

## P.I. INDUSTRIES LTD.

Result Update (**PARENT BASIS**): Q4 FY15

**BUY**

CMP	677.35
Target Price	760.00

MAY 28<sup>th</sup>, 2015

ISIN: INE603J01030

### Index Details

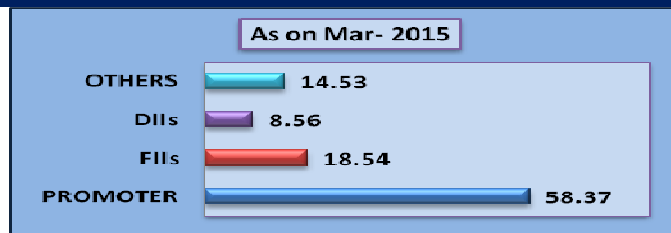
#### Stock Data

Sector	Agrochemicals
BSE Code	523642
Face Value	1.00
52wk. High / Low (Rs.)	785.65/281.00
Volume (2wk. Avg. Q.)	14000
Market Cap (Rs. in mn.)	92526.01

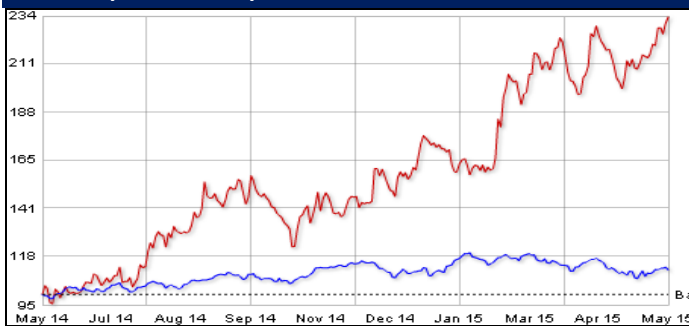
### Annual Estimated Results (A\*: Actual / E\*: Estimated)

YEARS	FY15A	FY16E	FY17E
Net Sales	19396.50	22015.03	24766.91
EBITDA	3931.30	4328.69	4840.96
Net Profit	2432.50	2626.89	2910.31
EPS	17.81	19.23	21.31
P/E	38.04	35.22	31.79

### Shareholding Pattern (%)



### Year Comparative Graph



P.I. INDUSTRIES LTD

BSE SENSEX

### SYNOPSIS

- PI Industries Ltd engages in the agri-input and custom synthesis businesses in India and internationally.
- The company's net sales grew by 48.05% y-o-y and stood at Rs. 5369.80 million from Rs. 3627.08 million over the corresponding quarter of previous year.
- In Q4 FY15, Net profit stood at Rs. 603.20 million, an increase of 33.47% y-o-y as against Rs. 451.93 million in Q4 FY14.
- For Q4 FY15, Operating profit or EBIDTA stood at Rs. 1033.70 million against Rs. 597.22 million for Q4 FY15. An increase of 73.09% y-o-y.
- Reported Earnings per share of the company stood at Rs. 4.42 in Q4 FY15 as compared to Rs. 3.32 in Q4 FY14.
- Profit before tax rose by 80.64% y-o-y of Rs. 855.70 million in Q4 FY15 from Rs. 473.70 million in Q4 FY14.
- The company has recommended a final dividend @ 130% of Rs. 1.30 per share on face value of Rs. 1.00/- each for the financial year ended 2015.
- Exports saw robust growth, as planned through H2, as commercialised molecules saw enhancement in deliveries. Domestic business performance leveraged the strength of the IPR-focused business model.
- Net Sales and PAT of the company are expected to grow at a CAGR of 21% and 32% over 2014 to 2017E respectively.

