

## Ami Organics

BUY

Stellar performance, Upgrade to BUY

## Summary

Ami Organics registered an excellent performance in Q2FY25. While revenue grew by 43% YoY, EBITDA rose by 97% YoY. The management has raised revenue guidance from 25% to 30% for FY25 which is a significant positive. The pricing environment has also seen improvement and key molecules are witnessing strong growth along with healthy traction in CDMO contract with Fermion. We believe that strong traction in key molecules will continue along with further scale up of CDMO business with the increasing ramp up of the Ankleshwar unit. In light of the same, we introduce FY27 estimates and upgrade our FY25 and FY26 PAT by 15% and 45% respectively and upgrade our rating to BUY with revised TP of Rs2,250 at 35x FY27 expected earnings.

## Key Highlights and Investment Rationale

- **FY25 Revenue Guidance raised from 25% to 30%:** The management raised FY25 revenue guidance from 25% to 30% with strong growth expected ahead coupled with the pricing environment improving. Strong volume traction was seen in key molecules which is further expected to continue. CDMO contracts also witnessed earlier than anticipated growth particularly on the Fermion contract. Out of 3 blocks in Ankleshwar, Block 3 is functional and dedicated to the Fermion contract. Block 1 and 2 will be operational in Q3FY25 and FY26 should see increasing ramp up of this facility giving stronger fillip to revenue. Chronic therapies such as anti-diabetic, anti-cancer among others are seeing good traction which bodes well for the API business.
- **Electrolyte additives and other capex:** Ami is investing Rs1bn post signing of long term contracts for 2000 MT capacity of two electrolyte additives each and this should come on stream by Q1FY26. Ami is also investing Rs600mn for solar power plant (operational in Q3FY25) to save power costs.

TP **Rs2,250**CMP **Rs1,817**Potential upside/downside **24%**Previous Rating **HOLD**

## Price Performance (%)

	-1m	-3m	-12m
Absolute	5.9	33.6	56.0
Rel to Sensex	12.0	34.8	30.0

## V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	27	45
Consensus	29	42
% difference	(7.9)	7.0

## Key Stock Data

Bloomberg / Reuters	AMIORG IN/AMIO.BO
Sector	Specialty Chemicals
Shares o/s (mn)	41
Market cap. (Rs mn)	74,402
3-m daily average value (Rs mn)	52.7
52-week high / low	Rs1,890 / 1,005
Sensex / Nifty	80,369 / 24,467

## Shareholding Pattern (%)

Promoters	36.0
FII	12.9
DII	11.8
Public	39.3

## Financial snapshot

Year	FY23	FY24	FY25E	FY26E	FY27E
Revenue	6,167	7,175	9,330	12,638	16,399
Change yoy, (%)	19	16	30	35	30
EBITDA	1,226	1,285	1,771	2,622	3,680
Change yoy, (%)	17	5	38	48	40
EBITDA Margin (%)	19.9	17.9	19.0	20.7	22.4
Adj.PAT	833	619	1,123	1,830	2,646
EPS (Rs)	23	15	27	45	65
Change yoy, (%)	15.8	(33.9)	81.6	63	45
PE(x)	79.5	120.3	66.2	40.7	28.1
Dividend Yield (%)	0.2	0.1	0.1	0.1	0.1
EV/EBITDA (x)	53.6	59.2	41.3	27.7	19.1
RoE (%)	15	10	12	13	17
RoCE (%)	19	16	15	17	21

Source: IDBI Capital Research, Company

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**Exhibit 1: Quarterly Snapshot (Consolidated)**

