

Alkyl Amines Chemicals

Estimate changes	
TP change	
Rating change	

Bloomberg	AACL IN
Equity Shares (m)	51
M.Cap.(INRb)/(USDb)	89.1 / 1
52-Week Range (INR)	2499 / 1702
1, 6, 12 Rel. Per (%)	-4/-8/-31
12M Avg Val (INR M)	208

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	15.8	19.0	22.8
EBITDA	3.0	4.0	5.2
PAT	1.9	2.6	3.4
EPS (INR)	36.2	51.4	67.3
EPS Gr. (%)	24.3	42.1	31.0
BV/Sh.(INR)	271.4	305.1	349.3
Ratios			
Net D:E	-0.1	-0.1	-0.1
RoE (%)	13.9	17.8	20.6
RoCE (%)	13.3	17.1	19.8
Payout (%)	34.4	34.4	34.4
Valuations			
P/E (x)	48.2	33.9	25.9
P/BV (x)	6.4	5.7	5.0
EV/EBITDA (x)	29.7	21.8	16.7
Div. Yield (%)	0.7	1.0	1.3
FCF Yield (%)	1.4	1.2	2.8

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	72.0	72.0	72.0
DII	1.8	1.5	1.1
FII	3.2	3.2	2.9
Others	23.0	23.3	24.0

FII includes depository receipts

CMP: INR1,742

TP: INR1,900 (+9%)

Neutral

Volume-driven growth; pricing pressure continues

- Alkyl Amines Chemicals (AACL)'s 3QFY25 revenue increased 15% YoY to INR3.7b. The growth was mainly volume-driven, though the company continues to face pricing pressure from Chinese players. Gross margin expanded 80bp YoY to 48.4%, while EBITDAM stood at 19.2%. RM prices declined more than FG prices. PAT came in at INR438m vs. our estimate of INR298m.
- Management highlighted that the Ethylamine plant contributed to volumes in 3Q, without which it would have faced constraints on that front. Although its utilization is at 60-65%, the company expects this to pick up going forward. At some point in the future, there could be a debottlenecking process in the plant, increasing the capacity from 100tpd currently to 120tpd.
- The Methylamines plant is nearing optimum utilization and AACL could leverage the 15ktpa spare plant at Patalganga for further growth in this product basket. Moreover, DMAHCL is running at 80-85% utilization, and the company plans to announce a Greenfield project in Dahej for the same in FY26. The company also has sufficient land parcel in Kurkumbh for further expansion.
- Out of the capex announced in 2QFY25, construction has started for one of the products, with mechanical completion expected by Dec'25 and product launch anticipated in 4QFY26. It will mainly cater to the dyestuff and pigment industries. Phase I capex for the product is INR900m and Phase II capex is INR150m. ADD investigation is going on for ACN and MIPA.
- Given the beat from our estimate in 2QFY25, we revise up our EBITDA/PAT estimate by 10%/13% for FY25, 8%/9% for FY26, and 7%/8% for FY27. We expect a CAGR of 17%/28%/32% in revenue/EBITDA/EPS during FY24-27 (due to the lower base in FY24). We reiterate our Neutral rating on AACL with a TP of INR1,900, based on 30x Dec'26E EPS.

Lower RM costs and opex lead to beat

- Revenue was at INR3.7b (est. of INR3.8b, +15% YoY). **Gross margin was at 48.4%**, with EBITDAM at 19.2% (vs ~18.5% in 3QFY24).
- EBITDA came in at INR712m (est. of INR528m, +19% YoY), while PAT stood at INR438m (est. of INR298m, +31% YoY).
- For 9MFY25**, revenue was at INR11.9b (+9% YoY), EBITDA was at INR2.2b (+23% YoY), and PAT was at INR1.4b (+27% YoY). EBITDAM was at 18.9% (+210bp YoY).