PEER GROUPS	CMP	MARKET CAP	EPS	P/E (X)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
P.I. INDUSTRIES LTD	677.35	92526.01	17.81	38.04	10.48	250.00
Excel Crop Care Ltd	813.00	8947.60	66.71	12.19	3.09	250.00
Dhanuka Agritech Ltd	634.00	31712.40	21.32	29.74	9.54	200.00
Bayer Crop Science Ltd						

## QUARTERLY HIGHLIGHTS (PARENT BASIS)

### Results updates- Q4 FY15,

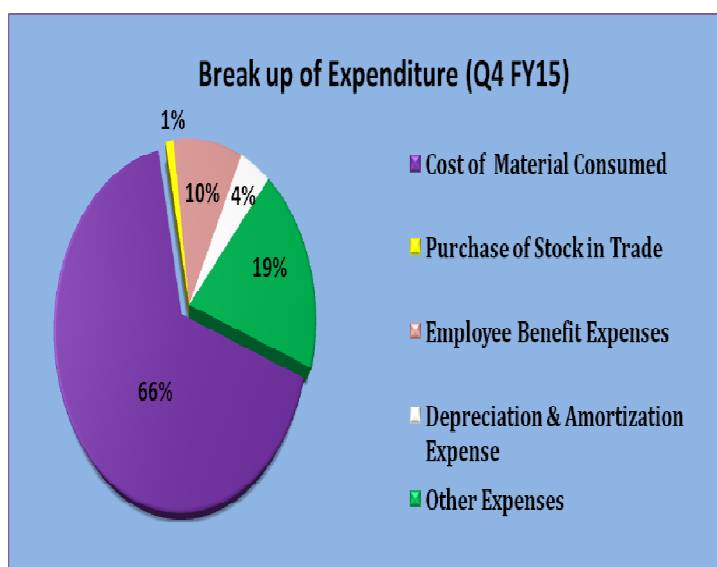
PI Industries Ltd engages in the agri-input and custom synthesis businesses in India and internationally, reported its financial results for the quarter ended 31<sup>st</sup> March, 2015.

Months	Mar-15	Mar-14	% Change
Net Sales	5369.80	3627.08	48.05
PAT	603.20	451.93	33.47
EPS	4.42	3.32	32.99
EBITDA	1033.70	597.22	73.09

The company has achieved a turnover of Rs. 5369.80 million as against Rs. 3627.08 million in the corresponding quarter of the previous year. EBITDA was Rs. 1033.70 million in Q4 FY15 as against Rs. 597.22 million in the corresponding period of last year. In Q4 FY15, net profit increased by 33.47% to Rs. 603.20 million against Rs. 451.93 million in the corresponding quarter of the previous year. The company has reported an EPS of Rs. 4.42 as against an EPS of Rs. 3.32 in the corresponding quarter of the previous year.

### Break up of Expenditure

Break up of Expenditure	(Rs in millions)		
	Q4 FY15	Q4 FY14	Chng %
Cost of Material Consumed	3081.70	2144.10	44%
Purchase of Stock in Trade	51.70	57.90	-11%
Employee Benefit Expenses	442.20	318.30	39%
Depreciation & Amortization Expense	200.60	81.70	146%
Other Expenses	880.10	813.00	8%



## COMPANY PROFILE

Incorporated in 1947, PI Industries focuses on Agri-Input and Custom Synthesis with strength of over 1,500 employees, PI Industries currently operates three formulation and two manufacturing facilities as well as five multi-product plants under its three manufacturing locations across Jammu and Gujarat. These state-of-art facilities have integrated process development teams with in-house engineering capabilities. PI Industries is into the following segments:

### **Domestic Agri-Input**

PI is one of India's leading players in the Agri-Input industry, primarily dealing in agro-chemicals, specialty fertilizers, plant nutrients and seeds. This venture is the flagship business for which PI enjoys tremendous brand recognition across several industry leading products. The Company has exclusive rights with several global Corporations for distribution in India and is constantly evaluating prospects to further expand its product portfolio. Given the inevitable surge in demand for food grain production in the agriculture sector, the opportunities for Agro-Chem Companies are innumerable. PI Industries is favorably positioned to contribute to the growth in this space by leveraging its long-standing association with business partners and intensive network of distributors across India.

### **Custom Synthesis Exports**

PI focuses on Custom Synthesis, which entails dealing in custom synthesis and contract manufacturing of chemicals including techno commercial evaluation of chemical processes, process development, lab & pilot scale up as well as commercial production. The Company has an impressive product portfolio as result of exclusive tie-ups with leading agro-chemical, pharmaceutical and fine chemical companies around the world. PI has made substantial investments in building state of art process research and manufacturing facilities of chemical intermediates and active ingredients with special focus on strong process R&D capabilities. Custom Synthesis is expected to be the primary growth driver with strong revenue visibility for P I as India continues to be a preferred destination for outsourcing Custom Synthesis and contract manufacturing related projects. With exceptional growth opportunities in the offing, this segment is poised for great success.

