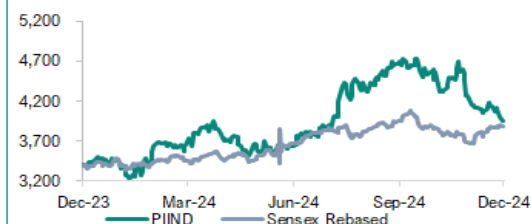


18th December 2024

BUY

Data as of: 17-Dec- 2024

*over or under performance to benchmark index



Y.E March (cr)	FY24A	FY25E	FY26E
Sales	7,145	8,253	9,594
<i>Growth (%)</i>	<i>14.0</i>	<i>15.5</i>	<i>16.3</i>
EBITDA	2,026	2,201	2,581
<i>EBITDA Margin (%)</i>	<i>28.3</i>	<i>26.7</i>	<i>26.9</i>
PAT Adjusted	1,731	1,659	1,939
<i>Growth (%)</i>	<i>42.9</i>	<i>-4.1</i>	<i>16.9</i>
Adjusted EPS	114.1	109.4	127.8
<i>Growth (%)</i>	<i>42.9</i>	<i>-4.1</i>	<i>16.9</i>
P/E	33.9	35.5	30.4
P/B	6.8	5.7	4.8
EV/EBITDA	27.8	25.7	21.5
<i>ROE (%)</i>	<i>19.9</i>	<i>16.1</i>	<i>15.8</i>
D/E	0.0	0.0	0.0

PI Industries manufactures plant protection and specialty plant nutrient products and solutions under its agri-inputs business. It is also a leading custom synthesis and manufacturing (CSM) company in India, providing contract research and contract manufacturing services to global innovators.

- Standalone revenue increased 8.3% YoY to Rs. 2,131cr in Q2FY25, led by growth in exports. Exports grew 7.8% YoY to Rs. 1,761cr. Agchem exports increased ~10% due to volume growth and ~42% YoY growth in new products.
- Consolidated revenue from Pharma (2.0% of exports) decreased 42.8% YoY to Rs. 41cr owing to high inventory at the innovators. The management expects the revenue to recover in H2FY25 with strong current orders.
- Due to a reduction in supply to institutional customers, domestic revenues decreased 5.0% to Rs. 460cr. Revenue from branded products increased 7% YoY and revenue from biological products rose 18% YoY.
- EBITDA surged 23.7% YoY to Rs. 685cr and margin improved 400bps YoY to 32.1% due to better product mix and operative leverage. Meanwhile, the overhead expenses increased due to the scale-up of exports and promotion expenses related to the launch of new products.
- PAT increased 20.2% YoY to Rs. 558cr, which was partly impacted by an 85.9% YoY increase in tax expenses.

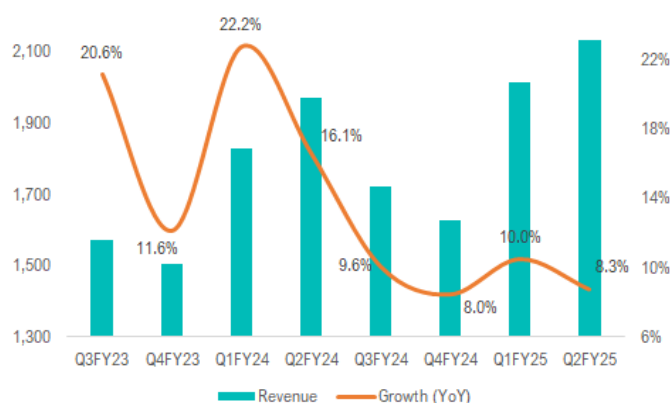
PI Industries has delivered a robust Q2FY25 performance, defying weak global market conditions. The company's future appears promising, driven by growing demand for its newly launched products and sustained momentum in new enquiries. With a strong product pipeline, including four new brands launched in H1FY25 and several more in development, PI Industries is well-positioned to capitalise on the increasing demand and maintain its growth trajectory in the CSM business. Therefore, **we reiterate our BUY rating on the stock, with a revised target price of Rs. 4,480, based on 35x FY26E adjusted EPS.**

Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	2,131	1,969	8.3	2,012	5.9	4,143	3,798	9.1
EBITDA	685	553	23.7	631	8.5	1,316	1,029	27.9
Margin (%)	32.1	28.1	400bps	31.4	70bps	31.8	27.1	470bps
EBIT	619	490	26.2	566	9.3	1,185	907	30.7
PBT	708	545	29.9	634	11.7	1,342	1,006	33.3
Rep. PAT	559	465	20.2	498	12.1	1,057	860	22.9
Adj PAT	559	465	20.2	498	12.1	1,057	860	22.9
EPS (Rs.)	36.8	30.6	20.2	32.9	12.1	69.7	56.7	22.9