Valuation and view

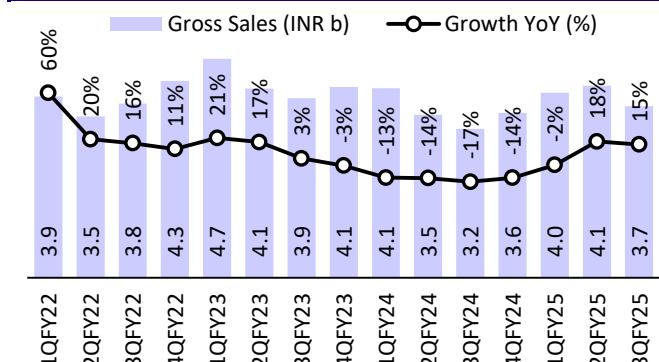
- AACL boosted its aliphatic amines capacity by ~30% in FY24. The total capacity stands at ~200ktpa (including derivatives and specialty chemicals). Additionally, AACL is venturing into new specialty products that are likely to improve its margins amid robust demand (near-term headwinds persist) for amine derivatives and specialties.

- Over FY24-27, we estimate a ~17% revenue CAGR and a 32% EPS CAGR (due to a lower base in FY24). The key risk to our outlook is high competition (domestic and imports, mainly from China), leading to limited pricing power. The commodity nature of some products could also make AACL susceptible to raw material price fluctuations. Upside risks could come from the implementation of ADD (investigation going on).
- The stock is trading at ~34x FY26E EPS and ~22x FY26E EV/EBITDA. We reiterate our Neutral rating on AACL with a TP of INR1,900, based on 30x Dec'26E EPS.

Standalone - Quarterly Snapshot

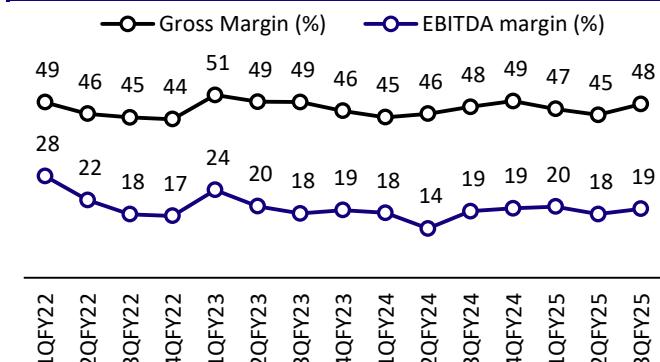
Y/E March	(INR m)								FY24	FY25E	FY25	Var.				
	FY24				FY25											
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE								
Gross Sales	4,098	3,522	3,221	3,566	3,997	4,149	3,712	3,989	14,406	15,847	3,764	-1%				
YoY Change (%)	-13.5	-13.9	-17.1	-13.5	-2.5	17.8	15.3	11.9	-14.4	10.0	16.9					
Gross Margin (%)	44.7%	45.7%	47.6%	49.2%	47.0%	45.4%	48.4%	47.3%	46.7%	47.0%	45.6%	2.8%				
EBITDA	740	483	596	689	791	735	712	735	2,507	2,973	528	35%				
Margin (%)	18.1	13.7	18.5	19.3	19.8	17.7	19.2	18.4	17.4	18.8	14.0	5.2				
Depreciation	122	125	168	174	177	180	179	193	589	729	194					
Interest	9	17	11	7	2	4	9	5	44	19	5					
Other Income	55	24	46	26	47	92	66	68	151	272	70					
PBT before EO expense	664	364	463	533	659	643	591	604	2,025	2,497	398	48%				
PBT	664	364	463	533	659	643	591	604	2,025	2,497	398	48%				
Tax	166	92	129	149	170	169	153	155	536	647	100					
Rate (%)	25.0	25.2	27.8	27.9	25.9	26.2	25.9	25.6	26.5	25.9	25.2					
Adj PAT	498	272	334	385	489	475	438	449	1,489	1,850	298	47%				
YoY Change (%)	-39.2	-48.0	-26.8	-20.9	-1.8	74.2	30.9	16.8	-34.9	24.3	-10.9					
Margin (%)	12.1	7.7	10.4	10.8	12.2	11.4	11.8	11.3	10.3	11.7	7.9	3.9				

