

Ami Organics Limited

Ami organics was incorporated in 2004; the company is one of the leading Research & Development driven companies. Ami organics deals in different types of Advanced Pharmaceutical Intermediates and Active Pharmaceutical Ingredients (API) and materials for agrochemical and fine chemicals. Ami Organics has 3 manufacturing facilities situated in Gujarat with an aggregate installed capacity of 6060 Mtpa.

Positives: (a) Ami Organics has a high market share in key APIs like Dolutegravir, Nintedanib & Trazodone. (b) Company has a diversified business; they have developed & commercialized 450 pharma intermediates for API across 17 key therapeutic areas. (c) The company has recently completed acquisitions of 2 additional manufacturing capacities from GOL. (d). More than half of the revenue comes from export; they export to Italy, Finland, China & other countries.

Investment concerns: (a) In some of the APIs, the company already has a market share of 70-90%, which reduces the scope of them increasing their market share in the near future. (b) Some of the company's key products like Nintedanib got COVID-19 related benefits in FY2021, which is not expected to continue in the future. (c) Company has recently acquired 2 new manufacturing units - both the facilities have low EBITDA margins & high working capital requirement, which will pressurize the company's financials.

Outlook & Valuation: Based on FY2021 numbers, the IPO is priced at a Price to Earnings of 35.6 times and EV/EBITDA of 25.7 times at the upper price band of the IPO, which is on the higher side, compared to the listed peer group. Company already has a higher market share of 70%-90% in Key API's which will limit growth in near future. Given the expensive valuation, we are assigning a NEUTRAL recommendation to the Ami Organics Limited IPO.

Key Financials

Y/E March (₹ Cr)	FY19	FY20	FY21
Net Sales	238.5	239.6	340.6
% chg	-	0.5	42.2
Net Profit	23.5	27.6	54.4
% chg	-	17.5	96.9
EBITDA (%)	17.8	18.3	24.0
EPS (₹)	7.4	8.7	17.14
P/E (x)	82.4	70.0	35.6
P/BV (x)	24.6	18.1	12.1
RONW (%)	29%	25%	33%
ROCE (%)	37%	29%	31%
EV/EBITDA	48.1	46.6	25.7
EV/Sales	8.6	8.5	6.2

Source: Company, Angel Research

NEUTRAL

Issue Open: September 1, 2021

Issue Close: September 3, 2021

Issue Details

Face Value: ₹10

Present Eq. Paid up Capital: ₹31.5 Cr

Issue Size: ₹570 Cr

Fresh Issue: ₹200 Cr.

Offer for Sale: ₹370 Cr

Price Band: ₹603-610

Lot Size: 24 shares and in multiple thereafter

Expected Listing: 14th September 2021

Post-issue mkt. cap: * ₹2,199 Cr - ** ₹2,223 Cr

Promoters holding Pre-Issue: 47.22%

Promoters holding Post-Issue: 41.1%

*Calculated on lower price band

**Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post issue Shareholding pattern

Promoters	41.1%
Others	58.9%

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Company background

Ami Organics Limited was incorporated on January 3, 2004. The company is one of the leading research and development driven manufacturers of specialty chemicals with varied end usage, focused towards the development and manufacturing of advanced pharmaceutical intermediates for regulated and generic active pharmaceutical ingredients (APIs) and New Chemical Entities and key starting material for agrochemical and fine chemicals, especially from their recent acquisition of the business of Gujarat Organics Ltd.

The company supplies their products to more than 150 customers, which includes international customers and the company supplies to more than 25 countries. Currently Ami Organics has 8 process patent applications and 3 additional pending process patent applications for which applications were made recently, in March 2021.

The company has developed and commercialized over 450 Pharma Intermediates for APIs across 17 key therapeutic areas since inception. Ami Organics has 3 manufacturing units located at Sachin, Ankleshwar and Jhagadia in Gujarat with an overall installed capacity of 6,060 MTPA. Further, the Jhagadia Facility has 15,830 square metre free land available for future expansion

Issue details

The issue comprises offer for sale of up to ₹370 Cr (60.59 lakh shares) and Fresh issue of 200 Cr with the price band of ₹603-610.

Pre & Post Share Holding

Particular	(Pre-issue)		(Post-issue)	
	No of shares	%	No of shares	%
Promoter	1,56,58,710	47.2%	1,49,58,710	41.1%
Public	1,74,99,664	52.8%	2,14,78,352	58.9%
Total	3,31,58,374	100%	3,64,37,062	100%

Source: Company, Angel Research

Objectives of the Offer

- Repayment of current borrowing. (140 Cr)
- Funding incremental working capital requirements of the Company. (90 Cr)
- To meet general corporate purposes.

Revenue Break-up - Ami Organics' 88% of revenue comes from Pharma intermediates out of which 53% comes from export and 5% of revenue comes from specialty chemicals out of which 86% comes from export market.

Revenue Breakup

Product Category	FY 2021 % of Total		FY 2020 % of Total		FY 2019 % of Total	
Pharma Intermediates	301	88%	218	91%	203	85%
Specialty Chemicals	17	5%	7	3%	2	1%
Others	23	7%	14	6%	33	14%
Total	341	100%	240	100%	239	100%

Source: Company, Angel Research

Key Management Personnel

Nareshkumar Ramjibhai Patel is the Promoter, Executive Chairman and Managing Director of the company and has been associated with the company since its incorporation. He has 18 years of experience in the specialty chemicals manufacturing sector.

