

Acutaas Chemicals

Too much priced in

We maintain a REDUCE recommendation on Acutaas Chemicals Ltd (ACL) (formerly called Ami Organics Ltd) with a target price of INR 1,069. The market is factoring in the expected continuation of high growth in the CDMO business. We continue to find ACL's growth story promising, but near-term valuations remain stretched. Current valuation of 42.6/36.3/30 FY26/27/28E leaves limited upside for prospective investors and, hence, we await a correction before turning constructive. In FY25, revenue growth was 40% YoY and margin expanded by 514bps to 23%, owing to robust performance in the Advanced Pharmaceutical Intermediate (API) business. Revenue from the CDMO vertical more than doubled YoY in FY25 as it has started supplying products to Fermion from Block-3 of the CDMO plant at Ankleshwar. Revenue from FY25 to FY28 will be driven by further ramp-up of Block 3 (fermion contract) and the new CDMO molecules from Blocks 1 and 2. We expect the EBITDA margin to improve 150bps, from 23% in FY25 to 24.5% in FY28E. We expect ACL's PAT to grow at a 21% CAGR over FY25-28E, led by the 23% EBITDA CAGR, while expecting RoE to decline by 67bps, from 17.4% in FY25 to 16.7% in FY28.

Strong CDMO momentum in FY25; new contract to fuel from H2FY26

- ACL has set up three blocks at the Ankleshwar site by investing INR 3.1bn for an advanced pharmaceutical intermediates business. Under a CDMO contract, the company has started supplying products to Fermion from its Block 3. It has commissioned Block 2 at Ankleshwar in Q3FY25. It is in the final stages (the qualification stage) of signing a CDMO contract with a European buyer, with validation batches finished. Block 1 at the Ankleshwar plant is expected to start contributing to revenue by the end of FY26.
- The company's revenue from the CDMO vertical more than doubled YoY. New contracts are expected to ramp up in H2FY26. ACL expects revenue from its CDMO business to reach ~INR 10bn in FY28, up from ~INR 0.8bn in FY24. We believe these revenue projections are overly optimistic. Revenue growth in CDMO is subject to volume ramp-up in Fermion and full utilisation of Block 1 and Block 2. The management expects 60-70% revenue contribution to come from the Fermion contract, while expecting the remaining to be generated from multiple molecule launches at the other two blocks. Block 3, which supplies material to Fermion, achieved 50% utilization in Q4FY25, up from 35% in Q2FY25. It is expected to be fully utilized by FY27. Management is confident that long-term supply contracts with multiple originators for Blocks 1 and 2 will be signed in the coming quarters. The peak revenue potential for these three blocks is ~INR 12bn. We expect them to attain this peak revenue by FY31.

Financial summary (consolidated)

INR mn	4QFY25	3QFY25	QoQ (%)	4QFY24	YoY (%)	FY24	FY25P	FY26E	FY27E	FY28E
Net Sales	3,085	2,750	12.2	2,250	37.1	7,175	10,069	12,696	14,800	17,659
EBITDA	850	687	23.7	432	96.8	1,285	2,321	3,062	3,581	4,335
APAT	627	453	38.3	259	141.9	715	1,726	2,171	2,546	3,080
AEPS (INR)	7.7	5.5	38.3	3.2	141.9	8.7	21.1	26.5	31.1	37.6
P/E (x)						129.5	53.6	42.6	36.3	30.0
EV/EBITDA(x)						73.3	38.8	29.3	24.8	20.2
RoE (%)						11.3	17.4	15.5	15.9	16.7

Source: Company, HSIE Research

REDUCE

CMP (as on 05 June 2025)	INR 1,130
Target Price	INR 1,069
NIFTY	24,751

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target*	INR 1,062	INR 1,069
	FY26E	FY27E
EPS %	-1.6%	-1.5%

