

June 22, 2022

Management Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	3,340		3,340	
Sales (Rs. m)	62,824	74,240	62,824	74,240
% Chng.	-	-	-	-
EBITDA (Rs. m)	13,993	17,296	13,993	17,296
% Chng.	-	-	-	-
EPS (Rs.)	69.6	83.5	69.6	83.5
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	45,770	52,995	62,824	74,240
EBITDA (Rs. m)	10,122	11,424	13,993	17,296
Margin (%)	22.1	21.6	22.3	23.3
PAT (Rs. m)	7,339	8,402	10,548	12,647
EPS (Rs.)	48.4	55.5	69.6	83.5
Gr. (%)	46.6	14.5	25.5	19.9
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	18.4	14.7	16.0	16.6
RoCE (%)	19.2	15.8	17.4	19.2
EV/Sales (x)	7.8	6.7	5.5	4.6
EV/EBITDA (x)	35.2	31.1	24.7	19.6
PE (x)	51.3	44.8	35.7	29.8
P/BV (x)	7.0	6.2	5.3	4.6

Key Data

PIIL.BO | PI IN

52-W High / Low	Rs.3,535 / Rs.2,334
Sensex / Nifty	51,823 / 15,413
Market Cap	Rs.377bn/ \$ 4,810m
Shares Outstanding	152m
3M Avg. Daily Value	Rs.659.9m

Shareholding Pattern (%)

Promoter's	46.74
Foreign	16.44
Domestic Institution	25.33
Public & Others	11.49
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.1)	(15.7)	(10.9)
Relative	(0.5)	(7.4)	(9.6)

Himanshu Binani

himanshubinani@plindia.com | 91-22-66322232

Confident to achieve growth guidance

Quick Pointers:

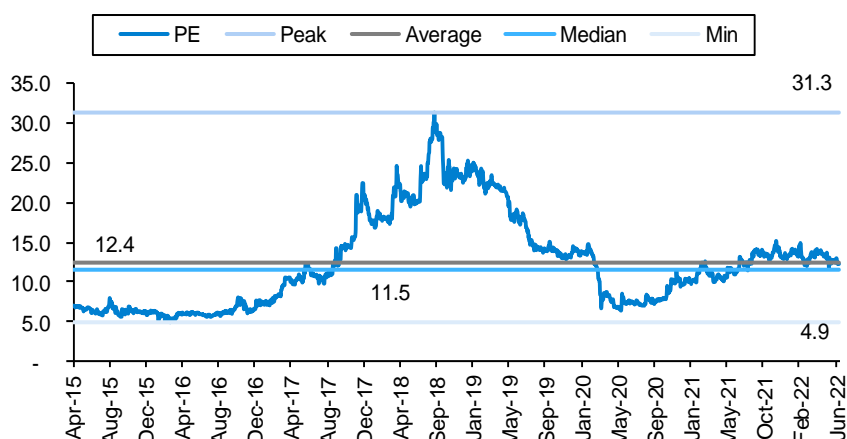
- Confident on achieving growth guidance of 18-20% in FY23.
- Pharma acquisition still in evaluation stage; to be completed in next 3-4 quarters.

We interacted with senior management of PI Industries (PI) to take an update on the business and outlook ahead. Key highlights: (a) The company remains confident on achieving growth guidance of 18-20% YoY for FY23 in both exports and domestic segment (supported by lower base of last year); (b) remunerative commodity prices bode well for domestic market; (c) delayed monsoons have an impact on placements; however, remains hopeful of monsoon revival; (d) to launch 5-6 products in domestic market in FY23; (e) CSM business continues to be the shop stopper with mix changing to 80:20 for Agri and non-agri, going forward; (f) Pharma acquisition still in evaluation stages; likely to be done in next couple of quarters.