Consolidated (Rs mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ%
<b>Net Sales</b>	<b>2,467</b>	<b>1,724</b>	<b>43.2%</b>	<b>1,767</b>	<b>39.7%</b>
<b>Expenditure</b>	<b>-1,978</b>	<b>-1,475</b>	<b>34.1%</b>	<b>-1,472</b>	<b>34.4%</b>
<i>as % of sales</i>	-80%	-86%	-6.3%	-83%	
Consumption of RM	-1,396	-1,016	37.3%	-1,023	36.4%
<i>as % of sales</i>	-57%	-59%	-4.1%	-58%	
Employee Cost	-196	-158	24.3%	-191	3.0%
<i>as % of sales</i>	-8%	-9%	-13.1%	-11%	
Other expenditure	-386	-301	28.1%	-258	49.9%
<i>as % of sales</i>	-16%	-17%	-10.5%	-15%	
<b>EBITDA</b>	<b>489</b>	<b>248</b>	<b>97.2%</b>	<b>295</b>	<b>65.8%</b>
Depreciation	-68	-37	85.0%	-62	10.5%
<b>EBIT</b>	<b>421</b>	<b>211</b>	<b>99.3%</b>	<b>233</b>	<b>80.4%</b>
Other Income	84	15	461.7%	10	709.2%
Interest	-5	-8	-38.5%	-44	-88.6%
Exceptional	0	-318	-	0	
PBT	500	-99	-603.2%	200	150.8%
Total Tax	-125	-71	76.3%	-53	136.9%
<b>Reported PAT</b>	<b>373</b>	<b>-189</b>	<b>-298.0%</b>	<b>139</b>	<b>167.7%</b>
Discontinued Ops	0	0	-	0	NA
<b>Adjusted PAT</b>	<b>373</b>	<b>355</b>	<b>5.2%</b>	<b>139</b>	<b>167.7%</b>
<b>Adjusted EPS</b>	<b>9</b>	<b>10</b>	<b>-6.3%</b>	<b>3</b>	<b>167.7%</b>
<b>Margins (%)</b>			<b>YoY (bps)</b>		<b>QoQ (bps)</b>
EBIDTA	19.8%	14.4%	543	16.7%	312
EBIT	17.1%	12.3%	481	13.2%	386
EBT	20.3%	-5.8%	2,605	11.3%	899
PAT	15.1%	-10.9%	2,607	7.9%	724
Effective Tax rate	24.9%	71.2%	(4,623)	-26.4%	5,131

Source: Company, IDBI Capital

**Exhibit 2: Change in estimates**

	FY25E			FY26E		
	Old	New	(%) Chg	Old	New	(%) Chg
Revenue (Rs mn)	8,565	9,330	9%	10,402	12,638	21%
EBITDA (Rs mn)	1,577	1,771	12%	1,955	2,622	34%
<i>EBITDA margin (%)</i>	<i>17%</i>	<i>19%</i>	<i>198</i>	<i>19%</i>	<i>21%</i>	<i>174.82</i>
Net profit (Rs mn)	976	1,123	15%	1,266	1,830	45%
EPS (Rs)	23.8	27.4	15%	30.88	44.7	45%

Source: Company; IDBI Capital Research

**Conference call highlights:**

- The management has revised the revenue growth guidance from 25% to 30% YoY for FY25.

**Pricing Scenario**

- The overall revenue growth this quarter was propelled by volume uptake in the specialty chemicals segment. The growth in specialty chemicals was distributed across the entire product portfolio. The net margins for stood at 11%.
- Albeit the API molecule prices continued to lay low, the growth came on the back of increasing volumes. Price growth is expected to kick-in FY26.
- **Sachin Facility:** PMDA Japan has issued an Inspection Result Report declaring the Sachin Facility as “*Good Manufacturing Practices*” (GMP) compliant. Going forward, this approval is expected to open up the Japanese market for Ami Organics.
- **Ankleshwar Facility:**
  - The remaining 2 blocks at Ankleshwar are still under progress. They are expected to be completed this quarter.
  - The total Ankleshwar utilization currently stands at 20%. Post capex completion, it will take 3 more years to reach the optimal revenue figure. The expected revenue at full utilisation is 3x of capex & Rs3.1bn of capex has been allocated for Ankleshwar.
  - The total capacity of Ankleshwar facility will be 442kL out of the net 1100kL of capacity under Ami Organics.

**Advanced Pharmaceutical Intermediates**

- The API segment contributed to the revenue growth this quarter, driven by key molecules and earlier than anticipated ramp-up in CDMO business. The net margins in this segment stood at 21%.
- The API pricing has been under pressure due to Chinese dumping, however, the Ami is again going back to its normal pricing contracts, & operating at higher efficiency levels. The lower prices of key raw materials have also padded the margins.

- The overall demand is slowly improving. Prices seem to have bottomed out and are only expected to rise going forward. This shall translate into improved gross margins.

