

Retail Equity Research

PI Industries Ltd

Chemicals

BSE CODE: 523642

NSE CODE: PIIND

Bloomberg CODE: PI:IN

SENSEX: 75,170

BUY

 12 Months Investment Period Rating as per Mid Cap
 CMP Rs. 3,618 TARGET Rs. 4,180 RETURN 16% ↑
 (Closing: 28-05-24)

KEY CHANGES:
TARGET ↑

RATING ↔

EARNINGS ↑

Healthy long-term prospects

PI Industries manufactures plant protection and specialty plant nutrient products and solutions under its agri-inputs business. It is also a leading custom synthesis and manufacturing (CSM) company in India, providing contract research and contract manufacturing services to global innovators.

- In Q4FY24, standalone revenue grew 8.0% YoY to Rs. 1,626cr, led by robust growth in CSM exports. Domestic sales, however, slowed.
- EBITDA margin expanded 560bps YoY to 27.8% on account of a favourable product mix and improved operating leverage.
- PI Industries delivered a strong earnings performance, mainly attributed to robust CSM export growth driven by the continued focus on early-stage patented molecules. While the long-term prospects look promising, the company is expected to perform well in the near term too, thanks to its improved product mix, strong margin and above-normal monsoon forecast. Hence, we reiterate our BUY rating on the stock with a revised target price of Rs. 4,180 based on 31x FY26E adjusted EPS.

Exports sustain the growth momentum

In Q4FY24, standalone revenue rose 8.0% YoY to Rs. 1,626cr, driven by a strong 9% YoY growth in exports owing to increased volume and the launch of new products. Contribution from the pharma business accounted for about 5% of the total exports' revenue. However, domestic revenue fell 5% YoY, primarily because of a 6% YoY drop in volume because of delayed and erratic monsoon. Additionally, EBITDA increased 35.5% YoY to Rs. 453cr, with the margin expanding 560bps YoY to 27.8%. This was mainly owing to a favourable product mix and better operating leverage. As a result, profit after tax increased 37.6% YoY to Rs. 384cr, supported by higher other income.

Key concall highlights

- The management maintains the guidance for consolidated capex for FY25 at Rs. 800-1,000cr and plans to spend on capacity expansion, new technologies, capability building and R&D. It revised its revenue growth guidance downwards to 15% for FY25.
- In FY24, the company launched seven new products in the domestic market and plans to launch four more new products this fiscal. It also has a robust pipeline of over 20 products under registration and development. CSM order book position remains solid at ~USD 1.75 billion.

Diversification is the key

The company expects competition from Chinese companies for Pyroxasulfone, one of its main products that accounts for over 50% of its CSM revenue. However, the management remains confident and does not foresee any negative impact on its prospects. This is because the product has a large market size and the company holds patents in various markets for the coming years. Additionally, the continuous launch of new products and the addition of the pharma business should significantly reduce the concentration risk.

Valuation

Despite headwinds in the domestic business, PI Industries is expected to achieve growth through the launch of new products and improvement in working capital efficiency. In addition, planned capacity expansion, a strong product pipeline and a growing CSM book are anticipated to drive sales growth. Furthermore, PI Industries' entry into the pharma segment is expected to help diversify its earnings and contribute to its long-term growth. Hence, we reiterate our BUY rating on the stock with a revised target price of Rs. 4,180 based on 31x FY26E adjusted EPS.

Company Data

Market Cap (cr)	Rs. 54,805
Enterprise Value (cr)	Rs. 52,014
Outstanding Shares (cr)	15.2
Free Float	53.0%
Dividend Yield	0.4%
52 week high	Rs. 4,032
52 week low	Rs. 3,060
6m average volume (lac)	82.4
Beta	0.8
Face value	Rs. 1

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	46.1	46.1	46.1
FII's	20.0	20.4	20.3
MFs/Insti	23.3	23.2	24.4
Public	10.1	9.6	8.9
Others	0.5	0.7	0.4
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-1.6%	-4.0%	3.7%
Absolute Sensex	3.1%	14.3%	20.6%
Relative Return*	-4.7%	-18.3%	-16.9%