*Stock split from INR10 to INR5 per share

KEY STOCK DATA

Bloomberg code	ACUTAAS IN
No. of Shares (mn)	82
MCap (INR bn) / (\$ mn)	92/1,078
6m avg traded value (INR mn)	745
52 Week high / low	INR 1,322/530

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(6.0)	0.9	104.5
Relative (%)	(16.5)	1.3	95.0

SHAREHOLDING PATTERN (%)

	Dec-24	March-25
Promoters	35.96	35.96
FIs & Local MFs	20.24	18.31
FPIs	15.52	16.48
Public & Others	28.27	29.23
Pledged Shares	0.00	0.00

Source: BSE

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Change in estimates (consolidated)

Y/E Mar	FY26E Old	FY26E New	% Ch	FY27E Old	FY26E New	% Ch
EBITDA (INR mn)	3,073	3,062	-0.3%	3,614	3,581	-0.9%
Adj. EPS (INR/sh)	26.9	26.5	(1.6)	31.6	31.1	(1.7)

Source: Company, HSIE Research

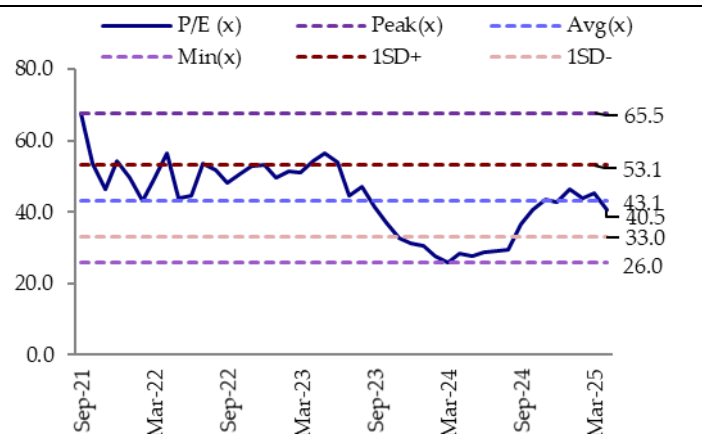
Back-ended growth for electrolyte additive business

- ACL will incur a capex of INR 1.77bn for an electrolyte additive manufacturing facility with capacities of 2,000 MTPA each for Vinylene Carbonate (VC) and Fluoro Vinylene Carbonate (FVC) at Jhagadia. It has indigenously developed a technology to manufacture these fluorine-based salts. It will market these additives, primarily targeting export markets. The plant is expected to be commissioned by H1FY26. The growth in electrolyte business be back-ended. We expect the plant to generate a peak revenue of INR2.7bn by FY36.
- ACL has a portfolio of 12 electrolyte additives that can be used for battery manufacturing. This plant will be fungible to the requirements of the electrolyte bucket. The company has signed contracts with EV and battery manufacturers and is in multiple discussions for additional contracts. It has sent validation samples from the pilot plant and is waiting for ramp-up at the OEM end.
- It has also signed a JV with Enchem for electrolyte solution. The electrolyte solution will be marketed by the JV partner and will focus on the domestic market.

