

June 9, 2020

Q4FY20 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	HOLD		HOLD	
Target Price	1,544		1,430	
Sales (Rs. m)	41,744	52,805	41,780	50,457
% Chng.	(0.1)	4.7		
EBITDA (Rs. m)	8,848	11,564	8,797	10,838
% Chng.	0.6	6.7		
EPS (Rs.)	38.3	51.4	40.8	51.1
% Chng.	(6.1)	0.7		

Key Financials - Standalone

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	28,409	33,665	41,744	52,805
EBITDA (Rs. m)	5,764	7,178	8,848	11,564
Margin (%)	20.3	21.3	21.2	21.9
PAT (Rs. m)	4,102	4,558	5,277	7,095
EPS (Rs.)	29.7	33.1	38.3	51.4
Gr. (%)	11.9	11.1	15.8	34.4
DPS (Rs.)	5.0	4.0	5.7	7.7
Yield (%)	0.3	0.3	0.4	0.5
RoE (%)	19.5	18.6	18.4	20.8
RoCE (%)	22.3	21.3	20.9	23.8
EV/Sales (x)	7.7	6.6	5.4	4.2
EV/EBITDA (x)	37.9	31.0	25.3	19.4
PE (x)	53.6	48.2	41.6	31.0
P/BV (x)	9.6	8.4	7.1	5.9

Key Data

PIIL.BO | PI IN

52-W High / Low	Rs.1,650 / Rs.970
Sensex / Nifty	34,371 / 10,167
Market Cap	Rs.220bn/ \$ 2,914m
Shares Outstanding	138m
3M Avg. Daily Value	Rs.572.36m

Shareholding Pattern (%)

Promoter's	51.46
Foreign	12.13
Domestic Institution	21.62
Public & Others	14.79
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	4.0	6.7	45.0
Relative	(4.2)	25.6	67.1

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Embarking on a journey beyond Agchem

Quick Pointers:

- INR 1 bn revenue impact due to COVID
- Capital raise for inorganic growth to happen in next few weeks

PI reported subdued results because COVID largely led to higher than anticipated revenue decline (Revenue impact- Rs 1 bn, EBITDA- Rs 220 mn) coupled with lower other income (down 69% YoY). COVID related revenue loss is likely to recoup in Q1FY21. Both domestic and CSM businesses continue to do well with robust demand for key existing molecules (Bispyribac Sodium, Osheen, etc), new launches, entry into pharma value chain, new client additions and ramp up of molecules & facilities commercialization in FY20. Plans to raise capital upto Rs20bn to leapfrog capabilities into newer adjacent verticals & niche technologies (via organic/inorganic route) were impacted by COVID, but it will likely complete soon. The scale of PI's business will increase by +50% (from Balance sheet perspective) and potentially take it to a different trajectory. Given the sizeable nature of potential business expansion, we would wait for further developments to frame our view. We change topline/EBITDA/PAT estimates by 0%/1%/-6% for FY21E and 5%/7%/1% for FY22E. Maintain Hold with revised TP of Rs 1544 (Previous Rs 1430). Investors should add PI on every decline, as rich valuations are unlikely to come down in near future considering high visibility of sustainable growth over the next few years.

Work on Pharma intermediate commenced from Feb: PI started working on the Pharma value chain from February onwards. It has successfully developed and scaled up an advanced intermediate for a promising COVID drug. Scaling of drug is expected to start from the current quarter for its customer in India and Japan. The R&D team is evaluating other key intermediates in this segment.

Capex: PI plans to invest INR6bn in FY21 for organic growth. It would involve new capacity creation and repurposing existing facilities of ISAGRO.

An inorganic growth opportunity in the offing: PI Industries aims to leapfrog its capabilities into newer adjacent verticals & niche technologies while evaluating both organic and inorganic growth opportunities. It plans to raise upto Rs20bn via QIP within next few weeks to embark the journey of replicating success of agchem into other adjacent verticals (Nutraceuticals, Imaging, Pharma, etc).