*over or under performance to benchmark index



Standalone (cr)	FY24A	FY25E	FY26E
Sales	7,145	9,146	10,701
Growth (%)	14.0	28.0	17.0
EBITDA	2,026	2,347	2,726
EBITDA Margin (%)	28.3	25.7	25.5
Adj. PAT	1,731	1,746	2,043
Growth (%)	42.9	0.9	17.0
Adj. EPS	114.1	115.1	134.7
Growth (%)	42.9	0.9	17.0
P/E	31.7	31.4	26.8
P/B	6.3	5.4	4.6
EV/EBITDA	25.8	22.2	18.9
ROE (%)	19.9	17.1	17.1
D/E	0.0	0.0	0.0

Quarterly Financials (Standalone)

Profit & Loss Account

Rs. cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Revenue	1,626	1,506	8.0	1,721	(5.5)	7,145	6,270	14.0
EBITDA	453	334	35.5	544	(16.8)	2,026	1,520	33.3
EBITDA margins	27.8	22.2	560bps	31.6	(380bps)	28.3	24.2	410bps
Depreciation	62	56	11.1	62	1.0	246	222	11.0
EBIT	391	278	40.4	483	(19.0)	1,780	1,298	37.1
Interest	4	3	52.0	2	81.0	9	36	(74.1)
Other Income	56	53	6.7	65	(13.7)	224	159	41.2
Exceptional Items	-	-	-	-	-	-	-	-
Share of profit from Associate	-	-	-	-	-	-	-	-
PBT	443	328	34.9	545	(18.8)	1,995	1,422	40.3
Tax	59	49	19.6	59	(0.7)	264	210	25.5
Reported PAT	384	279	37.6	487	(21.0)	1,731	1,211	42.9
Minority Interest	-	-	-	-	-	-	-	-
PAT att. to shareholders	384	279	37.6	487	(21.0)	1,731	1,211	42.9
Adjustments	-	-	-	-	-	-	-	-
Adj. PAT	384	279	37.6	487	(21.0)	1,731	1,211	42.9
No. of shares	15.2	15.2	(0.0)	15.2	(0.1)	15.2	15.2	(0.0)
Adj. EPS (Rs.)	25.3	18.4	37.6	32.0	(20.9)	114.1	79.8	42.9

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	9,537	-	9,146	10,701	(4.1)	-
EBITDA	2,345	-	2,347	2,726	0.1	-
Margins (%)	24.6	-	25.7	25.5	110bps	-
Adj. PAT	1,730	-	1,746	2,043	0.9	-
Adj. EPS	114.0	-	115.1	134.7	0.9	-

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	5,077	6,270	7,145	9,146	10,701
% change	16.4	23.5	14.0	28.0	17.0
EBITDA	1,111	1,520	2,026	2,347	2,726
% change	12.8	36.8	33.3	15.8	16.2
Depreciation	198	222	246	331	402
EBIT	913	1,298	1,780	2,016	2,324
Interest	12	36	9	10	14
Other Income	100	159	224	292	379
PBT	1,001	1,422	1,995	2,297	2,689
% change	11.0	42.1	40.3	15.2	17.0
Tax	181	210	264	551	645
Tax Rate (%)	18.1	14.8	13.2	24.0	24.0
Reported PAT	820	1,211	1,731	1,746	2,043
PAT att. to common shareholders	820	1,211	1,731	1,746	2,043
Adj*	-	-	-	-	-
Adj PAT	820	1,211	1,731	1,746	2,043
% change	15.4	47.8	42.9	0.9	17.0
No. of shares (cr)	15.2	15.2	15.2	15.2	15.2
Adj EPS (Rs.)	54.0	79.8	114.1	115.1	134.7
% change	12.6	47.8	42.9	0.9	17.0
DPS (Rs.)	6.0	10.0	15.0	15.0	18.0

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	1,018	1,433	1,977	2,077	2,446
Non-cash adj.	(6)	(32)	(47)	376	251
Changes in W.C	(527)	101	169	(962)	(691)
C.F. Operation	485	1,502	2,099	1,491	2,006
Capital exp.	(336)	(301)	(477)	(915)	(1,070)
Change in inv.	2	(163)	(586)	-	-
Other invest.CF	715	1,390	1,228	(20)	(20)
C.F - Investment	381	926	166	(935)	(1,090)
Issue of equity	-	-	-	-	-
Issue/repay debt	(91)	(284)	(21)	25	25
Dividends paid	(76)	(114)	(174)	(228)	(273)
Other finance.CF	(8)	(33)	(9)	(10)	(14)
C.F - Finance	(175)	(431)	(205)	(213)	(262)
Chg. in cash	207	495	(39)	343	654
Closing cash	1,322	2,132	2,544	2,888	3,542

