

Ami Organics Ltd



Ami Organics Ltd.

Multiple products expected to drive growth in FY25E

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,095	INR 1,200	9.6%	INR 40,515	ACCUMULATE	Pharmaceuticals

Result Highlights of Q3FY24:

- For Q3FY24, Ami Organics revenue increased 9.2% YoY (-3.4% QoQ) to INR 1,664 Mn. The revenue missed our estimate by 7.4% due to a sharp decline in price realization in specialty chemical segment and advanced intermediates segment. For 9MFY24, the revenue increased by 14.4% YoY to INR 4,925 Mn.
- EBITDA for the quarter declined by 13.9% YoY (+6.8% QoQ) to INR 265 Mn. EBITDA missed our estimate by 14.0% due to an unfavorable product mix and an increase in operating expenses, especially employee costs. EBITDA margin contracted 429 bps YoY but expanded 153 bps QoQ to 15.9%. For 9MFY24, EBITDA increased by 4.2% YoY to INR 853 Mn, and the EBITDA margin contracted by 171 bps to 17.3%.
- PAT declined by 20.1% YoY to INR 178 Mn. PAT missed our estimate by 5.6% due to weak operating performance, higher depreciation and finance costs. The PAT margin contracted 392 bps YoY to 10.7%. For 9MFY24, PAT declined by 59.1% YoY to INR 230 Mn. The PAT margin contracted by 839 bps YoY to 4.7%.
- We believe the growth drivers for FY25E are the Apixaban launch in Europe, the ramp-up of the UV absorber and ramp-up of electrolytes and additives where they have secured long-term contracts.

MARKET DATA

Shares outs (Mn)	37
Mkt Cap (INR Mn)	40,515
52 Wk H/L (INR)	1,389/ 861
Equity Cap (INR Mn)	6,257
Volume Avg (3m K)	67
Face Value (INR)	10
Bloomberg Code	AMIORG IN

KEY FINANCIALS

INR Millions	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Revenue	5,201	6,167	7,068	8,508	10,550
EBITDA	1,052	1,226	1,265	1,709	2,127
Adj PAT	719	833	787	1,018	1,264
Adj. EPS (INR)	21.0	22.9	21.3	27.6	34.3
EBITDA Margin (%)	20.2%	19.9%	17.9%	20.1%	20.2%
Adj. NPM (%)	13.8%	13.5%	11.1%	12.0%	12.0%

Source: Company, KRChoksey Research

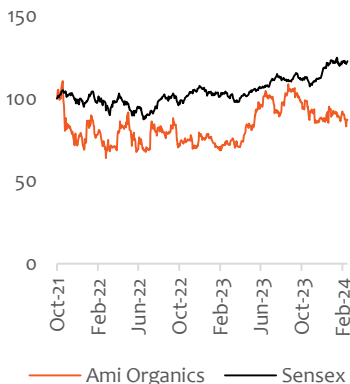
Decline in price realization impacted the top-line though volumes supported growth

For Q3FY24, Ami Organics revenue increased 9.2% YoY (-3.4% QoQ) to INR 1,664 Mn. For 9MFY24, the revenue increased by 14.4% YoY to INR 4,925 Mn. The quarterly revenue was driven by volume growth of 25.0% YoY. There was a sharp decline in price realization in the specialty chemical segment and advanced intermediates segment which put pressure on the top line. The management feels prices may stabilize from this quarter and reach normal levels in the next couple of quarters. The revenue break for the quarter is, advanced Intermediates (77.0% of revenue) grew 1.2% YoY (-4.5% QoQ) and specialty chemicals (23.0% of revenue) had a strong growth of 49.4% YoY and stayed flat QoQ. The export revenue for the quarter contribution has gone down from 66.0% in Q3FY23 to 61.0% of total revenue for this quarter, which grew 1.0% YoY (+9.1% QoQ). The domestic revenue contribution has increased from 34.0% in Q3FY23 to 39.0% of total revenue for the current quarter, which grew 25.3% YoY (-18.1% QoQ). The major growth driver going forward is the electrolyte business where the Company has progressed significantly. They have started manufacturing electrolytes and additives, secured long-term contracts from global manufacturers, and expanded their product range with six more additives. Currently, the samples are provided to the customers, production will ramp up gradually in FY25E. The profitability margins for electrolytes are positioned between specialty chemicals and the company's overall profitability margins. The recently launched UV absorber got supplied validation batches in several metric tons, and it is expected to ramp up from Q1FY25E. The guidance for FY24E revenue growth is 15.0% to 18.0%, and for FY25E the range would be growth of 17.0% - 22.0%, if the price erosion stops then the growth can reach the upper end of the range.

