

Facing Headwinds on Multiple Fronts; Downgrade to HOLD

Est. Vs. Actual for Q1FY26: Revenue - **MISS**; EBITDA - **MISS**; PAT - **MISS**

Change in Estimates post Q1FY26

FY26E/FY27E: Revenue: -2%/-5%; EBITDA: -2%/-5%; PAT: -5%/-5%

Recommendation Rationale

- Biological Segment Impacted by Regulatory Changes:** PI Industries' domestic business reported 6% YoY growth in Q1FY26, reaching Rs 339 Cr, with domestic revenue excluding biologicals rising by 13% YoY. Revenue from biological products declined ~38% YoY due to regulatory changes in Jun'25, which impacted sales across the industry. Additional challenges included cash flow pressures from fertiliser shortages, low commodity prices, and elevated channel inventory.
- Persistent Pressure Agchem Exports:** Agchem exports revenue declined by 14%, with 9% decline in volumes, in line with the customer delivery schedule to balance the inventory levels. As per the management, the company had factored in transitional softness for FY26 and expects momentum to resume in H2. Notably, new products contributed 46% YoY growth in Q1, and six to seven new products/molecules are planned for commercialisation in the remaining quarters.
- CRDMO Driving Growth:** The Pharma segment delivered robust growth of 186% YoY. Strong traction in new business inquiries is supported by aggressive investments in business development. The company is advancing its integrated CRDMO platform as the shift towards a CRDMO-led business model involves actively restructuring the product mix and onboarding new customers. Management expects over 75% revenue growth in FY26 for the Pharma segment, augmented by margin expansion.

Sector Outlook: Cautiously Optimistic

Company Outlook: Management anticipates revenue growth to remain in the single-digit range for FY26, reflecting ongoing global headwinds in the industry, while margins are expected to remain stable. The Domestic Agri Brands segment is projected to sustain its growth trajectory, supported by new product launches and a focused crop solutions approach. The CSM Exports business is expected to continue benefiting from its strong product portfolio and development pipeline, ensuring long-term growth visibility. PI maintains a robust pipeline of over 20 products at various stages of development and registration, which is expected to drive medium-term growth. The company has allocated Rs 700-800 Cr for Capex in FY26.

Current Valuation: 28x FY27E (Earlier: 28x FY27E)

Current TP: Rs 3,930/share (Earlier TP: Rs 4,150/share)

Recommendation: We downgrade our rating from BUY to HOLD on the stock as the challenges are expected to continue in the near term, and we await clear signs of a sustained recovery.

Financial Performance: The company's performance fell short of expectations across all parameters. Consolidated revenue stood at Rs 1,901 Cr, down 8% YoY but up 6% QoQ, missing the estimate of Rs 2,255 Cr. Gross margin improved to 57.4%, up from 51.8% in Q1FY25. EBITDA came in at Rs 519 Cr, marking an 11% YoY decline but increased by 14% QoQ, 19% below estimates. EBITDA margin stood at 27.3%, compared to 28.2% in Q1FY25 and 25.5% in Q4FY25. PAT was reported at Rs 400 Cr, down 11% YoY but up 21% QoQ, falling short of the Rs 466 Cr estimate.

Key Financials (Consolidated)

(Rs Cr)	Q1FY26	YoY (%)	QoQ (%)	Axis Est.	Var (%)
Net Sales	1,901	-8%	6%	2,255	-16%
EBITDA	519	-11%	14%	640	-19%
EBITDA Margin	27.3%	-88bps	182bps	28.4%	-109bps
Net Profit	400	-11%	21%	466	-14%
EPS (Rs)	26.32	-11%	21%	30.68	-14%

Source: Company, Axis Securities Research

(CMP as of 13th August 2025)

CMP (Rs)	3,780
Upside /Downside (%)	4%
High/Low (Rs)	4,801/2,951
Market cap (Cr)	57,326
Avg. daily vol. (1m) Shrs.	2,00,486
No. of shares (Cr)	15.2

Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	46.1	46.1	46.1
FII's	18.5	18.1	16.98
DII's	27.1	27.4	29.21
Retail	8.4	8.4	7.74

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	7978	8417	9679
EBITDA	2179	2315	2807
Net Profit	1656	1692	2130
EPS (Rs)	109.1	111.5	140.4
PER (x)	34.6	33.9	26.9
P/BV (x)	5.6	5.0	4.3
EV/EBITDA (x)	24.6	22.9	18.5
ROE (%)	17.5%	15.6%	17.0%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-2%	-5%
EBITDA	-2%	-5%
PAT	-5%	-5%