**Balance Sheet as at March 31, 2014 -2017E**

		FY14A	FY15A	FY16E	FY17E
<b>I.</b>	<b>EQUITY AND LIABILITIES:</b>				
<b>A.</b>	<b>Shareholders' Funds</b>				
	a) Share Capital	136.11	136.60	136.60	136.60
	b) Reserves and Surplus	6694.73	8688.70	10860.88	13033.05
	<b>Sub-Total-Net worth</b>	<b>6830.84</b>	<b>8825.30</b>	<b>10997.48</b>	<b>13169.65</b>
<b>B.</b>	<b>Non-Current Liabilities:</b>				
	a) Long-term borrowings	501.26	166.70	58.35	23.34
	b) Deferred Tax Liabilities [Net]	432.53	365.50	328.95	343.75
	c) Other Long Term Liabilities	137.76	158.30	177.30	191.48
	d) Long Term Provisions	59.93	79.40	95.28	109.57
	<b>Sub-Total-Long term liabilities</b>	<b>1131.48</b>	<b>769.90</b>	<b>659.87</b>	<b>668.14</b>
<b>C.</b>	<b>Current Liabilities:</b>				
	a) Short-term borrowings	358.84	647.90	725.65	798.21
	b) Trade Payables	2931.27	3539.90	4106.28	4681.16
	c) Other Current Liabilities	1557.19	2072.70	2590.88	3031.32
	d) Short Term Provisions	281.28	356.70	435.17	483.04
	<b>Sub-Total-Current Liabilities</b>	<b>5128.58</b>	<b>6617.20</b>	<b>7857.98</b>	<b>8993.74</b>
	<b>TOTAL-EQUITY AND LIABILITIES (A+B+C)</b>	<b>13090.90</b>	<b>16212.40</b>	<b>19515.33</b>	<b>22831.54</b>
<b>II.</b>	<b>ASSETS:</b>				
<b>D.</b>	<b>Non-Current Assets:</b>				
	a) Fixed Assets	5661.28	6629.30	7424.82	8271.25
	b) Non Current Investments	19.67	19.70	19.70	19.70
	c) Long Term Loans and Advances	112.19	426.40	703.56	970.91
	d) Other non-current investments	19.15	20.80	22.26	23.37
	<b>Sub-Total-Non-Current Assets</b>	<b>5812.29</b>	<b>7096.20</b>	<b>8170.34</b>	<b>9285.23</b>
<b>E.</b>	<b>Current Assets:</b>				
	a) Inventories	3187.58	3782.10	4463.85	5202.93
	b) Trade Receivables	2564.71	3825.80	5203.09	6503.86
	c) Cash and Bank Balances	371.03	239.30	294.34	353.21
	d) Short Term Loans and Advances	1079.74	1201.30	1321.43	1427.14
	e) Other Current Assets	75.55	67.70	62.28	59.17
	<b>Sub-Total-Current Assets</b>	<b>7278.61</b>	<b>9116.20</b>	<b>11344.99</b>	<b>13546.31</b>
	<b>TOTAL-ASSETS (D+E)</b>	<b>13090.90</b>	<b>16212.40</b>	<b>19515.33</b>	<b>22831.54</b>

## Annual Profit & Loss Statement for the period of 2014A to 2017E

Value(Rs.in.mn)	FY14A	FY15A	FY16E	FY17E
Description	12m	12m	12m	12m
<b>Net Sales</b>	<b>15949.20</b>	<b>19396.50</b>	<b>22015.03</b>	<b>24766.91</b>
Other Income	156.10	231.60	277.92	321.00
Total Income	16105.30	19628.10	22292.95	25087.90
Expenditure	-13092.90	-15696.80	-17964.26	-20246.95
<b>Operating Profit</b>	<b>3012.40</b>	<b>3931.30</b>	<b>4328.69</b>	<b>4840.96</b>
Interest	-118.20	86.30	55.23	38.66
Gross profit	2894.20	4017.60	4383.92	4879.62
Depreciation	-313.70	-491.60	-631.21	-710.12
Profit Before Tax	2580.50	3526.00	3752.70	4169.50
Tax	-742.70	-1093.50	-1125.81	-1259.19
Profit After Tax	1837.80	2432.50	2626.89	2910.31
Extraordinary Items	-0.40	0.00	0.00	0.00
<b>Net Profit</b>	<b>1837.40</b>	<b>2432.50</b>	<b>2626.89</b>	<b>2910.31</b>
Equity capital	136.11	136.60	136.60	136.60
Reserves	6676.80	8688.70	10860.88	13033.05
Face value	1.00	1.00	1.00	1.00
<b>EPS</b>	<b>13.50</b>	<b>17.81</b>	<b>19.23</b>	<b>21.31</b>

