



IPO Report

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31st Aug 21

Snapshot

Ami Organics has an experience of over 15 years of developing, manufacturing and commercialising advanced pharma intermediates used for manufacturing API and NCE in India and overseas. Company have developed and commercialised over 450 Pharma Intermediates across 17 key therapeutic areas since inception and NCE, which are being supplied to over 150 customers in India and 25 countries overseas. Some of the key therapeutic areas catered to by company include anti-retroviral, anti-inflammatory, anti-psychotic, anti-cancer, anti-Parkinson, antidepressant and anti-coagulant.

VALUATION

Company is bringing the issue at price band of Rs 603-610 per share at p/e multiple of 41 on post issue FY21 basis. With company's plans to invest in development of products used in manufacture of APIs being used in formulations whose patents are expiring, increase in demand for the Pharma Intermediates for such APIs can be seen. Additionally, recent acquisition of GOL's business will also be growth driver of company going forward. Looking after all above we recommend "Subscribe" on issue.

Price Band (Rs./Share)	603-610
Opening date of the issue	01 st Sep'21
Closing Date of the issue	03 rd Sep'21
No of shares pre issue	33158374 Eq Shares
Issue size (Rs. Cr)	Rs Approx 565- 570 Cr
Fresh Issue	Rs 200 Cr
Offer For Sale (No)	6059600 Eq Shares
Face Value (Rs/ share)	10
Bid Lot	24
BIDDING DETAILS	
QIBs (Including Anchor)	50% of the offer (Approx 4669143 Shares)
Non-Institutional	15% of the offer (Approx. 1400744 Shares)
Retail	35% of the offer (Approx. 3268401 Shares)
Lead managers	Intensive Fiscal , Ambit Pvt Ltd, Axis Capital Ltd
Registrar to the issue	Link Intime India Private Ltd.

WHAT WE LIKE

Major manufacturers of Pharma Intermediates

Ami Organics Ltd one of the major manufacturers of Pharma Intermediates for certain key APIs, including Dolutegravir, Trazodone, Entacapone, Nintedanib and Rivaroxaban. The Pharma Intermediates which company manufacture, find application in certain high-growth therapeutic areas including anti-retroviral, anti-inflammatory, anti-psychotic, anti-cancer, anti-Parkinson, anti-depressant and anti-coagulant, commanding significant market share both in India and globally.

Strong Clientele

Company's customer base currently comprises of number of international customers including Organike s.r.l. a sociounico, Fermion Oy, Fabbrica Italiana Sintetici S.p.A, Medichem S.A., Chori Co. Limited, Midas Pharma GmbH, Fabbrica Italiana Sintetici S.p.A, and domestic customers including Laurus Labs Limited, Cipla Limited and Cadila Healthcare Limited.

Strong market research-based model

Company has a strong market research-based model wherein it focuses on development of Pharma Intermediates either for molecules which are under clinical trials; or for molecules which have been launched in the patented as well as generic space. Company is focused on undertaking dedicated R&D in its existing product lines and in areas where there is significant growth potential. As a result of company's R&D capabilities, company have been able to file eight process innovation patent applications in India applications (in respect of intermediates used in the manufacture of Apixaban, Rivaroxaban, Nintedanib, Vortioxetine, Selexipag, Pimavanserin, Efinaconazole and Eliglustat) which are presently published in the Official Journal of the Patent Office in India and three additional pending patent applications for which applications were made recently, in March 2021.



COMPANY BACKGROUND

Ami Organics have developed and commercialised over 450 Pharma Intermediates for APIs across 17 key therapeutic areas since inception and NCE, with a strong focus on R&D across select high-growth high margin therapeutic areas such as anti-retroviral, anti-inflammatory, anti-psychotic, anti-cancer, anti-Parkinson, anti-depressant and anticoagulant, for use across the global pharmaceutical market. Company's Pharma Intermediates used for manufacturing of APIs and NCEs portfolio has expanded from over 425 products as of March 31, 2019, to over 450 products as of March 31, 2021.

