

# AMI ORGANICS LTD.



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Sustainable product portfolio

CMP <b>INR 1,029</b>	Target <b>INR 1,229</b>	Potential Upside <b>19.43%</b>	Market Cap (INR Mn) <b>INR 37,518</b>	Recommendation <b>BUY</b>	Sector <b>Pharma</b>
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## Result Highlights of Q1FY23:

- During Q1FY23, Ami Organics Ltd reported Revenue of INR 1,310 Mn (+15.87% YoY / -8.71% QoQ). The export market and more specifically innovative businesses, were responsible for such growth.
- On operational front EBITDA in Q1FY23 stood at INR 229 Mn (+38.67% YoY) but dipped marginally on QoQ basis by 11.25%, OPM improved by 288 bps YoY and was flat QoQ at 17.46% in Q1FY23. Higher energy prices and reduced EBITDA from the speciality chemicals sector weighed on the EBITDA margins.
- Net Profit in Q1FY23 stood at INR 149 Mn showing an improvement of 8.76% YoY and saw a dip of 30% QoQ, mainly due to lower tax accountability in Q4FY22. NPM came at 11.37%, marginal impact of 74bps on YoY basis and 347bps on QoQ basis.
- EPS during the quarter came at INR 4.08 vs INR4 .36 in the same period last year.

## MARKET DATA

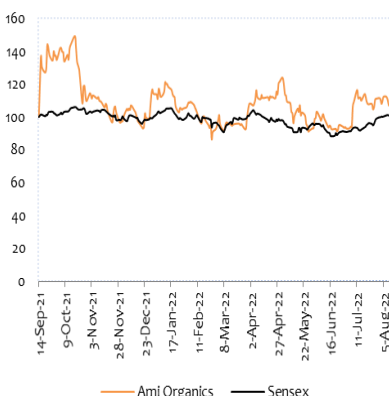
Shares outs (Mn)	36
Mkt Cap (INR Mn)	37,518
52 Wk H/L (INR)	1,438/764
Volume Avg (3m K)	140.4
Face Value (INR)	10
Bloomberg Code	AMIORG IN

## KEY FINANCIALS

INR Mn	Q1FY23	Q1FY22	YoY	Q4FY22	QoQ
Revenue	1,310	1,131	15.83%	1,435	-8.71%
EBITDA	229	165	38.67%	258	-11.25%
PAT	149	137	8.76%	213	-30%
EBITDA Margin (%)	17.45%	14.59%	288bps	17.96%	-50bps
NPM (%)	11.37%	12.11%	-74bps	14.84%	-347bps

Source: Company, KRChoksey Research

## SHARE PRICE PERFORMANCE



## MARKET INFO

SENSEX	59,397
NIFTY	17,677

## Intermediate business continues to grow:

During Q1FY23, Ami Organics Ltd reported Revenue of INR 1,310 Mn (+15.87% YoY / -8.71% QoQ). The export market and more specifically innovative businesses, were responsible for such growth. On segmental front Advanced Intermediate biz was up by 15% on QoQ basis at INR 1,022 Mn whereas specialty chemical was up by 26% at INR 223 Mn. The company intends to introduce two new agrochemical-related products under the import substitution business, with commercial availability anticipated in 2HY23.

## Input cost weighed on the performance:

On operational front EBITDA in Q1FY23 stood at INR 229 Mn (+38.67% YoY) but dipped marginally on QoQ basis by 11.25%, OPM improved by 288 bps YoY and was flat QoQ at 17.46% in Q1FY23. Higher energy prices and reduced EBITDA from the speciality chemicals sector weighed on the EBITDA margins. Net Profit in Q1FY23 stood at INR 149 Mn showing an improvement of 8.76% YoY and saw a dip of 30% QoQ, mainly due to lower tax accountability in Q4FY22. NPM came at 11.37%, marginal impact of 74bps on YoY basis and 347bps on QoQ basis.

## Update on electrolyte business:

Electrolyte samples are at various stages in countries like China, Europe, Korea and India. The company has received an approval and larger samples are at an advanced stage. This development suggests commercialization of electrolyte additives by end of FY23. On other side AOL has successfully created three more continuous flow items that are currently being tested on a pilot scale. It has already placed an equipment order for these goods, which it plans to market this fiscal year. It also expects to shift couple of more existing products to continuous flow in the 2HY23.

## SHARE HOLDING PATTERN (%)

Particulars	Jun-22	Mar-22	Dec-21
Promoters	41.05	41.05	41.05
FIIIs	1.84	2.23	1.34
DIIIs	4.20	5.63	3.81
Others	52.91	51.80	53.80
Total	100	100	100

24.49%

Revenue CAGR  
between FY22 - FY24E

35.60%

EBITDA CAGR  
between FY22 - FY24E

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## Valuation and view:

We believe that AOL will generate consistent growth in the coming period as we anticipate demand for its key goods to be robust. In the upcoming quarters, it will also have improved operational leverage because of its shift towards continuous flow reactors and also its focus on boosting capacity utilisation and profit growth in acquired facilities. **At a CMP of INR 1,029 AOL is trading at a P/E multiple of 36.26x/27.22x 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:

