

P.I. Industries (PI IN)

Rating: HOLD | CMP: Rs2,250 | TP: Rs2,119

February 3, 2021

Q3FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	HOLD		HOLD	
Target Price	2,119		2,026	
Sales (Rs. m)	55,454	65,436	53,165	62,735
% Chng.	4.3	4.3		
EBITDA (Rs. m)	12,810	15,247	12,281	14,617
% Chng.	4.3	4.3		
EPS (Rs.)	59.9	70.6	57.3	67.5
% Chng.	4.5	4.6		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	33,665	45,875	55,454	65,436
EBITDA (Rs. m)	7,178	10,643	12,810	15,247
Margin (%)	21.3	23.2	23.1	23.3
PAT (Rs. m)	4,566	7,889	9,095	10,717
EPS (Rs.)	33.1	52.0	59.9	70.6
Gr. (%)	11.3	57.1	15.3	17.8
DPS (Rs.)	4.5	7.7	8.8	10.4
Yield (%)	0.2	0.3	0.4	0.5
RoE (%)	18.6	19.9	15.9	16.4
RoCE (%)	21.3	19.7	17.0	17.9
EV/Sales (x)	9.3	7.1	5.8	4.9
EV/EBITDA (x)	43.6	30.5	25.2	20.9
PE (x)	68.0	43.3	37.5	31.9
P/BV (x)	11.8	6.4	5.6	4.9

Key Data

PIIL.BO | PI IN

52-W High / Low	Rs.2,650 / Rs.970
Sensex / Nifty	50,256 / 14,790
Market Cap	Rs.341bn/ \$ 4,679m
Shares Outstanding	152m
3M Avg. Daily Value	Rs.2543.92m

Shareholding Pattern (%)

Promoter's	46.82
Foreign	19.51
Domestic Institution	21.32
Public & Others	12.36
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.6)	22.3	45.3
Relative	(5.4)	(10.1)	15.2

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All round beat

Quick Pointers:

- Steady flow of new enquiries in CSM
- Continues to evaluate inorganic growth opportunities

PI reported better than expected results driven by strong demand for key commercialised molecules and Isagro's performance. Prudent raw material management, traction for branded portfolio, higher utilisation rates and better contribution from ISAGRO drove better than expected EBITDA growth of 34% to Rs 2.8 bn (PLe Rs 2.4 bn). We believe ramp up of 4 recently commercialised molecules and pipeline of +40 products (5-6 molecules in FY22, 12-15 molecules in the next 2 years) will drive growth in coming years, along with foray in pharma intermediates and inorganic opportunities. Management is evaluating few options very actively for inorganic growth (one in additives industry) and their endeavour is to generate better returns over a period of time than the current business. We are also keenly observing PI's progress into the Pharma and other adjacent chemistry value chain, as it is likely to be a key determinant for further re-rating. We have increased our topline/ EBITDA/ APAT estimates by 3%/2%/2% for FY21, 4%/4%/5% for FY22 and 4%/4%/5% for FY23. Maintain HOLD with revised TP of Rs 2119 (Previous 2026) based on 30x FY23 EPS of Rs 70.

With increasing opportunities, +20% growth may be new normal in CSM: With steady flow of new enquiries and addition of new customers both in agrochemical and non- agrochemical space, the opportunity size for PI increased significantly. 20% topline growth rate may be new normal for the company, driven by higher rate of commercialisation of new molecules and new capacities coming up. PI commercialised 4 molecules in YTD FY21, 5-6 likely in FY22 and 12-15 in total over the next 2 years. Out of 5-6 molecules for next year, 2-4 molecules are from the non-agrochem area.

Evaluating companies for inorganic growth: PI is evaluating 2 options very actively. It had evaluated few other targets as well but did not pursue them. According to the management, one of their target segment could be additives segment. With inorganic opportunities, management's endeavour is to generate better returns over a period of time than the current business.

Focus shifts to increase throughput capacity: Apart from new capacity creation, PI is also taking initiatives to increase throughput capacity through tech advancement. The move is likely to increase asset turn from 1.5-2.0 to 2.0-2.5. PI plans to invest Rs 2-3 bn in FY22. 2 more MPP are slated for commissioning in the next 2 years.