Exhibit 1: Sales up 15% YoY at INR3.7b



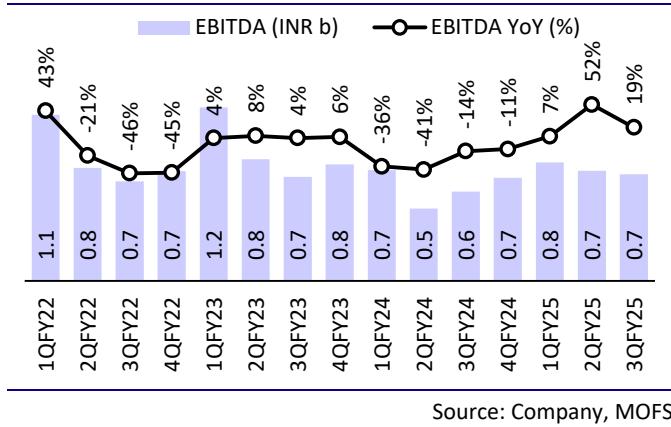
Source: Company, MOFSL

Exhibit 2: Margins expanded YoY



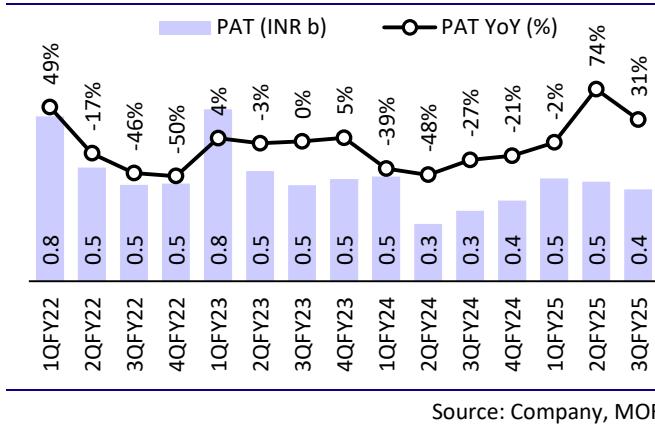
Source: Company, MOFSL

Exhibit 3: EBITDA up 19% YoY at INR712m



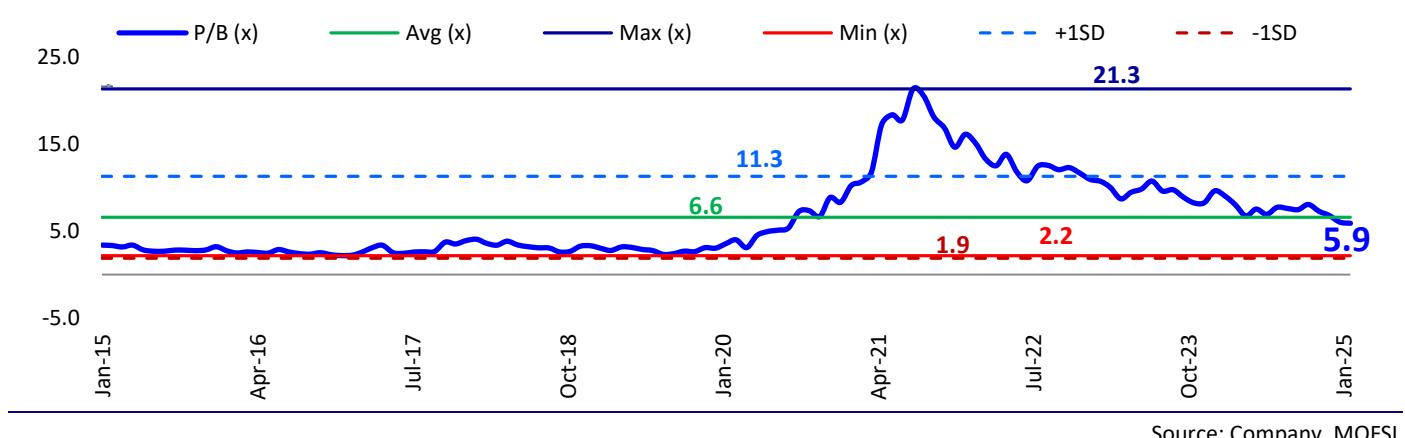
Source: Company, MOFSL

Exhibit 4: PAT up 31% YoY at INR438m



Source: Company, MOFSL

Exhibit 5: One-year forward P/B trades at 5.9x (11% discount to its long-term average)