Going forward, PI remains confident on the core business and its growth guidance with margins likely to improve from current levels, primarily led by strong enquiries in CSM business and new launches in domestic segment. We believe, the stock has corrected ~35% from its recent highs, thus providing a good entry point with strong earnings visibility in its core business. We broadly maintain FY23/FY24 EPS. We expect PI to report revenue/PAT CAGR of 18%/23% (FY11-22, 20%/26%) over FY22-24E. Maintain 'BUY' with unchanged TP of INR3,340 based on 40x FY24 EPS.

- **CSM to continue as the show stopper:** CSM order book stood at USD1.4bn as on Mar-22. PI commercialized 9 new molecules during FY22, while 6-7 more products are planned to be commercialized in FY23. PI has more than 40 products at different stages of scale up in the CSM segment. Further, R&D pipeline has more than 20% products from non-agrochemical segment.
- **Delayed monsoons impacting placements in domestic market:** 1Q generally happens to be placement season; while actual consumption takes place in 2Q for domestic agrochemicals industry. However, due to delayed monsoons there has been certainly some impact in terms of product placements. Additionally, competition has aggressively placed few molecules in the market in 4QFY22; leaving limited room for further inventory push. Going forward, the company remains confident of decent performance in domestic business primarily led by a) expectations of better acreages across crops and b) remunerative crop prices. PI has been aggressively pursuing horticulture under 'Jivagro' brand- launched 13 new products in FY22; while 5 new innovative products are to be launched in FY23 which will support segment's growth.

Exhibit 1: One Year Forward Price / Earnings



Source: Company, PL

Exhibit 2: Recent capacity additions in CSM segment to boost earnings

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
CSM Revenue	6,010	5,010	6,390	6,440	6,830	6,140	7,990	9,020	10,060	8,070	9,930	10,760	11,142
Growth YoY (%)	39.0	70.3	58.4	19.3	13.6	22.6	25.0	40.1	47.3	31.4	24.3	19.3	10.8

Source: Company, PL

Exhibit 3: Lower base of 1HFY22 bodes well for domestic segment

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Domestic Revenue	2,038	2,531	2,684	2,058	1,722	4,461	3,587	2,601	1,911	3,868	3,610	2,803	2,810
Growth YoY(%)	5.7	(18.7)	(16.0)	22.9	(15.5)	76.3	33.6	26.4	11.0	(13.3)	0.6	7.8	47.0

Source: Company, PL

Exhibit 4: Quarterly EBITDA & EBITDA Margin

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
EBITDA (INR Mn)	1,735	1,514	1,925	1,865	1,863	2,292	2,801	2,755	2,274	2,489	2,920	2,965	3,050
EBITDA Margin(%)	21.6	20.1	21.2	21.9	21.8	21.6	24.2	23.7	19.0	20.8	21.6	21.9	21.9

Source: Company, PL

Exhibit 5: Order book remains healthy at USD1.4bn

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
CSM O/B (USD Mn)	1,350	1,400	1,400	1,400	1,500	1,500	1,500	1,500	1,500	1,500	1,400	1,400	1,400
Growth QoQ (%)	3.8	3.7	-	-	7.1	-	-	-	-	-	(6.7)	-	-

