AXIS SECURITIES

Axis Annual Analysis
18th September, 2024

PI Industries Ltd.
Agro Chemicals

HOLD
Target Price
4,980

Another Year of Robust Performance

Summary

PI Industries Ltd. (PI) delivered a strong performance in FY24, marked by consistent growth in revenue and margins. The company reported an 18% increase in revenue from operations and a 37% YoY growth in PAT, despite facing global challenges.

Agchem exports rose by 19%, primarily driven by higher volumes and the introduction of new products for export, which helped offset a 5% decline in domestic revenue due to a 6% drop in volumes, attributed to delayed and unpredictable monsoon patterns. The company continues to focus on improving its product mix while its efficient working capital management further mitigated the financial impact.

In the Pharma CRDMO space, PI, through its subsidiary PI Health Sciences Ltd and its units, Therachem Research Medilab (TRM) LLC and Archimica SpA, is building a differentiated business with a full suite of offerings, reinforcing its strategic direction and expansion into new verticals.

Key Highlights

Financial Review: In FY24, the company registered a topline of Rs 7,666 Cr, reflecting an 18% growth compared to Rs 6,492 Cr in the previous year. This growth was driven by a robust 25% increase in export revenues, amounting to Rs 6,297 Cr, which offset a 6% decline in domestic revenues. The company's Operating EBITDA reached Rs 2,015 Cr, up from Rs 1,542 Cr in the prior year, marking a growth of 31%. Operating EBITDA margin for the year stood at 26%, compared to 24% YoY. This improvement was driven by a favourable product mix and a significant increase in operating leverage, which contributed to the enhanced EBITDA margin. Net profit improved by 37% YoY, supported by EBITDA growth and a lower ETR. The newly acquired Pharma segment, through PI Health Sciences Ltd. (PIHSL) and its overseas subsidiaries, contributed Rs 315 Cr to export revenues, representing about 6% of the total export revenue growth.

Operational Review: Despite global headwinds, industry performance pressures, and an inventory destocking cycle impacting generic products, PI Industries reported growth above industry trends. The company's revenue generation was driven by the optimization of the product mix, the introduction of new products, increased volumes, and a marginal price increase. Going forward, the company aims to focus on these factors to further enhance its operating leverage, which should result in improved EBITDA and PAT margins. In FY24, PI commercialized or launched 13 new products – 6 for exports and 7 innovative products in the Domestic Agri Brands segment. Known as an innovation-driven company, PI's ability to commercialize new products in partnership with global majors, particularly in the early stages of their life cycles, remains its key growth driver.

Key Competitive Strengths: a) Continuous introduction of New Products, b) Robust Order Book in Exports, c) A differentiated play in the Pharma CRDMO space, d) Strong Pipeline of Biologicals and, f) Expansion of capacities on track

Key Growth Drivers: a) Deeper market penetration with a crop solution-based approach; b) Focus on building strong manufacturing assets; c) Advanced R&D capability for superior products and processes; d) Synergistic inorganic expansion in high-growth application areas.

Key Strategies Moving Forward: a) Continue with a technology-focused approach to drive incremental business, b) Capacity Expansion, c) Focus on portfolio diversification and working capital discipline, d) Building differentiated play in the pharma CDMO space, e) Collaborating for impacting change.

Outlook & Recommendation

PI remains focused on exploring growth opportunities while enhancing profitability through an improved product mix and disciplined working capital management. Revenue growth is expected to accelerate as newer products and the Pharma business contributes more significantly. Estimates have not been revised at this stage. The stock continues to be valued at 30x FY26E, translating into a target price of Rs 4,980 per share, implying an upside of 6% from the current market price (CMP). However, given the recent rally in the stock price, the rating has been changed to HOLD. Financial estimates and the rating will be revisited post the Q2FY25 results.

Key Financials (Consolidated)

(Rs Cr)	FY23	FY24	FY25E	FY26E
Net Sales	6,492	7,666	8,816	10,623
EBITDA	1,542	2,015	2,292	3,081
Net Profit	1,223	1,671	1,654	2,289
EPS (Rs)	80.6	110.8	109.0	150.9
PER (x)	37.6	30.7	31.2	22.6
EV/EBITDA (x)	27.7	23.7	20.5	14.8
P/BV (x)	6.4	5.9	5.0	4.1
ROE (%)	18.4	21.1	17.4	20.0

Source: Company, Axis Securities Research

(CMP as of Sep 17, 2024)

CMP (Rs)	4,693
Upside /Downside (%)	6%
High/Low (Rs)	4,661/3,060
Market cap (Cr)	71,181
Avg. daily vol. (1m) Shrs.	3,02,185
No. of shares (Cr)	15.2

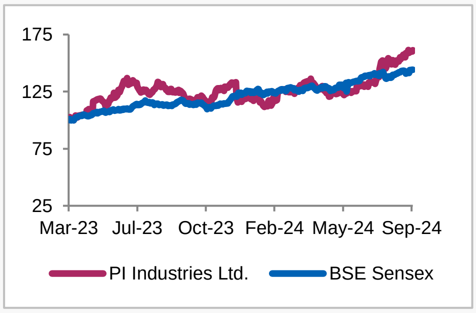
Shareholding (%)

	Dec-23	Mar-24	Jun-24
Promoter	46.1	46.1	46.1
FIIs	20.4	20.3	18.8
DIIs	23.0	24.2	25.8
Retail	10.5	9.6	9.3

Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	7666	8816	10623
EBITDA	2015	2292	3081
Net Profit	1671	1654	2289
EPS (Rs)	110.8	109.0	150.9
PER (x)	30.7	31.2	22.6
P/BV (x)	5.9	5.0	4.1
EV/EBITDA (x)	23.7	20.5	14.8
ROE (%)	21.1%	17.4%	20.0%

Relative performance



Source: Ace Equity, Axis Securities Research

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Company Overview

> *Leading integrated agrisciences company with over 75 years of service.*

PI Industries Ltd. has established itself as a leading integrated agrisciences company with over 75 years of service. Its unique business model and expertise span the entire life sciences value chain, including custom synthesis, large-scale manufacturing, and co-marketing & distribution. PI is one of the few notable Asian companies engaged in a comprehensive range of activities that include discovery, manufacturing, distribution, and scale-up.

Leveraging the expertise of 3,670 permanent employees, the company operates across five manufacturing locations, featuring five formulation facilities and 15 multi-purpose plants. This infrastructure positions the company as a key player in supporting India's agricultural sector, contributing to the country's food and nutritional security for its growing population.