Source: Company, MOFSL

Financial story in charts

Exhibit 6: Expect ~17% revenue CAGR over FY24-27

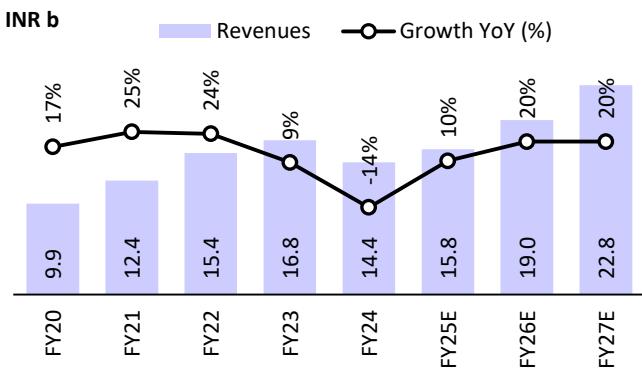


Exhibit 7: Export share to rise to 25% in the revenue mix by FY27

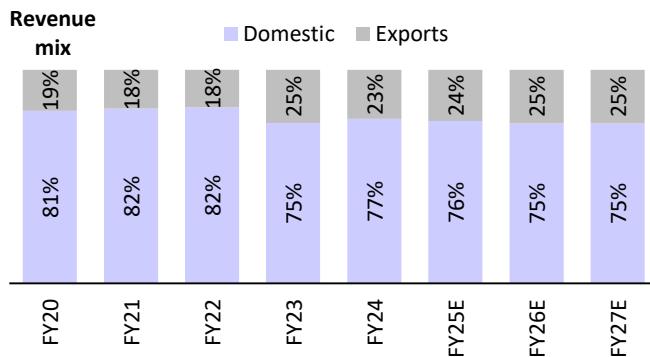


Exhibit 8: Expect EBITDA margin to rebound to ~23%

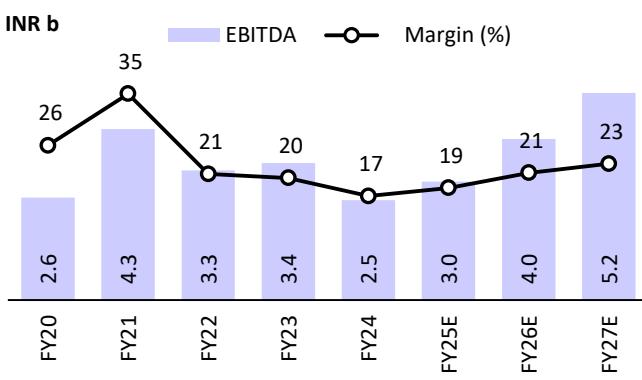