Growth may moderate; lower asset turnover to drag RoE

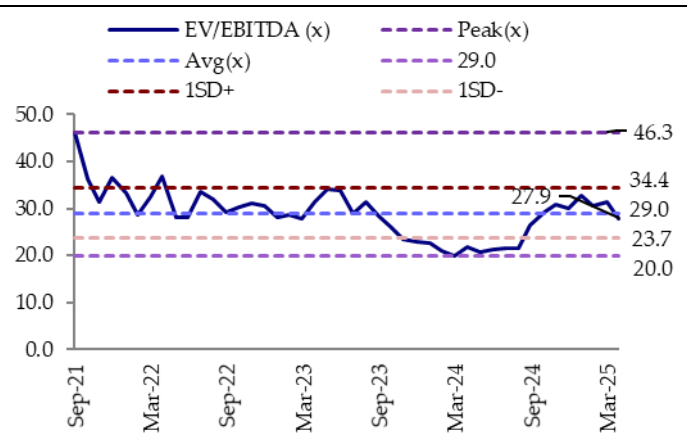
- ACL's revenue increased by a whopping 40%, from INR 7,175mn in FY24 to INR 10,069mn in FY25, driven by the initial ramp-up in the CDMO business. Gross margin during the period improved to 45.2%, up by ~254bps (YoY), and blended EBITDA margin improved from 17.9% to 23%, an increase of 514bps (YoY), due to a rise in share of value-added products. In FY25, the Advanced Pharma Intermediate margin improved to 24.5% (from 19.5% in FY24), while the Specialty Chemicals margin slightly increased to 14.7% (from ~12% in FY24).
- We expect the total revenue to grow from INR 10,069mn in FY25 to INR 17,659mn in FY28, at a 21% CAGR. EBITDA is expected to improve from INR 2,321mn in FY25 to INR 4,335mn by FY28, at a 23% CAGR, driven by (a) further ramp-up of Block 3 and the commencement of the remaining Ankleshwar facility (Block 1 and 2) and (b) the commencement of the electrolyte additive business in H2FY26.
- We expect the EBITDA margins to improve from 23% in FY25 to 24.5% in FY28, an increase of 150bps, driven by the higher contribution from the high-margin CDMO business.
- The inflection in revenue and EBITDA will be driven by an increased contribution of ~40% from the CDMO business in total revenue by FY28, up from ~12% in FY24. Revenue from advanced pharmaceutical intermediates is expected to jump 2.6x to INR 14.7bn in FY28 from INR 5.7bn in FY24, while revenue from the specialty chemical business will increase to INR 2.9bn in FY28 from INR 1.5bn in FY24.

Exhibit 1: 1 Year forward P/E chart



Source: NSE, Company, HSIE Research

Exhibit 2: 1 Year forward EV/EBITDA chart



Source: NSE, Company, HSIE Research

Stretched valuation

In FY23, Acutaas' RoE/RoCE stood at 14.9/15%, which improved to 17.4/15.4% in FY25, owing to increase in net profit margin from ~13% to 17%. During this period, asset turnover continued to fall, from 2.33x to 2.03x, as ACL made an investment of INR 5.5bn (it raised INR 3bn from IPO in FY22, preference share of INR 0.5bn in FY24, QIP of INR 5bn in FY25). We expect the net profit margin and asset turnover to remain at current levels until FY28. Thus, RoE and RoCE will remain flattish over the next three years.

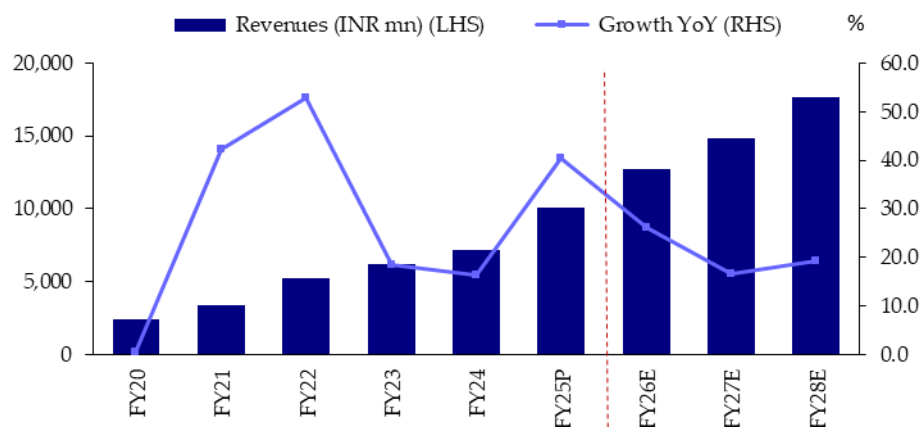
EPS CAGR over FY23-25 was 44% while RoE improved by 248bps from 14.9% in FY23 to 17.4% in FY25. The stock was trading at a 1Y forward average PE of 41.3x from FY23 to FY25.

