr. Yogesh Kothari, Mr. Kirat Patel and Mr. Suneet Kothari for a term of five years in their respective positions in AACL.

Valuation and View

- The company commissioned its Ethylamines plant in FY24 and has boosted its aliphatic amines capacity by ~30%. AACL's total capacity stands at ~200ktpa (including derivatives and specialty chemicals). Additionally, AACL is venturing into new specialty products that are likely to improve its margins. This would be driven by robust demand for amine derivatives and specialties, although near-term headwinds persist.
- Over FY24-26, we estimate a ~22% revenue CAGR and a 38% EPS CAGR (due to lower base in FY24) for AACL. The potential risk to our outlook is high competition (both domestic and imports, mainly for China), leading to limited pricing power for AACL.
- The stock is trading at 36.8x FY26E EPS of INR55.8 and 23.2x FY26E EV/EBITDA. **We reiterate our Neutral rating on the stock, and value it at 35x FY26E EPS to arrive at our TP of INR1,955.**

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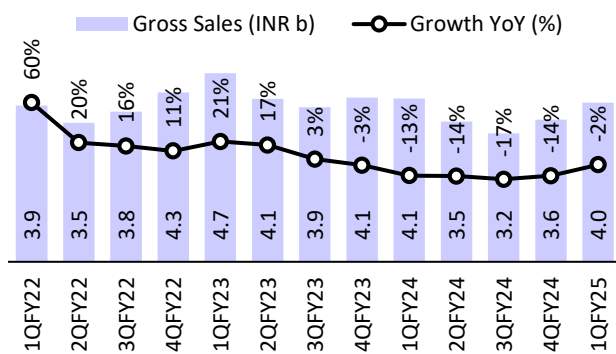
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Standalone - Quarterly Snapshot

(INR m)

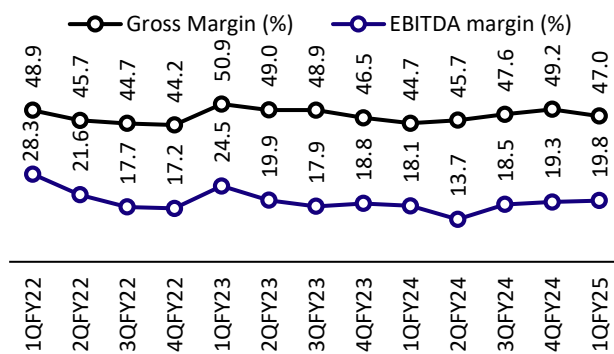
Y/E March	FY24				FY25				FY24	FY25E	FY25	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
Gross Sales	4,098	3,522	3,221	3,566	3,997	4,214	4,408	4,668	14,406	17,287	3,760	6%
YoY Change (%)	-13.5	-13.9	-17.1	-13.5	-2.5	19.7	36.9	30.9	-14.4	20.0	-8.2	
Gross Margin (%)	44.7%	45.7%	47.6%	49.2%	47.0%	47.7%	48.3%	48.8%	46.7%	48.0%	49.2%	-2.2%
EBITDA	740	483	596	689	791	856	892	940	2,507	3,479	699	13%
Margin (%)	18.1	13.7	18.5	19.3	19.8	20.3	20.2	20.1	17.4	20.1	18.6	1.2
Depreciation	122	125	168	174	177	186	191	200	589	754	182	
Interest	9	17	11	7	2	10	13	23	44	48	8	
Other Income	55	24	46	26	47	28	40	45	151	160	36	
PBT before EO expense	664	364	463	533	659	689	727	762	2,025	2,838	544	21%
PBT	664	364	463	533	659	689	727	762	2,025	2,838	544	21%
Tax	166	92	129	149	170	174	183	187	536	714	137	
Rate (%)	25.0	25.2	27.8	27.9	25.9	25.2	25.2	24.6	26.5	25.2	25.2	
Reported PAT	498	272	334	385	489	516	544	575	1,489	2,124	407	20%
Adj PAT	498	272	334	385	489	516	544	575	1,489	2,124	407	19%
YoY Change (%)	-39.2	-48.0	-26.8	-20.9	-1.8	89.3	62.8	49.6	-34.9	42.6	-18.2	
Margin (%)	12.1	7.7	10.4	10.8	12.2	12.2	12.3	12.3	10.3	12.3	10.8	1.4