Exhibit 9: PAT margin to be around FY22 levels

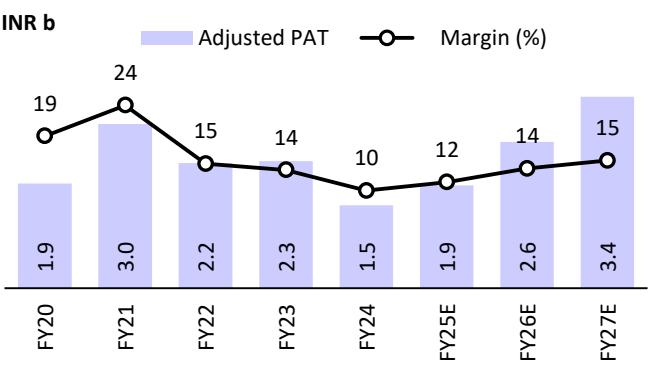


Exhibit 10: One-year forward P/E trades at 39.1x

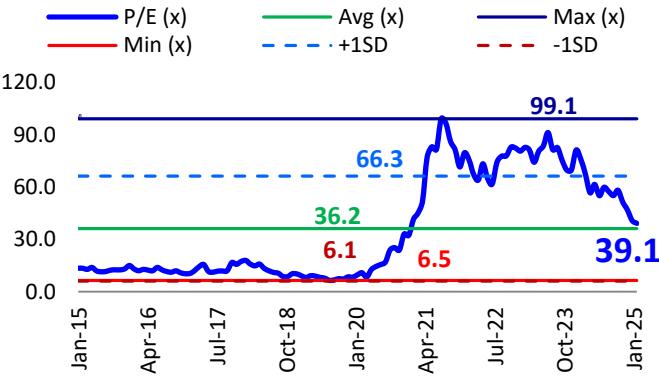


Exhibit 11: Return ratios likely to improve going forward

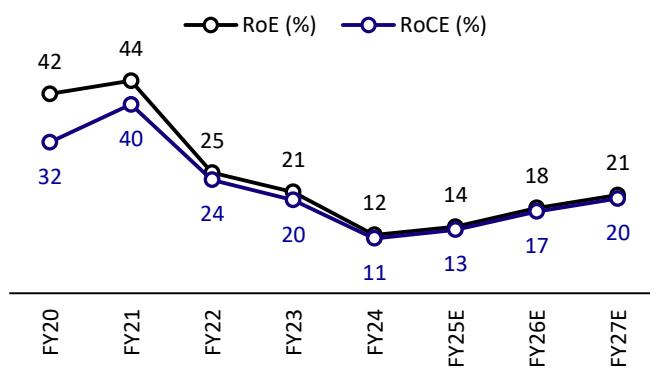
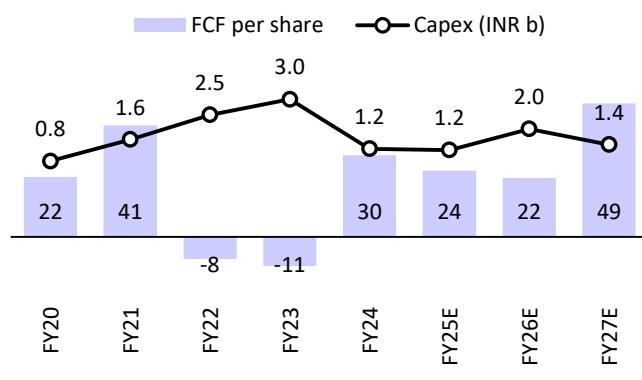
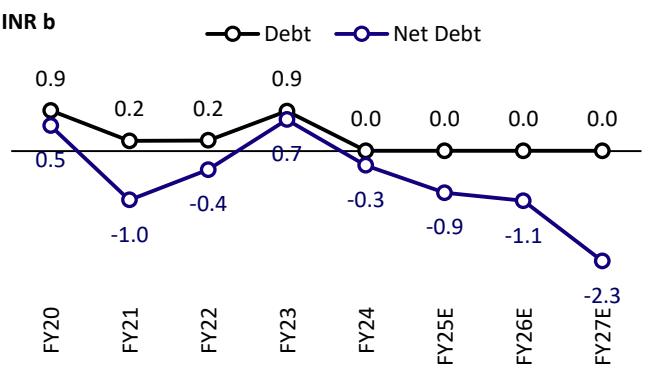