FY24 – Financial & Operational Highlights

> *The company reported robust revenue and EBITDA growth with strong EBITDA margins. Outperformed Industry trends despite global headwinds. Continues launching new products.*

Encouraging revenue growth: The company's FY24 revenue stood at Rs 7,666 Cr, registering a robust growth of 18% YoY.

Robust Domestic & Export Business: In FY24, PI Industries introduced a total of 13 new products—six in exports and seven innovative products in its Domestic Agri Brands portfolio. The company achieved 18% YoY revenue growth, driven by a robust 25% increase in export revenues to Rs 6,297 Cr, which helped offset a 6% decline in domestic revenues. The muted domestic performance was primarily due to a volume decline caused by delayed and erratic monsoon patterns, with El Niño-induced dry spells affecting insecticide and herbicide sales in specific geographies.

Despite global headwinds, industry performance pressures, and an inventory destocking cycle impacting generic products, the company consistently outperformed industry trends, achieving a 23% CAGR in revenue. Agchem exports grew by 19% YoY on a high base, primarily driven by higher volumes from scaling up existing products and the commercialization of six new products. This growth comprised an 18% increase in volume and a 1% rise in price, currency, and a favourable product mix, with 70% of the growth attributed to new products commercialized over the last three years. The company's growth strategy hinges on the early-stage commercialization of new products, which offer significant growth potential as innovators advance their global execution plans.

PI Health Sciences Ltd: The recently acquired Pharma segment, PI Health Sciences Ltd. (PIHSL), including its consolidated overseas subsidiaries, contributed Rs 315 Cr to export revenue, representing approximately 6% of the total export revenue growth.

Operating Expenses: Operating expenses expanded by 30%, primarily driven by a sharp rise in fuel prices, which significantly increased utility costs. Additionally, higher commodity prices and one-time expenses related to strategic initiatives contributed to the overall rise in expenses.

Excellent Operating Profit growth: The operating profit grew by a strong 31% YoY to Rs 2,015 Cr, with EBITDA margins standing at 26%, representing an expansion of 253 bps over FY23. This robust performance was primarily driven by a favourable product mix and a significant increase in operating leverage, which contributed to the improvement in EBITDA margins to ~26%.

Improved bottom line: The PAT came in at Rs 1,682 Cr, up from Rs 1,229 Cr in FY23, marking a 37% YoY growth, driven by strong operational performance and lower ETR. The company's persistent reinvestment of profits into growth-centric initiatives has contributed to higher returns, reflected in the improved EBITDA and PAT margins in the current year.

R&D: During FY24, the company invested Rs 194 Cr in R&D, compared to Rs 186 Cr in FY23. Of this, Rs 32 Cr was allocated to initiatives aimed at improving the environmental impact of its products and production processes. The company's R&D team saw significant growth, with 561 scientists employed by the end of FY24, marking a 16.7% YoY increase.

Strong financial condition: PI's net worth increased by 21% YoY to Rs 8,731 Cr in FY24, driven by higher operating profits. As of March 31, 2024, the company reported surplus cash net of debt at Rs 3,883 Cr, which includes QIP net proceeds of Rs 991 Cr. The company continued its focus on efficient cash management, ensuring adequate liquidity and access to backup lines of credit. Net cash from operations for the year stood at Rs 2,036 Cr. PI follows a prudent financial policy aimed at maintaining optimal financial gearing. The company's debt-equity ratio increased to 0.01 from nil in the previous year.

Remarkable improvement in Free Cash Flow: The company saw a notable improvement in its Free Cash Flow and Gross Cash during FY23-24. It invested Rs 585 Cr in total CAPEX over the year. The order book remains robust at $1.75 Bn, providing strong visibility for growth over the next couple of years, signalling continued momentum in the company's long-term strategic outlook.

Key Competitive Strengths

Maintains focus on establishing differentiated presence in the Pharma CRDMO space. Strong revenue visibility and product pipeline..

Maintains a Robust Order Book in Exports

The demand for products commercialized over the past 2-3 years is projected to rise significantly, with the company preparing for aggressive commercialization, particularly in exports. A robust export order book provides a solid foundation for revenue growth and expansion. PI is on track to launch five new molecules and introduce a new process innovation, positioning itself for sustained growth and profitability in FY25. Capacity expansion is progressing as planned, with a strong order book of around USD 1.75 Bn. Momentum in new inquiries and their conversion is expected to continue. In the long term, the company anticipates that up to one-third of new molecule commercialization will come from non-agchem sectors, further diversifying its portfolio and driving future growth.

Building a differentiated play in the Pharma CRDMO space

PI is establishing a differentiated presence in the Pharma CRDMO space through its wholly-owned subsidiary, PI Health Sciences Ltd., along with its subsidiaries Therachem Research Medilab (TRM) LLC and Archimica SpA. Integrating these entities has been essential for the company in fulfilling its objective of 'Collaborating for Impactful Change.' Pharma operations contributed Rs NR 315 Cr to the revenue, representing 6% of total export revenue growth. Looking ahead, PI anticipates a steady increase in the Pharma sector's contribution to the company's growth trajectory.

Strong Pipeline of Biologicals

PI has a robust pipeline of biologicals at various stages of development and is actively pursuing inorganic growth opportunities. Promising R&D leads are advancing toward the development phase. The company targets around 15% revenue growth, with a steady improvement in profits, taking into account a higher base effect, overall industry sentiment, and demand trends, as well as the domestic market's dependence on the monsoon. With positive monsoon projections, PI is confident it can achieve this growth across its domestic CSM exports and pharma sectors, despite elevated industry inventory levels.

Introduction of New Products

The company plans to launch 9 new products in the domestic market during FY25. Additionally, it aims to target the horticulture segment through JIVAGRO, introducing five new products, complemented by a robust pipeline of new product launches. An integrated crop solution approach, combined with disciplined net working capital management, is expected to enhance profitability. The development pipeline, featuring over 20 products in development and registration, highlights the growth potential for the business in the coming years.

Expansion of Capacities on Track

Capacity expansion is progressing as planned, with two plants—one dedicated and one multiproduct—scheduled for commissioning next year. This expansion will involve a capital expenditure of approximately Rs 800–900 Cr to be incurred during FY25. Ongoing discussions with global innovators for development partnerships on promising R&D leads reflect PI's proven expertise in process development, efficient scaling of complex molecules, and strong project execution capabilities. The company's adherence to ESG standards and respect for intellectual property further attract global innovators. Additionally, PI is exploring new technologies and establishing foundational elements to support future growth.

Key Growth Drivers

Strengthening capabilities organically as well as inorganically.

