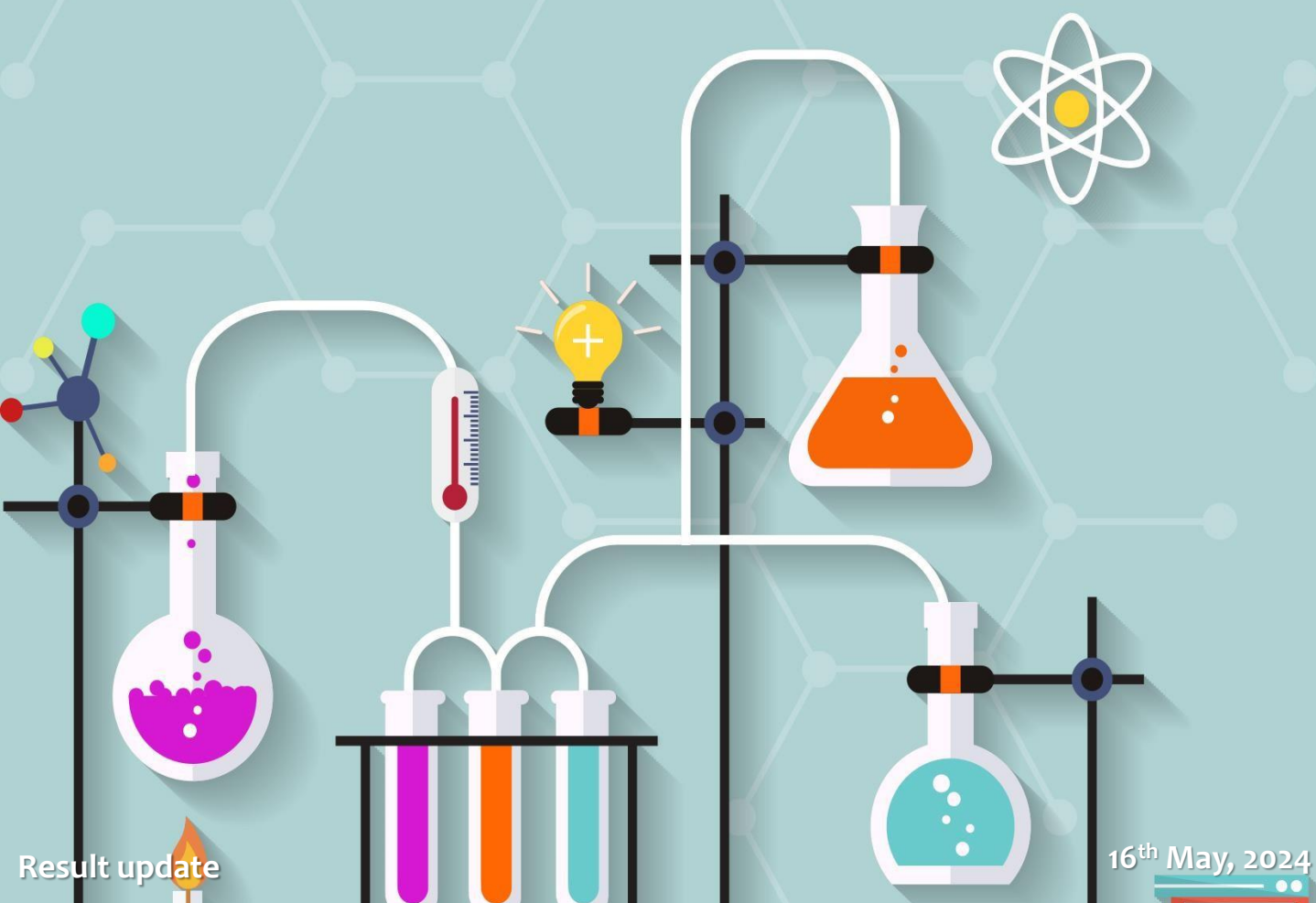




Q4FY24 Ami Organics Ltd



Ami Organics Ltd

Continued improved utilisation to drive growth

CMP INR 1,219*	Target INR 1,294	Potential Upside 6.2%	Market Cap (INR Mn) INR 44,644	Recommendation ACCUMULATE	Sector Specialty Chemicals
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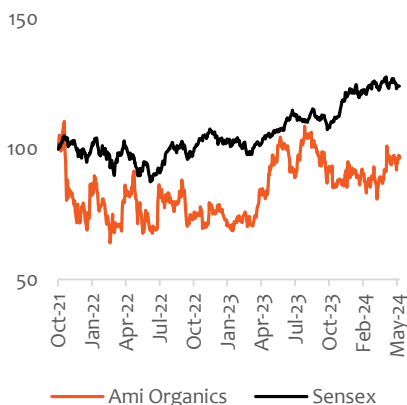
Result Highlights of Q4FY24:

- Ami Organics' revenue beat our estimate by 2.3% due to strong volume growths across both Advanced Intermediates and Specialty chemicals segments. The EBITDA beat our estimates by a strong 32.5% due to much lower operating expenses.
- We believe commercialization of CDMO contracts, ramp up in production of electrolyte additives, and improved utilization will contribute to future profitable growth. We expect H1FY25E will have modest growth and H2FY25E will have higher growth as future projects are expected to get commercialized at that time.
- Currently, the stock is trading at PE multiples of 43.1x/33.0x, based on FY25E/FY26E EPS, respectively. We increase the target price to INR 1,294/share (previously: INR 1,200) and retain our ACCUMULATE rating on the stock, implying an unchanged FY26E P/E multiple of 35.0x.

MARKET DATA

Shares outs (Mn)	37
Equity Cap (INR Mn)	6,828
Mkt Cap (INR Mn)	44,644
52 Wk H/L (INR)	1,389/1,004
Volume Avg (3m K)	188
Face Value (INR)	10
Bloomberg Code	AMIORG IN

SHARE PRICE PERFORMANCE*



*Since listed

MARKET INFO

SENSEX	72,987
NIFTY	22,201

KEY FINANCIALS

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Revenue	5,201	6,167	7,175	8,968	11,211
EBITDA	1,052	1,226	1,285	1,656	2,223
EBITDA margin (%)	20.2%	19.9%	17.9%	18.5%	19.8%
Adj PAT	719	833	749	1,042	1,364
Adj PAT margin (%)	13.8%	13.5%	10.4%	11.6%	12.2%
Adj EPS	21.0	22.9	20.3	28.3	37.0
P/E (x)	58.0	53.3	60.1	43.1	33.0

Source: Company, KRChoksey Research

Strong volume growth across segments drives topline

- For Q4FY24, the revenue increased 20.7% YoY (+35.2% QoQ) to INR 2,250 Mn. For FY24, the revenue increased by 16.4% YoY to INR 7,175 Mn.
- The quarterly revenue growth was driven by strong volume growth where advanced intermediates' revenue grew by 18.2% YoY (+47.4% QoQ) to INR 1,896 Mn (84.0% of revenue in Q4FY24 vs. 86.0% in Q4FY23).
- Similarly, the specialty chemicals segment's revenue had a robust growth of 35.8% YoY (-6.6% QoQ) to INR 353 Mn. (16.0% in Q4FY24 vs. 14.0% in Q4FY23).
- The exports revenue grew by 14.6% YoY (56.0% in Q4FY24 vs. 59.0% in Q4FY23). Domestic revenue grew by 29.6% YoY (44.0% in Q4FY24 vs. 41.0% in Q4FY23).
- The Company has given revenue growth guidance of 25.0% for FY25E. Historically, H1 and H2 revenue contributions have been in the ratio of 45:55 but in FY25E with the expectation of commercialization of CDMO contract from H2FY25E, the mix is likely to re-adjust to 40:60, where H2FY25 will drive growth, going forward.

Unfavorable product mix impacted profitability

- The EBITDA grew 5.9% YoY (+62.8% QoQ) to INR 432 Mn. EBITDA margins contracted 269 bps YoY (+326 bps QoQ) to 19.2%. The decline in margin was due to unfavorable product mix.
- The gross margin was compressed due to pricing pressure but with improved utilization, the EBITDA margin is expected to reach the historical level of 20.0%, going forward.
- Adj Net profit declined by 8.6% YoY (+48.1% QoQ) to INR 251 Mn. The Adj PAT margin contracted 354 bps YoY (+97 bps QoQ) to 11.0%.