Exhibit 1: All round beat

Y/e March	Q3FY21	Q3FY20	YoY gr. (%)	Q2FY21	QoQ gr. (%)	9MFY21	9MFY20	YoY gr. (%)
Net Sales	11,621	8,498	36.7	11,577	0.4	33,799	25,113	34.6
Expenditure								
Raw Materials	6,170	4,537	36.0	6,466	(4.6)	18,782	13,924	34.9
% of Net Sales	53.1	53.4		55.9		55.6	55.4	
Employee Cost	1,083	764	41.8	999	8.4	3,073	2,254	36.3
% of Net Sales	9.3	9.0		8.6		9.1	9.0	
Other Expenses	1,613	1,332	21.1	1,311	23.0	4,096	3,637	12.6
% of Net Sales	13.9	15.7		11.3		12.1	14.5	
Total Expenditure	8,866	6,633	33.7	8,776	1.0	25,951	19,815	31.0
EBITDA	2,755	1,865	47.7	2,801	(1.6)	7,848	5,298	48.1
Margin (%)	23.7	21.9		24.2		23.2	21.1	
Depreciation	440	319	37.9	433	1.6	1,300	928	40.1
EBIT	2,315	1,546	49.7	2,368	(2.2)	6,548	4,370	49.8
Interest	66	38	73.7	76	(13.2)	238	86	176.7
Other Income	389	191	103.7	336	15.8	807	420	92.1
PBT	2,638	1,699	55.3	2,628	0.4	7,117	4,704	51.3
Tax	682	487	40.0	451	51.2	1,577	1,256	25.6
Tax Rate (%)	25.9	28.7		17.2		22.2	26.7	
RPAT	1,956	1,212	61.4	2,177	(10.2)	5,540	3,448	60.7
APAT	1,954	1,211	61.4	2,176	(10.2)	5,585	3,447	62.0
Adj EPS	12.9	8.8	46.7	14.3	(10.2)	37.8	25.0	51.1

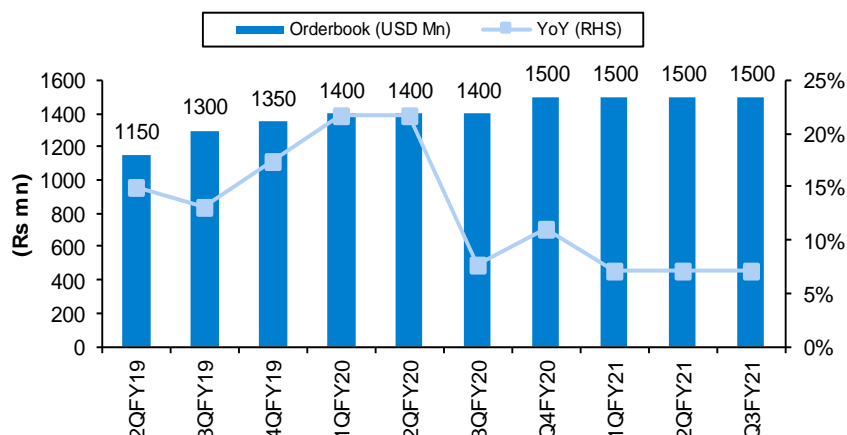
Source: Company, PL

Exhibit 2: CSM business will continue to dominate the overall revenue pie

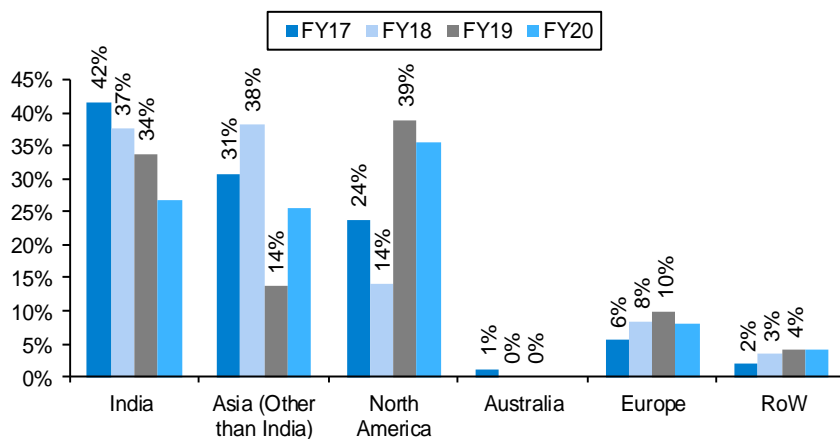
Rs Mn	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21
CSM Segment	3,140	3,986	5,410	6,100	5,010	6,390	6,440	6,830	6,140	7,990	9,020
YoY%	4.7%	32.0%	40.2%	39.3%	59.6%	52.5%	19.0%	12.0%	22.6%	25.0%	40.1%
Sales Mix	51.9%	55.1%	76.4%	75.8%	66.4%	70.4%	75.8%	79.9%	57.9%	69.0%	77.6%
Domestic Segment	2,910	3,244	1,670	1,950	2,530	2,690	2,060	1,720	4,480	3,590	2,600
YoY%	1.9%	25.2%	9.9%	4.3%	-13.1%	-11.5%	23.4%	-11.7%	76.2%	33.5%	26.2%
Sales Mix	48.1%	44.9%	23.6%	24.2%	33.6%	29.6%	24.2%	20.1%	42.1%	31.0%	22.4%

