MOTILAL OSWAL FINANCIAL SERVICES

9 October 2023

Update | Sector: Chemicals

PI Industries

BSE SENSEX	S&P CNX
65,512	19,512

CMP: INR3,415 **TP: INR4,560(+34%)** **Buy**

CSM segment moving from strength to strength

- **PI industries (PI) has built a strong business model by strengthening its presence in the CSM segment in the agrochemical industry. Going ahead, it aims to diversify into the pharmaceutical segment and other niche chemistry. The company continues to build a strong domestic agrochemical franchise with the launch of better products in the crops and pesticide segments over the years.**
- **We believe that any correction in the stock is an opportunity to buy a quality business at a better valuation. The stock has traded at an average P/E of 37x/35x over the last three/five years on a one-year forward basis. We ascribe 36x FY25E EPS after considering the strong growth outlook for existing businesses and its acquisition in the pharma segment – which adds up to PI's total addressable market (TAM) (from USD31.5b to USD136.5b in 2022), providing a long runway for growth.**
- **We value the stock at 36x FY25E EPS (in line with its 3/5-year avg one-year forward P/E) to arrive at a TP of INR4,560. Maintain BUY.**

CSM business helps to sustain growth amid difficult global scenario

- The company's focus on export CSM has been the key differentiator compared to other agchem/chemical players in India. PI has a strong track record of an industry-beating revenue CAGR (18% in FY16-23) and a sustainable margin profile (over 20% in FY16-23; ~24% in FY23).
- PI's moat lies in its strong export-focused CSM business, as no other Indian player offers the width and consistency that PI does. The company is banking on this factor by consistently launching new molecules.
- The company works with 20 global innovators, manufacturing over 25 products on a commercial scale and evaluating over 60 molecules in their R&D center.
- Where global generic agrochemical companies are facing headwinds in the form of subdued prices and volumes due to overcapacity in China, PI is faring well on the back of its CSM business focused on patented molecules (volume growth of 29% YoY in 1QFY23).

Commercialization of new molecules in CSM maintains momentum

- PI's CSM business specializes in agrochemicals, primarily patented molecules, which account for 90% of revenue. The company collaborates with global agrochemical innovators to optimize the manufacturing process, reduce costs, and enhance product quality. PI has strong partnerships with over 20 global customers, including Kumiai Chemicals, Nissan Chemicals, Mitsui Chemicals, Bayer, BASF and Corteva.
- PI's CSM business has demonstrated impressive growth, with a 28% CAGR in FY18-23 and an estimated 21% CAGR from FY23-25E.
- The company has a robust pipeline of molecules at various stages, including R&D and recent commercialization. PI commercialized one molecule in 1QFY24 and plans to launch four to five more molecules annually from FY24 onward, as per its guidance.

Stock Info

Bloomberg	PI IN
Equity Shares (m)	152
M.Cap.(INRb)/(USDb)	518.1 / 6.2
52-Week Range (INR)	4011 / 2869
1, 6, 12 Rel. Per (%)	-5/2/-1
12M Avg Val (INR M)	1190
Free float (%)	53.9

Financials Snapshot (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	64.9	85.2	98.7
EBITDA	15.4	20.8	24.4
Adj. PAT	12.3	16.1	19.3
EBITDA Margin (%)	23.8	24.4	24.7
Cons. Adj. EPS (INR)	80.9	105.6	126.8
EPS Gr. (%)	45.7	30.6	20.0
BV/Sh. (INR)	474	569	685
Ratios			
Net D:E	(0.4)	(0.3)	(0.4)
RoE (%)	18.5	20.3	20.2
RoCE (%)	18.5	20.3	20.2
Payout (%)	12.4	9.5	9.1
Valuations			
P/E (x)	42.3	32.4	27.0
EV/EBITDA (x)	32.3	24.3	20.2
Div. Yield (%)	0.3	0.3	0.3
FCF Yield (%)	2.3	(0.3)	3.0

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter (%)	46.1	46.1	46.7
DII (%)	24.0	24.2	25.9
FII (%)	19.2	18.6	16.0
Others (%)	10.8	11.1	11.4

FII Includes depository receipts

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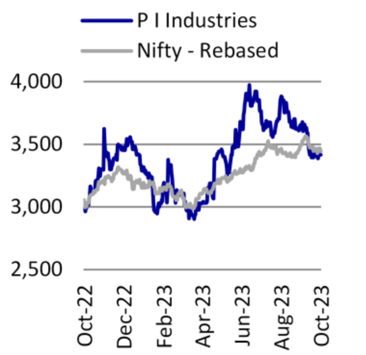
Research Analyst: Meet Jain (Meet.Jain@MotilalOswal.com) / **Omkar Shintre** (Omkar.Shintre@MotilalOswal.com)

Stock performance (one-year)



- The launch momentum is driven by the rise in outsourcing by global innovators, lower competitive intensity in the CSM market (due to global consolidation), cost advantages, a steadfast commitment to protecting intellectual property rights, and the wealth of expertise accumulated over the years.
- PI has improved its R&D capabilities by adding more scientists and researchers (473 in FY23 vs. 228 in FY21), which reflects in the increase in its cumulative patent filings to 147 in FY23 from 102 in FY21 (Refer Exhibit: 19)
- As per WTO, India is a growing hub for chemicals, ranking as the world's second-largest agro-chem exporter in 2022, surpassing USA. The Indian agro-chem market is set to grow 10-12% in FY24, with exports accounting for a 50% share, driven by the 'China plus one' strategy, declining EU competition, and Indian government support.
- PI ranks among the top five global players in the agrochemical CSM sector, with a focus on early-stage molecules. The company maintains competitive margins, with EBIDTA margin of ~24% in FY23 compared to its global peer CABB Chemicals, which has EBITDA margin of 22-23% in CY22. (Refer Exhibit: 22).

Eying big opportunity in pharma segment

- PI intends to diversify its CSM business by focusing on high-potential segments such as pharmaceuticals, polymer additives, imaging chemicals, electronic-chemicals and specialty chemicals, as well as new application areas such as bio-chemistry, nutraceuticals and additive chemicals.
- On that front, the company has been actively pursuing the pharma CDMO business since 2020.
- The size of the global CRO/CDMO industry was USD29b/USD76b in 2022, which is expected to see a 14%/17% CAGR over 2022-26, with India being a key market.
- To accelerate its journey in the pharma space, PI completed two major acquisitions of Therachem Research Medilab LLC (TRM) and Italy-based Archimica Spa. These companies are engaged in the business of CRDMO of chemical compounds, which are ultimately used for the manufacturing of API and other pharmaceutical products.
- The company will create a differentiated position in the pharma sector by leveraging its core competencies in complex chemistry, process development, operational excellence, technology platforms and global reach through partnerships with prominent innovators.
- PI plans to spend about INR0.8-1.3b annually on capacity enhancement for the existing pipeline, business capabilities and asset quality improvement, among others.
- The management expects to double the pharma segment's revenue in the next three to four years at a CAGR of 20-25% over FY22-25. The pharma business is expected to contribute ~7.3%/6.2% to overall revenue/EBITDA of PI by FY25.

Domestic agrochemical- New product a key to drive growth

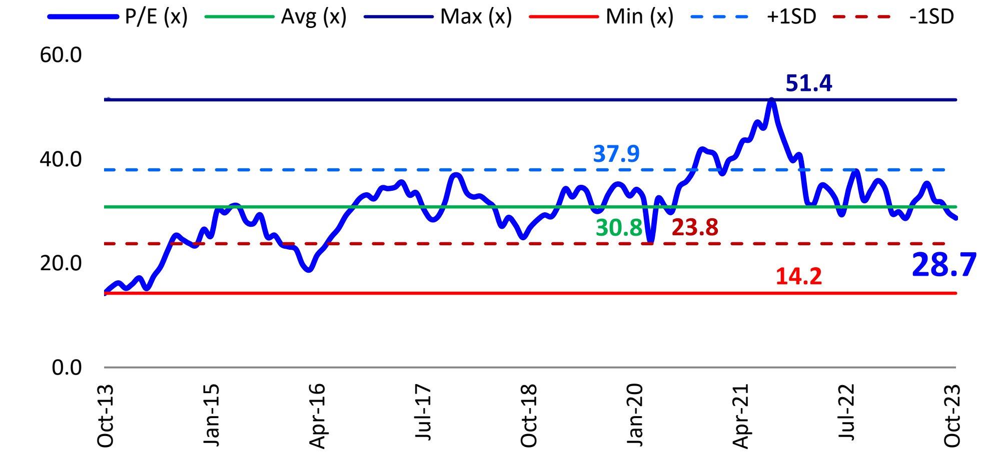
- PI's domestic agrochemical business posted a 9% CAGR during FY16-23 and its share in the revenue mix declined to 22.5% in FY23 from 39% in FY16. Key factors behind this performance include patent expiry for Nominee Gold, increased generic competition and changes in the product portfolio (discontinuing Phorate).