Relative Performance



Source: Ace Equity, Axis Securities Research

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Valuation & Recommendation

We believe PI's strong financial foundation, along with its strategic emphasis on leveraging growth opportunities and enhancing profitability through an improved product mix, positions it favourably for long-term growth. However, near-term industry challenges with tariff-related uncertainties and high inventory levels among global innovators are likely to limit revenue growth in FY26. Consequently, we have lowered our estimates but continue to value the stock at 28x FY27E earnings. **We downgrade our rating to HOLD from BUY, with a revised TP of Rs 3,930 per share, indicating a 4% upside from the CMP.**

Key Highlights

- **Financial Performance:** In Q1FY26, PI Industries posted a decline of 8% YoY in revenue.
- Agchem Exports declined by 14% YoY, with 9% decrease in volumes despite witnessing 46% YoY growth in new product sales, which is in line with the business plan and customer delivery schedule. The company commercialised 15+ molecules over the last 3 years.
- Domestic revenues rose 6% YoY, supported by a 7% volume uptick. Notably, domestic revenue excluding biologicals grew by ~13% YoY. Strong Kharif season, marked by increased acreage in rice. Biological products' revenue decreased ~38% YoY due to regulatory suspension of sales in Jun'25, which is expected to be resolved over the next two to three months..
- Pharma revenues saw a robust 186% YoY increase. Higher overheads were attributed to strategic investments in new businesses (~7%) and product/technology development (~10%).
- The CSM order book remains steady at over \$1.2 Bn.
- **New Product Launches:** The company successfully commercialised two new products in export markets and launched two new domestic agri brands. Management highlighted these as key mitigators against global headwinds, with 20+ products in the pipeline at various development and registration stages. Management reiterated its focus on sustaining this momentum, with ongoing launches expected to support top-line growth while maintaining stable margins.
- **Working Capital and Cash Flow:** PI's trade working capital in terms of Days of Sales increased to 91 days vs 73 days as of Q4FY25. The increase is due to the delayed season in domestic Agri and the phasing of Agchem exports. Inventory levels stood at Rs 979 Cr, increasing in terms of DIO to ~47 days vs 65 days in the last quarter. Trade receivables and trade payables stood at Rs 1,545 Cr and Rs 1,173 Cr, respectively. Cash flow from operating activities stood at Rs 217 Cr (Rs 1,413 Cr in FY25). The company maintained a strong cash position, with net surplus cash (after debt) amounting to Rs 4,155 Cr.
- **Outlook:** The management indicated that recent months have witnessed disruptions in trade flows due to tariff-related concerns; however, the medium to long-term outlook remains constructive. For FY26, the company has guided for single-digit revenue growth with stable margins. The management maintains its 50-52% Gross margin and 25-27% EBITDA margin guidance. In Agchem, PI is observing a global destocking of inventories and global innovators increasingly adopting a China +1 strategy. The Pharma segment is projected to grow by over 75% in FY26. The effective tax rate is expected to remain in the range of 22–23% over the next two to three years.
- **Focus on Portfolio Diversification:** The company is targeting the multi-billion-dollar markets of pharma, CRDMO, electronics, chemicals, biologicals, and UNC through unique business models. It is focusing on niche segments driven by innovation while also building expertise and distinct asset capabilities supported by systematic regulatory guidance. PI Industries aims to transition from an agricultural science company to a life sciences company.
- **Capex Plans:** PI incurred a total capex of Rs 221 Cr during Q1FY26 vs Rs. 152 Cr in Q1FY25 (including the acquisition of Plant Health Care - Rs 15 Cr capex). The company continues to focus on improving capacity utilisation and plans to spend around Rs 700-800 Cr in capex for FY26.
- **PI Health Sciences Ltd. (PIHS):** PIHS reported revenues of Rs 72 Cr in Q1FY26, up 186% YoY, but recorded a PBT loss of Rs 58 Cr. Gross margin improved to 55% vs 52% in Q1FY25 mainly due to a favourable product mix. Overheads increase was driven by development spending and other one-off costs. PBT loss for the quarter stood at Rs 76 Cr. Capex for PIHS was Rs 15 Cr in Q1FY26 vs Rs 37 Cr in Q1FY25. The company has demonstrated improved business development and greater visibility in its R&D pipeline over the next 1-2 years. EBITDA break-even is targeted in 12–18 months.

Key Risks to Our Estimates and TP

- A global recessionary environment, especially a prolonged recession, could affect demand for upstream players.
- Adverse weather conditions may negatively impact the Indian agriculture sector and can affect the demand for PI products.
- A delay in Capex and the commercialisation of new molecules could affect growth.