Source: Company, PL

Exhibit 3: Healthy orderbook despite superior execution



Source: Company, PL

Exhibit 4: Revenue share from Asia has shot up in FY20

Source: Company, PL

Exhibit 5: Timeline of CSM molecule commercialisation count

FY14	FY15	FY16	FY17	FY18	FY19	FY20
3	3	3	4	4	3	4

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	33,665	45,875	55,454	65,436
YoY gr. (%)	18.5	36.3	20.9	18.0
Cost of Goods Sold	18,474	25,117	30,056	35,335
Gross Profit	15,191	20,758	25,398	30,101
Margin (%)	45.1	45.3	45.8	46.0
Employee Cost	3,209	4,450	5,268	6,216
Other Expenses	4,804	5,666	7,320	8,638
EBITDA	7,178	10,643	12,810	15,247
YoY gr. (%)	24.5	48.3	20.4	19.0
Margin (%)	21.3	23.2	23.1	23.3
Depreciation and Amortization	1,367	1,816	2,231	2,622
EBIT	5,811	8,827	10,579	12,624
Margin (%)	17.3	19.2	19.1	19.3
Net Interest	170	425	400	375
Other Income	489	1,240	1,780	1,838
Profit Before Tax	6,130	9,642	11,959	14,087
Margin (%)	18.2	21.0	21.6	21.5
Total Tax	1,572	1,873	3,014	3,550
Effective tax rate (%)	25.6	19.4	25.2	25.2
Profit after tax	4,558	7,769	8,945	10,537
Minority interest	-	-	-	-
Share Profit from Associate	8	120	150	180
Adjusted PAT	4,566	7,889	9,095	10,717
YoY gr. (%)	11.3	72.8	15.3	17.8
Margin (%)	13.6	17.2	16.4	16.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,566	7,889	9,095	10,717
YoY gr. (%)	11.3	72.8	15.3	17.8
Margin (%)	13.6	17.2	16.4	16.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,566	7,889	9,095	10,717
Equity Shares O/s (m)	138	152	152	152
EPS (Rs)	33.1	52.0	59.9	70.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	22,088	28,459	34,459	40,459
Tangibles	21,578	28,210	33,663	39,525
Intangibles	510	249	796	934
Acc: Dep / Amortization	4,374	6,190	8,421	11,043
Tangibles	4,240	6,000	8,163	10,705
Intangibles	134	190	258	338
Net fixed assets	17,714	22,269	26,038	29,416
Tangibles	17,338	22,210	25,500	28,820
Intangibles	376	59	538	596
Capital Work In Progress	2,707	2,750	2,775	2,775
Goodwill	828	828	828	828
Non-Current Investments	322	394	418	443
Net Deferred tax assets	(102)	(102)	(102)	(102)
Other Non-Current Assets	444	550	665	785
Current Assets				
Investments	1,325	-	-	-
Inventories	7,989	8,547	10,635	12,549
Trade receivables	6,465	10,558	12,610	14,880
Cash & Bank Balance	1,342	22,116	23,812	27,303
Other Current Assets	2,715	3,958	4,571	5,210
Total Assets	42,247	72,520	83,018	94,974
Equity				
Equity Share Capital	138	152	152	152
Other Equity	26,053	53,028	60,789	69,891
Total Network	26,191	53,180	60,940	70,043
Non-Current Liabilities				
Long Term borrowings	3,994	5,000	5,000	5,000
Provisions	124	367	444	523
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,083	-	-	-
Trade payables	5,909	8,295	10,027	11,832
Other current liabilities	4,013	4,743	5,673	6,641
Total Equity & Liabilities	42,247	72,520	83,018	94,974

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	6,138	9,642	11,959	14,087
Add. Depreciation	1,367	1,816	2,231	2,622
Add. Interest	170	425	400	375
Less Financial Other Income	489	1,240	1,780	1,838
Add. Other	99	(1,240)	(1,780)	(1,838)
Op. profit before WC changes	7,774	10,643	12,810	15,247
Net Changes-WC	255	(2,178)	(2,198)	(2,160)
Direct tax	(1,048)	(1,135)	(2,953)	(3,479)
Net cash from Op. activities	6,981	7,330	7,658	9,608
Capital expenditures	(11,040)	(6,371)	(6,000)	(6,000)
Interest / Dividend Income	175	1,240	1,780	1,838
Others	1,014	1,325	-	-
Net Cash from Inv. activities	(9,851)	(3,806)	(4,220)	(4,162)
Issue of share cap. / premium	80	20,000	-	-
Debt changes	4,562	(1,160)	-	-
Dividend paid	(748)	(1,165)	(1,342)	(1,581)
Interest paid	(179)	(425)	(400)	(375)
Others	(215)	-	-	-
Net cash from Fin. activities	3,500	17,250	(1,742)	(1,956)
Net change in cash	630	20,774	1,697	3,490
Free Cash Flow	238	959	1,658	3,608