- However, going ahead, the company is expected to outpace industry growth with a 12% CAGR during FY23-25, driven by new product launches (five in FY24) and a shift to a **crop solution approach** from a product approach for deeper market penetration.
- The company launched one product (EKETSU – rice herbicide mixture) in 1QFY24 and plans to launch five products in FY24.
- PI's strong brand reputation and established relationships with global innovators, like Kumiai, Ihara, Mitsui, Bayer, and BASF, have facilitated its rapid expansion into new products and markets.
- To support its rapid product expansion, PI has a robust and extensive distribution network across India. The company utilizes over 25 stock points, 26 depots, a skilled field force of 1,500 individuals, 10,000 active dealers/distributors, and over 80,000 retailers nationwide. PI connects with over a million farmers.

Valuation and view

- PI has levers in place to sustain near-term growth momentum, led by: 1) consistent growth in the CSM business, driven by a strong (USD1.8b) order book, faster commercialization of new molecules (plans 4-5 launches every year), and sales ramp-up in existing molecules; 2) product launches in the domestic market (7 launches in FY23 and plans 5 launches in FY24); and 3) recent acquisitions in the pharma API and CDMO space.
- We expect revenue/EBITDA/PAT CAGR of 23%/26%/25% over FY22-25E.
- The stock has traded at an average of 37x/35x over the last three/five years on a one-year forward basis. We ascribe 36x P/E after considering the strong growth outlook for existing businesses and its acquisition in the pharma segment – which adds up to PI's total addressable market, providing a long runway for growth.
- **We value the stock at 36x EPS (in line with its 3/5-year avg one-year forward P/E) to arrive at a TP of INR4,560. Maintain BUY.**

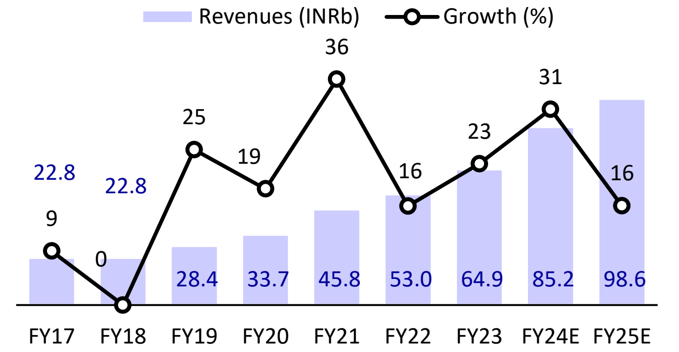
Exhibit 1. One-year forward P/E (x)



Source: Bloomberg, MOFSL

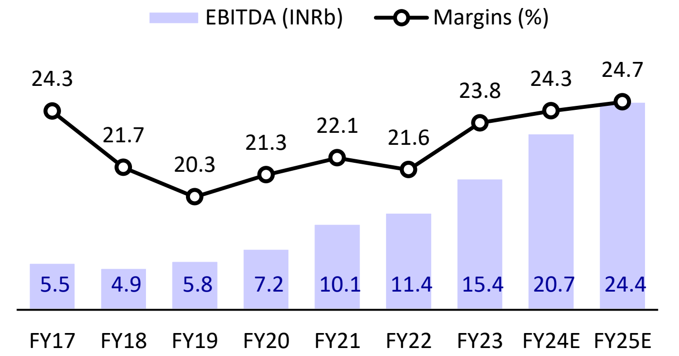
Story in Charts

Exhibit 2. Expect 23% revenue CAGR over FY23-25



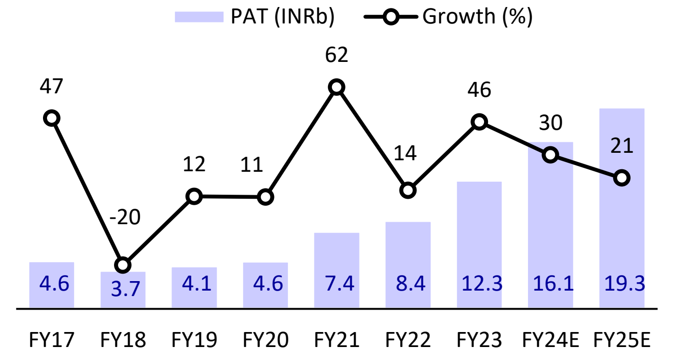
Source: Company, MOFSL

Exhibit 3. EBITDA expected to expand by 100bp



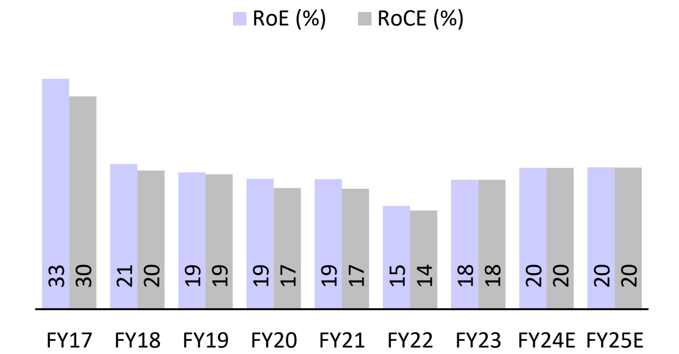
Source: Company, MOFSL

Exhibit 4. Expect a 25% CAGR in PAT



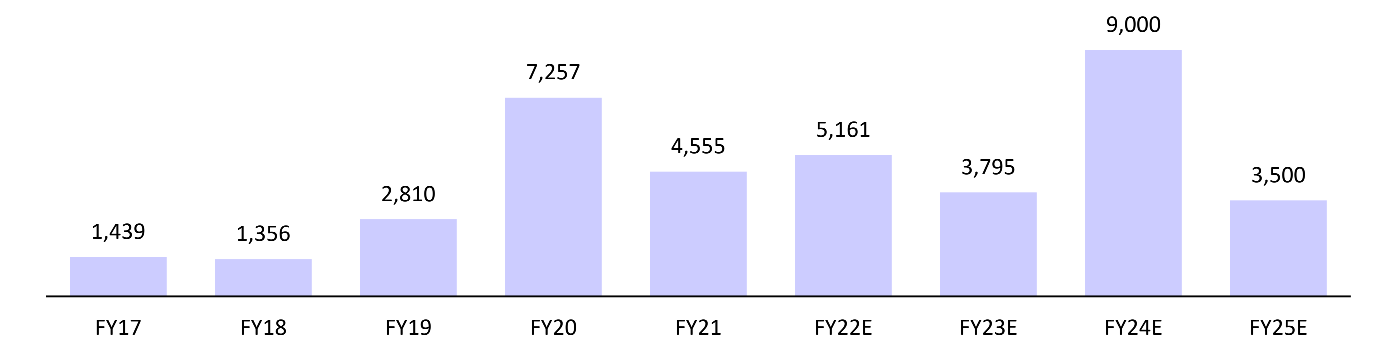
Source: Company, MOFSL

Exhibit 5. ROE and ROCE trend



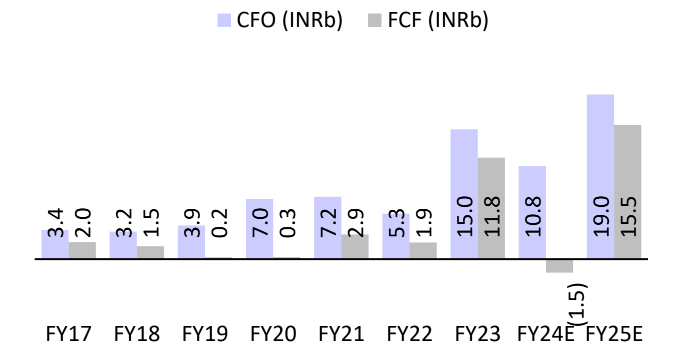
Source: Company, MOFSL

Exhibit 6. Capex spend trend (INR m)



