

# Ami Organics

**HOLD**

Improved performance led by volumes

## Summary

Ami Organics registered an improved sequential financial performance in Q4FY24. While revenue grew by 35% QoQ, adjusted PAT grew by 50% QoQ. Gross margins stood at 40% as against a usual run rate of 43-44%. EBITDA margins stood at 19% registering a sharp improvement of 330 bps QoQ. Lower gross margins were on account of price erosion and higher sale of low margin products namely specialty chemicals and domestic pharma intermediate sales. The management has raised revenue growth guidance from 17-22% to 20-25% for FY25. We raise our FY25/FY26 PAT by 30%/3% to factor in the same. We maintain our HOLD rating with revised target price of Rs 1,200 (Previous TP: Rs 1,134) assigning a target multiple of 37x on FY26 EPS.

## Key Highlights and Investment Rationale

- Revenue guidance raised for FY25:** The management has raised its revenue growth guidance from 17-22% to 20-25% for FY25 on the back of strong pipeline for the advanced pharmaceutical intermediates business and expectations of healthy volume growth. Pricing for the intermediates seems to have stabilized after 2-3 quarters of price erosion. The company envisions capex of Rs ~2.5bn in FY25 catering to balance funding of Ankleshwar plant, electrolyte additives business, captive solar plant and maintenance capex
- Valuation & Outlook:** The Company has registered an improved performance and also raised revenue guidance. Sharp margin improvement is commendable however sustainability of the performance will be a key monitorable. Ramp up of Fermion orders and further orders wins from leading pharma customers/innovators will be strong growth catalysts for the core pharma intermediates business.

TP	Rs1,200			Key Stock Data	
CMP	Rs1,230				
Potential upside/downside	-2%				
Previous Rating	HOLD				
Price Performance (%)					
	-1m	-3m	-12m		
Absolute	0.8	17.5	16.2		
Rel to Sensex	2.7	15.1	(1.1)		
V/s Consensus			Shareholding Pattern (%)		
EPS (Rs)	FY25E	FY26E	Promoters	39.9	
IDBI Capital	29	33	FII	9.0	
Consensus	27	37	DII	4.2	
% difference	7.8	(11.8)	Public	46.9	

	(Rs mn)				
Year	FY22	FY23	FY24	FY25E	FY26E
Revenue	5,201	6,167	7,175	8,843	11,005
Change yoy, (%)	53	19	16	23	24
EBITDA	1,052	1,226	1,285	1,633	2,079
Change yoy, (%)	31	17	5	27	27
EBITDA Margin (%)	20.2	19.9	17.9	18.5	18.9
Adj.PAT	719	833	619	1062	1,236
EPS (Rs)	20	23	16.7	29	33
Change yoy, (%)	33.2	15.8	(26.9)	72	16
PE(x)	53.1	45.9	73.4	42.8	36.7
Dividend Yield (%)	-	0.3	0.2	0.2	0.2
EV/EBITDA (x)	35.4	30.7	36.6	29.3	23.8
RoE (%)	20.9	14.9	9.76	13.7	13.4
RoCE (%)	24.5	19.5	16	15	15

