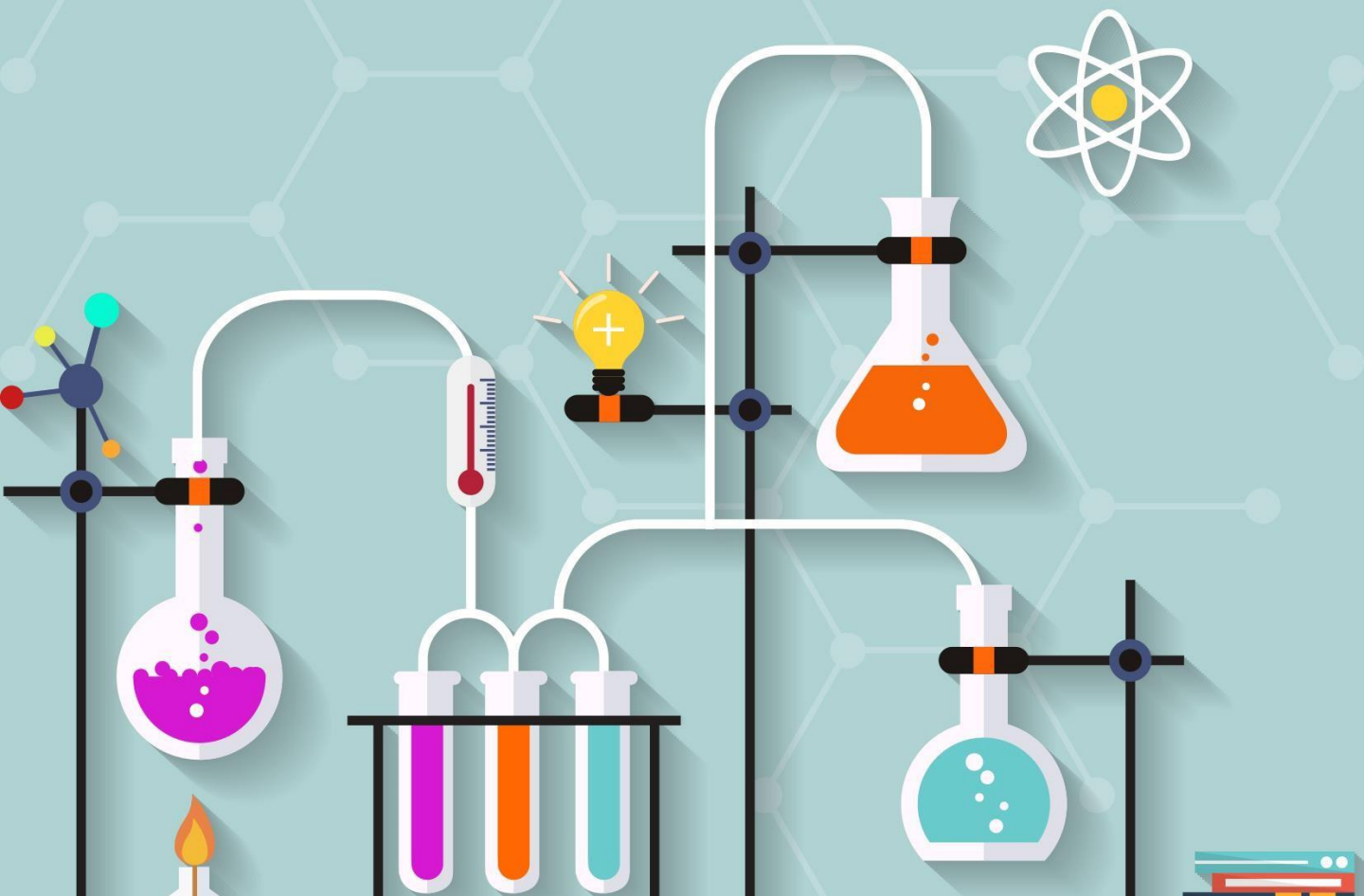


PI Industries Ltd

Q3FY25



PI Industries Ltd.