EBITDA and PAT is expected to grow at a moderate pace of 23/21% CAGR over FY25-28 and RoE is expected to decline by 67bps from 17.4% in FY25 to 16.7% in FY28. The stock is currently trading at a 1Y forward PE of 40.5x. In our opinion, the company has potential to grow, backed by its investments of the past two years and opportunities in the better-margin CDMO business. However, the current valuation factors in these CDMO opportunities and investors may get a better entry point later. Therefore, we maintain REDUCE on the stock.

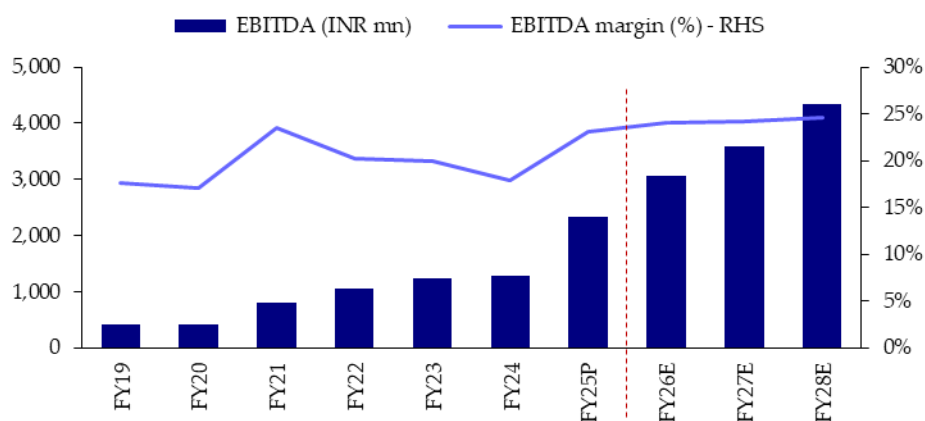
Exhibit -3: Peer comparison

Company	Growth in EPS from FY25-28(%)	EBITDA Margin in FY28 (%)	Change in ROE from FY25-28 (bps)	Changes in EBITDA margin from FY25-28 (bps)	FY28 PE (X)
Navin Fluorine International	41%	28%	998	479	28
Neogen Chemicals	15%	16%	132	-191	55
Aether Industries	31%	31%	180	475	29
Clean Science and Technology	18%	34%	40	-382	26
Acutaas Chemicals	21%	24.5%	-67	150	30