The management has been working on alternative technologies like electronic chemical, magnetic chemical and pharma's early intermediates for a while now and lot of work was being done in R&D at Kilo pilot level. PI looks rightly positioned as it is ready with enhanced technological and R&D capabilities when innovators are derisking their sourcing from China.

Revenue loss in domestic business recouped in 1Q: Domestic business declined by 12% in 4Q as sudden lockdown caused delay in product placements. Revenue loss of 4Q has been recouped back in Q1 especially on the domestic side as manufacturing operations and goods movement have picked up pace from April.

Recent developments in domestic portfolio: PI has signed agreement to in-license 2 new products and submitted registration dossier for a new miticide. The company is also withdrawing 5 products from portfolio due to end of their lifecycle. In existing portfolio, it is aggressively positioning Osheen in Cotton and aiming to fill the gap of Phorate with COSKO. It has filed for 22 patents in FY20.

New enquiries increased by +70% in CSM in FY20: PI witnessed 70% increase in new enquiries in FY20. 20% of the enquiries were in non-agchem area. ~60 molecules are there in the R&D pipeline. PI initiated commercial scale business for 3 new customers. All global customers of PI have given positive commentaries and there is no change in demand forecast.

ISGARO's assets being refurbished to meet PI's requirements: The domestic business has been transferred to 100% subsidiary of PI, called JIVAGRO. JIVAGRO is expected to be one of the leading herbicide player in horticulture segment and PI expects 20% CAGR in business for next 4-5 years.

The CSM business of ISAGRO has been merged with PI and is being realigned with PI's CSM export business requirements. The management expects capacity utilization to increase from current ~20-25% to +90% in next 2 years.

Exhibit 1: PI continues to clock robust performance

Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	QoQ gr. (%)	FY20	FY19	YoY gr. (%)
Net Sales	8,552	8,048	6.3	8,498	0.6	33,665	28,409	18.5
CSM	6830	6100	12.0	6440	6.1	24670	18843	30.9
Domestic	1720	1948	(11.7)	2060	(16.5)	9001	9571	(6.0)
Expenditure								
Raw Materials	4,550	4,367	4.2	4,537	0.3	18,474	15,502	19.2
% of Net Sales	53.2	54.3		53.4		54.9	54.6	
Employee Cost	948	649	46.1	764	24.1	3,202	2,629	21.8
% of Net Sales	11.1	8.1		9.0		9.5	9.3	
Other Expenses	1,191	1,297	(8.2)	1,332	(10.6)	4,828	4,530	6.6
% of Net Sales	13.9	16.1		15.7		14.3	15.9	
Total Expenditure	6,689	6,313	6.0	6,633	0.8	26,504	16,348	62.1
EBITDA	1,863	1,735	7.4	1,865	(0.1)	7,161	4,013	78.4
Margin (%)	21.8	21.6		21.9		21.3	14.1	
Depreciation	436	245	78.0	319	36.7	1,364	927	47.1
EBIT	1,427	1,490	(4.2)	1,546	(7.7)	5,797	3,331	74.0
Interest	84	10	740.0	38	121.1	170	56	203.6
Other Income	68	221	(69.2)	191	(64.4)	488	599	(18.5)
PBT	1,411	1,701	(17.0)	1,699	(17.0)	6,115	3,663	66.9
Tax	312	444	(29.7)	487	(35.9)	1,568	1,273	23.2
Tax Rate (%)	22.1	26.1		28.7		25.6	34.8	
RPAT	1,099	1,257	(12.6)	1,212	(9.3)	4,547	2,834	60.4
APAT	1,099	1,257	(12.6)	1,212	(9.3)	4,547	4,091	11.1
Adj EPS	8.0	9.1	(12.6)	8.8	(9.3)	33.0	29.7	11.1