Deeper market penetration with a crop solution-based approach

With the launch of seven new products, including one biological, in FY24 and a strong pipeline of over 20 products in registration and development phases, PI Industries is well-positioned to pursue key growth drivers. The company plans to deepen market penetration through a crop solution-based approach, diversify manufacturing, and enhance R&D capabilities. By leveraging its domain expertise in complex chemistry, PI aims to maintain and strengthen its leadership position in the Indian agri-sciences industry.

Focus on building strong manufacturing assets

In alignment with its strategic goals, the company has expanded its manufacturing infrastructure and capabilities beyond the agrochemical sector. By incorporating sustainable business practices, such as backward integration of key products and implementing adaptive controls to optimize yield, quality, energy consumption, and throughput, PI has enhanced its cost competitiveness and value proposition through improved efficiencies.

The company's manufacturing capabilities are supported by four integrated production facilities spanning over 100 acres. These facilities include a total of 15 multipurpose plants (MPPs), with eight plants equipped with advanced distributed control systems (DCS) for comprehensive automation and seven plants operating with manual and batch control systems. The manufacturing units also feature specialized high-pressure reaction facilities designed for highly automated future operations.

Advanced R&D capability supported product and process

The company's R&D strategy and execution are supported by a robust team of over 700 research scientists with international experience. This team possesses state-of-the-art expertise in chemistry, analytical techniques, biological and biochemical sciences, mode of action exploration, human and environmental safety studies, IP management, and both basic and detailed process engineering with a focus on process efficiency and safety.

To enhance its in-house capacities and capabilities, the company's R&D activities involve global partners, including Contract Research Organizations (CROs) that provide specialized knowledge in areas such as chemistry, engineering, IT, analytical and biological sciences, global field trials, and regulatory disciplines. This is complemented by the continuous development of a growing network of high-ranking universities, both within India and internationally.

Inorganic expansion in high-growth- application areas having synergy

The company is concentrating on collaborating with strategic partners and external stakeholders to monitor emerging risks. It is implementing a series of initiatives designed to address the impact of climate change, build resilience to the evolving business environment, and invest in adaptation strategies. These strategies include inorganic expansion into allied business verticals, product and process innovation, and de-risking of manufacturing and supply chain functions.

Key Strategies Moving Forward

Working on an all-round strategy to maintain the technological edge while expanding footprint.

Technology-focused approach to drive incremental business

Looking ahead to FY25, the company plans to aggressively commercialize 8-10 new products, aiming to enhance its market presence and address evolving customer needs. To support this growth, it is expanding capacity in alignment with its strategic plan, ensuring the ability to meet rising demand while maintaining high production standards. With a robust order book of approximately USD 1.75 Bn, the company is well-positioned for sustained growth and financial stability.

Capacity Expansion and Way Forward

Given the critical role of manufacturing in both organic and inorganic growth strategies, PI Industries expects increased emphasis on capacity expansion. Sustained demand for existing products, a strong pipeline of products at various developmental stages, and the goal of launching 4-5 new products annually are anticipated to drive increased production activity. Concurrently, the company remains committed to reducing carbon emissions and minimizing freshwater consumption per metric tonne of production. This commitment is reinforced by a focus on circularity, enhancing supply chain sustainability, fostering process innovation, and advancing engineering practices.

Focus on Portfolio Diversification and Working Capital Discipline

The company experienced a decline in domestic revenues, primarily due to delayed sowing and erratic monsoon spread. This impact was partially offset by biological products. Improved product mix and working capital management helped mitigate the effect on profitability. While elevated industry inventory levels and price pressure from generics are expected to persist, the company plans to focus on portfolio diversification and disciplined working capital management.

Building differentiated play in the pharma CDMO space

The commissioning of the Hyderabad R&D centre represents a significant milestone for the company, complemented by the ongoing Kilolab build-up in Lodi, Italy. These advancements are crucial for enhancing the company's full suite of offerings in the CRDMO space, with new business leads already under evaluation. The company has dedicated substantial capital expenditure for the upgrade of its facilities, aimed at building cutting-edge capabilities that will drive its competitive edge. To further accelerate growth, the company's global business development team is in place, prepared to intensify efforts in generating and nurturing new leads and establishing sustained momentum in market expansion initiatives.

Collaborating for impacting change

PI is actively engaged in discussions with global innovators for development partnerships on promising R&D leads, reflecting its commitment to collaboration and innovation. Simultaneously, the company continues to analyze opportunities for bolt-on acquisitions in the pharma sector, focusing on strategic moves to enhance its capabilities and market presence. In alignment with its sustainability goals, PI has collaborated with value chain partners over the past year to work towards sustainable development objectives, emphasizing environmental conservation, social equity, and economic prosperity. This approach underscores PI's dedication to reducing the environmental and social impact of its operations.

Risks & Mitigation

The company seems to be taking appropriate measures to deal with the key risks identified.

Credit Risk: Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises from the operating activities primarily (trade receivables) and its financing activities including cash and cash equivalents, deposits with banks, derivatives and other financial instruments. If any customer fails to meet its contractual obligation, it may impact the company's growth and operating cashflows.

Mitigation: The company has established a credit policy under which each customer is examined individually for creditworthiness before the company's credit terms are offered. Credit risk is managed through credit approvals, establishing credit limits and continuously checking the creditworthiness of customers to which the company grants credit terms in the normal course of business.

Liquidity risk: Liquidity risk is the risk that the company would encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it would have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Mitigation: Management monitors the rolling forecast of the company's liquidity position and cash and cash equivalents based on expected cash flows. In addition, the company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Market risk: Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return. Any negative change in demand can affect sales, prices, and ultimately industry performance. Additionally, impacting the company's growth and profitability.

Mitigation: The company is exposed to market risk primarily related to foreign exchange rate risk (currency risk), interest rate risk and market value of its investments. Thus the Group's exposure to market risk is a function of investing and borrowing activities and revenue-generating and operating activities in foreign currencies.

Foreign Currency risk: The company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollar and Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency (₹).

Mitigation: The company uses forward exchange contracts to hedge this risk which are used exclusively for hedging purposes and not for trading and speculative purposes. These forward exchange contracts, carried at fair value, may have varied maturities depending upon the primary host contract requirement and risk management strategy of the Group. The purpose of the hedges is to minimise the volatility of the ₹ cash flows of highly probable forecast transactions.