Chetankumar Chhaganlal Vaghasia is the Promoter, Whole-time Director of the company and has been associated with the company since its incorporation. He has 19 years of experience in the specialty chemicals manufacturing sector.

Virendra Nath Mishra is the Whole-time Director of the company. He has been associated with the company since 2005. He has over 25 years of experience in the research and operations management specialty chemicals manufacturing sector.

Girikrishna Suryakant Maniar is the Non-executive, Independent Director of the company. He was appointed as an Independent Director of the company on April 23, 2018.

Abhishek Haribhai Patel is the Chief Financial Officer of the company and was appointed by the company on June 1, 2018.

Ekta Kumari Srivastava is the Company Secretary and Compliance Officer of the company and was appointed by the company on February 22, 2021.

Consolidated Profit & Loss Account

Y/E March (₹ Cr)	FY19	FY20	FY21
Total operating income	238.5	239.6	340.6
<i>% chg</i>	-	0.5	42.2
Total Expenditure	196.3	198.6	260.3
Raw Material cost	148.4	128.9	179.4
Employee Benefit Expense	11.7	17.8	21.0
Other Expenses	36.2	51.9	59.9
EBITDA	42.2	41.0	80.3
<i>% chg</i>	-	(2.8)	95.9
<i>(% of Net Sales)</i>	17.7	17.1	23.6
Depreciation & Amortization	2.6	3.5	4.1
EBIT	39.6	37.5	76.2
<i>% chg</i>	-	(5.3)	103.2
<i>(% of Net Sales)</i>	16.6	15.7	22.4
Interest & other Charges	4.7	5.5	5.6
Other Income	0.3	2.8	1.4
<i>(% of Sales)</i>	0.1	1.2	0.4
Recurring PBT	35.2	34.8	72.0
<i>(% of Net Sales)</i>	14.8	14.5	21.1
Tax	11.7	7.2	17.6
PAT (reported)	23.5	27.6	54.4
<i>% chg</i>	-	17.5	96.9
<i>(% of Net Sales)</i>	9.9	11.5	16.0
EPS (as stated)	7.40	8.72	17.14
<i>% chg</i>	-	17.8	96.6

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (₹ Cr)	FY19	FY20	FY21
SOURCES OF FUNDS			
Equity Share Capital	10.5	10.5	31.5
Other equity	71.7	101.3	135.4
Shareholders' Funds	82.2	111.8	166.9
Total Loans	24	23	76
Other liabilities	1.1	2.4	4.3
Total Liabilities	108	137	247
APPLICATION OF FUNDS			
Net Block	81	97	187
Current Assets	124	121	216
Sundry Debtors	76	56	121
Inventories	38.6	52.3	60.3
Cash & Bank Balance	0	4	3
Other Assets	9	8	32
Current liabilities	105	94	166
Net Current Assets	19	26	50
Other Non-Current Asset	8	14	10
Total Assets	107	137	247

Source: Company, Angel Research

Consolidated Cash Flow Statement

Y/E March (₹ Cr)	FY19	FY20	FY21
Profit before tax	35.1	34.7	71.7
Depreciation	2.6	3.5	4.1
Change in Working Capital	(13.1)	(9.6)	(39.2)
Interest Expense	4.5	5.3	5.1
Direct Tax Paid	(13.7)	(8.5)	(14.1)
Others	4.9	7.5	4.1
Cash Flow from Operations	14.9	26.9	27.2
(Inc.)/ Dec. in Fixed Assets	(21.3)	(21.4)	(104.0)
Investment	0.2	(2.7)	3.4
Interest received	0.1	0.1	0.2
Cash Flow from Investing	(21.1)	(24.0)	(100.4)
Proceeds/Repayment of Borrowing	10.0	5.5	77.2
Dividend paid on equity shares	(4.4)	(5.3)	(5.1)
Cash Flow from Financing	5.6	0.2	72.1
Inc./(Dec.) in Cash	(0.4)	3.3	(1.1)
Opening Cash balances	0.9	0.5	3.8
Closing Cash balances	0.5	3.8	2.7

Source: Company, Angel Research

Key Ratio

Y/E March	FY19	FY20	FY21
Valuation Ratio (x)			
P/E (on FDEPS)	82.4	70.0	35.6
P/CEPS	71.7	64.0	34.5
P/BV	24.6	18.1	12.1
EV/Sales	8.6	8.5	6.2
EV/EBITDA	48.1	46.6	25.7
Per Share Data (Rs)			
EPS (fully diluted)	7.40	8.72	17.14
Cash EPS	8.5	9.5	17.7
Book Value	24.8	33.7	50.3
Number of share	3.32	3.32	3.32
Returns (%)			
RONW	28.6%	24.7%	32.6%
ROCE	37.1%	29.4%	31.4%
Turnover ratios (x)			
Asset Turnover (net)	3.0	2.8	1.8
Receivables (days)	116.3	85.9	129.2
Inventory Days	156.4	172.4	136.5
Payables (days)	168.0	145.5	171.7
Working capital cycle (days)	104.7	112.9	94.1

Source: Company, Angel Research

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