Exhibit 1: Sales down 2% YoY at INR4b



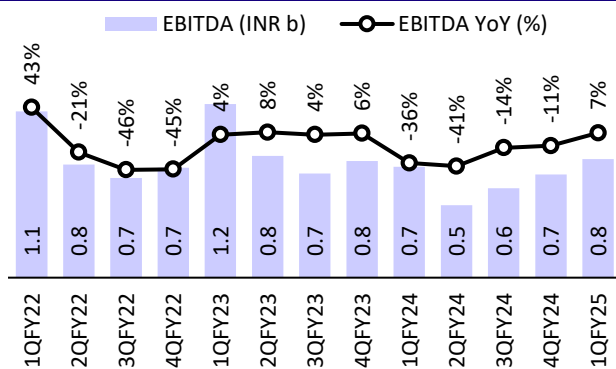
Source: Company, MOFSL

Exhibit 2: Margins improved YoY



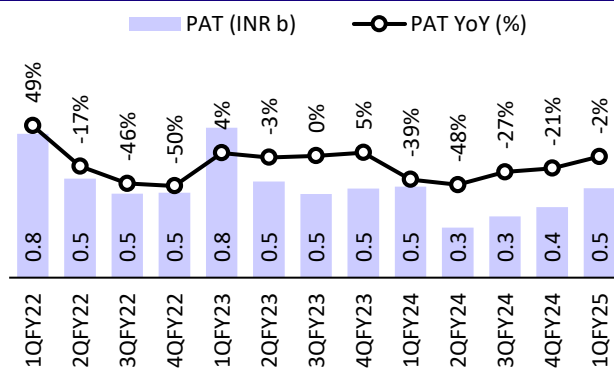
Source: Company, MOFSL

Exhibit 3: EBITDA up 7% YoY at INR791m



Source: Company, MOFSL

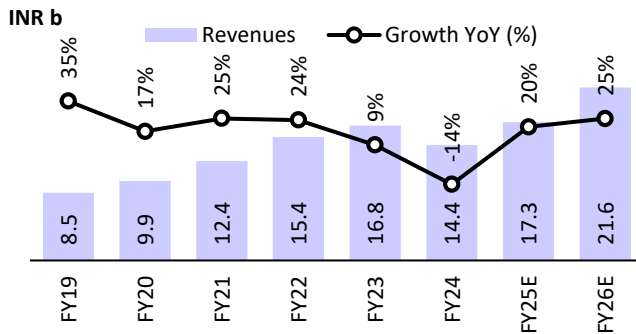
Exhibit 4: PAT down 2% YoY at INR489m



Source: Company, MOFSL

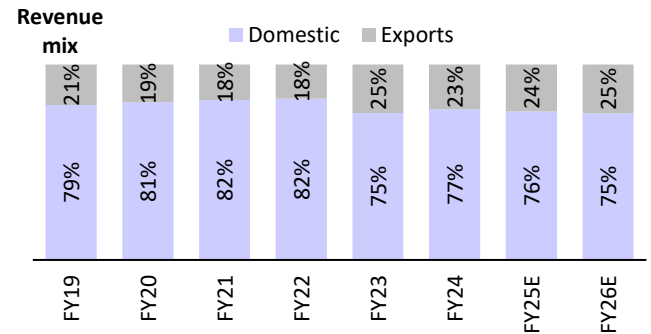
Financial story in charts

Exhibit 5: Expect ~22% revenue CAGR over FY24-26...