In addition, company recently completed the acquisition of two additional manufacturing facilities operated by GOL which has added preservatives (parabens and parabens formulations which have end usage in cosmetics, animal food and personal care industries) and other specialty chemicals. The Acquisition is in line with its inorganic growth strategy of foraying further into the specialty chemicals sector and it will enable company to significantly diversify its existing product portfolio, with an objective of attaining inorganic expansion of company's business.

Company have three manufacturing units located at (i) GIDC, Sachin, Gujarat, with an installed capacity of 2,460.00 MTPA ("Sachin Facility"), (ii) GIDC, Ankleshwar Industrial Estate, Gujarat, with an installed capacity of 1,200.00 MTPA ("Ankleshwar Facility"), and (iii) GIDC Industrial Estate, Jhagadia, Gujarat, spread over an aggregate land area of 56,998.35 sq. mtrs. with an installed capacity of 2,400.00 MTPA ("Jhagadia Facility" and together with Sachin Facility and Ankleshwar Facility, the "Manufacturing Facilities"). Of the above, the Ankleshwar Facility and Jhagadia Facility have been recently acquired by company from GOL. Company's Sachin Facility is inspected and approved (EIR issued) by US FDA for manufacture and supply of advanced pharmaceutical intermediates for manufacturing of APIs and NCEs since 2016.

Revenue Break-up: Overall

Product Category	Revenue from operations (in Rs Mn)			Export %		
	Fiscal 2021	Fiscal 2020	Fiscal 2019	Fiscal 2021	Fiscal 2020	Fiscal 2019
Business of Ami Organics Limited						
- Pharma Intermediates	3011.41	2178.83	2033.91	53.47%	46.52%	56.09%
% of total revenue from operations	88.41%	90.92%	85.27%			
- Specialty Chemicals	165.87	74.33	22.16	86.30%	100.00%	100.00%
% of total revenue from operations	4.87%	3.10%	0.93%			
-Others	228.8	143.27	329.05	0.00%	0.00%	0.00%
% of total revenue from operations	6.72%	5.98%	13.80%			
Total Revenue from Operations	3406.08	2396.43	2385.12	51.57%	45.89%	49.61%

