

AUGUST 30, 2021

IPO Note

AMI ORGANICS LTD**NOT RATED**

(Note: All the information in this note is taken from RHP)

Offer Details

The price band is in the range of Rs. 603-610 per share. The total issue size is of Rs. 569.6 crore (at Rs. 610/share). It includes fresh issue of Rs 200 cr and an Offer for Sale (OFS) of Rs 369.6 cr.

Details of The offer

Particulars	Details
Price band (Rs/share)	Rs 603 - 610 per equity share
Opening date of the Issue [^]	1st September, 2021
Closing date of the issue	3rd September, 2021
No. of shares pre-issue (nos. Cr)	3.32
Fresh Issue (nos. Cr)*	0.33
Offer for sale (nos. Cr)*	0.61
No. of shares post-issue (nos. Cr)*	3.64
Issue size (Rs Cr)*	569.6
Face Value (Rs/share)	10
Bid Lot	24 equity shares and in multiple of 24 thereafter
Book Building	
QIBs (Including Anchor)	50%
Non-Institutional	15%
Retail	35%
Lead managers	Intensive Fiscal Services Private Limited / Ambit Private Limited/ Axis Capital Limited.
Registrar to the issue	Link Intime India Private Limited.

Source: RHP, * Based on upper price band

Objects of the offer

The net proceeds of the Fresh Issue and the proceeds from the pre-IPO placement are proposed to be utilised in the following manner:

1. Repayment/prepayment of certain financial facilities availed by our Company – Rs 140 cr;
2. Funding working capital requirements of our Company – Rs 90 cr; and
3. General corporate purposes.

Proposed schedule of Implementation and Utilization of Net Proceeds and the proceeds from the Pre-IPO Placement

Particulars	Amount to be financed from the Net Proceeds and the proceeds from the Pre-IPO Placement (Rs Cr)	Estimated utilisation of Net Proceeds and the proceeds from the Pre-IPO Placement (Rs Cr)	
		FY22	FY23
Repayment/prepayment of financial facilities availed	140	140	-
Funding working capital requirements	90	50	40

Source: RHP

Purvi Shah
purvi.shah@kotak.com
+91 22 6218 6432

Pre IPO Placement Details

The company has undertaken a Pre-IPO Placement of 1,658,374 Equity Shares at a price of RS 603/per share, aggregating to Rs100 Crore as under:

Name of the Entity	No. of Equity Shares	Amount (Rs Cr)
Plutus Wealth Management LLP	4,97,512	30
Malabar India Fund Limited	7,29,685	44
IIFL Special Opportunities Fund – Series 7	3,31,675	20
Malabar Value Fund	99,502	6
Total	1658374	100

Source: RHP

Management Background

- **Naresh Kumar Ramjibhai Patel is the Executive Chairman and Managing Director** of Company and has been associated with Company since its incorporation. He holds a Bachelor of Engineering degree from the Gujarat University. He has 18 years of experience in the specialty chemicals manufacturing sector. He set up a partnership firm in Surat, CNR Intermediates, for manufacturing, purchasing and selling all kinds of chemicals, before founding the partnership firm Ami Organics with Girish Kumar Limbabbhai Chovatia and Chetan Kumar Chhaganlal Vaghasia in 2004. He is currently also a designated partner at Globe Bio Care.
- **Chetan Kumar Chhaganlal Vaghasia is a Whole-time Director** of Company and has been associated with Company since its incorporation. He holds a Diploma in Man-Made Textile Processing from the Mantra Education Institute, Surat. He has 19 years of experience in the specialty chemicals manufacturing sector. He set up a partnership firm in Surat, CNR Intermediates, for manufacturing, purchasing and selling all kinds of chemicals, before founding the partnership firm Ami Organics in 2004. He is currently also a designated partner at Globe Bio Care.
- **Virendra Nath Mishra is the Whole-time Director** of Company. He holds a Bachelor of Science degree from the Veer Bahadur Singh Purvanchal University, Jaunpur and holds a Master of Science (Chemistry) degree from the Poorvanchal University, Jaunpur. He was over 25 years of experience in the research and operations management specialty chemicals manufacturing sector. He was initially appointed as production manager in Company and has been associated with Company since 2005. He served as an executive Director on the Board of Company from May 9, 2017 to March 1, 2018 and was subsequently appointed as the Director – Operation in Company with effect from April 1, 2018. Prior to joining Company, he was associated with K.A. Malle Pharmaceuticals Limited as an Officer (Research and Development) and Surya Organics and Chemicals.
- **Girikrishna Suryakant Maniar is a non-executive, Independent Director** of Company. He holds a Bachelor of Science degree in Chemistry from the University of Bombay and is a fellow member of the Institute of Cost Accountants of India. He has been practising as a cost accountant since 1988. He was appointed as an Independent Director of our Company on April 23, 2018.

