

August 10, 2023

Q1FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	4,850		4,560	
Sales (Rs. m)	81,499	95,534	79,458	94,100
% Chng.	2.6	1.5		
EBITDA (Rs. m)	19,523	23,551	18,407	22,256
% Chng.	6.1	5.8		
EPS (Rs.)	101.8	121.3	95.3	114.0
% Chng.	6.8	6.4		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	52,995	64,920	81,499	95,534
EBITDA (Rs. m)	11,424	15,421	19,523	23,551
Margin (%)	21.6	23.8	24.0	24.7
PAT (Rs. m)	8,402	12,227	15,426	18,380
EPS (Rs.)	55.5	80.7	101.8	121.3
Gr. (%)	81.7	45.5	26.2	19.1
DPS (Rs.)	5.0	7.5	8.4	9.0
Yield (%)	0.1	0.2	0.2	0.2
RoE (%)	14.7	18.4	19.5	19.4
RoCE (%)	15.7	19.4	21.3	21.5
EV/Sales (x)	10.7	8.6	6.9	5.8
EV/EBITDA (x)	49.7	36.0	29.0	23.6
PE (x)	69.9	48.0	38.1	32.0
P/BV (x)	9.6	8.2	6.8	5.7

Key Data

PIIL.BO | PI IN

52-W High / Low	Rs.4,011 / Rs.2,869
Sensex / Nifty	65,688 / 19,543
Market Cap	Rs.588bn/ \$ 7,112m
Shares Outstanding	152m
3M Avg. Daily Value	Rs.1203.3m

Shareholding Pattern (%)

Promoter's	46.08
Foreign	19.17
Domestic Institution	23.80
Public & Others	10.95
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.4	23.7	18.3
Relative	4.8	14.3	6.0

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P.I. Industries (PI IN)

Rating: BUY | CMP: Rs3,877 | TP: Rs4,850

Absolute outperformance...!!

Quick Pointers:

- CSM/domestic revenue growth of +33%/-13% YoY respectively.
- CSM order book at USD1.8bn (+29% YoY and flat QoQ).

PI Industries (PI) 1QFY24 results were better than our and consensus estimates with Revenue/EBITDA/PAT growth of 24%/35%/46% YoY (PLe 17%/21%/22% YoY) led by robust performance in the exports segment. CSM revenues were up 37% YoY to Rs15.6bn (Excl. Pharma revenue of Rs443mn at Rs15.2bn up 33% YoY) (PLe Rs13.93bn) (Volume/Price growth of 29%/4%). Domestic revenues remained subdued and were down 13% YoY to Rs3.47bn (PLe Rs4.1bn), as focus was largely towards efficient WC management than that of volume growth. Gross margin improvement of 270bps YoY to 46.5% was partially offset by higher opex & one-off expense pertaining to pharma business restricting EBITDA margin expansion of 210bps YoY to 24.5% YoY (PLe23.2%). CSM order book position stood at USD1.8bn (+29% YoY and flat sequentially). Citing robust demand momentum, PI continues to guide revenue growth of 18-20% YoY along with consistent margin improvement primarily driven by strong enquiries in CSM business and new launches in domestic segment. The twin pharma acquisition announced recently (in April'23) is also anticipated to support overall growth (target revenue of Rs5bn in FY24E). We increase our EPS estimates for FY24/25E by 6% each factoring in robust performance in 1Q'24 and expect Revenue/PAT CAGR of 21%/23% (FY11-23, 20%/28%) over FY23-25E. Maintain 'BUY' with revised TP of Rs4,850 (earlier Rs4,560) based on 40x FY25 EPS.

