

November 9, 2022

Q2FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	4,350		3,450	
Sales (Rs. m)	78,655	92,933	75,233	88,837
% Chng.	4.5	4.6		
EBITDA (Rs. m)	18,495	22,016	17,554	20,762
% Chng.	5.4	6.0		
EPS (Rs.)	90.5	108.7	86.3	102.9
% Chng.	4.9	5.7		

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	52,995	66,513	78,655	92,933
EBITDA (Rs. m)	11,424	15,361	18,495	22,016
Margin (%)	21.6	23.1	23.5	23.7
PAT (Rs. m)	8,402	11,406	13,720	16,472
EPS (Rs.)	55.5	75.3	90.5	108.7
Gr. (%)	14.5	35.8	20.3	20.1
DPS (Rs.)	5.0	7.8	8.4	9.0
Yield (%)	0.1	0.2	0.2	0.2
RoE (%)	14.7	17.2	17.7	18.0
RoCE (%)	15.8	19.2	20.2	20.7
EV/Sales (x)	10.0	7.8	6.5	5.4
EV/EBITDA (x)	46.2	33.9	27.8	22.9
PE (x)	65.3	48.1	40.0	33.3
P/BV (x)	9.0	7.7	6.5	5.5

Key Data

PIIL.BO | PI IN

52-W High / Low	Rs.3,699 / Rs.2,334
Sensex / Nifty	61,034 / 18,157
Market Cap	Rs.550bn / \$ 6,751m
Shares Outstanding	152m
3M Avg. Daily Value	Rs.824.5m

Shareholding Pattern (%)

Promoter's	46.09
Foreign	16.72
Domestic Institution	26.00
Public & Others	11.04
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	18.6	41.5	30.1
Relative	13.1	27.1	29.0

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Yet again a stellar performance

Quick Pointers:

- CSM/domestic revenue growth of 29%/36% YoY respectively.
- CSM order book increased by USD400mn (+29% YoY and QoQ) to USD1.8bn.

PI Industries (PI) 2QFY23 results were better than our as well as consensus estimates. Revenue/EBITDA/PAT grew by 31%/48%/46% YoY. Key highlights are: (a) CSM revenue grew 29% YoY to Rs12.8bn (volume/price growth of 25%/4% YoY); (b) domestic revenue grew 36% YoY to Rs4.9bn (volume/price growth of 31%/5% YoY); (c) Gross margins remained largely flat (+20bps YoY) to 45.2% YoY primarily led by better product mix aided by price hikes in the recent past; (d) CSM order book increased by USD400mn (+29% YoY and QoQ) to USD1.8bn; (h) launched 5/1 new products in domestic/exports market during 1HFY23; to launch 2/6 more in subsequent quarters. Citing robust demand momentum, PI continues to guide at +20% YoY growth in revenues with margins likely to improve from current levels primarily led by strong enquiries in the CSM business and new launches in the domestic segment. Factoring in robust 1HFY23 performance, we increase our EPS estimates by 9%/5% respectively for FY23/FY24E. We expect PI to report revenue/PAT CAGR of 21%/ 25% (FY11-22, 20%/26%) over FY22-25E. We introduce and roll forward over valuations to FY25E. Maintain BUY with revised TP of Rs4,350 (earlier Rs3,450) based on 40x FY25 EPS.

Healthy revenue growth aided by better margins: Consolidated revenues were up 31% YoY to Rs17.7bn (PLe Rs16.7bn) largely driven by 29%/36% YoY growth in CSM and domestic business. CSM grew 29% YoY to Rs12.8bn (volume/price growth of 25%/4% YoY) driven by strong volume and price growth across key products. Domestic revenues were up 36% YoY to Rs4.9bn (volume/price growth of 31%/5% YoY) largely led by healthy response to newly launched products. Inflationary raw material cost scenario offset by favorable product mix and price hikes led to stable margins. Gross margins remained flat YoY (+20bps YoY) to 45.2% in 2QFY23. While better operating leverage coupled with superior product mix has in turn resulted into EBITDA margins expansion of 280bps YoY to 24.4% (PLe 22.5%). PAT increased by 46% YoY to Rs3.3bn (PLe Rs2.8bn).

