

May 20, 2019

Q4FY19 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	BUY		BUY	
Target Price	1,278		1,023	
Sales (Rs. m)	34,554	41,151	33,933	40,354
% Chng.	1.8	2.0		
EBITDA (Rs. m)	7,239	9,259	7,312	8,979
% Chng.	(1.0)	3.1		
EPS (Rs.)	37.1	45.7	37.1	44.5
% Chng.	-	2.7		

Key Financials

	FY18	FY19	FY20E	FY21E
Sales (Rs. m)	22,771	28,409	34,554	41,151
EBITDA (Rs. m)	4,920	5,731	7,239	9,259
Margin (%)	21.6	20.2	21.0	22.5
PAT (Rs. m)	3,665	4,077	5,119	6,296
EPS (Rs.)	26.6	29.6	37.1	45.7
Gr. (%)	(20.0)	11.2	25.6	23.0
DPS (Rs.)	4.0	4.0	5.2	6.4
Yield (%)	0.4	0.4	0.5	0.6
RoE (%)	20.8	19.5	20.7	21.5
RoCE (%)	22.2	22.6	24.6	26.3
EV/Sales (x)	6.6	5.3	4.4	3.7
EV/EBITDA (x)	30.5	26.3	21.1	16.3
PE (x)	41.6	37.4	29.8	24.2
P/BV (x)	8.0	6.7	5.7	4.8

Key Data

PIIL.BO | PI IN

52-W High / Low	Rs.1,145 / Rs.676
Sensex / Nifty	39,353 / 11,828
Market Cap	Rs.153bn / \$ 2,190m
Shares Outstanding	138m
3M Avg. Daily Value	Rs.295m

Shareholding Pattern (%)

Promoter's	51.55
Foreign	13.09
Domestic Institution	19.02
Public & Others	16.34
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.7	31.8	28.3
Relative	7.1	18.8	13.6

Prashant Biyani

prashantbiyani@plindia.com | 91-22-66322260

In a league of its own, Maintain BUY

PI's strong revenue growth of 29% was driven by new product commercialisation and ramp up in demand of existing products in the CSM segment (~39% rev growth in 4Q). Sizeable sustained capex guidance (Rs 4.0-4.5 bn p.a. for the next 2-3 years, business commitment for new products, increasing number of products moving from R&D stage to commercialisation and continued demand traction for existing products gives us comfort of superior earnings growth visibility for the next 2 years. On the domestic side, PI's outperformance vis-à-vis competitors is expected to continue. Domestic business is expected to get a boost with the launch of 2 potential-blockbuster products i.e. PB Rope L and Pyroxasulfone. We expect revenue/EBITDA/PAT to grow at a CAGR of 20%/27%/24% between FY19-21E. We have increased our FY21E revenue/EBITDA/APAT estimates by 2%/3%/3% & target multiple from 23x to 28x FY21E earnings driven by superior earnings growth visibility on the back of sustained business/revenue momentum. Maintain Buy rating with a target price of INR 1278 (Previous TP- 1023).

Capex guidance gives superior business growth visibility: PI plans to invest INR 4.0-4.5 bn in FY20 on capacity enhancement, infrastructure investment and R&D. Bulk of the investment would be in capacity expansion and the investment run-rate is expected to continue due to demand traction, increasing number of products moving from R&D stage to commercialisation and optimum utilisation at existing plants. PI commissioned a new plant in 4QFY19 (investment INR INR 2.0 bn), plans to commence 2 plants in FY20 (1 each in 1Q and 4Q) and 1 in FY21.

Strong growth guidance: The management guided for revenue growth of 20-22% in FY20, driven by business commitment for new products from clients, commercialisation of new products and commencement of new plants. Margins are likely to expand by 50-100 bps.

Domestic business finally catching with the ground reality: Domestic business grew by 4.0% to Rs 2.0 bn due to subdued Rabi season (lower pest infestation and disease occurrence).

7 new launches planned in FY20: PI plans to launch 7 new products in FY20 of which 3 would be in domestic segment. 4 new molecules are expected to be commercialised in CSM segment which is expected to take the total molecule count to 23-27 next year.