Unfavorable product mix and increase in operating expenses affected margins

Gross margin for the quarter contracted 304 bps YoY but expanded 187 bps QoQ to 42.9%. This was due to an unfavorable product mix and a decline in price realization. For 9MFY24, the gross margin contracted 372 bps YoY to 43.8%. EBITDA for the quarter declined by 13.9% YoY (+6.8% QoQ) to INR 265 Mn. This was due to the impact of the decline in gross margins, and higher employee costs on account of yearly increments, ESOP costs, and the hiring of new employees for the Ankleshwar unit. EBITDA margin contracted 429 bps YoY but expanded 153 bps QoQ to 15.9%. For 9MFY24, EBITDA increased by 4.2% YoY to INR 853 Mn, and the EBITDA margin contracted by 171 bps to 17.3%. PAT declined by 20.1% YoY to INR 178 Mn. This decline was due to weak operating performance, higher depreciation and finance costs. The PAT margin contracted 392 bps YoY to 10.7%. For 9MFY24, PAT declined by 59.1% YoY to INR 230 Mn. The PAT margin contracted by 839 bps YoY to 4.7%.

SHARE PRICE PERFORMANCE



*Listed on Oct-21

MARKET INFO

SENSEX	72,427
NIFTY	22,041

SHARE HOLDING PATTERN (%)

Particulars (%)	Dec-23	Sep-23	Jun-23
Promoters	39.9	38.9	39.4
FIIIs	11.7	7.2	6.7
DIIIs	7.6	5.9	5.1
Others	40.8	48.0	48.8
Total	100	100	100

*Based on previous day's price

19.6%

Revenue CAGR between FY23 and FY26E

14.9%

Adj. PAT CAGR between FY23 and FY26E

Ami Organics Ltd.

Key Concall Highlights:

- Economic and industry headwinds include ongoing geopolitical crises, such as the Red Sea crisis, leading to increased freight costs.
- Despite the headwinds, there's an expected demand recovery following the slump experienced in the latter half of CY23.
- Inflation is receding towards comfort zones for central bankers globally, signalling a positive turn.
- Specialty chemical sector faces pressure due to sharp declines in raw material prices, although stabilization is observed, hinting at a return to standard pricing levels.
- Inauguration of the Ankleshwar plant in December 2023, achieved within 12 months of groundbreaking, signifies a milestone for Ami Organics.
- The new plant demonstrates state-of-the-art technology for advanced pharmaceutical intermediate manufacturing, reflecting the company's commitment to innovation.
- The Company has extended a partnership with Fermion for two more advanced intermediates signifies value addition and revenue growth prospects from FY25E onwards.
- The Company has signed MoU with a global electrolytes manufacturer and the Government of Gujarat for an electrolytes manufacturing facility, enhancing the Company's presence in the electrolytes business.
- The Company has commenced commercial operations for electrolyte additives, expected to ramp up from FY25E onwards.
- The integration process for Baba Fine Chemicals is underway, with potential operational challenges due to ownership and name changes.
- Despite industry challenges, the management confidence remains high in closing the year with healthy growth, with initiatives enhancing revenue visibility for FY25E and beyond, supporting expectations of stronger growth in the future.
- The electrolyte business for Ami Organics has progressed significantly. They have started manufacturing electrolyte and additives, secured long-term contracts, and expanded their product range with six more additives, leading to growth in the business.
- Additionally, they have signed an agreement to manufacture solutions in India for a specific client, as announced with the Government of Gujarat.
- The margins for electrolyte are positioned between specialty chemicals and the company's overall margins.
- They are gradually ramping up production and aim to achieve INR 1,000 crore revenue by mid of FY26E. The company is primarily focused on the electrolyte additive business and the CDMO opportunity for electrolytes.
- The guidance for FY24E revenue is 15.0% to 18.0%, and for FY25E the range would be 17.0% to 22.0%; if the price erosion stops the Company can even reach the upper end of the range.
- EBITDA margin was the focus for the current quarter, where the Company managed to improve sequentially by 153 bps from 14.4% in Q2FY24 to 15.9% for the current quarter.
- For FY24E EBITDA margin will reach 18.0% and for FY25E the aim is to reach around 23.0%.