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Financial Statement Analysis

Profitability Analysis

Particulars (Rs Cr)	FY23	FY24	Change	Comments/Analysis
Sales	6,492	7,666	18%	Revenue Growth was driven by a robust 25% increase in export revenues, which offset a 6% decline in domestic revenues.
Raw Materials	3,434	3,579	4%	Raw material costs were higher due to escalating input costs which significantly influenced commodity prices.
Gross Profits	2,939	3,828	30%	Gross profit growth led by higher sales.
Operating Expenses	1,397	1,814	30%	Operating Expenses grew on account 33% increase in an employee cost and 28% in Administrative Expenses.
EBITDA	1542	2015	31%	EBITDA grew by 31% mainly due to a favorable product mix and operating leverage.
Depreciation	227	308	36%	Depreciation was higher owing to the commissioning of new capacities.
Interest	37	30	-19%	Interest cost was lower due to a decline in Interest on financial liabilities measured at amortised cost.
PBT	1,444	1,895	31%	PBT was higher led by the reasons mentioned above.
Tax	215	213	-1%	The tax was flattish compared to the previous year. The tax rate was 11% against 15% last year.
PAT	1,230	1,682	37%	Net profit improved by 37% YoY, attributable to EBITDA growth and a low Effective Tax Rate (ETR)
EPS	81.1	110.8	37%	EPS increased in line with PAT growth.

Source: Company; Axis Securities Research

Growth Indicators

Particulars	FY23	FY24	Change	Comments/Analysis
Revenue	6,492	7,666	18%	Revenue Growth was driven by a robust 25% increase in export revenues, which offset a 6% decline in domestic revenues.
EBITDA	1542	2015	31%	EBITDA grew by 31% mainly due to a favorable product mix and operating leverage.
PAT	1,230	1,682	37%	Net profit improved by 37% YoY, attributable to EBITDA growth and a low Effective Tax Rate (ETR)
EPS	81.1	110.8	37%	EPS increased in line with PAT growth.

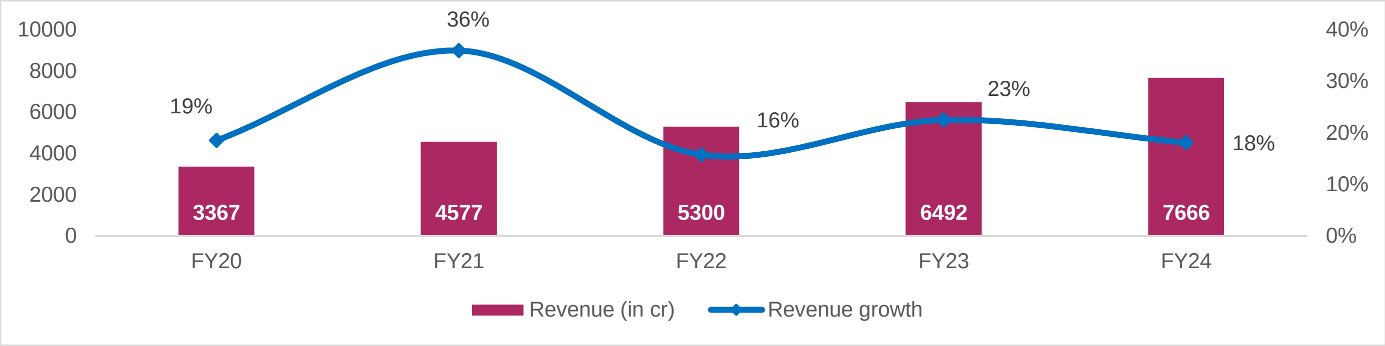
Source: Company; Axis Securities Research

Profitability Margins

Particulars	FY23	FY24	Change	Comments/Analysis
GPM	45.3%	49.9%	466 bps	Gross margin improved on account of a favourable product mix.
EBITDAM	23.8%	26.3%	253 bps	EBITDA Margins improved due to increased company's operating efficiency
PATM	18.9%	21.9%	300 bps	PAT margin Increased despite uncertain times and a challenging environment.

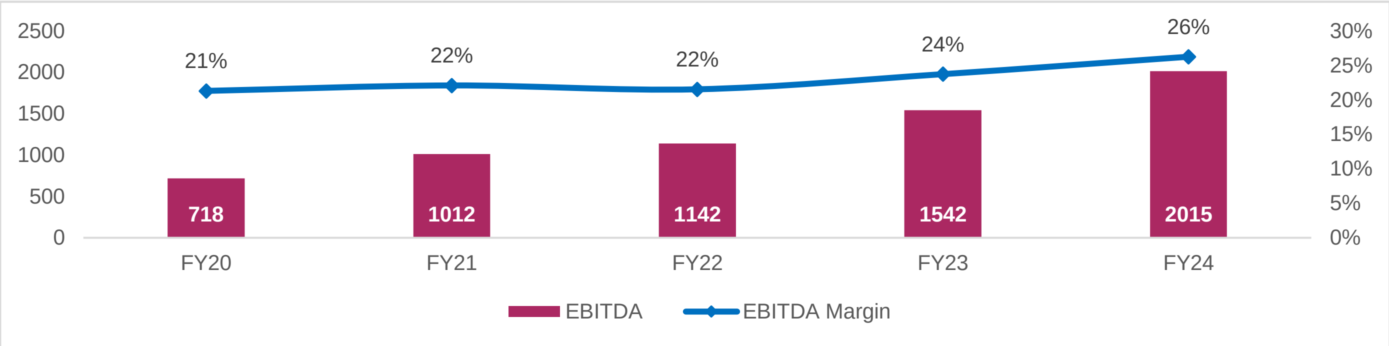
Source: Company; Axis Securities Research

Exhibit 1: Revenue (Rs In Cr) and Revenue Growth Trend



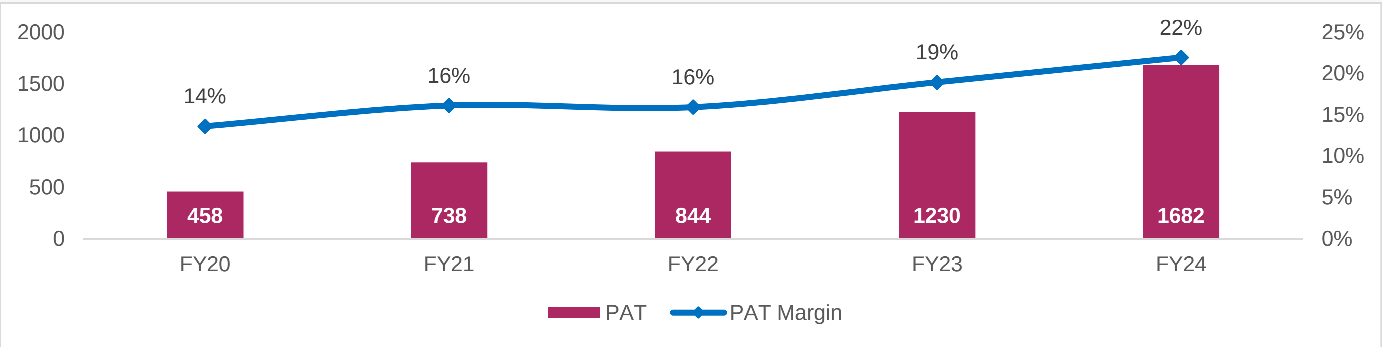
Source: Company, Axis Securities Research

