



**AMI ORGANICS LIMITED**

**SMC Ranking**

★ ★ ★ ☆ ☆ (2.5/5)

**Issue Highlights**

| Industry                       | Specialty Chemicals |
|--------------------------------|---------------------|
| Offer for sale (Shares)        | 6,059,672           |
| Fresh Issue (Shares)           | 3,278,689           |
| <b>Net Offer to the Public</b> | <b>9,338,361</b>    |
| Issue Size (Rs. Cr.)           | 563-570             |
| Price Band (Rs.)               | 603-610             |
| Offer Date                     | 1-Sep-21            |
| Close Date                     | 3-Sep-21            |
| Face Value                     | 10                  |
| Lot Size                       | 24 Shares           |

**Issue Composition**

|                      | In shares |
|----------------------|-----------|
| Total Issue for Sale | 9,338,361 |
| QIB                  | 7,003,770 |
| NIB                  | 1,400,754 |
| Retail               | 933,836   |

**About the company**

Incorporated in 2004, Ami Organics Limited is one of the leading research and development driven manufacturers of specialty chemicals. The company manufactures different types of Advanced Pharmaceutical Intermediates and Active Pharmaceutical ingredients (API) for New Chemical Entities, and material for agrochemicals and fine chemicals. The company has developed over 450 pharma intermediates across 17 key therapeutic areas i.e. anti-retroviral, anti-inflammatory, anti-psychotic, anti-cancer, anti-Parkinson, anti-depressant, and anti-coagulant. It supplies its products to more than 150 customers (including international customers) directly in India and in 25 countries overseas i.e. Europe, USA, China, Israel, Japan, Latin America, etc. Laurus Labs, Cadila Healthcare, Cipla Ltd are some of the domestic customers whereas Organike s.r.l.a. Socio Unico, Fermion Oly, Medichem S.A. and Midas Pharma GmbH are some of the international customers. The company has three manufacturing facilities in Gujarat situated at Sachin, Ankleshwar & Jhagadia, with an aggregate installed capacity of 6,060 MTPA

**Shareholding Pattern (%)**

| Particulars                 | Pre-issue      | Post-issue     |
|-----------------------------|----------------|----------------|
| Promoters & promoters group | 47.22%         | 41.05%         |
| QIB                         | 52.78%         | 52.54%         |
| NIB                         | 0.00%          | 3.84%          |
| Retail                      | 0.00%          | 2.56%          |
| <b>Total</b>                | <b>100.00%</b> | <b>100.00%</b> |

\*calculated on the upper price band

**Objects of the Issue**

- Repayment/prepayment of certain financial facilities availed by company.
- Funding working capital requirements of company.
- General corporate purposes.

**Book Running Lead Manager**

- Axis Capital Limited
- Ambit Private Limited
- Intensive Fiscal Services Private Limited

**Name of the registrar**

- Link Intime India Private Ltd

**Strength**

**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. It has focused on undertaking dedicated R&D in its existing product lines and in areas where there is significant growth potential. As a result of its R&D capabilities, it has 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. Its R&D centre at Sachin has been approved by DSIR and has a specialised team of 66 people across various sections including R&D, regulatory affairs, quality control, quality assurance and analytical development laboratory. Of its current (as of June 30, 2021) team of 66 R&D professionals, 6 team members hold Ph.Ds. and 41 team members hold a master's degree.

**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. In Fiscals 2021, 2020 and 2019, its revenue from exports contributed 51.57%, 45.89% and 49.61%, respectively of its revenue from operations. It supplies its products to 25 countries and have long standing relationships with numerous domestic and global pharmaceutical companies. It 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. It has established long standing relationships with its key customers. Its top ten customers for Fiscal 2021 have been its customers for over 3 years and have contributed to 60.99% of its total revenue from operations. Further 13 of its customers have been customers since the past 10 years and 50 of its customers have been customers since the past 5 years.

**High entry barriers in the chemicals manufacturing industry:** The company manufactures and market advanced pharmaceutical intermediates used for manufacturing of APIs and NCEs in select therapeutic areas such as anti-retroviral, anti-inflammatory, anti-psychotic, anti-cancer, antiParkinson, anti-depressant and anti-coagulant. This pharmaceutical intermediates business has high entry barriers inter alia due to: (a) a long

gestation period to be enlisted as a supplier with the customers, particularly with the customers in US and European countries, which requires suppliers to adhere to strict compliance requirements, leading to a high regulatory gestation period; and (b) the involvement of complex chemistries in the manufacturing process, which is difficult to commercialize on a large scale. Its Sachin facility is USFDA inspected and in respect of which it has received the EIR twice, in 2018 and 2020.