Source :RHP

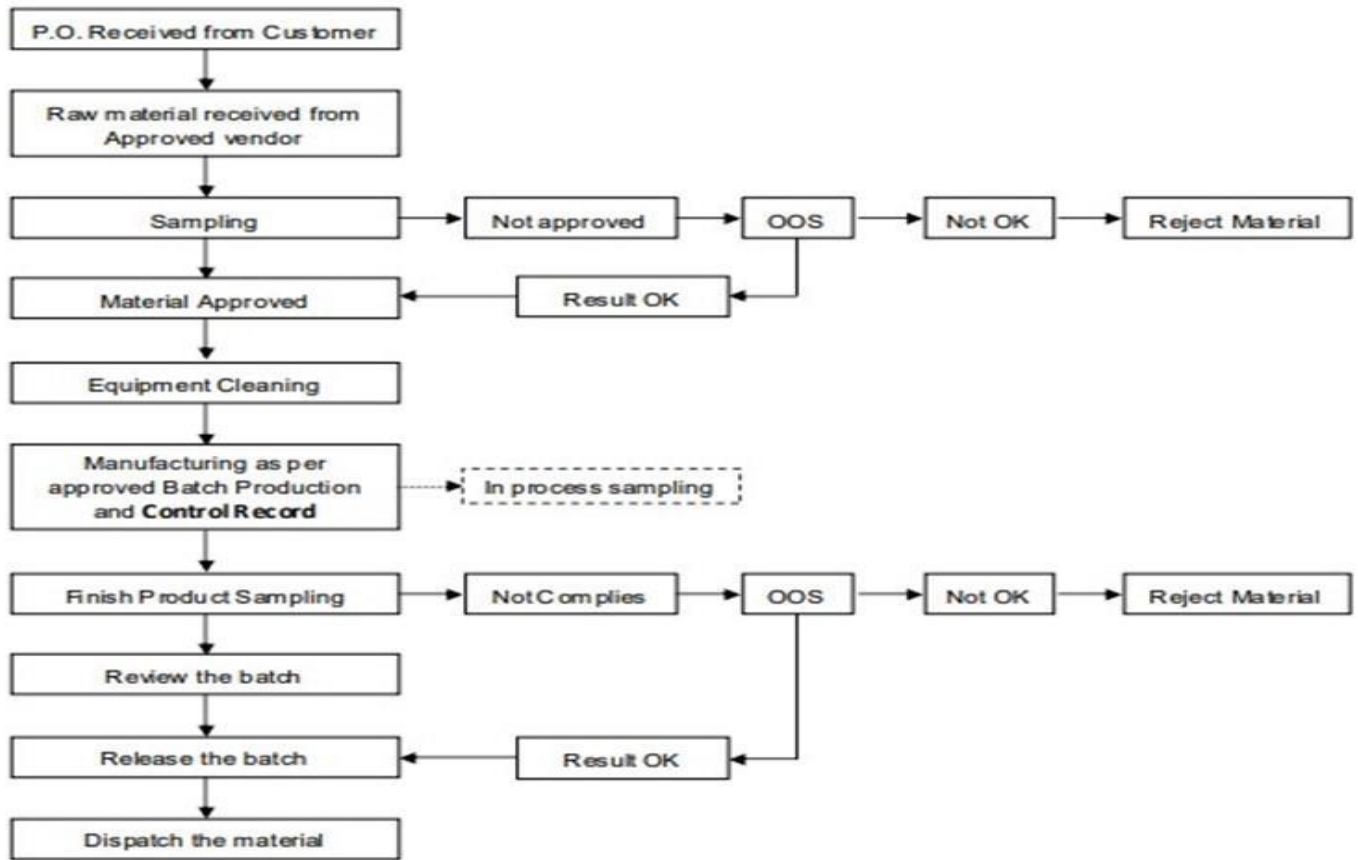


INVESTMENT RATIONALE

<p><i>Extensive geographical presence and diversified customer base with long standing relationships</i></p>	<p>Ami Organics cater to domestic and certain multi-national pharmaceutical companies which cater to the large and fastgrowing markets of Europe, China, Japan, Israel, UK, Latin America and the USA. Company supply products to 25 countries and have long standing relationships with numerous domestic and global pharmaceutical companies. Specifically, company cater extensively to the large geographies of Italy, Finland, France and China, which contributed to 35.47%, 17.67%, 10.55% and 9.45% respectively, of company’s total revenue from exports for Fiscal 2021. Company’s exposure to a risk of concentration, enabling it to further diversify and expand its business relationships. Some of company’s domestic customers includes Laurus Labs Limited and Cipla Limited and its export customers includes Organike s.r.l.a Socio Unico, Fermion Oy, Fabbrica Italiana Sintetici S.p.A, Chori Co. Ltd., Medichem S.A. and Midas Pharma GmbH.</p>
<p><i>High entry barriers in the chemicals manufacturing industry in which the company operates.</i></p>	<p>This pharmaceutical intermediates business has high entry barriers <i>inter alia</i> due to: (a) a long gestation period to be enlisted as a supplier with the customers, particularly with the customers in US and European countries, which requires suppliers to adhere to strict compliance requirements, leading to a high regulatory gestation period; and (b) the involvement of complex chemistries in the manufacturing process, which is difficult to commercialize on a large scale. Company’s Sachin facility is USFDA inspected and in respect of which company have received the EIR twice, in 2018 and 2020. Further, APIs and NCEs manufactured by company’s customers, where its products are used, and where such use has been formally recognised in filings with regulatory agencies, any change in the vendor of the product may require significant time and cost for the customer resulting in a propensity amongst customers to continue with the same set of suppliers. Hence, customer acquisition involves a long gestation period, resulting in a very few players being involved in manufacturing of the products.</p>
<p><i>Strong and diversified product portfolio ably supported by strong R&D and process chemistry skill</i></p>	<p>Ami Organics is a R&D driven manufacturer of specialty chemicals with varied end usage, focussed towards the development and manufacturing of Pharma Intermediates for regulated and generic APIs and NCE and key starting material for agrochemical and fine chemicals. Based on its existing business strategy of early identification of molecules for development and supply, company have developed and commercialised over 450 Pharma Intermediates for APIs including Dolutegravir, Trazodone, Entacapone, Nintedanib and Rivaroxaban and NCEs across 17 high growth therapeutic areas since inception, such as anti-retroviral, anti-inflammatory, anti-psychotic, anti-cancer, anti-Parkinson, anti-depressant and anti-coagulant.</p>



