

Ami Organics

Pricing in positives

We downgrade Ami Organics from BUY to ADD with the revised target price of INR 1,248 (WACC 11%, terminal growth 6%). The downgrade is largely on the back of a ~25% increase in the stock price in the past three months. The stock is currently trading at 29x FY25E EPS. We like Ami Organics owing to (1) the expansion of its speciality chemicals portfolio, (2) the rising utilisation of the Gujarat Organics facility and (3) the strong product pipeline in its advanced pharma intermediate business. EBITDA/APAT were 14/11% above our estimates, mainly owing to lower-than-expected other expenses.

- Financial performance:** Revenue grew 30/22% YoY/QoQ at INR 1,864mn led by a robust growth in the advanced pharma intermediates business. EBITDA grew 58/33% YoY/QoQ to INR 409mn, with the EBITDA margin coming in at 21.9% (+396/+171bps YoY/QoQ). EBITDA margin improved on account of a higher operating leverage. APAT grew 28/22% YoY/QoQ to INR 272mn.
- Segmental information:** (1) Revenue from advanced pharma intermediates grew by 34/26% YoY/QoQ to INR 1,600mn. This segment reported an EBITDA margin of 23.6% in Q4. (2) The speciality chemicals business grew 8% YoY and remained muted sequentially at INR 260mn. The speciality chemicals segment reported an EBITDA margin of 11.1% in Q4.
- Con call takeaways:** (1) Ami Organics has expanded the scope of the Fermion contract to add more advanced intermediates for the same API resulting in an increase in the contract value. (2) Samples of electrolyte additives have been sent to six customers by the company and the company expects commercial supply to commence by Q1FY24. The company developed two new products, one liquid electrolyte additive to increase electrocapacity of Li batteries and one for the solid battery. (3) The company added 40 new customers in its advanced pharma intermediates business, and 20 new customers in its speciality chemicals business in FY23. (4) Exports formed 59% of the revenues in FY23. (5) The Ankleshwar facility shall come on stream in Dec'23.
- Change in estimates:** We raise our FY24/25 EPS estimates by 5.4/5.4% to INR 31.1/39.8, to factor in the acquisition of a 55% stake in Baba Fine Chemicals and the revenue accrued from this business, going forward.

Financial summary (consolidated)

INR mn	Q4FY23	Q3FY23	QoQ(%)	Q4FY22	YoY(%)	FY21	FY22	FY23P	FY24E	FY25E
Net Sales	1,864	1,524	22.3	1,435	29.8	3,406	5,201	6,167	7,950	9,814
EBITDA	409	308	32.7	258	58.4	802	1,052	1,226	1,711	2,228
APAT	272	223	22.1	213	27.8	540	719	833	1,133	1,450
AEPS (INR)	7.5	6.1	22.1	5.8	27.8	14.8	19.7	22.9	31.1	39.8
P/E (x)						76.7	57.5	49.7	36.5	28.6
EV/EBITDA(x)						53.3	38.4	33.3	24.6	18.7
RoE (%)						38.7	20.9	14.9	17.6	19.3

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch
EBITDA (INR mn)	1,563	1,711	9.5%	2,005	2,228	11.1%
Adj. EPS (INR/sh)	29.5	31.1	5.4%	37.7	39.8	5.4%

Source: Company, HSIE Research

ADD

CMP (as on 15 May 23)	INR 1,136
Target Price	INR 1,248
NIFTY	18,399

KEY CHANGES	OLD	NEW
Rating	BUY	ADD
Price Target	INR 1,187	INR 1,248
EPS %	FY24E	FY25E
	+5.4%	+5.4%

KEY STOCK DATA

Bloomberg code	AMIORG IN
No. of Shares (mn)	36
MCap (INR bn) / (\$ mn)	41/506
6m avg traded value (INR mn)	69
52 Week high / low	INR 1,154/823

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	25.1	27.7	21.0
Relative (%)	23.4	27.0	2.9