Exhibit 2: EBITDA (Rs In Cr) and Margin Trend



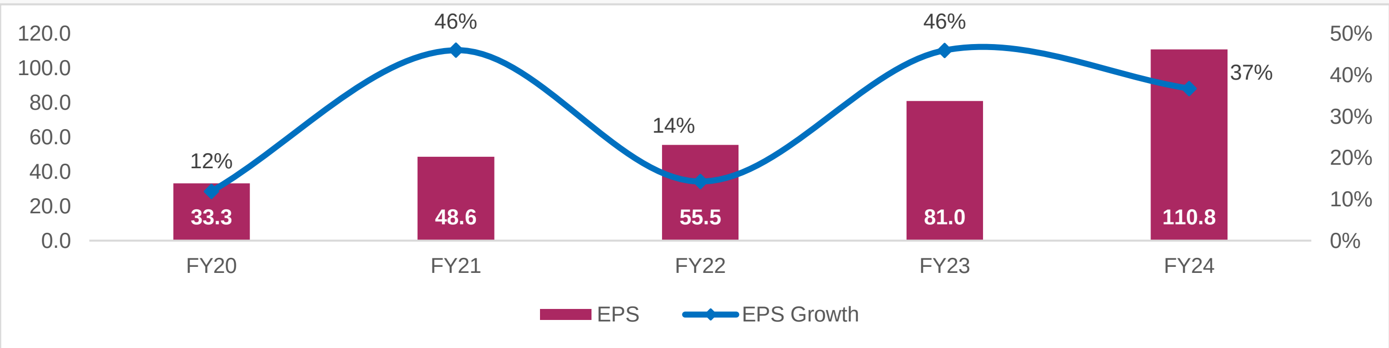
Source: Company, Axis Securities Research

Exhibit 3: Net Profit (Rs In Cr) & NPM Trend



Source: Company, Axis Securities Research

Exhibit 4: EPS (Rs) & EPS Growth Trend



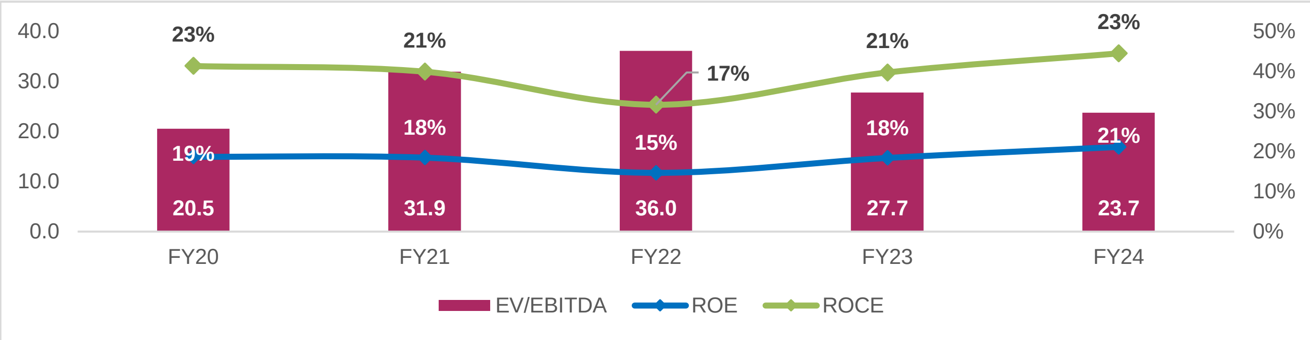
Source: Company, Axis Securities Research

Financial Ratios

Particulars	FY23	FY24	Change	Comments/Analysis
ROE	18.4%	21.1%	275 bps	ROE has increased on account of the increase in PAT.
ROCE	21.3%	23.3%	201 bps	ROCE improved as the EBIT margin increased to 25% from 23% in FY23 owing to the impact of Lower cost.
Asset Turn	0.8	0.8	0x	No Change
Net Debt/Equity	0.0	0.1	0.1x	Increased due to company employed debt amounting to Rs 128 Cr in its operations.
EV/EBITDA	27.7	23.7	-4.01x	EV/EBITDA was lower as EBITDA grew by 35% on a YoY basis.

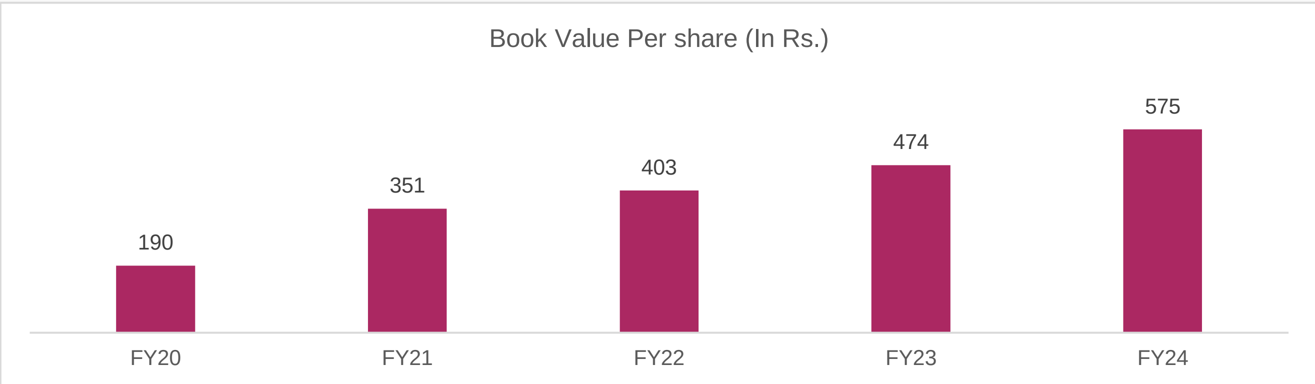
Source: Company; Axis Securities Research

Exhibit 5: EV/EBITDA, ROE & ROCE Trend



Source: Company, Axis Securities Research

Exhibit 6: Book Value per share (Rs)



