

# Retail Equity Research

## PI Industries Limited

Chemicals

BSE CODE: 523642

NSE CODE: PIIND

Bloomberg CODE: PI:IN

SENSEX: 43,600

**BUY**

12M Investment period

Rating as per Mid Cap

CMP Rs. 2,351 TARGET Rs. 2,910 RETURN 24% ↑  
(Closing: 19-11-20)

**KEY CHANGES:**

**TARGET ↑**

**RATING ↑**

**EARNINGS ↑**

### Impressive results; Outlook Positive

PI Industries manufactures plant protection & specialty plant nutrient products and solutions under its agri-inputs business. It is also one of India's leading custom synthesis (CSM) companies engaged in providing contract research and contract manufacturing services to global innovators.

- Standalone revenue grew 18.0% YoY to Rs. 1,071cr in Q2FY21 led by continued growth momentum in domestic and export sales.
- EBITDA margin improved by 380bps YoY to 24.9% on better revenue mix of Export, domestic and Isagro share. As a result, PAT reported grew 70.4% YoY to Rs. 209cr.
- Operational movement to pre-COVID levels with all manufacturing facilities operational, improved capacity utilization and strong order book (domestic and export segment) makes the stock attractive. Hence we upgrade our rating to BUY with a revised target price of Rs. 2,910 based on 50x FY22E adj. EPS.

### Stable order book with increasing utilization

PI Industries posted Q2FY21 standalone revenue of Rs. 1,071cr (+18.0% YoY), with contribution from both domestic (~33.0% YoY) and export (~25.0% YoY) businesses. The domestic business was driven by solid contribution from Isagro and healthy performance from overall portfolio. For export products, double digit growth was driven by strong demand from key commercialized molecules and better production management. All the manufacturing facilities are currently operating at maximum capacity and heading back to pre-COVID levels. Order book is maintained around USD 1.5bn during last 3-4 quarters despite any drastic ramp down due to COVID-19.

### EBITDA margin expansion

Favorable product mix resulted in a better performance during the quarter. EBITDA increased to Rs. 267cr (+39.1% YoY) with margin at 24.9% (vs. 21.1% in Q2FY20), also backed by improved operating leverage. Healthy performance coupled with efficient working capital management resulted in 70.4% YoY increase in reported profit in Q2FY21.

### Key concall highlights

- Company has raised ~Rs. 2,000cr during the quarter through QIP of equity shares. For this purpose, it issued 13,805,442 equity shares of face value of Rs.1 each at a price of Rs. 1,470 per equity share.
- PI acquired 80 new patent applications during 1HFY21.
- Inventory level margin increased and in-line with projected growth owing to COVID-19.
- Debt to equity ratio stood at a comfortable 0.1%, while Rs. 116cr were incurred as capex in 1HFY21.
- Management expects to commission few new plants by FY22.

### Valuation

Strong pipeline, new launches, Isagro's acquisition and strong demand of branded products should maintain the growth momentum in near-term. Also, we remain positive on the stock as the company has maintained on healthy order book along with effective cost control measures. Therefore, we upgrade our rating to BUY on the stock with a revised target price of Rs. 2,910 based on 50x FY22E adj. EPS.

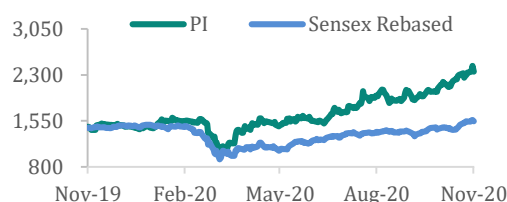
### Company Data

Market Cap (cr)	Rs. 35,025
Enterprise Value (cr)	Rs. 34,319
Outstanding Shares (cr)	14.9
Free Float	49.0%
Dividend Yield	0.2%
52 week high	Rs. 2,474
52 week low	Rs. 974
6m average volume (lacs)	0.1
Beta	0.7
Face value	Rs. 1

Shareholding %	Q4FY20	Q1FY21	Q2FY21
Promoters	51.4	51.4	46.8
FII's	12.1	11.7	14.7
MFs/Insti	21.7	19.2	25.9
Public	9.4	9.5	8.6
Others	5.4	8.2	4.0
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	20.6%	58.2%	62.3%
Absolute Sensex	12.9%	44.4%	7.7%
Relative Return*	7.7%	13.8%	54.6%

\*over or under performance to benchmark index



Standalone (cr)	FY20A	FY21E	FY22E
Sales	3,307	4,355	5,409
Growth (%)	16.4	31.7	24.2
EBITDA	746	1,025	1,293
EBITDA Margin (%)	22.5	23.5	23.9
Adj. PAT	442	660	867
Growth (%)	8.5	49.2	31.4
Adj. EPS	32.0	44.3	58.2
Growth (%)	8.4	38.2	31.4
P/E	32.2	53.1	40.4
P/B	5.5	6.8	6.0
EV/EBITDA	19.7	33.5	26.4
ROE (%)	17.1	12.8	14.7
D/E	0.2	0.1	0.1