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	39.41	39.41
FIs & Local MFs	3.72	3.63
FPIs	6.41	6.36
Public & Others	50.46	50.60
Pledged Shares	0.00	0.00

Source: BSE

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Quarterly Financial Snapshot (Consolidated)

(INR mn)	Q4FY23	Q3FY23	QoQ (%)	Q4FY22	YoY (%)
Net Sales	1,864	1,524	22.3	1,435	29.8
Material Expenses	1,051	823	27.6	802	31.1
Employee Expenses	115	128	(10.5)	110	4.6
Other Expenses	290	264	9.7	266	8.9
EBITDA	409	308	32.7	258	58.4
Depreciation	34	31	12.0	31	10.1
EBIT	374	277	35.0	227	65.1
Other Income	(2)	30	NA	2	NA
Interest	6	12	(50.1)	6	0.8
Exceptional items	-	-	NA	-	NA
PBT	367	296	24.0	223	64.7
Tax	95	73	29.9	10	864.3
RPAT	272	223	22.1	213	27.8
APAT (Adjusting for EO items)	272	223	22.1	213	27.8
AEPS (INR/sh)	7.5	6.1	22.1	5.8	27.8

	Q4FY23	Q3FY23	QoQ (bps)	Q4 FY22	YoY (bps)
Material Expenses as % of Net Sales	56.4	54.0	234	55.9	52
Employee Expenses as % of Net Sales	6.2	8.4	(226)	7.6	(148)
Other Expenses as % of Net Sales	15.5	17.3	(179)	18.5	(299)
EBITDA Margin (%)	21.9	20.2	171	18.0	396
Net Profit Margin (%)	14.6	14.6	(3)	14.8	(23)
Tax Rate (%)	25.8	24.6	117	4.4	2,140

Source: Company, HSIE Research

Financials

Income statement

INR mn	FY18	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
Revenues	1,882	2,385	2,396	3,406	5,201	6,167	7,950	9,814
Growth %	18.3	26.7	0.5	42.1	52.7	18.6	28.9	23.4
Raw Material	1,129	1,484	1,289	1,795	2,728	3,309	4,181	5,120
Employee Cost	99	117	178	210	414	488	547	602
Other Expenses	349	363	519	599	1,008	1,144	1,510	1,865
EBITDA	305	421	410	802	1,052	1,226	1,711	2,228
EBITDA Margin (%)	16.2	17.6	17.1	23.5	20.2	19.9	21.5	22.7
EBITDA Growth %	38.6	37.8	(2.5)	95.4	31.2	16.6	39.6	30.2
Depreciation	19	26	35	42	101	123	179	238
EBIT	286	395	375	760	951	1,103	1,532	1,990
Other Income	29	4	28	14	28	43	45	46
Interest	32	48	56	56	64	24	27	51
PBT (before EO item)	283	351	348	717	915	1,122	1,550	1,984
Exceptional Income / Expenses	-	-	-	-	-	-	-	-
PBT	283	351	348	717	915	1,122	1,550	1,984
Tax	98	118	73	177	195	289	390	499
Minority interest						27	35	
RPAT	184	233	275	540	719	833	1,133	1,450
APAT	184	233	275	540	719	833	1,133	1,450
APAT Growth (%)	52.6	26.4	17.9	96.6	33.2	15.8	36.0	28.0
AEPS	5.1	6.4	7.5	14.8	19.7	22.9	31.1	39.8
AEPS Growth %	52.6	26.4	17.9	96.6	33.2	15.8	36.0	28.0