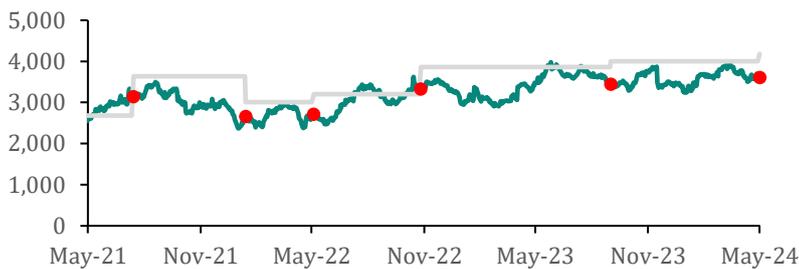
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	1,322	2,132	2,544	2,888	3,542
Accounts Receivable	791	693	703	1,189	1,445
Inventories	1,332	1,345	1,167	1,643	2,078
Other Cur. Assets	1,260	1,240	1,604	1,610	1,615
Investments	181	185	1,203	1,223	1,243
Gross Fixed Assets	2,823	3,124	3,601	4,515	5,586
Net Fixed Assets	2,319	2,417	2,538	3,086	3,711
CWIP	64	61	117	119	121
Intangible Assets	155	164	200	234	275
Def. Tax (Net)	-	-	40	84	99
Other Assets	205	98	112	118	124
Total Assets	7,628	8,336	10,227	12,192	14,250
Current Liabilities	1,167	1,142	1,466	1,886	2,147
Provisions	6	9	17	19	21
Debt Funds	326	60	62	87	112
Other Liabilities	92	29	0	0	0
Equity Capital	15	15	15	15	15
Reserves & Surplus	6,024	7,082	8,666	10,184	11,955
Shareholder's Fund	6,039	7,097	8,681	10,199	11,970
Minority Interest	-	-	-	-	-
Total Liabilities	7,628	8,336	10,227	12,192	14,250
BVPS (Rs.)	398	468	572	672	789

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	21.9	24.2	28.3	25.7	25.5
EBIT margin (%)	18.0	20.7	24.9	22.0	21.7
Net profit mgn.(%)	16.1	19.3	24.2	19.1	19.1
ROE (%)	13.6	17.1	19.9	17.1	17.1
ROCE (%)	14.3	18.1	20.4	19.6	19.2
W.C & Liquidity					
Receivables (days)	56.9	40.4	35.9	47.5	49.3
Inventory (days)	174.6	143.6	118.9	120.5	127.8
Payables (days)	115.8	89.3	109.1	108.5	106.7
Current ratio (x)	3.7	4.7	4.1	3.9	4.0
Quick ratio (x)	2.3	3.3	3.0	2.8	2.9
Turnover & Leverage					
Gross asset T.O (x)	1.9	2.1	2.1	2.3	2.1
Total asset T.O (x)	0.7	0.8	0.8	0.8	0.8
Int. coverage ratio (x)	74.2	36.6	193.4	201.9	166.2
Adj. debt/equity (x)	0.1	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	8.2	7.0	7.3	5.7	4.8
EV/EBITDA (x)	37.6	28.9	25.8	22.2	18.9
P/E (x)	52.2	37.9	31.7	31.4	26.8
P/BV (x)	7.1	6.5	6.3	5.4	4.6

Recommendation Summary (Last 3 Years)



Dates	Rating	Target
20-Nov-20	BUY	2,910
9-Feb-21	BUY	2,680
9-Aug-21	BUY	3,640
8-Feb-22	BUY	3,010
30-May-22	BUY	3,200
21-Nov-22	BUY	3,860
27-Sep-23	BUY	4,000
29-May-24	BUY	4,180

Source: Bloomberg, Geojit research

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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