

Subscribe for Long Term

Issue Details	
Price Band (Rs)	Rs.603 - 610
Face Value (Rs)	10
Issue Size (Rs)	569.64Cr
Issue Type	Book Building
Minimum lot	24 Shares
Issue Opens	September 01, 2021
Issue Closes	September 03, 2021
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	September 08, 2021
Unblocking of Funds	September 09, 2021
Credit of shares to Demat Account	September 13, 2021
Listing on exchange	September 14, 2021

Other Detail	
Book Running Lead Managers	Intensive Fiscal Services Private Limited, Ambit Private Limited, Axis Capital Limited
Registrar	Link Intime India Private Limited

Ami Organics Ltd.

Company Background

Ami Organics Ltd. ("Ami Organics") 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, focussed towards the development and manufacturing of advanced pharmaceutical intermediates for regulated and generic active pharmaceutical ingredients 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. Ami Organics has 3 manufacturing units located at Sachin, Ankleshwar and Jhagadia in Gujarat with 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 offer comprises Fresh Issue of Equity shares aggregating upto Rs.200Cr and Offer for sale of Equity Shares aggregating upto Rs.369.64Cr. (The company has undertaken a Pre-IPO Placement of 1,658,374 Equity Shares at a price of Rs.603/- per share, aggregating to Rs.100 Crore).

Issue Objectives

- Repayment/prepayment of certain financial facilities availed by our Company: Rs.140 Crore
- Funding working capital requirements: Rs.90 Crore
- To meet general corporate purposes: Rs. 70 Crore

IPO Share Allotment Pattern

Category	Allocation	Number of Shares at Rs.603	Number of Shares at Rs.610	Issue Size [^] (Rs.Cr)
QIB	50%	46,88,175	46,69,144	284.82
Non-Institutional	15%	14,06,452	14,00,743	85.45
Retail	35%	32,81,722	32,68,401	199.37
Total		93,76,350	93,38,289	569.64

Source: Company RHP, ACMIIL Research, ^ Issue at upper price band

Outlook and Valuations

The Indian chemicals market was valued at \$166 billion in 2019. It is expected to reach around \$326 billion by 2025, with an anticipated growth of around 12 percent CAGR. The specialty chemical industry forms around 47 percent of the domestic chemical market, which is expected to grow at a CAGR of around 11-12 percent by 2025. India's specialty chemical companies are gaining favour with global MNCs because of the geopolitical shift after the outbreak of Covid-19 as the world looks to reduce its dependence on China. Currently, China accounts for around 15-17 percent of the world's exportable specialty chemicals, whereas India accounts for merely 1-2 percent, indicating that the country has a large scope of improvement and widespread opportunity. We believe Ami Organics is well placed to capitalize on domestic and global opportunities. At the upper price band of Rs.610/-, stock is valued at 41.16x of FY21 Earnings of Rs.14.82(based on fully diluted post issue equity). **We recommend to subscribe the issue from a long-term prospective.**

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Investment Rationale

Strong and diversified product portfolio ably supported by strong R&D and process chemistry skills

Ami Organics has a strong market research-based model wherein it focuses on development of Pharma Intermediates either for molecules which are under clinical trials; or for molecules which have been launched in the patented as well as generic space. They have focused on undertaking dedicated R&D in their existing product lines and in areas where there is significant growth potential. As a result of their R&D capabilities, they have been able to file 8 process innovation patent applications in India applications (in respect of intermediates used in the manufacture of Apixaban, Rivaroxaban, Nintedanib, Vortioxetine, Selexipag, Pimavanserin, Efinaconazole and Eliglustat) which are presently published in the Official Journal of the Patent Office in India and 3 additional pending patent applications for which applications were made recently, in March 2021.

Extensive geographical presence and diversified customer base with long standing relationships

Ami Organics caters to domestic and certain multi-national pharmaceutical companies which cater to the large and fast-growing markets of Europe, China, Japan, Israel, UK, Latin America and the USA. They supply their products to 25 countries and have long standing relationships with numerous domestic and global pharmaceutical companies. They caters extensively to the large geographies of Italy, Finland, France and China, which contributed to 35.47%, 17.67%, 10.55% and 9.45% respectively, of the total revenue from exports for Fiscal 2021.

