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Issue Details

Issue Details	
Issue Size (Value in Rs. million, Upper Band)	5,696
Fresh Issue (No. of Shares in Lakhs)	32.79
Offer for Sale (No. of Shares in Lakhs)	60.60
Bid/Issue opens on	1-Sep-21
Bid/Issue closes on	3-Sep-21
Face Value	Rs. 10
Price Band	603-610
Minimum Lot	24

Objects of the Issue

The Fresh Issue: ₹2,000 Million

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

Offer for Sale: ₹ 3,696 Million

- The company will not receive any proceeds from the Offer for Sale.

Book Running Lead Managers
Axis Capital Limited
Ambit Private Limited
Intensive Fiscal Services Private Limited
Registrar to the Offer
Link Intime India Private Limited

Capital Structure ((₹ Million)	Aggregate Value
Authorized share capital	500.00
Subscribed paid up capital (Pre-Offer)	331.58
Paid up capital (Post - Offer)	364.37

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	47.2	41.1
Public	52.8	58.9
Total	**100.0**	**100.0**

Financials

Particulars (Rs. In Million)	FY21	FY20	FY19
Revenue from operations	3406.1	2396.4	2385.1
Operating expenses	2604.6	1986.3	1964.3
EBITDA	801.5	410.2	420.8
Other Income	13.8	28.4	3.8
EBIDT	815.3	438.6	424.6
Interest	56.2	55.9	47.5
Depreciation	41.9	35.2	26.0
PBT	717.3	347.6	351.1
Tax	177.3	72.8	118.2
Consolidated PAT	540.0	274.7	233.0
Minority/other adj.	-	-	-
Consolidated PAT	540.0	274.7	233.0
Ratio	**FY21**	**FY20**	**FY19**
EBITDAM	23.5%	17.1%	17.6%
PATM	15.9%	11.5%	9.8%
Sales growth	42.1%	0.5%	

Company Description

Ami Organics Limited is a research and development ("R&D") driven manufacturer of specialty chemicals with varied end usage, focussed towards the development and manufacturing of advanced pharmaceutical intermediates ("Pharma Intermediates") for regulated and generic active pharmaceutical ingredients ("APIs") and New Chemical Entities ("NCE") and key starting material for agrochemical and fine chemicals, especially from their recent acquisition of the business of Gujarat Organics Limited ("GOL")("Acquisition"). They are one of the major manufacturers of Pharma Intermediates for certain key APIs, including Dolutegravir, Trazodone, Entacapone, Nintedanib and Rivaroxaban. The Pharma Intermediates which they manufacture, find application in certain high-growth therapeutic areas including anti-retroviral, anti-inflammatory, anti-psychotic, anti-cancer, anti-Parkinson, anti-depressant and anti-coagulant, commanding significant market share both in India and globally.

The Company have developed and commercialised over 450 Pharma Intermediates for APIs across 17 key therapeutic areas since inception and NCE, with a strong focus on R&D across select high-growth high margin therapeutic areas such as anti-retroviral, anti-inflammatory, anti-psychotic, anti-cancer, anti-Parkinson, anti-depressant and anticoagulant, for use across the global pharmaceutical market. Their Pharma Intermediates used for manufacturing of APIs and NCEs portfolio has expanded from over 425 products as of March 31, 2019, to over 450 products as of March 31, 2021. The Company believe that their focus on R&D and continuous process improvement has positioned them as a preferred supplier to the customers.

In addition, the company has recently completed the acquisition of two additional manufacturing facilities operated by GOL which has added preservatives (parabens and parabens formulations which have end usage in cosmetics, animal food and personal care industries) and other specialty chemicals (with end usage in inter alia the cosmetics, dyes polymers and agrochemicals industries) in their existing product portfolio, which command significant market share globally in the supply of certain paraben derivatives).

Valuation

Ami Organics has more than half of its revenue come from global markets. Exports accounted for 51.5% of its revenues in the fiscal year ending March 2021. Its exports have grown at an annualised rate of 21.8% between fiscal 2019 and 2021.The company supplies to more than 25 countries, and has over 150 customers in India. With the recent acquisition of GOL the company has increased capacity and is expected to strengthen its top line. The acquisition will lead to diversified income thereby reducing dependence on pharmaceutical intermediates.

The company is available at the upper end of the IPO price band at 41.2x its FY21 earnings, with a market cap of Rs. 22,227 million. Further on FY21 earnings basis the company is trading below the Industry average of 48.91x. Looking at the P/B ratio on the upper price band, book value and P/B are Rs. 53 and 11.51x respectively along with a RoNW of 32.35%.

The company has shown consistent financial performance with sales growth at CAGR of 19.5% and restated profit after tax growth at CAGR of 52.3% between the Fiscals 2019 and 2021. The financials for 2020-21 doesn't include revenue from the acquisition of the two plants. We are positive on the long-term prospects of the Company. Hence, we recommend a "**Subscribe**" rating to this IPO.

➢ **PRODUCT CLASSIFICATION:**

API	Market Share
Trazodone	Ami Organics is the key supplier of these intermediates with a market share of 80-90% in Fiscal 2021.
Dolutegravir	For Amino Acetaldehyde Dimethyl Acetal intermediate, Ami organics is the leader and accounts for a global market share of 70-75% in Fiscal 2021.
Entacapone	Ami Organics is the key supplier of 3,4-Di Hydroxy 5-Nitro Benzyl Dehyde with a market share of 80% in Fiscal 2021.
Apixaban	Ami Organics is one of the larger players in the market contributing to 50% of the total market in Fiscal 2021.
Rivaroxaban	Ami Organics is one of India's largest producers of its key intermediates Glycidyl Phthalimide.
Nintedanib	Ami Organics is a supplier to the originator for key intermediates for producing Nintedanib.
Pazopanib	Ami Organics is the major manufacturer of one of the key intermediates for Pazopanib API and hold a market share of 86-88% in the global market.
Quetiapine	Ami Organics is the major manufacturer of the key intermediates for this API
Aripiprazole	Ami Organics is the major manufacturer of the key intermediates for Aripiprazole API and has customers across the world.
Darulutamide	Ami Organics is the major manufacturer of one of the key intermediates for this API.
Ziprasidone/ Lurasidone	Ami Organics is the major manufacturer of the key intermediates for these API.
Mirtazapine/ Vortioxetine/ Vilazodone	These are an atypical antidepressant medicine and Ami Organics is the major manufacturer of key intermediates for the APIs belonging to atypical antidepressants drug class.

The revenue from operations from their Pharma Intermediates business was 3,011.41 million, ₹2,178.83 million and ₹2,033.91 million respectively, for Fiscals 2021, 2020 and 2019, accounting for 88.41%, 90.92% and 85.28% of the total revenue from operations respectively, for the same periods. The sales turnover for Fiscal 2021 (which is based on verification of form GSTR-1) of the 2 plants acquired as part of the recent Acquisition, was ₹ 1,060.37 million.