Demand traction in exports drives overall performance: Consolidated revenues were up 24% YoY to Rs19.1bn (PLe Rs18.1bn) led by +33%/-13% YoY growth in CSM/domestic revenues. Exports revenues were up 37% YoY to Rs15.6bn (Excl. Pharma revenue of Rs443mn at Rs15.2bn up 33% YoY) (PLe Rs13.93bn). Domestic revenues remained subdued and were down 13% YoY to Rs3.47bn (PLe Rs4.1bn). Favorable product mix coupled with contribution of Pharma business (GM's of 75%) have resulted into gross margin expansion of 270bps YoY to 46.5%; while higher opex led by increased volumes in CSM and overheads & One-off related to pharma business has restricted EBITDA margin expansion of 210bps YoY at 24.5%. PAT increased by 46% YoY to Rs3.8bn (PLe Rs3.2bn).

Focus on operational excellence to unlock value and efficiencies: PI has identified capacity enhancement for 13 molecules in CSM business (overall capacity enhancement of ~10% YoY). Further, 16 products have achieved highest monthly production in 1QFY24.

Remains confident of achieving 18-20% revenue growth: PI maintained its guidance to achieve revenue growth of 18-20% for next few years with improvement in margins led by better operating leverage and ramping up of new products.

Other Highlights

1 new product commercialized in CSM segment: PI commercialized 1 new molecule during 1QFY24, while 4-5 more products are planned on getting commercialized in FY24. PI has more than 40 products at different stages of scale up in the CSM segment. Further, the R&D pipeline has >25% products from 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 1 new product in the domestic market in 1QFY24. EKETSU – Herbicide with excellent weed control for rice crop. Additionally, the company has >17 new products at different stages of development and registration in the domestic market and planning to launch 5 innovative products in FY24.

CSM order book remains healthy at USD1.8bn: CSM order book position stood at USD1.8bn (+29% YoY and flat sequentially) largely towards agri portfolio led by increased demand for some of their existing molecules.

Capex: Spent Rs6.5bn (incl. Rs5.3bn towards pharma assets acquired); organic capex stood at Rs1.24bn in 1QFY24 v/s Rs506mn last year; key focus would be of driving higher utilization by improving throughput in CSM business. Overall capex guidance for FY24E stood at Rs8.5-9bn for agri business, while the management alluded for another USD10-12mn to be spent towards the pharma business in FY24E.

Cash balance: Net cash stood at Rs28.06bn(Incl. QIP proceeds of balance Rs11.3bn; utilised Rs8.4bn till date).

Reduction in WC days: Trade WC reduced to 83 days as against 102 days. Subsequently, cash flow from operations have increased by 60% YoY to Rs3.5bn excluding pharma (Including pharma it stood at Rs3.03bn) as against Rs1.9bn in 1QFY23.

Contribution of revenue from pharmaceutical acquisition: Archimica (started contributing from 27th April'23) of Rs374mn and Therachem (from 2nd June'23) of Rs69mn. Gross margins stood at 75%; however one-time acquisition, integration and business setup cost of Rs120mn has in-turn resulted into an EBITDA loss of Rs54mn during 1QFY24.

Exhibit 1: Q1FY24 Result Overview (Rs mn)