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	45,770	52,995	62,824	74,240
YoY gr. (%)	36.0	15.8	18.5	18.2
Cost of Goods Sold	25,712	29,228	34,471	40,568
Gross Profit	20,058	23,767	28,353	33,672
Margin (%)	43.8	44.8	45.1	45.4
Employee Cost	4,169	4,804	5,660	6,523
Other Expenses	5,767	7,539	8,700	9,853
EBITDA	10,122	11,424	13,993	17,296
YoY gr. (%)	41.0	12.9	22.5	23.6
Margin (%)	22.1	21.6	22.3	23.3
Depreciation and Amortization	1,748	2,018	2,364	2,665
EBIT	8,374	9,406	11,630	14,631
Margin (%)	18.3	17.7	18.5	19.7
Net Interest	282	128	202	136
Other Income	1,249	1,014	1,144	1,313
Profit Before Tax	9,341	10,292	12,571	15,809
Margin (%)	20.4	19.4	20.0	21.3
Total Tax	2,002	1,890	2,023	3,162
Effective tax rate (%)	21.4	18.4	16.1	20.0
Profit after tax	7,339	8,402	10,548	12,647
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	7,339	8,402	10,548	12,647
YoY gr. (%)	61.0	14.5	25.5	19.9
Margin (%)	16.0	15.9	16.8	17.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	7,339	8,402	10,548	12,647
YoY gr. (%)	61.0	14.5	25.5	19.9
Margin (%)	16.0	15.9	16.8	17.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,339	8,402	10,548	12,647
Equity Shares O/s (m)	152	152	152	152
EPS (Rs)	48.4	55.5	69.6	83.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	27,370	32,531	37,431	41,481
Tangibles	26,185	31,336	35,886	39,936
Intangibles	1,185	1,195	1,545	1,545
Acc: Dep / Amortization	5,988	8,006	10,370	13,034
Tangibles	5,988	8,006	10,370	13,034
Intangibles	-	-	-	-
Net fixed assets	21,382	24,525	27,062	28,447
Tangibles	20,197	23,330	25,517	26,902
Intangibles	1,185	1,195	1,545	1,545
Capital Work In Progress	2,875	1,145	1,213	1,214
Goodwill	-	-	-	-
Non-Current Investments	54	258	458	658
Net Deferred tax assets	(796)	(875)	(875)	(875)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	7,079	8,547	8,547	8,547
Inventories	10,528	14,234	12,076	13,158
Trade receivables	7,035	8,687	10,369	12,260
Cash & Bank Balance	16,195	14,102	22,137	28,948
Other Current Assets	2,212	2,391	2,391	2,391
Total Assets	70,019	77,911	88,274	99,645
Equity				
Equity Share Capital	152	152	152	152
Other Equity	53,272	61,052	70,414	81,785
Total Networkth	53,424	61,204	70,566	81,936
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	2,574	1,699	-	-
Trade payables	7,960	9,242	9,214	10,855
Other current liabilities	552	357	3,085	1,444
Total Equity & Liabilities	70,019	77,911	88,274	99,644

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	9,385	10,328	12,571	15,809
Add. Depreciation	1,748	2,018	2,364	2,665
Add. Interest	282	128	202	136
Less Financial Other Income	1,249	1,014	1,144	1,313
Add. Other	(1,216)	(160)	(1,144)	(1,313)
Op. profit before WC changes	10,199	12,314	13,993	17,296
Net Changes-WC	(1,303)	(5,276)	3,176	(2,973)
Direct tax	(1,647)	(1,751)	(2,023)	(3,162)
Net cash from Op. activities	7,249	5,287	15,146	11,161
Capital expenditures	(4,375)	(3,362)	(4,968)	(4,051)
Interest / Dividend Income	-	-	1,144	1,313
Others	(19,698)	2,258	(200)	(200)
Net Cash from Invt. activities	(24,073)	(1,104)	(4,024)	(2,938)
Issue of share cap. / premium	19,789	-	-	-
Debt changes	(1,786)	(720)	(1,699)	-
Dividend paid	(607)	(758)	(1,186)	(1,277)
Interest paid	(244)	(85)	(202)	(136)
Others	(248)	(210)	10,296	-
Net cash from Fin. activities	16,904	(1,773)	7,209	(1,412)
Net change in cash	150	2,410	18,331	6,811
Free Cash Flow	2,859	1,916	10,178	7,110