As on the date of this Red Herring Prospectus, the company have eight process patent applications (in respect of intermediates used in the manufacture of Apixaban, Rivaroxaban, Nintedanib, Vortioxetine, Selexipag, Pimavanserin, Efinaconazole and Eliglustat) which have been published in the Official Journal of the Patent Office in India and three additional pending process patent applications for which applications were made recently, in March 2021.

Along with the domestic market, the company supply Pharma Intermediates used for manufacturing of APIs and NCEs to various 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 the Fiscals 2021, 2020, and 2019, the revenue from exports contributed 51.57%, 45.89% and 49.61%, respectively of the total revenue from operations. The revenues from exports have grown at a CAGR of 21.84% between Fiscals 2019 and 2021.

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. Some of their domestic customers include Laurus Labs Limited, Cadila Healthcare Limited and Cipla Limited and some of their key export customers include Organike s.r.l.a Socio Unico, Fermion Oy, Fabbrica Italiana Sintetici S.p.A, Chori Co. Ltd., Medichem S.A. and Midas Pharma GmbH. They have established long standing relationships with some of the key customers. Thirteen of their customers have been customers since the past 10 years and fifty of the customers have been customers since the past five years.

The speciality chemicals that the company manufacture, find use in the agrochemicals and fine chemicals industry. They believe that their speciality chemicals portfolio will further be enhanced with the Acquisition. The speciality chemicals manufactured by the facilities which the company acquired as part of the Acquisition, find use in cosmetics, preservatives and agrochemicals.

The revenue from operations from speciality chemicals business was ₹165.87 million, ₹74.33 million and ₹22.16 million respectively, for Fiscals 2021, 2020 and 2019, accounting for 4.87%, 3.10% and 0.93% of the total revenue from operations respectively, for the same periods. The revenue from operations for Fiscals 2021, 2020 and 2019 does not include revenue of the business of GOL which was recently acquired as the Acquisition was completed on March 31, 2021.

The Company have three manufacturing units located at (i) GIDC, Sachin, Gujarat, spread over an aggregate land area of 8,250 sq. mtrs. with an installed capacity of 2,460.00 MTPA ("Sachin Facility"), (ii) GIDC, Ankleshwar Industrial Estate, Gujarat, spread over an aggregate land area of 10,644 sq. mtrs. with an installed capacity of 1,200.00 MTPA ("Ankleshwar Facility"), and (iii) GIDC Industrial Estate, Jhagadia, Gujarat, spread over an aggregate land area of 56,998.35 sq. mtrs. with an installed capacity of 2,400.00 MTPA ("Jhagadia Facility" and together with Sachin Facility and Ankleshwar Facility, the "Manufacturing Facilities"). Of the above, the Ankleshwar Facility and Jhagadia Facility have been recently acquired by the company from GOL. The Sachin Facility is inspected and approved (EIR issued) by US FDA for manufacture and supply of advanced pharmaceutical intermediates for manufacturing of APIs and NCEs since 2016. The management systems of the Sachin Facility has been certified by the Bureau Veritas Certification Holding SAS – UK Branch to be compliant with ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and SA 8000:2014 for designing, manufacturing and dispatching of pharmaceutical intermediates for bulk drugs. Similarly, the Jhagadia and Ankleshwar Facilities, which have been acquired by the company in the Fiscal 2021 are compliant with ISO 9001:2015and ISO 14001:2015 standards.

The Company continually invest in R&D activities to stay ahead and create a differentiating factor and sustainability vis-àvis the competitors. In addition to the Manufacturing Facilities, they have a dedicated in-house R&D facility located in GIDC, Sachin ("R&D Facility") spread over an aggregate built-up area of 2,200 sq. mtrs and is also supported by their analytical development laboratory ("ADL") in relation to developmental activities, freezing specifications and developing the method of analysis for finished products, in process intermediates, key starting materials (KSMs) and raw materials. The R&D facility has been approved and certified by the Department of Scientific and Industrial Research, Ministry of Science and Technology of India ("DSIR").

For the Fiscals 2021, 2020 and 2019, the revenue from operations were ₹ 3,406.08 million, ₹ 2,396.43 million and ₹ 2,385.12 million, respectively. The Company's revenue from operations, on a consolidated basis, grew at a CAGR of 19.50% between the Fiscals 2019 and 2021. For the Fiscals 2021, 2020 and 2019, the restated profit after tax for the year was ₹ 539.99 million, ₹ 274.70 million and ₹ 232.95 million, respectively. The restated profit after tax, grew at a CAGR of 52.25% between the Fiscals 2019 and 2021.

Strengths:

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

  The Company is a R&D driven manufacturer of specialty chemicals with varied end usage, focussed towards the development and manufacturing of Pharma Intermediates for regulated and generic APIs and NCE and key starting material for agrochemical and fine chemicals. Based on the existing business strategy of early identification of molecules for development and supply, the company have developed and commercialised over 450 Pharma Intermediates for APIs including Dolutegravir, Trazodone, Entacapone, Nintedanib and Rivaroxaban and NCEs across 17 high growth therapeutic areas since inception, such as anti-retroviral, anti-inflammatory, anti-psychotic, anti-cancer, anti-Parkinson, anti-depressant and anti-coagulant.

  The Company 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. The Company is focused on undertaking dedicated R&D in their existing product lines and in areas where they believe there is significant growth potential. As a result of their R&D capabilities, the company have been able to file eight 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 three additional pending patent applications for which applications were made recently, in March 2021.

  The 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 the 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. With a view to further strengthen the R&D capabilities, the company continuously recruit and appoint scientists of varied experience and expertise at their R&D laboratory with an objective to successfully implement their strategy of early identification of development and manufacturing opportunities. Strategic investments in R&D has been critical to the success and a differentiating factor vis-à-vis their competitors in becoming one of the key suppliers of pharmaceutical intermediates for API in both domestic and global markets.

  In line with their focus on R&D activities, the company have also made an investment in their Joint Venture, Ami OncoTheranostics, LLC, a Delaware, USA entity ("AOL"), which, by way of a transfer of patent usage rights by their JV Partner Photolitec LLC, is entitled to the worldwide usage (except China) of certain patents used in the development of new photosensitizing compounds used to identify and treat cancer through patent and patent applications and additional know-how regarding the same.

- **Extensive geographical presence and diversified customer base with long standing relationships**

  The Company cater 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, the revenue from exports contributed 51.57%, 45.89% and 49.61%, respectively of the revenue from operations. The Company supply their products to 25 countries and have long standing relationships with numerous domestic and global pharmaceutical companies. Specifically, they cater 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 their total revenue from exports for Fiscal 2021.