Source: IDBI Capital Research, Company

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

Consolidated (Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ%
<b>Net Sales</b>	<b>2,250</b>	<b>1,864</b>	<b>20.7%</b>	<b>1,664</b>	<b>35.2%</b>
<b>Expenditure</b>	<b>-1,818</b>	<b>-1,455</b>	<b>24.9%</b>	<b>-1,399</b>	<b>29.9%</b>
<i>as % of sales</i>	-81%	-78%	3.5%	-84%	
Consumption of RM	-1,350	-1,051	28.5%	-950	42.1%
<i>as % of sales</i>	-60%	-56%	6.4%	-57%	
Employee Cost	-170	-115	48.5%	-161	5.6%
<i>as % of sales</i>	-8%	-6%	23.0%	-10%	
Other expenditure	-297	-290	2.7%	-288	3.3%
<i>as % of sales</i>	-13%	-16%	-14.9%	-17%	
<b>EBITDA</b>	<b>432</b>	<b>409</b>	<b>5.6%</b>	<b>265</b>	<b>62.8%</b>
Depreciation	-49	-34	43.0%	-38	30.4%
<b>EBIT</b>	<b>383</b>	<b>374</b>	<b>2.2%</b>	<b>228</b>	<b>68.1%</b>
Other Income	13	-2	-873.0%	35	-61.5%
Interest	-21	-6	248.7%	-25	-18.6%
Exceptional	-3	0	-	0	
PBT	372	367	1.5%	237	57.0%
Total Tax	-115	-95	21.8%	-59	95.7%
<b>Reported PAT</b>	<b>251</b>	<b>272</b>	<b>-7.5%</b>	<b>168</b>	<b>50.1%</b>
Discontinued Ops	0	0	-	0	NA
<b>Adjusted PAT</b>	<b>255</b>	<b>272</b>	<b>-6.3%</b>	<b>168</b>	<b>52.1%</b>
<b>Adjusted EPS</b>	<b>7</b>	<b>7</b>	<b>-6.3%</b>	<b>5</b>	<b>52.1%</b>
<b>Margins (%)</b>			<b>YoY (bps)</b>		<b>QoQ (bps)</b>
EBIDTA	19.2%	21.9%	(274)	15.9%	326
EBIT	17.0%	20.1%	(308)	13.7%	334
EBT	16.5%	19.7%	(313)	14.2%	230
PAT	11.2%	14.6%	(341)	10.1%	111
Effective Tax rate	31.0%	-25.8%	5,679	-24.9%	5,583

Source: Company, IDBI Capital

### Conference call highlights

- **Performance Review:** The performance was driven by volume growth. EBITDA improved on account of operating leverage and lower other expenses. The decrease in the gross margins was led by an unfavorable product mix and pricing pressure. Additionally, higher depreciation, finance costs, collectively impacted the PAT Margins.
- **Capacity Utilization:** The capacity utilization for Unit 1 stood at 72% which caters to the Pharma Intermediates Business. Out of the 3 blocks in Unit-II, one has been commercialized for the Fermion unit and the remaining 2 blocks will be employed for future opportunities. Unit 3 utilization stood at under 50% which is dedicated for the specialty chemical business and the electrolyte additives business. Management anticipates reaching 60-65% capacity utilization across all units within 2-3 years.
- **Capex Update:** Ami Organics plans to deploy Rs 2.5bn as capex in FY25. Capex breakup is as follows: Rs 0.7bn pending capex at the Ankleshwar Facility, Rs 1bn in Unit 3 for Electrolyte Block, Rs 0.5bn for the captive solar plant and remaining Rs 0.3-0.4bn for maintenance purposes. For FY26, maintenance capex is projected to remain within a similar range, with details on other capex plans to be disclosed in upcoming quarters. Asset turnover is expected to range from 2.5x to 2.8x based on the net block.
- **Electrolyte Business:** The Company now has a basket of 10 electrolyte additives. As per our analysis, pricing of VEC (Vinyl ethylene carbonate) has significantly corrected from ~70\$ to ~10\$ per kg which effectively puts pressure on the electrolyte additives business of Ami Organics. In lieu of the same, the management remains cautious of the pricing pressure and would be investing in the electrolyte business prudently.
- **QIP and Goodwill:** The QIP of Rs 991mn was essentially done to fund the capex and deleverage the balance sheet. The goodwill stood at Rs 568mn in FY24 vs Rs 203mn in FY23, increase was on account of the acquisition of Baba Fine Chem.
- **Outlook:** The company anticipates a growth of 20-25% for FY25, driven by the Electrolyte business and Fermion contract (Volume side). Additionally, it targets an EBITDA margin of 18-20% in the upcoming quarter, aiming for 23% from FY25 onward. Going forward the effective tax rate would be around 25% on a consolidated basis. On a usual basis the revenue split in H1 vs H2 stands at 45% and 55%. As on going forward AMI forecasts it to readjust to 40% in H1 and 60% in H2.