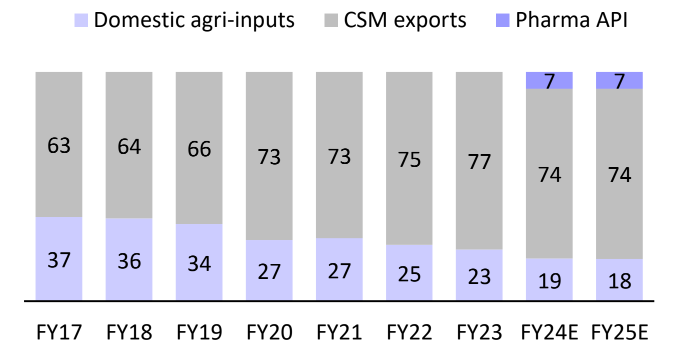
Source: Company, MOFSL

Exhibit 7. CFO and FCF generation trend



Source: Company, MOFSL

Exhibit 8. Revenue mix going forward (%)

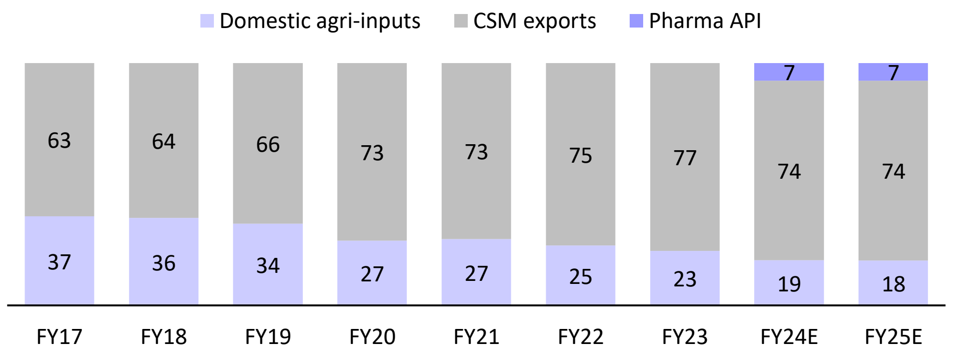


Source: Company, MOFSL

PI Industry – a unique business model in chemical space

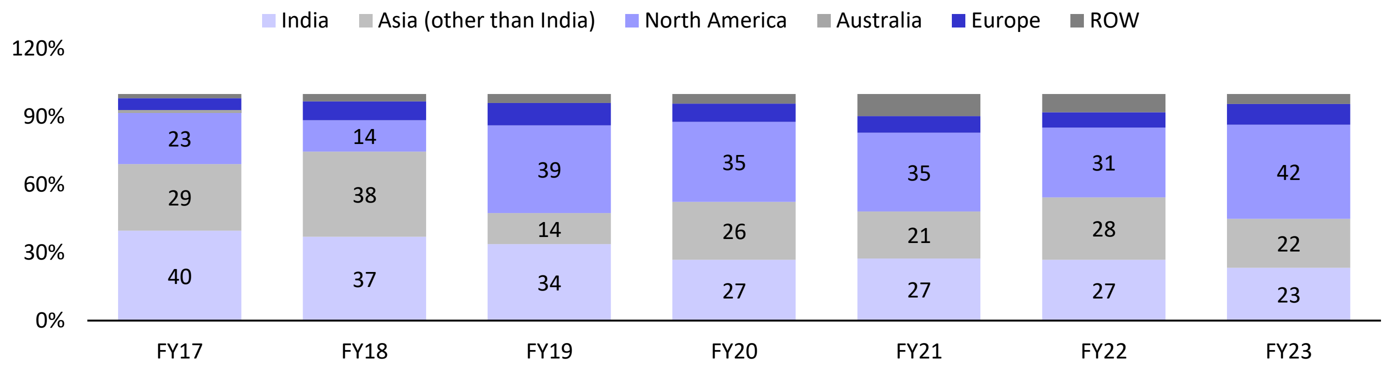
- PI was incorporated in 1946 as a Mewar Oil & General Mills Ltd-an oil milling company and then diversified into an agrochemical manufacturing company.
- It is an integrated agri chemicals solution company catering to complex chemistry solutions market in agri and other fine chemicals areas across the world.
- PI Industry has long-term partnerships with leading companies globally, providing them solutions across the fields of R&D, regulatory services, manufacturing services, application development, marketing, distribution, and customer connect initiatives.
- It currently has two broad verticals: 1) CSM (77% of revenue in FY23), and 2) domestic formulations business (23% of revenue in FY23). Patented molecules contribute ~90% of CSM revenues and in-licensed molecules contribute more than 60% of domestic revenues.
- PI has a robust manufacturing and R&D infrastructure consisting of five formulation facilities and 15 multipurpose manufacturing plants spread across four manufacturing locations. The company has strong research presence through state-of-the-art R&D with comprehensive infrastructure at Udaipur, Rajasthan with more than 470 scientists and engineers.

Exhibit 9. CSM segment dominates revenue mix (%)



Source: Company, MOFSL

Exhibit 10. Region-wise revenue mix trend

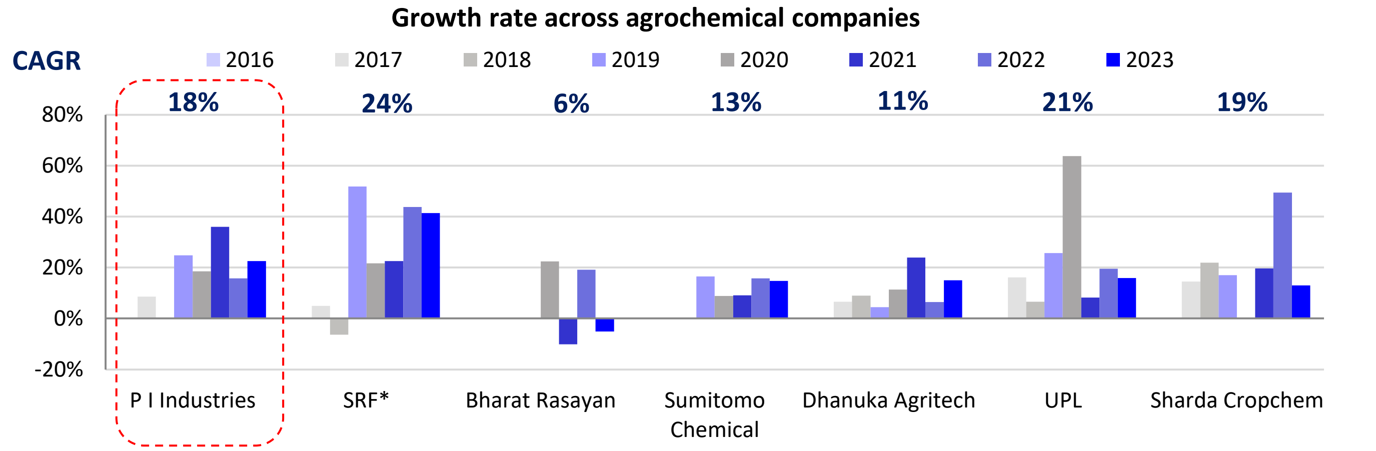


Source: Company, MOFSL

CSM business helps to sustain growth amid global woes

- PI is one of the most consistent Indian chemical companies with a strong revenue trajectory and an improving margins profile. During FY16-23, PI posted an 18% CAGR in revenue and a 20% CAGR in EBITDA margins.
- It is the only agrochemical company in India, which has consistently delivered operating margins of over 20% in the last eight years (~24% in FY23).
- **PI's moat lies in its strong export-focused CSM business as no other Indian player offers the width and consistency that PI does.**
- PI is among the few alternatives that most innovators have globally for end-to end AI projects. European competition is going out of business (European suppliers such as Lonza have exited the agrochemicals businesses) and clients moving away from China.