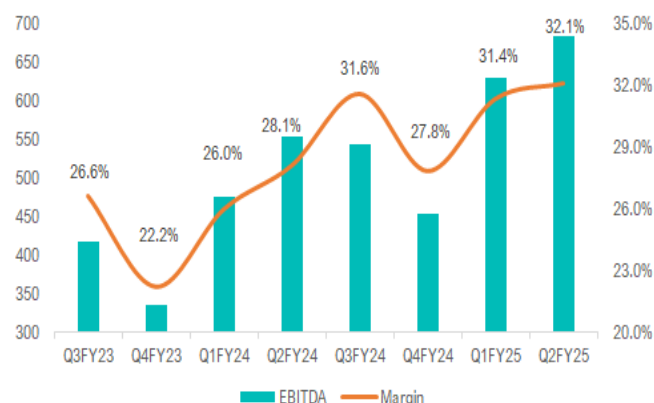
Key Concall Highlights

- The company lowered its FY25 growth guidance to high single digits or early double digits from a double-digit projection due to challenges in the global market and fluctuations in demand. Uneven rainfall has impacted the sowing and acreage of crops in the domestic market
- In H1FY25, four new brands were launched: PRESSEDO®, a broad-spectrum novel insecticide; DORITO®, a broad-spectrum insecticide targeting cotton and brinjal crops; OSHEEN ULTRA®, a superior-quality formulation for sucking pest control; and SOLJU, a microbial biofertilizer. The company is planning to launch CARVINT, an insecticide, and BYROCK, a fungicide, in H2FY25. The company also has over 20 products at various stages of development.
- The acquisition of Plant Health Care was completed in Q2FY25. This acquisition is expected to help the company increase top-tier export products, intellectual property, and protein and peptide platforms for Agri-biologicals. The company's focus is to commercialise Plant Health Care's products in India, which are already commercialised in the US, Brazil, and Europe.
- The R&D facilities in Hyderabad have started operations, and the renovation of the facility in Jaipur has been completed. The GMP Kilolab in Italy is expected to commence operations in Q1FY26.
- The pace of enquiries is robust, with over 50% of those coming from outside the agrochemical industry being for innovative, patented products. The company's investments in advanced research, novel chemistries, and cutting-edge technologies are driving this trend.

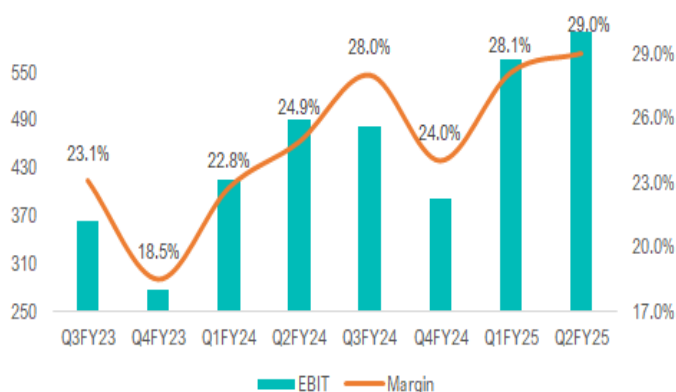
Revenue



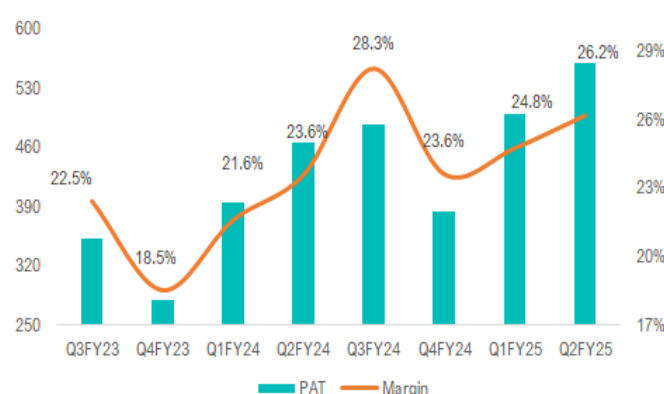
EBITDA



EBIT



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	9,146	10,701	8,253	9,594	-9.8	-10.3
EBITDA	2,347	2,726	2,201	2,581	-6.2	-5.3
Margins (%)	25.7	25.5	26.7	26.9	100bps	140bps
Adj. PAT	1,746	2,043	1,659	1,939	-4.9	-5.1
EPS	115.1	134.7	109.4	127.8	-4.9	-5.1



Standalone Financials

Profit & Loss

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	5,077	6,270	7,145	8,253	9,594
% change	16.4	23.5	14.0	15.5	16.3
EBITDA	1,111	1,520	2,026	2,201	2,581
% change	12.8	36.8	33.3	8.6	17.3
Depreciation	198	222	246	285	339
EBIT	913	1,298	1,780	1,915	2,242
Interest	12	36	9	10	10
Other Income	100	159	224	236	271
PBT	1,001	1,422	1,995	2,141	2,502
% change	11.0	42.1	40.3	7.3	16.9
Tax	181	210	264	482	563
Tax Rate (%)	18.1	14.8	13.2	22.5	22.5
Reported PAT	820	1,211	1,731	1,659	1,939
PAT att. to common shareholders	820	1,211	1,731	1,659	1,939
Adjustment	-	-	-	-	-
Adj PAT	820	1,211	1,731	1,659	1,939
% change	15.4	47.8	42.9	-4.1	16.9
No. of shares (cr)	15.2	15.2	15.2	15.2	15.2
Adj EPS (Rs.)	54.0	79.8	114.1	109.4	127.8
% change	12.6	47.8	42.9	-4.1	16.9
DPS (Rs.)	6.0	10.0	15.0	14.0	16.0