Inventory destocking and pricing pressure weighs on performance

CMP INR 3,524	Target INR 3,865	Potential Upside 9.7%	Market Cap (INR Mn) 534,655	Recommendation ACCUMULATE	Sector Agro-Chemicals
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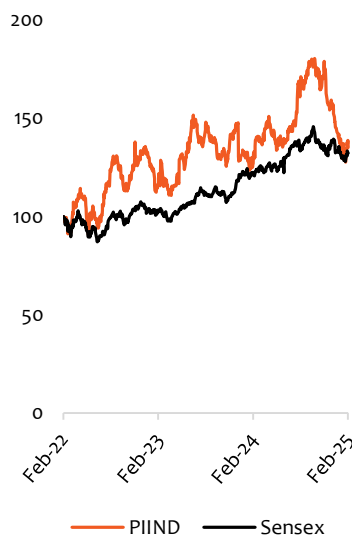
Result Highlights of Q3FY25:

- PI Industries' revenue missed our estimates due to weak performance in exports. EBITDA missed due to miss in revenue and higher-than-expected other expenses. Adj. PAT missed due to higher-than-expected depreciation expenses.
- We decrease our FY26E/FY27E EPS estimates by 8.8% and 8.6% to INR 128.3 and INR 148.7 respectively, due to continued industry-wide destocking, slow recovery in key markets like Brazil, and Europe. Looking ahead, PI Industries remains cautious, acknowledging the uncertain global outlook, ongoing tariff concerns, and inventory-related disruptions in the near term.
- We roll over our valuation multiple to FY27E and assign a PE multiple of 26.0x to arrive at a target price of INR 3,865 (previously: INR 4,922) reflecting gradual recovery in export demand from H2CY25E, and persistent pricing pressure in domestic business. Therefore, we downgrade to "ACCUMULATE" from "BUY" rating.

MARKET DATA

Shares outs (Mn)	152
Mkt Cap (INR Mn)	534,655
52 Wk H/L (INR)	4,804/3,228
Volume Avg (3m K)	333
Face Value (INR)	1
Bloomberg Code	PI IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	77,312
NIFTY	23,382

KEY FINANCIALS

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenues	64,920	76,658	79,901	90,016	102,106
EBITDA	15,550	20,315	22,397	25,881	29,713
Adj. PAT	12,295	16,815	16,924	19,461	22,555
Adj. EPS	81.0	110.8	111.6	128.3	148.7
EBITDA Margin	24.0%	26.5%	28.0%	28.8%	29.1%
Adj. PAT margin	18.9%	21.9%	21.2%	21.6%	22.1%

Source: Company, Devan Choksey Research

Exports drag overall revenue growth; Domestic sales see a recovery

- For Q3FY25, the revenue increased 0.2% YoY (-14.4% QoQ) to INR 19,008 Mn, the muted growth was due to weak growth in the Exports segment.
- Revenue from the Exports (85.2% of revenue) segment declined 0.7% YoY (-8.0% QoQ) to INR 16,202 Mn, mainly due to price reductions in the generics space, slower demand for older products, and legacy product inventory pressures.
- Pharma which is a part of exports (4.0% of exports) declined by 49.1% YoY (+57.7% QoQ) to INR 648 Mn, due to a strategic transition to a CRDMO (Contract Research and Development & Manufacturing Organization) model, order delays and slower market demand.
- Revenue from the Domestic (14.8% of revenue) segment grew 5.3% YoY (-39.0% QoQ) to INR 2,806 Mn, led by strong volume growth (+7.0% YoY), biologicals product category within the domestic segment saw ~20.0% YoY revenue growth.
- Additionally, the company launched six new products under its domestic Agri Brands and enhanced its product portfolio.

Gross margin compression and rising overheads impact profitability

- Gross margin contracted 85 bps YoY (+94 bps QoQ) to 52.7%, due to unfavourable product mix and pricing pressure.
- EBITDA decreased 7.5% YoY (-18.5% QoQ) to INR 5,120 Mn, EBITDA margin contracted 224 bps YoY (-135 bps QoQ) to 26.9%, primarily due to higher overheads and promotional expenses, gross margin contraction, and increased investment in R&D and talent acquisition.
- Adj. Net profit decreased 16.9% YoY (-26.7% QoQ) to INR 3,727 Mn, Adj. PAT margin contracted 403 bps YoY (-327 bps QoQ) to 19.6%, impacted by an increase in ETR (Effective Tax Rate) to 22.5% from 14.7% in Q3FY24.