Other highlights

Product commercialization in CSM: PI commercialized 1 new molecule during 2QFY23, while 6 more products are planned to be commercialized in 2HFY23. PI has more than 40 products at different stages of scale up in the CSM segment. Further, the R&D pipeline has more than 25% of the products from the non-agrochemical segment. Additionally, the company is in discussion with global innovators for development partnership of 2 promising leads (1 novel fungicide and 1 novel broad spectrum insecticide) having sizeable market opportunity.

New product launches in domestic market to propel growth: PI launched 5 new products in the domestic market in 1HFY23. Provide- herbicide with pre-emergence to post-emergence application on cotton crop. Dinoace-which is a dual action insecticide for cotton crop. Sectin- a combination fungicide with excellent curative control against downy mildew and late blight. Brofrefya – a revolutionary Insecticide bringing technological advancements for Indian farmers and Ultimare from Jivagro. While, going forward the company intends to launch 2 more products in the domestic market in 3QFY23. Additionally, the company has 17 new products at different stages of development and registration in the domestic market.

Ramping up their biologicals portfolio: PI launched 2 products in the biological segment- Humesol- a specialized tonic for soil health and Biovita- Bio-stimulant for plant growth. While they intend to launch Tomatough which is a health booster in 3QFY23.

Aggressively pursuing horticulture under ‘Jivagro’ brand- launched 13 new products in FY22; with 5 new innovative products to be launched in FY23.

Order book: CSM order book position increased by USD400mn (+29% YoY and QoQ) to USD1.8bn, largely towards the agri portfolio led by increased demand for some of their existing molecules.

Capex: Spent Rs1.20bn in 1HFY23 as against Rs1.6bn in 1HFY22. While overall capex for FY23 revised upwards to RS7bn as against Rs6.5bn earlier.

Cash balance: PI has cash (net of debt) of INR23.21bn (which includes the QIP money of Rs20bn raised in July'20).

RM Inventory on the higher side at Rs16.1bn, up 22% YoY led by robust demand scenario globally and ensure continued supply amid supply chain disruptions globally.

Pharma acquisition: PI is exploring opportunity for in-organic growth both into the domestic as well into the exports market which is expected to close in the next couple of quarters.

Guidance: PI Industries remains confident to achieve revenue growth of +20% for FY23. Despite cost related headwinds, the company has taken price hikes both in the domestic and CSM segment to pass on the inflated cost which should support margins going forward. Tax rate is likely to remain in the range of 16-17% for FY23E. While capex for FY23E has been marginally upwards by Rs500mn to Rs7.0bn (from Rs6.5bn earlier) for FY23E.

Exhibit 1: Q2FY23 Result Overview (Rs mn)

Y/e March	2QFY23	2QFY22	YoY gr. (%)	1QFY23	QoQ gr. (%)	H1FY23	H1FY22	YoY gr. (%)
Revenues	17,700	13,542	30.7	15,432	14.7	33,132	25,480	30.0
Raw material	9,697	7,443	30.3	8,666	11.9	18,363	14,157	29.7
Staff costs	1,342	1,220	10.0	1,246	7.7	2,588	2,410	7.4
Others	2,342	1,959	19.6	2,064	13.5	4,406	3,504	25.7
Total expenditure	13,381	10,622	26.0	11,976	11.7	25,357	20,071	26.3
EBITDA	4,319	2,920	47.9	3,456	25.0	7,775	5,409	43.7
Depreciation	560	492	13.8	560	0.0	1,120	979	14.4
EBIT	3,759	2,428	54.8	2,896	29.8	6,655	4,430	50.2
Less: Interest Expense	111	34	226.5	36	208.3	147	68	116.2
Add: Other income	317	277	14.4	241	31.5	558	554	0.7
Profit Before Tax	3,965	2,671	48.4	3,101	27.9	7,066	4,916	43.7
Less: Provision for Tax	629	370	70.0	516	21.9	1,145	775	47.7
Less: Minority Interest	12	-5	(340.0)	39	(69.2)	51	27	
Adjusted Profit	3,348	2,296	45.8	2,624	27.6	5,972	4,168	43.3
Add: Exceptional items	-	-	NA	-	NA	-	-	
Reported profit	3,348	2,296	45.8	2,624	27.6	5,972	4,168	43.3
Minority interest	12	-5		39		51	27	
No. of Diluted shares outstanding (mn)	152	152		152		153	152	
Adjusted Diluted EPS	22.1	15.2	45.8	17.3	27.6	39.2	27.5	
As % of net revenues								
Raw material	54.8	55.0		56.2		119.0	91.7	
Staff expenses	7.6	9.0		8.1		16.8	15.6	
Other expenses	13.2	14.5		13.4		28.6	22.7	
EBITDA	24.4	21.6		22.4		50.4	35.1	
Net profit	18.9	17.0		17.0		18.0	16.4	