  Diversification of the customer base across the domestic and global markets has limited their exposure to a risk of concentration, enabling the company to further diversify and expand their business relationships. Some of their domestic customers includes Laurus Labs Limited and Cipla Limited and their export customers includes Organike s.r.l.a Socio Unico, Fermion Oy, Fabbrica Italiana Sintetici S.p.A, Chori Co. Ltd., Medichem S.A. and Midas Pharma GmbH. The Company believe that their ability to diversify into new markets, with limited exposure to the risk of dependence on any specific market is a key strength in their business operations.

The Company have established long standing relationships with their key customers. The top ten customers for Fiscal 2021 have been their customers for over 3 years and have contributed to 60.99% of the total revenue from operations. Further thirteen of the customers have been customers since the past 10 years and fifty of the customers have been customers since the past five 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.

- **High entry barriers in the chemicals manufacturing industry in which the Company operates.**

The Company manufacture 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, anti-Parkinson, 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. The Sachin facility is USFDA inspected and in respect of which they have received the EIR twice, in 2018 and 2020.

Further, APIs and NCEs manufactured by their customers, where their products are used, and where such use has been formally recognised in filings with regulatory agencies, any change in the vendor of the product may require significant time and cost for the customer resulting in a propensity amongst customers to continue with the same set of suppliers. Hence, customer acquisition involves a long gestation period, resulting in a very few players being involved in manufacturing of the products.

Further, post 2018, in order to import into, market and sell chemical drugs in the European Union, the drugs need to be registered under the Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH") Regulations. A registration under REACH is primarily a comfort registration for the purposes of ensuring local support point on behalf of the non-EU manufacturer that does not have a local presence in the said country within the European Union. As a consequence of this measure, no new entrants can supply products into the European Union market unless such entrant holds a valid registration under the REACH Regulations. The Company secured REACH registration for some of its products for the purposes of selling and marketing these products in the European Union with an added advantage of being a 'preferred supplier' to its customers in the said territory. They believe that this is a significant entry barrier that works in favour of the Company and places it in a major advantageous position vis-à-vis its competitors in the critical European market wherein their Company intends to cater to the regulated players (i.e., the originators and not generic makers).

Further, given the nature of the application of their products, their processes and products are subject to, and measured against, high quality standards and stringent impurity specifications. The Company believe that they have, over the years, built strong relationships with their customers, who recognise their technical capabilities and timely deliveries and associate their Company with good and consistent quality products.

Moreover, handling of some of the raw materials that the company use such as Thionyl Chloride, Phosphorus Oxychloride and Sodium Methoxide requires a high degree of technical skill and expertise, and operations involving such hazardous chemicals ought to be undertaken only by personnel who are well trained to handle such chemicals. They believe that the level of technical skill and expertise that is essential for handling such chemicals can only be achieved over a period of time, creating a further barrier for new entrants.

- **Strong sales and marketing capabilities**

The Company believe that they have strong sales, marketing and distribution capabilities. Since the Company's incorporation in 2007, 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. The 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 focus 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.

As a result of its continuous marketing efforts, the Company has received new product requirements from multiple innovators which shall help the Company remain relevant with respect to their reliability for servicing future product requirements. The Company services its domestic and its export customers through its marketing and sales team in India and by way of certain distributorship arrangements in overseas jurisdictions.

- **Experienced and Dedicated Management Team**

The Company is led by qualified and experienced Board of Directors and key managerial personnel, who they believe have extensive knowledge and understanding of the global generic pharmaceutical business environment and have the expertise and vision to organically scale up their business. Their executive directors have a collective pharmaceutical industry experience of more than 5 decades and almost all of them have been associated with the Company since their formative years.

The Executive Chairman and Managing Director, Nareshkumar Ramjibhai Patel (who is also the Promoter since inception of the Company), a qualified chemical engineer has been associated with the Company since 2004 and has been responsible for chemical engineering & project implementation and their Whole-time Director, Chetankumar Chhaganlal Vaghasia (who is also the Promoter) has been associated with the Company since its inception and has over 17 years of experience in the chemical industry. Both Nareshkumar Ramjibhai Patel and Chetankumar Chhaganlal Vaghasia are ably supported by Virendranath Mishra who was earlier a KMP and now also a Whole-time Director and have been instrumental in formulating and executing the core strategy of the Company. The Company believe that their stable, senior management team has helped them in successfully implementing their development and operating strategies over the years. They believe that owing to the understanding of the industry trends, demands and market changes of their senior management team, they have been able to adapt and diversify their operating capabilities and take advantage of market opportunities since the incorporation of the Company

Apart from the members on the Board, they believe that the knowledge and experience of their senior and middle level management team members in the pharmaceutical business provides the company with a significant competitive advantage as they seek to grow their business.

- **Consistent financial performance**

The Company have a track record of operations of over a decade and have a strong balance sheet with stable cash flows. They have experienced sustained growth in various financial indicators including their revenue and PAT, as well as a consistent improvement in their balance sheet position in the last three Fiscals, wherein the company have seen an increase in their net worth.

The Company strive to maintain a robust financial position with emphasis on having a strong balance sheet and increased profitability. Their strong balance sheet and positive operating cash flows coupled with low levels of debt enable the company to fund their strategic initiatives, pursue opportunities for growth and better manage unanticipated cash flow variations. Their financial strength provides them a valuable competitive advantage over their competitors with access to financing, which are factors critical to their business.

Key Strategies:

- **Diversification of product portfolio by strengthening R&D capabilities**

With the objective of early identification and attaining early development, they constantly seek to introduce new product verticals and develop their R&D capabilities to distinguish themself from their competitors particularly with a view to enhance their development of advanced pharmaceutical intermediates used for manufacturing of APIs and NCEs, either for molecules under clinical trial or those which have been launched. The Company have a state of art R&D centre which has been approved by DSIR for developing advanced pharmaceutical intermediates and has specialised team of over 60 people across various teams including R&D, regulatory affairs, quality control, quality assurance and analytical development laboratory. The total spend on R&D vis-à-vis their turnover has increased from 0.99% in Fiscal 2019 to 1.91% in Fiscal 2021. Of the current (as of June 30, 2021) team of 66 R&D professionals, 6 hold Ph.Ds. and 41 hold a master's degree

With a view to further strengthen the company's R&D capabilities, they continuously recruit and appoint scientists of varied experience and expertise at their R&D laboratory with an objective to successfully implement their strategy of early identification of development and manufacturing opportunities. Strategic investments in R&D has been critical to their success and a differentiating factor vis-à-vis their competitors in becoming one of the key suppliers of pharmaceutical intermediates for API in both domestic and global markets

The Company have also developed and manufacture 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 and they have filed eight process patent applications in relation to the same and three additional pending process patent applications for which applications were made recently, in March 2021 and has developed significant expertise in chemistry and series of molecules. In addition to production of pharmaceutical intermediates for several API's such as Trazodone, Quetiapine, Mirtazapine, Aripirazole, Naftopidil, Vilazodone etc., the Company also has a presence in heterogenous nitrogen compounds such as Piperazine, Piperidine, Quinolines, Acetonitrile etc. Additionally, they have recently diversified their product portfolio as a result of the acquisition of GOL, by virtue of which they have inducted preservatives and other specialty chemicals in their existing product portfolio, including Methyl paraben, Methyl Salicylate, Para Ethoxy Ethyl Benzoate (PEEB), 5-chloro Salicylic acid, Para Anisic Acid and Propyl Paraben.