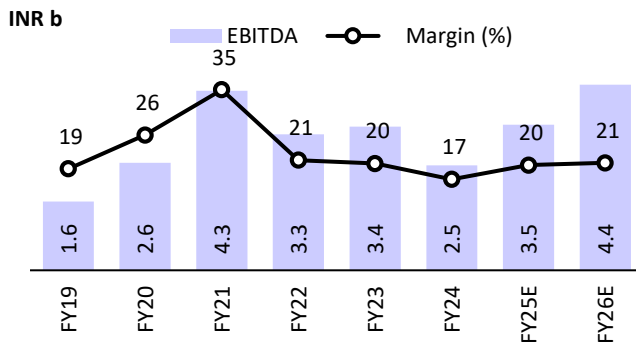
Source: Company, MOFSL

Exhibit 6: ...with exports rising to 25% by FY26



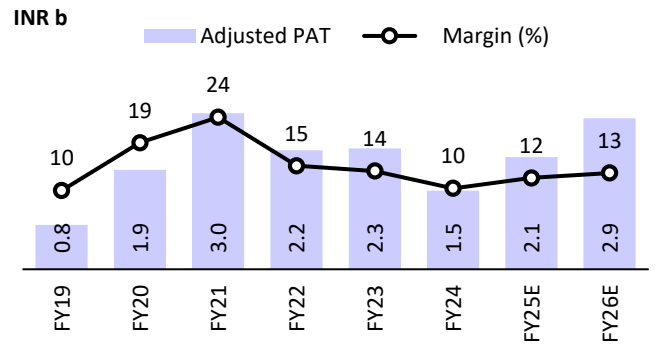
Source: Company, MOFSL

Exhibit 7: Expect EBITDA margin to rebound to ~21% in FY26...