Source: Company, PL

Exhibit 2: Quarterly CSM Revenue and Growth Trend

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
CSM Revenue	6,390	6,440	6,830	6,140	7,990	9,020	10,060	8,070	9,930	10,760	11,142	11,421	12,783
Growth YoY (%)	58.4	19.3	13.6	22.6	25.0	40.1	47.3	31.4	24.3	19.3	10.8	41.5	28.7

Source: Company, PL

Exhibit 3: Quarterly Domestic Revenue and Growth Trend

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Domestic Revenue	2,684	2,058	1,722	4,461	3,587	2,601	1,911	3,868	3,610	2,803	2,810	4,011	4,917
Growth YoY(%)	(16.0)	22.9	(15.5)	76.3	33.6	26.4	11.0	(13.3)	0.6	7.8	47.0	3.7	36.2

Source: Company, PL

Exhibit 4: Quarterly EBITDA & EBITDA Margin

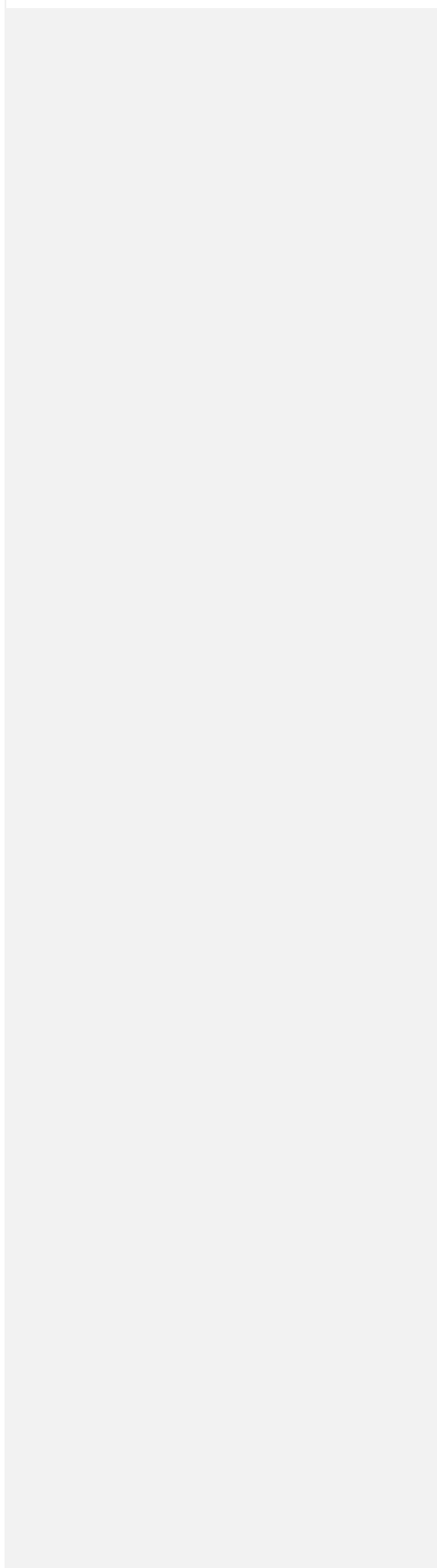
	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
EBITDA (INR Mn)	1,925	1,865	1,863	2,292	2,801	2,755	2,274	2,489	2,920	2,965	3,050	3,456	4,319
EBITDA Margin(%)	21.2	21.9	21.8	21.6	24.2	23.7	19.0	20.8	21.6	21.9	21.9	22.4	24.4

Source: Company, PL

Exhibit 5: Quarterly CSM Order book and Quarterly Growth Trend

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
CSM Order book (USD Mn)	1,400	1,400	1,500	1,500	1,500	1,500	1,500	1,500	1,400	1,400	1,400	1,400	1,800
Growth QoQ (%)	-	-	7.1	-	-	-	-	-	(6.7)	-	-	-	28.6

Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	52,995	66,513	78,655	92,933
YoY gr. (%)	15.8	25.5	18.3	18.2
Cost of Goods Sold	29,228	36,607	42,681	50,279
Gross Profit	23,767	29,905	35,974	42,655
Margin (%)	44.8	45.0	45.7	45.9
Employee Cost	4,804	5,335	6,892	8,043
Other Expenses	7,539	9,210	10,588	12,595
EBITDA	11,424	15,361	18,495	22,016
YoY gr. (%)	12.9	34.5	20.4	19.0
Margin (%)	21.6	23.1	23.5	23.7
Depreciation and Amortization	2,018	2,451	2,840	3,124
EBIT	9,406	12,910	15,655	18,893
Margin (%)	17.7	19.4	19.9	20.3
Net Interest	128	221	136	137
Other Income	1,014	1,064	1,221	1,342
Profit Before Tax	10,292	13,753	16,741	20,098
Margin (%)	19.4	20.7	21.3	21.6
Total Tax	1,890	2,347	3,021	3,626
Effective tax rate (%)	18.4	17.1	18.0	18.0
Profit after tax	8,402	11,406	13,720	16,472
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	8,402	11,406	13,720	16,472
YoY gr. (%)	14.5	35.8	20.3	20.1
Margin (%)	15.9	17.1	17.4	17.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,402	11,406	13,720	16,472
YoY gr. (%)	14.5	35.8	20.3	20.1
Margin (%)	15.9	17.1	17.4	17.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,402	11,406	13,720	16,472
Equity Shares O/s (m)	152	152	152	152
EPS (Rs)	55.5	75.3	90.5	108.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	32,531	39,931	43,981	48,032
Tangibles	31,336	38,386	42,436	46,487
Intangibles	1,195	1,545	1,545	1,545
Acc: Dep / Amortization	8,006	10,457	13,297	16,421
Tangibles	8,006	10,457	13,297	16,421
Intangibles	-	-	-	-
Net fixed assets	24,525	29,474	30,684	31,611
Tangibles	23,330	27,929	29,139	30,066
Intangibles	1,195	1,545	1,545	1,545
Capital Work In Progress	1,145	1,213	1,214	1,215
Goodwill	-	-	-	-
Non-Current Investments	258	458	658	858
Net Deferred tax assets	(875)	(875)	(875)	(875)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	8,547	8,547	8,547	8,547
Inventories	14,234	12,834	13,850	16,335
Trade receivables	8,687	10,976	12,987	15,349
Cash & Bank Balance	14,102	19,217	27,222	36,351
Other Current Assets	2,391	2,391	2,391	2,391
Total Assets	77,911	89,132	1,01,575	1,16,679
Equity				
Equity Share Capital	152	152	152	152
Other Equity	61,052	71,272	83,715	98,819
Total Networkth	61,204	71,424	83,867	98,970
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,699	-	-	-
Trade payables	9,242	9,804	11,438	13,247
Other current liabilities	357	2,495	861	(948)
Total Equity & Liabilities	76,447	87,668	1,00,111	1,15,214

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	10,328	13,753	16,741	20,098
Add. Depreciation	2,018	2,451	2,840	3,124
Add. Interest	128	221	136	137
Less Financial Other Income	1,014	1,064	1,221	1,342
Add. Other	(160)	(1,064)	(1,221)	(1,342)
Op. profit before WC changes	12,314	15,361	18,495	22,016
Net Changes-WC	(5,276)	1,811	(3,027)	(4,847)
Direct tax	(1,751)	(2,347)	(3,021)	(3,626)
Net cash from Op. activities	5,287	14,824	12,447	13,544
Capital expenditures	(3,362)	(7,468)	(4,051)	(4,052)
Interest / Dividend Income	-	1,064	1,221	1,342
Others	2,258	(200)	(200)	(200)
Net Cash from Invt. activities	(1,104)	(6,604)	(3,030)	(2,910)
Issue of share cap. / premium	-	-	-	-
Debt changes	(720)	(1,699)	-	-
Dividend paid	(758)	(1,186)	(1,277)	(1,368)
Interest paid	(85)	(221)	(136)	(137)
Others	(210)	10,296	-	-
Net cash from Fin. activities	(1,773)	7,191	(1,412)	(1,505)
Net change in cash	2,410	15,411	8,005	9,129
Free Cash Flow	1,916	7,356	8,396	9,492

