

August 4, 2022

Q1FY23 Result update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	3,450		3,340	
Sales (Rs. m)	63,653	75,233	62,824	74,240
% Chng.	1.3	1.3		
EBITDA (Rs. m)	14,199	17,554	13,993	17,296
% Chng.	1.5	1.5		
EPS (Rs.)	69.3	86.3	68.0	83.5
% Chng.	1.9	3.4		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	45,770	52,995	63,653	75,233
EBITDA (Rs. m)	10,122	11,424	14,199	17,554
Margin (%)	22.1	21.6	22.3	23.3
PAT (Rs. m)	7,339	8,402	10,496	13,081
EPS (Rs.)	48.4	55.5	69.3	86.3
Gr. (%)	46.6	14.5	24.9	24.6
DPS (Rs.)	4.0	5.0	7.8	8.4
Yield (%)	0.1	0.2	0.3	0.3
RoE (%)	18.4	14.7	15.9	17.1
RoCE (%)	19.2	15.8	17.6	19.3
EV/Sales (x)	9.6	8.3	6.8	5.6
EV/EBITDA (x)	43.3	38.3	30.3	24.1
PE (x)	62.5	54.6	43.7	35.1
P/BV (x)	8.6	7.5	6.5	5.6

Key Data

PIIL.BO | PI IN

52-W High / Low	Rs.3,535 / Rs.2,334
Sensex / Nifty	58,351 / 17,388
Market Cap	Rs.459bn / \$ 5,802m
Shares Outstanding	152m
3M Avg. Daily Value	Rs.641.59m

Shareholding Pattern (%)

Promoter's	46.74
Foreign	15.97
Domestic Institution	25.85
Public & Others	11.43
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	17.3	21.6	(9.1)
Relative	6.4	22.5	(16.1)

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Robust performance; Guidance remains strong for FY23

Quick Pointers:

- CSM/domestic revenue growth of 42%/4% YoY respectively.
- Revenue growth guidance of +20% in FY23.

PI Industries (PI) 1QFY23 results were better than our and consensus estimates. Revenue/EBITDA/PAT grew 29%/39%/40% YoY. Key highlights are: (a) CSM revenue grew 42% YoY to Rs11.4bn (volume/price growth of 30%/12% YoY); (b) domestic revenue grew 4% YoY to Rs4.0bn (largely driven by prices); (c) Gross margins remained flat YoY to 43.8% YoY primarily led by better product mix and price hikes in the recent past; (d) CSM order book remains steady at USD1.4bn, flat sequentially; (h) launched 3/1 new products in domestic/exports market during 1QFY23; to launch 2/6 more in subsequent quarters. Citing the robust demand momentum, PI has guided for +20% YoY growth in revenues with margins likely to improve from current levels primarily led by strong enquiries in the CSM business and new launches in the domestic segment. We broadly maintain FY23/FY24 EPS. We expect PI to report revenue/PAT CAGR of 19%/ 25% (FY11-22, 20%/26%) over FY22-24E. Maintain BUY with revised TP of Rs3,450 (earlier Rs3,340) based on 40x FY24 EPS.

Healthy revenue growth aided by better margins: Consolidated revenues were up 29% YoY to Rs15.4bn (PLe Rs14.9bn) largely driven by 42%/4% YoY growth in CSM and domestic business. CSM grew 42% YoY to Rs11.4bn (volume/price growth of 30%/12% YoY) driven by strong volume and price growth across key products. Domestic revenue was up 4% YoY to Rs4.0bn largely led by price led growth and aided by healthy response to newly launched products. Inflationary raw material cost scenario offset by favorable product mix and price hikes led to stable margins. Gross margins remained flat YoY at 43.8% in 1QFY23. PI has taken price hikes in both CSM and domestic business which is likely to be reflected in the subsequent quarters. Higher other expenses up 21% YoY led by higher power and freight cost and sales promotional expenses on account of new product launches. EBITDA margin expanded by 160bps YoY to 22.4% (PLe 21.9%). While, lower tax outgo with tax rate at 16% as against 18% in base quarter has resulted into PAT growth of 40% YoY to INR2.6bn (PLe Rs2.3bn).