Source: Company, HSIE Research

Balance sheet

INR mn	FY18	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
SOURCES OF FUNDS								
Share Capital	15	105	105	315	364	364	364	364
Reserves And Surplus	565	717	1,013	1,354	4,858	5,575	6,538	7,770
Total Equity	580	822	1,118	1,669	5,223	5,940	6,903	8,135
Minority Interest	-	-	-	-	-	-	27	62
Long-term Debt	313	221	199	726	6	6	756	756
Short-term Debt	95	261	339	445	-	30	30	30
Current maturities of LT debt	-	57	56	195	3	-	-	-
Total Debt	408	539	594	1,366	8	36	786	786
Deferred Tax Liability	(0)	21	31	33	63	88	90	92
Long-term Provision and others	10	11	24	44	4	7	7	7
TOTAL SOURCES OF FUNDS	997	1,394	1,768	3,112	5,298	6,071	7,812	9,082
APPLICATION OF FUNDS								
Net Block	149	788	852	1,863	2,045	2,386	4,039	4,398
Capital WIP	303	20	117	2	30	298	396	199
LT Loans And Advances	20	67	122	91	205	81	83	84
Total Non-current Investments	212	16	17	14	17	203	207	211
Total Non-current assets	684	891	1,109	1,970	2,297	2,969	4,725	4,893
Inventories	274	387	523	604	1,122	1,192	1,536	1,896
Debtors	499	761	564	1,207	1,637	2,303	2,750	3,395
Cash and Cash Equivalents	7	5	38	27	996	587	26	485
Other Current Assets	87	88	85	325	537	620	638	657
Total Current Assets	867	1,241	1,210	2,162	4,291	4,701	4,950	6,434
Creditors	478	684	514	844	1,184	1,420	1,680	2,058
Other Current Liabilities & Provs	76	54	37	176	106	178	183	187
Total Current Liabilities	554	738	551	1,020	1,291	1,599	1,863	2,245
Net Current Assets	313	503	659	1,142	3,001	3,102	3,087	4,189
TOTAL APPLICATION OF FUNDS	997	1,394	1,768	3,112	5,298	6,071	7,812	9,082

Source: Company, HSIE Research

Cash Flow Statement

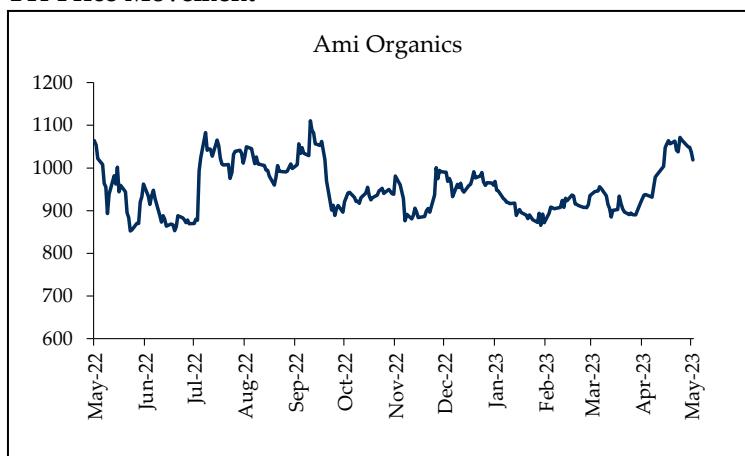
INR mn	FY18	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
Reported PBT	283	351	348	717	915	1,122	1,550	1,984
Non-operating & EO Items	(29)	(4)	(28)	(14)	(28)	(43)	(45)	(46)
Interest Expenses	32	48	56	56	64	24	27	51
Depreciation	19	26	35	42	101	123	179	238
Working Capital Change	(134)	(192)	(123)	(494)	(890)	(510)	(546)	(642)
Tax Paid	(98)	(96)	(63)	(176)	(165)	(263)	(388)	(498)
OPERATING CASH FLOW (a)	73	132	225	132	(3)	453	777	1,088
Capex	(79)	(381)	(197)	(938)	(311)	(733)	(1,930)	(400)
<i>Free Cash Flow (FCF)</i>	(6)	(249)	28	(806)	(314)	(280)	(1,153)	688
Investments	(197)	195	(1)	3	(3)	(186)	(4)	(4)
Non-operating Income	29	4	28	14	28	43	45	46
Others	(2)	(46)	(56)	31	(114)	124	(2)	(2)
INVESTING CASH FLOW (b)	(250)	(228)	(225)	(890)	(400)	(751)	(1,891)	(360)
Debt Issuance/(Repaid)	172	131	55	772	(1,358)	28	750	-
Interest Expenses	(32)	(48)	(56)	(56)	(64)	(24)	(27)	(51)
FCFE	134	(165)	27	(90)	(1,736)	(276)	(430)	637
Share Capital Issuance	-	90	-	210	49	-	-	-
Dividend	-	-	-	-	(109)	(109)	(170)	(217)
Others	8	(79)	34	(180)	2,855	(4)	0	0
FINANCING CASH FLOW (c)	148	95	34	746	1,373	(110)	553	(268)
NET CASH FLOW (a+b+c)	(29)	(2)	33	(12)	969	(409)	(561)	459
Closing Cash & Equivalents	6	5	38	27	996	587	26	485