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Net Revenue	13,563	13,952	15,432	17,700
YoY gr. (%)	16.7	16.5	29.3	30.7
Raw Material Expenses	7,267	7,804	8,666	9,697
Gross Profit	6,296	6,148	6,766	8,003
Margin (%)	46.4	44.1	43.8	45.2
EBITDA	2,965	3,050	3,456	4,319
YoY gr. (%)	7.6	34.1	38.9	47.9
Margin (%)	21.9	21.9	22.4	24.4
Depreciation / Depletion	503	536	560	560
EBIT	2,462	2,514	2,896	3,759
Margin (%)	18.2	18.0	18.8	21.2
Net Interest	33	27	36	111
Other Income	260	200	241	317
Profit before Tax	2,689	2,687	3,101	3,965
Margin (%)	19.8	19.3	20.1	22.4
Total Tax	466	649	516	629
Effective tax rate (%)	17.3	24.2	16.6	15.9
Profit after Tax	2,223	2,038	2,585	3,336
Minority interest	3	(6)	(39)	(12)
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,220	2,044	2,624	3,348
YoY gr. (%)	13.4	13.6	45.1	45.2
Margin (%)	16.4	14.7	17.0	18.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,220	2,044	2,624	3,348
YoY gr. (%)	13.4	13.6	45.1	45.2
Margin (%)	16.4	14.7	17.0	18.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,220	2,044	2,624	3,348
Avg. Shares O/s (m)	152	152	152	152
EPS (Rs)	14.7	13.5	17.3	22.1

Source: Company Data, PL Research

Key Financial Metrics

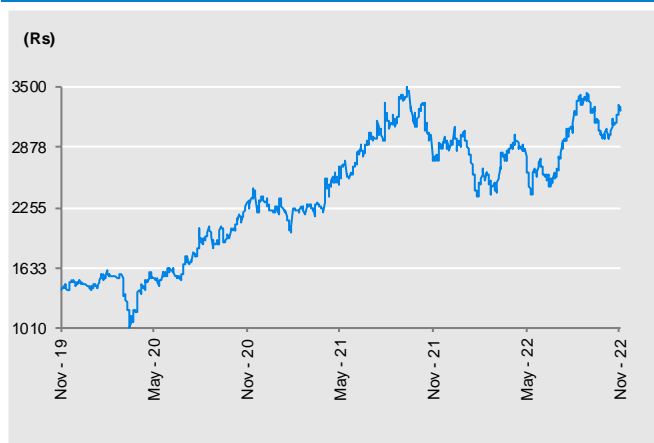
Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	55.5	75.3	90.5	108.7
CEPS	68.8	91.5	109.3	129.3
BVPS	403.9	471.4	553.5	653.2
FCF	12.6	48.6	55.4	62.6
DPS	5.0	7.8	8.4	9.0
Return Ratio(%)				
RoCE	15.8	19.2	20.2	20.7
ROIC	20.9	27.2	30.6	33.3
RoE	14.7	17.2	17.7	18.0
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.4)	(0.5)
Net Working Capital (Days)	94	77	71	72
Valuation(x)				
PER	65.3	48.1	40.0	33.3
P/B	9.0	7.7	6.5	5.5
P/CEPS	52.7	39.6	33.2	28.0
EV/EBITDA	46.2	33.9	27.8	22.9
EV/Sales	10.0	7.8	6.5	5.4
Dividend Yield (%)	0.1	0.2	0.2	0.2

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Revenues				
CSM	39,259	51,037	61,244	73,493
Domestic	11,096	12,871	14,416	16,146

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Oct-22	BUY	3,450	2,956
2	04-Aug-22	BUY	3,450	3,028
3	04-Jul-22	BUY	3,340	2,581
4	22-Jun-22	BUY	3,340	2,485
5	18-May-22	BUY	3,340	2,630
6	08-Apr-22	BUY	3,340	2,858
7	07-Feb-22	BUY	3,400	2,552
8	12-Jan-22	BUY	3,470	2,887
9	27-Dec-21	BUY	3,470	2,903

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	5,650	4,803
2	Chambal Fertilizers & Chemicals	BUY	410	308
3	Coromandel International	BUY	1,200	953
4	Dhanuka Agritech	BUY	940	728
5	Godrej Agrovet	Accumulate	570	520
6	Insecticides India	Hold	700	739
7	P.I. Industries	BUY	3,450	2,956
8	Rallis India	BUY	250	226
9	Sharda Cropchem	BUY	660	446
10	Sumitomo Chemical India	BUY	610	493
11	UPL	BUY	1,070	717

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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