

Company Details

CMP:	Rs.166.70
Face value:	Rs.10.00
Market cap:	Rs.152.03 Crs.
TTM EPS	Rs.13.22
52 week high:	Rs.226
52 week low:	Rs.115.05
BSE Code:	506597
Sector	Specialty Chemicals

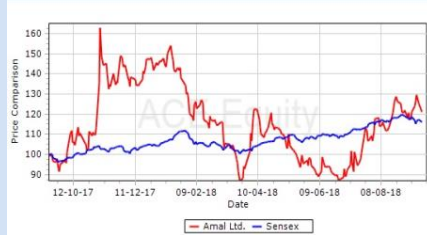
Financial Highlights (YoY)

	Rs. in crores		
	FY18	FY17	% Var
Net Sales	32.32	28.67	12.73
Total Expendit	20.09	16.82	19.44
PBDIT	12.23	11.86	3.12
Op.Profit	12.56	11.93	5.28
OPM (%)	38.86	41.61	-6.61
PBT	9.70	8.89	9.11
PAT	9.70	8.89	9.11
EPS (Rs.)	10.29	12.65	-18.66
Equity	9.43	7.03	34.14

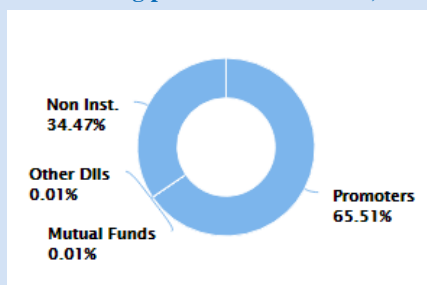
Quarterly Performance (YoY)

	Rs. in crores		
	Q1FY19	Q1FY18	% Var
Net Sales	9.25	6.43	43.86
Total Expe	4.63	4.39	5.47
PBDIT	4.62	2.04	126.47
Op.Profit	4.70	2.10	123.81
OPM (%)	50.81	32.66	55.58
PBT	4.00	1.39	187.77
PAT	2.96	1.39	112.95
EPS (Rs.)	3.14	1.98	58.75

Share Price Graph



Shareholding pattern as on June 30, 2018



Research Analyst

Animesh Yadav

animesh.yadav@satco.co.in

Satco Capital Markets Ltd.

Board Line: +91 022 2645 6666 |

Ext: 288 | Fax: +91 022 2651 6783

Company Background

Amal Ltd., a Gujarat-based company, a part of Atul Lalbhai group of companies, was incorporated in 1974 and is engaged in manufacture of specialty chemicals such as sulphuric acid, Oleum, Sulphur trioxide and sulphur dioxide. The company was originally promoted by Piramal group in 1974-75 and controlling interest of the company was sold to Atul Ltd in 1985-86. Its manufacturing plant is located at Ankleshwar in Gujarat and has an installed capacity of 140mt per day. The chemicals manufactured by the company find use in several industries like Dyes, Fertilizers, Personal Care, Petrochemical, Pharma, Textile etc. The Sulphuric acid is the major contributor to the revenues of the company.

Financial Performance

For Q1 FY19, the Net sales of the company increased by 44% to Rs. 9.25 crores compared to Rs. 6.43 crores in Q1 FY18. The EBITDA for Q1FY19 stood at Rs. 4.62 crores as compared to Rs. 2.04 crores in Q1FY18 resulting in a growth of 126% Y-o-Y due to strong operational performance. **PAT for Q1FY19 stood at Rs. 2.96 crores as compared to Rs. 1.39 crores in Q1FY18 recording a growth of 113%. The company has reported very healthy & strong Operating margin of 44.3% and Net Profit margin of 32% for the quarter.**

Investment Rationale

- Sulphuric Acid and its downstream products are based on Sulphur. The world market for Sulphuric Acid is expected to grow by 3-3.5% per annum, with the fertilizer industry contributing to 65% of the consumption. The price of Sulphur and consequently its contribution to margins of the company are influenced by the international prices of Sulphur and the rate of foreign exchange. The Global Sulphuric Acid Market is mainly driven by the growing demand for Sulphur based fertilizers. It is also used in a wide range of applications, including oil refining and chemical manufacturing. The global market for sulphuric acid is expected to increase at a steady single-digit CAGR in the next decade.
- Given the Fertilizer being the largest consumer of Sulphuric acid in India, and with the rising urbanization and population in country, which is further increasing focus on agriculture sector of India to meet growing demand for food.
- The price of Sulphuric acid has increased to Rs 10,000 per tonne from Rs 4,000 per tonne after the shutdown of Vedanta's copper smelter-Sterlite copper in Thoothukudi. Sterlite had a 15% share of the Sulphuric acid market in India.
- The company has made further progress during the FY18 in implementing planned key initiatives to better its performance. Manufacturing efficiency and capacity utilization have improved. The company has identified key initiatives to ensure consistency in manufacturing performance and higher capacity utilization to be achieved through the year. The company is exploring investment in other new value added products in the chosen area with relatively low investments.
- The promoters, viz., Atul Ltd. and its associates hold 65.5% equity capital of the Company, followed by institutions that hold 0.02% and the balance 34.5% shares are held by the public.

Concerns

The fluctuations in sulphuric acid price, foreign exchange rates and competition from other players are some of the concerns.

Valuation

The share of this specialty chemical manufacturing Company is trading at a lower TTM P/E of 12.2x against that of industry at 28.3x. Keeping in view the positive outlook for chemical industry, increasing demand for products manufactured by the company, higher operating and net profit margins and very low PE ratio compared to the industry, we recommend a buy on share of this Company. We expect the Company to report an EPS of Rs 14 for FY19 and with a reasonable PE ratio of 16x, we expect the price of the company to touch Rs 224 over the next 12months.

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