

Alkyl Amines

Volume focus—price stability ahead

We maintain SELL on Alkyl Amines (AACL) with a price target of INR 1,793 owing to (1) capacity addition in methylamines and its derivatives by domestic players, (2) continued aggressive dumping by Chinese manufacturers in ethyl amines, which shall limit volume growth and expansion in margins. We expect EBITDA/APAT to grow at a CAGR of 19/22% over FY24-27E and RoE/RoCE to improve from 12.2/11.4% in FY24 to 15.6/14.8% in FY27. Currently, the stock is trading at 56.2/46.5x FY25/26 which we believe is contextually high. EBITDA/APAT were 9/5% below our estimates owing to higher than expected raw material cost and other expenses.

- Financial performance:** Revenue came in at INR 4.149bn at (17.8/3.8% YoY/QoQ), driven by volume growth of ~17%, but offset by moderate pricing pressure from Chinese manufacturers. EBITDA margin changed to 17.8% (+401/ -206bps YoY/QoQ). Gross profit margin decreased to 45.4% (-164/ -30bps YoY/QoQ) due to prices of finished goods decreasing more than the raw material cost. Other operating expenses changed by (-1.6/6.1% YoY/QoQ) INR 0.88bn due to increased volume while prices of power and fuel has remained flattish QoQ. Raw material cost changed at INR 2.26bn (18.5/+7% YoY/QoQ). We expect volume growth to remain 10% YoY.
- Key takeaways:** (1) Acetonitrile antidumping case still in process and management expects the action from government in next 4-5 months. (2) Agrochemical prices remain under strain due to aggressive Chinese dumping. (3) Monoisoproyl amine volumes remain under strain due to aggressive dumping from China. (4) The management expects respectable volume growth across domestic and export markets. (5) **Capex-** Company will incur capex of INR 800-1000mn in FY25 and 1000-1200mn in FY26. It will be in phased manner where first phase will be completed in 15 months. Plant will be constructed at Dahej site. Company expects strong market for the product with good import substitution opportunity. Technology for the product has been designed in inhouse. (6) Acetonitrile plant utilisation remains ~60% in H1FY25. (7) Ethyl amine market has seen improvement as compared to last year and plant for the same is running at better utilisation.

Financial summary

Year Ending	2Q	1Q	QoQ	2Q	YoY	FY22	FY23	FY24	FY25E	FY26E
March (Rs mn)	FY25	FY25	(%)	FY24	(%)					
Net Sales	4,149	3,997	3.8	3,522	17.8	15,420	16,823	14,406	16,871	20,581
EBITDA	735	791	(7.0)	483	52.3	3,252	3,431	2,507	3,148	3,736
APAT	475	489	(2.9)	272	74.2	2,249	2,287	1,489	1,936	2,343
Diluted EPS (Rs)	9.3	9.6	(2.9)	5.3	74.2	44.0	44.7	29.1	37.9	45.8
P/E (x)						48.5	47.7	73.2	56.3	46.5
EV/EBITDA(x)						33.4	32.0	43.4	34.2	28.6
RoE (%)						25.2	21.2	12.2	14.4	15.5

Source: Company, HSIE Research

Change in estimates

Y/E Mar	FY25E	FY25E	% Ch	FY26E	FY26E	% Ch
	Old	New		Old	New	
EBITDA (INR mn)	3,148	3,148	0.0	3,736	3,736	0.0
Adj. EPS (INR/sh)	37.9	37.9	0.0	45.8	45.8	0.0

SELL

CMP (as on 6 Nov 2024)	INR 2,130
Target Price	INR 1,793
NIFTY	24,484

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 1,750	INR 1,793
EPS %	FY25E	FY26E
	-	-

KEY STOCK DATA

Bloomberg code	AACL IN
No. of Shares (mn)	51
MCap (INR bn) / (\$ mn)	109/1,295
6m avg traded value (INR mn)	232
52 Week high / low	INR 2,735/1,805

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	2.3	5.6	(3.5)
Relative (%)	0.0	(3.2)	(27.3)

SHAREHOLDING PATTERN (%)

	June-24	Sept-24
Promoters	71.96	71.96
FIs & Local MFs	1.07	1.53
FPIs	3.10	3.20
Public & Others	23.86	23.31
Pledged Shares	0.00	0.00

Source : BSE

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