

### Company Overview

Ami Organics Limited is an R&D-driven manufacturer of specialty chemicals with varied end usage, focused on the development and manufacturing of advanced pharmaceutical intermediates (Pharma Intermediates) for regulated and generic Active Pharmaceutical Ingredients (APIs) and New Chemical Entities (NCE) and key starting material for agrochemical and fine chemicals. Ami-produced pharma intermediates are used in several high-growth medicinal fields. It operates three manufacturing facilities in Gujarat situated at Sachin, Ankleshwar & Jhagadia. A notable acquisition is Gujarat Organics Limited, which has further expanded the company's manufacturing capabilities. Following this acquisition, the combined manufacturing capacity of Advance Pharmaceutical Intermediates has reached 6,060 MTPA. The company has an extensive portfolio of over 520 products. Working closely with innovators, they are involved in the development of various new chemical entity molecules. The company's key products have successfully captured a significant global market share, ranging from 50% to 90%. The company has a customer presence in the US, China, Israel, Japan, Spain, Germany, Latin America, etc., and accounted for 59% of sales in FY23 from exports. The company also has recently ventured into a new segment by becoming the first non-Chinese company to develop and manufacture an additive electrolyte for cells. This electrolyte is used in energy storage devices.

### Investment Rationale

#### Strong competencies in the advanced pharma intermediate business

Ami Organics has a strong market share of 50-90% in key molecules in 17 therapeutic areas of which 91% belong to the fast-growing chronic segment. The company has more than 185+ customers and added 40 new customers in FY23. During the quarter, the company's pharmaceutical intermediates business grew by 5% YoY in Q1FY24, with sluggish demand in the export market offset by robust traction in the domestic market. However, the company expects margins for this business to steadily improve, with a target of 50-100 basis points improvement due to changes in the product mix for FY24. The company has recently signed a definitive multi-year, multi-tonne agreement with Fermion for the supply of an intermediate for their patented product. Based on the supply projection shared by Fermion, the total minimum contract value is expected to be multi-million Euro, spread across a 10-year horizon. The product is expected to start contributing meaningfully to the revenue from Q4FY24 onwards. With the current market scenario, the pharmaceutical market is marginally growing, gaining traction, and is moving faster, against the other pharmaceutical API markets worldwide. We, thus, expect the pharma intermediates business to perform well and generate healthy revenue growth visibility going ahead.

#### Shifting gears into Specialty Chemicals business

Recently, Ami Organics has acquired two manufacturing facilities of Gujarat Organics Limited situated at Ankleshwar and Jhagadia to strengthen & enhance its specialty and fine chemical portfolio catering to electronic chemicals, personal care, and petrochemicals. The company manufactures salicylic acid and other specialty chemicals used in agrochemical industries, animal nutrition, dyes, and personal care products. Specialty chemical's business focus through the FY23 period was on streamlining operations, optimizing capacity, and upgrading processes which took its sweet time. Now, the company is shifting a few major products of the chemical business to newer technologies which will improve the performance of the specialty chemicals business both in terms of capacity utilization and margins.

### Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

### Sector Outlook

Positive

### Stock

CMP (INR)	1,316
Target Price (INR)	1,518
NSE Symbol	AMIORG
BSE Code	543349
Bloomberg	AMIORG IN
Reuters	AMIO.BO

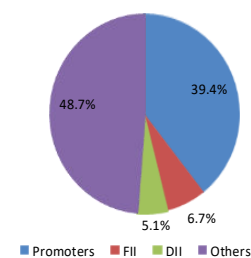
### Key Data

Nifty	19435
52WeekH/L(INR)	1,389/847
O/s Shares (Mn)	36
Market Cap (INR bn)	48
Face Value (INR)	10