Other highlights

Product commercialization in CSM: PI commercialized 1 new molecule during 1QFY23, while 6-7 more products are planned to commercialize in FY23. PI has more than 40 products at different stages of scale up in the CSM segment. Further, the R&D pipeline has more than 15% of the products from the 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: PI launched 3 new products in the domestic market in 1QFY23. Provide- herbicide with pre-emergence and post-emergent application on cotton crop. Dinoace-Dual action insecticide for cotton crop. Sectin- combination fungicide with excellent curative control against downy mildew and late blight. While the company has 2 more products- Brofrefya (insecticide) and Ultimare (insecticide) to be launched in 2QFY23.

Ramping up Biologicals portfolio: 2 products likely to be launched in FY23- Humesol and Biovita.

Aggressively pursuing horticulture under 'Jivagro' brand- launched 13 new products in FY22; with 5 new innovative products to be launched in FY23.

Order book: CSM order book position stood at USD1.4bn, flat QoQ.

Capex: Spent Rs506mn in 1QFY23 and is expected to incur Rs6.5bn in FY23E largely towards investing in new technology and maintenance capex.

Cash balance: PI has cash (net of debt) of INR23.1bn. It includes QIP money of INR19.7bn which are invested in liquid funds.

RM Inventory on the higher side at Rs15.7bn, up 24% YoY in order to avert supply chain disruptions and meet customer supply schedules.

Pharma acquisition: PI is exploring opportunity for in-organic growth both into the domestic as well into the exports market which is expected to close in the next couple of quarters.

Guidance: PI Industries remains confident to achieve revenue growth of +20% for FY23. Despite cost related headwinds, the company has taken price hikes both in the domestic and CSM segment to pass on the inflated cost which should support margins going forward. Tax rate is likely to remain in the range of 16-17% for FY23E.

Exhibit 1: Q4FY22 Result Overview (Rs mn)

Y/e March	1QFY23	1QFY22	YoY gr. (%)	4QFY22	QoQ gr. (%)	FY23E	FY22	YoY gr. (%)
Revenues	15,432	11,938	29.3	13,952	10.6	62,824	52,995	18.5
Raw material	8,666	6,714	29.1	7,804	11.0	34,471	29,228	17.9
Staff costs	1,246	1,190	4.7	1,140	9.3	5,660	4,804	17.8
Others	2,064	1,545	33.6	1,958	5.4	8,700	7,539	15.4
Total expenditure	11,976	9,449	26.7	10,902	9.9	48,831	41,571	17.5
EBITDA	3,456	2,489	38.9	3,050	13.3	13,993	11,424	22.5
Depreciation	560	487	15.0	536	4.5	2,364	2,018	17.1
EBIT	2,896	2,002	44.7	2,514	15.2	11,630	9,406	23.6
Less: Interest Expense	36	34	5.9	27	33.3	202	128	58.0
Add: Other income	241	277	(13.0)	200	20.5	1,144	1,014	12.8
Profit Before Tax	3,101	2,245	38.1	2,687	15.4	12,571	10,292	22.1
Less: Provision for Tax	516	405	27.4	649	(20.5)	2,269	1,890	20.0
Less: Minority Interest	39	32	21.9	6	550.0	-	-	-
Adjusted Profit	2,624	1,872	40.2	2,044	28.4	10,303	8,402	22.6
Add: Exceptional items	-	-	NA	-	NA	-	-	-
Reported profit	2,624	1,872	40.2	2,044	28.4	10,303	8,402	22.6
Minority interest								
No. of Diluted shares outstanding (mn)	152	152		152		152	152	
Adjusted Diluted EPS	17.3	12.4	40.2	13.5	28.4	68.0	55.5	22.6
As % of net revenues								
Raw material	56.2	56.2		55.9		54.9	55.2	
Staff expenses	8.1	10.0		8.2		9.0	9.1	
Other expenses	13.4	12.9		14.0		13.8	14.2	
EBITDA	22.4	20.8		21.9		22.3	21.6	
Net profit	17.0	15.7		14.7		16.4	15.9	

