

Ami Organics

Aim, Master, Innovate

Ami Organics is among the leading players in pharmaceutical intermediates and the specialty chemical industry in India. It caters to pharma majors with niche pharma intermediates for patented and generic APIs and new chemical entities, and key starting materials for fine chemicals. The company's business can be categorised into two broad categories: Pharma Intermediates, and Specialty Chemicals. The company recently acquired Baba Fine Chemicals, which will enable its foray into the semiconductor chemicals segment.

Ami, with a portfolio of 570+ products, caters to 500+ customers across 45 countries. Its key customers include Laurus Labs, Cipla, Fermion, etc. It has manufacturing facilities at Sachin, Ankleshwar, and Jhagadia and an Analytical Development Laboratory supported R&D facility at Surat. Ami has developed ~10 electrolyte additives and it has already started commercial production of two of these (VC and FEC).

We initiate coverage on Ami Organics with a BUY rating and a Mar'26 TP of INR 1,965/share. Key risks: i) Delay in commercialisation of new pharma intermediates; ii) Underwhelming Nubeqa intermediate sales; and iii) Delay in electrolyte additive production and offtake.

Nubeqa intermediate sales and electrolyte additives to catalyse revenue growth: Ami, with its strong focus on innovation, has started supplying multiple intermediates for Nubeqa (Darolutamide), a prostate cancer drug, as a part of its contract with Fermion. We believe peak revenue potential from this contract could be INR 5.0bn-7.2bn for Ami. Further, Ami has set up 2,000MT production capacity for each of two electrolyte additives for Li-ion batteries, which could provide peak revenue of INR 1.5bn by FY27, in our view. Besides this, its recent acquisition of Baba Fine Chemicals has enabled it to enter into the semiconductor chemicals space while its existing businesses are likely to grow steadily.

Revenue/EBITDA/PAT CAGR expected at 31%/44%/76% over FY24-27E: We expect Ami's revenue to register a CAGR of 31% over FY24-27E and reach INR ~16bn by FY27E on the back of increasing Nubeqa intermediate demand, new CDMO contracts and electrolyte additive sales. Higher gross margin on CDMO supplies (including Nubeqa intermediates) along with savings from the captive solar power plant will help increase EBITDA margin from ~18% in FY24 to ~24% in FY27E. Hence, EBITDA is likely to register a CAGR of 44% over FY24-27E and reach INR 3.8bn. Further, PAT is likely to rise to INR 2.6bn with 76% CAGR over FY24-27E on account of the low base in FY24.

Initiate with a BUY and TP of INR 1,965 per share: We believe Ami is on the cusp of getting higher share of CDMO sales post the successful execution of Nubeqa contract. Moreover, manufacturing of electrolytes would take care of growth beyond FY27E. We initiate coverage on Ami Organics with a BUY rating and a Mar'26 TP of INR 1,965/share (based on 30x Mar'27E EPS).

Recommendation and Price Target

Current Reco	BUY
Current Price Target (12M)	1,965
Upside (%)	29%

Key Data – AMIORG IN

Current Market Price	INR1,528
Market cap (bn)	INR62.4/US\$0.8
Free Float	56%
Shares in issue (mn)	40.8
Diluted share (mn)	40.8
3-mon avg daily val (mn)	INR402.2/US\$4.8
52-week range	1,595/1,004
Sensex/Nifty	83,184/25,415
INR/US\$	83.7

Price Performance

%	1M	6M	12M
Absolute	26.0	43.2	21.7
Relative*	22.1	24.3	-0.8

*To the BSE Sensex

Financial Summary

	(INR mn)					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	6,167	7,175	9,842	12,800	16,069	
Sales Growth (%)	18.6	16.3	37.2	30.1	25.5	
EBITDA	1,226	1,285	1,808	2,885	3,826	
EBITDA Margin (%)	19.9	17.9	18.4	22.5	23.8	
Adjusted Net Profit	833	808	1,159	1,947	2,647	
Diluted EPS (INR)	20.4	19.8	28.4	47.7	64.8	
Diluted EPS Growth (%)	15.8	-3.0	43.4	68.1	35.9	
ROIC (%)	17.0	9.7	11.0	14.3	17.3	
ROE (%)	14.9	12.7	11.9	14.3	16.9	
P/E (x)	74.9	77.2	53.8	32.0	23.6	
P/B (x)	10.5	9.3	4.9	4.3	3.7	
EV/EBITDA (x)	50.4	49.9	34.2	21.4	15.9	
Dividend Yield (%)	0.0	0.2	0.2	0.3	0.3	

Source: Company data, JM Financial. Note: Valuations as of 19/Sep/2024

JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ, FactSet & Visible Alpha

You can also access our portal: www.jmflresearch.com

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

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