Source: Company, Axis Securities Research

Key Balance Sheet Takeaways

Working Capital Management

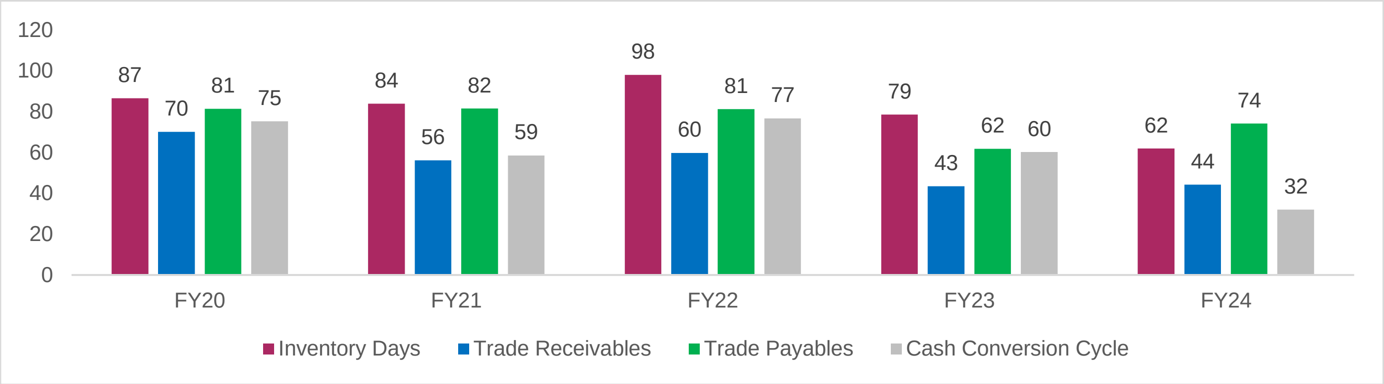
Strengthened sales and improved value chain relationships have led to a reduction in the inventory holding period. Additionally, the trade working capital reduced from 79 days in FY23 to 59 days in FY24.

Cash Conversion Cycle

Particulars	FY23	FY24	Change	Comments/Analysis
Inventory Days	79	63	-16	Decrease in days due to better inventory management
Trade Receivables	43	44	1	Receivable days remained flattish owing to better credit control
Trade Payables	62	74	12	Trade payable days increased on account of business conditions.
Cash Conversion Cycle	60	33	-27	Better management of cash conversion.

Source: Company; Axis Securities Research

Exhibit 7: Cash Conversion Cycle

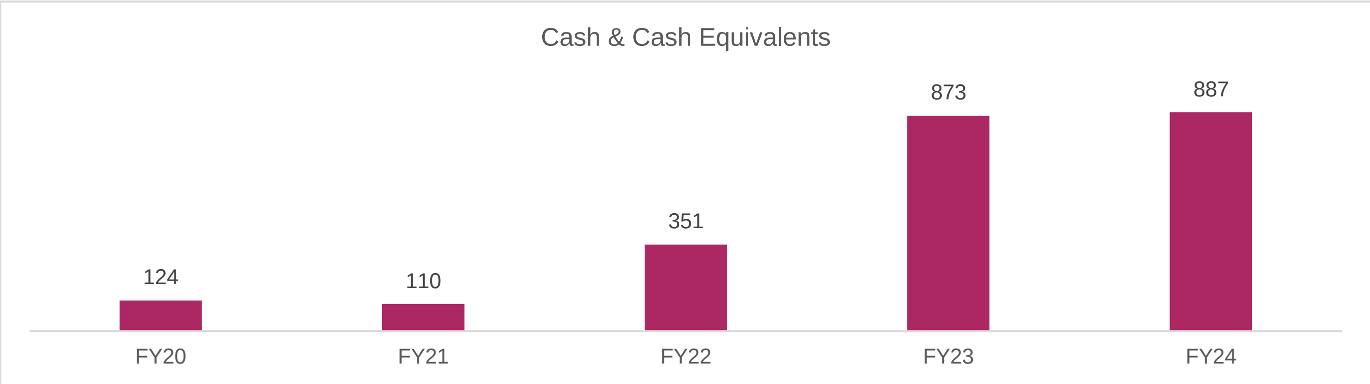


Source: Company, Axis Securities Research

Key Balance Sheet Takeaways (Contd.)

- **Financial Capital:** In FY24, PI efficiently managed Its financial capital with total assets deployed at Rs 10,764 Cr and total shareholder funds at Rs 8,721 Cr.
- **Debt Levels:** The company employed debt amounting to Rs 128 Cr in its operations, resulting in a debt-to-equity ratio of 0.01, up from Nil in FY23.
- **Capex:** Total CAPEX entailed in FY24 was ₹ 585 Cr, order book position continues to stay strong at ~$1.75 Bn with high visibility growth for the next couple of years.
- **Cash and cash Equivalent position:** The company maintained a robust cash flow position, with cash flow from operating activities growing by 37% YoY despite facing significant challenges in FY24, such as inflationary pressure and rising input costs. The cash and cash equivalents increased from Rs 873 Cr in FY23 to Rs 887 Cr in FY24. As of March 31st 2024, the surplus cash, net of debt, stood at Rs 3,883 Cr, reflecting the company's strong financial discipline and effective cash management strategies.

Exhibit 8: Cash & Cash Equivalent (Rs In Cr)



Source: Company, Axis Securities Research

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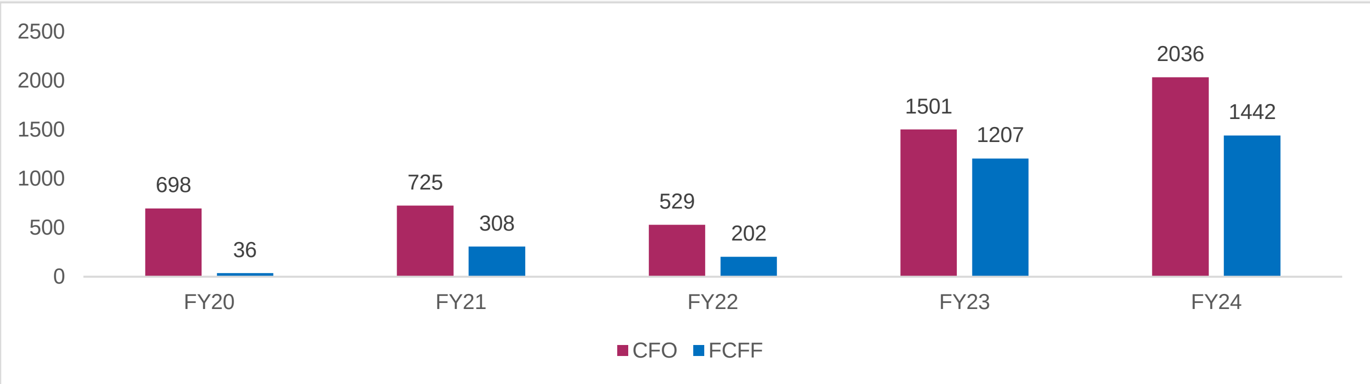
Key Cash Flow Takeaways