The Company intend to develop, test and manufacture new products meeting regulatory standards subsequent to receipt of requisite regulatory approvals from the relevant authorities in India and overseas and make investments on an ongoing basis in new product launches and research and development for future products. They also intend to invest in development of products which are used in manufacture of APIs being used in formulations whose patents are expiring, which would lead to increase in demand for the Pharma Intermediates for such APIs. Additionally, the company's recent acquisition of GOL's business has now enabled them to manufacture certain products which are manufactured by them in India like PHBA, Paraben derivatives and Cyano phenol.

- **Augmenting scale through organic and inorganic routes in the current geographic markets and expanding into new geographic markets**

The Government of India's proposition to support local manufacturing of many possible raw materials and intermediates especially in the pharmaceutical space will enhance the growth in domestic market and reduce imports, especially from China. With shift in investments from regulated markets like Europe to developing countries like India, domestic production is expected to increase, reducing dependency on imports encouraging the current trend of exports of intermediates to grow substantially. With many global end users looking for alternative to China, India stands as an immediate alternate due to its significant years of experience in handling global regulatory requirements, strong process know how, strength in R&D and low cost. India has good number of well-trained chemists and R&D scientists to support the ever-evolving pharmaceuticals industry.

The Company 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.

As on March 31, 2021, the annual installed capacity of the Manufacturing Facilities was 6,060 MTPA. The Ankleshwar and Jhagadia Facilities (with annual installed capacities of 1,200 MTPA and 2,400 MTPA respectively) were acquired on March 31, 2021, and were accordingly not utilised in Fiscal 2021. The Company believe that they are well positioned to consolidate its existing capacity to capitalise upon future growth that is envisaged. They aim to strengthen their manufacturing capability and achieve better economies of scale by organic and inorganic growth. They have, and continue to, expand their business through organic growth to increase their production capacities and product portfolio, including by way of their recent acquisitions which they believe significantly increases their production capabilities. Consistent with past practice, the company will look to add capacity in a phased manner to ensure that they utilize their capacity at optimal levels.

In Fiscal 2018, the company established a new state-of-the-art fully GMP-compliant manufacturing unit at the Sachin Facility, and they believe that 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 them to expand their product portfolio to include the manufacture of speciality chemicals including Ortho Anisic Acid, Para Anisic Acid, Para Cyano Phenol, Para Ethoxy Ethyl Benzoate, Para Iso Propoxy Ethyl Benzoate, 5-Chloro Salicylic Acid, 2-Ethoxy Benzoic Acid, Methyl Salicylate, Meta Anisic Acid Propyl and paraben and paraben formations including Propyl Paraben Sodium, Methyl Paraben Sodium, Methyl Paraben, Ethyl Paraben and Propyl Paraben.

Going forward, the company may consider acquisition/ investment opportunities to selectively expand in other verticals. They believe such acquisitions will support their long-term strategy, strengthen their competitive position, particularly in acquiring technical expertise and provide greater scale to grow their earnings and increase shareholder value.

- **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. They have set up a Zero Liquid Discharge based in-house effluent plant at their Sachin Unit.

As they operate in a fiercely competitive industry wherein technology plays a critical role for being a relevant market player with no assurance that the technology developed or adopted by their peers and competitors shall not render their products less competitive or attractive, they continuously strive to keep their technology, facilities and machinery current and updated with the latest international standards. Further, they intend to position themselves as a leading market player in their 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 their business operations. The Company believe that making timely and cost-effective enhancements and additions to their technological infrastructure shall ensure that they keep up with technological improvements in order to meet their customer requirements.

Sourcing of raw materials also plays an important part in ensuring competitiveness, price flexibility and profitability. The Company usually do not enter into long-term supply contracts with any of their raw material suppliers. Pricing and volumes are negotiated for each purchase order. The purchase price of the raw materials generally follows market prices. The Company depend on third-party vendors and suppliers for the purchase of raw materials. They have historically sourced raw materials from multiple vendors in India, China, Europe, Israel and Japan and continue to diversify the procurement base.

The Company have also developed backward integration capabilities for key raw materials which has helped them in minimising reliance on third party vendors. The Company also enter into contract manufacturing agreements with vendors to supply raw materials. This allows the company to minimise supply failure risk and generate greater negotiating power over their suppliers.

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

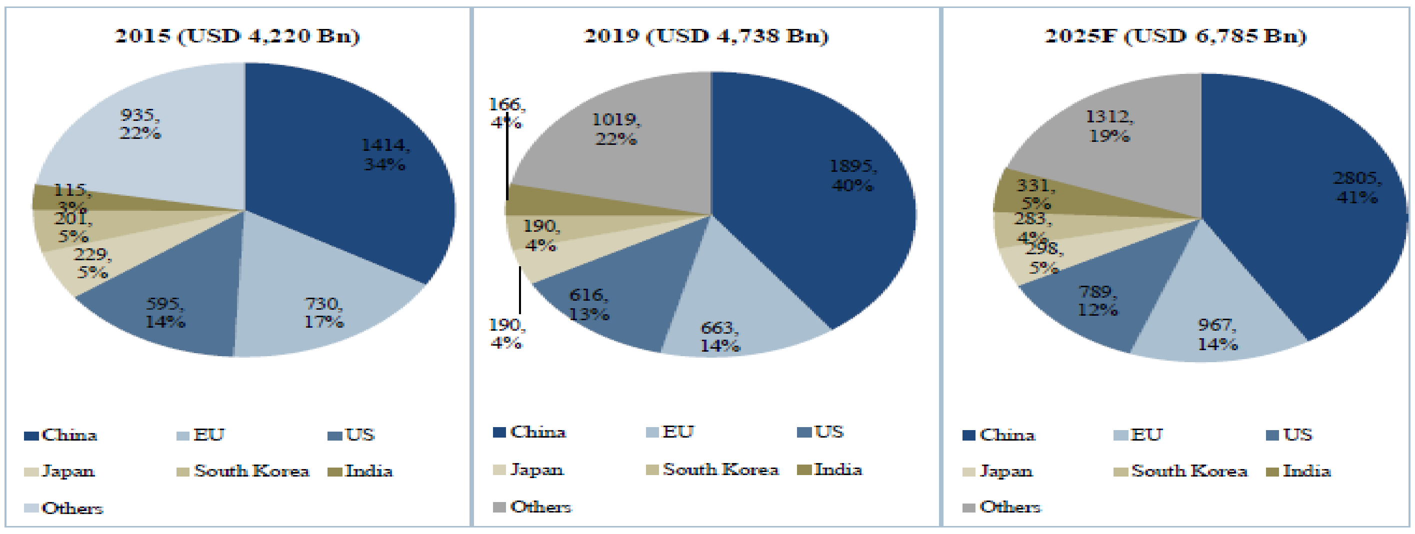
The Company intend to pursue strategic acquisitions and partnerships to complement their organic growth and internal expertise. They also intend to develop their internal capacities and production abilities to achieve intended levels of organic growth. The Company believe that by pursuing strategic acquisitions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

