



Deepak Nitrite v/s Alkyl Amines

Equity Research

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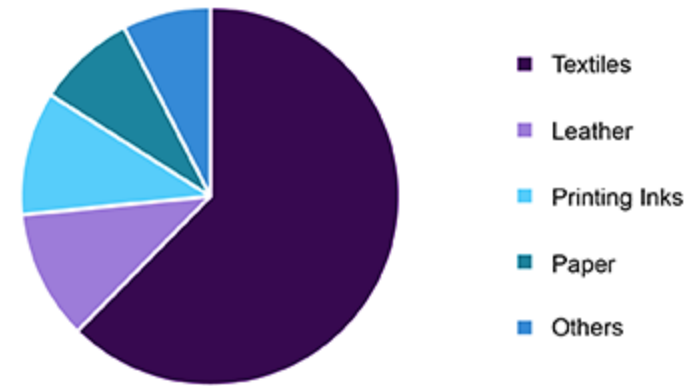
05. References



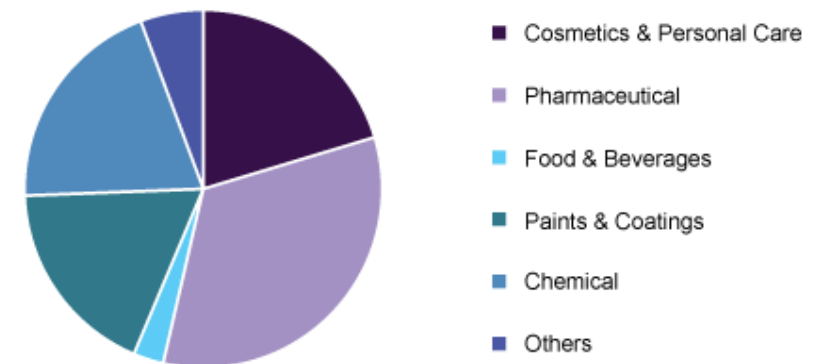
Global Market

- Basic chemicals are expected to see the largest growth of any chemical segment, at 2.1 percent forecast for 2024.
- The global specialty chemicals market size was valued at USD 630.0 billion in 2019 and is expected to grow at a compound annual growth rate (CAGR) of 3.7% from 2020 to 2027.
- Global Phenol Market to Grow at 3.40% During 2020-2025, Stimulated by Advancements in Production Technology.

Global dyes market share, by application, 2019 (%)



Global isopropyl alcohol market demand share, by end use, 2019 (%)



Global Market

Global Aliphatic Amines Market is expected to grow by 2027 at a CAGR of 7.4% over the forecast period 2020-2027

Global Amines Market is Expected to Account for USD 26.83 million by 2027

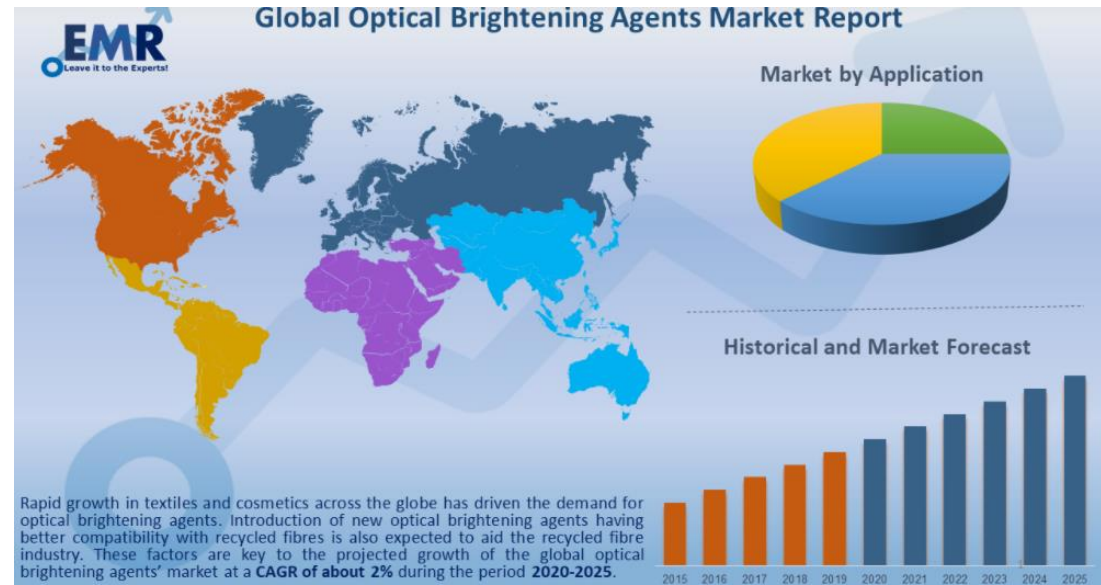
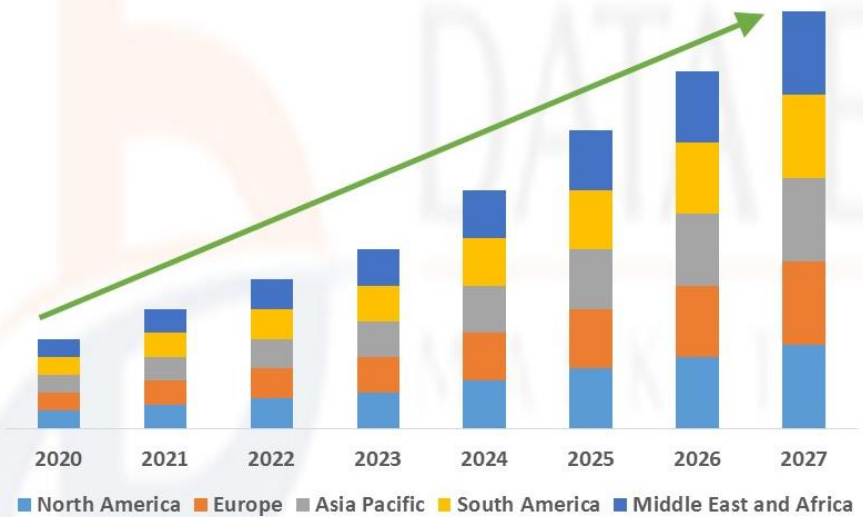
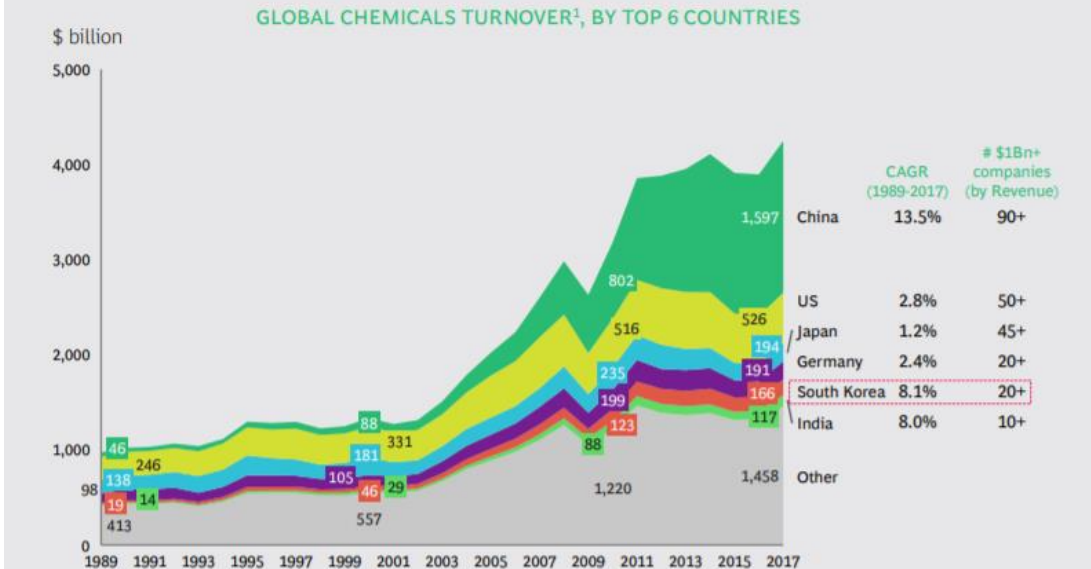


EXHIBIT 4 | Asia has Witnessed Significant Growth Led by China and Korea; The 2 Economies have Together Produced 110+ Billion Dollars Chemical Companies

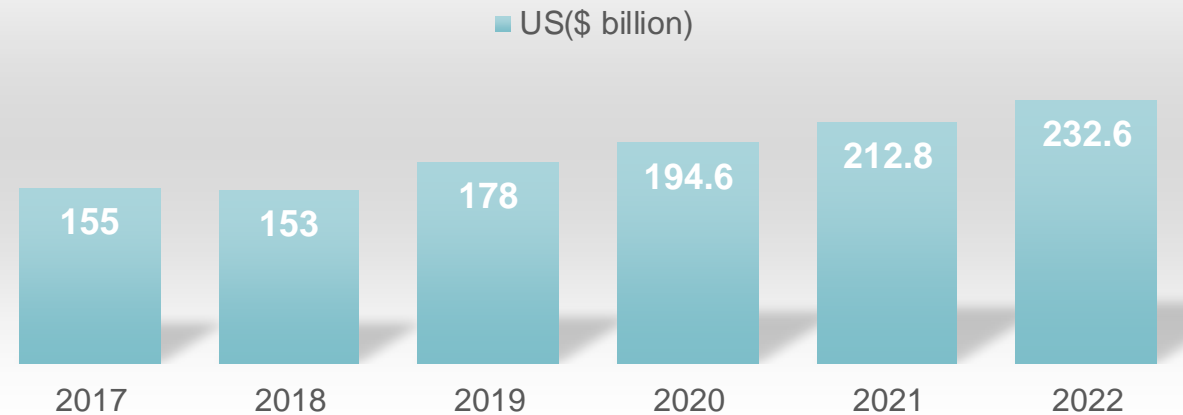


Source: ACC; CEFIC; BCG Analysis.
³Refers to 'value of output' of chemicals (excluding pharmaceuticals).

