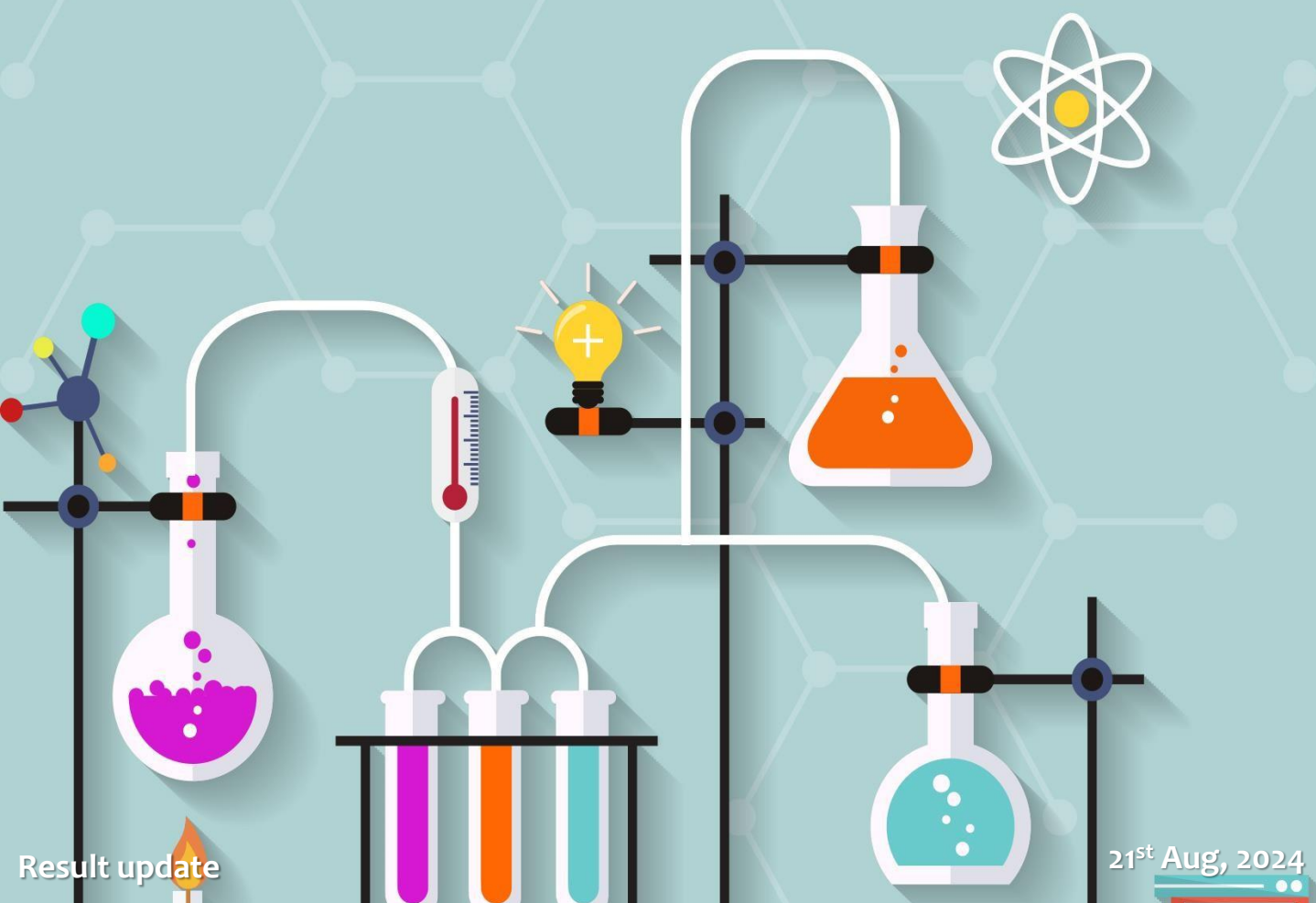




Q1FY25 Ami Organics Ltd



Ami Organics Ltd

Demand pickup in Advanced Intermediates segment will drive revenue growth

CMP INR 1,296*	Target INR 1,374	Potential Upside 6.1%	Market Cap (INR Mn) INR 52,772	Recommendation ACCUMULATE	Sector Specialty Chemicals
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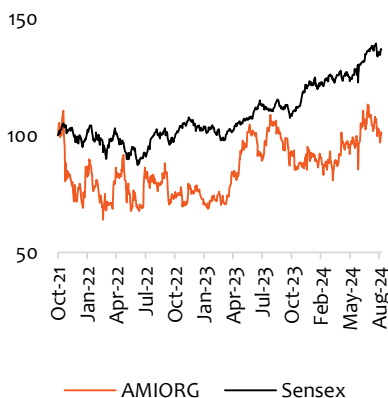
Result Highlights of Q1FY25:

- Ami Organics' revenue missed our estimates due to a decline in price realization. EBITDA missed our estimates due to an increase in raw material costs and employee expenses.
- Despite the typical seasonal weakness in the first quarter, management remains confident in achieving its revenue growth targets for FY25E, supported by a strong order book.
- We decrease our FY25E EPS by 5.1% due to weak operating performance but maintain FY26E EPS respectively. Currently, the stock is trading at PE multiples of 48.2x/34.9x based on FY25E/FY26E EPS, respectively. We assign a PE multiple of 37.0x (previously: 35.0x) on FY26E EPS of INR 37.1 (maintained) to arrive at a target price of INR 1,374 (previously: INR 1,294) as the Company is well-positioned to see improved performance in the upcoming quarters.

MARKET DATA

Shares outs (Mn)	41
Equity Cap (INR Mn)	6,828
Mkt Cap (INR Mn)	52,772
52 Wk H/L (INR)	1,469/1,004
Volume Avg (3m K)	230
Face Value (INR)	10
Bloomberg Code	AMIORG IN

SHARE PRICE PERFORMANCE