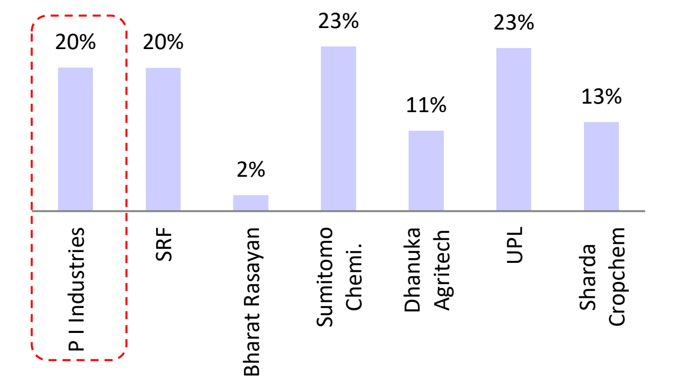
Exhibit 11. Strong Revenue CAGR over FY16-23 – among the best (INR b)



*SRF's Chemical biz revenue growth

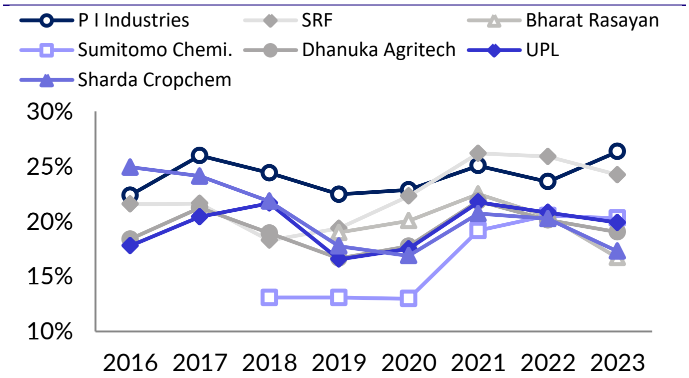
Source: Company, MOFSL

Exhibit 12. Healthy margin CAGR over FY16-23



Source: MOFSL, Company

Exhibit 13. PI's margins remained consistent over FY16-23

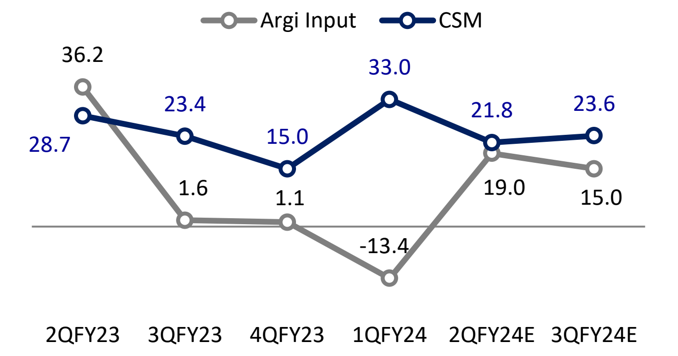


Source: MOFSL, Company

- Over the past few quarters, global agrochemical companies dealing in generic products have been under pressure due to excess Chinese inventory being lashed out in the world. This led to lower volume growth and high pricing pressure.

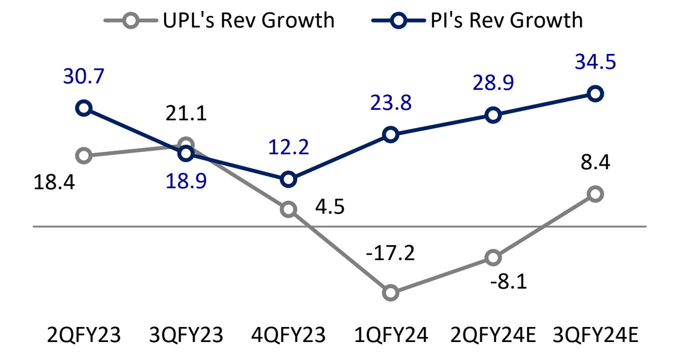
- However, PI, which is working with global innovators for patented molecules, has been the least impacted of them all. PI's export CSM business has not only proven to be margin accretive but also sustainable during such difficult times for agrochemical industry globally.
- For instance, UPL (one of the largest global agrochemical players) posted subdued growth/decline in revenue in last two quarters (4%/-17% in 4QFY23/1QFY24), while PI was able to grow its overall revenue by ~12%/24%. Growth was mainly led by strong revenue growth of 15%/33% in the CSM business. Domestic agri-input reported 1% growth/13% decline in 4QFY23/1QFY24.
- The inventory pressure is expected to persist for another couple of quarters due to the overcapacity situation in China still looming.

Exhibit 14. PI's CSM revenue outperforms domestics business… (%)



Source: MOFSL, Company

Exhibit 15. …sustaining overall revenue growth amid difficult times (%)

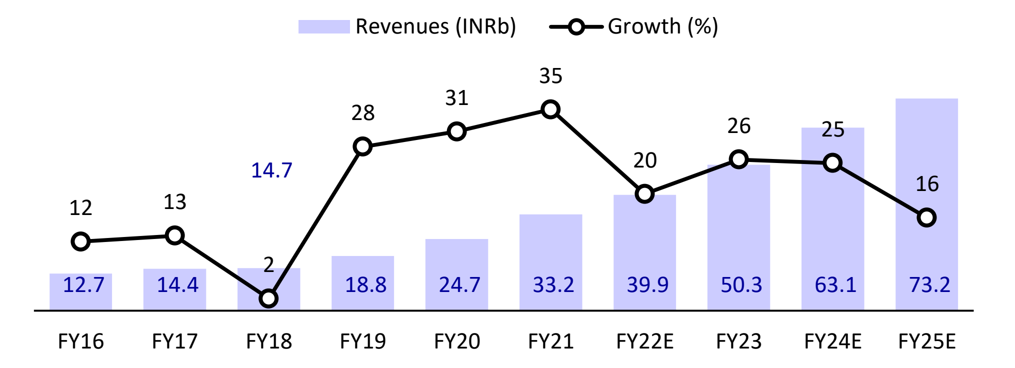


Source: MOFSL, Company

Commercialization of new molecules in CSM maintains traction

- PI's CSM business focuses on new chemistry/patented molecule in agrochemicals. The company is primarily focusing on patented molecules, which contribute ~90% of the segmental revenue. PI works with global agrochemical innovators on their patented molecules. The company helps to find the right manufacturing process, which improves cost and product quality. PI has established relationships with over 20 global customers like Kumiai Chemicals, Nissan Chemicals and Mitsui Chemicals (Japanese innovators), Bayer, BASF, Corteva, etc.
- The company works with 20 global innovators, manufacturing over 25 products at commercial scale and evaluating over 60 molecules in their R&D centers.
- PI's CSM business saw a CAGR of 22% over FY16-23 and is expected to post 21% CAGR over FY23-25.