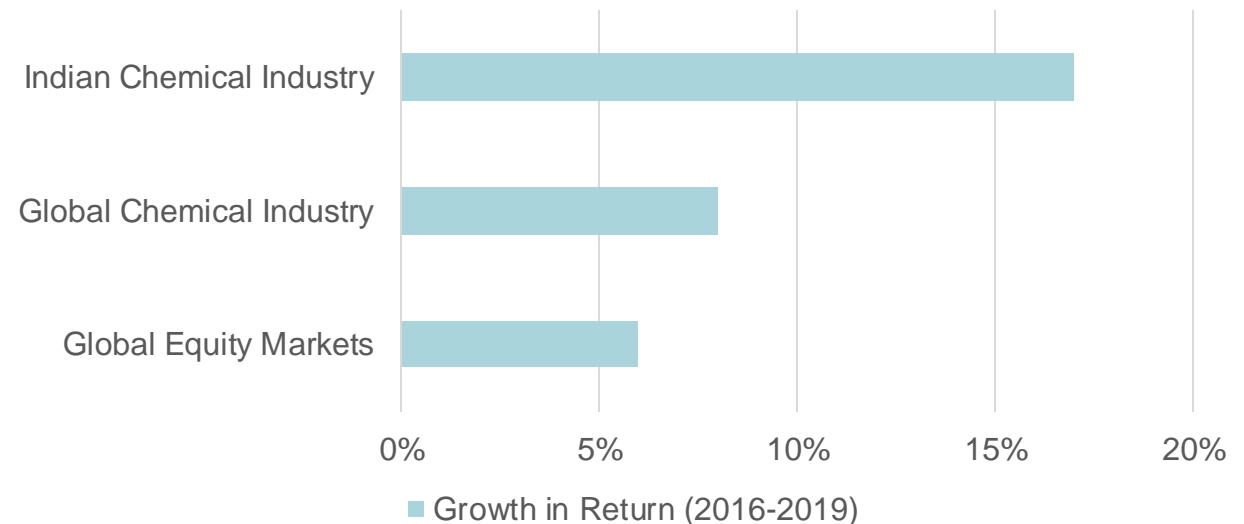
Asian & Indian Market

- The world's leading chemical company as of 2019 was Japan's Shin-Etsu Chemical
- Asia has the world's largest share of the global chemicals market, at 56.6 percent in 2019.
- It has consistently accounted for more than 50 percent of the global chemicals market since 2012
- India is the 3rd largest manufacturer of chemicals in Asia and 6th largest manufacturer in the world.

Market Size of Indian Chemical Sector US
(\$ billion)



Growth in Return (2016-2019)



Indian Market

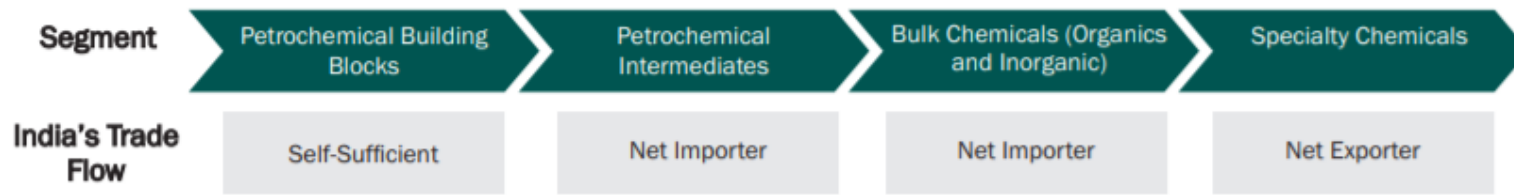
- India has the potential to become the 4 Largest chemical producer in the world growing at 9% p.a. for the next 5 years.
- Chemical Export in India increased from \$1777.8 M to \$1812.2 M from Oct'19 to Oct'20
- There are over 80,000 Chemicals produced in India with a manpower of 2 million
- 27,858 metric ton of chemicals in 2018-19
- Per Capital Consumption(India: World)- 1:10

Indian Chemical Industry % of production (2019)

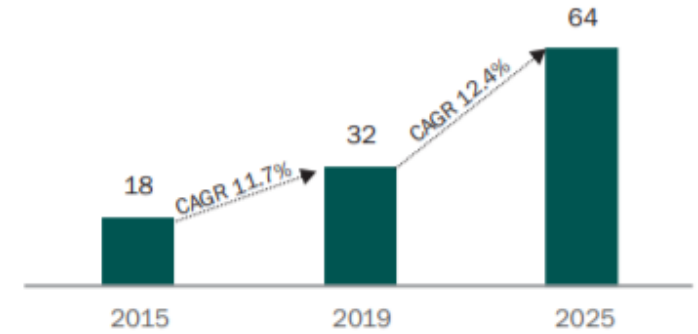


Indian Market

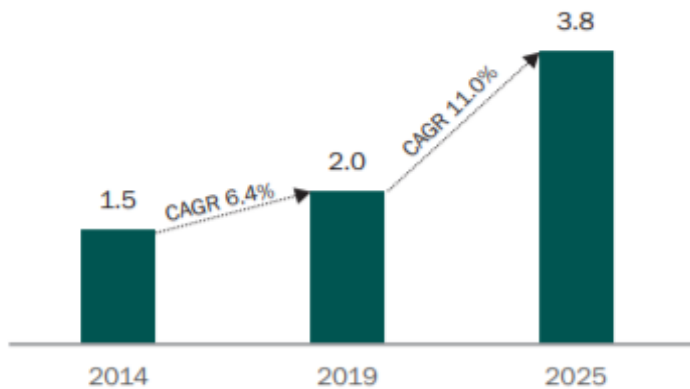
India's trade position across the speciality chemicals value chain



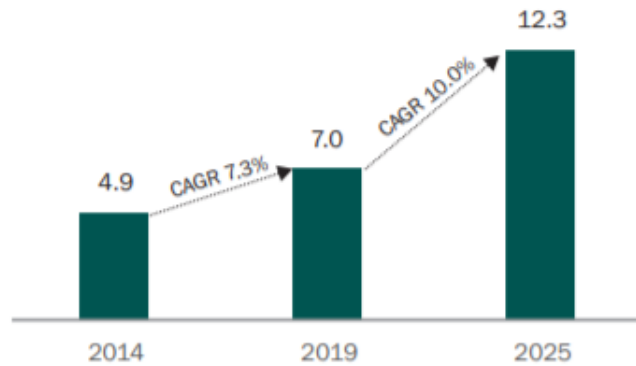
Indian Specialty Chemicals Industry Size



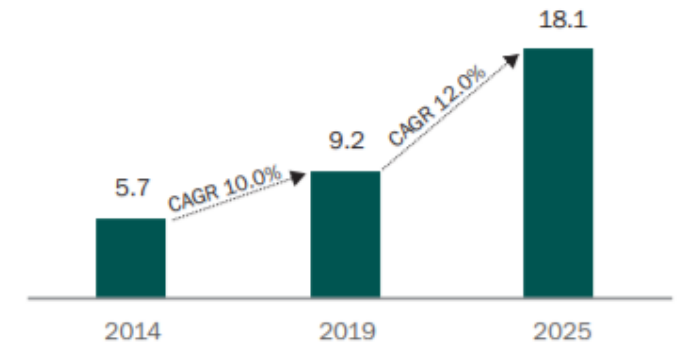
Surfactants Industry in India(USD bn)



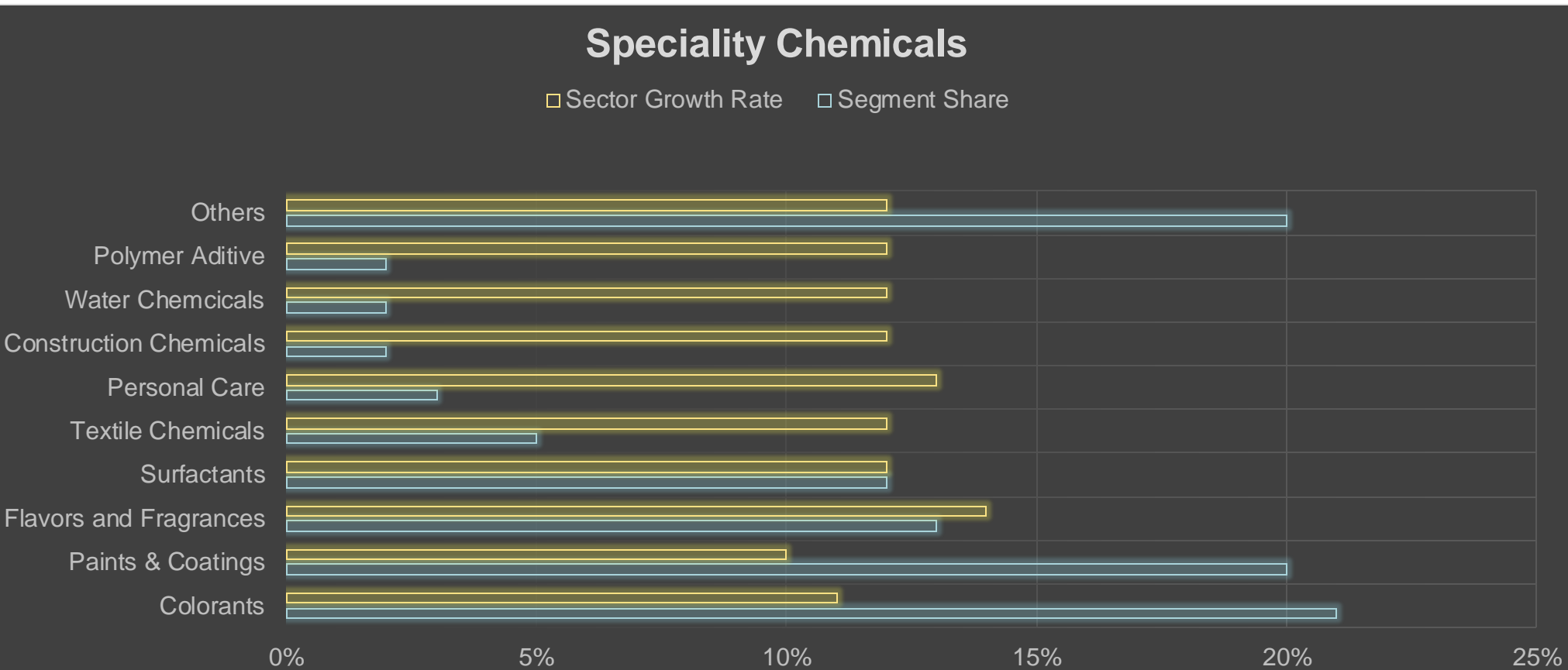
Dyes & Pigments Industry in India(USD bn)



Agrochemical Industry in India (USD bn)



India: Specialty Chemicals



- Valuation=\$33 Billion
- Growth Rate= 2.1% (2012-2017)
- Colourants is the highest Contributor
- Share in India- 20% of the whole chemical industry
- Globally India's share is only 3%
- SC share: 55% of the global chemical Industry
- Immense opportunity lies in this sector.

