

PI Industries Ltd.

Recommendation	HOLD
CMP (17/02/14)	Rs 244
Target Price	Rs 269
Sector	Agrochemicals

Stock Details

BSE Code	523642
NSE Code	PIIND
Bloomberg Code	PI IN
Market Cap (Rs cr)	3,321
Free Float (%)	41.2
52- wk HI/Lo (Rs)	266/110
Avg. volume BSE (Quarterly)	31,582
Face Value (Rs)	Re. 1
Dividend (FY 13)	100%
Shares o/s (Cr)	13.55

Relative Performance	1Mth	3Mth	1Yr
PI Ind.	3.8%	19.5%	97.8%
Sensex	-3.1%	0.0%	4.8%



Shareholding Pattern	31 st Dec 13
Promoters Holding	58.6
Institutional (Incl. FII)	25.1
Corporate Bodies	2.2
Public & others	15.9

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Year Consolidated	Sales (Rs cr)	Growth (%)	EBITDA (Rs cr)	Margin (%)	Rep. PAT (Rs cr)	Margin (%)	EPS (Rs)	P/E (x)	ROE (%)
FY12A	879.1	22.1%	147.9	16.8%	71.7	8.2%	7.6	32.1	38.4%
FY13A	1151.4	31.0%	180.9	15.7%	97.3	8.5%	7.2	34.1	22.7%
FY14E	1616.4	40.4%	300.7	18.6%	175.8	10.9%	12.9	18.9	29.0%
FY15E	2090.4	29.3%	407.6	19.5%	261.8	12.5%	19.2	12.7	32.9%

Going strong..

PI Industries posted yet another strong quarter with 28.6% growth in sales. EBITDA margins have improved by ~130 bps yoy to 17.3% on back of favorable product mix and good rabi season. Management has maintained its upgraded growth guidance of 40% for full year and 25-30% for FY15.

Key Highlights

- **CSM:** key highlight of the quarter was increase in order book to \$365mn from \$334 mn in Q2FY14 despite reporting strong growth of 36% yoy at Rs 234 cr, maintaining quarterly run rate of more than Rs 200 cr. the company has commercialized one product in Q3FY14 and likely to one more in Q4FY14. PII reported Rs 90 cr sales from Jambusar plant in 9MFY14 and expected to end the year with around Rs 120 cr (higher than its earlier guidance of Rs 100 cr however in-line with expectations). The company has informed that Jambusar plant has achieved break even and has already started the Phase II expansion which is expected to operational by Q1FY15. It is likely to commercialize three more products during FY15E, driving the growth further
- **Agri:** On the back of good monsoon and good reservoir levels, maintenance of high MSPs, PI industries' Agri segment has reported decent sales growth of 17.3%. The performance is attributed mainly to volume growth. The company expects to launch 1 product in Q4FY14. It has strong pipeline of 8-9 products of exclusive products and intends to launch 1-2 products every year.
- PI Industries has strong balance sheet with less than 0.15x Debt: Equity ratio and NWC of 58 days at the end of 9MFY14 (as compared to 83.5 days at the end of 9MFY13).

Valuation & Recommendation

We believe that with macro factors like low per-capita pesticides consumption in the country, increasing MSPs and increasing acceptance for the need of crop protection products, make PI Industries a good long term bet while healthy order book of CSM, strong balance sheet and new product launches in Agri Input segment will drive near to medium term growth. We continue to maintain our positive stance on the stock. At CMP, the stock is trading at 12.7x on FY15E earnings. **We recommend to HOLD and BUY on decline for the price target of Rs 269 (14x on FY15E EPS)**

PI Industries Ltd.

Quarterly Result Table (Standalone)

Particulars (Rs Cr)	Q3FY14	Q3FY13	yoy	Q2FY14	qoq
Net Sales	363.4	282.6	28.6%	462.8	-21.5%
Cost of materials	192.6	152.5	26.3%	266.9	-27.8%
Purchase of goods	9.5	12.6	-24.5%	12.5	-24.2%
Employees Cost	26.0	20.0	30.2%	23.7	9.7%
Other Exps	72.6	52.2	39.0%	67.6	7.4%
EBITDA	62.7	45.3	38.4%	92.1	-31.9%
<i>margins</i>	<i>17.3%</i>	<i>16.0%</i>		<i>19.9%</i>	
Depreciation	7.9	5.0		8.0	
EBIT	54.8	40.3	36.0%	84.1	-34.8%
Interest	2.0	7.1	-71.8%	2.7	-25.0%
Other Income	4.0	2.1	94.5%	3.1	29.1%
Exchange loss/(gain)	3.3	-0.7	-580.4%	2.6	28.7%
PBT	53.5	36.0	48.9%	82.0	-34.7%
Tax	18.8	12.0	56.8%	26.7	-29.4%
<i>Tax rate</i>	<i>35.2%</i>	<i>33.4%</i>		<i>32.5%</i>	
EO items	0.0	0.0		0.0	
PAT reported	34.7	24.0	44.9%	55.3	-37.2%
PAT adjusted	34.7	24.0	44.9%	55.3	-37.2%
Equity Capital	13.5	13.5		13.5	
FV	1.0	1.0		1.0	
Adj EPS	2.6	1.8	44.9%	4.1	-37.2%

Change in Estimates

On the back of strong operational performance, we are revising our numbers upwards

	FY14E			FY15E		
	New	Old	% chg	New	Old	% chg
Sales	1616.4	1558.7	3.7%	2090.4	2016.8	3.6%
PAT	175.8	174.7	0.6%	261.8	251.6	4.0%

PI Industries Ltd.