- **Richa Manoj Goyal** is a **non-executive, Independent Director** of Company. She holds a Bachelor of Commerce degree from H.A. Commerce College, and holds an LL.B. degree from Gujarat University. She is a fellow member of the Institute of Company Secretaries of India. She is certified trademarks agent and she is currently the managing partner of the law firm 'Richa Goyal and Associates'.
- **Hetal Madhukant Gandhi** is a **non-executive, Independent Director** of Company. He holds a Bachelor of Commerce degree from the University of Bombay and is an associate member of the Institute of Chartered Accountants of India. He has over 34 years of experience in the financial services industry that encompasses private equity investments, credit markets and investment banking. He is the co-founder and managing director of Tano India Advisors Private Limited. He was previously associated with Infrastructure Leasing and Financial Services Limited as its Head- Financial Service and chief executive officer of ORIX Auto and Business Solutions Limited, and with A. F. Ferguson and Co as a consultant.

Key Managerial Personnel

- **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.
- **Ajit Kumar Choubey** is the **President - Technical** and joined the company on November 20, 2009.
- **Gaurav Pravin Bhandari** is the **Senior Manager - Marketing** of the company joined the company on April 14, 2015.
- **Hemantkumar Mahendrabhai Patel** is the **General Manager - Human Resource Department** of the company and was appointed by the company on June 10, 2019.
- **Mithilesh Kumar** is the **Vice President - Operations** of the company and joined the company on July 16, 2018.
- **Ram Mohan Lokhande** is the **President – Operations** of the company and joined the company on July 6, 2021.

Company Background

Ami Organics Limited (“Ami Organics”) is one of the leading research and development (“R&D”) driven manufacturers 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 Ltd (“GOL”) (“Acquisition”).

Ami Organics is 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.

They 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.

Their focus on R&D and continuous process improvement has positioned them as a preferred supplier to their customers. The revenue from operations from their Pharma Intermediates business was Rs 301.14 cr, Rs 217.88 cr and Rs 203.39 cr respectively, for FY21, FY20 and FY19, accounting for 88.41%, 90.92% and 85.28% of their total revenue from operations respectively, for the same periods. The sales turnover for FY21 (which is based on verification of form GSTR-1) of the 2 plants acquired as part of the recent Acquisition, was Rs 106.04 cr.

In addition, Ami Organics has recently completed the acquisition of 2 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). The Acquisition is in line with their inorganic growth strategy of foraying further into the specialty chemicals sector and it will enable them to significantly diversify their existing product portfolio, with an objective of attaining inorganic expansion of their business.

Currently Ami Organics has 8 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 3 additional pending process patent applications for which applications were made recently, in March 2021.

Along with the domestic market, Ami Organics 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, their revenue from exports contributed 51.57%, 45.89% and 49.61%, respectively of their total revenue from operations. Their 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.

Table

Domestic Customers	Key Export Customers
Laurus Labs Ltd., Cadila Healthcare Ltd., and Cipla Ltd.	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.

Source: RHP

Ami Organics has established long standing relationships with some of their key customers. 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.

