

Alkyl Amines Chemicals Limited

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs686	Rs391	Rs850	24%	BUY	Rs14.0

About the Company:

Alkyl Amines Chemicals Ltd (AACL) is in the business of manufacturing and marketing various aliphatic amines, amine derivatives and other speciality chemicals for the last 30 years. It was incorporated in 1979 by Mr. Yogesh Kothari with the idea of making India self-sufficient in Aliphatic Amines. AACL is a global supplier of amines and amine-based chemicals to the pharmaceutical, agrochemical, rubber chemical and water treatment industries, among others. It has established a leading position in the domestic market and presence in the international market with a reputation for reliable service and quality products.

Results Declared:

- The net sales for the quarter under reference grew by 57.9% to Rs2181mn as compared to Rs1381mn in the same quarter last year
- The Ebitda margins improved to 22.6% from 17.9% in the comparative quarter.
- The net profits doubled to Rs264mn from Rs134mn in the same quarter last year.
- The EPS for the quarter stood at Rs13.

Conference call highlights:

- The growth in H1FY19 was led by 50% from volume growth and 50% from price realization.
- The strong Ebitda margins are attributed to better market conditions, demand from customers, better exports, performance of existing and new products.
- The company has indicated Rs900cr revenues for FY19E with an average capacity utilization of ~80%. The company indicates of some positivity towards maintaining the higher Ebitda margins going forward as well.
- Rs80-100cr incremental capex is indicated for every year by the company.
- The increase in interest cost is majorly due to the capitalizing of borrowings for the Dahej project as the overall borrowing is not going up.
- The pressure on the global pricing of Acetonitrile still persists for the company.
- The Dahej plant has break even in this quarter. The company indicates of manufacturing other derivatives alongwith methylamine as well from this plant as and when the approvals are in place. The capacity utilization of the plant is ~70-75%.
- The greenfield Dahej expansion for acetonitrile is not in the immediate schedule. Currently the company is undertaking Kurkumbh debottlenecking for improvement of outputs.

Financials:

Result Update (Q2FY2019)									
Q2FY19 Result (Rs mn)	Sept-18	Sept-17	y-o-y	June-18	q-o-q	H1FY19	H1FY18	y-o-y	FY19E
Total Income	2181	1381	57.9%	1781	22.5%	3963	2890	37.1%	7922
EBITDA	492	248	98.8%	369	33.4%	862	487	76.9%	1545
Other Income	8	13	(37.2%)	0	3154.8%	8	18	(54.5%)	14
Interest	39	21	85.8%	39	(1.4%)	78	40	97.5%	121
Depreciation	56	39	45.7%	55	1.4%	112	78	43.6%	236
Exceptional Items	-	-	-	-	-	-	-	-	-
Tax	141	67	111.0%	98	44.2%	239	128	87.1%	409
Net Profit	264	134	97.1%	177	49.5%	441	260	69.5%	793

Outlook and Recommendations:

The company has reported robust numbers for the quarter with a strong topline and bottomline performance coupled with operational efficiency. We believe that the performance should continue into the H2FY19 as well with the robust demand for the products offered by the company. We continue with our Buy recommendation on the stock with a target price of Rs850 over a 12 months perspective.

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