Results were inline: Revenue growth of 28.7% to Rs 8.0 bn was inline. Gross margins contracted by 264 bps to 45.7% while employee cost declined 5.7% YoY to INR 644 mn (down 293 bps to 8.0% of sales). EBITDA grew 27.6% to INR 1.7 bn (PLe- INR 1.8 bn) while margins contracted 19 bps to 21.4% (PLe- 21.9%). PAT came in at INR 1244 mn (PLe INR 1.3 bn).

Other Highlights: (a) Impact of adoption of IND AS 115, "Revenue from contracts with customers" was at Rs 380 mn in 4Q'19. (b) Orderbook stands at USD 1.4 bn. (c) Forex gain stood at INR 50-55 mn.

Exhibit 1: CSM business driving overall growth for PI

Y/e March	Q4FY19	Q4FY18	YoY gr. (%)	Q3FY19	FY19	FY18	YoY gr. (%)
Net Sales	8,048	6,251	28.7	7,075	28,409	22,771	24.8
Expenditure							
Raw Materials	4,367	3,227	35.3	3,775	15,502	11,690	32.6
<i>% of Net Sales</i>	<i>54.3</i>	<i>51.6</i>		<i>53.4</i>	<i>54.6</i>	<i>51.3</i>	
Employee Cost	644	683	(5.7)	637	2,625	2,400	9.4
<i>% of Net Sales</i>	<i>8.0</i>	<i>10.9</i>		<i>9.0</i>	<i>9.2</i>	<i>10.5</i>	
Other Expenses	1,318	994	32.6	1,177	4,551	3,760	21.0
<i>% of Net Sales</i>	<i>16.4</i>	<i>15.9</i>		<i>16.6</i>	<i>16.0</i>	<i>16.5</i>	
Total Expenditure	6,329	4,904	29.1	5,589	22,678	17,851	27.0
EBITDA	1,719	1,347	27.6	1,486	5,731	4,920	16.5
<i>Margin (%)</i>	<i>21.4</i>	<i>21.5</i>		<i>21.0</i>	<i>20.2</i>	<i>21.6</i>	
Depreciation	244	212	15.0	234	926	826	12.1
EBIT	1,475	1,135	30.0	1,252	4,805	4,095	17.3
Interest	13	18	(29.3)	15	59	59	0.3
Other Income	222	191	16.5	152	600	600	0.0
PBT	1,684	1,307	28.9	1,389	5,346	4,636	15.3
Tax	440	253	74.1	316	1,269	970	30.8
<i>Tax Rate (%)</i>	<i>26.1</i>	<i>19.3</i>		<i>22.8</i>	<i>23.7</i>	<i>20.9</i>	
RPAT	1,244	1,054	18.0	1,073	4,077	3,665	11.2
APAT	1,244	1,054	18.0	1,073	4,077	3,665	11.2

Source: Company, PL

Exhibit 2: Share of revenue shifting in favour of CSM segment (Rs mn)

Y/e March	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
CSM Segment Revenue	4,310	3,000	3,020	3,860	4,380	2,932	3,986	5,410	6,100
<i>YoY%</i>	<i>4.6%</i>	<i>-12.0%</i>	<i>-4.4%</i>	<i>19.5%</i>	<i>1.6%</i>	<i>-2.3%</i>	<i>32.0%</i>	<i>40.2%</i>	<i>39.3%</i>
<i>Sales Mix</i>	<i>68.7%</i>	<i>51.2%</i>	<i>53.8%</i>	<i>71.7%</i>	<i>70.1%</i>	<i>48.4%</i>	<i>55.1%</i>	<i>76.4%</i>	<i>75.8%</i>
Domestic Segment Revenue	1,963	2,856	2,591	1,520	1,870	3,124	3,244	1,670	1,950
<i>YoY%</i>	<i>2.0%</i>	<i>-16.6%</i>	<i>1.2%</i>	<i>-14.1%</i>	<i>-4.7%</i>	<i>9.4%</i>	<i>25.2%</i>	<i>9.9%</i>	<i>4.3%</i>
<i>Sales Mix</i>	<i>31.3%</i>	<i>48.8%</i>	<i>46.2%</i>	<i>28.3%</i>	<i>29.9%</i>	<i>51.6%</i>	<i>44.9%</i>	<i>23.6%</i>	<i>24.2%</i>