*Since listed

MARKET INFO

SENSEX	80,803
NIFTY	24,699

KEY FINANCIALS

INR Millions	FY22	FY23	FY24E	FY25E	FY26E
Revenue	5,201	6,167	7,175	8,814	10,665
EBITDA	1,052	1,226	1,285	1,766	2,256
EBITDA margin (%)	20.2%	19.9%	17.9%	20.0%	21.2%
Adj PAT	719	833	749	1,099	1,520
Adj PAT margin (%)	13.8%	13.5%	10.4%	12.5%	14.2%
Adj EPS	21.0	22.9	20.3	26.9	37.1
P/E (x)	61.6	56.7	63.9	48.2	34.9

Source: Company, KRChoksey Research

Strong volume growth drives top-line

- In Q1FY25, the revenue increased 14.9% YoY (-21.5% QoQ) to INR 1,767 Mn led by strong volume growth which was partially offset by decline in price realization.
- The revenue growth was driven by Advanced Intermediates (76.1% of revenue) grew by 16.6% YoY (-29.1% QoQ) to INR 1,345 Mn due to strong performance in both CDMO as well as the core product business.
- Specialty Chemical segment (23.8% of revenue) grew by 9.9% YoY (+19.3% QoQ) to INR 421 Mn due to strong performance in the Commodity Chemical segment, though it was partially offset by the subdued performance of Baba Fine Chemical business.
- Exports revenue (63.0% of revenue) grew by 95.7% YoY (-11.6% QoQ) to INR 1,113 Mn. Domestic revenue (37.0% of revenue) declined by 32.5% YoY (-34.0% QoQ) to INR 654 Mn.
- Q1 is a seasonally weak quarter, the management anticipates strong growth in the coming quarters and confident of achieving its 25.0% revenue growth target for FY25E based on its current order book.