Industry Snapshot:

- **Overview of the Global Chemicals Industry.**

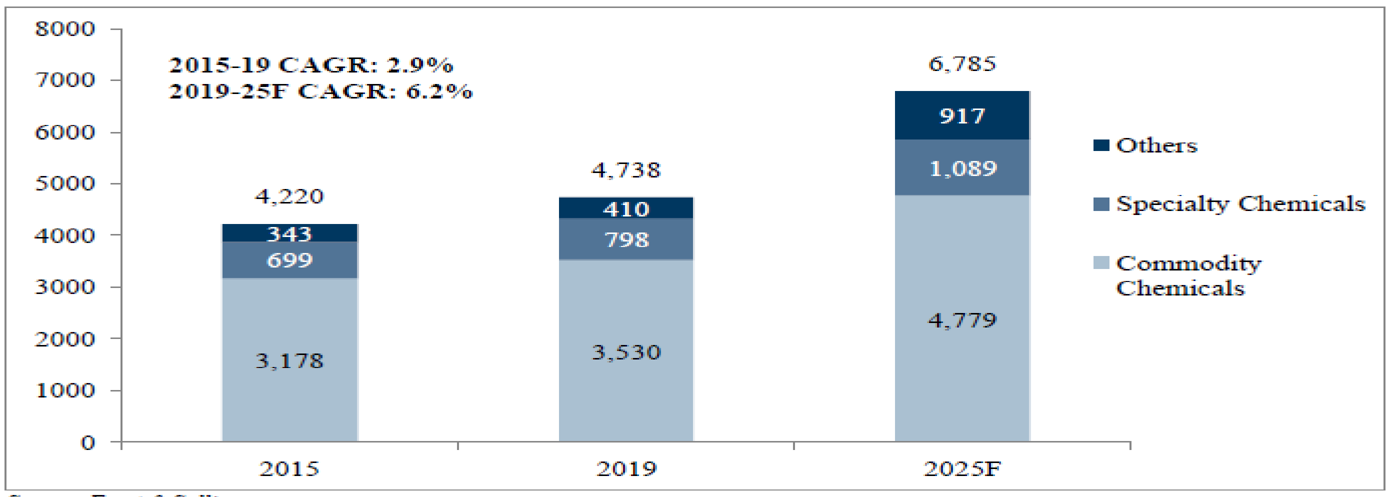
The global chemicals market is valued at around USD 4,738 Bn in 2019 with China accounting for major market share (40%) in the segment followed by European Union (14%) and United States (13%). India accounts for ~3.5% market share in the global chemicals market. The global chemicals market is expected to grow at 6.2% CAGR; reaching USD 6,785 Bn by 2025. Going forward the APAC is anticipated to grow at the fastest rate of 7- 8% during the forecast period (2019-25F). The chemicals markets in Western Europe, North America, and Japan are relatively mature and hence would record slow growth rates of around 3-4%.

Global chemicals market, 2015, 2019 and 2025F, USD 4,220, USD 4,738 Bn and 6,785 Bn



Source: Frost & Sullivan

Global chemicals market, 2015, 2019 and 2025F

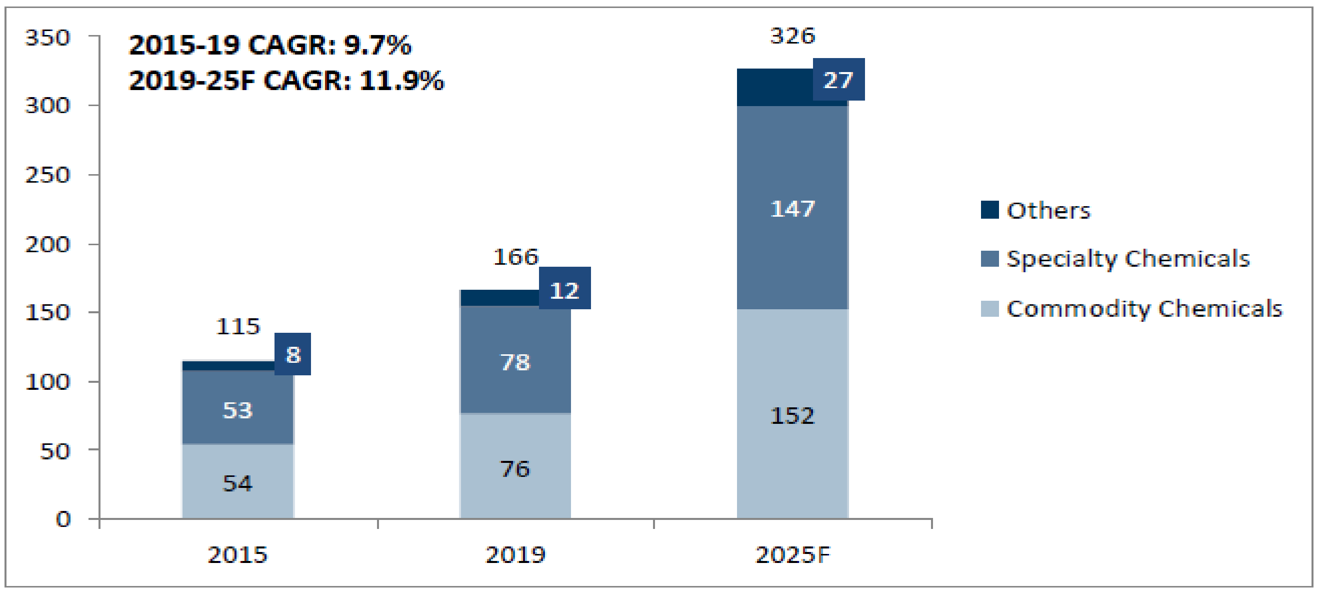


Source: Frost & Sullivan

India Chemical Industry Overview

The Indian chemicals market is valued at USD 166 Bn (~4% share in the global chemical industry) in 2019. It is expected to reach ~USD 326 Bn by 2025, with an anticipated growth of ~12% CAGR. The specialty chemical industry forms ~47% of the domestic chemical market, which is expected to grow at a CAGR of around 11-12% over the same period.