	Colorants	Paints & Coatings	Flavors and Fragrances	Surfactants	Textile Chemicals	Personal Care	Construction Chemicals	Water Chemicals	Polymer Aditive	Others
█ Sector Growth Rate	11%	10%	14%	12%	12%	13%	12%	12%	12%	12%
█ Segment Share	21%	20%	13%	12%	5%	3%	2%	2%	2%	20%

Budget 2021: The Impact

Organic Chemicals- Demand for organic chemicals is expected to grow at 9% CAGR from FY19-23, with phenol demand growing at 11% CAGR

Argo-chemicals- India's 50% exports of Argo-chemical production is likely to continue

Fertilizers- As of FY18, the Indian fertilizer market was around \$64 bn. The market is expected to grow at 13% CAGR from FY19-23 to around \$138 bn.

INR 350 billion allocated for COVID-19

Jal Jeevan Mission to be implemented to increase water supply

Mega Investment Textiles Parks(MITRA) is proposed to boost manufacturing

Pharmaceuticals

PVC, Water Treatment Chemicals

Dye, Paints, Specialty Chemicals

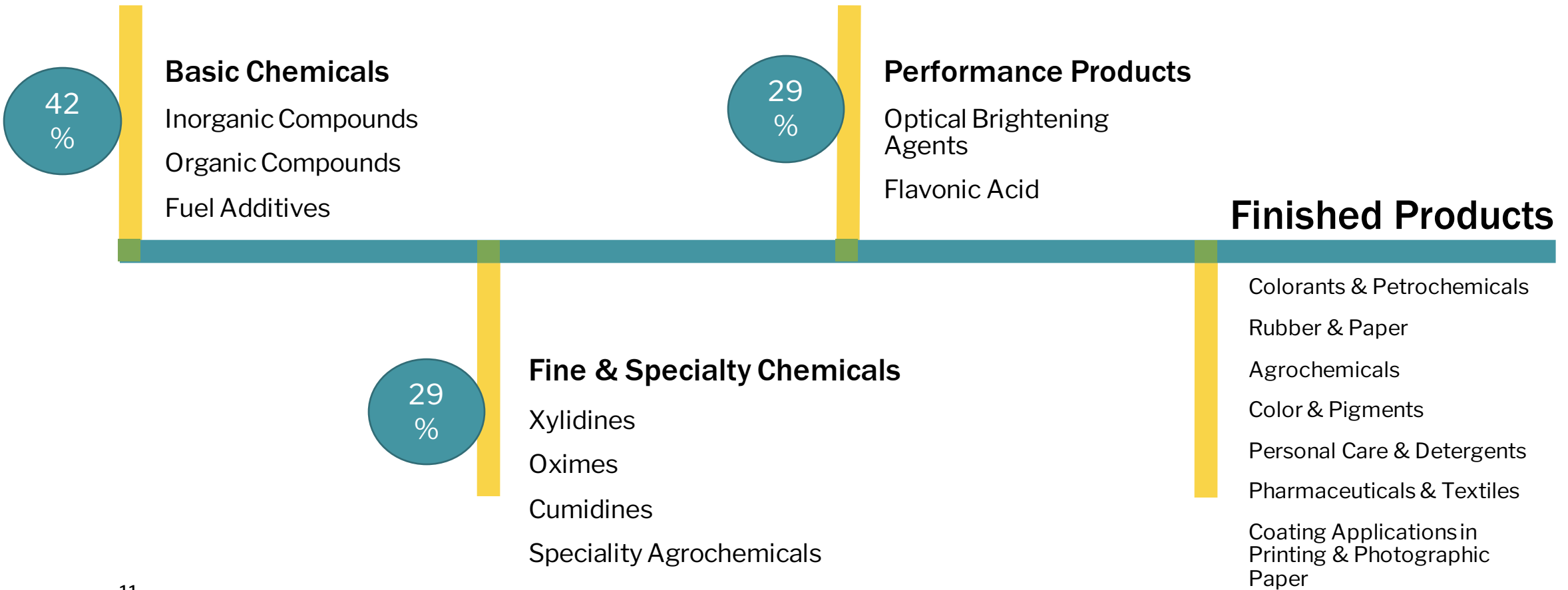




Peer Analysis



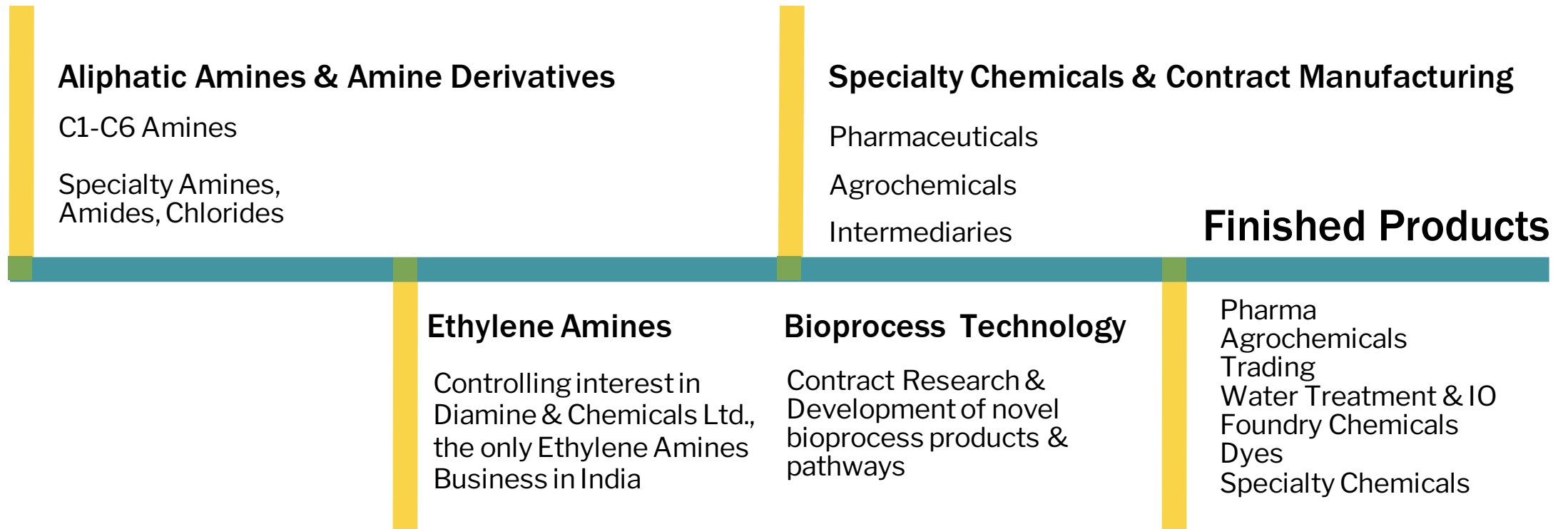
Deepak Nitrite's Business Segment





Alkyl Amines Chemicals Limited

Alkyl Amines' Business Segment



Salient Features

Deepak Nitrite



- Net Revenue for March'20 is **4265 Cr.**
- **70%** Market Share in Sodium Nitrite, Sodium Nitrate and Nitro Toluene in India
- Top **3 global producers** of Xylidins, Cumidines and Oximes
- Iso Propyl Alcohol for Pharma
- Largest Producer of **Phenol** and **Acetone** in India since 2018
- **35** Patent Applications Filed
- Diversified Portfolio of **100** products
- Export to **30** Countries and **6** Manufacturing Facilities

Alkyl Amines



- Net Revenue for March'20 is **965 Cr.**
- Alkyl is a global supplier of **amines** and **amine-based chemicals** to the pharmaceutical, agrochemical, rubber chemical & water treatment industries, among others.
- Over **35** years expertise in **Amine technology**
- Alkyl has **three** manufacturing sites with **twelve plants** in western Maharashtra and Gujarat

Board of Directors- Deepak Nitrite



Deepak C Mehta

Chairman & Managing
Director



Maulik Mehta

CEO & Executive
Director



Sanjay Upadhyay

CFO & Director



Ajay C Mehta

Non Executive Director

Board of Directors- Alkyl Amines



Yogesh M. Kothari

Chairman & Managing
Director



Kirat Patel

Executive Director
(Operations)



Sunee Kothari

Executive Director
(Commercial)



Dilip Piramal

Non Executive Director



Framework

Deepak Nitrite VS Alkyl Amines

SWOT-I

STRENGTHS

- Strong Annual EPS Growth
- Effectively using its capital to generate profit - RoCE improving in last 2 years
- Effectively using Shareholders fund - Return on equity (ROE) improving since last 2 year
- Efficient in managing Assets to generate Profits - ROA improving since last 2 year
- Growth in Net Profit with increasing Profit Margin (QoQ)
- Annual Net Profits improving for last 2 years
- Book Value per share Improving for last 2 years
- Company with Zero Promoter Pledge
- FII / FPI or Institutions increasing their shareholding

WEAKNESS

MFs decreased their shareholding last quarter

OPPORTUNITIES

- Positive Breakout Second Resistance (LTP > R2)
- Highest Recovery from 52 Week Low
- RSI indicating price strength
- High Volume, High Gain