Exhibit 12: Expect strong FCF generation over FY25-27



Source: Company, MOFSL

Exhibit 13: AACL expected to remain a net cash company



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	(INR m) FY27E
Total Income from Operations	9,929	12,424	15,420	16,831	14,406	15,847	19,016	22,819
Change (%)	17.3	25.1	24.1	9.1	-14.4	10.0	20.0	20.0
Gross Margin (%)	51.2	57.9	45.8	48.9	46.7	47.0	48.3	48.5
EBITDA	2,570	4,291	3,252	3,439	2,507	2,973	4,047	5,206
Margin (%)	25.9	34.5	21.1	20.4	17.4	18.8	21.3	22.8
Depreciation	269	291	348	452	589	729	804	890
EBIT	2,301	4,001	2,904	2,987	1,918	2,243	3,244	4,316
Int. and Finance Charges	103	63	33	33	44	19	25	32
Other Income	70	70	150	132	151	272	295	317
PBT bef. EO Exp.	2,269	4,007	3,021	3,086	2,025	2,497	3,513	4,601
EO Items	328	0	0	0	0	0	0	0
PBT after EO Exp.	2,597	4,007	3,021	3,086	2,025	2,497	3,513	4,601
Total Tax	444	1,054	772	799	536	647	884	1,158
Tax Rate (%)	17.1	26.3	25.6	25.9	26.5	25.9	25.2	25.2
Reported PAT	2,153	2,953	2,249	2,287	1,489	1,850	2,629	3,443
Adjusted PAT	1,881	2,953	2,249	2,287	1,489	1,850	2,629	3,443
Change (%)	124.5	57.0	-23.9	1.7	-34.9	24.3	42.1	31.0
Margin (%)	18.9	23.8	14.6	13.6	10.3	11.7	13.8	15.1

Standalone - Balance Sheet								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	(INR m) FY27E
Equity Share Capital	102	102	102	102	102	102	102	102
Total Reserves	5,264	7,822	9,796	11,587	12,569	13,783	15,509	17,769
Net Worth	5,366	7,924	9,898	11,689	12,671	13,886	15,611	17,871
Total Loans	866	216	227	855	6	6	6	6
Deferred Tax Liabilities	404	414	472	560	737	737	737	737
Capital Employed	6,636	8,554	10,598	13,104	13,415	14,629	16,355	18,614
Gross Block	4,971	5,315	7,663	9,013	13,307	14,482	16,432	17,807
Less: Accum. Deprn.	736	1,026	1,374	1,825	2,415	3,144	3,948	4,838
Net Fixed Assets	4,235	4,288	6,290	7,187	10,892	11,338	12,484	12,969
Capital WIP	449	1,376	1,426	3,525	356	356	356	356
Total Investments	0	302	0	0	0	0	0	0
Curr. Assets, Loans&Adv.	3,150	5,486	5,997	5,207	4,589	5,600	6,712	9,126
Inventory	837	1,219	1,645	1,837	1,720	1,892	2,270	2,724
Account Receivables	1,642	2,280	2,767	2,584	2,217	2,439	2,927	3,512
Cash and Bank Balance	323	1,260	626	182	314	897	1,069	2,354
Cash	312	961	379	172	304	887	1,059	2,344
Bank Balance	10	299	247	10	10	10	10	10
Loans and Advances	349	727	959	604	338	372	446	535
Curr. Liability & Prov.	1,198	2,899	3,116	2,815	2,422	2,664	3,197	3,836
Account Payables	748	1,790	2,285	1,897	1,719	1,891	2,269	2,723
Other Current Liabilities	354	1,002	730	790	559	615	738	886
Provisions	97	107	101	128	144	158	189	227
Net Current Assets	1,952	2,587	2,882	2,392	2,167	2,936	3,515	5,290
Appl. of Funds	6,635	8,554	10,598	13,104	13,415	14,629	16,355	18,614