Indian Chemicals Market, 2015, 2019 and 2025F (USD Bn)

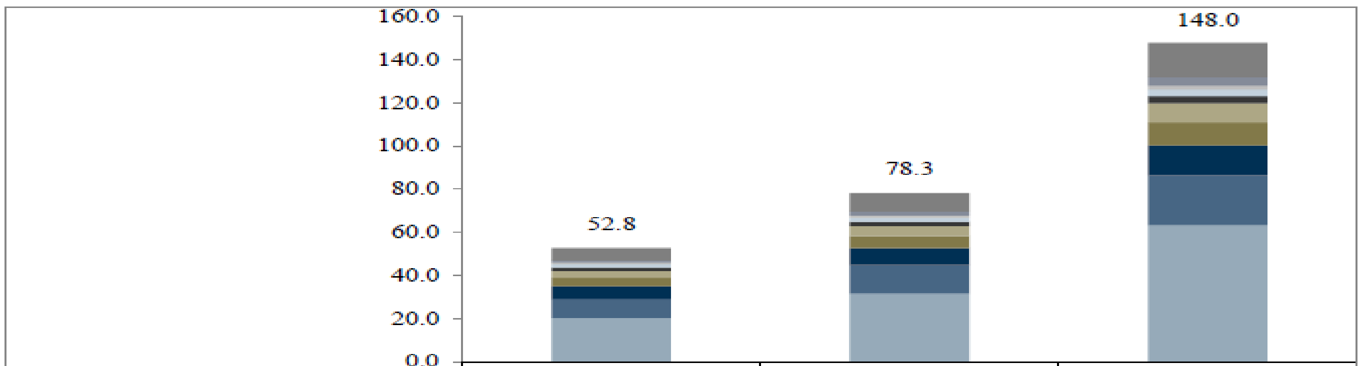


Source: Frost & Sullivan

	Commodity Chemicals	Specialty Chemicals	Other Chemicals	Total
2015-19	8.9%	10.2%	11.4%	9.7%
2019-25F	12.2%	11.2%	14.3%	11.9%

The Specialty chemicals industry is driven by both domestic consumption and exports. 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 ~15-17% of the world's exportable specialty chemicals, whereas India accounts for merely 1-2% indicating that the country has large scope of improvement and widespread opportunity. It is anticipated that Specialty chemicals will be the next great export pillar for India.

Indian Specialty Chemicals Market, Value (USD Bn), 2015, 2019 and 2025F



	2015	2019	2025F
Others	5.7	8.6	16.2
Flavours & Fragrances Ingredients	1.2	1.8	3.7
Construction Chemicals	0.7	1.0	1.9
Water Treatment Chemicals	1.4	1.9	3.1
Textile Chemicals	1.5	2.0	3.3
Home & Personal Care	3.1	4.6	8.7
Paints & Coatings Additives	4.1	5.8	10.7
Dyes and Pigments	5.7	7.8	13.9
Pharma API	9.1	13.1	23.1
Agrochemicals & Fertilizers	20.2	31.7	63.4
Total	52.8	78.3	148.0

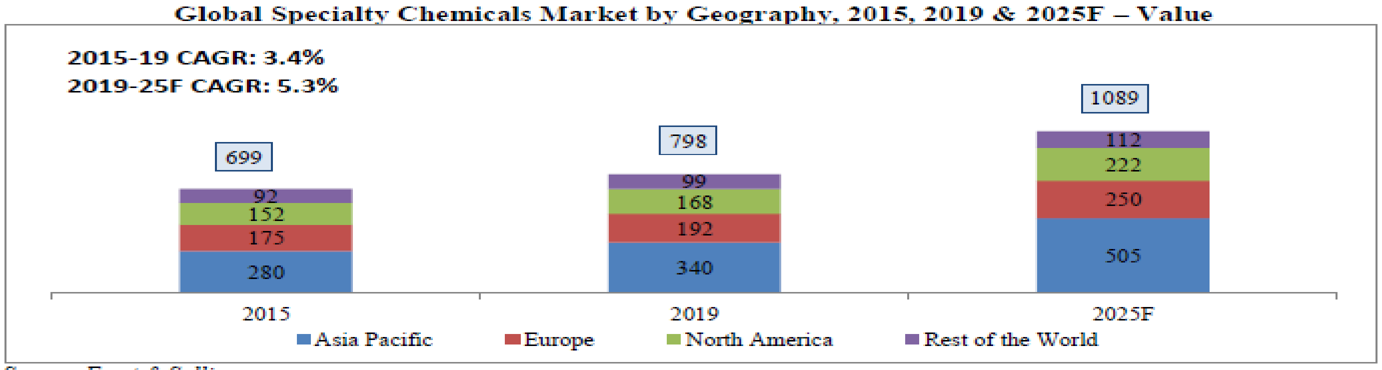
Others include: Sealants and Adhesives, Polymer Additives etc.

	Dyes and Pigments	Agrochemicals	Textile Chemicals	Water Treatment Chemicals	Home & Personal Care	Pharma API	Flavours and Fragrances	Construction Chemicals	Paints & Coatings Additives	Total
2015-19	8.2%	11.9%	6.6%	7.9%	10.0%	9.5%	10.4%	10.4%	8.7%	10.4%
2019-25F	10.1%	12.2%	8.9%	8.6%	11.2%	9.9%	12.8%	10.5%	10.8%	11.2%

- **Global Specialty Chemicals Market.**

Rapid industrialisation in India and China is expected to drive demand for specialty chemicals. The Asia Pacific (APAC) dominates the market across the world, with a share of 42% in 2019, owing to the huge customer base, leading to high demand for specialty chemicals, increasing industrial production, and robust growth of the construction sector in the region

Global Specialty Chemicals Market by Geography, 2015, 2019 & 2025F – Value



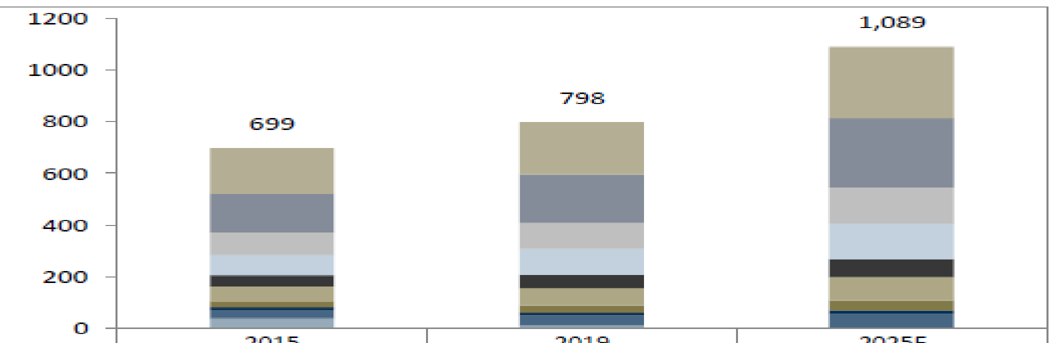
Source: Frost & Sullivan

CAGR	Asia Pacific	Europe	North America	RoW	Global
2015-19	5.0%	2.3%	2.5%	1.9%	3.4%
2019-25F	6.8%	4.5%	4.8%	2.1%	5.3%