ORDER PROCESSING & DISPATCH PROCESS



Source :RHP

OBJECTS OF ISSUE

Fresh Issue

The net proceeds of the Fresh Issue, and the proceeds from the Pre-IPO Placement are proposed to be utilised in the following manner:

1. Repayment/prepayment of certain financial facilities availed by Company;
2. Funding working capital requirements of Company; and
3. General corporate purposes.

RISKS

Company have incurred significant indebtedness of ₹ 1,463.98 million as of June 30, 2021. The secured borrowings of company as at 31 March 2021, 31 March 2020 and 31 March 2019 were ₹ 1,278.15 million, ₹ 521.05 million and ₹ 434.04 million, respectively and the unsecured borrowings of company as at 31 March 2021, 31 March 2020 and 31 March 2019 were ₹ 88.21 million, ₹ 73.14 million and ₹ 105.00 million, respectively.

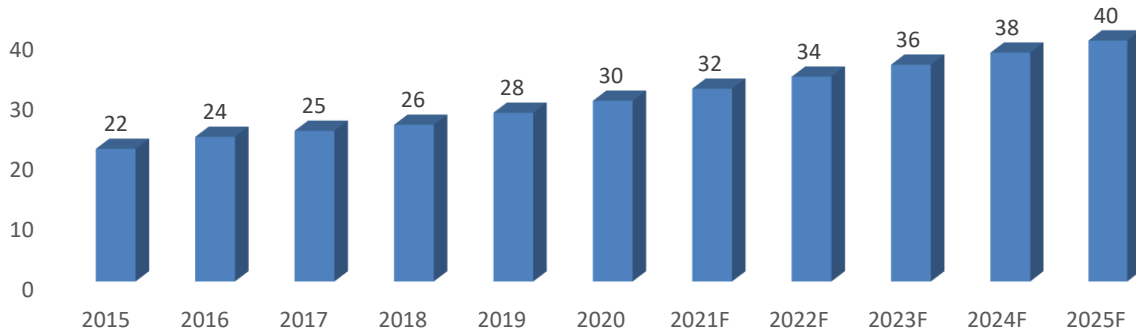


INDUSTRY OVERVIEW

Global API-RM/KSM Market

The Global market for speciality intermediates that go into pharmaceutical application was valued at USD 30 Bn for 2020. Key Starting Material (KSM) term is used for intermediates in pharmaceutical industry. These are building blocks of drug industry.