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	36.9	57.9	44.0	44.7	29.1	36.2	51.4	67.3
EPS Growth (%)	124.5	57.0	-24.0	1.6	-34.9	24.3	42.1	31.0
Cash EPS	42.1	63.6	50.8	53.5	40.6	50.4	67.1	84.7
BV/Share	105.2	155.3	193.7	228.6	247.7	271.4	305.1	349.3
DPS	8.7	16.0	10.0	10.0	10.0	12.4	17.7	23.1
Payout (%)	20.6	27.7	22.7	22.4	34.4	34.4	34.4	34.4
Valuation (x)								
P/E	47.3	30.1	39.6	39.0	59.9	48.2	33.9	25.9
Cash P/E	41.4	27.4	34.3	32.5	42.9	34.5	26.0	20.6
P/BV	16.6	11.2	9.0	7.6	7.0	6.4	5.7	5.0
EV/Sales	9.0	7.1	5.7	5.3	6.2	5.6	4.6	3.8
EV/EBITDA	34.8	20.5	27.3	26.1	35.4	29.7	21.8	16.7
Dividend Yield (%)	0.5	0.9	0.6	0.6	0.6	0.7	1.0	1.3
FCF per share	21.8	40.7	-8.1	-10.7	29.9	24.2	21.5	48.9
Return Ratios (%)								
RoE	41.7	44.4	25.2	21.2	12.2	13.9	17.8	20.6
RoCE	31.6	39.5	23.7	19.5	11.5	13.3	17.1	19.8
RoIC	34.6	51.4	30.5	24.7	12.7	12.7	17.1	20.9
Working Capital Ratios								
Fixed Asset Turnover (x)	2.5	2.9	2.9	2.5	1.6	1.4	1.6	1.8
Asset Turnover (x)	1.5	1.5	1.5	1.3	1.1	1.1	1.2	1.2
Inventory (Days)	31	36	39	40	44	44	44	44
Debtor (Days)	60	67	66	56	56	56	56	56
Creditor (Days)	27	53	54	41	44	44	44	44
Leverage Ratio (x)								
Current Ratio	2.6	1.9	1.9	1.8	1.9	2.1	2.1	2.4
Interest Cover Ratio	22.4	63.2	88.5	89.9	43.6	117.4	127.3	135.5
Net Debt/Equity	0.1	-0.1	0.0	0.1	0.0	-0.1	-0.1	-0.1

Standalone - Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
(INR m)								
OP/(Loss) before Tax	2,597	4,007	3,021	3,086	2,025	2,497	3,513	4,601
Depreciation	269	291	348	452	589	729	804	890
Interest Expenses	103	63	38	33	44	19	25	32
Others	-308	1	-48	55	34	0	0	0
Direct Taxes Paid	-581	-1,012	-744	-714	-346	-647	-884	-1,158
(Inc)/Dec in WC	-193	290	-569	-428	404	-185	-408	-489
CF from Operations	1,886	3,640	2,046	2,484	2,750	2,413	3,050	3,876
(Inc)/Dec in FA	-771	-1,561	-2,462	-3,030	-1,220	-1,175	-1,950	-1,375
Free Cash Flow	1,115	2,079	-415	-546	1,530	1,238	1,100	2,501
Change in Investments	343	-587	369	237	-3	0	0	0
Others	22	21	36	22	9	0	0	0
CF from Investments	-407	-2,127	-2,057	-2,771	-1,215	-1,175	-1,950	-1,375
Issue of Shares	0	4	7	12	8	0	0	0
Inc/(Dec) in Debt	-797	-381	-228	616	-848	0	0	0
Interest Paid	-107	-68	-40	-31	-44	-19	-25	-32
Dividend Paid	-443	-408	-306	-511	-511	-636	-903	-1,183
Others	-13	-11	-5	-6	-8	0	0	0
CF from Fin. Activity	-1,360	-864	-572	80	-1,404	-655	-929	-1,215
Inc/Dec of Cash	119	649	-582	-206	132	583	172	1,286
Opening Balance	193	312	961	379	172	304	887	1,059
Closing Balance	313	962	379	172	304	887	1,059	2,344

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Explanation of Investment Rating	
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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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