- **Market Segmentation – by Industry and Application Type**

  Specialty chemicals industry can be categorised into a mix of end-use driven segments and application-driven segments. In terms of attractiveness, the various segments across specialty chemicals differ in competitive intensity, margin profiles, defensibility against raw material cost movements, and growth.

Global Specialty Chemicals Market, Industries & Applications, 2015-25F, Value



	2015	2019	2025F
Agrochemicals & Fertilizers	177	201	275
Pharma API	150	187	269
Construction Chemicals	86	103	139
Home & Personal Care	81	99	138
Water Treatment Chemicals	42	51	70
Dyes and Pigments	58	68	90
Paints & Coatings Additives	23	28	38
Textile Chemicals	9	10	13
Flavours & Fragrances Ingredients	33	40	54
Others	40	11	4
Total	699	798	1089

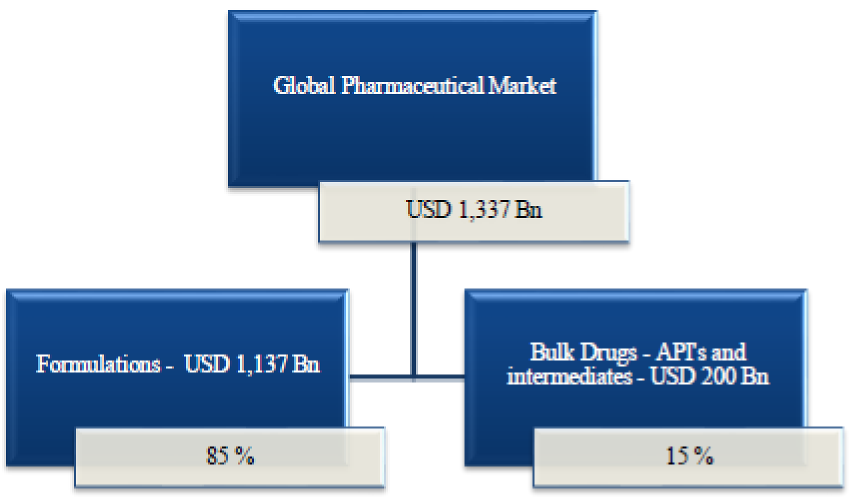
Others include: Sealants and Adhesves, Polymer Additives etc. *Source: Frost & Sullivan*

	Agro	Pharma	Dyes & Pigments	Paints & Coatings	HPC	Textile	Water Treatment	Construction	F&F
2015-19	3.2%	5.7%	4.1%	4.7%	5.1%	3.6%	4.9%	4.6%	4.7%
2019-25F	5.4%	6.2%	4.8%	5.1%	5.7%	4.1%	5.3%	5.1%	5.2%

- **Global Pharmaceutical Market**

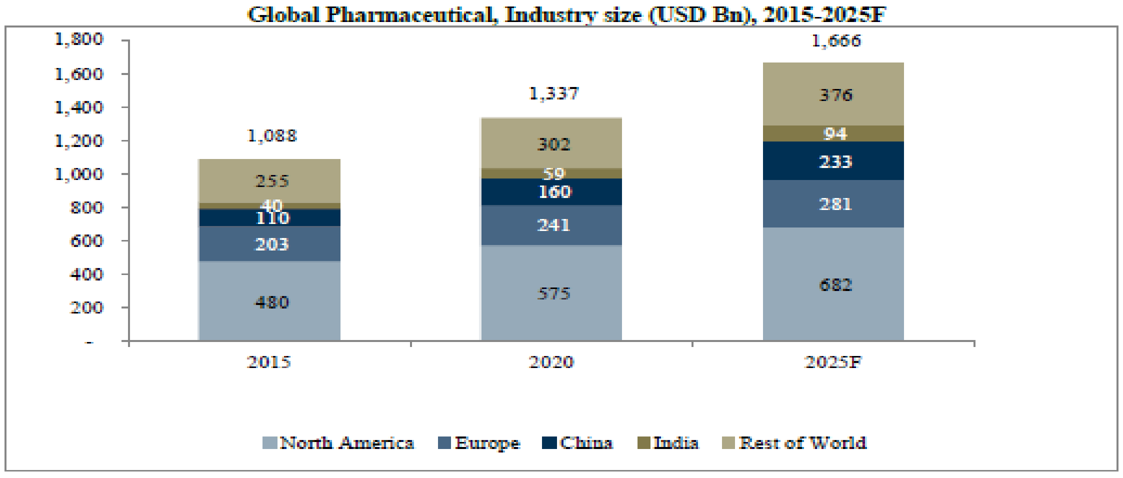
The Global Pharmaceutical market was valued at USD ~1.3 Trillion in 2020 with a steady growth rate in past of CAGR 4% since 2015. Going forward it is expected to grow at 4.5% from 2020 till 2025. The industry is driven by increasing convergence of technology & health and new models for the treatment of diseases based on advanced therapies. Moreover the increasing number of regulatory approvals is supporting a 6.9% CAGR expected growth of the prescription drugs market for the same forecast period.

Global Pharmaceuticals, 2020, Value (USD Bn)



The global pharma market is expected to grow at a CAGR of 4.5% between 2020 and 2025 including the impact of Covid-19, which has negatively impact volumes over 4 to 6 months in 2020 and resulted in higher pressure on prices worldwide over the next 5 years.

