

Indo Amines Ltd.

₹ 29

Organic Growth!**Accumulate**

Sep 19, 2014

Company Background

Indo Amines Limited (Indo Amine), was incorporated a public limited company in 1994. It is one of the India's Largest Independent manufacturer of Fine, Specialty & Performance Chemicals providing a comprehensive package of products & technical services for Indian & Global markets as a significant worldwide manufacturer, developer and supplier of Fine Chemicals, Speciality Chemicals, Performance Chemicals, Perfumery Chemicals and Active Pharmaceuticals Ingredients. The products manufactured find application in various industries like Pharmaceuticals, Agrochemicals, Fertilizers, Petrochemicals, Road Construction, Pesticides, Perfumery Chemicals, Dyes and Intermediates, etc. The Company Has Four manufacturing Sites : The sites are located at Baroda, Dombivli, Rabale and Dhule. The Company operates the unique processes, synthesis and chemicals reactions for manufacture of their various products developed in house by their Research and Development Department. Indo Amines Limited is one of the largest manufacturing Company in south asia in its kind.

Key Highlights

- ➔ Indo Amine operates in the organic chemical industry since 1994 as one of the leading manufacturers and dealer in Fine Chemicals, Speciality Chemicals, Performance Chemicals, Perfumery Chemicals and Active Pharmaceuticals Ingredients.
- ➔ The Company has established its mark in export market and already has presence in U.K., U.S., Dubai, Japan, Taiwan, Korea and China.
- ➔ The recent environmental policy changes in China pertaining to the Chemical segment has initiated a comply or perish regime to a stricter set of environmental laws this will ensure that chemical companies in India are expected to dominate the segment hereon.
- ➔ Most of the chemical companies are showing their performances on the field and on bourses, Indo Amine is also in the band wagon and is expected to gain the same way as its peers.
- ➔ The Board recently allotted 9,00,000 equity shares of Rs 10 each at a premium of Rs 7/- which signifies a positive investor sentiment.

Key Financials

Year Ended 31 st	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	1,871.6	2,012.4	2,178.4
Rev. growth (%)	18.16	7.52	8.25
EBITDA (INR mn)	148.6	163.9	176.7
Net profit (INR mn)	40.2	62.9	46.2
Shares outstanding (mn)	12.2	13.3	31.1
EPS (INR)	3.3	4.7	1.5
EPS growth (%)	4.02	43.27	(68.66)
P/E (x)	2.6	2.2	6.6
RONW (%)	14.0	19.8	10.8
ROCE (%)	5.4	7.9	4.7

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Info Codes

Reuters	: INAM.BO
Bloomberg	: INAM@IN
NSE	: -
BSE	: 524648

Market Data

52 Wk Range (₹)	: 9 / 32
Shares in Issue (mn)	: 31.1
Mkt. Cap (₹ bn)	: 0.87
2Wk Avg. Qty	: 20000

Shareholding

Promoters	: 72.34
FII's	: 0.00
DII's	: 0.00
Others	: 27.66

Investment Theme

Indo Amine is a company which is a supplier of Fine Chemicals, Speciality Chemicals, Performance Chemicals, Perfumery Chemicals and Active Pharmaceuticals Ingredients. The products manufactured find application in various industries like Pharmaceuticals, Agrochemicals, Fertilizers, Petrochemicals, Road Construction, Pesticides, Perfumery Chemicals, Dyes and Intermediates, etc. Over the years of its steady business it has expanded its production capacity as well as its revenues. Over the last year after China decided to phase out small & medium size polluting factories, the prices of many chemicals have suddenly shot up upto 300% of their cost 1 year back. This spells out a lot of opportunity with the price rise and less competition coming in. Further there is opening up of a new market "China". This in turn would benefit the company.