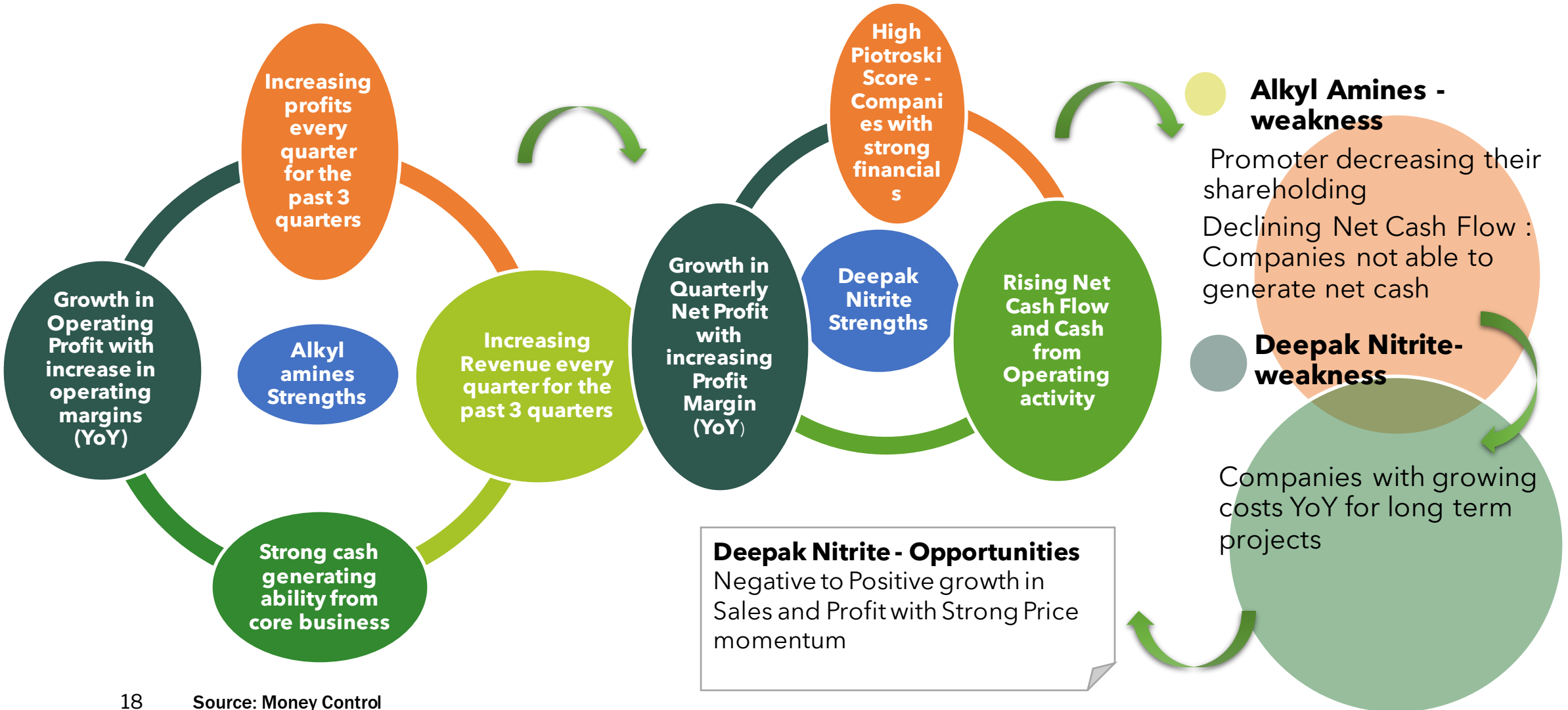
THREATS

- Red Flag: Resignation of Top Management
- Stocks with high PE (PE > 40)

DN- NNO THREATS

Deepak Nitrite VS Alkyl Amines

SWOT-II



PESTEL

SOCIAL

Diverse Talent Pool
Skill Development
CSR activities- Mobile Health Unit, Citizen's Help Desk

TECHNOLOGICAL

High level of technical expertise- Capacity Utilization
Research and Developments
Implementing sustainable technologies- manufacturing
COVID- Virtualisation

ENVIRONMENTAL

Reducing its carbon footprint
Recycle and reuse and reduction of pollution load
Find innovative solutions that benefit the environment

ECONOMIC

COVID- Slow down in economy, supply chains rendered
Reduction in global demand for goods and services
Dependence on agriculture exports
Improving exports

POLITICAL

Streamlined tax structure
Reduction in tax rates
Infrastructure development
Aatma Nirbhar Abhayan 20 lakh crores

LEGAL

Intellectual property rights
Environmental Regulations
Hazard and Operability Analysis (HAZOP)
International Labour Organization ("ILO")
Hazardous Wastes Rules 2002

**DEEPAK
NITRITES**

PESTEL

ECONOMIC

COVID:
Slow down in economy, supply chains rendered
Increase in demand in Pharma sector
Dependence on chemical exports

SOCIAL

Transparent- Fire and Flood incidents
COVID relief centres - CSR activity
Skill Gap Analysis

TECHNOLOGICAL

Process development- Aliphatic Amine
Improvements in process- isolation of products from effluent stream
Development of new cost effective products

ENVIRONMENTAL

Hydrogen recovery plant
Effluent treatment Plant
Tree plantation drives
Solar Water heaters - Staff colony
Certified for Energy Conservations

POLITICAL

Govt's 2034 Vision, domestic production & reducing imports
Global Standards for agrochemicals
10-12% incentive for agro-sector
Changing prices of Raw Materials- Alcohol and Petroleum based

LEGAL

Intellectual property rights
Environmental Regulations
Hazard Index testing
Food and Drug Administration (for poison licence)
The Batteries (Management and Handling) Rules, 2001

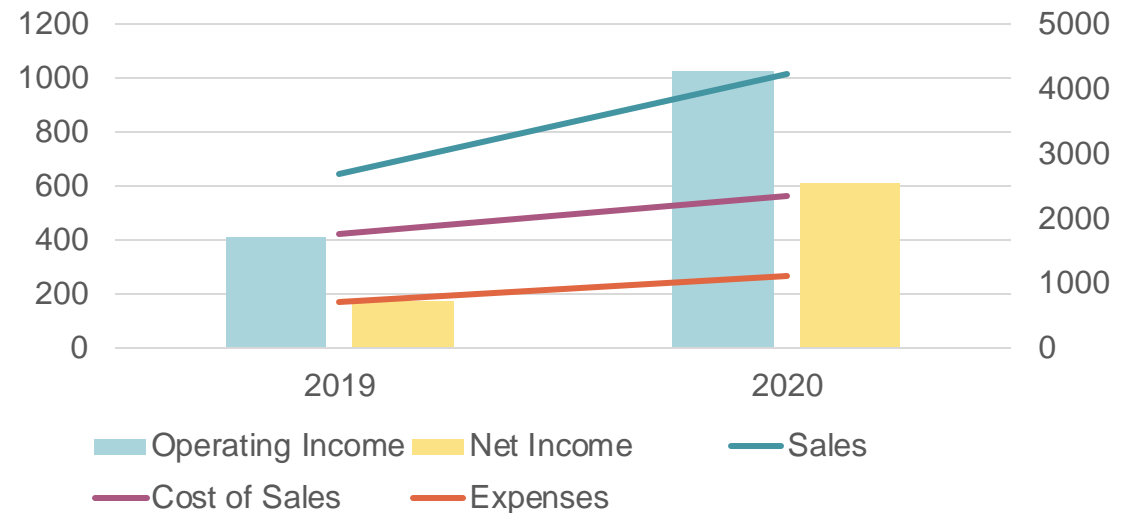
ALKYL AMINES



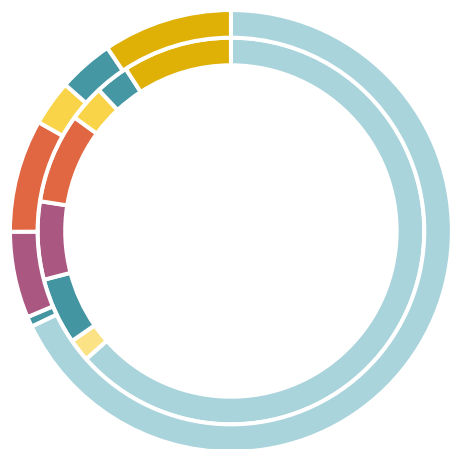
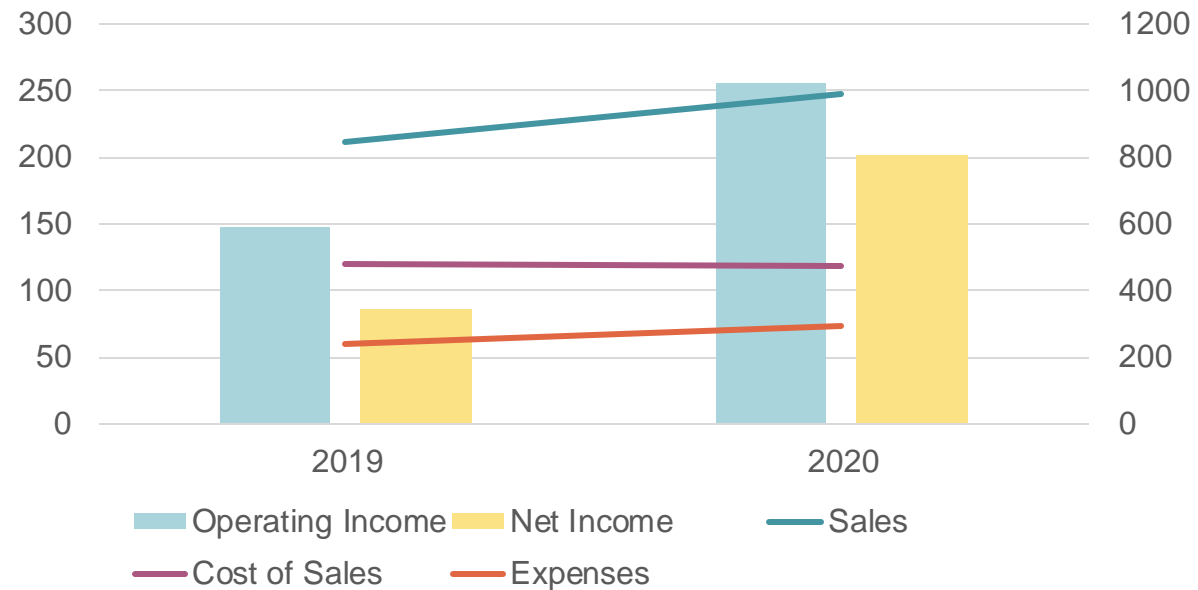
Ratio Analysis

Income and Expense

Deepak Nitrate

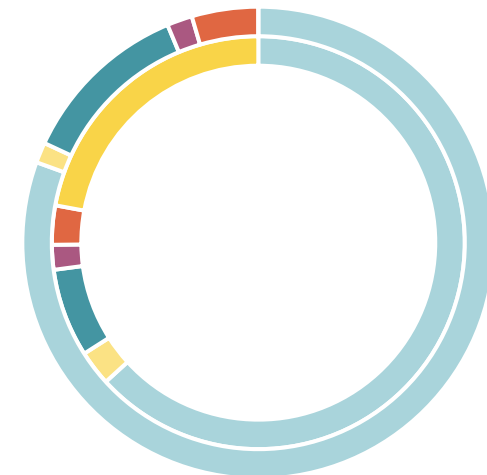


Alkyl Amines



- COGS
- Purchase
- Changes in Inventory/FG and WIP
- Employee Benefit expenses
- Power and Fuel
- Finance Cost
- Depreciation and Amortization
- Other Expenses

- COGS
- Changes in Inventory/FG and WIP
- Employee Benefit expenses
- Finance Cost
- Depreciation and Amortization
- Other Expenses