#### **Electrolytes and Batteries Segment**

- The company has booked some orders and started facility construction on the back of revenue visibility.
- The underperformance in this segment is solely due to the consumer's end as it upgrades its facilities.
- While the company is confident of Electric Vehicle adoption, it expects the timeline to be delayed. The carmakers are deferring investments.

#### **Capex**

- Total capex of Rs2.5Bn-Rs2.6Bn has been allocated for FY25.
- **Specialty Chemical:** The Unit 2 at Ankleshwar will be completed this quarter. Out of the total allocated capex of Rs3.1bn for Ankleshwar, Rs 0.7bn of capex remains to be spent.
- **Electrolyte Additives:** Rs1bn of capex has been allocated. 2000MT capacity to be constructed for each of 2 electrolyte additives and is expected to be completed by Q1FY26.
- **Captive Solar Power Plant:** This is to be completed by Q3FY25 end. The captive benefits will start flowing in by start of Q4FY25.
- **For FY26:** Only maintenance capex of Rs300-400mn to be executed.

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Net sales</b>	<b>5,201</b>	<b>6,167</b>	<b>7,175</b>	<b>9,330</b>	<b>12,638</b>	<b>16,399</b>
<i>Change (yoy, %)</i>	52.7	19	16	30	35	30
Operating expenses	(4,150)	(4,941)	(5,890)	(7,559)	(10,016)	(12,719)
<b>EBITDA</b>	<b>1,052</b>	<b>1,226</b>	<b>1,285</b>	<b>1,771</b>	<b>2,622</b>	<b>3,680</b>
<i>Change (yoy, %)</i>	31.2	17	5	38	48	40
<i>Margin (%)</i>	20.2	19.9	17.9	19.0	20.7	22.4
Depreciation	(101)	(123)	(161)	(170)	(213)	(231)
<b>EBIT</b>	<b>951</b>	<b>1,103</b>	<b>1,124</b>	<b>1,601</b>	<b>2,409</b>	<b>3,449</b>
Interest paid	(64)	(24)	(59)	(103)	(87)	(101)
Other income	28	43	75	99	226	297
<b>Pre-tax profit</b>	<b>915</b>	<b>1,122</b>	<b>819</b>	<b>1,597</b>	<b>2,547</b>	<b>3,645</b>
Tax	(195)	(289)	(332)	(411)	(652)	(931)
<i>Effective tax rate (%)</i>	21.3	25.7	40.5	25.8	25.6	25.5
Minority Interest	-	-	(59.4)	(62.3)	(65.4)	(68.7)
<b>Net profit</b>	<b>719</b>	<b>833</b>	<b>558</b>	<b>1,123</b>	<b>1,830</b>	<b>2,646</b>
Exceptional items	-	-	(321)	-	-	-
<b>Adjusted net profit</b>	<b>719</b>	<b>833</b>	<b>619</b>	<b>1,123</b>	<b>1,830</b>	<b>2,646</b>
<i>Change (yoy, %)</i>	33.2	16	(26)	82	63	45
EPS	19.7	22.9	15.1	27.4	44.7	64.7
Dividend per sh	-	3.0	2.7	2.7	2.7	2.7
<i>Dividend Payout %</i>	-	13.1	17.7	10	6	4

**Balance Sheet**

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Shareholders' funds</b>	<b>5,223</b>	<b>5,940</b>	<b>6,740</b>	<b>12,745</b>	<b>14,466</b>	<b>17,071</b>
Share capital	364	364	369	409	409	409
Reserves & surplus	4,858	5,575	6,371	12,336	14,057	16,662
<b>Total Debt</b>	<b>8</b>	<b>36</b>	<b>2,166</b>	<b>1,316</b>	<b>1,666</b>	<b>336</b>
Other liabilities	64	65	(887)	(1,037)	(1,187)	143
<b>Curr Liab &amp; prov</b>	<b>1,293</b>	<b>1,628</b>	<b>2,852</b>	<b>3,404</b>	<b>4,087</b>	<b>4,888</b>
Current liabilities	1,233	1,515	2,720	3,272	3,955	4,757
Provisions	60	114	132	132	132	132
<b>Total liabilities</b>	<b>1,366</b>	<b>1,730</b>	<b>4,131</b>	<b>3,684</b>	<b>4,567</b>	<b>5,368</b>
<b>Total equity &amp; liabilities</b>	<b>6,589</b>	<b>7,669</b>	<b>10,959</b>	<b>16,579</b>	<b>19,248</b>	<b>22,655</b>
Net fixed assets	1,871	2,471	5,154	7,535	7,871	8,640
Investments	17	19	2	2	2	2
Other non-curr assets	405	479	845	845	845	845
<b>Current assets</b>	<b>4,296</b>	<b>4,701</b>	<b>4,958</b>	<b>8,197</b>	<b>10,530</b>	<b>13,168</b>
Inventories	1,122	1,192	1,567	2,001	2,656	3,442
Sundry Debtors	1,637	2,303	2,064	2,817	3,647	4,629
Cash and Bank	996	587	533	2,585	3,433	4,303
Loans and advances	541	620	794	794	794	794
<b>Total assets</b>	<b>6,589</b>	<b>7,669</b>	<b>10,959</b>	<b>16,579</b>	<b>19,248</b>	<b>22,655</b>

