

CSM exports to maintain growth tempo..

About the stock: Incorporated in 1947, PI Industries focuses on complex chemistry solutions in agri and pharma sciences.

- The company maintains a strong research presence through its R&D facility in Udaipur, where it has a dedicated team of over 500+ scientists.
- The revenues of the company can be divided into custom synthesis manufacturing (CSM) and domestic agrochem formulation business with the former contributing ~80% to overall revenue in FY24 and the rest coming from the domestic formulations business.

Investment Rationale:

- Q4FY24- Decent sales growth, better profitability. – Revenues grew 11% YoY to ₹ 1741 crore driven by 9% growth Agchem exports (CSM) to ₹1399 crore. PI Health Sciences (Pharma CRDMO) sales stood at ₹ 71.5 crore. Domestic revenues on the other hand declined 5% to ₹ 271 core. EBITDA grew ~29% YoY to ₹ 444 crore and the margins stood at ~25.5% (27% ex-PI Health losses). PAT grew 32% YoY to ₹ 370 crore.
- CSM exports to ride on new products, applications; Pharma CRDMO prospects look promising– While CSM exports growth was driven by volume growth and newly commercialised products, the domestic de-growth (volume de-growth 6%) was attributable to delayed and erratic spread of monsoon. Pharma CRDMO is picking up slowly with better GPM profile but it is yet to complete the developmental phase and the associated costs are expected to get fully absorbed in 1.5-2 years. CSM order book remains strong at US\$ 1.75 billion. The growth is likely to emanate from new launches and non-agchem space as the company is determined to de-risk agchem dependence. The management has given ~15% revenue growth guidance for FY25 with similar kind of GPM and EBITDAM profile on the back of better product mix. For domestic markets the management remains slightly guarded due to monsoon spread and other aspects.

Rating and Target price

- Our target price is ₹ 4440 based on 24x FY26E EBITDA of ₹ 2661 crore. We believe the premium valuation is justified given PI's strong pedigree in agchem CSM and its order book position.



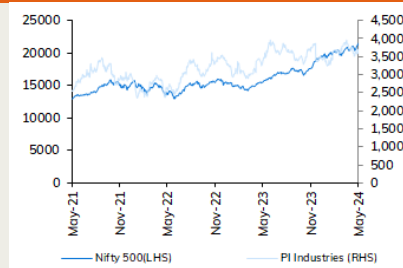
Particulars

Particular	Amount
Market cap (₹ Crore)	55,480
FY24 Total Debt (₹ Crore)	62
FY24 Cash & Inv (₹ Crore)	887
EV (₹ Crore)	54,655
52 Week H/L	3698/2351
Equity Capital (₹ Crore)	15.2
Face Value (₹)	1

Shareholding pattern

in %	Jun-23	Sep-23	Dec-23	Mar-24
Promoter	46.1	46.1	46.1	46.1
DII	23.8	23.1	23.0	24.2
FII	19.2	20.0	20.4	20.3
Others	11.0	10.8	10.5	9.5

Price Chart



Key risks

- Volatility in domestic agchem markets
- Competition in Pyraxosulfone could dent agchem CSM growth tempo.

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Key Financial Summary

(₹ Crore)	FY20	FY21	FY22	FY23	3 year CAGR (FY20-23)	FY24	FY25E	FY26E	3 year CAGR (FY23-26)
Net Revenue	3366.5	4577	5299.5	6492	24.5	7665.8	8770.11	10232.6	16.4
EBITDA	717.8	1012.2	1142.4	1542.1	29.0	2014.7	2192.5275	2660.5	19.9
EBITDA Margins (%)	21.32	22.11	21.56	23.75		26.28	25.00	26.00	
Adj.PAT	456.6	738.3	843.8	1229.5	39.1	1682	1482	1791	13.4
Adj. EPS (₹)	33.1	48.6	55.5	80.9		110.6	97.5	117.8	
EV/EBITDA	70.9x	54.5x	48.0x	35.0x		26.7x	25.4x	19.6	
P/E	110.3x	75.1x	65.8x	45.1x		33.0x	37.4x	31.0	
ROE (%)	17.4	13.8	13.8	17.1		19.3	14.7	15.3	
ROCE (%)	20.1	17.0	16.3	20.5		21.6	19.1	19.8	