Source: Company, PL

Exhibit 3: USD 200 mn net increase in orderbook in the last 6 months

	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
Order book	1000	1000	1000	1150	1150	1150	1150	1300	1350

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Net Revenues	22,771	28,409	34,554	41,151
YoY gr. (%)	0.0	24.8	21.6	19.1
Cost of Goods Sold	11,690	15,502	18,400	21,604
Gross Profit	11,081	12,907	16,154	19,546
Margin (%)	48.7	45.4	46.8	47.5
Employee Cost	2,400	2,625	3,283	4,115
Other Expenses	3,760	4,551	5,632	6,173
EBITDA	4,920	5,731	7,239	9,259
YoY gr. (%)	(10.6)	16.5	26.3	27.9
Margin (%)	21.6	20.2	21.0	22.5
Depreciation and Amortization	826	926	1,063	1,349
EBIT	4,095	4,805	6,176	7,909
Margin (%)	18.0	16.9	17.9	19.2
Net Interest	59	59	80	125
Other Income	600	600	640	500
Profit Before Tax	4,636	5,346	6,736	8,284
Margin (%)	20.4	18.8	19.5	20.1
Total Tax	970	1,269	1,617	1,988
Effective tax rate (%)	20.9	23.7	24.0	24.0
Profit after tax	3,665	4,077	5,119	6,296
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	3,665	4,077	5,119	6,296
YoY gr. (%)	(19.9)	11.2	25.6	23.0
Margin (%)	16.1	14.4	14.8	15.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,665	4,077	5,119	6,296
YoY gr. (%)	(19.9)	11.2	25.6	23.0
Margin (%)	16.1	14.4	14.8	15.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,665	4,077	5,119	6,296
Equity Shares O/s (m)	138	138	138	138
EPS (Rs)	26.6	29.6	37.1	45.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Non-Current Assets				
Gross Block	12,034	14,842	18,386	23,136
Tangibles	11,920	14,700	18,210	22,915
Intangibles	115	142	176	221
Acc: Dep / Amortization	2,077	3,003	4,066	5,416
Tangibles	2,033	2,940	3,981	5,302
Intangibles	44	63	85	114
Net fixed assets	9,957	11,839	14,320	17,720
Tangibles	9,886	11,760	14,230	17,613
Intangibles	71	79	90	107
Capital Work In Progress	899	1,828	2,235	750
Goodwill	-	-	-	-
Non-Current Investments	131	325	216	248
Net Deferred tax assets	252	127	127	127
Other Non-Current Assets	390	454	553	658
Current Assets				
Investments	1,595	1,119	800	800
Inventories	4,520	5,357	6,627	7,892
Trade receivables	5,268	6,618	8,047	9,583
Cash & Bank Balance	1,204	831	(145)	1,320
Other Current Assets	1,667	2,621	3,008	3,483
Total Assets	26,150	31,447	36,202	43,076
Equity				
Equity Share Capital	138	138	138	138
Other Equity	18,984	22,609	26,547	31,741
Total Network	19,122	22,747	26,685	31,879
Non-Current Liabilities				
Long Term borrowings	463	99	599	999
Provisions	233	289	346	412
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	3,703	5,141	5,017	5,637
Other current liabilities	2,446	2,981	3,365	3,959
Total Equity & Liabilities	26,151	31,447	36,202	43,076

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
PBT	4,636	5,346	6,736	8,284
Add. Depreciation	826	926	1,063	1,349
Add. Interest	59	59	80	125
Less Financial Other Income	600	600	640	500
Add. Other	(331)	(600)	(640)	(500)
Op. profit before WC changes	5,189	5,731	7,239	9,259
Net Changes-WC	(1,088)	(542)	(2,791)	(2,102)
Direct tax	(957)	(2,816)	(2,458)	(615)
Net cash from Op. activities	3,144	2,373	1,990	6,542
Capital expenditures	(1,695)	(2,808)	(3,544)	(4,750)
Interest / Dividend Income	262	600	640	500
Others	(390)	381	414	-
Net Cash from Invt. activities	(1,823)	(1,827)	(2,490)	(4,250)
Issue of share cap. / premium	88	-	-	-
Debt changes	(364)	(364)	500	400
Dividend paid	(662)	(688)	(896)	(1,102)
Interest paid	(59)	(59)	(80)	(125)
Others	-	-	-	-
Net cash from Fin. activities	(997)	(1,111)	(476)	(827)
Net change in cash	324	(565)	(976)	1,465
Free Cash Flow	1,449	(435)	(1,554)	1,792