Cash Flow

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	1,018	1,433	1,977	1,945	2,279
Non-cash adj.	-6	-32	-47	102	66
Changes in W.C	-527	101	169	-577	-138
C.F. Operation	485	1,502	2,099	1,471	2,207
Capital exp.	-336	-301	-477	-825	-959
Change in inv.	2	-163	-586	-600	-200
Other invest.CF	715	1,390	1,228	186	190
C.F – Investment	381	926	166	-1,239	-969
Issue of equity	-	-	-	-	-
Issue/repay debt	-91	-284	-21	5	5
Dividends paid	-76	-114	-174	-212	-243
Other finance.CF	-8	-33	-9	-10	-10
C.F – Finance	-175	-431	-205	-217	-248
Chg. in cash	207	495	-39	14	990
Closing cash	1,322	2,132	2,544	2,558	3,548

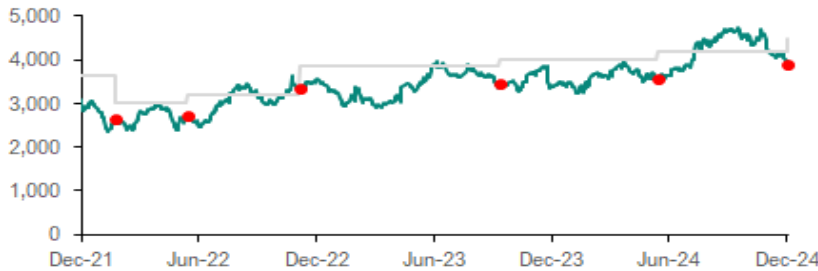
Balance Sheet

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	1,322	2,132	2,544	2,558	3,548
Accounts Receivable	791	693	703	1,411	1,535
Inventories	1,332	1,345	1,167	1,035	1,049
Other Cur. Assets	1,260	1,240	1,604	1,607	1,611
Investments	181	185	1,203	1,823	2,043
Gross Fixed Assets	2,823	3,124	3,601	4,426	5,386
Net Fixed Assets	2,319	2,417	2,538	2,786	3,360
CWIP	64	61	117	374	380
Intangible Assets	155	164	200	234	275
Other Assets	205	98	112	118	124
Total Assets	7,628	8,336	10,227	11,946	13,924
Current Liabilities	1,167	1,142	1,466	1,519	1,582
Provisions	6	9	17	26	29
Debt Funds	326	60	62	67	72
Other Liabilities	92	29	0	0	0
Equity Capital	15	15	15	15	15
Reserves & Surplus	6,024	7,082	8,666	10,319	12,225
Shareholder's Fund	6,039	7,097	8,681	10,334	12,240
Total Liabilities	7,628	8,336	10,227	11,946	13,924
BVPS (Rs.)	398	468	572	681	807

Ratio

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	21.9	24.2	28.3	26.7	26.9
EBIT margin (%)	18.0	20.7	24.9	23.2	23.4
Net profit mgn.(%)	16.1	19.3	24.2	20.1	20.2
ROE (%)	13.6	17.1	19.9	16.1	15.8
ROCE (%)	14.3	18.1	20.4	18.4	18.2
W.C & Liquidity					
Receivables (days)	56.9	40.4	35.9	62.4	58.4
Inventory (days)	174.6	143.6	118.9	100.4	94.9
Payables (days)	115.8	89.3	109.1	108.8	106.9
Current ratio (x)	3.7	4.7	4.1	4.3	4.8
Quick ratio (x)	2.3	3.3	3.0	3.4	4.0
Turnover & Leverage					
Gross asset T.O (x)	1.9	2.1	2.1	2.1	2.0
Total asset T.O (x)	0.7	0.8	0.8	0.7	0.7
Int. coverage ratio (x)	74.2	36.6	193.4	198.0	221.7
Adj. debt/equity (x)	0.1	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	8.2	7.0	7.9	6.8	5.8
EV/EBITDA (x)	37.6	28.9	27.8	25.7	21.5
P/E (x)	52.2	37.9	33.9	35.5	30.4
P/BV (x)	7.1	6.5	6.8	5.7	4.8

Recommendation Summary (last 3 years)



Dates	Rating	Target
9-Feb-21	BUY	2,680
9-Aug-21	BUY	3,640
8-Feb-22	BUY	3,010
30-May-22	BUY	3,200
21-Nov-22	BUY	3,860
27-Sep-23	BUY	4,000
29-May-24	BUY	4,180
18-Dec-24	BUY	4,480

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/Neutral

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/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

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

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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