**Cash Flow Statement**

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	915	1,122	819	1,597	2,547	3,645
Depreciation	101	123	161	170	213	231
Tax paid	(228)	(245)	(243)	(411)	(652)	(931)
Chg in working capital	(771)	(432)	220	(785)	(951)	(1,117)
Other operating activities	(135)	87	296	103	87	101
<b>Cash flow from operations (a)</b>	<b>(119)</b>	<b>655</b>	<b>1,252</b>	<b>673</b>	<b>1,245</b>	<b>1,930</b>
Capital expenditure	(338)	(783)	(2,809)	(2,550)	(550)	(1,000)
Chg in investments	(895)	612	(530)	0	-	-
Other investing activities	26	(159)	(315)	-	-	-
<b>Cash flow from investing (b)</b>	<b>(1,207)</b>	<b>(330)</b>	<b>(3,654)</b>	<b>(2,550)</b>	<b>(550)</b>	<b>(1,000)</b>
Equity raised/(repaid)	2,815	(17)	518	4,991	-	-
Debt raised/(repaid)	(1,358)	28	2,181	(850)	350	150
Dividend (incl. tax)	-	(109)	(109)	(109)	(109)	(109)
Chg in minorities	-	-	-	-	-	-
Other financing activities	(54)	(24)	(196)	(103)	(87)	(101)
<b>Cash flow from financing (c)</b>	<b>1,403</b>	<b>(123)</b>	<b>2,394</b>	<b>3,929</b>	<b>154</b>	<b>(60)</b>
<b>Net chg in cash (a+b+c)</b>	<b>76</b>	<b>202</b>	<b>(9)</b>	<b>2,052</b>	<b>848</b>	<b>870</b>



### Financial Ratios

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Book Value (Rs)	143.3	163	165	311.4	353.4	417
Adj EPS (Rs)	19.7	22.9	15.1	27.4	44.7	64.7
Adj EPS growth (%)	33.2	16	-34	82	63	45
EBITDA margin (%)	20.2	19.9	17.9	19.0	20.7	22.4
Pre-tax margin (%)	17.6	18.2	11.4	17.1	20.2	22.2
Net Debt/Equity (x)	-0.2	-0.1	0.2	-0.1	-0.1	-0.2
ROCE (%)	24.5	19	16	15	17	21
ROE (%)	20.9	15	10	12	13	17

### DuPont Analysis

Asset turnover (x)	1.0	0.9	0.8	0.7	0.7	0.8
Leverage factor (x)	1.6	1.3	1.5	1.4	1.3	1.3
Net margin (%)	13.8	13.5	8.6	12.0	14.5	16.1

### Working Capital & Liquidity ratio

Inventory days	79	71	80	78	77	77
Receivable days	115	136	105	110	105	103
Payable days	104	105	83	84	83	84

### Valuations

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
PER (x)	92.1	79.5	120.3	66.2	40.7	28.1
Price/Book value (x)	12.7	11.2	11.0	5.8	5.1	4.4
EV/Net sales (x)	12.5	10.7	10.6	7.8	5.7	4.3
EV/EBITDA (x)	62.0	53.6	59.2	41.3	27.7	19.1
Dividend Yield (%)	0.0	0.2	0.1	0.1	0.1	0.1

Source: Company; IDBI Capital Research

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**Key to Ratings Stocks:**

**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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