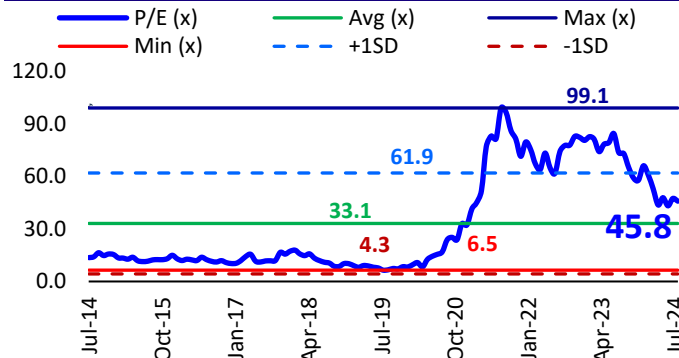
Source: Company, MOFSL

Exhibit 8: ... with PAT margin around FY23 levels



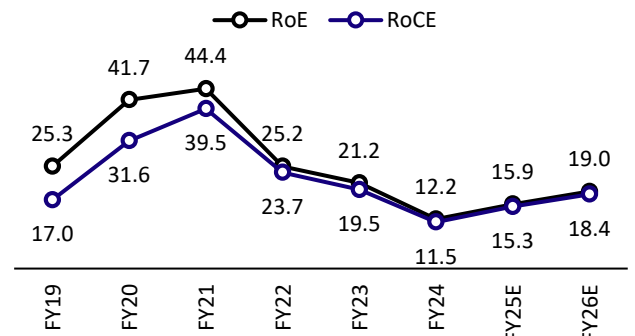
Source: Company, MOFSL

Exhibit 9: One-year forward P/E trades at 45.8x



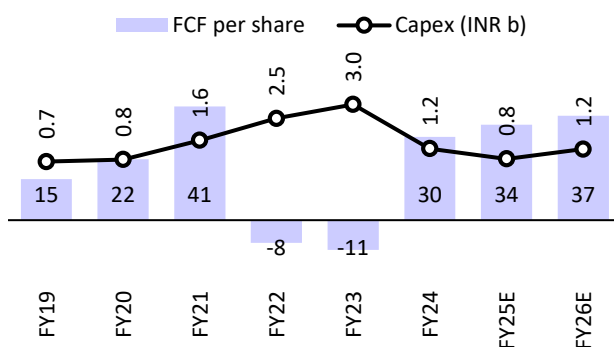
Source: Company, MOFSL

Exhibit 10: Return ratios likely improve going forward



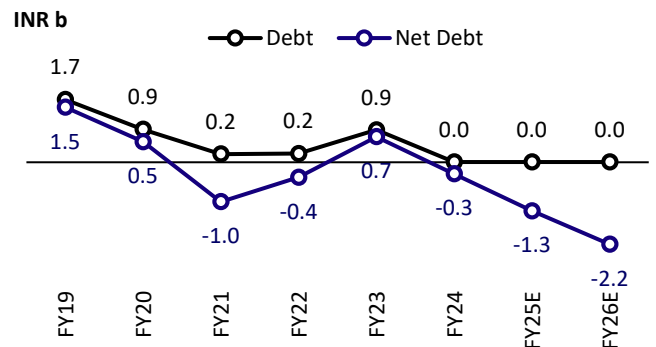
Source: Company, MOFSL

Exhibit 11: Expect strong FCF/share generation over FY25-26



Source: Company, MOFSL

Exhibit 12: AACL expected to remain net cash during FY25-26



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	8,464	9,929	12,424	15,420	16,831	14,406	17,287	21,609
Change (%)	35.5	17.3	25.1	24.1	9.1	-14.4	20.0	25.0
Gross Margin (%)	45.5	51.2	57.9	45.8	48.9	46.7	48.0	46.0
EBITDA	1,644	2,570	4,291	3,252	3,439	2,507	3,479	4,441
Margin (%)	19.4	25.9	34.5	21.1	20.4	17.4	20.1	20.6
Depreciation	233	269	291	348	452	589	754	765
EBIT	1,410	2,301	4,001	2,904	2,987	1,918	2,726	3,676
Int. and Finance Charges	148	103	63	33	33	44	48	51
Other Income	39	70	70	150	132	151	160	191
PBT bef. EO Exp.	1,302	2,269	4,007	3,021	3,086	2,025	2,838	3,816
EO Items	0	328	0	0	0	0	0	0
PBT after EO Exp.	1,302	2,597	4,007	3,021	3,086	2,025	2,838	3,816
Total Tax	464	444	1,054	772	799	536	714	960
Tax Rate (%)	35.7	17.1	26.3	25.6	25.9	26.5	25.2	25.2
Reported PAT	837	2,153	2,953	2,249	2,287	1,489	2,124	2,855
Adjusted PAT	837	1,881	2,953	2,249	2,287	1,489	2,124	2,855
Change (%)	30.3	124.5	57.0	-23.9	1.7	-34.9	42.7	34.5
Margin (%)	9.9	18.9	23.8	14.6	13.6	10.3	12.3	13.2

Standalone - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	102	102	102	102	102	102	102	102
Total Reserves	3,548	5,264	7,822	9,796	11,587	12,569	13,963	15,837
Net Worth	3,650	5,366	7,924	9,898	11,689	12,671	14,065	15,940
Total Loans	1,653	866	216	227	855	6	6	6
Deferred Tax Liabilities	507	404	414	472	560	737	737	737
Capital Employed	5,810	6,636	8,554	10,598	13,104	13,415	14,809	16,683
Gross Block	4,280	4,971	5,315	7,663	9,013	13,307	14,107	15,307
Less: Accum. Deprn.	515	736	1,026	1,374	1,825	2,415	3,169	3,933
Net Fixed Assets	3,764	4,235	4,288	6,290	7,187	10,892	10,938	11,374
Capital WIP	432	449	1,376	1,426	3,525	356	356	356
Total Investments	14	0	302	0	0	0	0	0
Curr. Assets, Loans&Adv.	3,275	3,150	5,486	5,997	5,207	4,589	6,421	8,586
Inventory	1,057	837	1,219	1,645	1,837	1,720	2,064	2,579
Account Receivables	1,526	1,642	2,280	2,767	2,584	2,217	2,661	3,326
Cash and Bank Balance	202	323	1,260	626	182	314	1,291	2,174
Cash	193	312	961	379	172	304	1,281	2,164
Bank Balance	8	10	299	247	10	10	10	10
Loans and Advances	490	349	727	959	604	338	406	507
Curr. Liability & Prov.	1,676	1,198	2,899	3,116	2,815	2,422	2,906	3,633
Account Payables	1,304	748	1,790	2,285	1,897	1,719	2,063	2,579
Other Current Liabilities	264	354	1,002	730	790	559	671	839
Provisions	107	97	107	101	128	144	172	215
Net Current Assets	1,599	1,952	2,587	2,882	2,392	2,167	3,515	4,954
Appl. of Funds	5,810	6,635	8,554	10,598	13,104	13,415	14,809	16,683