Source: Company, HSIE Research

Key Ratios

	FY18	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
PROFITABILITY %								
Gross profit margin	40.0	37.8	46.2	47.3	47.5	46.3	47.4	47.8
EBITDA Margin	16.2	17.6	17.1	23.5	20.2	19.9	21.5	22.7
EBIT Margin	15.2	16.6	15.6	22.3	18.3	17.9	19.3	20.3
APAT Margin	9.8	9.8	11.5	15.9	13.8	13.5	14.2	14.8
RoE	31.8	28.3	28.3	38.7	20.9	14.9	17.6	19.3
RoIC	46.0	28.6	20.1	24.5	20.4	17.7	18.5	19.0
RoCE	20.6	19.0	20.2	23.9	18.3	15.0	16.6	17.6
EFFICIENCY								
Tax Rate %	34.8	33.7	21.0	24.7	21.3	25.7	25.2	25.2
Fixed Asset Turnover (x)	7.7	2.6	2.5	2.3	2.4	2.4	2.2	2.0
Inventory (days)	53	59	80	65	79	71	71	71
Debtors (days)	97	116	86	129	115	136	126	126
Other Current Assets (days)	17	14	13	35	38	37	29	24
Payables (days)	154	168	146	172	158	157	147	147
Other Current Liab & Provs (days)	15	8	6	19	7	11	8	7
Cash Conversion Cycle (days)	(2)	13	27	38	65	76	71	68
Net Debt/EBITDA (x)	1.3	1.3	1.4	1.7	(0.9)	(0.4)	0.4	0.1
Net D/E	0.7	0.6	0.5	0.8	(0.2)	(0.1)	0.1	0.0
Interest Coverage	8.9	8.3	6.7	13.5	14.8	45.7	57.4	38.9
PER SHARE DATA (INR)								
EPS	5.1	6.4	7.5	14.8	19.7	22.9	31.1	39.8
CEPS	5.6	7.1	8.5	16.0	22.5	26.2	36.0	46.3
Dividend	-	-	-	-	3.0	3.0	4.7	6.0
Book Value	15.9	22.6	30.7	45.8	143.3	163.0	189.4	223.3
VALUATION								
P/E (x)	224.6	177.7	150.7	76.7	57.5	49.7	36.5	28.6
P/Cash EPS (x)	203.5	159.8	133.6	71.1	50.5	43.3	31.5	24.5
P/BV (x)	71.4	50.3	37.0	24.8	7.9	7.0	6.0	5.1
EV/EBITDA (x)	136.8	99.6	102.3	53.3	38.4	33.3	24.6	18.7
EV/Revenue (x)	22.2	17.6	17.5	12.5	7.8	6.6	5.3	4.2
Dividend Yield (%)	-	-	-	-	0.3	0.3	0.4	0.5
OCF/EV (%)	0.2	0.3	0.5	0.3	(0.0)	1.1	1.8	2.6
FCFF/EV (%)	(0.0)	(0.6)	0.1	(1.9)	(0.8)	(0.7)	(2.7)	1.6
FCFE/M Cap (%)	0.3	(0.4)	0.1	(0.2)	(4.2)	(0.7)	(1.0)	1.5

Source: Company, HSIE Research

1Yr Price Movement**Rating Criteria**

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Ami Organics: Q4FY23 Results Review

Disclosure:

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