SHARE HOLDING PATTERN (%)

Particulars	Dec-24	Sept-24	Jun-24
Promoters	46.1	46.1	46.1
FIIIs	18.5	19.0	18.7
DIIIs	27.2	26.4	25.9
Others	8.2	8.5	9.3
Total	100	100	100

Note: All the market data is as of previous closing

10.0%

Revenue CAGR between FY24
and FY27E

10.3%

Adj. PAT CAGR between FY24
and FY27E

PI Industries Ltd.

Key Concall Highlights:

- The company will provide **better visibility** on **FY26E** performance **after Q4FY25E**, due to current **uncertainties in the global situation, tariff, and industry inventory scenario**.
- The **global crop protection industry** is undergoing a **downturn**, but mid-to-long-term trends remain positive.
- Inventory levels have come to **normalization in certain markets**, but **certain products still face inventory destocking**, particularly in the generic category.
- **Slow recovery in key markets like Brazil and Europe**, where regulatory and economic factors influenced agrochemical demand.
- Expansion of **biologicals into new global markets** (U.S., Mexico, Brazil, UK) will drive export growth.
- The company expects **Pharma revenues to accelerate in Q4FY25E and FY26E** as new contracts are executed.
- While the short-term outlook is cautious, PI expects **export demand to improve in H2CY25E**, benefiting from **inventory normalization and recovery in key global markets**.
- **India's agrochemical sector** is experiencing **pricing pressure in the generic segment**, impacting demand.
- **Higher reservoir levels and stable commodity prices** are expected to drive agricultural demand, benefiting PI's domestic business.
- The company expects **continued demand improvement in H1FY26E**, as inventory levels normalize. PI plans to **expand biologicals across new geographies in India** and leverage its innovative technology platform.
- The company expects **stable growth** in the domestic market, supported by **portfolio expansion and inventory normalization** in the next few quarters.
- Margins are expected to improve over time, particularly with the development of CRDMO projects, such as CRO and early CDMO projects. **Expansion of high-margin segments** (biologicals, pharma CRDMO, and specialty products) will help mitigate pricing pressure in generics.

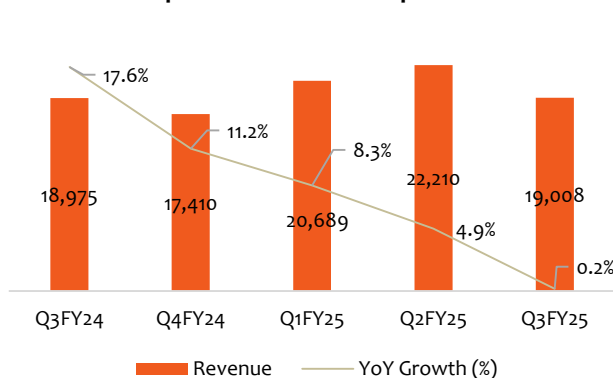
Valuation and view:

PI Industries reported muted revenue growth in Q3FY25, primarily impacted by weak performance in the exports segment. The decline in export revenue was driven by price reductions in the generics space, slower demand for older products, and continued inventory pressures in legacy categories. While the domestic business showed some resilience, with biologicals posting strong growth. Margins remained under pressure, with gross margin contraction due to an unfavourable product mix and pricing headwinds. EBITDA declined as higher overheads, increased promotional expenses, and elevated R&D investments. The net profit decline was further aggravated by a higher effective tax rate, adding to the strain on earnings.

