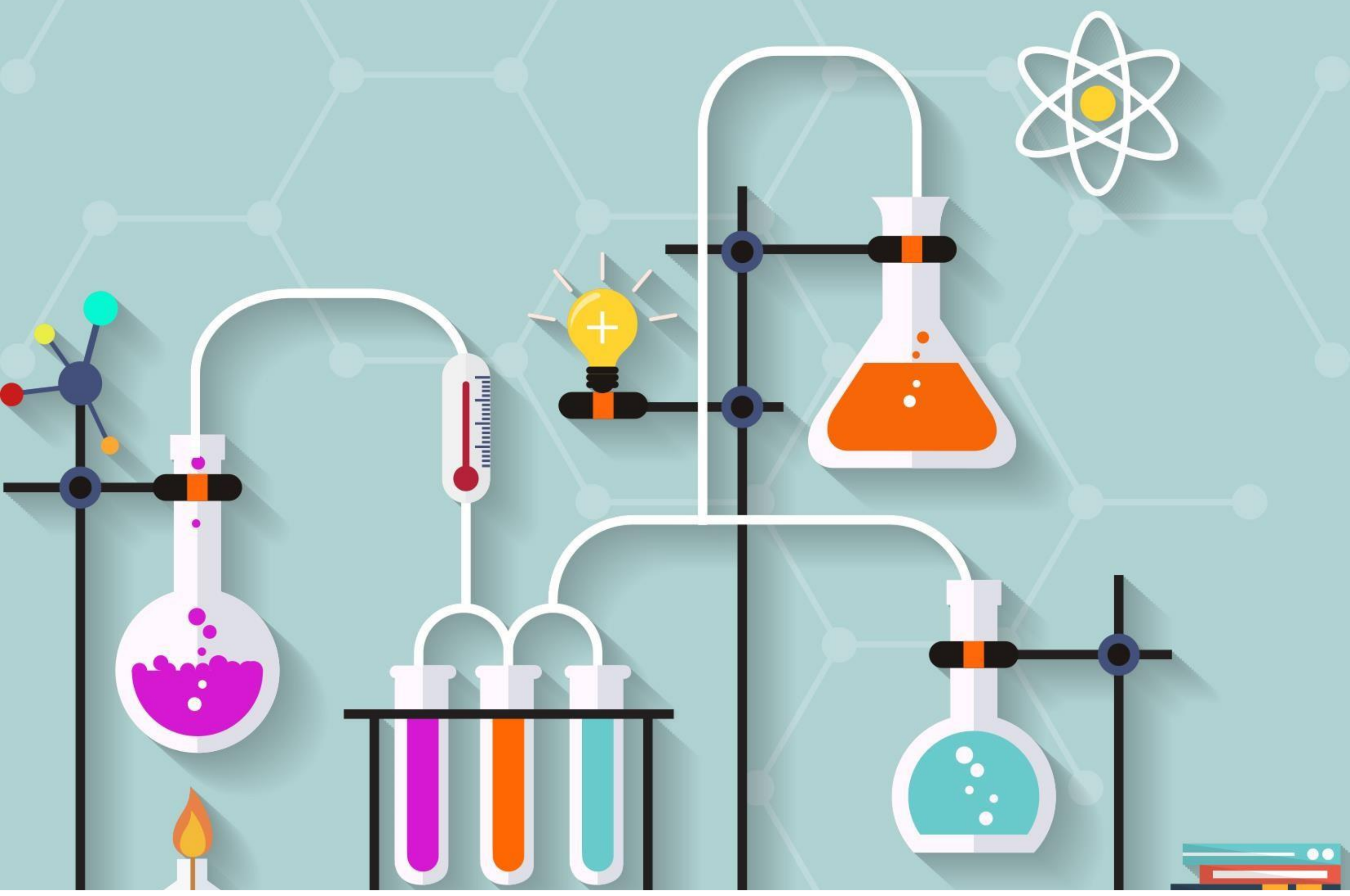
Q2FY25
Ami Organics Ltd.



Result update

30th October, 2024

Ami Organics Ltd.