**Strong sales and marketing capabilities:** Since Company's incorporation, it has created a sales division, aligned with its key therapeutic areas and have focused on developing and growing their engagement with specialists and super specialists. Its marketing team utilizes a variety of sales and marketing techniques and programs to promote its 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 it 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 a track record of operations of over a decade and have a strong balance sheet with stable cash flows. It has experienced sustained growth in various financial indicators including its revenue and PAT, as well as a consistent improvement in its balance sheet position in the last three Fiscals.

## Strategy

**Diversification of product portfolio by strengthening R&D capabilities:** With the objective of early identification and attaining early development, the company constantly seeks to introduce new product verticals and develop their R&D capabilities to distinguish themselves from its competitors. With a view to strengthen its R&D capabilities, it continuously recruits and appoints scientists. Strategic investments in R&D has been critical to its success and a differentiating factor vis-à-vis its competitors in becoming one of the key suppliers of pharmaceutical intermediates for API in both domestic and global markets. It has also developed and manufactures specialty chemicals for pharmaceutical, cosmetics, food processing, flavour and fragrance, dyes, polymer, agrochemicals and animal feed industries. The Company's focus has been to develop cost effective processes for manufacturing their products. In addition to production of pharmaceutical intermediates for several API's, the Company's also has a presence in heterogeneous nitrogen compounds. Additionally, it has recently diversified their product portfolio as a result of the acquisition of GOL.

**Augmenting scale through organic and inorganic routes in the current geographic markets and expanding into new geographic markets:** Ami Organics supplies advanced pharmaceutical intermediates used for manufacturing of APIs and NCEs to over 150 customers in India and 25 countries overseas and has established itself as a trusted and reliable supplier of advanced pharmaceutical intermediates used for manufacturing of APIs and NCEs, globally. The company is well positioned to consolidate its existing capacity to capitalise upon future growth that is envisaged. It aims to strengthen its manufacturing capability and achieve better economies of scale by organic and inorganic growth. It has and continues to; expand its business through organic growth to increase its production capacities and product portfolio. In Fiscal 2018, it established a new state-of-the-art fully GMP-compliant manufacturing unit at the Sachin Facility, and this new and excess capacity will help them capitalize on the growth opportunities. In addition, the acquisition of the Ankleshwar Facility and the Jhagadia Facility, both multipurpose backward integrated facilities in Fiscal 2021, has enabled it to expand its product portfolio to include the manufacture of speciality chemicals. Going forward, it may consider acquisition/ investment opportunities to selectively expand in other verticals.

**Continue to focus on cost efficiency and improving productivity while employing environmentally friendly processes:** The company strongly believes in conducting its business operations in an environmentally responsible manner. It has set up a Zero Liquid Discharge based in-house effluent plant at its Sachin Unit. As it operates in a fiercely competitive industry wherein technology plays a critical role, the company continuously strives to keep its technology, facilities and machinery current and updated with the latest international standards. Further, it intends to position itself as a leading market player in its product verticals, both domestically and internationally by

adopting the latest technological changes and be responsive to the constant technological upgradations and emerging standards to ensure cost efficiency and environmentally friendly processes in its business operations. The company has developed backward integration capabilities for key raw materials which have helped it in minimising reliance on third party vendors. It also enters into contract manufacturing agreements with vendors to supply raw materials.

**Diversification of the business by focussing on organic and inorganic growth opportunities:**

Ami Organics intends to pursue strategic acquisitions and partnerships to complement its organic growth and internal expertise. It also intends to develop its internal capacities and production abilities to achieve intended levels of organic growth. By pursuing strategic acquisitions including the recently concluded acquisition of the business of GOL, it will add to its capabilities and technical expertise or enter into partnerships to strengthen its product infrastructure and overall manufacturing capabilities in the specialty chemicals sector. The company is in the process of building its synergies and such inorganic expansion will help it building synergies going forward. It may in the future, use some of the land area available to it which currently stands at 15,830.00 sq mtr, in its Jhagadia facility to explore brownfield expansion opportunities.

**Risk factors**

- The company derives significant portion of its revenue from the sale of products in certain therapeutic areas and any reduction in demand from such products can affect company business.
- The company is subject to increasingly stringent environmental, health and safety laws, regulations and standards.
- The company is subject to strict quality requirements, regular inspections and audits.