Change in Estimates

	Revised		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	8,417	9,679	8,616	10,167	-2%	-5%
EBITDA	2,315	2,807	2,369	2,948	-2%	-5%
PAT	1,692	2,130	1,782	2,250	-5%	-5%

Source: Company, Axis Securities Research

Q1FY26 Results Review

Particular (Rs Cr)	Q1FY25	Q4FY25	Q1FY26 Axis Est.	Q1FY26	YoY (%)	QoQ (%)	Axis Sec Var
Net Sales	2,069	1,787	2,255	1,901	-8%	6%	-16%
Gross Profit	1,071	984	1,173	1,091	2%	11%	
Gross Margins %	51.8%	55.1%	52.0%	57.4%	565bps	236bps	543bps
Staff Cost	200	197	214	232	16%	18%	
Other Operating expenses	288	332	318	340	18%	3%	
EBITDA	583	456	640	519	-11%	14%	-19%
EBITDA margins (%)	28.2%	25.5%	28.4%	27.3%	-88bps	182bps	-109bps
Depreciation	83	90	96	97	16%	7%	
Interest	8	8	10	4	-53%	-51%	
Other Income	73	73	75	86	18%	17%	
PBT before Exp. Items	566	432	610	507	-10%	17%	
Exceptional items	-	-	-	-			
PBT	566	432	610	507	-10%	17%	
Tax (incl deferred)	118	102	143	107	-9%	6%	
PAT	449	331	466	400	-11%	21%	-14%
EPS	29.5	21.7	30.7	26.3	-11%	21%	-14%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Net Sales	6,492	7,666	7,978	8,417	9,679
Growth (%)	22.5	18.1	4.1	5.5	15.0
Operating Expenses	-4,950	-5,651	-5,799	-6,102	-6,872
Operating Profit	1,542	2,015	2,179	2,315	2,807
Other Operating Income					
EBITDA	1,542	2,015	2,179	2,315	2,807
Growth (%)	35.0	30.6	8.2	6.2	21.3
Depreciation	-227	-308	-353	-384	-417
Other Income	159	208	344	295	387
EBIT	1,475	1,914	2,171	2,226	2,778
Finance Cost	-37	-30	-33	-40	-45
Exceptional & Extraordinary					
Profit Before Tax	1,438	1,884	2,138	2,186	2,733
Tax (Current + Deferred)	-215	-213	-482	-493	-603
Profit / (Loss) For The Period	1,223	1,671	1,656	1,692	2,130
P / L of Associates, Min Int, Pref. Div.		11			
Reported Profit / (Loss)	1,223	1,682	1,656	1,692	2,130
Adjusted Net Profit	1,223	1,682	1,656	1,692	2,130

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Share Capital	15	15	15	15	15
Reserves & Surplus	7,183	8,716	10,142	11,566	13,400
Shareholder's Funds	7,199	8,731	10,157	11,581	13,415
Minority Interest and Others					
Non-Current Liabilities	99	322	392	392	392
Long-Term Borrowings	10	36	27	27	27
Other Non-Current Liabilities	89	286	365	365	365
Current Liabilities	1,182	1,711	1,728	1,710	1,737
ST Borrowings, Current Maturity		66	34	34	34
Other Current Liabilities	1,182	1,644	1,694	1,676	1,704
Total (Equity and Liabilities)	8,480	10,764	12,277	13,683	15,544
Non-Current Assets	2,686	3,536	5,325	5,941	6,525
Fixed Assets (Net Block)	2,655	3,445	4,205	4,822	5,405
Non-Current Investments	31	90	272	272	272
Long-Term Loans and Advances					
Other Non-Current Assets	43	550	848	848	848
Current Assets	5,662	6,679	6,952	7,742	9,020
Cash & Current Investments	3,227	3,950	3,759	4,383	5,543
Other Current Assets	2,435	2,729	3,193	3,359	3,477
Total (Assets)	8,392	10,764	12,277	13,683	15,544
Total Debt	10	103	60	60	60
Capital Employed	7,298	9,120	10,583	12,007	13,841

Source: Company, Axis Securities Research

Cash Flow
(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Profit Before Tax	1,438	1,884	2,138	2,186	2,733
Depreciation	227	308	353	384	417
Change in Working Capital	206	305	-386	-184	-91
Total Tax Paid	-281	-286	-409	-493	-603
Others	-122	-178	-311	-255	-342
Operating Cash Flow (a)	1,467	2,034	1,384	1,637	2,114
Capital Expenditure	-397	-1,098	-1,112	-1,000	-1,000
Change in Investments	-116	-321	-195		
Others	318	139	201	295	387
Investing Cash Flow (b)	-196	-1,281	-1,107	-705	-613
Free Cash Flow (A+B)	1,271	754	277	932	1,501
Equity Raised / (Repaid)					
Debt Raised / (Repaid)	-96	92	-42		
Dividend (incl. Tax)	80	80	250	275	303
Others	-431	-465	-690	-584	-644
Financing Cash Flow (c)	-447	-293	-482	-308	-341
Net Chg in Cash (a+b+c)	824	461	-204	623	1,160