Source: Company, ICICI Direct Research

Exhibit 1: Segmental Revenue Breakup

Segmental revenue break up	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
CSM (Exports)	807	993	1,076	1,114	1,142	1,278	1,329	1,281	1,519	1,561	1,504	1,399
% of total revenue	68%	73%	79%	80%	74%	72%	82%	82%	79%	74%	79%	80%
% YoY	31%	24%	19%	11%	42%	29%	23%	15%	33%	22%	13%	9%
% QoQ	-20%	23%	8%	4%	3%	12%	4%	-4%	19%	3%	-4%	-7%
Domestic agri inputs	387	361	280	281	401	492	285	284	347	484	267	271
% of total revenue	32%	27%	21%	20%	26%	28%	18%	18%	18%	23%	14%	16%
% YoY	-13%	1%	8%	47%	4%	36%	2%	1%	-13%	-2%	-6%	-5%
% QoQ	103%	-7%	-22%	0%	43%	23%	-42%	0%	22%	39%	-45%	2%
Pharma CRDMO	-	-	-	-	-	-	-	-	44	72	127	72
% of total revenue	-	-	-	-	-	-	-	-	2%	3%	7%	4%
% YoY	-	-	-	-	-	-	-	-	-	-	-	-
% QoQ	-	-	-	-	-	-	-	-	-	62%	77%	-44%

Source: Company, ICICI Direct Research

Q4FY24 Results / Conference call highlights

CSM Exports -

- 70% of growth came from new products.
- 8-10 new product launches in FY25.
- Among new launches in future 1/3rd would be from non aghem space such as Electronic Chemicals, Semi-conductors advanced polymers etc.
- Pyraxosulfone- At present no supply is emanating from China. The product has not shown a de-growth.
- FY24 growth of 19% comprises of 18% volume growth and 1% price growth.
- Order book position stood at US\$ ~1.75 billion.
- To invest ~ ₹ 800-900 crore in capex for a dedicated plant and an MPP plant.

Domestic markets-

- 7 new products launched during FY24.
- +4 innovative products to be launched in FY25.
- Current pipeline of over 20 products under registration and development.

Pharma CRDMO-

- FY24 Capex ₹ 132 crore
- Proforma EBITDA margins ~12%. Can reach to ~20% once the development phase is over.
- Development Phase is likely to take another 1.5-2 years.
- GPM better than CSM exports GPM.
- Growth guidance for FY25- +25%.

Others-

- Overall revenue growth guidance for FY25- ~15%.
- Tax rate to move from ~13% to ~24% as the Jammu plant will lose 50% of the tax benefit.
- R&D team comprises of ~700 scientists including ~200 PHDs.

Financial Tables

Exhibit 3: Profit and loss statement					₹ crore
Year end March	FY23	FY24	FY25E	FY26E	
Total Operating Income	6,492.0	7,665.8	8,770.1	10,232.6	
Growth (%)	22.5	18.1	14.4	16.7	
Raw Material Expenses	3,552.7	3,837.6	4,472.8	5,218.6	
Employee Cost	526.6	701.3	789.3	920.9	
Other Expenses	870.6	1,112.2	1,315.5	1,432.6	
Total Operating Expenditure	4,949.9	5,651.1	6,577.6	7,572.1	
EBITDA	1,542.1	2,014.7	2,192.5	2,660.5	
Growth (%)	35.0	30.6	8.8	21.3	
Other Income	159.0	207.7	150.0	150.0	
Depreciation	226.5	308.2	377.9	434.0	
Net Interest Exp.	37.1	30.0	15.1	19.8	
Other exceptional items	0.0	0.0	0.0	0.0	
PBT	1,437.5	1,884.2	1,949.6	2,356.6	
Total Tax	214.8	213.2	467.9	565.6	
PAT	1,222.7	1,671.0	1,481.7	1,791.0	
Adjusted PAT	1,229.5	1,681.5	1,481.7	1,791.0	
Growth (%)	45.7	36.8	-11.9	20.9	
Adjusted EPS (₹)	80.9	110.6	97.5	117.8	

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement					₹ crore
Year end March	FY23	FY24	FY25E	FY26E	
PBT & Extraordinary	1,444.3	1,894.7	1,949.6	2,356.6	
Add: Depreciation	226.5	308.2	377.9	434.0	
After other adjustments					
(Inc) / Dec in Working Capital	205.0	367.1	14.4	-626.6	
Taxes	-255.8	-375.0	-467.9	-565.6	
Others	-118.6	-159.1	15.1	19.8	
CF from operating activities	1,501.4	2,035.9	1,889.0	1,618.3	
Purchase of Fixed Assets	-326.3	-620.4	-900.0	-600.0	
Others	-169.9	-1,180.1	-500.0	-500.0	
CF from investing activities	-496.2	-1,800.5	-1,400.0	-1,100.0	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	-266.9	24.8	80.0	80.0	
Dividend paid & dividend tax	-113.7	-174.4	-152.0	-152.0	
Others	-102.5	-72.0	-15.1	-19.8	
CF from financing activities	-483.1	-221.6	-87.1	-91.8	
Net cash flow	522.1	13.8	401.9	426.5	
Opening cash	350.6	872.7	886.5	1,288.4	
Closing cash	872.7	886.5	1,288.4	1,714.9	