**Peer comparison**

| Co_Name              | Total Income | PAT    | EPS    | P/E   | P/BV  | BV      | FV | Price   | Mcap     |
|----------------------|--------------|--------|--------|-------|-------|---------|----|---------|----------|
| Atul                 | 3731.47      | 655.76 | 237.91 | 38.51 | 7.08  | 1293.30 | 10 | 9162.45 | 27108.99 |
| Vinati Organics      | 954.26       | 269.32 | 27.04  | 66.31 | 11.94 | 150.16  | 1  | 1793.10 | 18429.85 |
| Aarti Industries     | 4506.10      | 523.47 | 16.73  | 55.75 | 7.19  | 129.72  | 5  | 932.70  | 33810.75 |
| Neuland Labs.        | 936.91       | 80.63  | 57.84  | 29.06 | 2.74  | 612.28  | 10 | 1680.60 | 2156.19  |
| Hikal                | 1707.06      | 133.15 | 13.68  | 47.27 | 8.54  | 75.70   | 2  | 646.70  | 7973.86  |
| Valiant Organics     | 754.81       | 114.56 | 42.92  | 30.27 | 3.61  | 359.65  | 10 | 1299.05 | 3527.37  |
| Ami Organics Limited | 239.64       | 54.01  | 16.29  | 41.15 | 6.06  | 100.70  | 10 | 610.00  | 2222.66  |

**Valuation**

Considering the P/E valuation, on the upper end of the price band of Rs.610, the stock is priced at pre issue P/E of 37.45x on FY21 EPS of Rs.16.29. Post issue, the stock is priced at a P/E of 41.15x on its EPS of Rs.14.82. Looking at the P/B ratio at Rs.610, pre issue, book value of Rs. 50.34 of P/Bvx 12.12x. Post issue, book value of Rs.100.70 of P/Bvx 6.06x.

Considering the P/E valuation, on the upper end of the price band of Rs.603, the stock is priced at pre issue P/E of 37.02x on FY21 EPS of Rs.16.29. Post issue, the stock is priced at a P/E of 40.68x on its EPS of Rs.14.82. Looking at the P/B ratio at Rs.603, pre issue, book value of Rs. 50.34 of P/Bvx 11.98x. Post issue, book value of Rs.100.70 of P/Bvx 5.99x.

**Industry overview**

The Indian chemicals market was valued at \$166 billion (around 4 percent share in the global chemical industry) 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. It is anticipated that specialty chemicals will be the next great export pillar for India.

### Outlook

Ami Organics is a R&D driven pharma intermediates & specialty chemicals manufacturers with Pharma intermediates account nearly 88 per cent of revenue while specialty chemical account 5 per cent. The company derives significant portion of its revenue from the sale of products in certain therapeutic areas and any reduction in demand from such products can affect company business. Moreover, major of the issue is OFS. A long term investor may opt the issue.

### An Indicative timetable in respect of the Issue is set out below:

| EVENT  | INDICATIVE DATE<br>(On or about) |
|--|----------------------------------|
| Bid/Offer Opens Date   | Sept 01, 2021                    |
| Bid/Offer Closing Date   | Sept 03, 2021                    |
| Finalisation of Basis of Allotment with the Designated Stock Exchange                      | On or about Sept 08, 2021        |
| Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account | On or about Sept 09, 2021        |
| Credit of Equity Shares to depository accounts of Allottees                                | On or about Sept 13, 2021        |
| Commencement of trading of the Equity Shares on the Stock Exchanges                        | On or about Sept 14, 2021        |

## Consolidated Financials

### Profit & Loss

Rs. in Cr.

| Particulars             | Period ended          | Period ended          | Period ended          |
|-------------------------|-----------------------|-----------------------|-----------------------|
|                         | 31-Mar-21 (12 Months) | 31-Mar-20 (12 Months) | 31-Mar-19 (12 Months) |
| Revenue from operations | 340.60                | 239.64                | 238.51                |
| Total expenditure       | 260.45                | 198.63                | 196.43                |
| <b>Operating Profit</b> | <b>80.15</b>          | <b>41.02</b>          | <b>42.08</b>          |
| OPM%                    | 23.53                 | 17.12                 | 17.64                 |
| Other Income            | 1.38                  | 2.84                  | 0.38                  |
| <b>PBDIT</b>            | <b>81.53</b>          | <b>43.86</b>          | <b>42.46</b>          |
| Depreciation            | 4.188                 | 3.52                  | 2.60                  |
| <b>PBIT</b>             | <b>77.34</b>          | <b>40.34</b>          | <b>39.86</b>          |
| Interest                | 5.61                  | 5.59                  | 4.75                  |
| <b>PBT</b>              | <b>71.73</b>          | <b>34.76</b>          | <b>35.11</b>          |
| Tax                     | 17.72                 | 7.28                  | 11.82                 |
| <b>Profit After Tax</b> | <b>54.01</b>          | <b>27.47</b>          | <b>23.30</b>          |