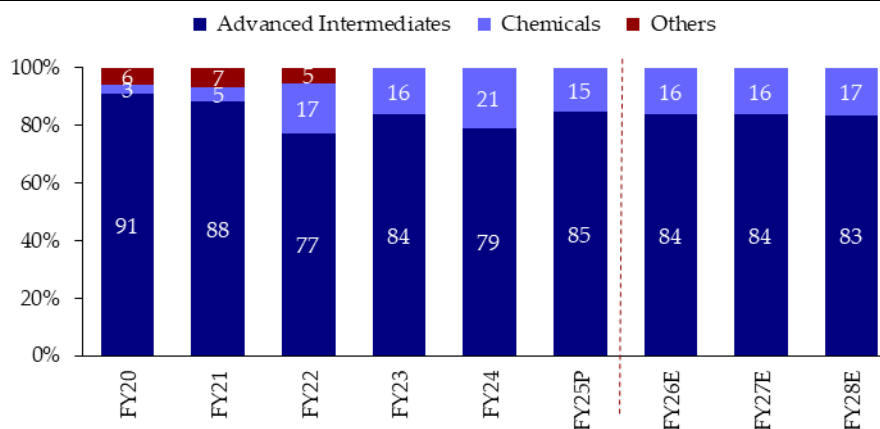
Source: - HSIE research, Company

Exhibit-4 : Revenue growth

Source: Company, HSIE Research

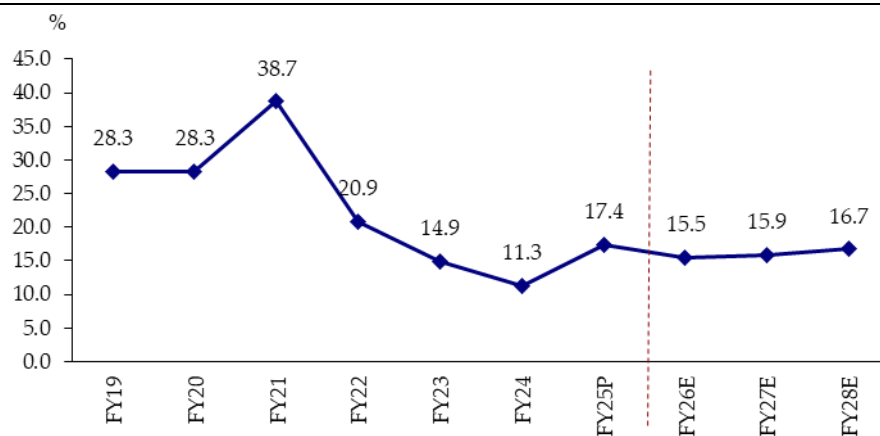
Exhibit-5 : EBITDA and EBITDA margin trend