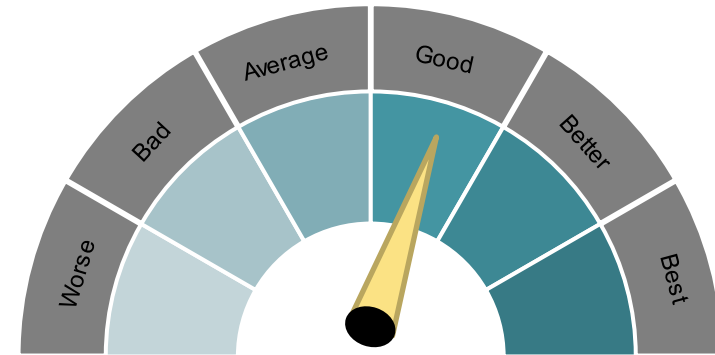
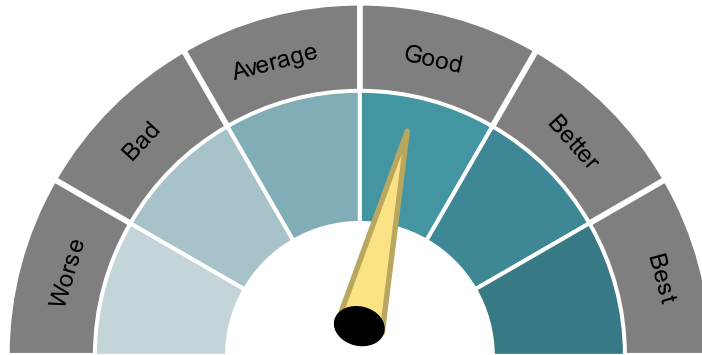


Liquidity Ratios

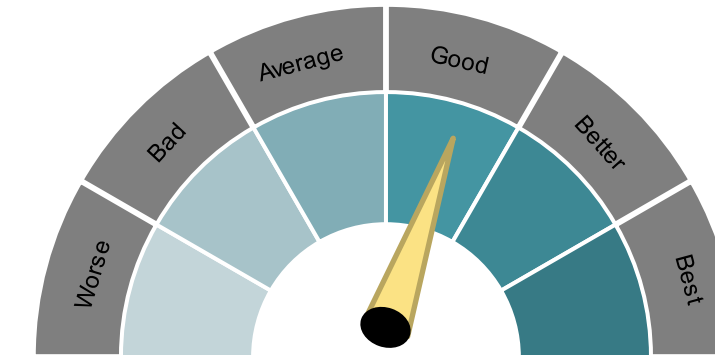
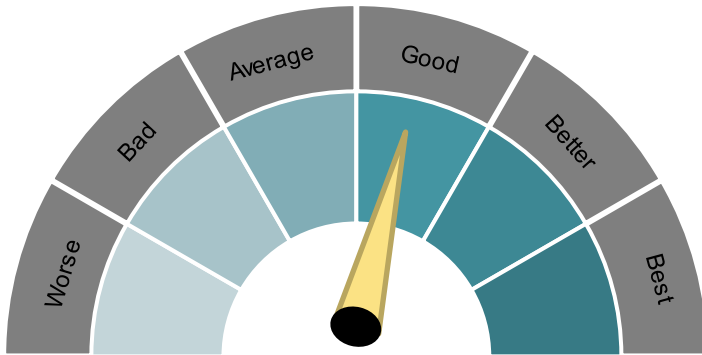


Alkyl Amines Chemicals Limited

Current Ratio



Quick Ratio



2019-20

2018-19

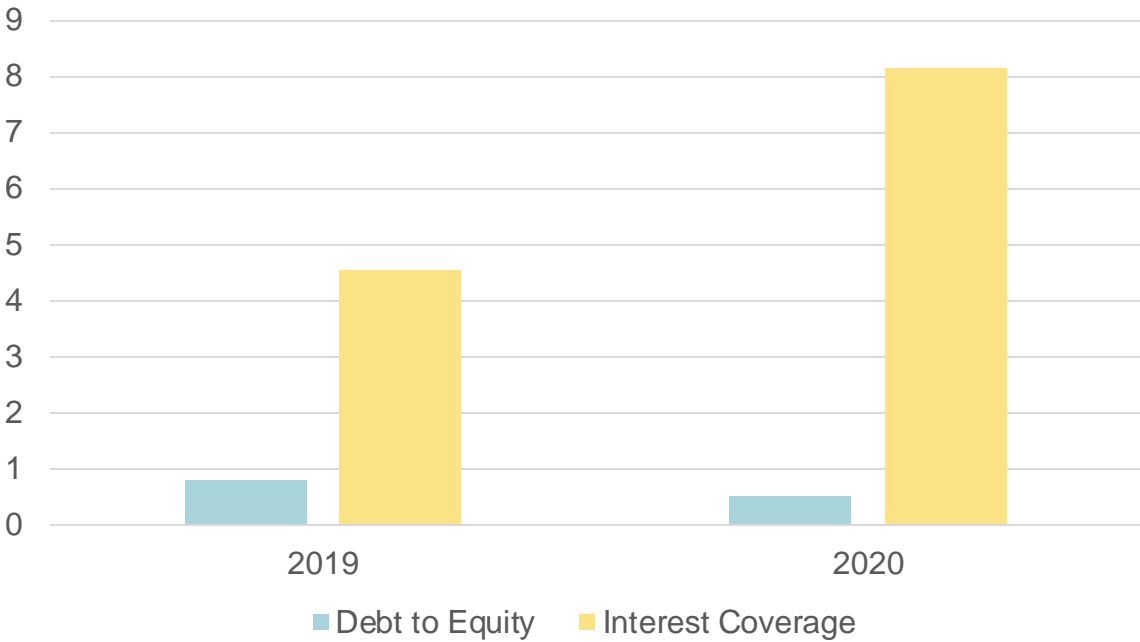
2019-20

2018-19

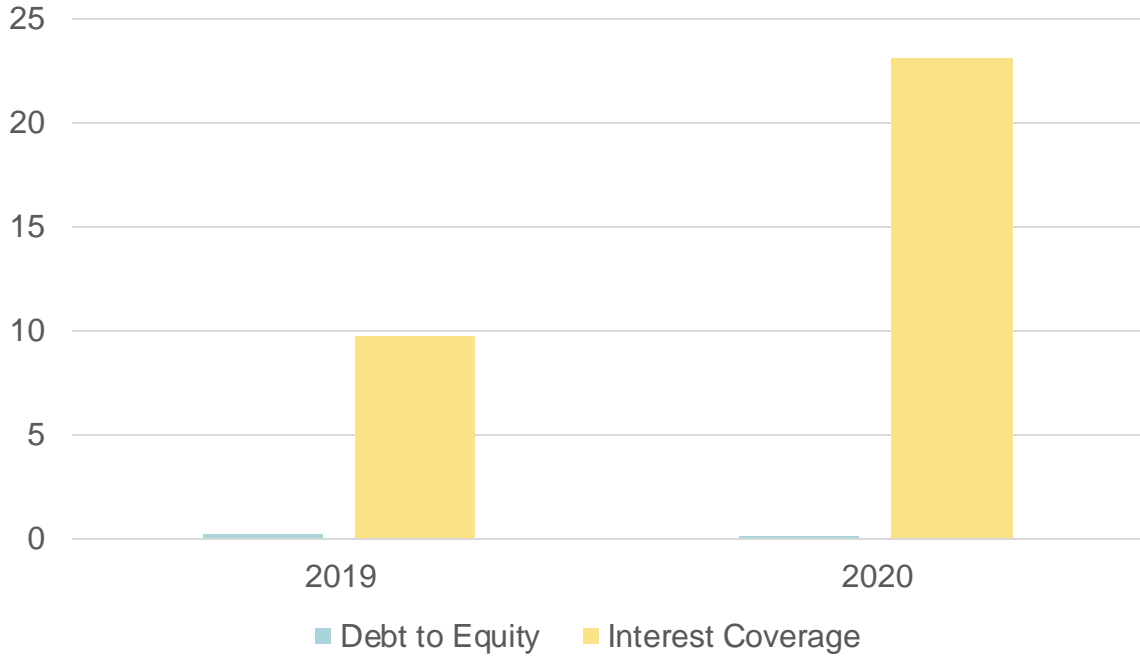
Current Ratio	1.54	1.31	1.91	1.26
Quick Ratio	1.01	0.85	1.37	0.83