Y/e March	1QFY24	1QFY23	YoY gr. (%)	4QFY23	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
Revenues	19,104	15,432	23.8	15,656	22.0	79,458	64,920	22.4
Raw material	10,218	8,666	17.9	8,639	18.3	44,524	35,527	25.3
Staff costs	1,735	1,246	39.2	1,345	29.0	6,396	5,266	21.5
Others	2,473	2,064	19.8	2,244	10.2	10,132	8,706	16.4
Total expenditure	14,426	11,976	20.5	12,228	18.0	61,052	49,499	23.3
EBITDA	4,678	3,456	35.4	3,428	36.5	18,407	15,421	19.4
Depreciation	697	560	24.5	577	20.8	2,761	2,265	21.9
EBIT	3,981	2,896	37.5	2,851	39.6	15,646	13,156	18.9
Less: Interest Expense	43	36	19.4	33	30.3	68	371	(81.6)
Add: Other income	469	241	94.6	495	(5.3)	1,622	1,590	2.0
Profit Before Tax	4,407	3,101	42.1	3,313	33.0	17,200	14,375	19.6
Less: Provision for Tax	625	516	21.1	519	20.4	2,754	2,148	28.2
Less: Minority Interest	47	39	20.5	12	291.7	-	-	
Adjusted Profit	3,829	2,624	45.9	2,806	36.5	14,445	12,227	18.1
Add: Exceptional items	-	-	NA	-	NA	-	-	
Reported profit	3,829	2,624	45.9	2,806	36.5	14,445	12,227	18.1
Minority interest	47	39		12				
No. of Diluted shares outstanding (mn)	152	152		152		152	152	
Adjusted Diluted EPS	25.3	17.3	45.9	18.5	36.5	95.3	80.7	18.1
As % of net revenues								
Raw material	53.5	56.2		55.2		56.0	54.7	
Staff expenses	9.1	8.1		8.6		8.0	8.1	
Other expenses	12.9	13.4		14.3		12.8	13.4	
EBITDA	24.5	22.4		21.9		23.2	23.8	
Net profit	20.0	17.0		17.9		18.2	18.8	

Source: Company, PL

Exhibit 2: CSM business continues to post double digit revenue growth

(Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
CSM Revenue	6,140	7,990	9,020	10,060	8,070	9,930	10,763	11,142	11,421	12,783	13,286	12,814	15,187
YoY gr. (%)	22.6	25.0	40.1	47.3	31.4	24.3	19.3	10.8	41.5	28.7	23.4	15.0	33.0

Source: Company, PL

Exhibit 3: Domestic revenues declined largely led by delayed monsoon and higher channel inventory

(Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Domestic Revenue	4,461	3,587	2,601	1,911	3,868	3,610	2,800	2,810	4,011	4,917	2,846	2,842	3,474
YoY gr. (%)	76.3	33.6	26.4	11.0	(13.3)	0.6	7.7	47.0	3.7	36.2	1.6	1.1	(13.4)

Source: Company, PL

Exhibit 4: EBITDA margins up 210bps YoY at 24.5%

(Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
EBITDA	2,292	2,801	2,755	2,274	2,489	2,920	2,965	3,050	3,456	4,319	4,151	3,428	4,678
Margin (%)	21.6	24.2	23.7	19.0	20.8	21.6	21.9	21.9	22.4	24.4	25.7	21.9	24.5

Source: Company, PL

Exhibit 5: CSM Order book of USD1.8bn; proving healthy revenue visibility for the next few years

(USD mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
CSM Order book	1,500	1,500	1,500	1,500	1,500	1,400	1,400	1,400	1,400	1,800	1,800	1,800	1,800
QoQ gr. (%)	-	-	-	-	-	(6.7)	-	-	-	28.6	-	-	-