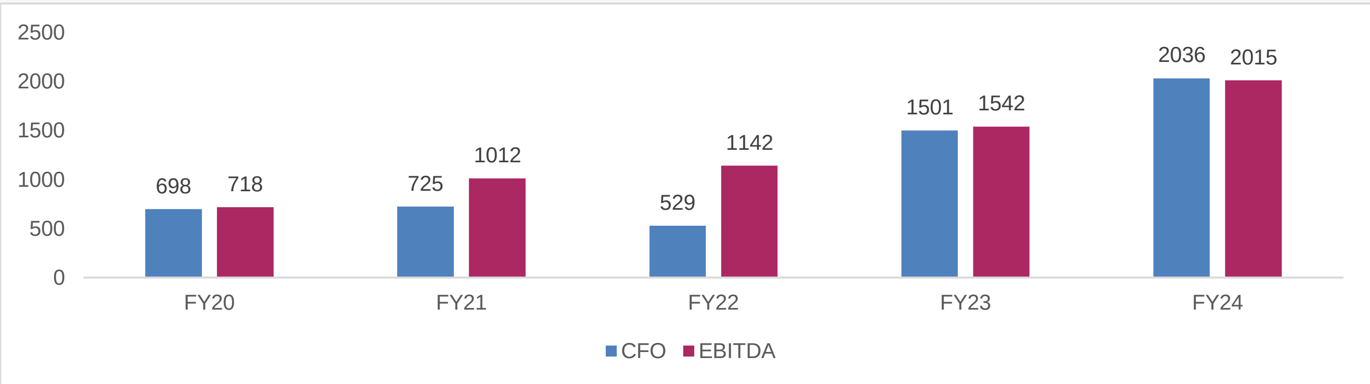
Particulars (Rs Cr)	FY23	FY24	Change	Comments/Analysis
PBT	1,444	1,895	31%	PBT was higher led by the reasons mentioned above.
Non-cash expenses				
Depreciation	227	308	36%	Depreciation was higher owing to the commissioning of new capacities.
Finance Cost	37	30	-19%	Interest cost was lower due to a decline in Interest on financial liabilities measured at amortized cost.
Net Working Capital	4,480.5	4,973.3	11%	Increase in Net Working Capital, showing improved capital efficiency
CFO	1501	2,056	--	Higher despite facing various challenges in FY24 like the global headwinds and industry performance pressures.
CFI	-496	-1,801	--	Cash outflow from investing activities saw an increase owing to an increase in the Purchase of Current investments.
CFF	-483	-222	--	Net cash outflow from financing activities saw a decline due to the proceeds of borrowings.

Exhibit 9: CFO and FCFF Trend



Source: Company, Axis Securities Research

Exhibit 10: CFO & EBITDA



Source: Company, Axis Securities Research

Capex

In FY24, the company executed a total CAPEX of Rs 585 Cr, compared to Rs 338 Cr in FY23, aligning with its planned investments. Of this, Rs 132 Cr was directed towards the Pharma segment, aimed at enhancing capacity utilization and improving throughput. The strong order book of ~$1.75 Bn, coupled with a clear growth trajectory, provides high visibility for the next few years. Capital investment plays a pivotal role in driving output from financial capital, catalyzing the development and transformation of intellectual, human, social, manufactured, and natural capital. The company's focused strategy of optimizing capacity utilization through improved throughput underpins its commitment to sustained growth and operational efficiency.

Exhibit 11: Capital Expenditure

Particulars	FY23	FY24
Capital Expenditure (Rs Cr)	338.5	585

Key R&D Highlights

- PI Industries continued its strategic focus on R&D, leading to significant breakthroughs across multiple sectors, successfully commercializing four new products.
- The company's R&D team made remarkable progress, actively working on over 55 projects at various stages of development, covering AgChem and electronic chemicals.
- PI's team of 561 scientists played a key role in these advancements, utilizing their expertise and collaborative efforts to drive innovation and strengthen the company's position across different domains.

Exhibit 12: R&D Expenditure

Particulars	FY23	FY24
R&D Expenditure (Rs Cr)	186	194
R&D Expenditure as a % to top-line	2.8%	2.5%

Financials

Profit & Loss

(Rs Cr)

Y/E March	FY22	FY23	FY24	FY25E	FY26E
Net Sales	**5,300**	**6,492**	**7,666**	**8,816**	**10,623**
Growth (%)	15.8	22.5	18.1	15.0	20.5
Operating Expenses	-4,157	-4,950	-5,651	-6,524	-7,542
Operating Profit	**1,142**	**1,542**	**2,015**	**2,292**	**3,081**
Other Operating Income					
EBITDA	**1,142**	**1,542**	**2,015**	**2,292**	**3,081**
Growth (%)	12.9	35.0	30.6	13.8	34.4
Depreciation	-202	-227	-308	-347	-403
Other Income	101	159	208	264	372
EBIT	**1,042**	**1,475**	**1,914**	**2,210**	**3,050**
Finance Cost	-13	-37	-30	-30	-33
Exceptional & Extraordinary					
Profit Before Tax	**1,029**	**1,438**	**1,884**	**2,180**	**3,017**
Tax (Current + Deferred)	-189	-215	-213	-526	-728
P / L from Discontinuing Operations					
Profit / (Loss) For The Period	**840**	**1,223**	**1,671**	**1,654**	**2,289**
P / L of Associates, Min Int, Pref Div			11		
Reported Profit / (Loss)	840	1,223	1,682	1,654	2,289
Adjusted Net Profit	840	1,223	1,682	1,654	2,289
Growth (%)	14	46	38	-2	38

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY22	FY23	FY24	FY25E	FY26E
Share Capital	15	15	15	15	15
Reserves & Surplus	6,105	7,183	8,716	10,303	12,527
Shareholder's Funds	**6,120**	**7,199**	**8,731**	**10,318**	**12,542**
Minority Interest and Others					
Non-Current Liabilities	**323**	**99**	**322**	**261**	**261**
Long-Term Borrowings	8	10	36	30	30
Other Non-Current Liabilities	315	89	286	231	231
Current Liabilities	**1,348**	**1,182**	**1,711**	**1,605**	**1,737**
ST Borrowings, Current Maturity	98		66		
Other Current Liabilities	1,250	1,182	1,644	1,605	1,737
Total (Equity and Liabilities)	**7,791**	**8,480**	**10,764**	**12,184**	**14,540**
Non-Current Assets	**2,529**	**2,686**	**3,536**	**4,616**	**5,023**
Fixed Assets (Net Block)	2,484	2,655	3,445	4,120	4,527
Non-Current Investments	45	31	90	87	87
Long-Term Loans and Advances				6	6
Other Non-Current Assets	298	131	550	403	403
Current Assets	**4,964**	**5,662**	**6,679**	**7,567**	**9,517**
Cash & Current Investments	2,265	3,227	3,950	4,639	6,090
Other Current Assets	2,699	2,435	2,729	2,928	3,428
Total (Assets)	**7,791**	**8,480**	**10,764**	**12,184**	**14,540**
Total Debt	106	10	103	30	30
Capital Employed	6,541	7,298	9,120	10,579	12,803