SHARE HOLDING PATTERN (%)

Particulars	Mar-24 (%)	Dec-23 (%)	Sep-23 (%)
Promoters	39.9	39.9	38.9
FIIIs	9.0	11.7	7.2
DIIIs	6.8	7.6	5.9
Others	44.3	40.8	48.0
Total	100.0	100.0	100.0

*Based on previous closing

25.0%

Revenue CAGR between FY24 and FY26E

35.0%

Adj. PAT CAGR between FY24 and FY26E

Ami Organics Ltd

Key Concall Highlights:

- **Export demand is gradually recovering** in the industry where the Company is operating, with expectations for a robust uptick in H2FY25E.
- Raw material prices have stabilized, indicating **stability in the final product price**, which can grant upside to the gross profitability in H2FY25E.
- The Company has been strategically growing in the advanced pharma intermediates segment with **introduction of large CDMO contracts**.
- In CDMO they will focus on targeting the New Chemical Entity (NCE) market, innovative market, and lifecycle management market.
- The **existing CDMO project is expected to ramp up from H2FY25E**.
- Commercial production started in **electrolyte additives**. The Company has strong orders in hand, supplies are expected to slowly take off in FY25E and **ramp up in FY26E**, depending upon the capacity expansion of regular API business.
- The Company received **three process patents during Q4FY24**. Two of these three products are niche and complex which is better in terms of cost, efficiency, and environmental friendly.
- Total capex for FY24 was **INR 2,800 Mn**. The breakup was **INR 2,300 Mn was spent on Ankaleshwar Unit 2** and remaining was spent on regular maintenance capex.
- The Company has **planned for INR 3,100 Mn for FY25E**. The breakup is INR 700 Mn for Ankaleshwar unit 2, then **INR 1,000 Mn for electrolyte additive** and related infrastructure and INR 500 Mn for captive solar power plant and the remaining INR 900 Mn is for maintenance.
- In FY24 total long-term borrowing stood at INR 1,114 Mn, cash and cash equivalents stood at INR 530 Mn.

Valuation and view:

Ami Organics generated strong double-digit revenue growth in Q4FY24, driven by robust volume growth across segments in advanced pharmaceutical intermediates and specialty chemicals. The domestic business growth was better than in exports leading to increase in domestic revenue share to total revenue. Nevertheless, profitability was impacted due to an unfavorable product mix and a decline in price realization. We believe commercialization of CDMO contracts, ramp up in production of electrolyte additives and improved utilization are expected to contribute to future growth. We expect H1FY25E will have modest growth and H2FY25E will have higher growth as future projects are expected to get commercialized at the time. **The stock has surged by 11.3% since our last update. Currently, the stock is trading at PE multiples of 43.1x/33.0x, based on FY25E/FY26E EPS, respectively. We expect the revenue to grow at 25.0% CAGR and PAT to grow at 35.0% CAGR over FY24-FY26E. We increase the target price to INR 1,294/share (previously: INR 1,200) and retain our ACCUMULATE rating on the stock, implying an unchanged FY26E P/E multiple of 35.0x.**

Revenue Mix

Segments Result (INR Mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Advanced Intermediates	1,604	1,153	1,346	1,286	1,896
Specialty chemical	260	270	378	378	353

Segments Result (as % to revenue)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Advanced Intermediates	86%	75%	78%	77%	84%
Specialty chemical	14%	18%	22%	23%	16%

Segments Result (INR Mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Export	1,099	569	931	1,015	1,260
Domestic	764	968	793	649	990

Segments Result (as % to revenue)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Export	59%	37%	54%	61%	56%
Domestic	41%	63%	46%	39%	44%

Source: Company, KRChoksey Research

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KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	FY 22	FY 23	FY 24	FY 25E	FY 26E
Revenues	5,201	6,167	7,175	8,968	11,211
COGS	2,823	3,459	4,402	4,933	6,320
Gross profit	2,473	2,858	3,058	3,856	5,115
Employee cost	414	488	631	856	1,121
Other expenses	1,008	1,144	1,142	1,345	1,771
EBITDA	1,052	1,226	1,285	1,656	2,223
EBITDA Margin	20.2%	19.9%	17.9%	18.5%	19.8%
Depreciation & amortization	101	123	161	206	258
EBIT	951	1,103	1,124	1,449	1,965
Interest expense	64	24	59	90	135
Other income	28	43	75	97	98
PBT	915	1,122	1,140	1,457	1,929
Tax	195	289	332	393	544
Exceptional item	0	0	-321	0	0
Minority interest			59	21	21
PAT	719	833	428	1,042	1,364
PAT margin	13.8%	13.5%	6.8%	11.9%	12.4%
Adj. PAT	719	833	749	1,042	1,364
Adj PAT margin	13.8%	13.5%	10.4%	11.6%	12.2%
EPS (INR)	21.0	22.9	11.6	28.3	37.0
Adj. EPS	21.0	22.9	20.3	28.3	37.0