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	52,995	64,920	81,499	95,534
YoY gr. (%)	15.8	22.5	25.5	17.2
Cost of Goods Sold	29,228	35,527	45,034	52,126
Gross Profit	23,767	29,393	36,464	43,408
Margin (%)	44.8	45.3	44.7	45.4
Employee Cost	4,804	5,266	6,538	7,836
Other Expenses	7,539	8,706	10,403	12,021
EBITDA	11,424	15,421	19,523	23,551
YoY gr. (%)	54.2	35.0	26.6	20.6
Margin (%)	21.6	23.8	24.0	24.7
Depreciation and Amortization	2,018	2,265	2,700	3,232
EBIT	9,406	13,156	16,823	20,319
Margin (%)	17.7	20.3	20.6	21.3
Net Interest	128	371	68	72
Other Income	1,014	1,590	1,622	1,654
Profit Before Tax	10,292	14,375	18,376	21,901
Margin (%)	19.4	22.1	22.5	22.9
Total Tax	1,890	2,148	2,950	3,521
Effective tax rate (%)	18.4	14.9	16.1	16.1
Profit after tax	8,402	12,227	15,426	18,380
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	8,402	12,227	15,426	18,380
YoY gr. (%)	81.7	45.5	26.2	19.1
Margin (%)	15.9	18.8	18.9	19.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,402	12,227	15,426	18,380
YoY gr. (%)	81.7	45.5	26.2	19.1
Margin (%)	15.9	18.8	18.9	19.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,402	12,227	15,426	18,380
Equity Shares O/s (m)	152	152	152	152
EPS (Rs)	55.5	80.7	101.8	121.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	32,531	36,326	46,409	52,460
Tangibles	31,336	35,215	44,765	50,816
Intangibles	1,195	1,111	1,644	1,644
Acc: Dep / Amortization	8,006	10,271	12,971	16,204
Tangibles	8,006	10,271	12,971	16,204
Intangibles	-	-	-	-
Net fixed assets	24,525	26,055	33,438	36,256
Tangibles	23,330	24,944	31,794	34,612
Intangibles	1,195	1,111	1,644	1,644
Capital Work In Progress	1,145	1,324	1,185	1,186
Goodwill	-	-	-	-
Non-Current Investments	258	55	255	455
Net Deferred tax assets	(875)	(213)	(213)	(213)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	8,547	9,843	9,843	9,843
Inventories	14,234	13,976	14,641	16,961
Trade receivables	8,687	7,720	13,452	15,774
Cash & Bank Balance	14,102	22,429	12,232	21,583
Other Current Assets	2,391	1,939	1,939	1,939
Total Assets	77,911	84,797	88,441	1,05,453
Equity				
Equity Share Capital	152	152	152	152
Other Equity	61,052	71,833	85,982	1,02,994
Total Network	61,204	71,985	86,134	1,03,145
Non-Current Liabilities				
Long Term borrowings	979	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,699	-	-	-
Trade payables	9,242	8,380	12,142	13,804
Other current liabilities	357	381	(484)	(2,146)
Total Equity & Liabilities	77,426	84,797	1,01,843	1,18,854

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	10,328	14,443	18,376	21,901
Add. Depreciation	2,018	2,265	2,700	3,232
Add. Interest	128	371	68	72
Less Financial Other Income	1,014	1,590	1,622	1,654
Add. Other	(160)	(1,557)	(1,622)	(1,654)
Op. profit before WC changes	12,314	15,522	19,523	23,551
Net Changes-WC	(5,276)	2,050	(3,500)	(4,641)
Direct tax	(1,751)	(2,558)	(2,950)	(3,521)
Net cash from Op. activities	5,287	15,014	13,073	15,389
Capital expenditures	(3,362)	(3,225)	(9,944)	(6,052)
Interest / Dividend Income	-	-	1,622	1,654
Others	2,258	(1,737)	(200)	(200)
Net Cash from Invt. activities	(1,104)	(4,962)	(8,522)	(4,598)
Issue of share cap. / premium	-	-	-	-
Debt changes	(720)	(2,669)	-	-
Dividend paid	(758)	(1,137)	(1,277)	(1,368)
Interest paid	(85)	(342)	(68)	(72)
Others	(210)	(683)	-	-
Net cash from Fin. activities	(1,773)	(4,831)	(1,345)	(1,440)
Net change in cash	2,410	5,221	3,205	9,351
Free Cash Flow	1,916	11,751	3,129	9,337