## Quarterly Financials (Standalone)

### Profit & Loss Account

	Q2FY21	Q2FY20	YoY Growth %	Q1FY21	QoQ Growth %	H1FY21	H1FY20	YoY Growth %
Revenue	1,071	907	18.0	968	10.6	2,039	1,662	22.7
<b>EBITDA</b>	<b>267</b>	<b>192</b>	<b>39.1</b>	<b>218</b>	<b>22.6</b>	<b>485</b>	<b>343</b>	<b>41.2</b>
EBITDA margins	24.9	21.1	380bps	22.5	240bps	23.8	20.7	310bps
Depreciation	40	32	27.9	40	1.5	80	61	31.4
<b>EBIT</b>	<b>227</b>	<b>160</b>	<b>41.3</b>	<b>178</b>	<b>27.4</b>	<b>405</b>	<b>282</b>	<b>43.3</b>
Interest	8	2	254.5	10	(18.8)	17	5	262.5
Other Income	31	11	196.2	4	685.0	35	23	54.6
Exceptional Items	-	-	n.m.	-	n.m.	-	-	n.m.
<b>PBT</b>	<b>250</b>	<b>169</b>	<b>48.3</b>	<b>172</b>	<b>45.2</b>	<b>423</b>	<b>301</b>	<b>40.7</b>
Tax	41	46	(10.7)	41	1.5	82	77	6.1
Share of profit from Associate	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-
<b>Reported PAT</b>	<b>209</b>	<b>123</b>	<b>70.4</b>	<b>132</b>	<b>58.6</b>	<b>341</b>	<b>224</b>	<b>52.5</b>
Adjustments	-	-	-	-	-	-	-	-
<b>Adj. PAT</b>	<b>209</b>	<b>123</b>	<b>70.4</b>	<b>132</b>	<b>58.6</b>	<b>341</b>	<b>224</b>	<b>52.5</b>
No. of shares	15.2	13.8	10.1	13.8	10.1	15.2	13.8	10.1
<b>Adj. EPS (Rs.)</b>	<b>14.0</b>	<b>8.9</b>	<b>57.8</b>	<b>9.6</b>	<b>47.0</b>	<b>22.9</b>	<b>16.2</b>	<b>41.3</b>

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	4,134	5,167	4,355	5,409	5.4	4.7
EBITDA	967	1,196	1,025	1,293	6.0	8.1
Margins (%)	23.4	23.1	23.5	23.9	10bps	80bps
Adj. PAT	559	724	660	867	18.1	19.7
Adj. EPS	40.5	52.4	44.3	58.2	9.4	10.9

## PROFIT & LOSS

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
<b>Revenue</b>	<b>2,309</b>	<b>2,841</b>	<b>3,307</b>	<b>4,355</b>	<b>5,409</b>
% change	(3.1)	23.1	16.4	31.7	24.2
<b>EBITDA</b>	<b>492</b>	<b>573</b>	<b>746</b>	<b>1,025</b>	<b>1,293</b>
% change	(10.6)	16.5	30.1	37.5	26.1
Depreciation	83	93	133	189	197
<b>EBIT</b>	<b>410</b>	<b>481</b>	<b>612</b>	<b>836</b>	<b>1,096</b>
Interest	6	6	18	29	30
Other Income	60	60	-	60	75
<b>PBT</b>	<b>464</b>	<b>535</b>	<b>594</b>	<b>867</b>	<b>1,141</b>
% change	(8.5)	15.3	11.2	45.9	31.5
Tax	97	127	152	207	274
Tax Rate (%)	20.9	23.7	25.6	23.9	24.0
<b>Reported PAT</b>	<b>367</b>	<b>408</b>	<b>442</b>	<b>660</b>	<b>867</b>
Adj*	-	-	-	-	-
<b>Adj PAT</b>	<b>367</b>	<b>408</b>	<b>442</b>	<b>660</b>	<b>867</b>
% change	(19.9)	11.2	8.5	49.2	31.4
No. of shares (cr)	13.8	13.8	13.8	14.9	14.9
<b>Adj EPS (Rs.)</b>	<b>26.5</b>	<b>29.6</b>	<b>32.0</b>	<b>44.3</b>	<b>58.2</b>
% change	(19.7)	11.4	8.4	38.2	31.4
DPS (Rs.)	2.5	4.0	4.0	6.0	8.0
CEPS (Rs.)	32.5	36.3	41.7	56.9	71.4

## CASH FLOW

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
<b>Net inc. + Depn.</b>	<b>449</b>	<b>500</b>	<b>576</b>	<b>849</b>	<b>1,064</b>
Non-cash adj.	(24)	117	154	85	229
Changes in W.C	(111)	(233)	(68)	(491)	(455)
<b>C.F. Operation</b>	<b>314</b>	<b>385</b>	<b>661</b>	<b>443</b>	<b>838</b>
Capital exp.	(169)	(368)	(669)	(274)	(552)
Change in inv.	(39)	28	134	(846)	-
Other invest.CF	26	19	(427)	-	-
<b>C.F - Investment</b>	<b>(182)</b>	<b>(320)</b>	<b>(963)</b>	<b>(1,121)</b>	<b>(552)</b>
Issue of equity	9	8	5	1,975	-
Issue/repay debt	(36)	(40)	439	(118)	-
Dividends paid	(66)	(83)	(75)	(89)	(119)
Other finance.CF	(6)	(6)	(19)	(29)	(30)
<b>C.F - Finance</b>	<b>(100)</b>	<b>(122)</b>	<b>351</b>	<b>1,738</b>	<b>(149)</b>
Chg. in cash	32	(57)	49	1,060	137
Closing cash	120	83	110	1,170	1,308