Source: Company, HSIE Research

Exhibit-6 : Segmental revenue trend

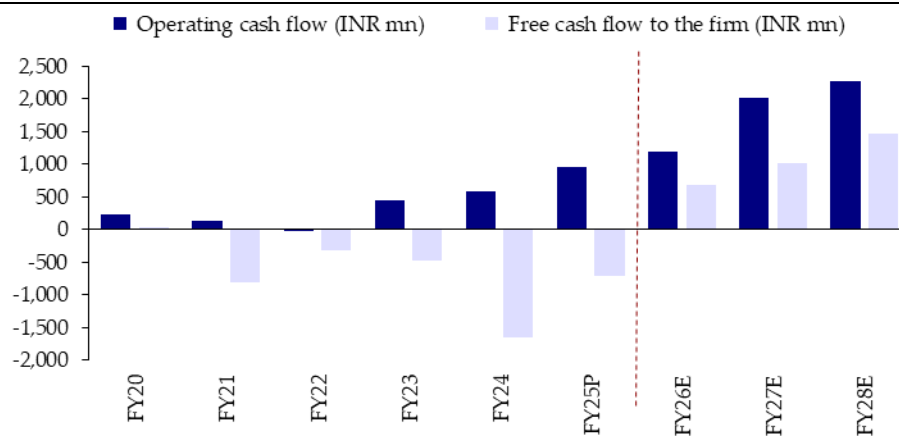
Source: Company, HSIE Research

Exhibit-7 : ROE to change by 69bps over FY25-28



Source: Company, HSIE Research

Exhibit-8 : OCF and FCF of ~INR 6.44bn and ~INR 2.47bn spread over FY25 -28



Source: Company, HSIE Research

INCOME STATEMENT

INR mn	FY20	FY21	FY22	FY23	FY24	FY25P	FY26E	FY27E	FY28E
Revenues	2,396	3,406	5,201	6,167	7,175	10,069	12,696	14,800	17,659
<i>Growth %</i>	<i>0.5</i>	<i>42.1</i>	<i>52.7</i>	<i>18.6</i>	<i>16.3</i>	<i>40.3</i>	<i>26.1</i>	<i>16.6</i>	<i>19.3</i>
Raw Material	1,289	1,795	2,728	3,309	4,117	5,522	6,555	7,691	9,023
Employee Cost	178	210	414	488	631	837	920	1,012	1,113
Other Expenses	519	599	1,008	1,144	1,142	1,390	2,158	2,516	3,188
EBITDA	410	802	1,052	1,226	1,285	2,321	3,062	3,581	4,335
<i>EBITDA Margin (%)</i>	<i>17.1</i>	<i>23.5</i>	<i>20.2</i>	<i>19.9</i>	<i>17.9</i>	<i>23.0</i>	<i>24.1</i>	<i>24.2</i>	<i>24.5</i>
<i>EBITDA Growth %</i>	<i>(2.5)</i>	<i>95.4</i>	<i>31.2</i>	<i>16.6</i>	<i>4.8</i>	<i>80.6</i>	<i>31.9</i>	<i>16.9</i>	<i>21.1</i>
Depreciation	35	42	101	123	161	193	332	358	404
EBIT	375	760	951	1,103	1,124	2,127	2,730	3,223	3,931
Other Income	28	14	28	43	75	169	174	180	185
Interest	56	56	64	24	59	22	3	0	0
PBT (before EO item)	348	717	915	1,122	1,140	2,275	2,901	3,402	4,116
Exceptional Income / Expenses	-	-	-	-	(321)	-	-	-	-
PBT	348	717	915	1,122	819	2,275	2,901	3,402	4,116
Tax	73	177	195	289	332	549	730	856	1,036
Minority interest	-	-	-	-	-	-	-	-	-
RPAT	275	540	719	833	487	1,726	2,171	2,546	3,080
APAT	275	540	719	833	715	1,726	2,171	2,546	3,080
<i>APAT Growth (%)</i>	<i>17.9</i>	<i>96.6</i>	<i>33.2</i>	<i>15.8</i>	<i>(14.2)</i>	<i>141.5</i>	<i>25.8</i>	<i>17.3</i>	<i>21.0</i>
AEPS	3.4	6.6	8.8	10.2	8.7	21.1	26.5	31.1	37.6
<i>AEPS Growth %</i>	<i>17.9</i>	<i>96.6</i>	<i>33.2</i>	<i>15.8</i>	<i>(14.2)</i>	<i>141.5</i>	<i>25.8</i>	<i>17.3</i>	<i>21.0</i>

Source: Company, HSIE Research

BALANCE SHEET

INR mn	FY20	FY21	FY22	FY23	FY24	FY25P	FY26E	FY27E	FY28E
SOURCES OF FUNDS									
Share Capital	105	315	364	364	369	409	409	409	409
Reserves And Surplus	1,013	1,354	4,858	5,575	6,371	12,687	14,532	16,696	19,315
Total Equity	1,118	1,669	5,223	5,940	6,740	13,096	14,942	17,106	19,724
Minority Interest	-	-	-	-	88	105	105	105	105
Long-term Debt	199	726	6	6	1,136	0	0	0	0
Short-term Debt	339	445	-	30	1,030	82	0	0	0
Current maturities of LT debt	56	195	3	-	-	-	-	-	-
Total Debt	594	1,366	8	36	2,166	82	0	0	0
Deferred Tax Liability	31	33	63	88	130	196	200	204	208
Long-term Provision and others	24	44	4	7	13	73	74	76	77
TOTAL SOURCES OF FUNDS	1,768	3,112	5,298	6,071	9,137	13,552	15,321	17,491	20,115
APPLICATION OF FUNDS									
Net Block	852	1,863	2,045	2,590	3,704	5,136	6,156	6,886	7,354
Capital WIP	117	2	30	298	1,254	1,303	451	363	291
LT Loans And Advances	122	91	205	65	473	568	579	590	602
Total Non-current Investments	17	14	17	17	570	570	570	570	570
Total Non-current assets	1,109	1,970	2,297	2,969	6,001	7,576	7,755	8,409	8,817
Inventories	523	604	1,122	1,192	1,567	1,799	2,773	3,233	3,858
Debtors	564	1,207	1,637	2,303	2,064	2,905	3,651	4,257	5,079
Cash and Cash Equivalents	38	27	996	587	533	2,490	2,930	3,740	4,931
Other Current Assets	85	325	537	620	794	723	744	766	789
Total Current Assets	1,210	2,162	4,291	4,701	4,958	7,917	10,099	11,996	14,657
Creditors	514	844	1,184	1,420	1,346	1,560	2,143	2,515	2,950
Other Current Liabilities & Provns	37	176	106	178	476	380	390	399	409
Total Current Liabilities	551	1,020	1,291	1,599	1,822	1,941	2,533	2,914	3,360
Net Current Assets	659	1,142	3,001	3,102	3,136	5,976	7,566	9,082	11,297
TOTAL APPLICATION OF FUNDS	1,768	3,112	5,298	6,071	9,137	13,552	15,321	17,491	20,115