Solvency Ratios

Deepak Nitrite

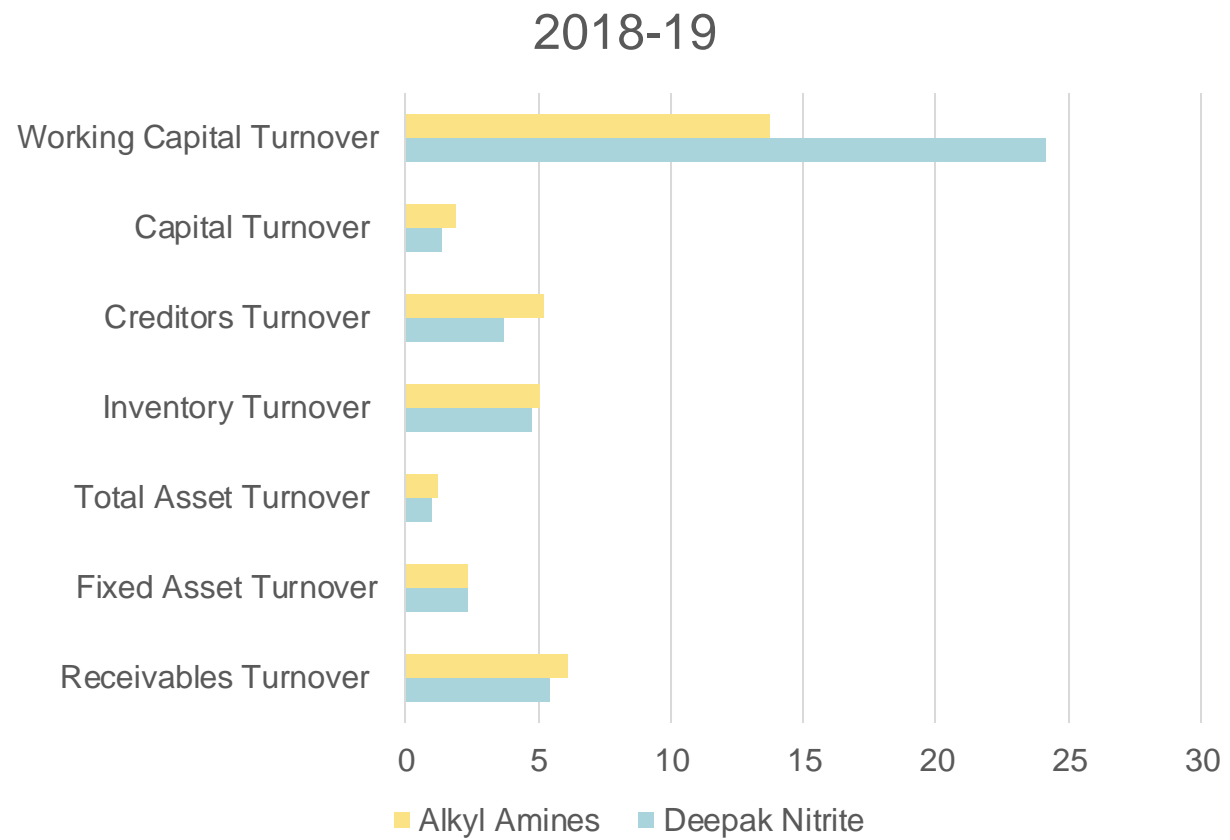
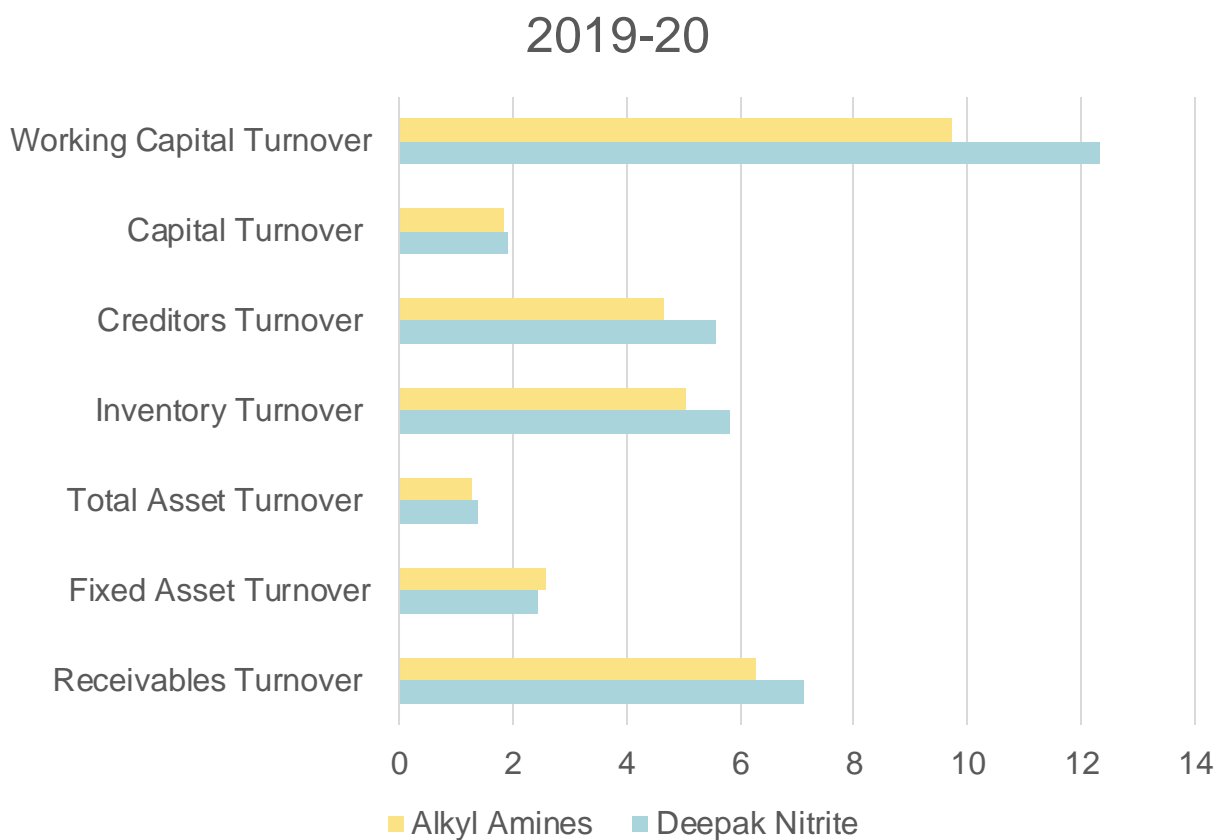


Alkyl Amines



	2019-20	2018-19	2019-20	2018-19
Debt Equity	0.50	0.81	0.09	0.21
Interest Coverage Ratio	8.16	4.56	23.13	9.74

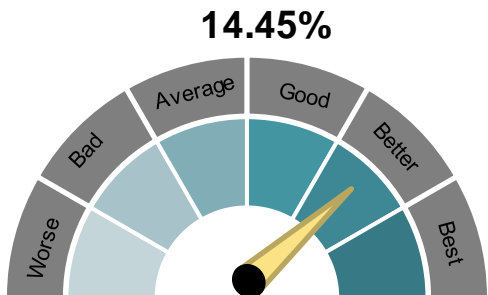
Activity Ratios



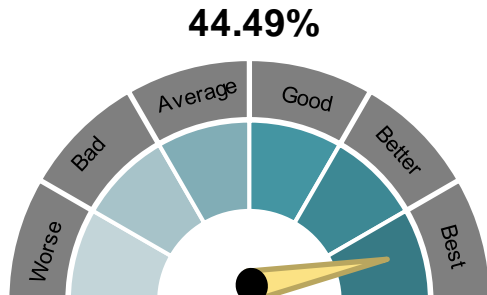
	2019-20	2018-19	2019-20	2018-19
Debtors Collection Period	51.2	66.7	58.2	59.6
Creditors Payment Period	65.5	99	78.3	69.5
No of days of Inventory	62.59	76.85	72.57	72.31



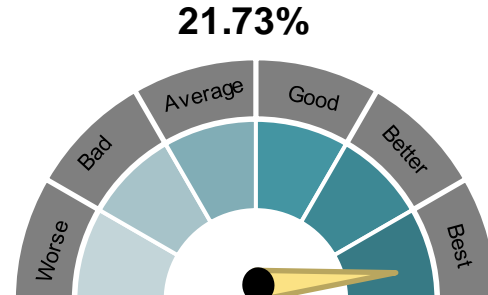
Profitability Ratios



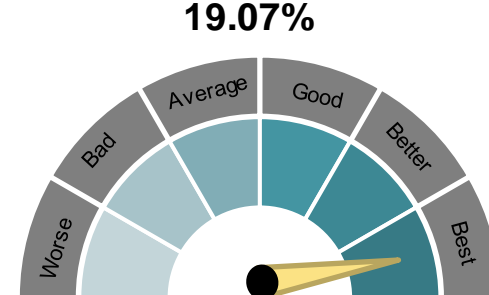
Net Profit Margin



Gross Profit Margin



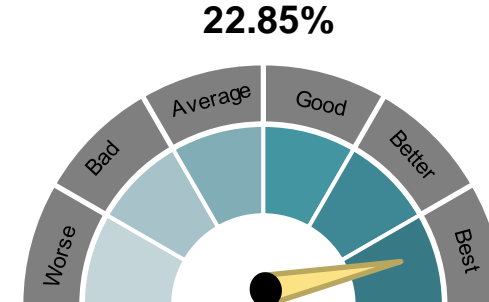
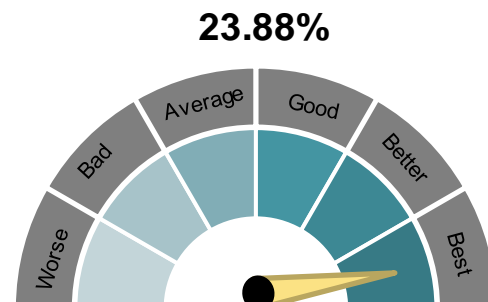
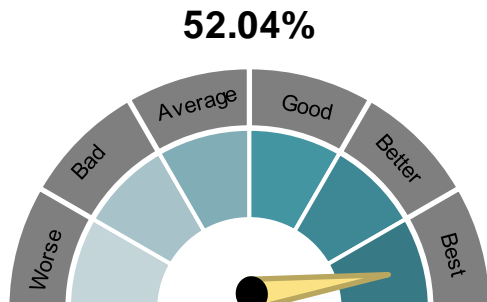
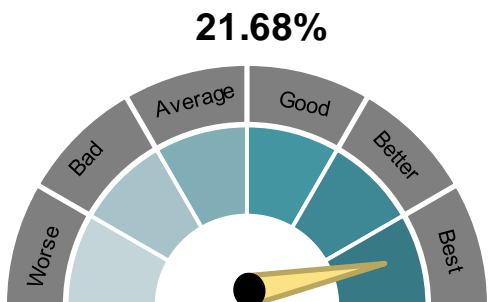
Operating Profit Margin





Pre-tax Margin

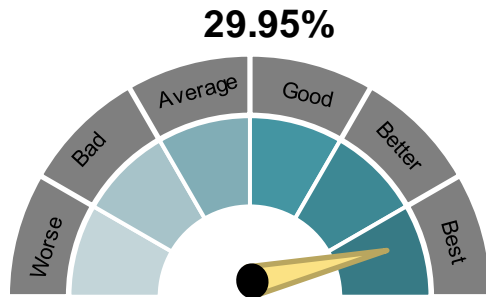


Alkyl Amines Chemicals Limited

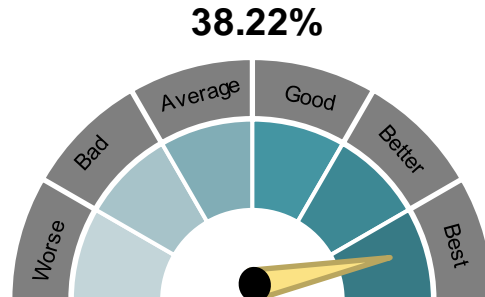


	2019-20	 2018-19	2019-20	 Alkyl Amines Chemicals Limited 2018-19
Net Profit Margin	14.45%	6.43%	21.68%	9.89%
Gross Profit Margin	44.49%	35.25%	52.04%	43.08%
Operating Profit Margin	21.73%	12.71%	23.88%	17.00%
Pre Tax Margin	19.07%	9.93%	22.85%	15.25%

