

# Alkyl Amines

₹ 493

**Rising Q-o-Q!****Accumulate**

Jun 13, 2014

**Company Background**

Alkyl Amines Chemicals Ltd. (Alkyl Amines) was incorporated with the idea of making India self-sufficient in Aliphatic Amines. The first plant was commissioned in 1982 at Patalganga to make ethylamine and cyclohexylamines with technology from Leonard Process Company, USA. The capacity was expanded in 1986 in the existing plant and another plant was set up in 1991 to manufacture ethyl and methyl amines in technical collaboration with Acid Amine Technologies Inc, US. The Company is a leading manufacturer of various aliphatic amines like ethyl amines, isopropyl amines and cyclohexyl amines, which are import-substitutes. Alkyl Amine's products find applications in agro chemicals, pesticides, rubber chemicals, water treatment chemicals and other speciality chemicals. Some of the new products developed by the company are diethyl hydroxylamine (DEHA), dimethyl cyclohexylamine (DMCHA), speciality intermediates, insect repellents viz. diethyl toluamide (DETA), besides dimethyl amino propylamine (DMAPA), various hydrochlorides & speciality corrosion inhibitors.

**Key Highlights**

- ➔ Alkyl Amines has reported net profit of Rs 119.80 mn for the quarter ended on March 31, 2014 as against 39.60 mn in the same quarter last year, an increase of 202.52%. It has reported net sales of Rs 1242.10 million for the quarter ended on March.31, 2014 as against Rs 966.00 mn in the same quarter last year, a rise of 28.58%. This signifies that the company is becoming operationally stronger.
- ➔ Alkyl Amines is working to set up a methylamine manufacturing facility at Dahej in Gujarat. This plant would have a 100 tonne per day methylamine manufacturing facility and cost is estimated at Rs 250 Cr. The Company had already acquired Land in 2012 and is now planning to fully commission the project by 2015.
- ➔ Apart from its core manufacturing activity, the company also does tailormade orders for Custom synthesis, Contract R&D, Process validation & optimisation, Pilot plant studies, Toll manufacturing, Fine chemical manufacturing - semi commercial and commercial.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	2,379.0	2,906.9	3,659.2
Rev. growth (%)	8.17	22.19	25.88
EBITDA (INR mn)	339.0	508.2	606.7
Net profit (INR mn)	104.0	171.6	239.3
Shares outstanding (mn)	10.2	10.2	10.2
EPS (INR)	10.2	16.8	23.5
EPS growth (%)	3.59	65.00	39.45
P/E (x)	8.4	5.1	6.6
RONW (%)	12.9	19.6	24.3
ROCE (%)	5.0	7.9	10.2

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**Info Codes**

Reuters	: ALKY.BO
Bloomberg	: AACL@IN
NSE	: ALKYLAMINE
BSE	: 506767

**Market Data**

52 Wk Range (₹)	: 125 / 514
Shares in Issue (mn)	: 10.2
Mkt. Cap (₹ bn)	: 5.02
BSE 2 Wk Avg Vol	: 3083

**Share Holding Pattern (%)**

Promoters	: 74.19
FII's	: 0.00
DII's	: 0.01
Others	: 25.80

**Investment Theme**

Alkyl Amines makes amines and amine based chemicals, which are used in pharmaceutical, agro-chemical, water treatment, leather chemical processing plus many other uses. The company has been posting impressive results since 4 Quarters. Considering user demand for amines & amine base chemicals mainly into the pharma and agrochemicals -- the water treatment & the leather processing takes a small share -- they are all growing quite well & the demand for the products of the company is likely to improve in the time to come. Various reports suggest a CAGR of 4% for next 5 years. Taking all this into consideration, stock looks quite good. With the burgeoning economy and the focus returning back on exports. We feel the gross products of the company would have increased demand in years to come. We therefore recommend to accumulate this share for a medium term

**Products In Demand !**

## Financial Statements

## Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	2528.0	3083.5	21.97	3958.8	28.39
Other Income	19.8	28.3	42.93	11.4	(59.72)
Change in Stocks	80.5	(23.3)	(128.94)	62.8	(369.53)
Raw Material Con.	1299.4	1509.6	16.18	2024.3	34.10
Employee Exp.	120.3	150.5	25.10	188.6	25.32
Indirect Taxes	175.6	206.6	17.65	314.8	52.37
Other Exp.	714.2	713.6	(0.08)	898.6	25.92
Operating Exp.	2229.0	2603.6	16.81	3363.5	29.19
Operating Profit	299.0	479.9	60.50	595.3	24.05
Total Interest	103.8	151.8	46.24	135.9	(10.47)
Gross Profit	215.0	356.4	65.77	470.8	32.10
Net Dep.	71.5	116.0	62.24	111.5	(3.88)
Total Taxation	39.5	68.8	74.18	120.0	74.42
Net Profit/Loss	104.0	171.6	65.00	239.3	39.45