Weak operating performance led to decline in profitability

- EBITDA declined by 13.2% YoY (-31.6% QoQ) to INR 295 Mn. EBITDA margin contracted 542 bps YoY (-248 bps QoQ) to 16.7%, primarily due to lower gross margins (-583 bps YoY), and increase in employee costs resulted from annual increments, and new hires for the Ankleshwar plant.
- Adj. PAT declined 29.3% YoY (-43.8% QoQ) to INR 139 Mn. Adj. PAT margin contracted 494 bps YoY (-314 bps QoQ) to 7.9%.

SHARE HOLDING PATTERN (%)

Particulars	Jun-24 (%)	Mar-24 (%)	Dec-23 (%)
Promoters	36.0	39.9	39.9
FIIIs	12.9	9.0	11.7
DIIIs	14.8	6.8	7.6
Others	36.3	44.3	40.8
Total	100	100	100

*Based on previous closing

21.9%

Revenue CAGR between FY24 and FY26E

42.5%

Adj. PAT CAGR between FY24 and FY26E

Ami Organics Ltd

Key Concall Highlights:

- The **Company is on track** to complete the remaining **two blocks of the Ankleshwar project** by the **end of Q2FY25E**.
- A **16-megawatt solar capex captive power plant** project has been initiated to reduce carbon emissions and lower energy costs, with **completion expected by the end of Q2FY25E**.
- The Company supplied products at **spot pricing to long-term customers to protect volume**, which impacted **gross margin from Q2FY24 onwards**.
- The Company is slowly moving back to its **old pricing formula** with most long-term customers, resulting in a **sequential 210 bps expansion in gross margin in Q1FY25**.
- The **advanced pharmaceutical intermediate** industry is under pressure from **China's oversupply**, leading to **lower raw material prices**. Despite this, the **Company's exposure is minimal**, as the products, focused on **chronic medications**, rely more on **advanced technology and processes than on scale**.
- The **CDMO space** is experiencing strong growth globally with **high inquiry levels for new projects**. The Company is in **discussions with many customers**, with **few contracts nearing finalizations**.
- Despite current demand headwinds in the **semiconductor sector**, discussions with customers suggest that this is a **short-term issue** and **demand is expected to normalize by the end of FY25E**.
- The Company **successfully concluded good manufacturing practice** inspection by the Pharmaceutical and Medical Device Agency (PMDA) in Japan with **no critical or major observation**.
- The Company's FDA and PMDA qualifications help it to compete in a **higher value chain against other competitors**.

Valuation and view:

Ami Organics experienced mid-teen revenue growth in Q1FY25 driven by strong volume increase, although partially offset by lower price realizations. The Advanced Intermediates and Specialty Chemicals segments performed well, with robust contributions from both the CDMO and core product businesses. Profitability impacted due to lower gross margins and higher employee costs. Despite the typical seasonal weakness in the first quarter, management remains confident in achieving its revenue growth targets for FY25E, supported by a strong order book. **We decrease our FY25E EPS by 5.1% due to weak operating performance but maintain FY26E EPS respectively. We expect revenue to grow at 21.9% CAGR and Adj. PAT to grow at 42.5 % CAGR over FY24-FY26E. The stock has appreciated 6.3% since our last quarterly update. Currently, the stock is trading at PE multiples of 48.2x/34.9x based on FY25E/FY26E EPS, respectively. We assign a PE multiple of 37.0x (previously: 35.0x) on FY26E EPS of INR 37.1 (maintained) to arrive at a target price of INR 1,374 (previously: INR 1,294) as the Company is well-positioned to see improved performance in the upcoming quarters. Given a 6.1% upside, we maintain our rating of "ACCUMULATE" on the stock.**

Revenue Mix

Segments Result (INR Mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Advanced Intermediates	1,154	1,346	1,286	1,896	1,345
Specialty chemical	383	378	378	353	421