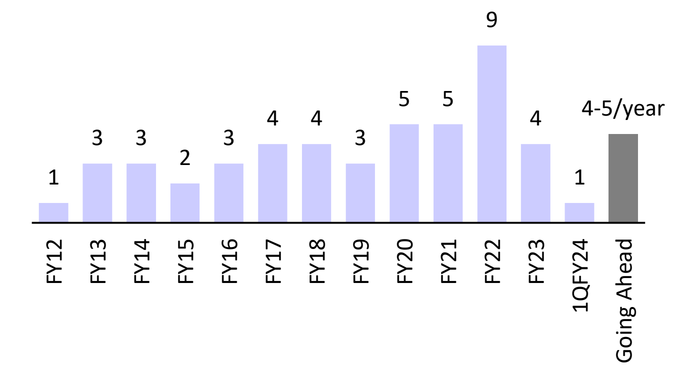
Exhibit 16. PI's CSM revenue to record strong CAGR of 21% over FY23-25



Source: MOFSL, Company

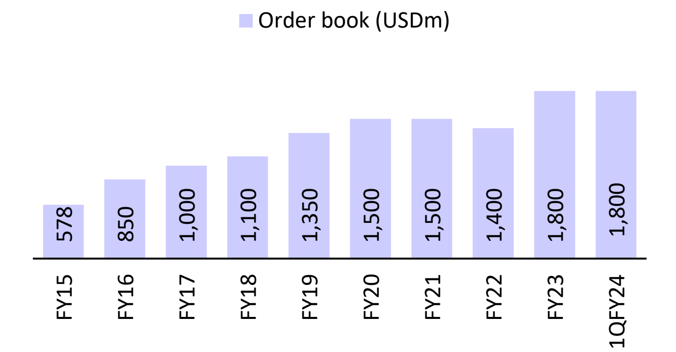
- The company has a strong pipeline of molecules, including ones at an R&D stage and at a recently commercialized stage. PI successfully commercialized one molecule in Q1FY24 and remains on track to meet its annual launch guidance of four to five molecules in FY24.

Exhibit 17. CSM Molecules Commercialized



Source: MOFSL, Company

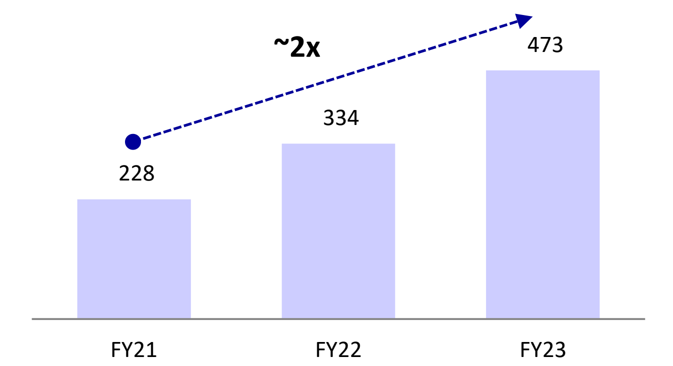
Exhibit 18. Revenue visibility with strong orderbook



Source: MOFSL, Company

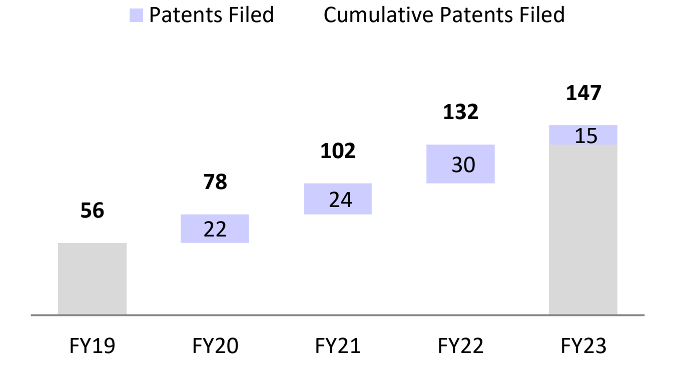
- Further, the management has guided for the the launch at least four to five molecules every year going forward.
- **The launch pipeline is backed by the rise in outsourcing, lower competitive intensity and a skilled R&D team.**
- The outsourcing from key global agrochemical innovators has been increasing due to sourcing diversification and benefits from the 'China+1' strategy. This has benefited PI as it has developed capability/understanding in various chemistries by focusing on R&D to provide alternative cheaper/greener processes to innovators. PI is also among the few companies globally offering end-to-end AI projects to customers acting as a strong moat.
- **PI has improved its R&D capabilities by adding more scientists and researchers (473 in FY23 vs. 228 in FY21), which reflects in the increase in cumulative patents filed to 147 in FY23 up from 102 in FY21.**

Exhibit 19. Increase in number of scientists and researchers



Source: MOFSL, Company

Exhibit 20. Strong Patent pipeline



Source: MOFSL, Company

Exhibit 21. R&D spend CAGR of 13% over FY17–23

Particulars	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Capital Exp. (INR m)	530	167	50	229	235	185	425
Revenue Exp. (INR m)	347	566	688	920	1,133	1,189	1,431
Total R&D Spend (INR m)	**877**	**733**	**738**	**1,149**	**1,368**	**1,374**	**1,856**
Growth (%)	*8*	*-16*	*1*	*56*	*19*	*0*	*35*
R&D Spend							
as a % of Sales	3.9%	3.2%	2.6%	3.4%	3.0%	2.6%	2.9%
as a % of EBITDA	15.8%	14.9%	12.8%	16.0%	13.5%	12.0%	12.0%

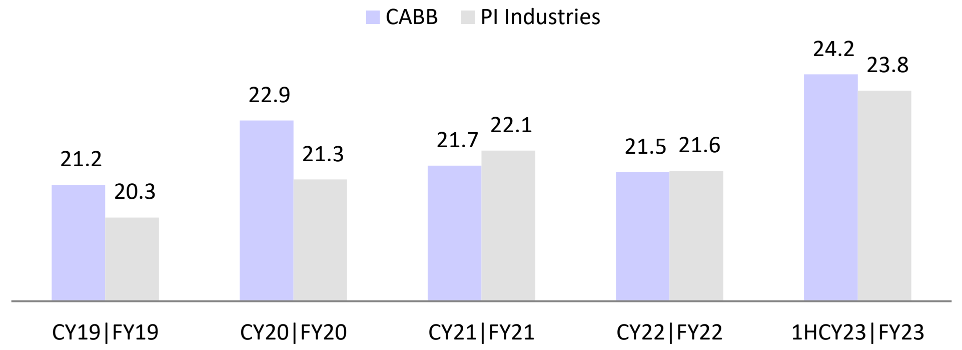
Source: Company, MOFSL

Indian CSM industry to assume leadership position globally

- The global agrochemical CSM industry is consolidating, led by divestment of the agrochemical business by major global players such as Lonza Group. This is leading to a demand-supply mismatch, providing opportunities to other global players.
- Customers are also looking for new vendors, besides Chinese companies, and PI is the best company to offer the width and consistency in the Indian market.
- India is viewed as the primary hub for the chemical industry's growth in the long term. It is worth noting that India recorded agricultural chemical (agro-chem) exports totaling ~USD5.5b in 2022, marking a 10% increase and establishing it as the world's second-largest agro-chem exporter, surpassing USA (as per WTO). The Indian agro-chem industry is slated to grow 10-12% in FY24, with exports accounting for 50%. Concurrently, the 'China+1' phenomena, the decline in the EU and supportive government policies, the chemical industry powerhouse will support growth for India.
- Additionally, India has become the second-largest agro-chem producer globally the fourth largest within one year. The government is contemplating the implementation of a production-linked incentive (PLI) scheme for both the chemical and agro-chem sectors, which could further enhance their strength.
- Moreover, the scope within R&D services used to be restricted, but this has undergone a significant transformation. International entities have discovered opportunities to subcontract various functions, such as field trials and toxicology studies, to Indian CROs, and this trend is anticipated to continue to expand in the coming years.

- Growth in Custom Synthesis and Manufacturing (CSM) services represents a notable success story, particularly for PI. The primary drivers of PI's CSM business include geopolitical tensions, cost advantages, a steadfast commitment to protecting intellectual property rights, and the wealth of expertise accumulated over the years.
- A critical requirement for further growth in this domain is the unwavering adherence to safety and sustainable practices.
- PI is among the top five players globally in the agro-chem CSM space, especially in the early stage molecules. Other global players are CABB Chemicals GMBH, Lianhe Chemical Technology, and Saltigo GmbH and Lonza Group AG (which recently exited the CSM business).
- PI commands similar margins in the CSM segment to its global peer. For example, CABB Chemicals reported EBIDTA margin of about 22-23% in CY22 vs. PI's margins of 23.8% in FY23.