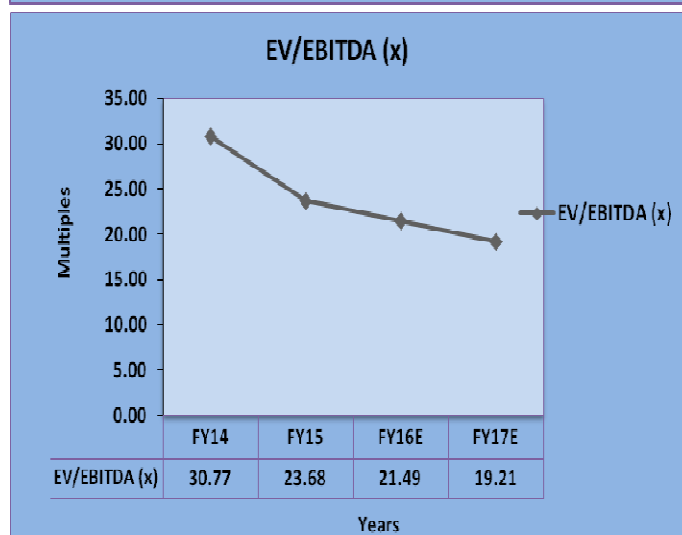
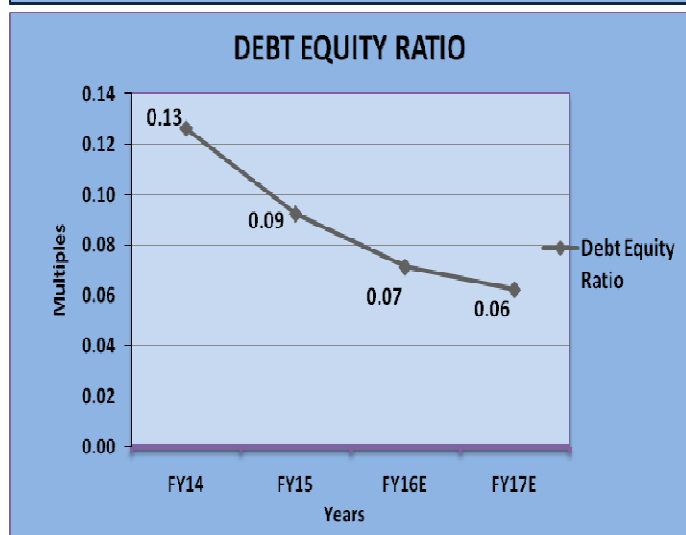
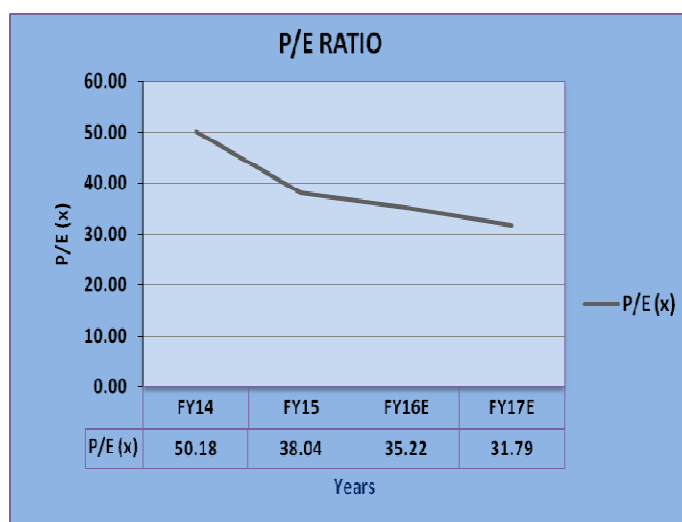
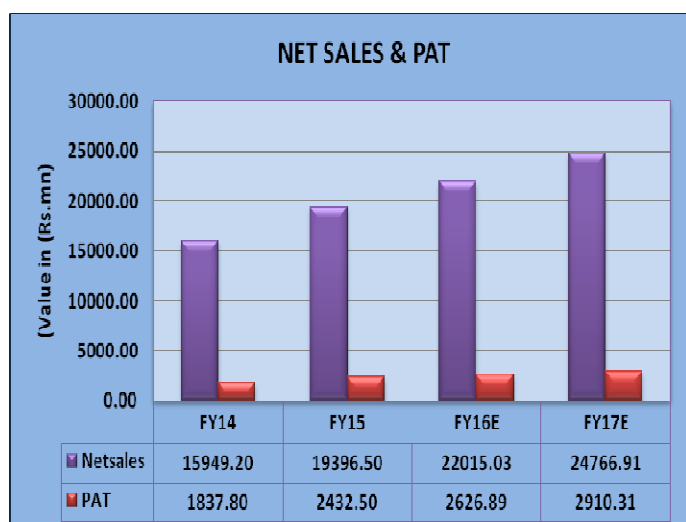
## Quarterly Profit & Loss Statement for the period of 30<sup>th</sup> Sept, 2014 to 30<sup>th</sup> June, 2015E