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

Intellectual Property Details

	Registered	Application Accepted	Application Pending	Proprietor Name
Patent	-	8	3	-
Trademarks	4	-	-	Ami Organics

Source: RHP

Company Product Portfolio

Pharma Intermediates Business

Ami Organics has an experience of over 15 years of developing, manufacturing and commercialising advanced pharma intermediates used for manufacturing API and NCE in India and overseas. They have developed and commercialised over 450 Pharma Intermediates across 17 key therapeutic areas since inception and NCE, which are being supplied to over 150 customers in India and 25 countries overseas. Some of the key therapeutic areas catered by them include anti-retroviral, anti-inflammatory, anti-psychotic, anti-cancer, anti-Parkinson, anti-depressant and anti-coagulant.

Specialty chemicals

The company manufactures specialty chemicals, which are primarily chemical components that find use in agrochemicals and fine chemicals and have, over the years, expanded their commercialised product portfolio. Their products are sold to various domestic and multinational customers for diverse end-user segments including preservatives, cosmetics and agrochemicals.

By way of their recently completed acquisition of GOL, their existing product portfolio viz. specialty chemicals have expanded to also include additional capabilities to manufacture preservatives (parabens and parabens formulations) and other specialty chemicals which are used in the manufacture of cosmetics, dyes, polymers and agrochemicals.

Custom manufacturing

The company also has the capacity to manufacture advanced pharmaceutical intermediates and other speciality chemicals on a make to order basis. Their R&D team works closely with customers or prospective customers and provide innovative and cost-efficient solutions tailored to meet specific customer requirements.

Some of the leading APIs and Some of the leading APIs and their market share for which the company supply Pharma Intermediates:

Table

API	Intermediates	Market Share as per F&S Report	Therapeutic Segment
Trazodone	1-(3-Chloro Phenyl) 4-(3-Chloro Propyl) Piperazine H, 2H-[1,2,4] Triazolo [4,3-A] Pyridin-3-One, 1-(3-Chloro Phenyl) Piperazine	Ami Organics is the key supplier of these intermediates with a market share of 80-90% in FY21. Further Ami Organics is the major manufacturer of key intermediates for the APIs belonging to Atypical antidepressants drug class.	Antidepressant
Dolutegravir	Amino Acetaldehyde Dimethyl Acetal, N-N Dimethyl Formamide Dimethyl Acetal, Methyl-4-Methoxy Acetoacetate, 1-(2,2-Dimethoxy Ethyl)- 5-Methoxy-6-(Methoxy Carbonyl)-4-Oxo-1, Diacetal-3-Carboxylic Acid	For Amino Acetaldehyde Dimethyl Acetal intermediate, Ami organics is the leader and accounts for a global market share of 70-75% in FY21.	Antiretroviral

