

AMI ORGANICS LTD.



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Focus remains on technology upgradation and process improvement

CMP INR 960	Target INR 1,229	Potential Upside 28%	Market Cap (INR Mn) INR 35,003	Recommendation BUY	Sector Pharma
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Result Highlights of Q4FY22:

- During Q4FY22, Ami Organics Ltd(AOL) reported revenue of INR 1,435 Mn (+54.47% YoY / +1.70% QoQ). For FY22 topline was up by 52.70% YoY. The growth was driven by Pharma Intermediate business followed by Specialty chemicals post acquisition of facilities from Gujrat Organics (GOL).
- On operational front EBITDA in Q4FY22 stood at INR 258 Mn (+10.78% YoY) but dipped marginally on QoQ basis by 13.57%, OPM saw a dip of 709bps YoY and 318 bps QoQ to 17.98% in Q4FY22. Margins fell on account of rising input costs.
- Net Profit in Q4FY22 stood at INR 213 Mn showing an improvement of 38.31% YoY and 9.23% QoQ, with NPM at 14.94%, marginal impact of 173bps on YoY basis and improved 102bps on QoQ basis. EPS during the quarter came at 6.22 against 4.89 in the same quarter last year.
- The company has declared a final dividend of INR 3 per share.

MARKET DATA

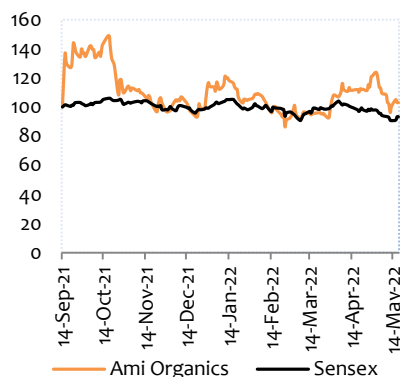
Shares outs (Mn)	32
Mkt Cap (INR Mn)	36,097
52 Wk H/L (INR)	1438/764
Volume Avg (3m K)	185.3
Face Value (INR)	10
Bloomberg Code	AMIORG IN

KEY FINANCIALS

INR Mn	FY20	FY21	FY22	FY23E	FY24E
Revenue	2,396	3,406	5,201	6,397	8,061
EBITDA	410	801	1,052	1,471	1,935
PAT	275	540	720	1,003	1,378
EBITDA Margin (%)	17.12%	23.53%	20.23%	23.00%	24.00%
NPM (%)	11.46%	15.85%	13.84%	16.15%	17.10%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	54,262
NIFTY	16,256

Improving product mix:

During Q4FY22, Ami Organics Ltd(AOL) reported revenue of INR 1,435 Mn (+54.47% YoY / +1.70% QoQ). The growth was driven by Pharma Intermediate business followed by Specialty chemicals post acquisition of facilities from Gujrat Organics (GOL). Pharma intermediate was up by 32% on QoQ basis at INR 1,102 Mn whereas specialty chemical showed a phenomenal growth with revenues at INR 245 Mn. For FY22 topline was up by 52.70% YoY at INR 5201 Mn. During FY22, it has commercialised 17 new products. The company has also announced a Capex plan of INR 190cr for brownfield project in Ankleshwar, Gujarat, exclusively for the manufacturing of pharma intermediate business.

Margins remained suppressed:

On operational front AOL's EBITDA in Q4FY22 stood at INR 258 Mn (+10.78% YoY) but dipped marginally on QoQ basis by 13.57%, OPM saw a dip of 709bps YoY and 318 bps QoQ to 17.98% in Q4FY22. The company has been able to pass on incremental input costs but overall margins fell on account of rising input costs. For GOL, margins improved from 5% to 11% in the last four quarters. Net Profit in Q4FY22 stood at INR 213 Mn showing an improvement of 38.31% YoY and 9.23% QoQ, with NPM at 14.94%, marginal impact of 173bps on YoY basis and improved 102bps on QoQ basis. Higher depreciation in FY22 was mainly on account of the newly acquired facilities.

Foray into new vertical:

AOL has successfully developed electrolyte for cells which are used in energy storage devices. It being the first Indian and global company outside China to develop this product, it has successfully done pilot production and samples are under approval with customers. With further progress this will aid growth in the near future.