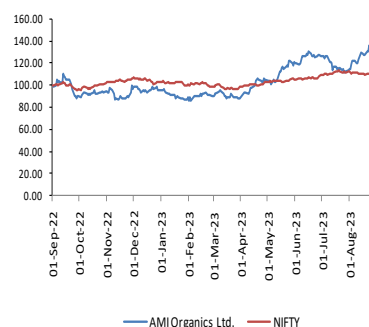
### Average volume

3 months	148,820
6 months	130,520
1 year	128,290

### Share Holding Pattern (%)



### Relative Price Chart



# Ami Organics Ltd.

## Valuation and Outlook

Ami Organics Ltd. is on a healthy growth trajectory aided by its robust order wins in the electrolyte additives segment which would act as a positive for the company as it has already sent samples to customers and has received approval from six customers. Ami Organics has a robust market share of 50-90% in key molecules in 17 therapeutic areas of which 91% belong to the fast-growing chronic segment. With the current market scenario, the pharmaceutical market is gaining traction and is moving faster, against the other pharmaceutical API markets worldwide. The company also aims to improve the performance of the specialty chemicals business both in terms of capacity utilization and margins. We, thus, believe that Ami's organic revenue and operating performance will gradually improve on the back of new product launches in pharma intermediates, strong order wins in electrolyte additive, and diversification of its business more towards specialty chemicals. **Thus, based on the above factors, we give the stock a "Buy" rating. On the valuation front, we value the company based on 60x of FY25E earnings and arrived at a target price of INR 1,518 (15% upside from CMP) with a 12-month investment horizon.**

Key Financials						
YE March (INR. Crs)	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Revenue</b>	<b>240</b>	<b>341</b>	<b>520</b>	<b>617</b>	<b>703</b>	<b>788</b>
<i>Revenue Growth (Y-o-Y)</i>	0.5%	42.1%	52.7%	18.6%	14.0%	12.0%
<b>EBIDTA</b>	<b>41</b>	<b>80</b>	<b>105</b>	<b>123</b>	<b>141</b>	<b>167</b>
<i>EBIDTA Growth (Y-o-Y)</i>	(2.5%)	95.4%	31.2%	16.9%	14.4%	18.7%
<b>Net Profit</b>	<b>27</b>	<b>54</b>	<b>72</b>	<b>83</b>	<b>87</b>	<b>92</b>
<i>Net Profit Growth (Y-o-Y)</i>	17.9%	96.6%	33.2%	15.4%	20.3%	6.5%
<b>Diluted EPS</b>	<b>7.5</b>	<b>14.8</b>	<b>19.7</b>	<b>22.8</b>	<b>23.7</b>	<b>25.3</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	17.9%	96.6%	33.2%	15.4%	20.3%	6.5%
Key Ratios						
<b>EBIDTA margin (%)</b>	<b>17.1%</b>	<b>23.5%</b>	<b>20.2%</b>	<b>19.9%</b>	<b>20.0%</b>	<b>21.2%</b>
NPM (%)	11.5%	15.9%	13.8%	13.5%	12.3%	11.7%
<b>RoE (%)</b>	<b>24.6%</b>	<b>32.3%</b>	<b>13.8%</b>	<b>14.0%</b>	<b>14.5%</b>	<b>13.6%</b>
RoCE (%)	24.8%	28.2%	20.1%	20.6%	22.9%	24.1%
Valuation Ratios						
<b>P/E (x)</b>	<b>174.6x</b>	<b>88.8x</b>	<b>66.6x</b>	<b>57.8x</b>	<b>55.4x</b>	<b>52.0x</b>
EV/EBITDA	118.1x	61.3x	44.7x	38.5x	33.8x	28.4x
<b>P/BV (x)</b>	<b>42.9x</b>	<b>28.7x</b>	<b>9.2x</b>	<b>8.1x</b>	<b>8.0x</b>	<b>7.1x</b>
Market Cap. / Sales (x)	20.0x	14.1x	9.2x	7.8x	6.8x	6.1x

Source: Company, BP Equities Research



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## Disclaimer Appendix

**Analyst (s) holding in the Stock : Nil**

### Analyst (s) Certification:

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### Week Gone

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