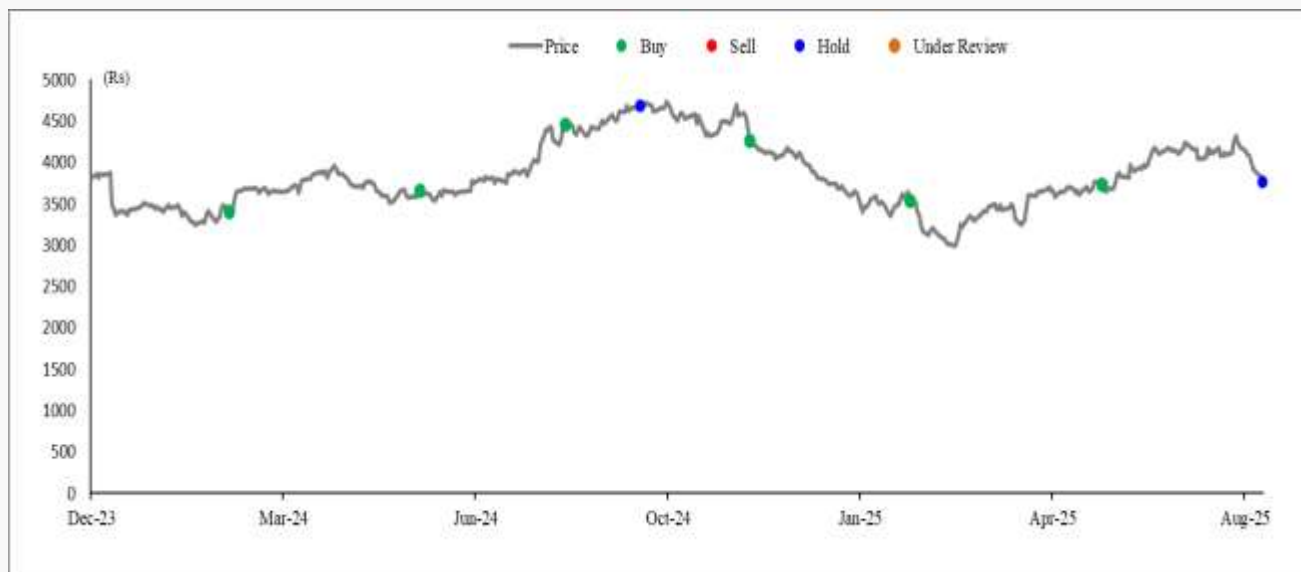
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Adjusted EPS (Rs)	80.6	110.8	109.1	111.5	140.4
<i>Growth</i>	<i>45.8</i>	<i>37.5</i>	<i>(1.5)</i>	<i>2.2</i>	<i>25.9</i>
CEPS (Rs)	95.5	131.1	132.4	136.8	167.8
Book Value / Share (Rs)	474.5	575.5	669.5	763.3	884.2
Dividend / Share (Rs)	(11.5)	(15.0)	(16.5)	(18.2)	(20.0)
Dividend Payout Ratio	(15.6)	(13.5)	(15.1)	(16.3)	(14.2)
EBITDA Margin	23.8	26.3	27.3	27.5	29.0
EBIT Margin	22.7	25.0	27.2	26.4	28.7
Tax Rate	14.9	11.3	22.5	22.6	22.1
RoCE	21.3	23.3	22.0	19.7	21.5
Total Debt / Equity (x)	0.0	0.0	0.0	0.0	0.0
Net Debt / Equity (x)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Du Pont Analysis - ROE					
Net Profit Margin	18.8	21.9	20.8	20.1	22.0
Asset Turnover (x)	0.8	0.8	0.7	0.6	0.7
Leverage Factor (x)	1.2	1.2	1.2	1.2	1.2
Return on Equity	18.4	21.1	17.5	15.6	17.0

Source: Company, Axis Securities Research

PI Industries Price Chart and Recommendation History



Date	Reco	TP	Research
13-Feb-24	BUY	4,300	Result Update
24-May-24	BUY	4,220	Result Update
09-Aug-24	BUY	4,979	Result Update
18-Sep-24	HOLD	4,980	AAA
18-Nov-24	BUY	4,850	Result Update
10-Feb-25	BUY	4,265	Result Update
21-May-25	BUY	4,150	Result Update
14-Aug-25	HOLD	3,930	Result Update

Source: Axis Securities Research

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