API	Intermediates	Market Share as per F&S Report	Therapeutic Segment
Entacapone	3,4-Di Hydroxy 5-Nitro Benzyl Dehyde	Ami Organics is the key supplier of 3,4-Di Hydroxy 5-Nitro Benzyl Dehyde with a market share of ~80% in FY21.	Parkinson's Disease
Apixaban	5,6-Dihydro-3-(4-Morpholinyl)-1-4 (2-Oxo-1- Piperidin), Ethyl Chloro [(4-Methoxyphenyl) Hydrazono] Acetate, 3-Morpholino-1-(4- Nitrophenyl)5, 6-Dihydropyridin-2, 1-(4-Amino Phenyl)-5, 6-Dihydro-3-(4-Monopholinyl)-2, 2-iperidone, 1-(4-Aminophenyl) Piperidin-2-One, 1-(4-Iodophenyl) Piperidine-2-One, 3-Morpholine-4 Iodo-phenyl-5,6-Dihydro-2-Piperi-done, 1-4 Iodophenyl-3-orpholino 5-6 Dihydro Pyrdine, 1-(4-Aminopenyl) -3-(Morpholin-4-Yl) -5-6-Dihydropyr, 5,6-Dihydro-3-(4-Morpholinyl)-1-(4-Nitrophenyl)-2	Ami Organics is one of the larger players in the market contributing to ~50% of the total market in FY21 of 1-(4-Amino Phenyl)-5,6-Dihydro-3-(4-Mono-pholinyl)-2 ~40% of Ethyl Chloro [(4- Methoxyphenyl)	Anticoagulant
Rivaroxaban	S)-(+)-Glycidyl Phthalimide, 4-(4- Aminophenyl) Morpholin-3-One	Ami Organics is one of India's largest producers of its key intermediates Glycidyl Phthalimide and 4-(4- Aminophenyl) Morpholin-3-One.	Anticoagulant
Nintedanib	Triethyl Ortho Benzoate, 6-Methoxy Carbonyl-2- Oxindole, 4-Chloro-3-Nitro Benzoic Acid, NMethyl-4-Nitroaniline, N-(Methyl-2-(4-Methyl Piperazine-1-Yl)-N-(4-Aminoph), N-Methyl Piperazine	Ami Organics is a supplier to the originator for key intermediates for producing Nintedanib.	Anticancer
Pazopanib	2,4-Dichloropyrimidine, 5-Amino-2-Methyl Benzene Sulphonamide	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 of its intermediate 2,4-Dichloropyrimidine.	Anticancer
Quetiapine	1-(2-(2-Hydroxy Ethoxy)Ethyl Piperazine, Dibenz-(1,4)-Thazepine-11-(10H)-One	Ami Organics is the major manufacturer of the key intermediates for this API.	Antipsychotic
Aripiprazole	1-(2,3-Dichloro Phenyl) Piperzine	Ami Organics is the major manufacturer of the key intermediates for Aripiprazole API and has customers across the world.	Antipsychotic
Darulutamide	Methyl-5-Acetal-1H-Pyrazole-3-Carboxylate	Ami Organics is the major manufacturer of one of the key intermediates for this API.	Antiandrogen

API	Intermediates	Market Share as per F&S Report	Therapeutic Segment
Ziprasidone/ Lurasidone	3-(1-Piperazinyl)1,2-Benzisothiazole Hcl	Ami Organics is the major manufacturer of the key intermediates for these API.	Antipsychotic
Mirtazapine/Vortioxetine/Vilazodone	1-Boc Piperazine,2,4 Dimethyl Thiophenol, 1(3-Carboxypyridyl-2)2-Phenyl 4-Methyl Piperazine, 1-Methyl-3-Phenyl Piperazine, 1-(3-Hydroxymethyl-Pyridin-2-Yl)-4-Methyl-2-Pp,1-(3-Corboxypyrdyl-2)2-Phenyl 4-MethylPiperazine, Ethyl-5-Amino-1-Benzofuran-2-Carboxylate, 1-(2-Aminocarbonyl Benzofuran-5- Yl) Piperzi	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.	Antidepressant

Source: RHP

Revenue Break up

Product Category	Revenue from operations (in ₹ Cr)					
	FY19	% of Total	FY20	% of Total	FY21	% of Total
Pharma Intermediates	203.39	85.27%	217.88	90.92%	301.14	88.41%
Speciality Chemicals	2.22	0.93%	7.43	3.10%	16.59	4.87%
Others	32.91	13.80%	14.33	5.98%	22.88	6.72%
Total Revenue from Operations	238.52	100.00%	239.64	100.00%	340.61	100.00%

Source: RHP

Break-up of Revenue from Pharma Intermediates – basis end-use API

Revenue from sale of Intermediates used for API	Revenue from operations (in ₹ Cr)		
	FY19	FY20	FY21
Trazodone	50.94	36.78	76.80
Dolutegravir	46.04	60.03	72.74
Oxcarbamazepine	7.99	28.57	20.15
Vortioxetine	10.52	4.84	14.68
Nintedanib	6.89	3.07	13.59
Zonisamide / Warfarin	9.43	13.79	12.92
Entacapone	14.86	14.52	10.61
Darolutamide	1.12	2.85	8.68
Celecoxib	2.36	7.56	8.46
Diclofenac Sodium	6.97	4.54	8.31
Quetiapine	15.09	11.34	7.93
Rivaroxaban	0.87	0.96	3.52
Dabigatran	0.37	0.23	3.09
Pazopanib	1.51	0.41	2.94
Apixaban	0.87	2.22	2.66