Exhibit 22. Margin Comparison between CABB Chemicals and PI (%)

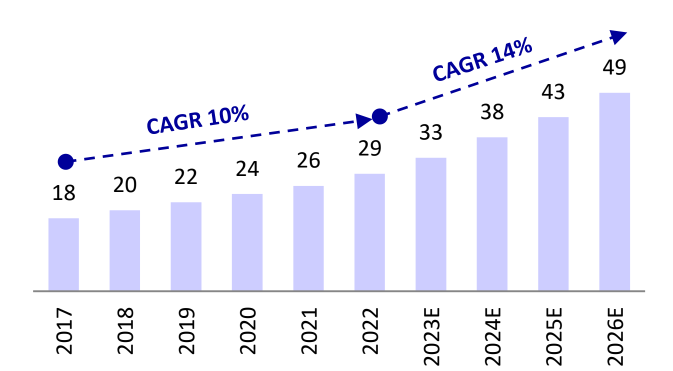


Source: Company, MOFSL

Eying big opportunity in pharma segment

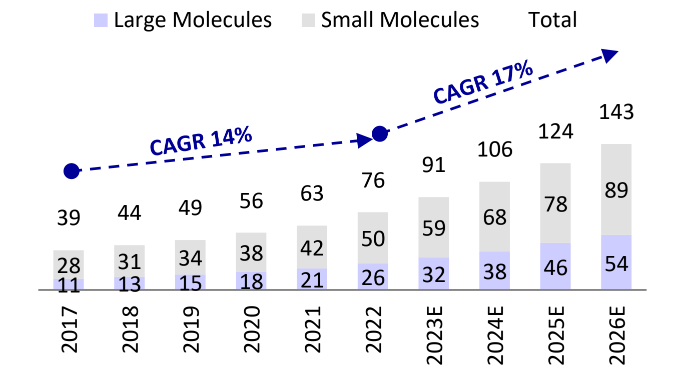
- PI intends to diversify its CSM business by focusing on high-potential segments, such as pharmaceuticals, polymer additives, imaging chemical, electronic-chemicals and specialty chemicals, as well as new application areas, such as bio-chemistry, nutraceuticals and additive chemicals.
- The company's technical capabilities in CSM have become a valued collaborator for global innovators, and consequently, a large portion of its product portfolio comprises patented products.
- PI has forayed into the pharmaceutical sector in 2020 and has developed and scaled up an advanced intermediate for a promising Covid-19 drug for patients with mild and moderate Covid-19 for a few pharmaceutical companies in India, as well as in Japan.
- PI is making progress in several intermediates and is focusing on the commercialization of new molecules. It is also looking at an outsourcing model in this segment.
- In the next 4-5 years, PI aims to increase the pharma segment's revenue contribution to ~20%.
- Contract Research Organizations (CRO) provides R&D services to the pharmaceutical, biotechnology, medical device, and other industries in the form of services outsourced on a contract basis. The global CRO market size was valued at USD29b in 2022 and is expected to expand at a CAGR of 14% to USD49b in 2026.
- CDMOs (contract development and manufacturing organizations) specialize in the development, scale-up and manufacturing of drug products for clinical trials and for commercial distribution. CDMOs offer a range of services, including drug development, process development, formulation development, analytical testing, scale-up, manufacturing, packaging, and distribution. The global CDMO market was valued at USD76b in 2022 and is expected to see a CAGR of 17.1% to reach a market size of USD143b in 2026.

Exhibit 23. Global CRO Market Size (USDb)



Source: F&S, MOFSL

Exhibit 24. Global Pharma CDMO Market Size (USDb)



Source: F&S, MOFSL

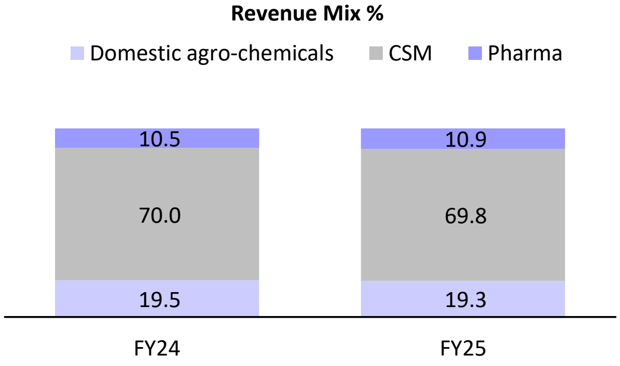
Exhibit 25. Key global players

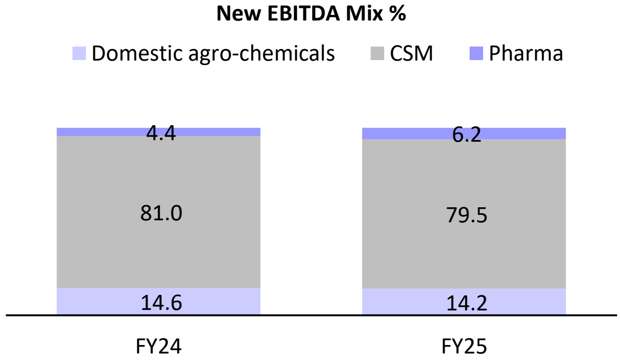
CDMO	CRO
Gland Pharma	Syngene International
Laurus Labs	Charles River
Divi's Labs	Icon PLC
Hikma	Parexel international
West Pharma	Quintile Transnational
Nova Nordisks	
Catalent Pharma Solutions	
Lonza	
Samsung Biologics	

Source: MOFSL

- With its entry into the pharma space, PI's TAM increased to USD105b (CRO and CDMO) in 2022 from USD31.5b, i.e., global crop protection market size (assumed 40% for patented and proprietary off-patent products of total market size of USD78.7b in 2022).
- In the pharma segment, PI has a **two-pronged strategy**:
  - **Organic growth**, which remains on track and PI has invested INR750m; in the long run, it will generate 1.5x-1.75x asset turns.
  - **Inorganic growth,** where it recently acquired two companies, TRM and Archimica involved in the CRDMO (contract research, development and manufacturing operations) of chemical compounds, which are ultimately used for manufacturing of API (active pharmaceutical ingredients) and other pharmaceutical products. PI will continue to scout more inorganic opportunities.
- TRM is in the business of CRDMO where it provides services and products to pharmaceutical and biopharmaceutical companies in the preclinical and clinical stages. This is a high margin business due to high concentration of patented products. Consolidated revenue of INR2.5b (USD33m) in FY22 with EBITDA of INR1b (USD14m) translating into a healthy margin profile of 42%.
- Archimica is small CDMO player dealing in generic API and intermediate products across wide therapeutic and substance classes such as Oncology, Anti Ulcer, and Anti Arthritis. Being into generic products the margins profile of this business is lower compared to TRM at ~16%.
- The company plans to spend about INR0.8-1.3b (USD10-15m) annually on three areas: 1) capacity required for existing pipeline; 2) building business capabilities; and 3) improvement of asset quality.
- Consequently, the company expects to double the pharma segment's revenue over the next three to four years (CAGR of 20-25% over FY22-25). The pharma business is expected to contribute ~7%/6% to PI's FY25 revenue/EBITDA.