SHARE HOLDING PATTERN (%)

Particulars	Mar-22	Dec-21	Sep-21
Promoters	41.05	41.05	41.05
FIIIs	2.23	1.34	2.51
DIIIs	5.63	3.81	6.3
Others	51.80	53.80	50.14
Total	100	100	100

33.26%

Revenue CAGR
between FY21 - FY24E

34.14%

EBITDA CAGR
between FY21 - FY24E

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Valuation and view:

We believe AOL's successful development and commercialisation of its products using continuous flow reactors will improve efficiency going forward. Its continuous focus on increasing the capacity utilisation and margin pick up in acquired facilities will also provide better operating leverage in the coming quarters. The target of launching newer products is likely to augur well for the company. At a CMP of INR 960 AOL is trading at a P/E multiple of 33.83x/25.36x its FY23E/24E earnings. **We apply P/E multiple of 32.5x its FY24E earnings and thus continue to maintain our 'BUY' recommendation on the stock with the same target price of INR 1,229.**

Key Concall Highlights:

Capex plans:

- The Capex for demolishing and set up of Ankleshwar facility is INR 1900 MN which will be funded through a mix of internal accruals and debt.
- The following capex is expected to get completed by end FY2024.
- Expects 2-3x asset turnover from new facility post commercialisation from the plant.

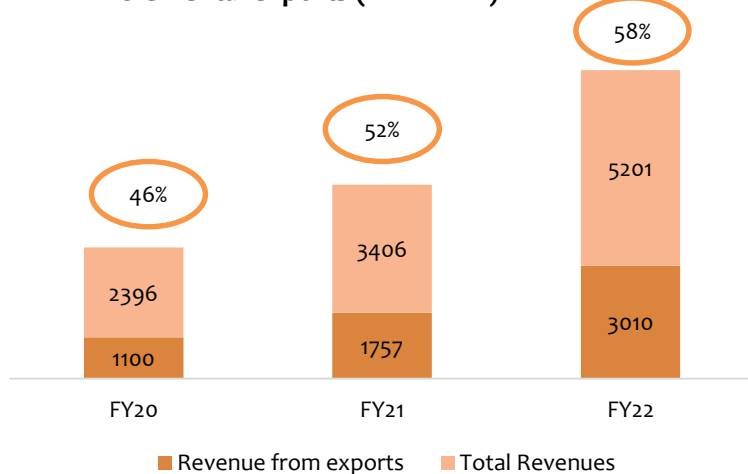
New technology and process improvement:

- During the quarter AOL has successfully commercialized 2 products using continuous flow reactors.
- It has also successfully developed 3 more existing products which are under pilot scale now.
- The new technology reduces the cycle time to manufacture a product which leads to lower utilization of utilities.
- Expect commercialisation of electrolyte for cells used in energy storage devices by end of FY23. The management expects its market size currently to be around a billion dollar and can be 3x the size in long run.
- It is also in the process of backward integration for this new product.

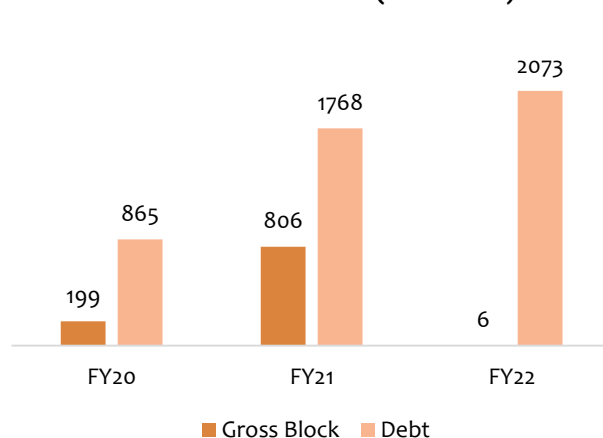
Other highlights:

- It has demolished the Ankleshwar unit and has started the work to set up new facility which will be mainly manufacturing for pharma intermediates.
- The company observed escalation in KSM prices during the quarter but with pass on it was able to maintain the gross margins. It was able to transfer incremental costs both to domestic as well export business.
- Capacity utilisation at Sachin plant remains at 65%.
- Operational fineness has come post successful integration of acquired facilities.
- The company has been maintaining higher inventory levels by stocking up of raw materials to secure timely raw material supply at better pricing
- More substitute products are in the pipeline with most of them in the pilot stage.
- Tax rates are likely to remain at 25% with adoption of new tax regime.