Source: RHP

Manufacturing Facilities

Ami Organics has 3 manufacturing units located at:

1. GIDC, Sachin, Gujarat, spread over an aggregate land area of 8,250 sq. mtrs. with an installed capacity of 2,460 MTPA ("Sachin Facility"),
2. GIDC, Ankleshwar Industrial Estate, Gujarat, spread over an aggregate land area of 10,644 sq. mtrs. with an installed capacity of 1,200 MTPA ("Ankleshwar Facility"), and
3. GIDC Industrial Estate, Jhagadia, Gujarat, spread over an aggregate land area of 56,998.35 sq. mtrs. with an installed capacity of 2,400 MTPA ("Jhagadia Facility")

Of the above, the Ankleshwar Facility and Jhagadia Facility have been recently acquired by the company from GOL.

Key Strengths

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.

Their 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 their 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 their 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. In line with their focus on R&D activities, they have also made an investment in their Joint Venture, Ami Onco- Theranostics, 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

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 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 the total revenue from exports for Fiscal 2021.

Diversification of their customer base across the domestic and global markets has limited their exposure to a risk of concentration, enabling them to further diversify and expand their business relationships. 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.

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.

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, 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. Their 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, 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. Ami Organics 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. 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 the 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, company's processes and products are subject to, and measured against, high quality standards and stringent impurity specifications. The company has, over the years, built strong relationships with their customers, who recognise their technical capabilities and timely deliveries and associate the company with good and consistent quality products.

Moreover, handling of some of the raw materials that the company uses 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.

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

Since 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. 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.

Strategies

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 their competitors. With a view to strengthen their R&D capabilities, they continuously recruit and appoint scientists. 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.

They have also developed and manufacture specialty chemicals for pharmaceutical, cosmetics, food processing, flavour and fragrance, dyes, polymer, agrochemicals and animal feed industries.

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, Company's also has a presence in heterogeneous nitrogen compounds. Additionally, they have recently diversified their product portfolio as a result of the acquisition of GOL.

They 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 on-going 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.

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. 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.

In Fiscal 2018, they 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 them to expand their product portfolio to include the manufacture of speciality chemicals. Going forward, they 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. 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, the company 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 has developed backward integration capabilities for key raw materials which have helped them in minimising reliance on third party vendors. They also enter 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 their organic growth and internal expertise. They also intend to develop their 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, 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 such inorganic expansion will help them 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.

Financials

Statements of Profit and Loss (Rs. In Cr)

Y/E March	FY19	FY20	FY21
INCOME			
Revenue from operations	238.5	239.6	340.6
Other income	0.4	2.8	1.4
Total Revenue	238.9	242.5	342.0
EXPENDITURE			
Raw Material Cost	148.4	128.9	179.5
Employee Expense	11.8	17.8	21.0
Other Expense	36.3	51.9	59.9
Total Expenditure	196.5	198.6	260.5
EBITDA	42.4	43.9	81.5
Interest Cost	4.8	5.6	5.6
Depreciation	2.6	3.5	4.2
Exceptional Item	-	-	-
PBT	35.1	34.8	71.7
Total Tax expense	11.8	7.3	17.7
Profit for the year	23.3	27.5	54.0
EPS (Rs per share) on Diluted Equity	7.4	8.7	17.1

Source: Company's RHP

Statement of Assets and Liabilities (Rs. In Cr)

Y/E March	FY19	FY20	FY21
EQUITIES AND LIABILITIES			
Equity	10.5	10.5	31.5
Reserves and Surplus	71.7	101.3	135.4
Deferred Tax Liabilities (Net)	2.1	3.1	3.3
Borrowings	56.3	55.5	137.0
Other Liabilities and Provisions	72.5	61.5	106.1
Total	213.2	231.9	413.3
ASSETS			
Cash + Cash in bank	0.5	3.8	2.7
Inventories	38.7	52.3	60.4
Receivables	76.1	56.4	120.7
Financial Assets	4.1	5.0	4.5
Fixed Assets	80.7	96.9	186.5
Other Assets	13.0	17.5	38.6
Total	213.2	231.9	413.3