Segments Result (as % to revenue)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Advanced Intermediates	75%	78%	77%	84%	76%
Specialty chemical	25%	22%	23%	16%	24%

Segments Result (INR Mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Export	569	931	1,015	1,260	1,113
Domestic	968	793	649	990	654

Segments Result (as % to revenue)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Export	37%	54%	61%	56%	63%
Domestic	63%	46%	39%	44%	37%

Source: Company, KRChoksey Research

Ami Organics Ltd

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	8,814	10,665
COGS	2,823	3,459	4,402	4,785	5,652
Gross profit	2,473	2,858	3,058	3,961	4,869
Employee cost	414	488	631	951	1,066
Other expenses	1,008	1,144	1,142	1,244	1,546
EBITDA	1,052	1,226	1,285	1,766	2,256
EBITDA Margin	20.2%	19.9%	17.9%	20.0%	21.2%
Depreciation & amortization	101	123	161	247	288
EBIT	951	1,103	1,124	1,519	1,968
Interest expense	64	24	59	53	43
Other income	28	43	75	97	146
PBT	915	1,122	1,140	1,563	2,071
Tax	195	289	332	435	522
Exceptional item	0	0	-321	0	0
Minority interest			59	30	30
PAT	719	833	428	1,099	1,520
PAT margin	13.8%	13.5%	6.8%	12.8%	14.5%
Adj. PAT	719	833	749	1,099	1,520
Adj PAT margin	13.8%	13.5%	10.4%	12.5%	14.2%
EPS (INR)	21.0	22.9	11.6	26.9	37.1
Adj. EPS	21.0	22.9	20.3	26.9	37.1

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	1,046	805
Net Cash Flow from/(used in) Investing Activities	(1,207)	(330)	(3,654)	(461)	(447)
Net Cash Flow from Financing Activities	1,403	(123)	2,394	(329)	(71)
Net Inc/Dec in cash equivalents	76	202	(9)	256	287
Opening Balance	27	103	305	297	553
Closing Balance Cash and Cash Equivalents	103	305	297	553	840

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%	20.0%	21.2%
Net Profit Margin (%)	13.8%	13.5%	6.8%	12.8%	14.5%
RoE (%)	13.8%	14.0%	7.1%	14.4%	16.5%
RoCE (%)	13.6%	13.8%	6.0%	12.7%	14.8%
RoA (%)	10.9%	10.9%	4.4%	9.1%	10.8%
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	3,443	3,602
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	6,215	6,374
Current assets					
Inventories	1,122	1,192	1,567	1,666	2,016
Financial assets					
Trade receivables	1,637	2,303	2,064	2,656	3,798
Cash and cash equivalents	103	305	297	553	840
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	6,188	7,976
TOTAL ASSETS	6,588	7,669	10,959	12,402	14,350
EQUITY AND LIABILITIES					
Equity					
Equity share capital	364	364	369	364	364
Other equity	4,858	5,575	6,371	7,500	9,049
Total equity	5,222	5,940	6,828	7,864	9,414
Liabilities					
Non-current liabilities					
Financial liabilities					
Borrowings	6	6	1,136	909	927
Provisions	4	7	13	14	15
Deferred tax liabilities (Net)	63	88	130	130	130
Total non-current liabilities	73	101	1,280	1,053	1,072
Current liabilities					
Financial liabilities					
Borrowings	3	30	1,030	981	934
Trade payables	1,184	1,420	1,346	2,028	2,454
Other current liabilities	46	64	344	344	344
Provisions	60	114	132	132	132
Total current liabilities	1,293	1,628	2,852	3,485	3,864
Total liabilities	1,366	1,730	4,131	4,538	4,936
TOTAL EQUITY AND LIABILITIES	6,588	7,669	10,959	12,402	14,350

Source: Company, KRChoksey Research

Ami Organics Ltd

Ami Organics Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
21-Aug-24	1,296	1,374	ACCUMULATE
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

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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