Source: Company; Axis Securities Research

Cash Flow (Rs Cr)

Y/E March	FY22	FY23	FY24	FY25E	FY26E
Profit Before Tax	**1,029**	**1,438**	**1,884**	**2,180**	**3,017**
Depreciation	202	227	308	347	403
Change in Working Capital	-532	206	305	-234	-367
Total Tax Paid	-188	-272	-286	-455	-728
Others	-89	-122	-178	-234	-339
Operating Cash Flow (a)	**422**	**1,476**	**2,034**	**1,604**	**1,986**
Capital Expenditure	-343	-397	-1,098	-1,022	-809
Change in Investments	-171	-116	-321	1,135	
Others	-58	318	139	334	372
Investing Cash Flow (b)	**-572**	**-196**	**-1,281**	**447**	**-437**
Free Cash Flow (a+b)	**-150**	**1,280**	**754**	**2,051**	**1,548**
Equity Raised / (Repaid)					
Debt Raised / (Repaid)	96	-96	92	-73	
Dividend (incl. Tax)	79	80	80	80	80
Others	-241	-431	-465	-237	-178
Financing Cash Flow (c)	**-66**	**-447**	**-293**	**-230**	**-98**
Net Chg in Cash (a+b+c)	**-216**	**833**	**461**	**1,821**	**1,450**

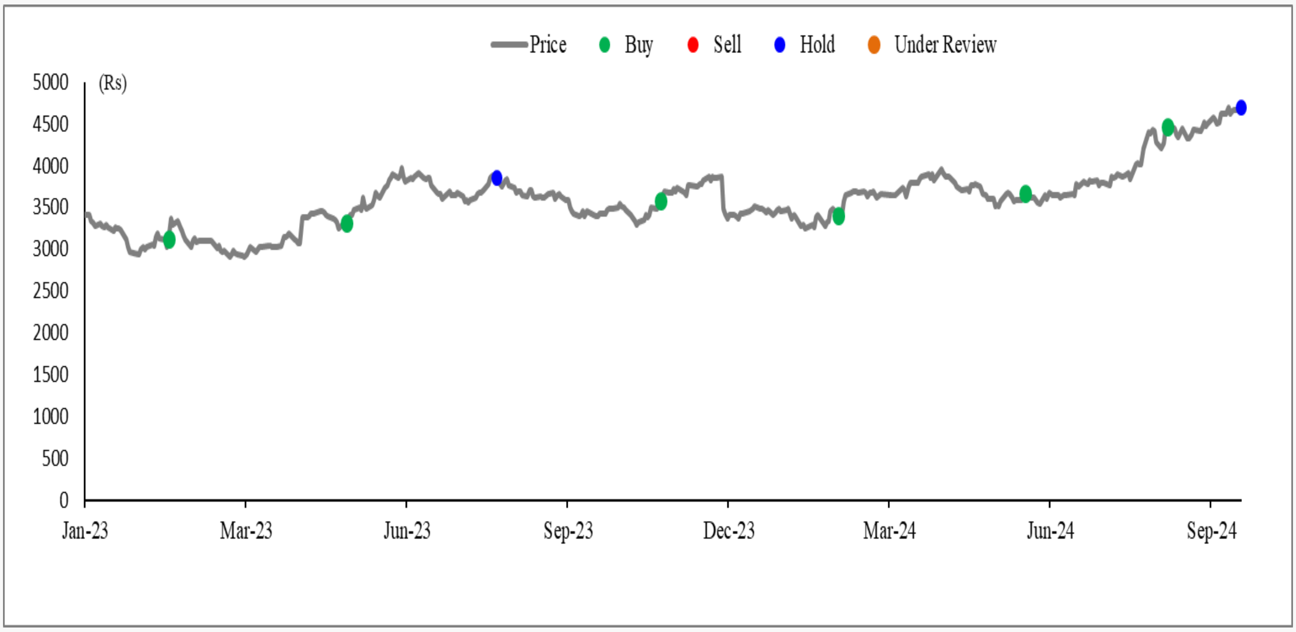
Source: Company; Axis Securities Research

Ratio Analysis (%)

Y/E March	FY22	FY23	FY24	FY25E	FY26E
Adjusted EPS (Rs)	55.3	80.6	110.8	109.0	150.9
Growth	*14.5*	*45.8*	*37.5*	*(1.7)*	*38.4*
CEPS (Rs)	68.6	95.5	131.1	131.8	177.4
Book Value / Share (Rs)	402.7	474.5	575.5	680.1	826.7
Dividend / Share (Rs)	(4.2)	(4.2)	(4.2)	(4.2)	(4.2)
Dividend Payout Ratio	(9.4)	(6.5)	(4.8)	(4.8)	(3.5)
EBITDA Margin	21.6	23.8	26.3	26.0	29.0
EBIT Margin	19.7	22.7	25.0	25.1	28.7
Tax Rate	18.4	14.9	11.3	24.1	24.1
RoCE	17.0	21.3	23.3	22.4	26.1
Total Debt / Equity (x)	0.0	0.0	0.0	0.0	0.0
Net Debt / Equity (x)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)
Du Pont Analysis - ROE					
Net Profit Margin	15.9	18.8	21.9	18.8	21.6
Asset Turnover (x)	0.7	0.8	0.8	0.8	0.8
Leverage Factor (x)	1.3	1.2	1.2	1.2	1.2
Return on Equity	14.7	18.4	21.1	17.4	20.0

Source: Company; Axis Securities Research

PI Industries Price Chart and Recommendation History



Date	Reco	TP	Research
23-May-22	BUY	3,161	Result Update
05-Aug-22	HOLD	3,370	Result Update
11-Nov-22	BUY	3,830	Result Update
16-Feb-23	BUY	3,800	Result Update
22-May-23	BUY	3,800	Result Update
11-Aug-23	HOLD	4,000	Result Update
09-Nov-23	BUY	4,000	Result Update
13-Feb-24	BUY	4,300	Result Update
24-May-24	BUY	4,220	Result Update
09-Aug-24	BUY	4,979	Result Update
18-Sep-24	HOLD	4,980	AAA

Source: Axis Securities Research

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