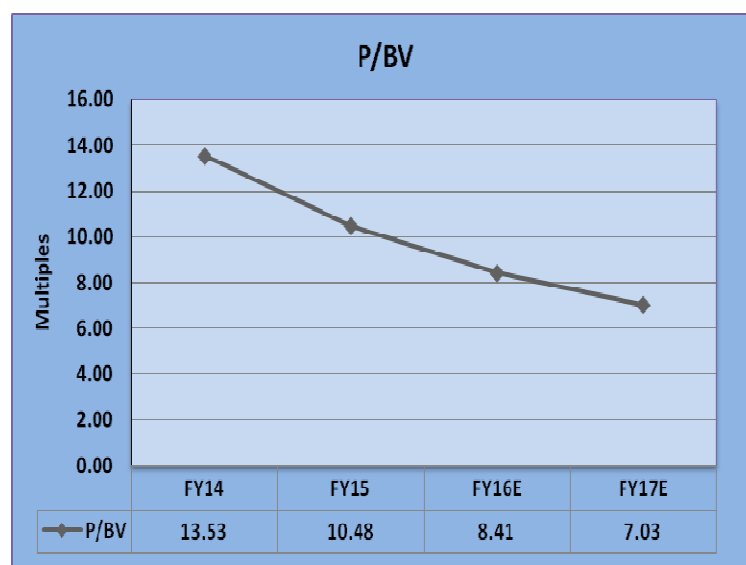
Value(Rs.in.mn)	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15E
Description	3m	3m	3m	3m
<b>Net sales</b>	<b>4265.50</b>	<b>5049.20</b>	<b>5369.80</b>	<b>5595.33</b>
Other income	55.30	59.30	81.00	65.61
Total Income	4320.80	5108.50	5450.80	5660.94
Expenditure	-3539.20	-4108.00	-4417.10	-4504.24
<b>Operating profit</b>	<b>781.60</b>	<b>1000.50</b>	<b>1033.70</b>	<b>1156.70</b>
Interest	-18.50	10.20	22.60	-8.33
Gross profit	763.10	1010.70	1056.30	1148.37
Depreciation	-96.40	-96.90	-200.60	-189.29
Profit Before Tax	666.70	913.80	855.70	959.09
Tax	-227.50	-291.60	-252.50	-262.79
<b>Profit After Tax</b>	<b>439.20</b>	<b>622.20</b>	<b>603.20</b>	<b>696.30</b>
Extraordinary Items	50.50	0.00	0.00	0.00
<b>Net Profit</b>	<b>489.70</b>	<b>622.20</b>	<b>603.20</b>	<b>696.30</b>
Equity capital	136.60	136.60	136.60	136.60
Face value	1.00	1.00	1.00	1.00
<b>EPS</b>	<b>3.58</b>	<b>4.55</b>	<b>4.42</b>	<b>5.10</b>