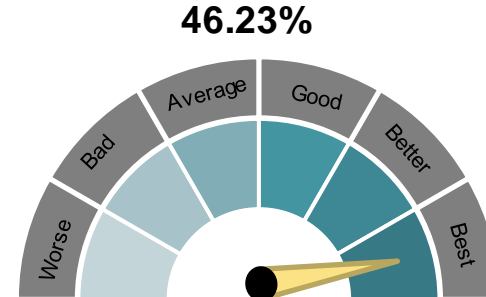
Profitability Ratios



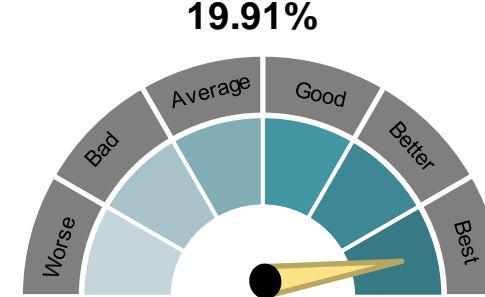
Operating Return on Assets



Return on Total Capital



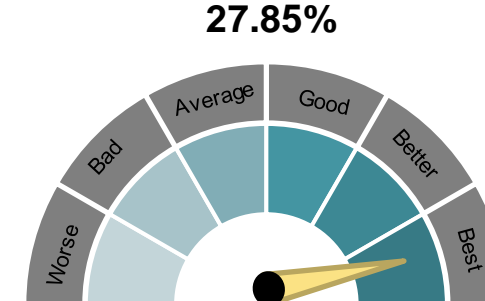
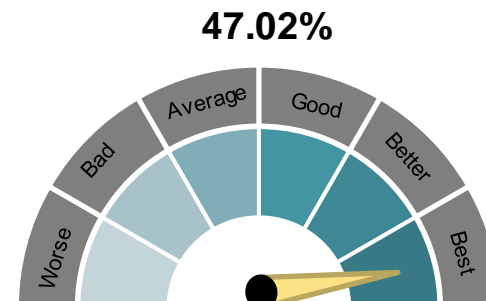
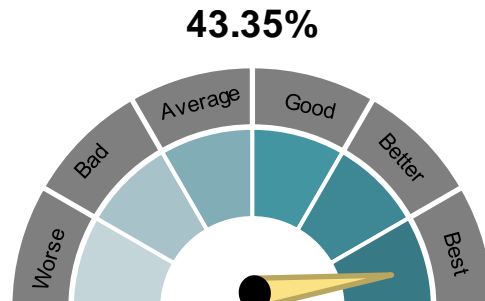
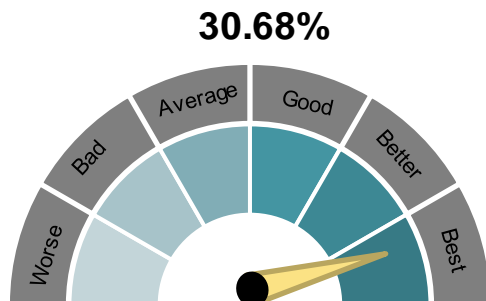
Return on Equity



Return on Asset



Alkyl Amines Chemicals Limited



2019-20



2018-19

2019-20



2018-19

Operating Return on Assets

29.95%

12.44%

30.68%

20.39%

Return on Total Capital

38.22%

17.16%

43.35%

29.71%

Return on Equity

46.23%

17.42%

47.02%

24.34%

Return on Asset

19.91%

6.29%

27.85%

11.85%

DuPont Analysis



Alkyl Amines Chemicals Limited

Net Profit Margin
Net Income/Revenue

Asset Turnover
Revenue/Avg. Total
Asset
=1.38

Leverage Ratio
Avg. Total
Assets/Equity
=2.32

Net Profit Margin
Net Income/Revenue

Asset Turnover
Revenue/Avg. Total
Asset
=1.28

Leverage Ratio
Avg. Total
Assets/Equity
=1.69

Tax Burden

Net Income/EBT
=0.76

Interest Burden

EBT/EBIT
=0.88

EBIT Margin

EBIT/Revenue
=0.22

Tax Burden

Net Income/EBT
=0.95

Interest Burden

EBT/EBIT
=0.96

EBIT Margin

EBIT/Revenue
=0.24

ROE= (Tax burden)* (Interest burden)* (EBIT Margin)* (Asset turnover)* (Financial leverage)

$$\text{ROE} = (0.76) * (0.88) * (0.22) * (1.38) * (2.32) = 0.46$$

$$\text{ROE} = (0.95) * (0.96) * (0.24) * (1.28) * (1.69) = 0.44$$

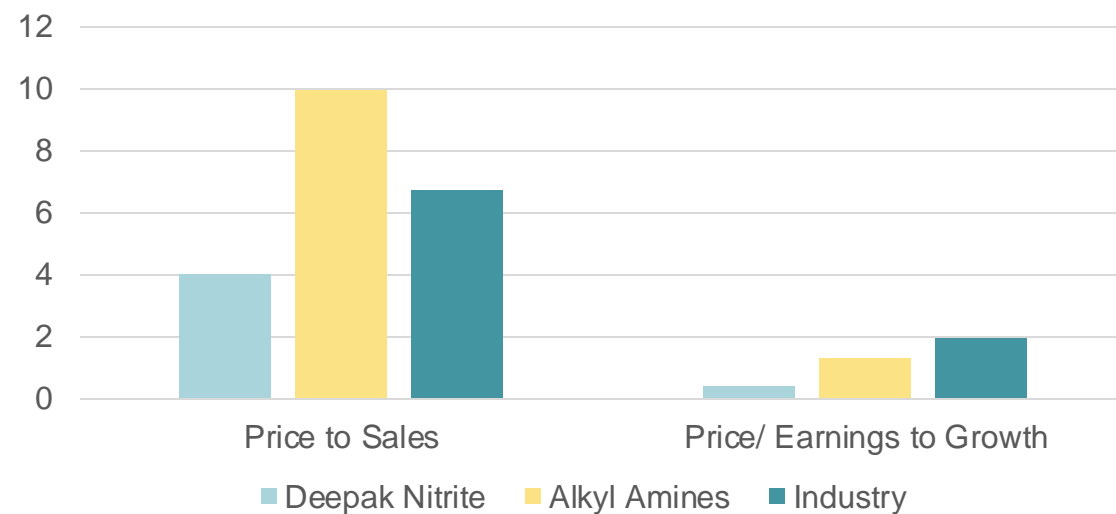
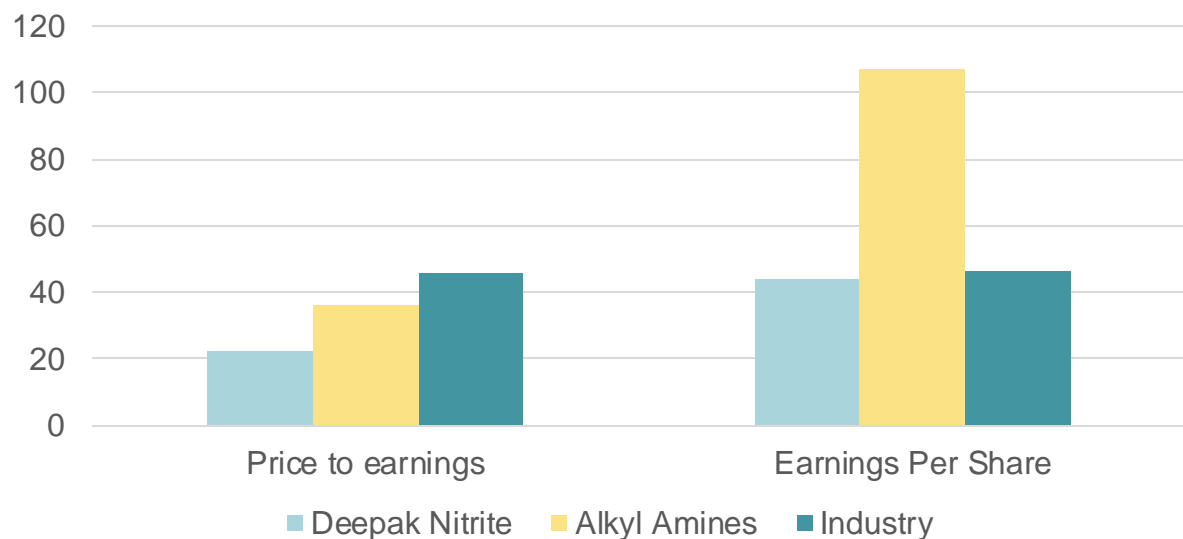
Valuation Ratios



Alkyl Amines Chemicals Limited

Chemical Industry Average

Metric	DEEPAK NITRITE	ALKYL	Chemical Industry Average
Price to Earnings Ratio	22.5	36.2	45.71
Earnings Per Share	43.85	107.3	46.12
Price to Sales	4.01	9.95	6.74
Price / earnings-to-growth	0.41	1.31	1.94



Cash Flow Analysis- Deepak Nitrite

Operating Activities

- Cash generated from Operating Activities including tax - 963.16 Cr
- Profit Before Tax - 806.4 Cr
- Trade Receivables
18-19 - 161.86 Cr
19-20 - 41.92 Cr
- Trade Payables
18-19 - 19.35 Cr
19-20 - 111.84 Cr

Investing Activities

- Purchase of Fixed Assets (398.39 Cr)
- Cash Flow from Investing Activities - (427.94 Cr)

Financing Activities

- Proceeds from Non Current Borrowings
18-19 - 380.77 Cr
19-20 - 24.76 Cr
- Repayment of Non Current Borrowings
18-19 -(104.52) Cr
19-20 - (125.37 Cr)
- Interest Paid
18-19 -(84.13) Cr
19-20 - (113.42) Cr
- Principal repayment of lease liability and Interest cost of lease for CY 19-20
- Cash Flow from Financing Activities- (337.56) Cr

Cash Flow Analysis- Alkyl Amine

Operating Activities

- Cash generated from Operating Activities including tax - 24,595.63 L
- Profit Before Tax - 24,575.14 L
- Trade Receivables
18-19 -1489.93 L
19-20 - 3485.54
- Trade Payables
18-19 - 5681.08 L
19-20 - (5321.52 L)