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

INR Millions	FY 22	FY 23	FY 24	FY 25E	FY 26E
Net Cash Generated From Operations	(119)	655	1,252	445	1,062
Net Cash Flow from/(used in) Investing Activities	(1,207)	(330)	(3,654)	460	(606)
Net Cash Flow from Financing Activities	1,403	(123)	2,394	(116)	(158)
Net Inc/Dec in cash equivalents	76	202	(9)	789	297
Opening Balance	27	103	305	297	1,086
Closing Balance Cash and Cash Equivalents	103	305	297	1,086	1,383

Source: Company, KRChoksey Research

Exhibit 3: Key Ratio

Key Ratio	FY 22	FY 23	FY 24	FY 25E	FY 26E
EBITDA Margins (%)	20.2%	19.9%	17.9%	18.5%	19.8%
Net Profit Margin (%)	13.8%	13.5%	6.8%	11.9%	12.4%
RoE (%)	13.8%	14.0%	7.1%	13.6%	15.1%
RoCE (%)	13.6%	13.8%	6.0%	11.7%	13.2%
RoA (%)	10.9%	10.9%	4.4%	8.4%	9.6%
Debt/Equity	0.0	0.0	0.2	0.1	0.1

Source: Company, KRChoksey Research

Ami Organics Ltd

Exhibit 4: Balance Sheet

INR Millions	FY 22	FY 23	FY 24	FY 25E	FY 26E
Non-current assets					
Property, plant and equipment (PPE)	1,584	1,844	3,229	2,563	2,911
Capital work-in-progress	30	255	1,254	1,254	1,254
Right of use assets	194	374	372	372	372
Investment property	17	17	2	2	2
Intangible assets	267	211	103	103	103
Goodwill	0	203	568	568	568
Financial assets					
Investments	17	17	2	2	2
Loans	109	62	26	26	26
Other noncurrent financial assets	92	2	447	447	447
Total noncurrent assets	2,293	2,969	6,001	5,335	5,683
Current assets					
Inventories	1,122	1,192	1,567	1,695	2,119
Financial assets					
Trade receivables	1,637	2,303	2,064	3,194	3,993
Cash and cash equivalents	103	305	297	1,086	1,383
Loans	7	13	16	19	22
Current tax assets (net)	49	32	25	30	36
Other current assets	1,377	856	990	1,264	1,264
Total current assets	4,295	4,701	4,958	7,288	8,818
TOTAL ASSETS	6,588	7,669	10,959	12,623	14,501
EQUITY AND LIABILITIES					
Equity					
Equity share capital	364	364	369	364	364
Other equity	4,858	5,575	6,371	7,435	8,820
Total equity	5,222	5,940	6,828	7,799	9,184
Liabilities					
Non-current liabilities					
Financial liabilities					
Borrowings	6	6	1,136	1,159	1,182
Provisions	4	7	13	14	15
Deferred tax liabilities (Net)	63	88	130	130	130
Total non-current liabilities	73	101	1,280	1,303	1,327
Current liabilities					
Financial liabilities					
Borrowings	3	30	1,030	981	934
Trade payables	1,184	1,420	1,346	2,064	2,580
Other current liabilities	46	64	344	344	344
Provisions	60	114	132	132	132
Total current liabilities	1,293	1,628	2,852	3,521	3,990
Total liabilities	1,366	1,730	4,131	4,824	5,317
TOTAL EQUITY AND LIABILITIES	6,588	7,669	10,959	12,623	14,501

Source: Company, KRChoksey Research

Ami Organics Ltd

Ami Organics Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
16-May-24	1,219	1,294	ACCUMULATE
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
07-Feb-23	908	1,229	BUY
07-Nov-22	999	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%

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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.

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