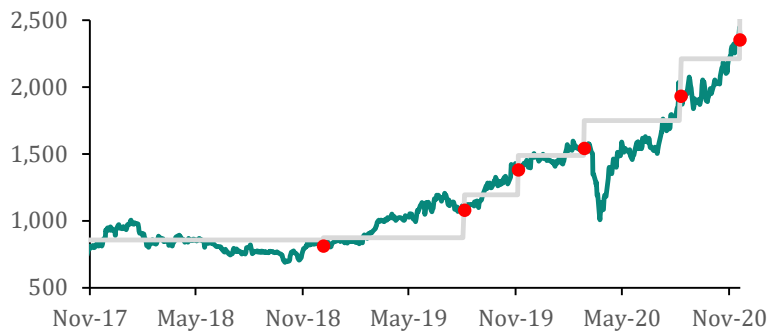
## BALANCE SHEET

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Cash	120	83	110	1,170	1,308
Accounts Receivable	527	662	548	936	1,190
Inventories	452	536	720	822	1,024
Other Cur. Assets	353	407	292	1,153	1,168
Investments	1	11	454	454	454
Gross Fixed Assets	1,112	1,381	2,050	2,324	2,876
Net Fixed Assets	989	1,177	1,658	1,733	2,076
CWIP	69	154	236	239	243
Intangible Assets	28	35	44	50	58
Def. Tax (Net)	25	13	-	-	-
Other Assets	51	67	44	243	244
<b>Total Assets</b>	<b>2,615</b>	<b>3,145</b>	<b>4,106</b>	<b>6,803</b>	<b>7,765</b>
Current Liabilities	615	812	911	1,179	1,392
Provisions	23	29	11	12	13
Debt Funds	65	29	583	464	464
Other Liabilities	(0)	(0)	11	11	11
Equity Capital	14	14	14	15	15
Reserves & Surplus	1,898	2,261	2,577	5,121	5,869
Shareholder's Fund	1,912	2,275	2,591	5,136	5,884
Minority Interest	-	-	-	-	-
<b>Total Liabilities</b>	<b>2,615</b>	<b>3,145</b>	<b>4,106</b>	<b>6,803</b>	<b>7,765</b>
<b>BVPS (Rs.)</b>	<b>138</b>	<b>165</b>	<b>188</b>	<b>345</b>	<b>395</b>

## RATIOS

Y.E March	FY18A	FY19A	FY20A	FY21E	FY22E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	21.3	20.2	22.5	23.5	23.9
EBIT margin (%)	17.7	16.9	18.5	19.2	20.3
Net profit mgn.(%)	15.9	14.4	13.4	15.1	16.0
ROE (%)	19.2	17.9	17.1	12.8	14.7
ROCE (%)	20.7	20.9	19.3	14.9	17.3
<b>W.C &amp; Liquidity</b>					
Receivables (days)	83.3	85.0	60.5	78.5	80.3
Inventory (days)	137.4	126.1	144.9	120.5	118.6
Payables (days)	112.6	121.0	111.5	117.9	116.1
Current ratio (x)	2.4	2.1	1.6	3.5	3.4
Quick ratio (x)	1.3	1.1	0.6	2.5	2.4
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	2.1	2.3	1.9	2.0	2.1
Total asset T.O (x)	0.9	1.0	0.9	0.8	0.7
Int. coverage ratio (x)	69.6	81.4	34.0	28.7	36.3
Adj. debt/equity (x)	0.0	0.0	0.2	0.1	0.1
<b>Valuation</b>					
EV/Sales (x)	5.3	5.0	4.5	7.9	6.3
EV/EBITDA (x)	24.7	24.7	19.7	33.5	26.4
P/E (x)	33.3	34.9	32.2	53.1	40.4
P/BV (x)	6.4	6.3	5.5	6.8	6.0

## Recommendation Summary



Dates	Rating	Target
7-Sep-17	BUY	857
6-Dec-18	ACCUMULATE	873
5-Aug-19	HOLD	1,195
5-Nov-19	HOLD	1,488
26-Feb-20	ACCUMULATE	1,750
10-Aug-20	ACCUMULATE	2,210
20-Nov-20	BUY	2,910

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note.

**Accumulate:** Partial buying or to accumulate as CMP dips in the future.

**Hold:** Hold the stock with the expected target mentioned in the note.

**Reduce:** Reduce your exposure to the stock due to limited upside.

**Sell:** Exit from the stock.

**Not rated:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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