Financials

P&L (Rs. Cr)	FY 12A	FY 13A	FY 14E	FY 15E	Balance Sheet (Rs Cr)	FY 12A	FY 13A	FY 14E	FY 15E
Net Sales	879.1	1151.4	1616.4	2090.4	Share Capital	12.5	13.5	13.6	13.6
% change	22.1%	31.0%	40.4%	29.3%	Reserves & Surplus	312.9	518.2	668.2	898.0
EBITDA	147.9	180.9	300.7	407.6	Net Worth	325.4	531.7	681.8	911.6
EBITDA margin (%)	16.8%	15.7%	18.6%	19.5%	Net Deferred Tax Liab	32.9	48.3	48.3	48.3
Depn & Amort	17.3	22.0	31.1	40.9	Total Loans	246.8	217.2	197.3	187.3
Operating income	130.6	158.9	269.6	366.8	Total Liabilities	605.1	797.2	927.4	1147.2
Interest	19.9	21.8	11.7	14.2	Net Fixed Assets	297.5	478.1	606.5	696.6
Other Income	5.1	8.2	8.5	6.0	Capital WIP	81.0	60.5	11.0	0.0
PBT	111.3	145.0	266.3	358.6	Investments	0.5	0.5	0.5	0.5
Tax	39.8	47.7	90.6	96.8	Cash & Bank	9.4	16.1	17.4	17.3
EO*	-7.3	0.0	0.0	0.0	Inventories	178.8	241.7	215.0	274.4
Reported PAT	103.6	97.3	175.8	261.8	Debtors	172.2	262.5	381.7	511.0
Adj PAT	71.7	97.3	175.8	261.8	Other CA	62.2	75.2	110.7	141.6
Sh o/s - Diluted	13.6	13.6	13.6	13.6	CL & Prov	196.5	337.5	415.4	494.1
Adj EPS	7.6	7.2	12.9	19.2	Net CA	226.1	258.1	309.4	450.1
EPS growth (%)	59.1%	-6.0%	80.6%	48.9%	Total Assets	605.1	797.2	927.4	1147.2
Cash EPS	6.5	8.8	15.2	22.2	Cash Flow (Rs. Cr)	FY 12A	FY 13A	FY 14E	FY 15E
Quarterly - Standalone	Mar-13	Jun-13	Sep-13	Dec-13	Op CF before tax & WC	175.5	180.6	300.7	407.6
Net Sales	330.4	406.1	462.8	363.4	Change in WC	-26.8	-9.9	-50.0	-140.8
EBITDA	41.4	78.9	92.1	62.7	Tax	-39.8	-47.7	-90.6	-96.8
Dep & Amorz	6.9	7.3	8.0	7.9	CF from Operation	108.9	123.0	160.1	170.0
Operating Income	34.4	71.6	84.1	54.8	Investing Activities				
Interest	4.7	3.8	2.7	2.0	Capex	-101.9	-181.3	-110.0	-120.0
Other Inc.	3.5	0.7	3.1	4.0	Inv & Oth Income	5.1	8.2	8.5	6.0
PBT	36.9	75.1	82.0	53.5	CF from Investing	-96.8	-173.1	-101.5	-114.0
Tax	13.8	26.6	26.7	18.8	Financing				
EO (less)/Add	0.0	0.0	0.0	0.0	Dividend Paid	-14.6	-15.8	-25.7	-31.9
Reported PAT	23.1	48.5	55.3	34.7	Sh Capital & Premium	34.7	118.6	0.0	0.0
EPS (Rs.)	1.7	3.6	4.1	2.6	Interest Paid	-19.9	-21.8	-11.7	-14.2
Ratios	FY 12A	FY 13A	FY 14E	FY 15E	Loans	8.5	-29.6	-19.9	-10.0
EBITDA margin (%)	16.8%	15.7%	18.6%	19.5%	Interest Paid & Others	-30.2	-16.5	-11.7	-14.2
Adj PAT margin (%)	11.8%	8.5%	10.9%	12.5%	CF from Financing	-9.7	56.8	-57.3	-56.1
PAT Growth (%)	79.2%	-6.0%	80.6%	48.9%	Net Chg. in Cash	2.4	6.7	1.3	-0.1
Price Earnings (x)	32.1	34.1	18.9	12.7	Cash at beginning	7.0	9.4	16.1	17.4
ROE (%)	38.4%	22.7%	29.0%	32.9%	Cash at end	9.4	16.1	17.4	17.3
ROCE (%)	25.5%	24.1%	33.1%	37.1%	Per Share Data	FY 12A	FY 13A	FY 14E	FY 15E
Debt/Equity Ratio (x)	0.7	0.5	0.3	0.0	Adj EPS	7.6	7.2	12.9	19.2
Price/BV (x)	10.2	6.2	4.9	3.6	BV per share	23.9	39.1	50.1	67.0
EV / Sales	4.0	3.0	2.1	1.7	Cash per share	0.7	1.2	1.3	1.3
EV / EBITDA	24.0	19.3	11.5	8.5	Dividend per share	0.9	1.0	1.6	2.0

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