Source: Company, PL

Exhibit 2: Quarterly CSM Revenue and Growth Trend

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
CSM Revenue	5,010	6,390	6,440	6,830	6,140	7,990	9,020	10,060	8,070	9,930	10,760	11,142	11,421
Growth YoY (%)	70.3	58.4	19.3	13.6	22.6	25.0	40.1	47.3	31.4	24.3	19.3	10.8	41.5

Source: Company, PL

Exhibit 3: Quarterly Domestic Revenue and Growth Trend

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Domestic Revenue	2,531	2,684	2,058	1,722	4,461	3,587	2,601	1,911	3,868	3,610	2,803	2,810	4,011
Growth YoY(%)	(18.7)	(16.0)	22.9	(15.5)	76.3	33.6	26.4	11.0	(13.3)	0.6	7.8	47.0	3.7

Source: Company, PL

Exhibit 4: Quarterly EBITDA & EBITDA Margin

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
EBITDA (INR Mn)	1,514	1,925	1,865	1,863	2,292	2,801	2,755	2,274	2,489	2,920	2,965	3,050	3,456
EBITDA Margin(%)	20.1	21.2	21.9	21.8	21.6	24.2	23.7	19.0	20.8	21.6	21.9	21.9	22.4

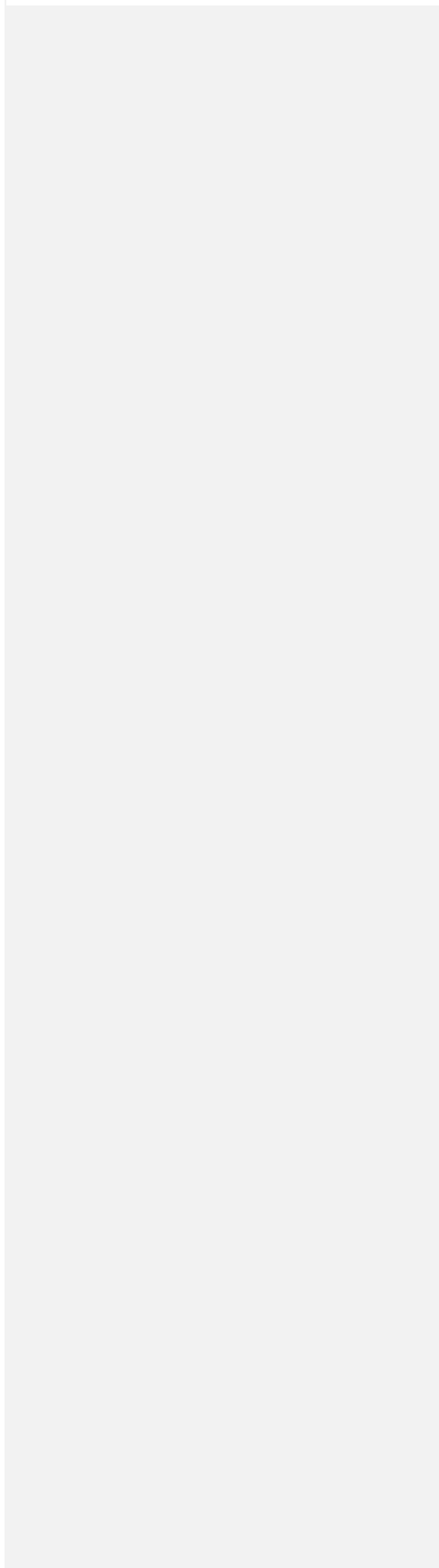
Source: Company, PL



Exhibit 5: Quarterly CSM Order book and Quarterly Growth Trend

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
CSM Order book (USD Mn)	1,400	1,400	1,400	1,500	1,500	1,500	1,500	1,500	1,500	1,400	1,400	1,400	1,400
Growth QoQ (%)	3.7	-	-	7.1	-	-	-	-	-	(6.7)	-	-	-

Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	45,770	52,995	63,653	75,233
YoY gr. (%)	36.0	15.8	20.1	18.2
Cost of Goods Sold	25,712	29,228	34,788	40,946
Gross Profit	20,058	23,767	28,865	34,287
Margin (%)	43.8	44.8	45.3	45.6
Employee Cost	4,169	4,804	5,729	6,605
Other Expenses	5,767	7,539	8,938	10,129
EBITDA	10,122	11,424	14,199	17,554
YoY gr. (%)	41.0	12.9	24.3	23.6
Margin (%)	22.1	21.6	22.3	23.3
Depreciation and Amortization	1,748	2,018	2,484	2,770
EBIT	8,374	9,406	11,715	14,784
Margin (%)	18.3	17.7	18.4	19.7
Net Interest	282	128	202	136
Other Income	1,249	1,014	1,144	1,313
Profit Before Tax	9,341	10,292	12,657	15,961
Margin (%)	20.4	19.4	19.9	21.2
Total Tax	2,002	1,890	2,161	2,880
Effective tax rate (%)	21.4	18.4	17.1	18.0
Profit after tax	7,339	8,402	10,496	13,081
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	7,339	8,402	10,496	13,081
YoY gr. (%)	61.0	14.5	24.9	24.6
Margin (%)	16.0	15.9	16.5	17.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	7,339	8,402	10,496	13,081
YoY gr. (%)	61.0	14.5	24.9	24.6
Margin (%)	16.0	15.9	16.5	17.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,339	8,402	10,496	13,081
Equity Shares O/s (m)	152	152	152	152
EPS (Rs)	48.4	55.5	69.3	86.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	27,370	32,531	38,931	42,981
Tangibles	26,185	31,336	37,386	41,436
Intangibles	1,185	1,195	1,545	1,545
Acc: Dep / Amortization	5,988	8,006	10,490	13,260
Tangibles	5,988	8,006	10,490	13,260
Intangibles	-	-	-	-
Net fixed assets	21,382	24,525	28,441	29,721
Tangibles	20,197	23,330	26,896	28,176
Intangibles	1,185	1,195	1,545	1,545
Capital Work In Progress	2,875	1,145	1,213	1,214
Goodwill	-	-	-	-
Non-Current Investments	54	258	458	658
Net Deferred tax assets	(796)	(875)	(875)	(875)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	7,079	8,547	8,547	8,547
Inventories	10,528	14,234	12,186	13,279
Trade receivables	7,035	8,687	10,506	12,425
Cash & Bank Balance	16,195	14,102	20,458	27,770
Other Current Assets	2,212	2,391	2,391	2,391
Total Assets	70,019	77,911	88,222	1,00,027
Equity				
Equity Share Capital	152	152	152	152
Other Equity	53,272	61,052	70,362	82,167
Total Networkth	53,424	61,204	70,514	82,318
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	2,574	1,699	-	-
Trade payables	7,960	9,242	9,296	10,953
Other current liabilities	552	357	3,003	1,346
Total Equity & Liabilities	70,019	77,911	88,222	1,00,026

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	9,385	10,328	12,657	15,961
Add. Depreciation	1,748	2,018	2,484	2,770
Add. Interest	282	128	202	136
Less Financial Other Income	1,249	1,014	1,144	1,313
Add. Other	(1,216)	(160)	(1,144)	(1,313)
Op. profit before WC changes	10,199	12,314	14,199	17,554
Net Changes-WC	(1,303)	(5,276)	2,929	(3,012)
Direct tax	(1,647)	(1,751)	(2,161)	(2,880)
Net cash from Op. activities	7,249	5,287	14,967	11,661
Capital expenditures	(4,375)	(3,362)	(6,468)	(4,051)
Interest / Dividend Income	-	-	1,144	1,313
Others	(19,698)	2,258	(200)	(200)
Net Cash from Invt. activities	(24,073)	(1,104)	(5,524)	(2,938)
Issue of share cap. / premium	19,789	-	-	-
Debt changes	(1,786)	(720)	(1,699)	-
Dividend paid	(607)	(758)	(1,186)	(1,277)
Interest paid	(244)	(85)	(202)	(136)
Others	(248)	(210)	10,296	-
Net cash from Fin. activities	16,904	(1,773)	7,209	(1,412)
Net change in cash	150	2,410	16,652	7,311
Free Cash Flow	2,859	1,916	8,499	7,610