Source: Company, HSIE Research

CASH FLOW STATEMENT

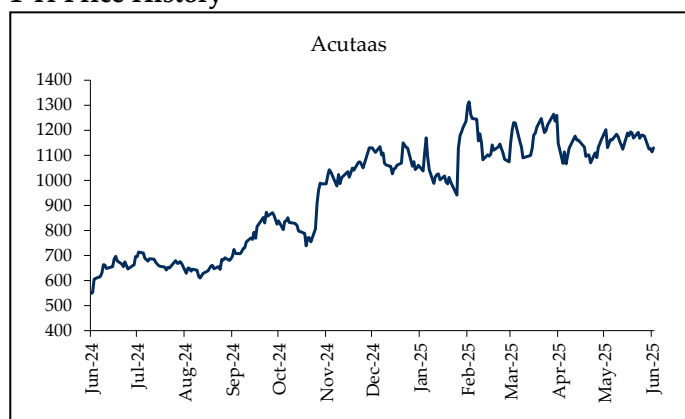
INR mn	FY20	FY21	FY22	FY23	FY24	FY25P	FY26E	FY27E	FY28E
Reported PBT	348	717	915	1,122	1,140	2,275	2,901	3,402	4,116
Non-operating & EO Items	(28)	(14)	(28)	(43)	(396)	(169)	(174)	(180)	(185)
Interest Expenses	56	56	64	24	59	22	3	0	0
Depreciation	35	42	101	123	161	193	332	358	404
Working Capital Change	(123)	(494)	(890)	(510)	(88)	(883)	(1,150)	(706)	(1,024)
Tax Paid	(63)	(176)	(165)	(263)	(290)	(483)	(726)	(852)	(1,032)
OPERATING CASH FLOW (a)	225	132	(3)	453	586	955	1,186	2,022	2,279
Capex	(197)	(938)	(311)	(936)	(2,231)	(1,674)	(500)	(1,000)	(800)
Free Cash Flow (FCF)	28	(806)	(314)	(483)	(1,645)	(720)	686	1,022	1,479
Investments	(1)	3	(3)	1	(553)	0	(0)	(0)	(0)
Non-operating Income	28	14	28	43	75	169	174	180	185
Others	(56)	31	(114)	141	(408)	(94)	(11)	(12)	(12)
INVESTING CASH FLOW (b)	(225)	(890)	(400)	(751)	(3,118)	(1,599)	(337)	(832)	(627)
Debt Issuance/(Repaid)	55	772	(1,358)	28	2,130	(2,084)	(82)	-	-
Interest Expenses	(56)	(56)	(64)	(24)	(59)	(22)	(3)	(0)	(0)
FCFE	27	(90)	(1,736)	(480)	426	(2,826)	602	1,022	1,479
Share Capital Issuance	-	210	49	-	4	41	-	-	-
Dividend	-	-	(238)	(238)	(107)	(259)	(326)	(382)	(462)
Others	34	(180)	2,983	124	422	4,909	1	1	2
FINANCING CASH FLOW (c)	34	746	1,373	(110)	2,391	2,584	(409)	(380)	(461)
NET CASH FLOW (a+b+c)	33	(12)	969	(409)	(141)	1,940	440	810	1,191
EO Items, Others									
Closing Cash & Equivalents	38	27	996	587	446	2,473	2,930	3,740	4,931