Exhibit 26. Consolidated revenue/EBITDA mix post-acquisition





Source: Company, MOFSL

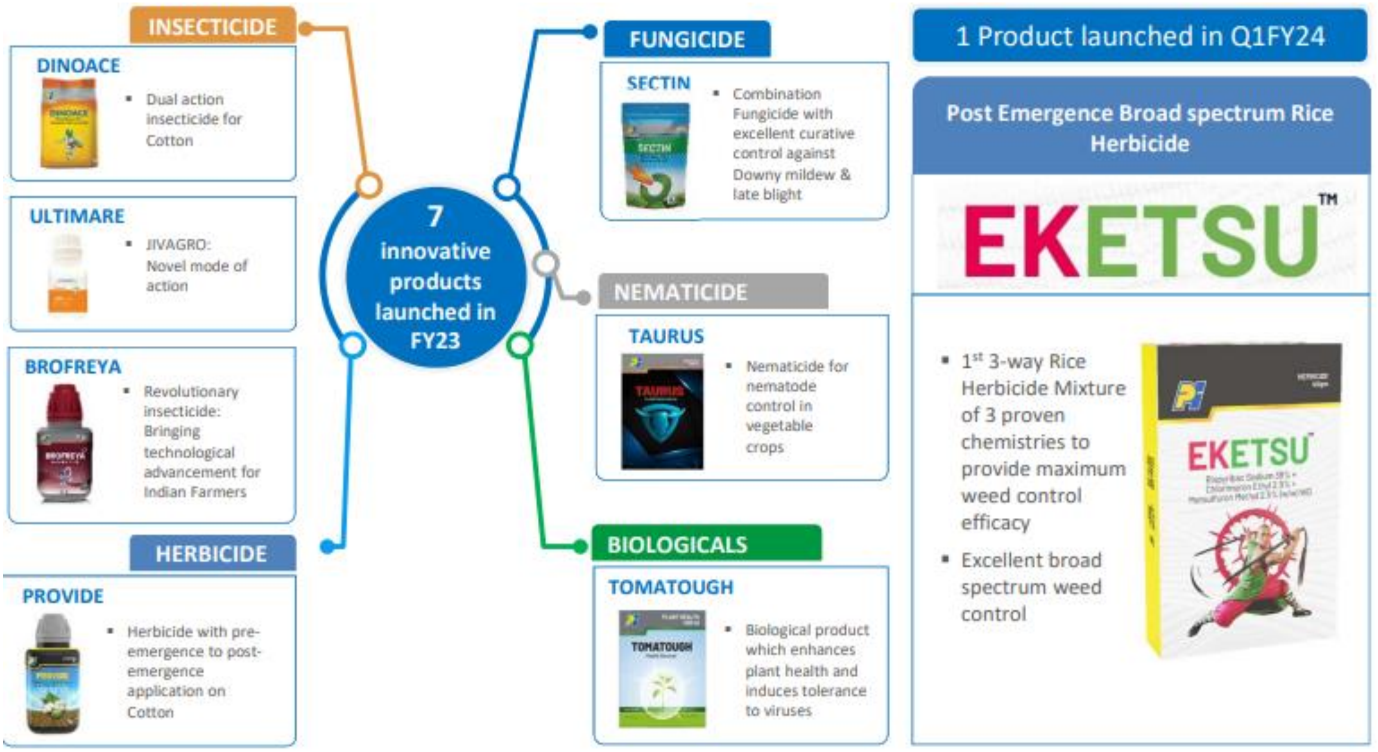
Incubating growth in other Key chemicals

- PI has initiated the manufacturing of **electronic chemicals** with global customers. These chemicals are low-volume high-value products. PI is seeing a good uptrend in new business enquiries and it is expected to commercialize 4-5 molecules.
- Electronics chemicals are just an entry point and the company is foraying into multiple areas of specialty chemicals, such as fine chemicals, chemicals for semiconductors, specialized polymers, etc.
- The Freshness Index (share of products launched in last 4-5 years) stood at ~17-18% of total revenue in FY23 vs. 16-17% in FY22. Similar growth trend and revenue contribution should continue going forward as well, as the company plans to add new molecules every year.

Domestic agrochemical: New product a key to drive growth

- Growth in the domestic agrochemical business has been slow (CAGR of 9% over FY16-23), resulting in a drop in the revenue mix to 22.5% in FY23 from 39% in FY16.
- Key factors behind this muted performance: 1) its flagship product Nominee gold went off-patent resulting in stiff competition from generic brands; and 2) a change in its product portfolio and discontinuation of its profitable molecules like 'Phorate'.
- However, going forward, we expect PI to register higher growth (CAGR of 12% during FY23-25E) than the industry, led by new product launches. **PI has transitioned from a product approach to a crop solution approach for deeper market penetration.**
- The company has recently launched seven new products and plans to launch five products in FY24. They all are specialty products with a mix of wheat, rice, horticulture crops and biological products. Some of these products are multi-crop and multi-segment products with huge potential.
- The new products that received approval in FY23 includes three insecticides (**DINOCE, UTILMARE, BROFREYA**), two fungicides (**SECTIN, TAURUS**), one herbicide (**PROVIDE**) and one biologicals (**TOMATOUGH**).
- In 1QFY24, PI also launched **EKETSU** (herbicide), which is the first three-way Rice Herbicide Mixture of three proven chemistries to provide maximum weed control efficacy.

Exhibit 27. Recent launches by PI in the domestic agrochemical space



Source: Company, MOFSL

- The newly launched brands, such as Awkira, Distruptor®, Brofreya®, Sectin®, Provide®, Dinoace™, Taurus® and Tomatough®, are getting good traction and acceptance.
- The key products/brands of PI in the domestic business includes NOMINEE GOLD, OSHEEN, BIOVITA, ROKET 44% EC, FOSMITE 50% EC, KEEFUN, VIBRANT and COSKO, which the company owns and licenses (Refer Exhibit: 12-14 for full list of products).
- PI's strong brand reputation and longstanding relationships with leading global innovators, such as Kumiai, Ihara, Mitsui, Bayer and BASF, have enabled the company to quickly expand into new products and new geographic markets. For instance, Bayer and BASF have committed to partnering with PI for most of their new launches in India, thereby providing the company visibility for future order inflow.
- Product launches are a continuous process and the company has 15-18 products at different stages of development and registration. We expect the company to continue to launch innovative products for the global partners, which should boost revenue over the next few years.
- PI has a strong and wide distribution network spanning across the country. It has 25+ stock points, including its own depots and C&F agents who work on a hub-and spoke distribution model to ensure timely delivery of products. With 26 depots, 1,500 experienced field force, 10,000 active dealer/distributors and more than 80,000 retailers, PI reaches out to more than a million farmers. Its centralized SAP-based ERP system efficiently provides last-mile connectivity.

Exhibit 28. Key Products of PI in the domestic agrochemicals business

Brand Name	Common Name of Formulation	Crop	Use for/against
Insecticides			
KEEFUN	Tolfenpyrad 15% EC	Okra	Hoppers, aphids, Diamond Back Moth, Tobacco caterpillar (Spodoptera), bugs, Scale insects, psylla, thrips, borer, leaf miner, mites etc and some fungal diseases on vegetables, fruits, field crops
OSHEEN	Dinotefuran 20% SG	Mango and Rice	Brown Plant Hoppers in Rice
FOSMITE	Ethion 50% EC	Cotton and Tea	Mites, Scales, Thrips, Beetles and Lepidopterous larvae
ROKET	Profenofos 40% + Cypermethrin 4%EC	Cotton	Effective against several insect pests (both chewing and sucking types)
VIBRANT	Thiocyclam Hydrogen Oxalate 4% GR	Rice, Corn, Vegetables and Fruits	Effective control of stem borer in Rice crop
COSKO GR	Chlorantraniliprole 0.4% GR	Basmati Rice	Pests belonging to the order Lepidoptera and some other pest species
COSKO SC	Chlorantraniliprole 18.5% SC	Paddy and Sugarcane	Anthranilic diamide group & having claim on many crops as per label to control various lepidopteran pests
Herbicide			
NOMINEE GOLD	Bispyribac Sodium 10% SC	Paddy	NOMINEE GOLD is a Post Emergent, Broad Spectrum systemic herbicide for all types of Rice cultivation i.e. direct sown rice, rice nursery and transplanted rice
Specialty Products			
BIOVITA Granules	Ascophyllum nodosum	Leafy vegetables, spinach, lettuce	Enables plants to receive direct benefits from the naturally balanced nutrients and plant growth substances available in the seaweed extract
BIOVITA Liquid	Ascophyllum nodosum	Leafy vegetables, spinach, lettuce	Enables plants to receive direct benefits from the naturally balanced nutrients and plant growth substances available in the seaweed extract