Source: Company's RHP

Statement of Cash Flows (Rs. In Cr)

Y/E March	FY19	FY20	FY21
Net cash (used in) / generated from operating activities	14.8	27.1	27.1
Net cash (used in) / generated from Investing Activities	-20.9	-23.9	-100.4
Net cash generated from / (used in) Financing Activities	5.6	0.2	72.1
Net (decrease) / increase in cash and cash equivalents	-0.4	3.3	-1.1
Cash and Cash equivalents at beginning of the period / year	0.9	0.5	3.8
Cash and Cash equivalents at end of the period / year	0.5	3.8	2.7

Source: Company's RHP

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	– We expect the stock to deliver more than 15% returns over the next 12 months
ADD	– We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	– We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	– We expect the stock to deliver < -5% returns over the next 12 months
NR	– Not Rated. Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
SUBSCRIBE	– We advise investor to subscribe to the IPO.
RS	– Rating Suspended. Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
NA	– Not Available or Not Applicable. The information is not available for display or is not applicable
NM	– Not Meaningful. The information is not meaningful and is therefore excluded.
NOTE	– Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Rusmik Oza Head of Research rusmik.oz@kotak.com +91 22 6218 6441	Arun Agarwal Auto & Auto Ancillary arun.agarwal@kotak.com +91 22 6218 6443	Amit Agarwal, CFA Transportation, Paints, FMCG agarwal.amit@kotak.com +91 22 6218 6439	Hemali Dhame Banking & Finance Hemali.Dhame@kotak.com +91 22 6218 6433
Jatin Damania Metals & Mining, Midcap jatin.damania@kotak.com +91 22 6218 6440	Purvi Shah Pharmaceuticals purvi.shah@kotak.com +91 22 6218 6432	Rini Mehta Research Associate rini.mehta@kotak.com +91 80801 97299	K. Kathirvelu Support Executive k.kathirvelu@kotak.com +91 22 6218 6427
Sumit Pokharna Oil and Gas, Information Tech sumit.pokharna@kotak.com +91 22 6218 6438	Pankaj Kumar Midcap pankajr.kumar@kotak.com +91 22 6218 6434		

TECHNICAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan shrikant.chouhan@kotak.com +91 22 6218 5408	Amol Athawale amol.athawale@kotak.com +91 20 6620 3350	Sayed Haider Research Associate sayed.haider@kotak.com +91 22 62185498
---	---	--

DERIVATIVES RESEARCH TEAM (PRIVATE CLIENT GROUP)

Sahaj Agrawal sahaj.agrawal@kotak.com +91 79 6607 2231	Prashanth Lalu prashanth.lalu@kotak.com +91 22 6218 5497	Prasenjit Biswas, CMT, CFTe prasenjit.biswas@kotak.com +91 33 6615 6273
---	---	--

Disclosure/Disclaimer (Private Client Group)

Kotak Securities Limited established in 1994, is a subsidiary of Kotak Mahindra Bank Limited. Kotak Securities is one of India's largest brokerage and distribution house.

Kotak Securities Limited is a corporate trading and clearing member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), Metropolitan Stock Exchange of India Limited (MSE), National Commodity and Derivatives Exchange (NCDEX) and Multi Commodity Exchange (MCX). Our businesses include stock broking, services rendered in connection with distribution of primary market issues and financial products like mutual funds and fixed deposits, depository services and Portfolio Management.

Kotak Securities Limited is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Kotak Securities Limited is also registered with Insurance Regulatory and Development Authority as Corporate Agent for Kotak Mahindra Old Mutual Life Insurance Limited and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI). We are registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advise/warning/deficiency letters/ or levied minor penalty on KSL for certain operational deviations. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

We offer our research services to clients as well as our prospects.