**Exhibit 2: Change in estimates**

	FY25E			FY26E		
	Old	New	(%) Chg	Old	New	(%) Chg
Revenue (Rs mn)	8,822	8,843	-	11,193	11,005	-2%
EBITDA (Rs mn)	1,538	1,633	6%	2,126	2,079	-2%
EBITDA margin (%)	17%	18%	147bps	19%	19%	-11bps
Net profit (Rs mn)	816	1,062	30%	1,195	1,236	3%
EPS (Rs)	22.1	28.7	30%	32.4	33.4	3%

Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

	(Rs mn)					
Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Net sales</b>	<b>3,406</b>	<b>5,201</b>	<b>6,167</b>	<b>7,175</b>	<b>8,843</b>	<b>11,005</b>
<i>Change (yoY, %)</i>	42.1	53	19	16	23	24
Operating expenses	(2,605)	(4,150)	(4,941)	(5,890)	(7,209)	(8,926)
<b>EBITDA</b>	<b>802</b>	<b>1,052</b>	<b>1,226</b>	<b>1,285</b>	<b>1,633</b>	<b>2,079</b>
<i>Change (yoY, %)</i>	95.4	31	17	5	27	27
<i>Margin (%)</i>	23.5	20.2	19.9	17.9	18.5	18.9
Depreciation	(42)	(101)	(123)	(161)	(223)	(293)
<b>EBIT</b>	<b>760</b>	<b>951</b>	<b>1,103</b>	<b>1,124</b>	<b>1,410</b>	<b>1,786</b>
Interest paid	(56)	(64)	(24)	(59)	(154)	(221)
Other income	14	28	43	75	256	175
<b>Pre-tax profit</b>	<b>717</b>	<b>915</b>	<b>1,122</b>	<b>819</b>	<b>1,512</b>	<b>1,740</b>
Tax	(177)	(195)	(289)	(332)	(388)	(439)
<i>Effective tax rate (%)</i>	24.7	21.3	25.7	40.5	25.6	25.2
Minority Interest	-	-	-	(59.4)	(62.3)	(65.4)
<b>Net profit</b>	<b>540</b>	<b>719</b>	<b>833</b>	<b>558</b>	<b>1,062</b>	<b>1,236</b>
Exceptional items	-	-	-	(321)	-	-
<b>Adjusted net profit</b>	<b>540</b>	<b>719</b>	<b>833</b>	<b>619</b>	<b>1,062</b>	<b>1,236</b>
<i>Change (yoY, %)</i>	96.6	33	16	(26)	72	16
EPS	14.8	19.7	22.9	16.7	28.7	33.4
Dividend per sh	-	-	3.0	3.0	3.0	3.0
<i>Dividend Payout %</i>	-	-	13.1	18	10	9

Balance Sheet							(Rs mn)
Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E	
<b>Shareholders' funds</b>	<b>1,669</b>	<b>5,223</b>	<b>5,940</b>	<b>6,740</b>	<b>8,683</b>	<b>9,810</b>	
Share capital	315	364	364	369	377	377	
Reserves & surplus	1,354	4,858	5,575	6,371	8,307	9,433	
<b>Total Debt</b>	<b>1,366</b>	<b>-</b>	<b>8</b>	<b>2,166</b>	<b>3,016</b>	<b>4,416</b>	
Other liabilities	(563)	73	93	(887)	(1,037)	(1,187)	
<b>Curr Liab &amp; prov</b>	<b>1,660</b>	<b>1,293</b>	<b>1,628</b>	<b>2,852</b>	<b>3,283</b>	<b>3,752</b>	
Current liabilities	1,651	1,233	1,515	2,720	3,151	3,620	
Provisions	10	60	114	132	132	132	
<b>Total liabilities</b>	<b>2,463</b>	<b>1,366</b>	<b>1,730</b>	<b>4,131</b>	<b>5,263</b>	<b>6,982</b>	
<b>Total equity &amp; liabilities</b>	<b>4,133</b>	<b>6,589</b>	<b>7,669</b>	<b>10,959</b>	<b>14,096</b>	<b>17,007</b>	
Net fixed assets	1,681	1,871	2,471	5,154	7,481	9,738	
Investments	14	17	19	2	2	2	
Other non-curr assets	275	405	479	845	845	845	
<b>Current assets</b>	<b>2,162</b>	<b>4,296</b>	<b>4,701</b>	<b>4,958</b>	<b>5,769</b>	<b>6,423</b>	
Inventories	604	1,122	1,192	1,567	1,891	2,306	
Sundry Debtors	1,207	1,637	2,303	2,064	2,564	3,027	
Cash and Bank	27	996	587	533	520	296	
Loans and advances	325	541	620	794	794	794	
<b>Total assets</b>	<b>4,133</b>	<b>6,589</b>	<b>7,669</b>	<b>10,959</b>	<b>14,096</b>	<b>17,007</b>	