Investing Activities

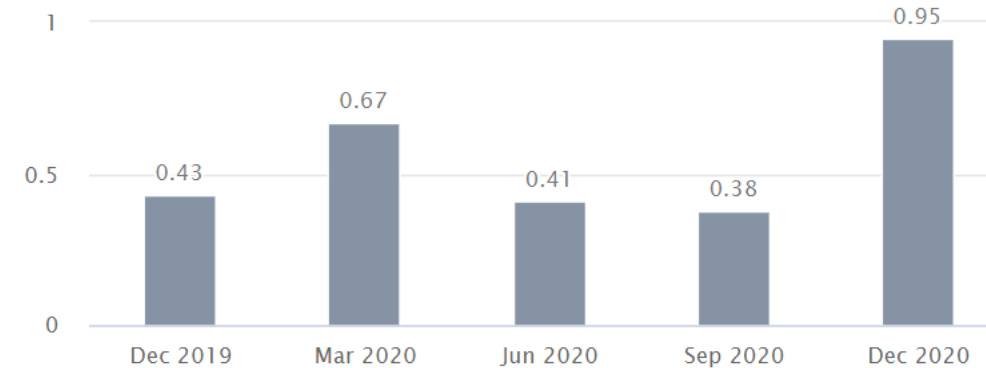
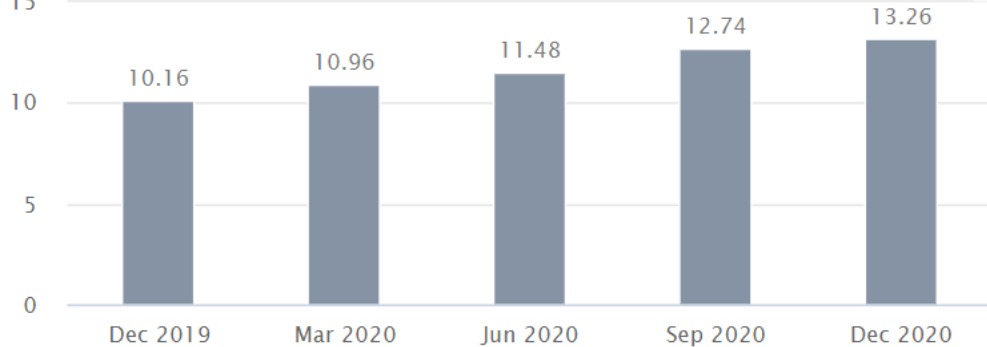
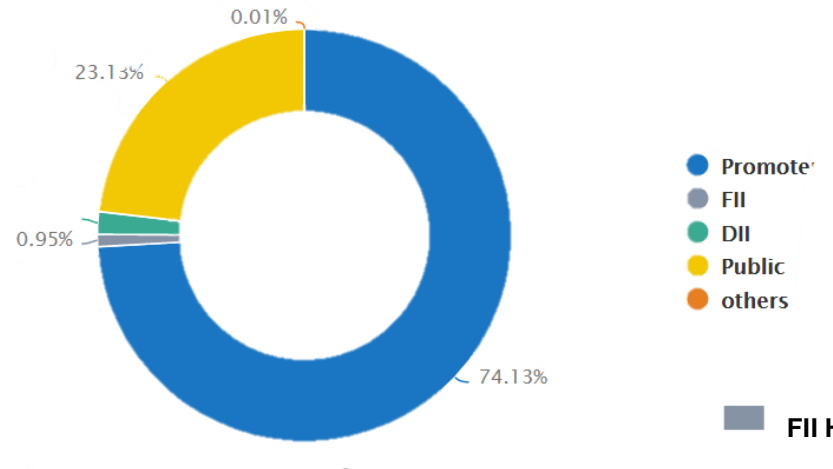
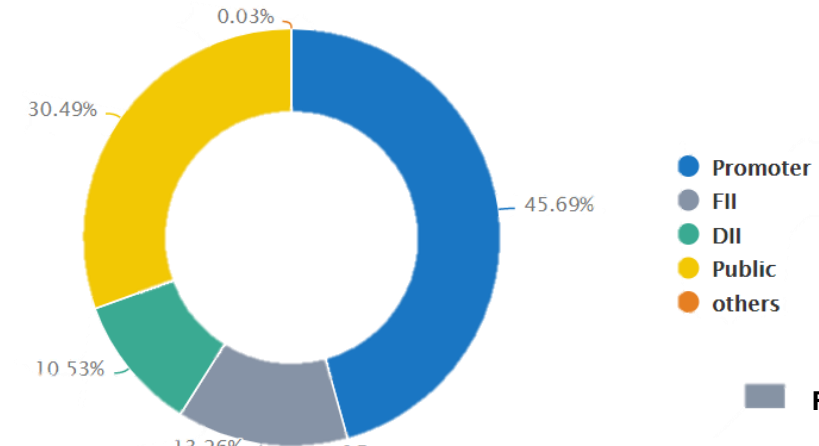
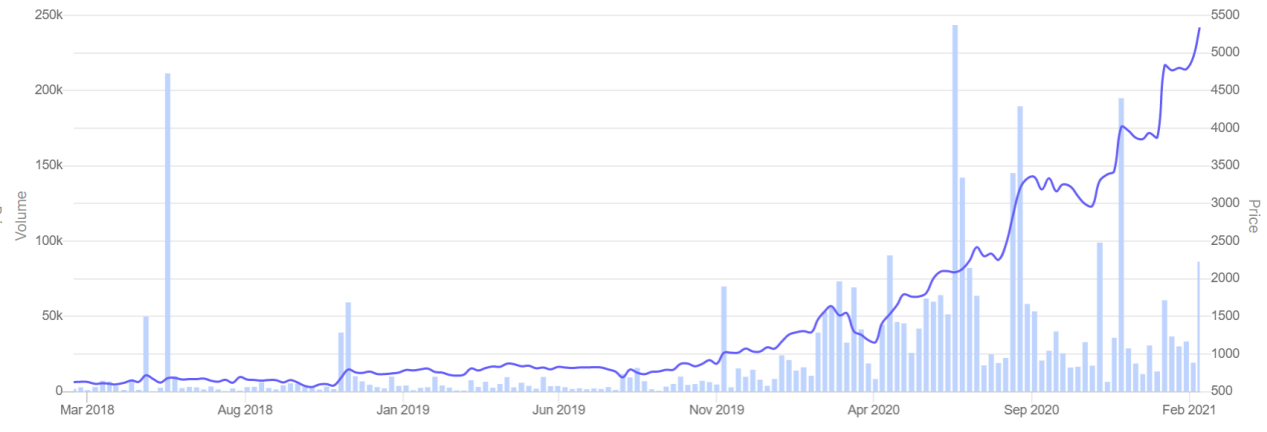
- Purchase of Fixed Assets (7728.46 L)
- Cash Flow from Investing Activities - (4078.98 L)

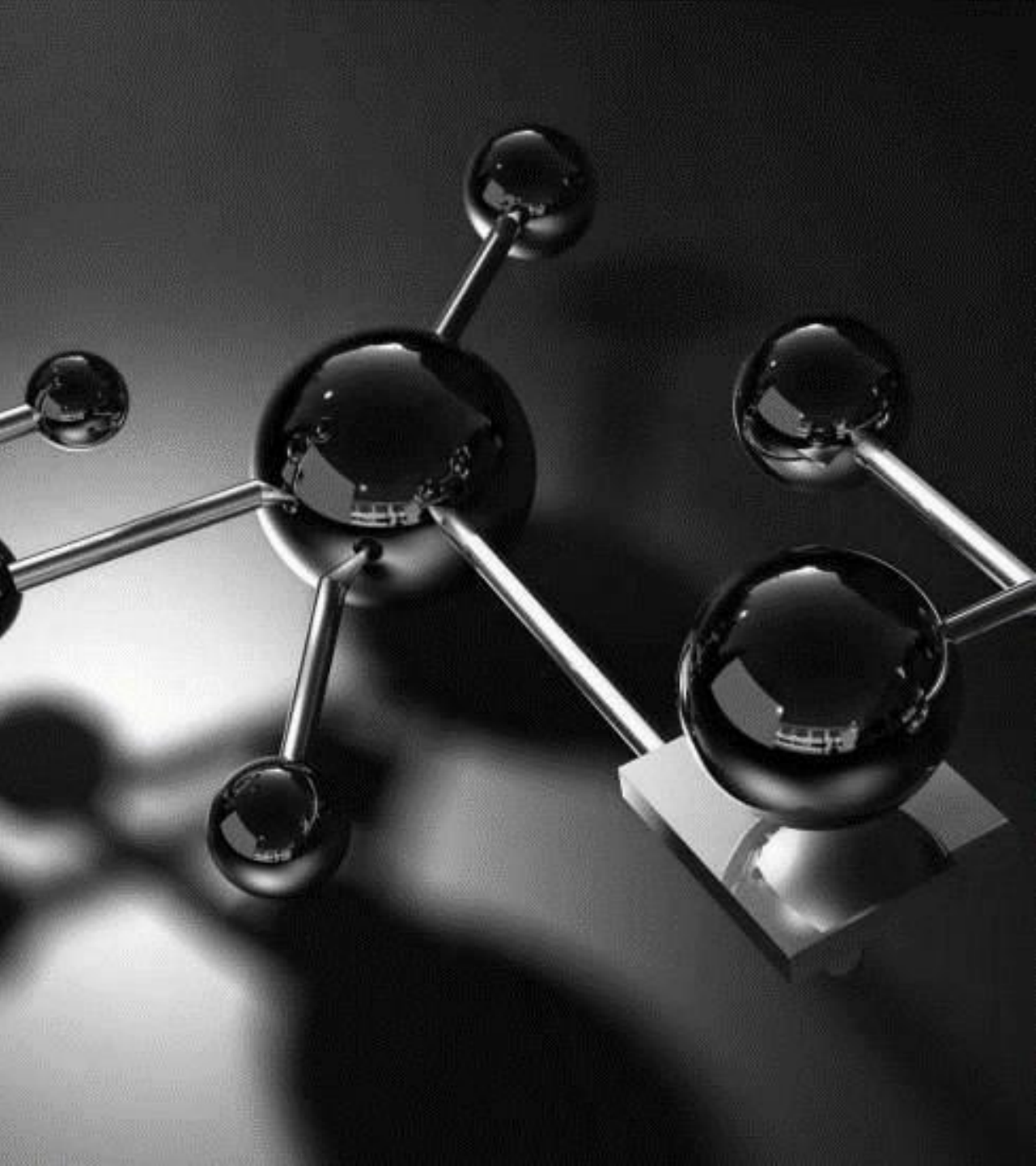
Financing Activities

- Repayment of Non Current Borrowings
18-19 -(3456.23) L
19-20 - (2919.03) L
- Interest Paid
18-19 -(1500.69) L
19-20 - (1073.80) L
- Increase in Lease liabilities for CY
19-20 - 67.80 L
- Cash Flow from Financing Activities - (13,513.92) L



Alkyl Amines Chemicals Limited





Thank you

PROJECT BY:

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Tanvi Save PGDGFM 2031

Anjana Nambiar PGDGFT 2002

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