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Revenue	13,542	13,563	13,952	15,432
YoY gr. (%)	17.0	16.7	16.5	29.3
Raw Material Expenses	7,443	7,267	7,804	8,666
Gross Profit	6,099	6,296	6,148	6,766
Margin (%)	45.0	46.4	44.1	43.8
EBITDA	2,920	2,965	3,050	3,456
YoY gr. (%)	4.2	7.6	34.1	38.9
Margin (%)	21.6	21.9	21.9	22.4
Depreciation / Depletion	492	503	536	560
EBIT	2,428	2,462	2,514	2,896
Margin (%)	17.9	18.2	18.0	18.8
Net Interest	34	33	27	36
Other Income	277	260	200	241
Profit before Tax	2,671	2,689	2,687	3,101
Margin (%)	19.7	19.8	19.3	20.1
Total Tax	370	466	649	516
Effective tax rate (%)	13.9	17.3	24.2	16.6
Profit after Tax	2,301	2,223	2,038	2,585
Minority interest	(5)	3	(6)	(39)
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,306	2,220	2,044	2,624
YoY gr. (%)	5.9	13.4	13.6	45.1
Margin (%)	17.0	16.4	14.7	17.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,306	2,220	2,044	2,624
YoY gr. (%)	5.9	13.4	13.6	45.1
Margin (%)	17.0	16.4	14.7	17.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,306	2,220	2,044	2,624
Avg. Shares O/s (m)	152	152	152	152
EPS (Rs)	15.2	14.7	13.5	17.3

Source: Company Data, PL Research

Key Financial Metrics

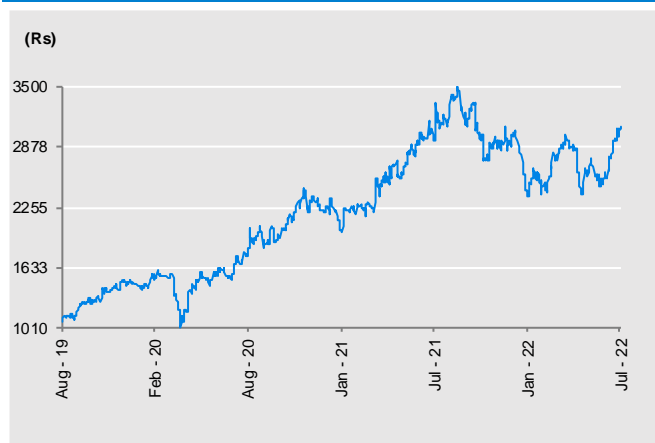
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	48.4	55.5	69.3	86.3
CEPS	60.0	68.8	85.7	104.6
BVPS	352.6	403.9	465.4	543.3
FCF	18.9	12.6	56.1	50.2
DPS	4.0	5.0	7.8	8.4
Return Ratio(%)				
RoCE	19.2	15.8	17.6	19.3
ROIC	32.3	20.9	25.8	30.2
RoE	18.4	14.7	15.9	17.1
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.3)	(0.4)	(0.4)
Net Working Capital (Days)	77	94	77	72
Valuation(x)				
PER	62.5	54.6	43.7	35.1
P/B	8.6	7.5	6.5	5.6
P/CEPS	50.5	44.0	35.3	28.9
EV/EBITDA	43.3	38.3	30.3	24.1
EV/Sales	9.6	8.3	6.8	5.6
Dividend Yield (%)	0.1	0.2	0.3	0.3

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Revenues				
CSM	32,446	39,259	48,289	57,946
Domestic	10,669	11,096	12,760	14,292

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Jul-22	BUY	3,340	2,581
2	22-Jun-22	BUY	3,340	2,485
3	18-May-22	BUY	3,340	2,630
4	08-Apr-22	BUY	3,340	2,858
5	07-Feb-22	BUY	3,400	2,552
6	12-Jan-22	BUY	3,470	2,887
7	27-Dec-21	BUY	3,470	2,903

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	5,640	5,076
2	Coromandel International	BUY	960	745
3	Dhanuka Agritech	BUY	850	695
4	Godrej Agrovet	Accumulate	570	505
5	Insecticides India	Hold	680	881
6	P.I. Industries	BUY	3,340	2,581
7	Rallis India	BUY	230	205
8	Sharda Cropchem	BUY	740	564
9	Sumitomo Chemical India	BUY	510	423
10	UPL	BUY	1,020	767

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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