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Net Revenue	6,056	7,230	7,075	8,048
YoY gr. (%)	9.5	28.9	31.6	28.7
Raw Material Expenses	3,235	4,125	3,775	4,367
Gross Profit	2,821	3,105	3,300	3,681
Margin (%)	46.6	42.9	46.6	45.7
EBITDA	1,181	1,346	1,486	1,719
YoY gr. (%)	(12.3)	-	-	-
Margin (%)	19.5	18.6	21.0	21.4
Depreciation / Depletion	220	228	234	244
EBIT	961	1,118	1,252	1,475
Margin (%)	15.9	15.5	17.7	18.3
Net Interest	17	14	15	13
Other Income	102	124	152	222
Profit before Tax	1,046	1,228	1,389	1,684
Margin (%)	17.3	17.0	19.6	20.9
Total Tax	229	284	316	440
Effective tax rate (%)	21.9	23.1	22.8	26.1
Profit after Tax	817	944	1,073	1,244
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	817	944	1,073	1,244
YoY gr. (%)	(18.4)	17.5	33.0	18.0
Margin (%)	13.5	13.1	15.2	15.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	817	944	1,073	1,244
YoY gr. (%)	(18.4)	17.5	33.0	18.0
Margin (%)	13.5	13.1	15.2	15.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	817	944	1,073	1,244
Avg. Shares O/s (m)	138	138	138	138
EPS (Rs)	5.9	6.8	7.8	9.0

Source: Company Data, PL Research

Key Financial Metrics

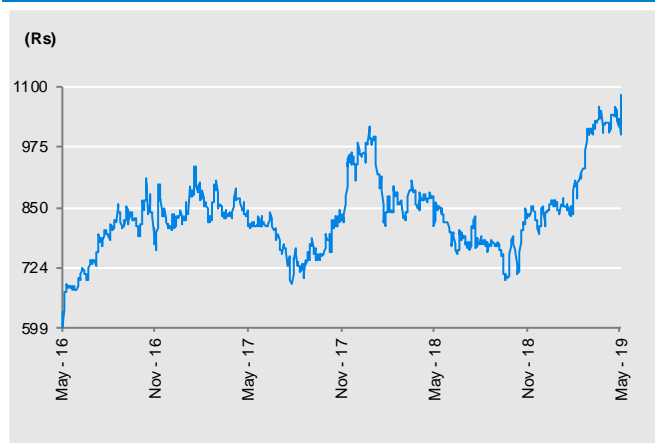
Y/e Mar	FY18	FY19	FY20E	FY21E
Per Share(Rs)				
EPS	26.6	29.6	37.1	45.7
CEPS	32.6	36.3	44.8	55.4
BVPS	138.7	164.9	193.5	231.2
FCF	10.5	(3.2)	(11.3)	13.0
DPS	4.0	4.0	5.2	6.4
Return Ratio(%)				
RoCE	22.2	22.6	24.6	26.3
ROIC	20.7	19.0	19.2	21.5
RoE	20.8	19.5	20.7	21.5
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	-	0.0
Net Working Capital (Days)	98	88	102	105
Valuation(x)				
PER	41.6	37.4	29.8	24.2
P/B	8.0	6.7	5.7	4.8
P/CEPS	34.0	30.5	24.7	19.9
EV/EBITDA	30.5	26.3	21.1	16.3
EV/Sales	6.6	5.3	4.4	3.7
Dividend Yield (%)	0.4	0.4	0.5	0.6

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY18	FY19	FY20E	FY21E
Revenues				
CSM	14,260	18,840	23,550	28,496
Domestic	8,482	9,569	11,004	12,655

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	7-Jan-19	Accumulate	924	864
2	12-Feb-19	BUY	1,023	892
3	5-Apr-19	BUY	1,023	1,052

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	4,517	4,240
2	Dhanuka Agritech	BUY	624	388
3	Insecticides India	BUY	896	640
4	P.I. Industries	BUY	1,023	1,052
5	Rallis India	Accumulate	173	150
6	Sharda Cropchem	Accumulate	401	375
7	UPL	BUY	1,127	972

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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