## Ratio Analysis

Particulars	FY14A	FY15A	FY16E	FY17E
EPS (Rs.)	13.50	17.81	19.23	21.31
EBITDA Margin (%)	18.89%	20.27%	19.66%	19.55%
PBT Margin (%)	16.18%	18.18%	17.05%	16.83%
PAT Margin (%)	11.52%	12.54%	11.93%	11.75%
P/E Ratio (x)	50.18	38.04	35.22	31.79
ROE (%)	26.98%	27.56%	23.89%	22.10%
ROCE (%)	43.35%	45.88%	42.10%	39.68%
Debt Equity Ratio	0.13	0.09	0.07	0.06
EV/EBITDA (x)	30.77	23.68	21.49	19.21
Book Value (Rs.)	50.05	64.61	80.51	96.41
P/BV	13.53	10.48	8.41	7.03

## Charts





## OUTLOOK AND CONCLUSION

- At the current market price of **Rs. 677.35** the stock P/E ratio is at 35.22 FY16E and 31.79 x FY17E respectively.
- Earnings per share (EPS) of the company for FY16E and FY17E are seen at Rs. 19.23 and Rs. 21.31 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 21% and 32% over 2014 to 2017E respectively.
- On the basis of EV/EBITDA, the stock trades at 21.49 x for FY16E and 19.21 x for FY17E.
- Price to Book Value of the stock is expected to be at 8.41 x and 77.03 x respectively for FY16E and FY17E.
- We recommend '**BUY**' in this particular scrip with a target price of **Rs. 760.00** for Medium to Long term investment.

## INDUSTRY OVERVIEW

Chemical industry is one of India's oldest industries, contributing significantly towards the industrial and economic growth of the nation. The Indian Chemical Industry forms the backbone of the industrial and agricultural development of India and provides building blocks for several downstream industries. According to the Department of Chemicals and Petrochemicals, the Indian chemical industry is estimated to be worth approximately US\$ 35 bn, which is about 3% of India's total GDP. The total investment in the Indian chemical industry is approximately US\$ 60 bn and total employment generated was about 1 mn. In terms of volume, it is 12th largest in the world and 3rd largest in Asia.

Exports of chemicals from India have increased significantly and account for about 14% of total exports and 9% of total imports of the country. The Indian chemical industry comprises both small and large-scale units. Fiscal concessions granted to the small sector in the mid-eighties led to the establishment of a large number of units in the Small Scale Industries (SSI) sector.

The major sub segments of this industry include alkali, organic chemicals, inorganic chemicals, pesticides, dyes & dyestuffs and specialty chemicals. The Indian chemical industry deals in products like fertilizers, bromine compounds, catalyst, sodium and sodium compounds, dye intermediates, inks and resins, phosphorous, paint chemicals, coatings, isobutyl, zinc sulphate, zinc chloride, water treatment chemicals, organic surfactants, pigment dispersions, industrial aerosols and many more.

The commodity chemicals are the largest segment in the chemical market. Some of the major markets for chemicals are North America, Western Europe, Japan and emerging economies in Asia and Latin America. The Indian chemical industry is matured and is in the midst of a major restructuring and consolidation phase. Globalization has opened the doors for this sector to capture a major part of the global market pie.

The sector has experienced many reforms in India and is expected to grow at 15% p.a. in the near future. The investment in R&D will also play a vital role in this sector. In a nutshell, the Indian chemical industry has a large potential to grow in domestic as well as in export markets. In the current market conditions, with an appreciating rupee, pricing will be a crucial factor while competing with other exporting countries.

### Outlook

The overall industry environment is expected to remain subdued in FY16 both in domestic and global market place. However, PI's FY16 performance to reflect continued growth momentum although at a moderated pace on the back of a larger base now.

The driving factors in the domestic operation will be:

- ✓ Pattern and distribution of the upcoming annual monsoon rainfall



- ✓ Expected upsides from the product launches made in last few years and also 1-2 new products slated for introduction in FY16

And in the exports business:

- ✓ Scale up in sales volumes of commercialised molecules
- ✓ Commercialization of 2 new products
- ✓ Commissioning of second phase at Jambusar, which remains on track

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