Organic Growth

Yogesh M. Kothari, the CMD of Alkyl Amines Chemicals, has achieved consistent growth for his company over the past 10 years

By Rahul Oberoi

Key Highlights

1. Alkyl Amines is a global supplier of amines and amine-based chemicals

2. Net profit grew at a CAGR of nearly 40 per cent in the past 10 years

3. Gross sales soared to ₹1,242 crore in FY21 from ₹231.84 crore in FY11

4. Rising input costs dragged down profit after tax by 45.69 per cent in Q3FY22

5. The stock rallied 19,844 per cent to ₹3,061.45 on February 15, 2022, from ₹15.35 on February 15, 2011

6. Company garners 85-90% revenue from the domestic market
on the back of the rise in input costs. It reported a profit of ₹84.49 crore in the same period a year ago. The cost of raw material jumped by over 70 per cent YoY to ₹218.54 crore during the quarter. However, revenue from operations witnessed an increase of 16.29 per cent YoY to ₹776.66 crore.

“Our input costs went up by 50 per cent in the last quarter and we were able to hike prices by only 20 per cent. That is why there was some setback on our profitability even though our turnover increased. We are still not able to recover our costs. Things are now improving as raw material prices in the international markets are returning to some normalcy,” says Kothari, adding that acetic acid, methanol, coal and ammonia were some of the raw materials that witnessed a substantial rise in prices.

Alkyl Amines Chemicals is in the business of manufacturing and marketing various aliphatic amines, amine derivatives and other speciality chemicals for the past several decades. The company was incorporated by Kothari in 1979 with the idea of making India self-sufficient in aliphatic amines. At present, the company is a global supplier of amines and amine-based chemicals to pharmaceutical-, agrochemical-, rubber chemical- and water treatment industries, among others.

Amines are not easy products to transport because they are quite hazardous in nature. “Imports are also not easy. In spite of that, some material comes from China, the USA as well as Europe. People in India preferred to use locally available amines at a reasonable cost,” says Kothari.

Kothari says that the company is continuously working on improving technology and increasing efficiency which can aid Alkyl Amines to reduce costs and thereby further improve yields. Pharmaceuticals and agrochemicals will be the need of the hour. Therefore, the requirement of our type of products will be there in the next decade, says Kothari. “Indians now enjoy higher disposable incomes than earlier. People are also using high-value products that are based on our amines like cosmetics. We are also trying to make sure that we have new products for the future. Every year we introduce new products,” he says.

The share price of the company has also moved in tandem with the robust financials. The stock rallied 19.84 per cent to ₹3,061.45 on February 15, 2022 from ₹1,535 on February 15, 2021. On the other hand, the benchmark BSE Sensex gained 215 per cent to the 58,142-mark in the past 10 years. Competitors Balaji Amines jumped 7,154 per cent to ₹2,916 from ₹10.20 while Rashtriya Chemicals and Fertilizers declined 13 per cent to ₹75.60 during the same period.

Commenting on Alkyl Amines, market watcher Rajesh Pherwani, Founder and Portfolio Manager, Valcreate Investment Managers, says: “A majority of chemicals derivatives companies have witnessed an explosion in performance in the last five years due to China pollution shutdowns and cost increases there. Alkyl Amines has also witnessed a significant jump in its top line and operating margins on account of strong traction in its key products of amines, their derivatives and specialty chemicals.”

---

**Chemicals**

**Yogesh M. Kothari**

CMD, Alkyl Amines Chemicals

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>Q3 FY22</th>
<th>FY21</th>
<th>Q3 FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from operations</td>
<td>1,242.44</td>
<td>376.66</td>
<td>1,000.69</td>
<td>362.88</td>
</tr>
<tr>
<td>Profit before tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY21</td>
<td>400.69</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3 FY22</td>
<td>295.34</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY21</td>
<td>44.60</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3 FY22</td>
<td>45.88</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RoE (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Cap</td>
<td>15,807.19</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Standalone results; all figures in ₹ crore except RoE
- M-cap as of February 7
- Data Source: BSE, ACE Equity

“Due to this growth, most companies’ stocks in this sector have seen a big re-rating of their P/E multiples. Valuations have moved upwards of 30 times on forward earnings for the pack. From here, companies such as Alkyl Amines would see a mixed combination of growth opportunities due to China issues, growth in user industries versus increasing costs including higher raw material prices. The robustness of its business model will be challenged by its ability to consistently pass on costs to the user industries such as pharma and agrochemicals,” says Pherwani.

Kranthi Bathini, Equity Strategist, Wealth Mills Securities, says, “Given the inflationary environment for inputs and rising raw material costs, how the company sustains [its] margins is the key for the future. From a stock investment perspective, the valuations look a little bit stretched at present. The China factors and strong growth of the domestic pharmaceutical industry can make Alkyl Amines a dominant player in specialty chemicals.”

@iamrahuloberoi