A to Z in Organic Chemistry!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Total Sales + Excise	1991.0	2131.9	7.08	2293.4	7.58
Other Income	18.6	16.8	(9.68)	9.8	(41.67)
Change in Stocks	21.1	8.7	(58.77)	(21.7)	(349.43)
Raw Material Con.	1338.4	1403.3	4.85	1421.4	1.29
Employee Exp.	42.7	53.7	25.76	76.1	41.71
Indirect Taxes	150.2	137.3	(8.59)	140.8	2.55
Other Exp.	350.8	399.2	13.80	466.5	16.86
Operating Exp.	1861.0	1984.8	6.65	2126.5	7.14
Operating Profit	130.0	147.1	13.15	166.9	13.46
Total Interest	44.8	41.9	(6.47)	39.3	(6.21)
Gross Profit	103.8	122.0	17.53	137.4	12.62
Net Dep.	34.2	27.5	(19.59)	58.4	112.36
Total Taxation	29.4	31.6	7.48	32.8	3.80
Net Profit/Loss	40.2	62.9	56.47	46.2	(26.55)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 11	Mar 12	Mar 13	Mar 14
SOURCES OF FUNDS	462.9	738.3	817.4	929.8
Equity Share capital	88.1	121.6	132.8	311.2
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	105.6	146.6	215.2	93.9
Long Term Loans	133.5	128.4	123.8	108.1
Short Term Loans	135.7	341.7	345.6	416.6
USES OF FUNDS	462.9	738.3	817.4	929.8
Gross Block	320.6	453.4	540.3	652.9
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	189.6	256.9	283.5	353.4
Net Block	131.0	196.5	256.8	299.5
Capital Work in Progress	0.0	30.4	66.6	123.2
Investments	0.2	0.4	0.4	48.9
Current Assets	653.2	926.0	1,008.5	1,044.9
Less : Current Liabilities	321.5	415.0	514.9	586.7
Total Net Current Assets	331.7	511.0	493.6	458.2
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	0.2	0.4	0.4	48.9
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	79.9	92.3	114.7	58.0
Dividend (%)	3	10	13	5

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 13	Dec 13	Mar 14	Jun 14
Net Sales	499.1	578.7	598.8	539.4
Cost Of Sales	460.3	538.1	545.1	500.6
Operating Profit	38.8	40.6	53.7	38.8
Recurring Income	0.0	0.0	0.0	4.8
Adjusted PBDIT	38.8	40.6	53.7	43.6
Financial Expenses	7.4	7.3	4.7	13.6
Depreciation	11.2	16.5	16.9	15.9
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	20.2	16.8	32.1	14.1
Tax Charges	7.4	4.4	13.5	3.3
Adjusted PAT	12.8	12.4	18.6	10.8
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	12.8	12.4	18.6	10.8

52 Week Index Relative Percentage Appreciation



Indo Amine 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.

➔ 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 some of its raw materials are imported and products exported the risk return of purchase / sale is tied up to the fluctuating Rupee any depreciation 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.

In a Nutshell

Indo Amine has been into business for more than 3 decades, the company has the advantage of having a product range of chemicals, covering a broad spectrum of applications. The demand for its products is driven by a wide range of end use industries from Pharmaceuticals, Agrochemicals, Fertilizers, Petrochemicals, Road Construction, Pesticides, Perfumery Chemicals, Dyes and Intermediates, etc. The demand for many of these is strongly backed by the very low capita consumption of in India and growth of the infrastructure, Dyes and Intermediary sector which is expected to have an average annual growth rate of 15 percent. The dye intermediates are essentially derivatives of petroleum products which after further processing gets transformed into finished dyes and pigments. The dyestuff industry is an integral part of a huge number of industries like Textile, Leather. Plastics, Printing ink are another application of the colorants market. Industry outlook for paint, plastics, pigments, inks and special applicants remains good. The focus of the Company in the year 2013-14 has been on improving performance across all aspects of its business operations namely; enhance manufacturing capability and consistency in production, becoming fully compliant with environmental regulations, achieving competitiveness through efficiency in operations and enhance market presence and access leading to accelerated and profitable growth. This would help the company withstand the headwinds of business environment in the near future.

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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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