**Balance sheet is on next page**

## Balance Sheet

Rs. in Cr.

| Particulars   | As on 31-Mar-21 | As on 31-Mar-20 | As on 31-Mar-19 |
|---|-----------------|-----------------|-----------------|
| <b>Non-current assets</b>                           |                 |                 |                 |
| Property, plant and equipment                       | 160.61          | 62.18           | 57.67           |
| Capital work-in-progres                             | 0.20            | 11.71           | 1.96            |
| Other intangible assets                             | 25.70           | 23.01           | 21.11           |
| <b>Financial Assets</b>                             | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     |
| Investments   | 1.43            | 1.73            | 1.64            |
| Other financial assets                              | 2.71            | 2.96            | 2.30            |
| Other non-current assets                            | 6.40            | 9.27            | 4.37            |
| <b>Total non-current assets</b>                     | <b>197.04</b>   | <b>110.86</b>   | <b>89.06</b>    |
| <b>Current assets</b>                               |                 |                 |                 |
| Inventories   | 60.36           | 52.34           | 38.67           |
| Financial Assets                                    | 0.00            | 0.00            | 0.00            |
| Trade receivables                                   | 120.69          | 56.40           | 76.09           |
| Cash and cash equivalents                           | 2.69            | 3.82            | 0.49            |
| Loans   | 0.33            | 0.28            | 0.18            |
| Current Tax Assets(Net)                             | 0.00            | 2.24            | 0.00            |
| Other current assets                                | 32.16           | 5.96            | 8.67            |
| <b>Total current assets</b>                         | <b>216.23</b>   | <b>121.04</b>   | <b>124.10</b>   |
| <b>Total Assets</b>                                 | <b>413.27</b>   | <b>231.89</b>   | <b>213.15</b>   |
| <b>Non-current liabilities</b>                      |                 |                 |                 |
| <b>Financial liabilities</b>                        |                 |                 |                 |
| Borrowings  | 72.64           | 19.90           | 22.10           |
| Provisions  | 4.37            | 2.44            | 1.14            |
| Deferred Tax Liabilities (Net)                      | 3.28            | 3.13            | 2.14            |
| <b>Total non-current liabilities</b>                | <b>80.29</b>    | <b>25.46</b>    | <b>25.37</b>    |
| <b>Current liabilities</b>                          |                 |                 |                 |
| Borrowings  | 44.53           | 33.92           | 26.15           |
| Trade payables                                      | 0.00            | 0.00            | 0.00            |
| Total outstanding dues to MESE                      | 0.39            | 0.08            | 5.28            |
| Total outstanding dues of creditors other than MASE | 84.06           | 51.37           | 63.11           |
| Other financial liabilities                         | 19.79           | 7.20            | 8.08            |
| Other Current Liabilities                           | 15.16           | 1.64            | 2.44            |
| Provisions  | 0.97            | 0.41            | 0.42            |
| Current Tax Liability (Net)                         | 1.15            | 0.00            | 0.09            |
| <b>Total current liabilities</b>                    | <b>166.04</b>   | <b>94.62</b>    | <b>105.56</b>   |
| <b>Total</b>  | <b>246.33</b>   | <b>120.08</b>   | <b>130.93</b>   |
| <b>NET Worth</b>                                    | <b>166.93</b>   | <b>111.81</b>   | <b>82.22</b>    |
| Net worth represented by:                           |                 |                 |                 |
| Share capital                                       | 31.50           | 10.50           | 10.50           |
| Other equity  | 135.43          | 101.31          | 71.72           |
| <b>Net Worth</b>                                    | <b>166.93</b>   | <b>111.81</b>   | <b>82.22</b>    |

## RANKING METHODOLOGY

|                  |       |
|------------------|-------|
| <b>WEAK</b>      | ★     |
| <b>NEUTRAL</b>   | ★★    |
| <b>FAIR</b>      | ★★★   |
| <b>GOOD</b>      | ★★★★  |
| <b>EXCELLENT</b> | ★★★★★ |

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