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	33.1	52.0	59.9	70.6
CEPS	43.0	64.0	74.7	87.9
BVPS	189.9	350.5	401.7	461.7
FCF	1.7	6.3	10.9	23.8
DPS	4.5	7.7	8.8	10.4
Return Ratio(%)				
RoCE	21.3	19.7	17.0	17.9
ROIC	17.5	31.5	20.7	21.9
RoE	18.6	19.9	15.9	16.4
Balance Sheet				
Net Debt : Equity (x)	0.1	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	93	86	87	87
Valuation(x)				
PER	68.0	43.3	37.5	31.9
P/B	11.8	6.4	5.6	4.9
P/CEPS	52.3	35.2	30.1	25.6
EV/EBITDA	43.6	30.5	25.2	20.9
EV/Sales	9.3	7.1	5.8	4.9
Dividend Yield (%)	0.2	0.3	0.4	0.5

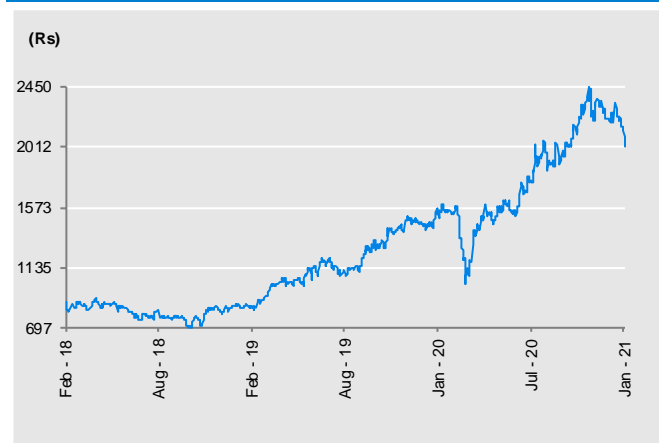
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Net Revenue	8,552	10,601	11,577	11,621
YoY gr. (%)	6.3	40.6	27.6	36.7
Raw Material Expenses	4,550	6,146	6,466	6,170
Gross Profit	4,002	4,455	5,111	5,451
Margin (%)	46.8	42.0	44.1	46.9
EBITDA	1,863	2,292	2,801	2,755
YoY gr. (%)	7.4	51.4	46.0	47.7
Margin (%)	21.8	21.6	24.2	23.7
Depreciation / Depletion	436	427	433	440
EBIT	1,427	1,865	2,368	2,315
Margin (%)	16.7	17.6	20.5	19.9
Net Interest	84	96	76	66
Other Income	68	82	336	389
Profit before Tax	1,411	1,851	2,628	2,638
Margin (%)	16.5	17.5	22.7	22.7
Total Tax	312	444	451	682
Effective tax rate (%)	22.1	24.0	17.2	25.9
Profit after Tax	1,099	1,407	2,177	1,956
Minority interest	-	-	-	-
Share Profit from Associates	8	48	(1)	(2)
Adjusted PAT	1,107	1,455	2,176	1,954
YoY gr. (%)	(11.9)	44.3	77.2	61.4
Margin (%)	12.9	13.7	18.8	16.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,107	1,455	2,176	1,954
YoY gr. (%)	(11.9)	44.3	77.2	61.4
Margin (%)	12.9	13.7	18.8	16.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,107	1,455	2,176	1,954
Avg. Shares O/s (m)	138	138	152	152
EPS (Rs)	8.0	10.6	14.3	12.9

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Jan-21	Hold	2,026	2,332
2	30-Oct-20	Hold	2,026	2,161
3	10-Oct-20	Hold	2,000	2,021
4	25-Aug-20	Hold	2,000	2,046
5	6-Aug-20	Hold	2,000	2,036
6	7-Jul-20	UR	-	1,666
7	9-Jun-20	Hold	1,544	1,594
8	16-Apr-20	Hold	1,430	1,454
9	13-Feb-20	Hold	1,516	1,545

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	BUY	6,090	5,747
2	Coromandel International	Reduce	676	788
3	Dhanuka Agritech	BUY	953	741
4	Godrej Agrovet	Accumulate	587	533
5	Insecticides India	BUY	595	469
6	P.I. Industries	Hold	2,026	2,332
7	Rallis India	Accumulate	321	285
8	Sharda Cropchem	BUY	383	275
9	Sumitomo Chemical India	Hold	307	324
10	UPL	Accumulate	601	561

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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