## 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 10	Mar 11	Mar 12	Mar 13
<b>SOURCES OF FUNDS</b>	<b>1,832.0</b>	<b>1,965.4</b>	<b>2,124.0</b>	<b>2,528.8</b>
Equity Share capital	102.1	102.1	102.1	102.1
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	594.2	662.5	786.8	966.4
Long Term Loans	640.5	738.6	691.7	824.9
Short Term Loans	495.2	462.2	543.4	635.4
<b>USES OF FUNDS</b>	<b>1,832.0</b>	<b>1,965.4</b>	<b>2,124.0</b>	<b>2,528.8</b>
Gross Block	1,749.3	1,801.6	2,134.8	2,268.6
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	764.3	822.4	911.4	1,007.4
Net Block	985.0	979.2	1,223.4	1,261.2
Capital Work in Progress	135.3	232.9	56.5	89.3
Investments	23.3	23.4	23.4	23.4
Current Assets	1,361.0	1,434.3	1,631.3	2,247.8
Less : Current Liabilities	672.6	704.4	810.6	1,092.9
Total Net Current Assets	688.4	729.9	820.7	1,154.9
Misc. Expenses not written	0.0	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	8.9	9.0	9.0	9.0
Mkt Val. Quoted Investments	95.8	144.8	120.8	73.3
Contingent Liabilities	117.7	95.0	104.8	186.7
Dividend (%)	30	30	40	50

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 13	Sep 13	Dec 13	Mar 14
Net Sales	1,040.40	1,136.00	1,042.50	1,242.10
Cost Of Sales	861.50	918.50	836.00	1,003.20
Operating Profit	178.90	217.50	206.50	238.90
Recurring Income	7.10	3.70	4.80	7.40
Adjusted PBDIT	186.00	221.20	211.30	246.30
Financial Expenses	29.30	29.70	28.40	33.70
Depreciation	26.00	27.70	14.60	29.10
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	130.70	163.80	168.30	183.50
Tax Charges	42.00	55.40	56.40	63.70
Adjusted PAT	88.70	108.40	111.90	119.80
Non Recurring Items	0.00	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	88.70	108.40	111.90	119.80

## 52 Week Index Relative Percentage Appreciation



## Alkyl Amines vs SENSEX

## Risks Associated

## ➔ Risk of Environmental Laws

Since the company operates in the chemical sector the most important risk is of the Environmental Laws, Any change in the environmental laws of the state or country of the country of export would damage the current business position of the company..

## ➔ Increase in Raw Material Prices

Major raw materials to the company are always under inflationary pressure this is usually due to supply and demand of the raw materials coupled with the fact that 90% of the competition is locally confined to just 2 states in India Gujarat & Maharashtra.

## ➔ The Fluctuating Rupee

Considering the fact that many of its products are exported the risk return of sale is tied up to the fluctuating Rupee any appreciation in the Currency would bring in pressures on margins.

## ➔ Competition

Being a global player, the company is also exposed to competition not only from domestic players but also large international players. Cheap imports especially from countries like China could pose problems, which would have to be faced appropriately.

## Alkyl Amines

### In a Nutshell

Alkyl Amines which currently manufactures amines, amine derivatives, speciality chemicals is planning expansion by setting up the unit to cater to the needs of the pharmaceutical, agrochemical, rubber chemicals and paints and dye industry. The company has two manufacturing sites, one at Patalganga and another at Kurkumbh. It had also set up R&D Centre at Pune equipped with advanced equipment and analytical instruments. The company's in-house R&D department has been consistently developing quality products and is also striving for achieving cost efficiencies. The benefits of the same can be clearly seen in the results of Last 4 quarters. The new expected methylamine manufacturing facility at Dahej in Gujarat with an estimated investment of Rs 250 crore would give a boost to its operations of scale. The overall chemical sector is growing at 10% CAGR and this new plant will add up to the operational efficiency of the company. The industries in which the company's products have application, like pharmaceuticals, agrochemicals, rubber chemicals etc are growing at a reasonable pace and so it has a fair chance of improving our position as a reliable supplier of good quality chemicals to these industries. However being a global player, the company is also exposed to competition not only from domestic players but also large international players. Cheap imports especially from countries like China could pose problems, which would have to be faced by consistency in quality of the products and improving production efficiencies and we feel Alkyl Amines has already started to address it.

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### Rating Interpretation

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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