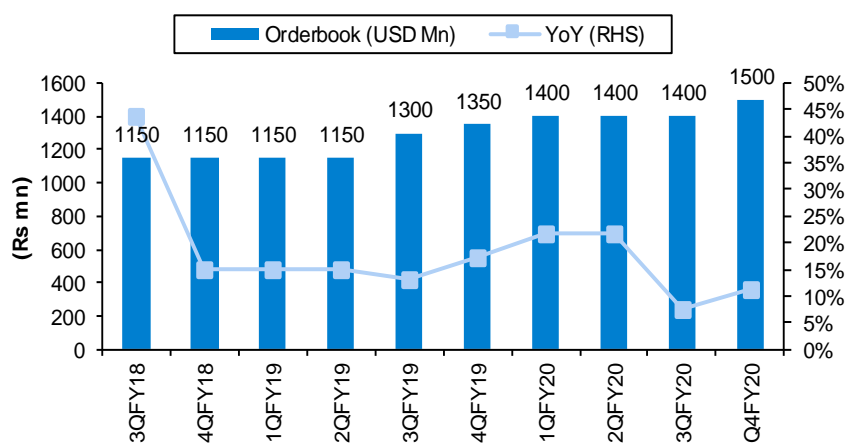
Source: Company, PL

Exhibit 2: CSM business will continue to dominate the overall revenue pie

Rs Mn	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
CSM Segment	3,020	3,860	4,380	3,140	3,986	5,410	6,100	5,010	6,390	6,440	6,830
YoY%	-4.4%	19.5%	1.6%	4.7%	32.0%	40.2%	39.3%	59.6%	52.5%	19.0%	12.0%
Sales Mix	53.8%	71.7%	70.1%	51.9%	55.1%	76.4%	75.8%	66.4%	70.4%	75.8%	79.9%
Domestic Segment	2,591	1,520	1,870	2,910	3,244	1,670	1,950	2,530	2,690	2,060	1,720
YoY%	1.2%	-14.1%	-4.7%	1.9%	25.2%	9.9%	4.3%	-13.1%	-11.5%	23.4%	-11.7%
Sales Mix	46.2%	28.3%	29.9%	48.1%	44.9%	23.6%	24.2%	33.6%	29.6%	24.2%	20.1%

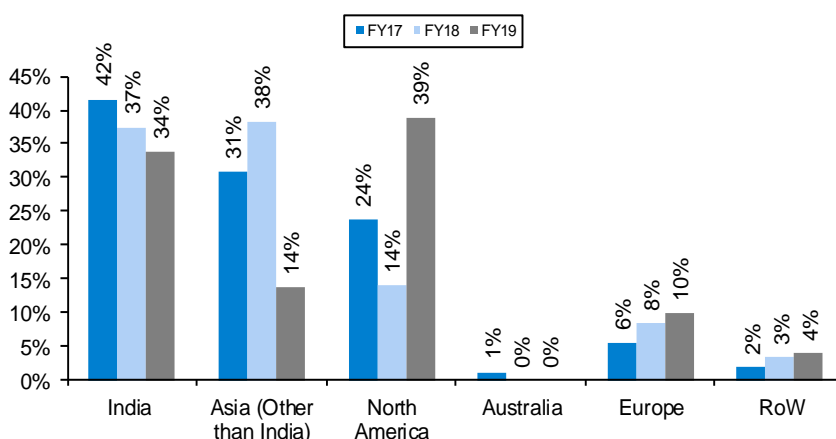
Source: Company, PL

Exhibit 3: Orderbook continues to grow in high double digits despite healthy execution