Incremental exports (INR in Mn)



Debt and Gross Block (INR in Mn)



Source: Company, KRChoksey Research

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KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

Income Statement (INR Mn)	FY 20	FY 21	FY 22	FY 23E	FY 24E
Revenues	2,396	3,406	5,201	6,397	8,061
COGS	1,289	1,795	2,728	3,391	4,191
Gross profit	1,107	1,611	2,473	3,007	3,869
Employee cost	178	210	414	448	564
Other expenses	519	599	1,007	1,088	1,370
EBITDA	410	801	1,052	1,471	1,935
Depreciation & amortization	35	42	101	107	110
EBIT	375	760	979	1,394	1,855
Interest expense	56	56	64	17	30
Other income	28	14	28	30	40
PBT	348	717	915	1,377	1,835
Tax	73	177	195	344	459
Exceptional item	0	0	0	0	0
PAT	275	540	720	1,033	1,376
EPS (INR)	8.72	17.14	21.03	28.38	37.80

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

Cash Flow statement (INR Mn)	FY20	FY 21	FY 22	FY 23E	FY 24E
Operating Cash Flow	271	271	(85)	956	1,019
Investing Cash Flow	(239)	(1,004)	(1,239)	(965)	(980)
Financing Cash Flow	2	721	1,401	233	220
Net Inc/Dec in cash equivalents	33	(11)	1,251	424	482
Opening Balance	5	38	27	104	328
Closing Balance Cash & Cash Equiv.	38	27	104	328	587

Source: Company, KRChoksey Research

Exhibit 3: Key Ratios

Key Ratio	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margins (%)	17.12%	23.53%	20.23%	23.00%	24.00%
Net Profit Margin (%)	11.46%	15.85%	13.84%	16.15%	17.10%
RoE^ (%)	24.57%	32.35%	13.78%	16.51%	18.05%
RoCE^ (%)	22.42%	25.38%	13.76%	15.88%	17.48%
RoA (%)	11.85%	13.06%	10.93%	12.82%	13.93%
Debt/Equity	0.18x	0.44x	0.00x	0.04x	0.03x

^ROE & ROCE has been adjusted with latest post issue equity for FY22 and FY3E/24E.

*Accordingly if we adjust ROE for FY19/20/21 with latest post issue equity it stands at 5.78%/6.35%/11.57% respectively.

If we adjust ROCE for FY19/20/21 with latest post issue equity it stands at 5.13%/5.63%/9.01% respectively.

Source: Company, KRChoksey Research

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Exhibit 4: Balance Sheet

Balance Sheet (INR Mn)	FY20	FY 21	FY 22	FY 23E	FY 24E
Property, plant and equipment (PPE)	622	1,606	1,584	2,591	3,473
Right of use	0	0	194	154	0
Capital work-in-progress	117	2	30	353	248
Other intangible assets	230	257	267	429	538
Financial assets					
Investments	17	14	17	32	62
Other financial assets	30	27	109	96	121
Other non current assets	93	64	97	141	177
Total non current assets	1,109	1,970	2,298	3,795	4,619
Inventories	523	604	1,122	1,297	1,634
Financial assets					
Trade receivables	564	1,207	1,637	1,963	2,473
Cash and cash equivalents	38	27	995	328	587
Loans	3	3	7	0	0
Current tax assets (net)	22	0	49	100	100
Other current assets	60	322	481	576	725
Other financial assets	0	0	0	0	0
Total current assets	1,210	2,162	4,291	4,264	5,530
TOTAL ASSETS	2,319	4,133	6,588	8,059	10,139
Equity share capital	105	315	364	364	364
Other equity	1,013	1,354	4,858	5,891	7,274
Total equity	1,118	1,669	5,222	6,255	7,639
Borrowings	199	726	6	250	500
Provisions	24	44	4	0	0
Deferred / income tax liabilities (Net)	31	33	63	0	50
Total non-current liabilities	255	803	70	250	550
Borrowings	339	445	3	0	0
Trade payables	514	844	1,184	1,490	1,877
Other financial liabilities	72	198	0	0	0
Other current liabilities	16	152	46	64	81
Provisions	4	10	60	0	0
Current tax liabilities (Net)	0	12	0	0	0
Total current liabilities	946	1,660	1,293	1,554	1,958
Total liabilities	1,201	2,463	1,366	1,804	2,508
TOTAL EQUITY AND LIABILITIES	2,319	4,132	6,588	8,059	1,0139

Source: Company, KRChoksey Research

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Ami Organics Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
19-May-22	960	1,229	BUY	Buy	More than 15%
9-Feb-22	978	1,229	BUY		
6-Jan-22	1,067	1,229	BUY	Accumulate	5% – 15%
				Hold	0 – 5%
				Reduce	-5% – 0
				Sell	Less than – 5%

ANALYST CERTIFICATION:

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