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	17,700	16,132	15,656	19,104
YoY gr. (%)	30.7	18.9	12.2	23.8
Raw Material Expenses	9,697	8,525	8,639	10,218
Gross Profit	8,003	7,607	7,017	8,886
Margin (%)	45.2	47.2	44.8	46.5
EBITDA	4,319	4,151	3,428	4,678
YoY gr. (%)	47.9	40.0	12.4	35.4
Margin (%)	24.4	25.7	21.9	24.5
Depreciation / Depletion	560	567	577	697
EBIT	3,759	3,584	2,851	3,981
Margin (%)	21.2	22.2	18.2	20.8
Net Interest	111	89	33	43
Other Income	317	502	495	469
Profit before Tax	3,965	3,997	3,313	4,407
Margin (%)	22.4	24.8	21.2	23.1
Total Tax	629	484	519	625
Effective tax rate (%)	15.9	12.1	15.7	14.2
Profit after Tax	3,336	3,513	2,794	3,782
Minority interest	(12)	(5)	(12)	(47)
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,348	3,518	2,806	3,829
YoY gr. (%)	45.2	58.5	37.3	45.9
Margin (%)	18.9	21.8	17.9	20.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,348	3,518	2,806	3,829
YoY gr. (%)	45.2	58.5	37.3	45.9
Margin (%)	18.9	21.8	17.9	20.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,348	3,518	2,806	3,829
Avg. Shares O/s (m)	152	152	152	152
EPS (Rs)	22.1	23.2	18.5	25.3

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	55.5	80.7	101.8	121.3
CEPS	68.8	95.6	119.6	142.6
BVPS	403.9	475.1	568.5	680.8
FCF	12.6	77.6	20.6	61.6
DPS	5.0	7.5	8.4	9.0
Return Ratio(%)				
RoCE	15.7	19.4	21.3	21.5
ROIC	20.6	31.4	24.8	27.0
RoE	14.7	18.4	19.5	19.4
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.3)	(0.3)
Net Working Capital (Days)	94	75	71	72
Valuation(x)				
PER	69.9	48.0	38.1	32.0
P/B	9.6	8.2	6.8	5.7
P/CEPS	56.4	40.5	32.4	27.2
EV/EBITDA	49.7	36.0	29.0	23.6
EV/Sales	10.7	8.6	6.9	5.8
Dividend Yield (%)	0.1	0.2	0.2	0.2

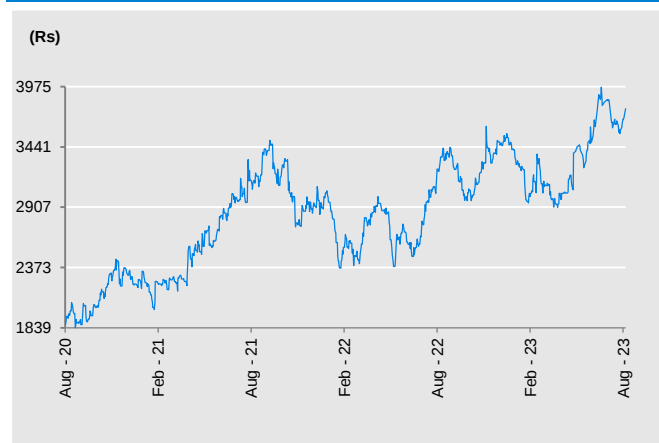
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Revenues				
CSM	39,902	50,304	58,856	70,627
Domestic	13,093	14,616	19,762	21,738

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	BUY	4,560	3,857
2	19-May-23	BUY	4,560	3,274
3	28-Apr-23	BUY	4,530	3,385
4	11-Apr-23	BUY	4,500	3,030
5	15-Feb-23	BUY	4,500	3,122
6	05-Jan-23	BUY	4,350	3,328
7	09-Nov-22	BUY	4,350	3,624
8	04-Oct-22	BUY	3,450	2,956

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	4,720	4,593
2	Chambal Fertilizers & Chemicals	Hold	300	275
3	Coromandel International	BUY	1,330	980
4	Dhanuka Agritech	BUY	950	746
5	Godrej Agrovet	Hold	420	464
6	Insecticides India	Accumulate	550	448
7	P.I. Industries	BUY	4,560	3,857
8	Rallis India	Reduce	180	221
9	Sharda Cropchem	Accumulate	540	481
10	Sumitomo Chemical India	BUY	500	413
11	UPL	Hold	650	625

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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