Source: Company, PL

Exhibit 4: Revenue share from North America has shot up in FY19



Source: Company, PL

Exhibit 5: Timeline of CSM molecule commercialisation count

FY14	FY15	FY16	FY17	FY18	FY19	FY20E
3	3	3	4	4	3	4

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	28,409	33,665	41,744	52,805
YoY gr. (%)	24.8	18.5	24.0	26.5
Cost of Goods Sold	15,502	18,474	22,883	28,905
Gross Profit	12,907	15,191	18,861	23,899
Margin (%)	45.4	45.1	45.2	45.3
Employee Cost	2,647	3,209	3,960	4,841
Other Expenses	4,496	4,804	6,053	7,494
EBITDA	5,764	7,178	8,848	11,564
YoY gr. (%)	17.1	24.5	23.3	30.7
Margin (%)	20.3	21.3	21.2	21.9
Depreciation and Amortization	930	1,367	1,800	2,233
EBIT	4,834	5,811	7,048	9,331
Margin (%)	17.0	17.3	16.9	17.7
Net Interest	50	170	425	425
Other Income	595	489	550	580
Profit Before Tax	5,379	6,130	7,173	9,486
Margin (%)	18.9	18.2	17.2	18.0
Total Tax	1,277	1,572	1,895	2,390
Effective tax rate (%)	23.7	25.6	26.4	25.2
Profit after tax	4,102	4,558	5,277	7,095
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,102	4,558	5,277	7,095
YoY gr. (%)	11.9	11.1	15.8	34.4
Margin (%)	14.4	13.5	12.6	13.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,102	4,558	5,277	7,095
YoY gr. (%)	11.9	11.1	15.8	34.4
Margin (%)	14.4	13.5	12.6	13.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,102	4,558	5,277	7,095
Equity Shares O/s (m)	138	138	138	138
EPS (Rs)	29.7	33.1	38.3	51.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	14,864	22,121	28,492	34,492
Tangibles	14,735	21,620	28,244	34,192
Intangibles	129	501	248	300
Acc: Dep / Amortization	3,007	4,374	6,174	8,408
Tangibles	2,944	4,282	6,045	8,231
Intangibles	63	92	130	177
Net fixed assets	11,857	17,747	22,318	26,084
Tangibles	11,791	17,338	22,200	25,961
Intangibles	66	409	118	123
Capital Work In Progress	1,828	2,707	2,750	2,775
Goodwill	-	828	828	828
Non-Current Investments	362	322	383	411
Net Deferred tax assets	141	(102)	(102)	(102)
Other Non-Current Assets	451	411	522	634
Current Assets				
Investments	1,119	1,325	-	-
Inventories	5,357	7,989	7,777	10,127
Trade receivables	6,618	6,465	9,607	12,008
Cash & Bank Balance	892	1,342	833	638
Other Current Assets	2,606	2,716	3,694	4,401
Total Assets	31,548	42,248	49,212	58,539
Equity				
Equity Share Capital	138	138	138	138
Other Equity	22,716	26,053	30,915	37,081
Total Networkth	22,854	26,191	31,053	37,219
Non-Current Liabilities				
Long Term borrowings	99	3,994	5,000	5,000
Provisions	290	124	334	422
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	393	1,083	-	-
Trade payables	5,130	5,909	7,548	9,548
Other current liabilities	2,592	4,013	4,343	5,416
Total Equity & Liabilities	31,548	42,248	49,212	58,539

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	5,379	6,138	7,173	9,486
Add. Depreciation	930	1,367	1,800	2,233
Add. Interest	50	170	425	425
Less Financial Other Income	595	489	550	580
Add. Other	235	99	(550)	(580)
Op. profit before WC changes	6,594	7,774	8,848	11,564
Net Changes-WC	(1,503)	255	(1,327)	(2,507)
Direct tax	(1,183)	(1,048)	(1,157)	(2,343)
Net cash from Op. activities	3,908	6,981	6,364	6,714
Capital expenditures	(3,677)	(11,040)	(6,371)	(6,000)
Interest / Dividend Income	194	175	550	580
Others	267	1,014	1,325	-
Net Cash from Inv. activities	(3,216)	(9,851)	(4,496)	(5,420)
Issue of share cap. / premium	29	80	-	-
Debt changes	(399)	4,562	(1,160)	-
Dividend paid	(831)	(748)	(792)	(1,064)
Interest paid	(50)	(179)	(425)	(425)
Others	-	(215)	-	-
Net cash from Fin. activities	(1,251)	3,500	(2,377)	(1,489)
Net change in cash	(559)	630	(509)	(195)
Free Cash Flow	223	238	(7)	714