Valuation and view:

The revenue of Ami Organics had a high single-digit growth which was driven by strong volume growth but impacted negatively by a decline in price realization. Advanced intermediates, a major contributor of revenue stayed flat on YoY basis, but specialty chemicals had a strong YoY growth. The profitability margins were affected by an unfavorable product mix and an increase in operating expenses, especially employee costs. We believe the growth drivers for FY25E are the apixaban launch in Europe, the ramp-up of UV absorber, and a ramp-up of electrolytes and additives where they have secured long-term contracts. The major concern is a decline in price realization which the management expects to stabilize from this quarter and reach normal levels in the next couple of quarters. **Currently, the stock is trading at a PE multiple of 39.7x and 32.0x based on FY25E/FY26E EPS, respectively. We introduce FY26E estimates; expect FY23-FY26E revenue CAGR of 19.6% and corresponding Adj. PAT CAGR of 14.9%. We apply a PE multiple of 35.0x to our FY26E EPS of INR 34.27 and arrive at a target price of INR 1,200 (INR 1,225 previously). Accordingly, we maintain our rating of ACCUMULATE on the stock, with a potential upside of 9.6%.**

Revenue mix

Segments Result (INR Mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Advanced Intermediates	1,271	1,639	1,153	1,346	1,286
Specialty chemical	253	231	270	378	378

Segments Result (as % to revenue)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Advanced Intermediates	83%	88%	75%	78%	77%
Specialty chemical	17%	12%	18%	22%	23%

Segments Result (INR Mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Export	1,006	1,099	569	931	1,015
Domestic	518	764	968	793	649

Segments Result (as % to revenue)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Advanced Intermediates	66%	59%	37%	54%	61%
Specialty chemical	34%	41%	63%	46%	39%

Source: Company, KRChoksey Research

Ami Organics Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Revenues	5,201	6,167	7,068	8,508	10,550
COGS	2,823	3,459	4,071	4,371	5,839
Gross profit	2,473	2,858	3,138	3,967	4,923
Employee cost	414	488	671	812	1,002
Other expenses	1,008	1,144	1,201	1,446	1,794
EBITDA	1,052	1,226	1,265	1,709	2,127
EBITDA Margin	20.2%	19.9%	17.9%	20.1%	20.2%
Depreciation & amortization	101	123	141	213	232
EBIT	951	1,103	1,124	1,497	1,895
Interest expense	64	24	57	153	211
Other income	28	43	108	130	131
PBT	915	1,122	1,175	1,473	1,814
Tax	195	289	323	412	508
Exceptional item	0	0	318	0	0
Minority interest	0	0	65	42	42
PAT	719	833	470	1,018	1,264
PAT margin	13.8%	13.5%	7.6%	12.5%	12.4%
Adj. PAT	719	833	787	1,018	1,264
Adj PAT margin	13.8%	13.5%	11.1%	12.0%	12.0%
EPS (INR)	21.0	22.9	12.7	27.6	34.3
Adj. EPS	21.0	22.9	21.3	27.6	34.3

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

INR Millions	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Net Cash Generated From Operations	(119)	655	465	873	1,094
Net Cash Flow from/(used in) Investing Activities	(1,207)	(330)	(1,434)	(541)	(613)
Net Cash Flow from Financing Activities	1,403	(123)	920	(172)	(229)
Net Inc/Dec in cash equivalents	76	202	(49)	160	252
Opening Balance	27	103	305	256	416
Closing Balance Cash and Cash Equivalents	103	305	256	416	668

Source: Company, KRChoksey Research

Exhibit 3: Key Ratio

Key Ratio	FY 22	FY 23	FY 24E	FY 25E	FY 26E
EBITDA Margins (%)	20.2%	19.9%	17.9%	20.1%	20.2%
Net Profit Margin (%)	13.8%	13.5%	7.6%	12.5%	12.4%
RoE (%)	13.8%	14.0%	8.3%	14.1%	14.8%
RoCE (%)	13.6%	13.8%	7.6%	13.1%	13.9%
RoA (%)	10.9%	10.9%	5.5%	9.7%	10.3%
Debt/Equity	0.0	0.0	1.2	1.2	1.2

Source: Company, KRChoksey Research

Ami Organics Ltd.