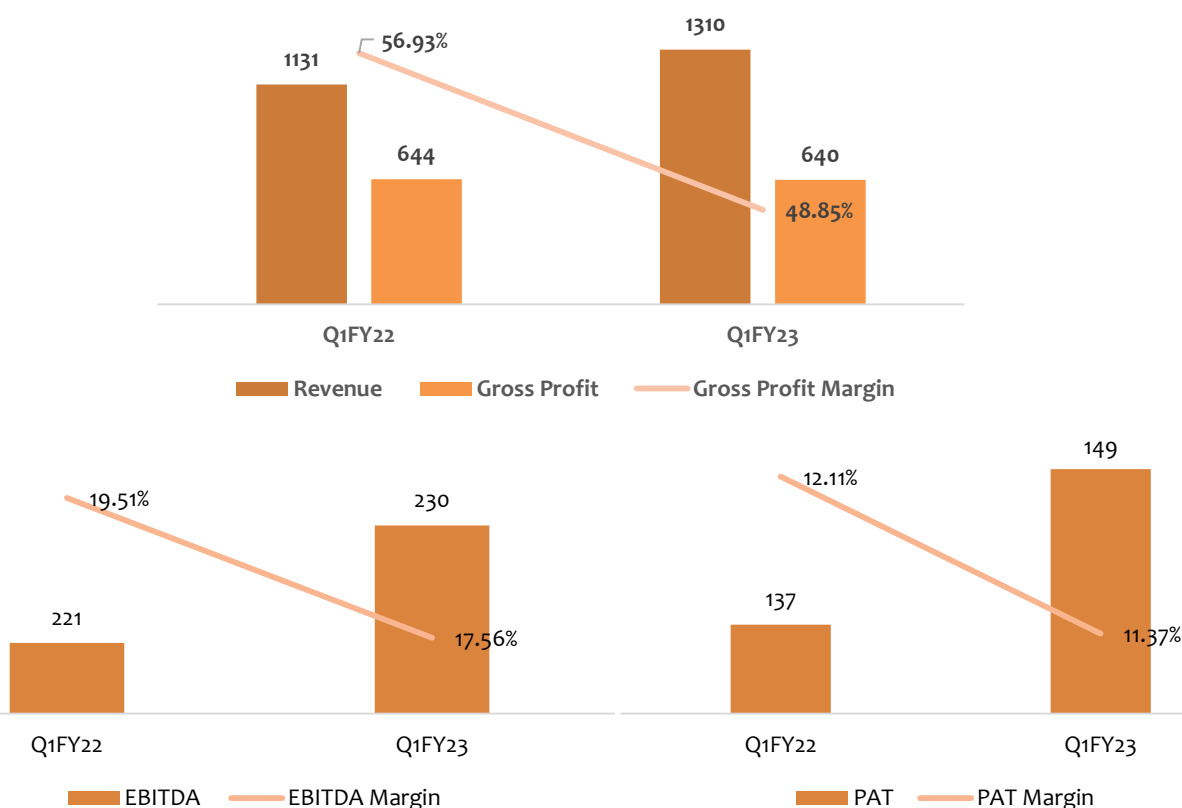
### Product mix:

- Pharma intermediate business: Top 30 to 35 products accounts for around 80% revenues.
- The company is witnessing robust demand for most of its top products.
- Export business looks promising with decent amount of orders in hand for the coming two quarters.
- Specialty business: Higher consumption of commodity chemicals continues to squeeze margins.
- Upscale of technology for few major products of the specialty chemicals business to help ramp up its volumes as well as improve the market share.

### Other highlights:

- The Company experienced a price war situation in US and other markets in order to maintain its market share.
- Incremental cost is passed on but with a lag.
- Global issues has pushed the energy prices northwards.
- End product market continues to driver the demand for its products leading to strong order book.
- Electrolyte additives – Revenue contribution from this product is expected to start from Q4FY23.
- Initial demand will be catered from the Jhagadia unit. In order to grow its electrolyte business in the future, the company has purchased a piece of land in Sachin, Surat.

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

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
<b>Total non current assets</b>	<b>1,109</b>	<b>1,970</b>	<b>2,298</b>	<b>3,795</b>	<b>4,619</b>
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
<b>Total current assets</b>	<b>1,210</b>	<b>2,162</b>	<b>4,291</b>	<b>4,264</b>	<b>5,530</b>
<b>TOTAL ASSETS</b>	<b>2,319</b>	<b>4,133</b>	<b>6,588</b>	<b>8,059</b>	<b>10,139</b>
Equity share capital	105	315	364	364	364
Other equity	1,013	1,354	4,858	5,891	7,274
<b>Total equity</b>	<b>1,118</b>	<b>1,669</b>	<b>5,222</b>	<b>6,255</b>	<b>7,639</b>
Borrowings	199	726	6	250	500
Provisions	24	44	4	0	0
Deferred / income tax liabilities (Net)	31	33	63	0	50
<b>Total non-current liabilities</b>	<b>255</b>	<b>803</b>	<b>70</b>	<b>250</b>	<b>550</b>
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
<b>Total current liabilities</b>	<b>946</b>	<b>1,660</b>	<b>1,293</b>	<b>1,554</b>	<b>1,958</b>
<b>Total liabilities</b>	<b>1,201</b>	<b>2,463</b>	<b>1,366</b>	<b>1,804</b>	<b>2,508</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,319</b>	<b>4,132</b>	<b>6,588</b>	<b>8,059</b>	<b>1,0139</b>

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
12-Aug-22	1,029	1,229	BUY	Buy	More than 15%
19-May-22	960	1,229	BUY		
9-Feb-22	978	1,229	BUY	Accumulate	5% – 15%
6-Jan-22	1,067	1,229	BUY		
				Hold	0 – 5%
				Reduce	-5% – 0
				Sell	Less than – 5%

## ANALYST CERTIFICATION:

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