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	7,541	9,074	8,498	8,552
YoY gr. (%)	24.5	25.5	20.1	6.3
Raw Material Expenses	4,164	5,223	4,537	4,550
Gross Profit	3,377	3,851	3,961	4,002
Margin (%)	44.8	42.4	46.6	46.8
EBITDA	1,514	1,919	1,865	1,863
YoY gr. (%)	28.2	42.6	25.5	7.4
Margin (%)	20.1	21.1	21.9	21.8
Depreciation / Depletion	294	315	319	436
EBIT	1,220	1,604	1,546	1,427
Margin (%)	16.2	17.7	18.2	16.7
Net Interest	26	22	38	84
Other Income	123	106	191	68
Profit before Tax	1,317	1,688	1,699	1,411
Margin (%)	17.5	18.6	20.0	16.5
Total Tax	309	460	487	312
Effective tax rate (%)	23.5	27.3	28.7	22.1
Profit after Tax	1,008	1,228	1,212	1,099
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,008	1,228	1,212	1,099
YoY gr. (%)	23.4	30.1	13.0	(12.6)
Margin (%)	13.4	13.5	14.3	12.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,008	1,228	1,212	1,099
YoY gr. (%)	23.4	30.1	13.0	(12.6)
Margin (%)	13.4	13.5	14.3	12.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,008	1,228	1,212	1,099
Avg. Shares O/s (m)	138	138	138	138
EPS (Rs)	7.3	8.9	8.8	8.0

Source: Company Data, PL Research

Key Financial Metrics

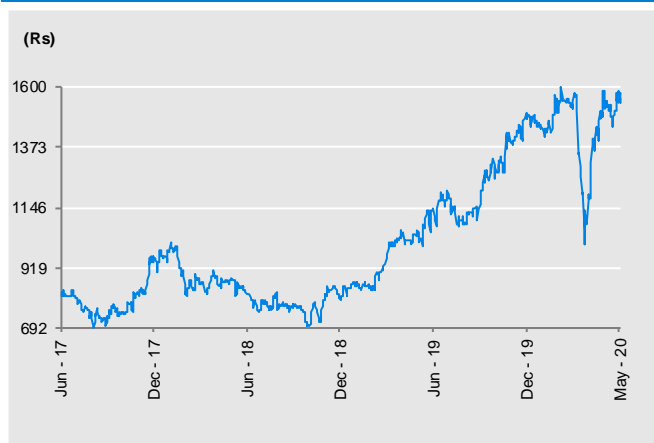
Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	29.7	33.1	38.3	51.4
CEPS	36.5	43.0	51.3	67.6
BVPS	165.7	189.9	225.2	269.9
FCF	1.6	1.7	(0.1)	5.2
DPS	5.0	4.0	5.7	7.7
Return Ratio(%)				
RoCE	22.3	21.3	20.9	23.8
ROIC	18.8	17.5	15.8	18.1
RoE	19.5	18.6	18.4	20.8
Balance Sheet				
Net Debt : Equity (x)	(0.1)	0.1	0.1	0.1
Net Working Capital (Days)	88	93	86	87
Valuation(x)				
PER	53.6	48.2	41.6	31.0
P/B	9.6	8.4	7.1	5.9
P/CEPS	43.7	37.1	31.1	23.6
EV/EBITDA	37.9	31.0	25.3	19.4
EV/Sales	7.7	6.6	5.4	4.2
Dividend Yield (%)	0.3	0.3	0.4	0.5

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
Revenues				
CSM	18,840	24,660	28,004	33,885
Domestic	9,569	9,000	10,440	11,902

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	16-Apr-20	Hold	1,430	1,454
2	13-Feb-20	Hold	1,516	1,545
3	03-Jan-20	Hold	1,355	1,444
4	29-Oct-19	Hold	1,355	1,401
5	03-Oct-19	BUY	1,278	1,300
6	30-Sep-19	BUY	1,278	1,329
7	26-Jul-19	BUY	1,278	1,095
8	16-Jul-19	BUY	1,278	1,147
9	08-Jul-19	BUY	1,278	1,125
10	04-Jul-19	BUY	1,278	1,200

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	BUY	6,010	4,450
2	Dhanuka Agritech	BUY	519	457
3	Godrej Agrovet	BUY	461	387
4	Insecticides India	BUY	730	401
5	P.I. Industries	Hold	1,430	1,454
6	Rallis India	Accumulate	246	222
7	Sharda Cropchem	Accumulate	218	149
8	Sumitomo Chemical India	Hold	267	276
9	UPL	BUY	497	371

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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