Exhibit 4: Balance Sheet

INR Millions	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Non-current assets					
Property, plant and equipment (PPE)	1,584	1,844	2,228	2,556	2,937
Capital work-in-progress	30	255	920	920	920
Right of use assets	194	374	393	393	393
Investment property	17	17	17	17	17
Intangible assets	267	211	78	78	78
Goodwill	0	203	561	561	561
Financial assets					
Investments	17	17	17	17	17
Loans	109	62	62	62	62
Other noncurrent financial assets	92	2	5	5	5
Total noncurrent assets	2,293	2,969	4,264	4,593	4,973
Current assets					
Inventories	1,122	1,192	1,336	1,608	1,994
Financial assets					
Trade receivables	1,637	2,303	2,517	3,030	3,758
Cash and cash equivalents	103	305	256	416	668
Loans	7	13	16	19	23
Current tax assets (net)	49	32	39	46	56
Other current assets	1,377	856	1,214	1,264	1,264
Total current assets	4,295	4,701	5,378	6,384	7,762
TOTAL ASSETS	6,588	7,669	9,642	10,977	12,736
EQUITY AND LIABILITIES					
Equity					
Equity share capital	364	364	364	364	364
Other equity	4,858	5,575	6,110	7,170	8,477
Total equity	5,222	5,940	6,474	7,535	8,841
Liabilities					
Non-current liabilities					
Financial liabilities					
Borrowings	6	6	429	438	447
Provisions	4	7	10	10	11
Deferred tax liabilities (Net)	63	88	98	98	98
Total non-current liabilities	73	101	537	546	556
Current liabilities					
Financial liabilities					
Borrowings	3	30	583	555	529
Trade payables	1,184	1,420	1,665	1,958	2,428
Other financial liabilities	0	0	0	0	0
Other current liabilities	46	64	244	244	244
Provisions	60	114	138	138	138
Current tax liabilities (Net)	0	0	0	0	0
Total current liabilities	1,293	1,628	2,630	2,896	3,339
Total liabilities	1,366	1,730	3,168	3,442	3,895
TOTAL EQUITY AND LIABILITIES	6,588	7,669	9,642	10,977	12,736

Source: Company, KRChoksey Research

Ami Organics Ltd.

Ami Organics Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
19-Feb-24	1,095	1,200	ACCUMULATE
23-Nov-23	1,096	1,225	ACCUMULATE
12-Aug-23	1,247	1,305	ACCUMULATE
15-May-23	1,136	1,305	ACCUMULATE
7-Feb-23	908	1,229	BUY
7-Nov-22	999	1,229	BUY
12-Aug-22	1,029	1,229	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

I, Unnati Jadhav (MMS, Finance), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

•Terms & Conditions and other disclosures:

•KRChoksey Shares and Securities Pvt. Ltd (hereinafter referred to as KRCSSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSSPL is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000001295. It is also registered as a Depository Participant with CDSL, CDSL Registration No IN-DP-425-2019.

•KRChoksey Shares & Securities Pvt Ltd. and DRChoksey Finserv Private Ltd. (Demerged entity from KRChoksey Shares & Securities Limited) are regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of Research Analysts including preparing and distribution of Research Reports. This research report is prepared and distributed by DRChoksey Finserv Private Ltd in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH000011246. It may be further notified that KRCSSPL carries on the activity of preparation as well as distribution of reports in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH000001295.

•The information and opinions in this report are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSSPL. While we would endeavour to update the information herein on a reasonable basis, KRCSSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension follows applicable regulations and/or KRCSSPL policies, in circumstances where KRCSSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

•This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein, in reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

•We submit that no material disciplinary action has been taken on KRCSSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

•KRCSSPL prohibits its associate, analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers.

•KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

•It is confirmed that, I, Unnati Jadhav Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

•KRCSSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

•KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

•KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report other than investment banking or merchant banking or brokerage services from the subject company

•KRCSSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSSPL nor Research Analysts his associate or his relative, have any material conflict of interest at the time of publication of this report.

•It is confirmed that, Unnati Jadhav, Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.

•KRCSSPL or its associates (Group Companies) or its research analyst has may been engaged in market making activity for the subject company.

•This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSSPL and affiliates to any registration or licensing requirement within such Jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

•Please send your feedback to research.insti@krchoksey.com

•In case of any grievances, please write to grievance@krchoksey.com

•Visit us at www.krchoksey.com

•KRChoksey Shares and Securities Pvt. Ltd.

•CIN-U67120MH1997PTC108958

•Registered Office: 1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

•Phone: 91-22-6633 5000; Fax: 91-22-6633 8060

•Corporate Office: 701-702, DLH Plaza, Opp Shoppers Stop, S V Road, Andheri (W), Mumbai 400 058

•Phone: 91-22-66535000

•Compliance Officer: Varsha Shinde

•Email: varsha.shinde@krchoksey.com