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	11,938	13,542	13,563	13,952
YoY gr. (%)	12.6	17.0	16.7	16.5
Raw Material Expenses	6,714	7,443	7,267	7,804
Gross Profit	5,224	6,099	6,296	6,148
Margin (%)	43.8	45.0	46.4	44.1
EBITDA	2,489	2,920	2,965	3,050
YoY gr. (%)	8.6	4.2	7.6	34.1
Margin (%)	20.8	21.6	21.9	21.9
Depreciation / Depletion	487	492	503	536
EBIT	2,002	2,428	2,462	2,514
Margin (%)	16.8	17.9	18.2	18.0
Net Interest	34	34	33	27
Other Income	277	277	260	200
Profit before Tax	2,245	2,671	2,689	2,687
Margin (%)	18.8	19.7	19.8	19.3
Total Tax	405	370	466	649
Effective tax rate (%)	18.0	13.9	17.3	24.2
Profit after Tax	1,840	2,301	2,223	2,038
Minority interest	32	(5)	3	(6)
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,808	2,306	2,220	2,044
YoY gr. (%)	33.0	5.9	13.4	13.6
Margin (%)	15.1	17.0	16.4	14.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,808	2,306	2,220	2,044
YoY gr. (%)	33.0	5.9	13.4	13.6
Margin (%)	15.1	17.0	16.4	14.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,808	2,306	2,220	2,044
Avg. Shares O/s (m)	152	152	152	152
EPS (Rs)	11.9	15.2	14.7	13.5

Source: Company Data, PL Research

Key Financial Metrics

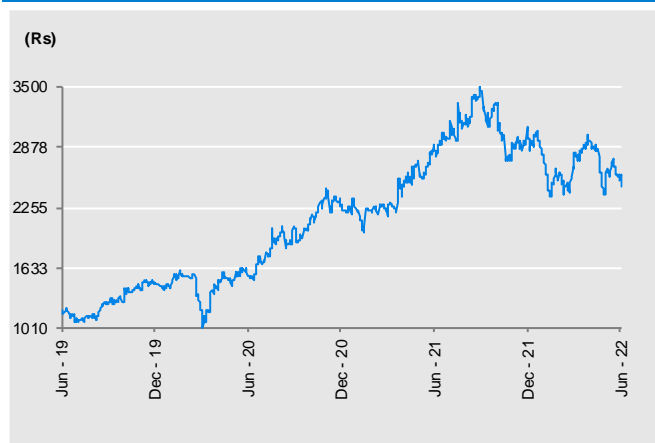
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	48.4	55.5	69.6	83.5
CEPS	60.0	68.8	85.2	101.1
BVPS	352.6	403.9	465.7	540.8
FCF	18.9	12.6	67.2	46.9
DPS	-	-	-	-
Return Ratio(%)				
RoCE	19.2	15.8	17.4	19.2
ROIC	32.3	20.9	27.1	30.2
RoE	18.4	14.7	16.0	16.6
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.3)	(0.4)	(0.5)
Net Working Capital (Days)	77	94	77	72
Valuation(x)				
PER	51.3	44.8	35.7	29.8
P/B	7.0	6.2	5.3	4.6
P/CEPS	41.4	36.1	29.2	24.6
EV/EBITDA	35.2	31.1	24.7	19.6
EV/Sales	7.8	6.7	5.5	4.6
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Revenues				
CSM	32,446	39,259	47,503	57,004
Domestic	10,669	11,096	12,760	14,292

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	18-May-22	BUY	3,340	2,630
2	8-Apr-22	BUY	3,340	2,858
3	7-Feb-22	BUY	3,400	2,552
4	12-Jan-22	BUY	3,470	2,887
5	27-Dec-21	BUY	3,470	2,903
6	3-Aug-21	Accumulate	3,363	3,317
7	6-Jul-21	UR	-	2,976

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	5,640	5,360
2	Coromandel International	BUY	960	745
3	Dhanuka Agritech	BUY	870	672
4	Godrej Agrovet	Accumulate	614	526
5	Insecticides India	Hold	680	774
6	P.I. Industries	BUY	3,340	2,630
7	Rallis India	Hold	260	254
8	Sharda Cropchem	BUY	750	646
9	Sumitomo Chemical India	BUY	510	440
10	UPL	BUY	1,010	778

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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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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