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Kotak Securities Ltd. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed. Neither Kotak Securities Limited, nor any person connected with it, accepts any liability arising from the use of this document. The recipients of this material should rely on their own investigations and take their own professional advice. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Kotak Securities Limited (KSL) may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. The views provided herein are general in nature and does not consider risk appetite or investment objective of particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with KSL. Kotak Securities Limited is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation. Kotak Securities Limited does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and take professional advice before investing.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

No part of this material may be duplicated in any form and/or redistributed without Kotak Securities' prior written consent.

Details of Associates are available on www.kotak.com

1. "Note that the research analysts contributing to the research report may not be registered/qualified as research analysts with FINRA; and
2. Such research analysts may not be associated persons of Kotak Mahindra Inc and therefore, may not be subject to NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account

Any U.S. recipients of the research who wish to effect transactions in any security covered by the report should do so with or through Kotak Mahindra Inc. (Member FINRA/SIPC) and (ii) any transactions in the securities covered by the research by U.S. recipients must be effected only through Kotak Mahindra Inc. (Member FINRA/SIPC) at 369 Lexington Avenue 28th Floor NY NY 10017 USA (Tel:+1 212-600-8850).

Kotak Securities Limited and its non US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non US issuers, prior to or immediately following its publication. This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. This research report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services. Accordingly, any brokerage and investment services including the products and services described are not available to or intended for Canadian persons or US persons."

Research Analyst has served as an officer, director or employee of subject company(ies): No

We or our associates may have received compensation from the subject company(ies) in the past 12 months.

We or our associates have managed or co-managed public offering of securities for the subject company(ies) in the past 12 months: No

We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report. Our associates may have financial interest in the subject company(ies).

Research Analyst or his/her relative's financial interest in the subject company(ies): No

Kotak Securities Limited has financial interest in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Nature of financial interest is holding of equity shares or derivatives of the subject company.

Our associates may have actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No.

Kotak Securities Limited has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

AUGUST 30, 2021

By referring to any particular sector, Kotak Securities Limited does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and take professional advice before investing. Such representations are not indicative of future results.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report.

"A graph of daily closing prices of securities is available at <https://www.nseindia.com/ChartApp/install/charts/mainpage.jsp> and <http://economictimes.indiatimes.com/markets/stocks/stock-quotes>. (Choose a company from the list on the browser and select the "three years" icon in the price chart)."

Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: www.kotak.com/www.kotaksecurities.com. Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No: INZ000200137 (Member ID: NSE-08081; BSE-673; MSE-1024; MCX-56285; NCDEX-1262), AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-DP-NSDL-23-97. Our research should not be considered as an advertisement or advice, professional or otherwise. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing. Investments in securities market are subject to market risks, read all the related documents carefully before investing. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts. **Kotak Securities Limited is a Sub-Syndicate member for the public issue of AMI ORGANICS LTD.** Compliance Officer Details: Mr. Manoj Agarwal. Call: 022 - 4285 8484, or Email: ks.compliance@kotak.com.

In case you require any clarification or have any concern, kindly write to us at below email ids:

- **Level 1:** For Trading related queries, contact our customer service at 'service.securities@kotak.com' and for demat account related queries contact us at ks.demat@kotak.com or call us on: Toll free numbers 18002099191 / 1860 266 9191
- **Level 2:** If you do not receive a satisfactory response at Level 1 within 3 working days, you may write to us at ks.escalation@kotak.com or call us on 022-42858445 and if you feel you are still unheard, write to our customer service HOD at ks.servicehead@kotak.com or call us on 022-42858208.
- **Level 3:** If you still have not received a satisfactory response at Level 2 within 3 working days, you may contact our Compliance Officer (Mr. Manoj Agarwal) at ks.compliance@kotak.com or call on 91- (022) 4285 8484.
- **Level 4:** If you have not received a satisfactory response at Level 3 within 7 working days, you may also approach Managing Director / CEO (Mr. Jaideep Hansraj) at ceo.ks@kotak.com or call on 91-(022) 4285 8301.