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet					₹ crore
Year end March	FY23	FY24	FY25E	FY26E	
Liabilities					
Equity Capital	15.2	15.2	15.2	15.2	
Reserves & Surplus	7,183.3	8,715.8	10,045.5	11,684.5	
Total Shareholders Funds	7,198.5	8,731.0	10,060.7	11,699.7	
Minority Interest	0.0	0.0	0.0	0.0	
Long Term Borrowings	0.0	61.7	91.7	121.7	
Net Deferred Tax liability	21.3	20.2	20.2	20.2	
Other long term liabilities	67.8	204.1	233.5	272.4	
Long term provisions	10.3	36.4	41.6	48.6	
Current Liabilities and Provisions					
Short term borrowings	0.0	66.2	116.2	166.2	
Trade Payables	838.0	1,148.4	1,580.7	1,682.1	
Other Current Liabilities	316.0	459.4	525.6	613.2	
Short Term Provisions	27.8	36.6	41.9	48.9	
Total Current Liabilities	1,181.8	1,710.6	2,264.3	2,510.3	
Total Liabilities	8,479.7	10,764.0	12,712.0	14,672.9	
Assets					
Net Block	2,522.7	3,167.2	3,662.4	3,828.4	
Capital Work in Progress	62.5	173.1	200.0	200.0	
Intangible assets under devel.	69.9	105.0	105.0	105.0	
Goodwill on Consolidation	82.8	361.1	361.1	361.1	
Non-current investments	31.3	90.3	90.3	90.3	
Deferred tax assets	0.0	46.9	46.9	46.9	
Long term loans and advances	24.5	58.1	66.5	77.6	
Other Non Current Assets	23.7	83.8	95.9	111.9	
Current Assets, Loans & Advances					
Current Investments	984.3	1,246.0	1,746.0	2,246.0	
Inventories	1,397.6	1,301.2	1,681.9	1,962.4	
Sundry Debtors	772.0	929.9	1,201.4	1,401.7	
Cash and Bank	872.7	886.5	1,288.4	1,714.9	
Loans and Advances	8.3	3.7	3.7	3.7	
Other Current assets	1,627.4	2,311.2	2,162.5	2,523.1	
Current Assets	5,662.3	6,678.5	8,083.9	9,851.8	
Total Assets	8,479.7	10,764.0	12,712.0	14,672.9	

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
Year end March	FY23	FY24	FY25E	FY26E
Per share data (₹)				
Adj. EPS	80.9	110.6	97.5	117.8
Adj. Cash EPS	95.8	130.9	122.3	146.4
BV	473.6	574.4	661.9	769.7
DPS	10.0	15.0	10.0	10.0
Operating Ratios (%)				
Gross Margin (%)	45.3	49.9	49.0	49.0
EBITDA Margin (%)	23.8	26.3	25.0	26.0
PAT Margin (%)	18.9	21.9	16.9	17.5
Debtor Days	43	44	50	50
Inventory Days	79	62	70	70
Creditor Days	47	55	60	60
Cash Conversion Cycle	75	52	60	60
Return Ratios (%)				
Return on Assets (%)	14.5	15.6	11.7	12.2
RoCE (%)	20.5	21.6	19.1	19.8
Core RoC (%)	24.6	25.4	25.1	27.7
RoE (%)	17.1	19.3	14.7	15.3
Solvency				
Total Debt / Equity	-	0.0	0.0	0.0
Interest Coverage	39.7	63.8	-	-
Current Ratio	4.8	3.9	3.6	3.9
Quick Ratio	3.6	3.1	2.8	3.1
Valuation Ratios (x)				
EV/EBITDA	35.0	26.7	25.4	19.6
P/E	45.4	33.2	37.6	31.1
P/B	7.7	6.4	5.5	4.8
EV/Sales	8.3	7.0	6.4	5.1

Source: Company, ICICI Direct Research

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