They have established long standing relationships with their key customers. Their top ten customers for Fiscal 2021 have been their customers for over 3 years and have contributed to 60.99% of their total revenue from operations. Further 13 of their customers have been customers since the past 10 years and 50 of their customers have been customers since the past 5 years. Ability to address the varied and stringent client requirements over long periods enables the Company to obtain additional business from existing clients as well as new clients in an industry marked by high entry barriers. The company supply their products to more than 150 customers (including international customers) directly in India and in 25 countries overseas, using a distributorship network in certain cases.

Domestic Customers	Key Export Customers
Laurus Labs Ltd.,	Organike s.r.l.a Socio Unico,
Cadila Healthcare Ltd., and	Fermion Oy,
Cipla Ltd.	Fabbrica Italiana Sintetici S.p.A,
	Chori Co. Ltd.

Source: Company RHP, ACMIIL Research

Strong sales and marketing capabilities

Since Company's incorporation, they have created a sales division, aligned with their key therapeutic areas and have focused on developing and growing their engagement with specialists and super specialists. Their marketing team utilizes a variety of sales and marketing techniques and programs to promote their products, including promotional materials, speaker programs, key pharmaceutical trade exhibitions such as CPHI and CHEMSPEC, industry publications, advertising and other media besides reliance on a strong market research-based model wherein they focuses on development of advanced pharmaceutical intermediates either for molecules which are under clinical trials; or for molecules which have been launched and approved by pharmaceutical regulators worldwide, including the US-FDA.

Consistent financial performance

Ami Organics has established a consistent track record of financial performance and growth. Ami Organics registered a growth in revenue from operations at a CAGR of 19.50 percent during FY19-FY21 to Rs 340.61 crore and profit grew at a CAGR of 52.25 percent in the same period, to Rs 54 crore in FY21. Moreover, company's operating margin improved from 17.6% in FY19 to 23.5% in FY21. Further, as on FY21, company's ROE and ROCE stands at 32.35% and 25.25% respectively.

Financial Snapshot (Consolidated)

Particulars (Rs. Mn)	FY19	FY20	FY21
Equity share capital	105	105	315
Net worth	822	1,118	1,669
Net asset value per share	26	36	53
Debt to Equity Ratio	0.66	0.53	0.82
Revenue from Operations	2,385	2,396	3,406
EBITDA	421	410	802
EBITDA %	17.64%	17.12%	23.53%
Net Profit	233	275	540
Diluted EPS (Rs)	7.4	8.72	17.14
ROE	28.33%	24.57%	32.35%
ROCE	29.11%	22.40%	25.25%

Source: Company RHP, ACMIIL Research

Comparison With Listed Peers

Company	Total Income (Rs.Mn)	EPS	NAV	P/E	ROE (%)
Ami Organics Ltd	3,406	17.14	53	41.16^	32.35
Aarti Industries Ltd	45,061	30.04	201	62.22	14.94%
Hikal Ltd	17,204	10.80	76	49.52	14.27%
Valiant Organics Ltd	7,548	40.97	185	33.78	22.81%
Vinati Organics Ltd	9,543	25.20	150	75.51	17.45%
Neuland Laboratories Ltd	9,369	62.85	612.99	31.60	10.25%
Atul Ltd	37,315	221.17	1,293	40.86	17.14%

Source: Company RHP, ACMIIL Research, Based on the Restated Consolidated Financial Statements for the year ended March 31, 2021. Basic EPS and Diluted EPS mentioned in the above table are as reported by the respective companies in the relevant annual reports/results for Fiscal 2021 ^P/E Ratio has been computed based on the Issue price and FY21 earnings fully diluted post issue equity.

Risk and Concern

1. Failure to comply with the quality standards and technical specifications.
2. Customer Concentration: Top 10 customers Contributes 44% of revenues in FY21.

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