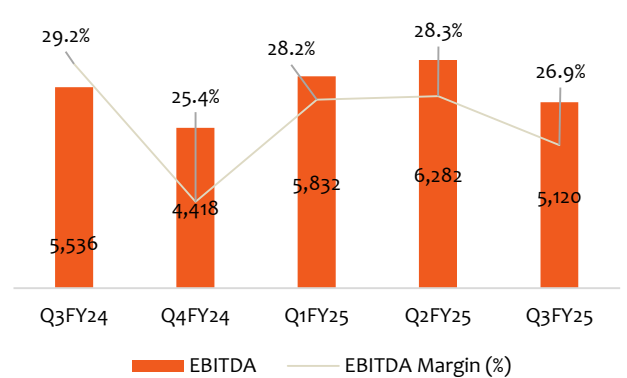
We decrease our FY26E/FY27E EPS estimates by 8.8% and 8.6% to INR 128.3 and INR 148.7 respectively, due to continued industry-wide destocking, slow recovery in key markets like Brazil, and Europe. Looking ahead, PI Industries remains cautious, acknowledging the uncertain global outlook, ongoing tariff concerns, and inventory-related disruptions in the near term. We expect the revenue to grow at 10.0% CAGR and PAT to grow at 10.3% CAGR over FY24-FY27E. Currently, the stock is trading at a PE multiple of 27.5x/23.7x based on FY26E/FY27E EPS, respectively. We roll over our valuation multiple to FY27E and assign a PE multiple of 26.0x to arrive at a target price of INR 3,865 (previously: INR 4,922) reflecting gradual recovery in export demand from H2CY25E, and persistent pricing pressure in the domestic business. Therefore, we downgrade to “ACCUMULATE” from “BUY” rating on the stock with an upside potential of 9.7%.

Quarterly trend in charts

Muted revenue growth due to weak performance from exports



EBITDA margin decline (YoY) due to pricing pressure and increase in overhead costs



Source: Company, DevenChoksey Research

PI Industries Ltd.

Result Snapshot

Particulars (Mn)	Q3FY25	Q2FY25	Q3FY24	QoQ	YoY	9MFY25	9MFY24	YoY
Sales	19,008	22,210	18,975	-14.4%	0.2%	61,907	59,248	4.5%
Total Expenditure	13,888	15,928	13,439	-12.8%	3.3%	44,673	43,520	2.6%
Cost of materials consumed	7,874	9,158	7,799	-14.0%	1.0%	25,515	27,290	-6.5%
Purchase of stock-in-trade	437	811	424	-46.1%	3.1%	1,530	2,248	-31.9%
Changes in inventories	679	745	590	-8.9%	15.1%	2,636	804	227.9%
Net Impairment losses on financial assets	13	252	26	-94.8%	NA	304	89	241.6%
Employee benefits expense	1,910	1,956	1,856	-2.4%	2.9%	5,867	5,229	12.2%
Other Expenses	2,975	3,006	2,744	-1.0%	8.4%	8,821	7,860	12.2%
EBITDA	5,120	6,282	5,536	-18.5%	-7.5%	17,234	15,728	9.6%
EBITDA Margin (%)	26.9%	28.3%	29.2%	-135 bps	-224 bps	27.8%	26.5%	129 bps
Depreciation and Amortization expense	991	798	783	24.2%	26.6%	2,623	2,283	14.9%
EBIT	4,129	5,484	4,753	-24.7%	-13.1%	14,611	13,445	8.7%
EBIT Margin (%)	21.7%	24.7%	25.0%	-297 bps	-333 bps	23.6%	22.7%	91 bps
Finance Costs	83	85	70	-2.4%	18.6%	251	191	31.4%
Other Income	759	1,222	561	-37.9%	35.3%	2,708	1,499	80.7%
Exceptional items	0	0	0	NA	NA	0	0	NA
Profit before tax	4,805	6,621	5,244	-27.4%	-8.4%	17,068	14,753	15.7%
Tax expense	1,080	1,546	772	-30.1%	39.9%	3,801	1,714	121.8%
Share of loss from joint venture	2	7	14	-71.4%	-85.7%	30.0	81.0	-63.0%
Net profit	3,727	5,082	4,486	-26.7%	-16.9%	13,297	13,120	1.3%
Net profit margin (%)	19.6%	22.9%	23.6%	-327 bps	-403 bps	21.5%	22.1%	-67 bps
Adj. Net profit	3,727	5,082	4,486	-26.7%	-16.9%	13,297	13,120	1.3%
Adj. Net profit margin (%)	19.6%	22.9%	23.6%	-327 bps	-403 bps	21.5%	22.1%	-67 bps
Diluted EPS (INR)	24.6	33.5	29.6	-26.7%	-17.0%	87.6	86.5	1.3%

Source: Company, DevenChoksey Research

Segmental revenue:

INR in Mn	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Domestic (Branded / generic / co-marketed)	2,665	2,709	3,195	4,600	2,806
Exports (Custom Synthesis and Development)	16,310	14,701	17,494	17,610	16,202
Pharma	1,273	715	253	411	648
Ex. Pharma	15,037	13,986	17,241	17,199	15,554
Total	18,975	17,410	20,689	22,210	19,008

Source: Company, DevenChoksey Research

PI Industries Ltd.

Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenues	64,920	76,658	79,901	90,016	102,106
COGS	35,527	38,376	38,192	42,758	48,500
Gross profit	29,393	38,282	41,710	47,259	53,606
Employee cost	5,266	7,013	7,675	8,732	9,904
Other expenses	8,577	10,954	11,637	12,646	13,989
EBITDA	15,550	20,315	22,397	25,881	29,713
Depreciation	2,265	3,082	3,444	3,577	3,812
EBIT	13,156	17,065	18,650	22,304	25,901
Finance Costs	371	300	331	363	394
Other Income	1,590	2,077	3,427	3,151	3,574
PBT	14,375	18,842	21,745	25,091	29,080
Tax	2,148	2,132	4,852	5,640	6,536
PAT	12,227	16,710	16,892	19,452	22,544
EPS (INR)	81.0	110.8	111.6	128.3	148.7

Exhibit 3: Cash Flow Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
CFFO	15,014	20,359	20,282	21,983	25,055
CFFI	(4,962)	(18,005)	(8,500)	(8,500)	(8,500)
CFFF	(4,831)	(2,216)	(99)	(154)	(183)
Net Inc/Dec in cash	5,221	138	11,682	13,329	16,372
Opening Cash	3,506	8,727	8,865	20,547	33,876
Closing Cash	8,727	8,865	20,547	33,876	50,248

Exhibit 4: Key Ratio

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	24.0%	26.5%	28.0%	28.8%	29.1%
Tax Rate (%)	14.9%	11.3%	22.3%	22.5%	22.5%
Net Profit Margin (%)	18.9%	21.9%	21.2%	21.6%	22.1%
ROE (%)	17.1%	19.3%	16.2%	15.7%	15.4%
ROCE (%)	18.0%	18.8%	17.3%	17.5%	17.3%
Current Ratio (x)	4.8	3.9	4.6	5.1	5.6
PE	43.4	31.7	31.5	27.4	23.6

Source: Company, DevenChoksey Research

Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Equity					
Equity Capital	152	152	152	152	152
Other Equity	71,833	87,158	104,082	123,543	146,098
Total Equity	71,985	87,310	104,234	123,695	146,250
Non-Current Liabilities					
(i) Borrowings	0	617	1,155	1,255	1,355
(iii) Other financial liabilities	354	1,603	1,603	1,603	1,603
Other Non-Current Liabilities	640	1,004	566	566	566
Total Non-Current Liabilities	994	3,224	3,324	3,424	3,524
Current Liabilities					
(iv) Other financial liabilities	354	1,603	1,603	1,603	1,603
Trade Paybles	8,380	11,484	11,429	12,795	14,514
Other current liabilities	3,084	4,019	4,119	4,219	4,319
Total Current Liabilities	11,818	17,106	17,151	18,617	20,436
Total Liabilities	12,812	20,330	20,475	22,041	23,960
Non-Current Assets					
Property Plants and Equipments	24,944	29,543	34,599	39,522	44,210
Goodwill	828	3,611	3,611	3,611	3,611
Other Non-current assets	2,402	7,701	7,701	7,701	7,701
Total Non-Current Assets	28,174	40,855	45,911	50,834	55,522
Current Assets					
Inventories	13,976	13,012	12,949	14,498	16,445
Trade Receivables	7,720	9,299	9,692	10,919	12,386
Cash and Bank	22,429	27,039	38,721	52,050	68,422
Other current assets	12,498	17,435	17,435	17,435	17,435
Total Current Assets	56,623	66,785	78,798	94,902	114,688
Total Assets	84,797	107,640	124,709	145,736	170,210

PI Industries Ltd.

PI Industries Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
11-Feb-25	3,524	3,865	ACCUMULATE
15-Nov-24	4,265	4,922	BUY
12-Aug-24	4,488	5,184	BUY
19-July-24	3,850	4,430	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

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