KEY RATIOS

	FY20	FY21	FY22	FY23	FY24	FY25P	FY26E	FY27E	FY28E
PROFITABILITY %									
Gross profit margin	46.2	47.3	47.5	46.3	42.6	45.2	48.4	48.0	48.9
EBITDA Margin	17.1	23.5	20.2	19.9	17.9	23.0	24.1	24.2	24.5
EBIT Margin	15.6	22.3	18.3	17.9	15.7	21.1	21.5	21.8	22.3
APAT Margin	11.5	15.9	13.8	13.5	10.0	17.1	17.1	17.2	17.4
RoE	28.3	38.7	20.9	14.9	11.3	17.4	15.5	15.9	16.7
RoIC	20.1	24.5	20.4	17.4	12.2	20.2	19.9	19.9	21.7
RoCE	20.2	23.9	18.3	15.0	10.0	15.4	15.1	15.5	16.4
EFFICIENCY									
Tax Rate %	21.0	24.7	21.3	25.7	29.1	24.1	25.2	25.2	25.2
Fixed Asset Turnover (x)	2.5	2.3	2.4	2.3	2.0	2.0	2.0	1.9	2.0
Inventory (days)	80	65	79	71	80	65	80	80	80
Debtors (days)	86	129	115	136	105	105	105	105	105
Other Current Assets (days)	13	35	38	37	40	26	21	19	16
Payables (days)	146	172	158	157	119	103	119	119	119
Other Current Liab & Provns (days)	6	19	7	11	24	14	11	10	8
Cash Conversion Cycle (days)	27	38	65	76	82	80	76	74	73
Net Debt/EBITDA (x)	1.4	1.7	(0.9)	(0.4)	1.3	(1.0)	(1.0)	(1.0)	(1.1)
Net D/E	0.5	0.8	(0.2)	(0.1)	0.2	(0.2)	(0.2)	(0.2)	(0.2)
Interest Coverage	6.7	13.5	14.8	45.7	18.9	97.0			
PER SHARE DATA (INR)									
EPS	3.4	6.6	8.8	10.2	8.7	21.1	26.5	31.1	37.6
CEPS	3.8	7.1	10.0	11.7	10.7	23.4	30.6	35.5	42.6
Dividend	-	-	3.0	3.0	1.3	3.2	4.0	4.7	5.6
Book Value	13.7	20.4	63.8	72.6	82.3	160.0	182.5	208.9	240.9
VALUATION									
P/E (x)	336.8	171.3	128.6	111.1	129.5	53.6	42.6	36.3	30.0
P/Cash EPS (x)	298.5	159.0	112.8	96.7	105.7	48.2	37.0	31.9	26.6
P/BV (x)	82.7	55.4	17.7	15.6	13.7	7.1	6.2	5.4	4.7
EV/EBITDA (x)	226.9	117.1	87.0	75.0	73.3	38.8	29.3	24.8	20.2
EV/Revenue (x)	38.8	27.6	17.6	14.9	13.1	8.9	7.1	6.0	5.0
Dividend Yield (%)	-	-	0.3	0.3	0.1	0.3	0.4	0.4	0.5
OCF/EV (%)	0.2	0.1	(0.0)	0.5	0.6	1.1	1.3	2.3	2.6
FCFF/EV (%)	0.0	(0.9)	(0.3)	(0.5)	(1.7)	(0.8)	0.8	1.2	1.7
FCFE/M Cap (%)	0.0	(0.1)	(1.9)	(0.5)	0.5	(3.1)	0.7	1.1	1.6
Inventory/revenue %	22	18	22	19	22	18	22	22	22

Source: Company, HSIE Research

1 Yr Price History



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

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