Global Pharmaceutical, Industry size (USD Bn), 2015-2025F

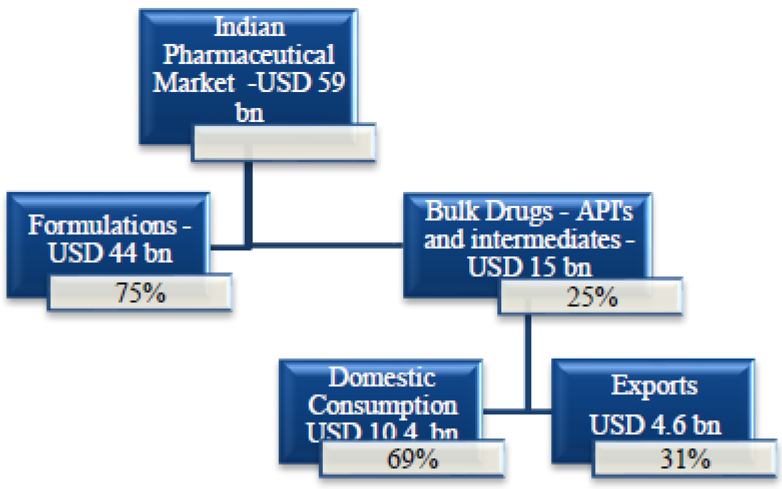


CAGR	North America	Europe	China	India	Rest of World	Global
2015-20	3.7%	3.5%	7.8%	7.2%	3.6%	4.2%
2020-25F	3.5%	3.1%	7.7%	9.8%	4.5%	4.5%

- **India Pharmaceutical Market**

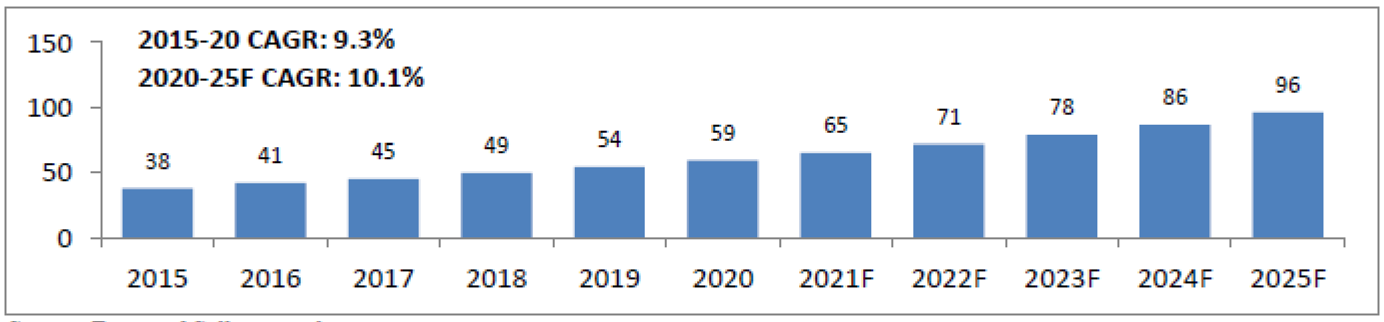
  The Indian Pharmaceuticals market was valued at USD 59 Bn in 2020, contributing to around 4% of the Global market. The Indian market is expected to grow at around CAGR of ~10% between 2020 and 2025 fuelled by substantial increase in Indian API domestic consumption

Indian Pharmaceutical Market – By Product Types, 2020



Indian pharmaceutical sector supplies over 50% of the global demand for various vaccines, 40% of the generic demand for US and 25% of all medicines for UK. India contributes the second largest share of pharmaceutical and biotech workforce in the world.

India Pharmaceuticals, Industry size (USD Bn), 2015-2025F



Source: Frost and Sullivan analysis

Key Risk:

- The continuing impact of the COVID-19 pandemic on the business and operations is uncertain and it may be significant and continue to have an adverse effect on company's business, operations and the future financial performance.
- The Company depend on the success of their relationships with the customers and suppliers. Any adverse developments or inability to enter into or maintain such relationships could have an adverse effect on the business, results of operations and financial condition. In the absence of long term contracts with the customers and suppliers, the loss of one or more such customers or suppliers, the deterioration of their financial condition or prospects, or a reduction in their demand for their products or supply of raw materials could adversely affect the business, results of operations, financial condition and cash flows.
- The Manufacturing facilities of the company are concentrated in a single state and the inability to operate and grow their business in this particular region may have an adverse effect on their business, financial condition, results of operations, cash flows and future business prospects
- The Company export products to over twenty five (25) countries and are subject to risks associated with doing business internationally, including international market conditions and regulatory risks.
- The Company do not have long-term agreements with suppliers for their raw materials. Any shortfall in the supply of their raw materials or an increase in their raw material cost, may adversely affect the pricing and supply of the products and have an adverse effect on their business, results of operations and financial condition.
- The Company face foreign exchange risks that could adversely affect their results of operations and cash flows.
- They currently avail benefits under certain export promotion schemes and are entitled to certain incentives. Any change in these benefits and incentives applicable to the company or a delay in disbursement of benefits under such schemes may affect their results of operations.
- The Company is yet to receive certain registrations in connection with the protection of their intellectual property rights, especially with regards to patents relating to their products. Such failure to protect the intellectual property rights could adversely affect their competitive position, business, financial condition and profitability.
- Restrictions on import of raw materials and an increase in shipment cost may adversely impact their business and results of operations.

Valuation:

Ami Organics has more than half of its revenue come from global markets. Exports accounted for 51.5% of its revenues in the fiscal year ending March 2021. Its exports have grown at an annualised rate of 21.8% between fiscal 2019 and 2021.The company supplies to more than 25 countries, and has over 150 customers in India. With the recent acquisition of GOL the company has increased capacity and is expected to strengthen its top line. The acquisition will lead to diversified income thereby reducing dependence on pharmaceutical intermediates.

Name of the company	Face value (₹ per share)	Total Revenue (in Rs million)	EPS		NAV (Rs per share)	P/E	RoNW (%)
			Basic	Diluted			
Ami Organics Limited	10	3,406.08	17.14	17.14	52.99	41.16	32.35%
PEER GROUP							
Aarti Industries Ltd	5	45,061.00	30.04	30.04	201.05	62.22	14.94%
Hikal Ltd	2	17,204.40	10.8	10.8	75.7	49.52	14.27%
Valiant Organics Ltd	10	7,548.08	44.68	40.97	184.97	33.78	22.81%
Vinati Organics Ltd	1	9,542.58	26.2	26.2	150.16	75.51	17.45%
Neuland Laboratories Ltd	10	9,369.13	62.85	62.85	612.99	31.6	10.25%
Atul Ltd	10	37,314.70	221.17	221.17	1,293.31	40.86	17.14%

The company is available at the upper end of the IPO price band at 41.2x its FY21 earnings, with a market cap of Rs. 22,227 million. Further on FY21 earnings basis the company is trading below the Industry average of 48.91x. Looking at the P/B ratio on the upper price band, book value and P/B are Rs. 53 and 11.51x respectively along with a RoNW of 32.35%.

The company has shown consistent financial performance with sales growth at CAGR of 19.5% and restated profit after tax growth at CAGR of 52.3% between the Fiscals 2019 and 2021. The financials for 2020-21 doesn't include revenue from the acquisition of the two plants. We are positive on the long-term prospects of the Company. Hence, we recommend a "**Subscribe**" rating to this IPO.

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