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	16.4	36.9	57.9	44.0	44.7	29.1	41.5	55.8
EPS Growth (%)	30.3	124.5	57.0	-24.0	1.6	-34.9	42.7	34.5
Cash EPS	21.0	42.1	63.6	50.8	53.5	40.6	56.2	70.8
BV/Share	71.5	105.2	155.3	193.7	228.6	247.7	274.9	311.6
DPS	3.4	8.7	16.0	10.0	10.0	10.0	14.3	19.2
Payout (%)	20.6	20.6	27.7	22.7	22.4	34.4	34.4	34.4
Valuation (x)								
P/E	125.2	55.7	35.5	46.7	45.9	70.6	49.5	36.8
Cash P/E	97.9	48.8	32.3	40.4	38.4	50.6	36.5	29.0
P/BV	28.7	19.5	13.2	10.6	9.0	8.3	7.5	6.6
EV/Sales	12.6	10.6	8.4	6.8	6.3	7.3	6.0	4.8
EV/EBITDA	64.7	41.0	24.2	32.2	30.7	41.8	29.8	23.2
Dividend Yield (%)	0.2	0.4	0.8	0.5	0.5	0.5	0.7	0.9
FCF per share	14.8	21.8	40.7	-8.1	-10.7	29.9	34.3	37.4
Return Ratios (%)								
RoE	25.3	41.7	44.4	25.2	21.2	12.2	15.9	19.0
RoCE	17.0	31.6	39.5	23.7	19.5	11.5	15.3	18.4
RoIC	17.9	34.6	51.4	30.5	24.7	12.7	15.7	20.1
Working Capital Ratios								
Fixed Asset Turnover (x)	2.3	2.5	2.9	2.9	2.5	1.6	1.6	1.9
Asset Turnover (x)	1.5	1.5	1.5	1.5	1.3	1.1	1.2	1.3
Inventory (Days)	46	31	36	39	40	44	44	44
Debtor (Days)	66	60	67	66	56	56	56	56
Creditor (Days)	56	27	53	54	41	44	44	44
Leverage Ratio (x)								
Current Ratio	2.0	2.6	1.9	1.9	1.8	1.9	2.2	2.4
Interest Cover Ratio	9.5	22.4	63.2	88.5	89.9	43.6	57.0	72.1
Net Debt/Equity	0.4	0.1	-0.1	0.0	0.1	0.0	-0.1	-0.1

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	1,302	2,597	4,007	3,021	3,086	2,025	2,838	3,816
Depreciation	233	269	291	348	452	589	754	765
Interest Expenses	148	103	63	38	33	44	48	51
Others	51	-308	1	-48	55	34	0	0
Direct Taxes Paid	-356	-581	-1,012	-744	-714	-346	-714	-960
(Inc)/Dec in WC	64	-193	290	-569	-428	404	-371	-556
CF from Operations	1,442	1,886	3,640	2,046	2,484	2,750	2,555	3,115
(Inc)/Dec in FA	-689	-771	-1,561	-2,462	-3,030	-1,220	-800	-1,200
Free Cash Flow	753	1,115	2,079	-415	-546	1,530	1,755	1,915
Change in Investments	0	343	-587	369	237	-3	0	0
Others	21	22	21	36	22	9	0	0
CF from Investments	-668	-407	-2,127	-2,057	-2,771	-1,215	-800	-1,200
Issue of Shares	0	0	4	7	12	8	0	0
Inc/(Dec) in Debt	-268	-797	-381	-228	616	-848	0	0
Interest Paid	-150	-107	-68	-40	-31	-44	-48	-51
Dividend Paid	-172	-443	-408	-306	-511	-511	-730	-981
Others	-13	-13	-11	-5	-6	-8	0	0
CF from Fin. Activity	-603	-1,360	-864	-572	80	-1,404	-778	-1,032
Inc/Dec of Cash	171	119	649	-582	-206	132	977	883
Opening Balance	22	193	312	961	379	172	304	1,281
Closing Balance	193	313	962	379	172	304	1,281	2,164

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NOTES

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Investment Rating	Expected return (over 12-month)
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