Cash Flow Statement							(Rs mn)
Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E	
Pre-tax profit	717	915	1,122	819	1,512	1,740	
Depreciation	42	101	123	161	223	293	
Tax paid	(142)	(228)	(245)	(243)	(388)	(439)	
Chg in working capital	(538)	(771)	(432)	220	(543)	(559)	
Other operating activities	200	(135)	87	296	154	221	
<b>Cash flow from operations (a)</b>	<b>280</b>	<b>(119)</b>	<b>655</b>	<b>1,252</b>	<b>959</b>	<b>1,256</b>	
Capital expenditure	(1,046)	(338)	(783)	(2,809)	(2,550)	(2,550)	
Chg in investments	32	(895)	612	(530)	0	-	-
Other investing activities	2	26	(159)	(315)	-	-	-
<b>Cash flow from investing (b)</b>	<b>(1,012)</b>	<b>(1,207)</b>	<b>(330)</b>	<b>(3,654)</b>	<b>(2,550)</b>	<b>(2,550)</b>	
Equity raised/(repaid)	-	2,815	(17)	518	991	-	-
Debt raised/(repaid)	772	(1,358)	28	2,181	850	1,400	
Dividend (incl. tax)	-	-	(109)	(109)	(109)	(109)	
Chg in minorities	-	-	-	-	-	-	-
Other financing activities	(51)	(54)	(24)	(196)	(154)	(221)	
<b>Cash flow from financing (c)</b>	<b>721</b>	<b>1,403</b>	<b>(123)</b>	<b>2,394</b>	<b>1,578</b>	<b>1,070</b>	
<b>Net chg in cash (a+b+c)</b>	<b>(11)</b>	<b>76</b>	<b>202</b>	<b>(9)</b>	<b>(13)</b>	<b>(224)</b>	

### Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (Rs)	45.8	143	163	182.2	234.7	265
<i>Adj EPS (Rs)</i>	<i>14.8</i>	<i>19.7</i>	<i>22.9</i>	<i>16.7</i>	<i>28.7</i>	<i>33.4</i>
<i>Adj EPS growth (%)</i>	<i>96.6</i>	<i>33</i>	<i>16</i>	<i>-27</i>	<i>72</i>	<i>16</i>
<i>EBITDA margin (%)</i>	<i>23.5</i>	<i>20.2</i>	<i>19.9</i>	<i>17.9</i>	<i>18.5</i>	<i>18.9</i>
<i>Pre-tax margin (%)</i>	<i>21.1</i>	<i>17.6</i>	<i>18.2</i>	<i>11.4</i>	<i>17.1</i>	<i>15.8</i>
<i>Net Debt/Equity (x)</i>	<i>0.8</i>	<i>-0.2</i>	<i>-0.1</i>	<i>0.2</i>	<i>0.3</i>	<i>0.4</i>
<i>ROCE (%)</i>	<i>39.5</i>	<i>24</i>	<i>19</i>	<i>16</i>	<i>15</i>	<i>15</i>
<i>ROE (%)</i>	<i>38.7</i>	<i>21</i>	<i>15</i>	<i>10</i>	<i>14</i>	<i>13</i>
DuPont Analysis						
Asset turnover (x)	1.1	1.0	0.9	0.8	0.7	0.7
Leverage factor (x)	2.3	1.6	1.3	1.5	1.6	1.7
<i>Net margin (%)</i>	<i>15.9</i>	<i>13.8</i>	<i>13.5</i>	<i>8.6</i>	<i>12.0</i>	<i>11.2</i>
Working Capital & Liquidity ratio						
Inventory days	65	79	71	80	78	76
Receivable days	129	115	136	105	106	100
Payable days	119	104	105	83	82	80

### Valuations

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
PER (x)	82.8	62.2	53.7	73.4	42.8	36.7
Price/Book value (x)	26.8	8.6	7.5	6.7	5.2	4.6
EV/Net sales (x)	13.5	8.4	7.2	6.6	5.4	4.5
EV/EBITDA (x)	57.5	41.6	36.0	36.6	29.3	23.8
<i>Dividend Yield (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>

Source: Company; IDBI Capital Research



# Notes

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**Key to Ratings Stocks:**

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

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