Outlook remains strong with robust top-line growth and margin expansion

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,820	INR 1,994	9.6%	INR 74,091	ACCUMULATE	Specialty Chemicals

Result Highlights of Q2FY25:

- Ami Organics' revenue beat our estimates significantly due to strong growth in Advanced Intermediates. This is reflected in EBITDA and Adj. PAT performance, which beat our estimates primarily due to lower-than-expected employee expenses.
- We increase our FY26E EPS estimates to INR 46.4 (previously: 37.1) anticipating strong revenue growth across business segments aligned with the revised guidance and EBITDA margin improvement in both the near and long term, supported by high-margin product contributions.
- **We increase the PE multiple to 43.0x (previously: 37.0x) showing our confidence that the company's CDMO pipeline remains robust, with projects at various stages in regions like Europe, the USA, and Japan, many of which are expected to scale up in the coming quarters, supporting future revenue growth. Therefore, we arrive at a target price of INR 1,994/share (previously: 1,374/share) and maintain our "ACCUMULATE" rating.**

MARKET DATA

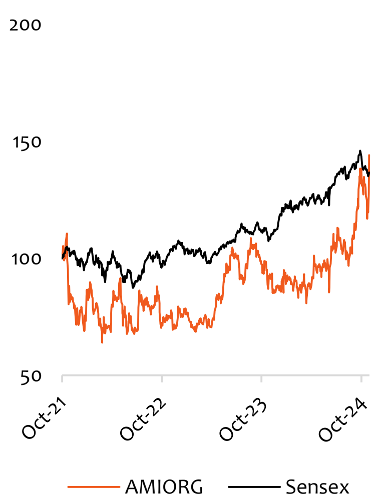
Shares outs (Mn)	41
Mkt Cap (INR Mn)	74,091
52 Wk H/L (INR)	1,890/1,004
Volume Avg (3m K)	277
Face Value (INR)	10
Bloomberg Code	AMIORG IN

KEY FINANCIALS

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenues	6,167	7,175	9,361	11,702	14,159
EBITDA	1,226	1,285	1,888	2,855	3,525
Adj. PAT	833	749	1,176	1,898	2,430
Adj. EPS	22.9	20.3	28.7	46.4	59.4
EBITDA Margin	19.9%	17.9%	20.2%	24.4%	24.9%
Adj PAT margin	13.5%	10.4%	12.6%	16.2%	17.2%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



Strong demand in Advanced Intermediates fuels top-line growth

- In Q2FY25, the revenue increased by 43.2% YoY (+39.7% QoQ) to INR 2,467 Mn. This YoY growth was driven by strong growth in Advanced Intermediates and volume gains in the Specialty Chemical segment.
- Advanced Intermediates (83.5% of revenue) grew by 53.1% YoY (+53.2% QoQ) due to a robust demand for key pharmaceutical intermediates across therapeutic areas like anti-cancer, antidepressant, antipsychotic, Parkinson's disease, anticoagulant, and cardiovascular treatments.
- Additionally, there was an earlier-than-expected ramp-up in CDMO (Contract Development and Manufacturing Organization) contracts, driven by strong demand from established clients and the addition of new contracts.
- Specialty Chemical (16.5% of revenue) grew by 7.7% YoY (-3.3% QoQ) driven by an increase in volume across the product portfolio, driven by demand for semiconductor-related products and expansion into new geographies such as Korea and Japan.
- Exports (76.0% of revenue) grew by 101.5% YoY (+68.5% QoQ), and domestic (24.0% of revenue) declined by 25.3% YoY (-9.4% QoQ).
- The company revised its revenue growth guidance to 30.0% from 25.0% for FY25E.

Improved product mix and cost efficiency boost profitability margins

- Gross margins improved 239 bps YoY (+136 bps QoQ) to 43.4% driven by lower raw material costs and improved product mix with a shift towards high margin products across segments.
- EBITDA grew by 97.2% YoY (+65.8% QoQ) to INR 489 Mn. EBITDA margin expanded 543 bps YoY (+312 bps QoQ) to 19.8% which is attributed to better operational leverage and improved utilization rates across its facilities. Adj. PAT grew by 189.3% YoY (+167.7% QoQ) to INR 373 Mn.

MARKET INFO

SENSEX	80,369
NIFTY	24,467

SHARE HOLDING PATTERN (%)

Particulars	Sept-24 (%)	Jun-24 (%)	Mar-24 (%)
Promoters	36.0	36.0	39.9
FIIs	13.9	12.9	9.0
DIIs	19.9	14.8	6.8
Others	30.2	36.3	44.3
Total	**100**	**100**	**100**

27.7%

Revenue CAGR between FY24 and FY26E

59.2%

Adj. PAT CAGR between FY24 and FY26E

*Based on the previous closing
Note: All the market data is as of previous closing

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Ami Organics Ltd.