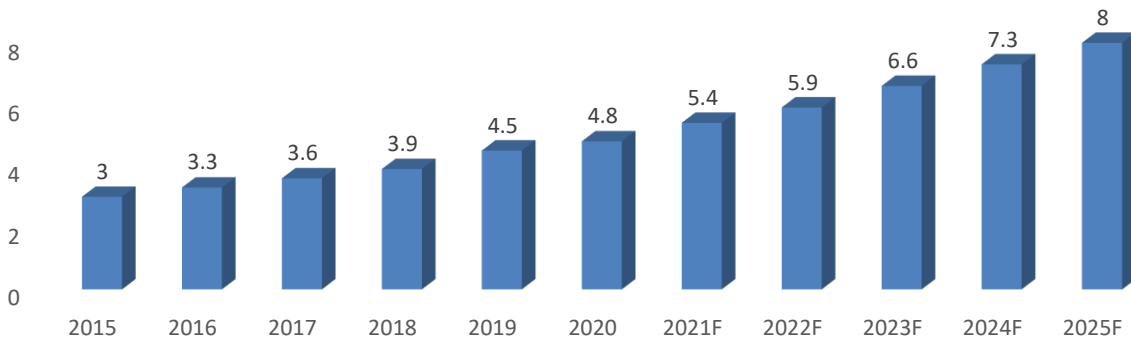
Global API-RM/KSM, Industry size (USD Bn), 2015-2025F



India API-RM/KSM Market

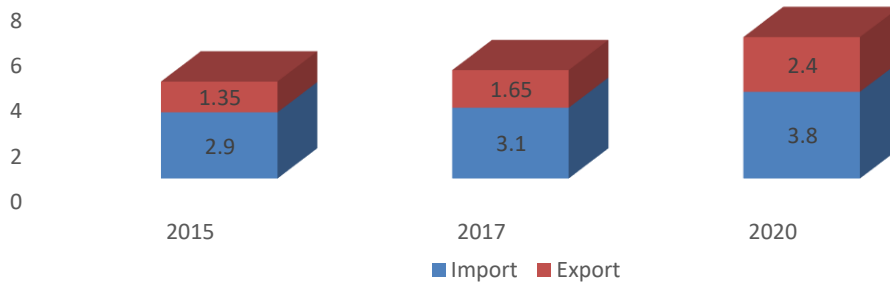
The market for Pharmaceutical intermediates in India for the year 2020 was estimated to be around USD 4.8 Bn, growing at a CAGR of 9.8% over 2015-20.

Indian API-RM/KSM Market size (USD Bn), 2015-2025F



Imports and Exports:

India API-RM/KSM, Trade, 2015, 2017, 2020, USD Bn



Source :RHP



Rs in Mn)

Financials	FY21	FY20	FY19
Total Revenue (A)	3406.08	2396.43	2385.12
Total Expenditure (B)	2604.55	1986.27	1964.32
EBIDTA	801.53	410.16	420.80
EBIDTA Margin	23.53	17.12	17.64
Other Income	13.80	28.44	3.84
Depreciation	41.88	35.18	26.00
EBIT	773.45	403.42	398.64
Interest	56.18	55.87	47.53
PBT	717.27	347.55	351.11
E/O Items	0.00	0.00	0.00
PBT	717.27	347.55	351.11
Sh of Profit in Associates	0.00	0.00	0.00
PBT	717.27	347.55	351.11
Tax	177.27	72.84	118.15
PAT	540.00	274.71	232.96
NPM	15.85	11.46	9.77
ROE %	32.35	24.57	28.33
EPS	17.14	8.72	7.40
Eq Cap	315.00	105.00	105.00
Net Worth	1669.33	1118.14	822.20

PEERS ANALYSIS

Following is peer group analysis:

Company	OPM%	NPM%	RONW	P/E
Ami Organics(FY21)	23.53	15.85	32.35	---
Aarti Industries	19.54	10.65	19.49	55.75
Atul Ltd	24.58	17.49	18.70	38.51
Hikal Ltd	18.77	7.73	15.21	47.26
Neuland Lab	15.67	8.60	10.79	29.05
Valiant Organics	27.18	17.33	45.31	30.26
Vinati Organics	36.94	28.22	19.08	66.29

Source: Ace Equity Database as on 30th Aug'21



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