Key Concall Highlights:

- The company expects its EBITDA margin to continue expanding, with a near-term target to reach approximately **21.0%** and a longer-term goal of **25.0% to 30.0%** over the next three years.
- This guidance reflects management's confidence in margin growth through **product mix optimization, operational efficiencies, stable raw material costs,** and additional high-margin revenue from CDMO contracts.
- The demand scenario for the part of the semiconductor industry that Ami Organics is serving remains subdued, which is impacting sales of Baba Fine Chem (a subsidiary of the company).
- The company is optimistic that the **subdued demand** is a **temporary situation** and expects **growth to come back in FY26E.**
- The company has already started promoting its products to new geographies, including sending **samples to customers in Korea and Japan,** to improve demand.
- Civil construction began for a **2,000 metric ton capacity project**, targeting completion by **H1FY26E for Electrolyte Additives.**
- In **Ankleshwar**, new production blocks were added, with final project work expected to conclude by the **end of Q3FY25E.**
- Due to extended rains, the solar power plant project faced delays, shifting its completion to Q3 FY25, with expected operational **energy savings beginning in Q4FY25E.**
- Ami Organics has built a **robust pipeline of CDMO projects**, working with multiple originator clients across regions like **Europe, the USA, and Japan.**
- Some of the CDMO projects are in the sampling stage, while others are expected to begin scaling up in the coming quarters. The company also reported **progress in the advanced stages of finalizing CDMO contracts**, which should add **significant revenue from FY26E onward.**

Valuation and view:

In Q2FY25, Ami Organics saw significant revenue growth, primarily driven by strong performance in the Advanced Intermediates segment, and modest growth in Specialty Chemicals segment. The company's export business demonstrated remarkable growth, while domestic sales faced some pressure. Margin expansion was bolstered by a shift towards higher-margin products and improved operational efficiencies.

We increase our FY26E EPS estimates to INR 46.4 (previously: 37.1) anticipating strong revenue growth across business segments aligned with the revised guidance and EBITDA margin improvement in both the near and long term, supported by high-margin product contributions. We expect revenue to grow at 27.7% CAGR and Adj. PAT to grow at 59.2% CAGR over FY24-FY26E. Currently, the stock is trading at a PE multiple of 63.4x/39.2x, based on FY25E/FY26E EPS, respectively. We increase the PE multiple to 43.0x (previously: 37.0x) showing our confidence that the company's CDMO pipeline remains robust, with projects at various stages in regions like Europe, the USA, and Japan, many of which are expected to scale up in the coming quarters, supporting future revenue growth. Therefore, we arrive at a target price of INR 1,994/share (previously: 1,374/share) and maintain our "ACCUMULATE" rating on the stock which will have an upside potential of 9.6%.

Revenue Mix

Segments Result (INR Mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Advanced Intermediates	1,346	1,286	1,896	1,345	2,061
Specialty chemical	378	378	353	421	407

Segments Result (as % to revenue)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Advanced Intermediates	78%	77%	84%	76%	84%
Specialty chemical	22%	23%	16%	24%	16%

Segments Result (INR Mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Export	931	1,015	1,260	1,113	1,875
Domestic	793	649	990	654	592

Segments Result (as % to revenue)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Export	54%	61%	56%	63%	76%
Domestic	46%	39%	44%	37%	24%

Source: Company, KRChoksey Research

Ami Organics Ltd.

Result Snapshot:

Particulars (Mn)	Q2FY25	Q1FY25	Q2FY24	QoQ	YoY
Revenue from Operations	**2,467**	**1,767**	**1,724**	**39.7%**	**43.2%**
Total Expenditure	**1,978**	**1,472**	**1,475**		
Cost of Raw Materials	1,430	1,051	1,479		
Purchase of Stock	0	0	0		
Changes in Inventories	-34	-27	-463		
Employee Cost	196	191	158		
Other Expenses	386	258	301		
EBITDA	**489**	**295**	**248**	**65.8%**	**97.2%**
EBITDA Margins (%)	**19.8%**	**16.7%**	**14.4%**	**312 bps**	**543 bps**
Depreciation	68	62	37		
EBIT	**421**	**233**	**211**		
Other Income	84	10	15		
Interest Expense	5	44	8		
PBT before Exceptional	**500**	**200**	**218**		
Exceptional Items	0	0	318		
PBT	**500**	**200**	**-99**		
Tax	125	53	71		
Share of Associates	0	0	0		
Minority Interest	2	7	18		
PAT	**373**	**139**	**-189**	**167.7%**	**NA**
PAT Margin (%)	**15.1%**	**7.9%**	**-10.9%**	**NA**	**NA**
EPS	**9.38**	**3.43**	**-5.75**	**173.5%**	**NA**
Adj. PAT	**373**	**139**	**129**	**167.7%**	**189.3%**
Adj. PAT Margin (%)	**15.1%**	**7.9%**	**7.5%**	**724 bps**	**764 bps**
Adj. EPS	**9.12**	**3.41**	**3.50**	**167.6%**	**160.7%**

Source: Company, KRChoksey Research

Ami Organics Ltd.

Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenues	**6,167**	**7,175**	**9,361**	**11,702**	**14,159**
COGS	3,459	4,402	5,365	6,260	7,504
Gross profit	**2,858**	**3,058**	**4,130**	**5,605**	**6,852**
Employee cost	488	631	795	1,053	1,274
Other expenses	1,144	1,142	1,446	1,697	2,053
EBITDA	**1,226**	**1,285**	**1,888**	**2,855**	**3,525**
Depreciation	123	161	267	302	338
EBIT	**1,103**	**1,124**	**1,622**	**2,552**	**3,187**
Finance Costs	24	59	112	148	145
Other Income	43	75	97	146	219
PBT	**1,122**	**1,140**	**1,607**	**2,550**	**3,261**
Tax	289	332	417	643	822
PAT	**833**	**428**	**1,176**	**1,898**	**2,430**
EPS (INR)	22.9	11.6	28.7	46.4	59.4
Adj. PAT	**833**	**749**	**1,176**	**1,898**	**2,430**
Adj. EPS	22.9	20.3	28.7	46.4	59.4

Exhibit 3: Cash Flow Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
CFFO	655	1,252	1,317	1,099	2,137
CFFI	(330)	(3,654)	(500)	(500)	(500)
CFFF	(123)	2,394	(108)	(196)	(192)
Net Inc/Dec in cash	**202**	**(9)**	**710**	**402**	**1,445**
Opening Cash	103	305	297	1,006	1,409
Closing Cash	305	297	1,006	1,409	2,854

Exhibit 4: Key Ratio

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	19.9%	17.9%	20.2%	24.4%	24.9%
Tax rate (%)	13.5%	6.8%	12.7%	16.3%	17.2%
Net Profit Margin (%)	14.0%	7.1%	15.0%	19.4%	19.9%
RoE (%)	13.8%	6.0%	12.9%	17.2%	18.0%
RoCE (%)	10.9%	4.4%	9.2%	12.5%	13.4%
Current Ratio (x)	0.0	0.2	0.1	0.1	0.1
P/E(x)	79.6	89.7	63.4	39.2	30.7

Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Equity					
Equity Capital	364	369	369	369	369
Other Equity	5,575	6,371	7,561	9,469	11,908
Total Equity	**5,940**	**6,828**	**7,930**	**9,837**	**12,277**
Non-Current Liabilities					
Borrowings	6	1,136	1,136	1,136	1,136
Deferred tax liabilities (Net)	88	130	130	130	130
Other Non Current Liabilities	7	13	14	15	15
Total Non-Current Liabilities	**101**	**1,280**	**1,280**	**1,281**	**1,282**
Current Liabilities					
Borrowings	30	1,030	1,030	981	934
Trade Paybles	1,420	1,346	2,154	2,693	3,259
Other current liabilities	178	476	476	476	476
Total Current Liabilities	**1,628**	**2,852**	**3,660**	**4,150**	**4,668**
Total Liabilities	**1,730**	**4,131**	**4,940**	**5,431**	**5,950**
Non-Current Assets					
Property Plants and Equipments	1,844	3,229	3,462	3,660	3,822
Capital work-in-progress	255	1,254	1,254	1,254	1,254
Other Non-current assets	870	1,518	1,518	1,518	1,518
Total Non-Current Assets	**2,969**	**6,001**	**6,234**	**6,432**	**6,594**
Current Assets					
Inventories	1,192	1,567	1,770	2,212	2,677
Trade Receivables	2,303	2,064	2,821	4,168	5,043
Cash and Bank	305	297	1,006	1,409	2,854
Oher current assets	901	1,030	1,039	1,048	1,059
Total Current Assets	**4,701**	**4,958**	**6,636**	**8,837**	**11,633**
Total Assets	**7,669**	**10,959**	**12,870**	**15,268**	**18,227**

Source: Company, KRChoksey Research

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Ami Organics Ltd.

Ami Organics Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
30-Oct-24	1,820	1,994	ACCUMULATE
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

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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