Source: Company, MOFSL

Exhibit 29. List of products under insecticides

Brand Name	Common Name of Formulation
KEEFUN	Tolfenpyrad 15% EC
COLT	Cypermethrin 25% EC
OSHEEN	Dinotefuran 20% SG
COLFOS	Ethion 40% + Cypermethrin 5% EC
FOSMITE	Ethion 50% EC
FLUTON	Flubendiamide 20% WG
JUMBO	Imidacloprid 17.8% SL
SNAILKILL	Metaldehyde 2.5% Pellet
ROKET	Profenofos 40% + Cypermethrin 4%EC
CARINA	Profenofos 50% EC
SIMBAA	Propargite 57% EC
VOLTAGE	Spiromesifen 22.9% SC
MAXIMA	Thiamethoxam 25% WG
VIBRANT	Thiocyclam Hydrogen Oxalate 4% GR
COSKO GR	Chlorantraniliprole 0.4% GR
COSKO SC	Chlorantraniliprole 18.5% SC
RODEO	Bifenthrin 10% EC
DISTRUPTOR	Dinetofuran 15%+ Pymetrozine 45% WG
BROFREYA	Broflanilide 20% SC

Exhibit 30. List of products under fungicides and herbicides

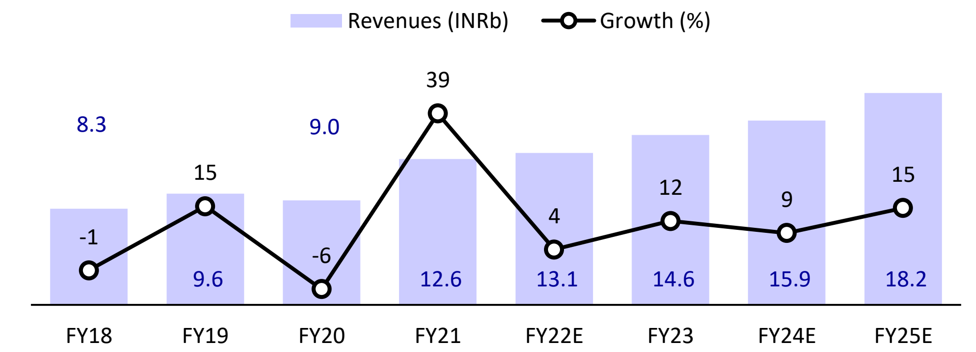
Brand Name	Common Name of Formulation
Fungicides	
KITAZIN	Kitazin 48% EC
SANIPEB	Propineb 70% WP
CLUTCH	Pyraclostrobin 5%+Metiram 55% WG
HEADER	Pyraclostrobin 10% CS
VISMA	Pyraclostrobin 12.8% + Boscalid 25.2% WG (38%WG)
SHIELD	Iprobenfos 48% EC
WAGON	Thifluzamide 24% SC
Herbicides	
SOLARO	Atrazine 50% WP
WICKET	Clodinafop-Propargyl 15% WP
NOMINEE GOLD	Bispyribac Sodium 10% SC
PIMIX	Metsulfuron methyl 10% + Chlorimuron ethyl 10% WP
LEGACEE	Fenoxaprop-p-ethyl 6.9% EC
MELSA	Pinoxaden 5.1% EC
ELITE	Topramezone 33.6%SC
AWKIRA	Pyroxasulfone 85%G WG
LONDAX POWER	Bensulfuron Methyl 0.6% + Pretilachlor 6% GR

Exhibit 31. List of specialty products

Brand Name	Formulation
BIOVITA GRANULES	Ascophyllum nodosum
BIOVITA LIQUID	Ascophyllum nodosum
SUPER SPREADER	Silicon based non-ionic tank mix adjuvant
HUMESOL	Humic Acid 18% Fulvic Acid 1.5% Aqueous Concentrated Solution

Source: Company, MOFSL

Exhibit 32. Domestic agrochemicals revenue to register 12% CAGR over FY23-25



Source: MOFSL, Company

Valuation and view

- PI has levers in place to sustain near-term growth momentum, led by:
  - Consistent growth momentum in the CSM business, driven by a strong (USD1.8b) order book, the rising pace of commercialization of new molecules (target of 4-5 launches every year), and sales ramp-up in existing molecules;
  - Product launches in the domestic market (seven new launches in FY23 and targets five launches in FY24);
  - The recent acquisition in the pharma API and CDMO space, which is expected to be one of the key growth pillars for the company in the future by creating a differentiated position in the pharma sector by leveraging its core competencies.
- We expect revenue/EBITDA/PAT CAGR of 23%/26%/25% over FY22-25E.
- The stock has traded at an average of 37x over the last three years on a one-year forward basis. We ascribe 36x P/E after considering the strong growth outlook for existing businesses and its acquisition in the pharma segment – which adds up to the opportunity size PI currently caters to, providing a long runway for growth.
- **We value the stock at 36x EPS (in line with its 3-year avg one-year forward P/E) to arrive at a TP of INR4,560. Maintain Buy**.

Financials and valuations

Income Statement (Consolidated)									(INRm)
Y/E March	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Gross Revenue	23,833	23,087	28,409	33,665	45,770	52,995	64,920	85,211	98,706
Excise Duty	1,065	316	0	0	0	0	0	0	0
Net Revenue	**22,768**	**22,771**	**28,409**	**33,665**	**45,770**	**52,995**	**64,920**	**85,211**	**98,706**
Change (%)	8.6	0.0	24.8	18.5	36.0	15.8	22.5	31.3	15.8
Total Expenditure	**17,236**	**17,837**	**22,645**	**26,487**	**35,648**	**41,571**	**49,499**	**64,389**	**74,296**
EBITDA	**5,533**	**4,934**	**5,764**	**7,178**	**10,122**	**11,424**	**15,421**	**20,822**	**24,410**
Margin (%)	24.3	21.7	20.3	21.3	22.1	21.6	23.8	24.4	24.7
Depreciation	730	830	930	1,367	1,748	2,018	2,265	2,967	3,136
EBIT	**4,802**	**4,104**	**4,834**	**5,811**	**8,374**	**9,406**	**13,156**	**17,855**	**21,274**
Int. and Finance Charges	72	53	50	170	282	128	371	103	30
Other Income	366	603	595	489	1,249	1,014	1,590	1,349	1,875
PBT bef. EO Exp.	**5,096**	**4,653**	**5,379**	**6,130**	**9,341**	**10,292**	**14,375**	**19,101**	**23,119**
EO Items	0	0	0	0	0	0	0	0	0
PBT after EO Exp.	**5,096**	**4,653**	**5,379**	**6,130**	**9,341**	**10,292**	**14,375**	**19,101**	**23,119**
Current Tax	1,035	1,001	1,176	1,259	1,753	1,950	2,592	3,123	3,930
Deferred Tax	-534	-22	101	313	249	-60	-444	0	0
Tax Rate (%)	9.8	21.0	23.7	25.6	21.4	18.4	14.9	16.3	17.0
Less: MI/Profit & Loss of associates	1	-2	0	-8	-44	-36	-68	-79	-83
Reported PAT	**4,594**	**3,676**	**4,102**	**4,566**	**7,383**	**8,438**	**12,295**	**16,057**	**19,272**
Adjusted PAT	**4,594**	**3,676**	**4,102**	**4,566**	**7,383**	**8,438**	**12,295**	**16,057**	**19,272**
Change (%)	47.5	-20.0	11.6	11.3	61.7	14.3	45.7	30.6	20.0
Margin (%)	20.2	16.1	14.4	13.6	16.1	15.9	18.9	18.8	19.5

Balance Sheet (Consolidated)									(INRm)
Y/E March	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Equity Share Capital	138	138	138	138	152.0	152.0	152.0	152.0	152.0
Total Reserves	16,134	19,111	22,716	26,053	53,272	61,052	71,833	86,370	1,03,894
Net Worth	**16,272**	**19,248**	**22,854**	**26,191**	**53,424**	**61,204**	**71,985**	**86,522**	**1,04,046**
Deferred Liabilities	0	0	0	102	796	875	213	213	213
Total Loans	1,198	834	99	5,077	3,279	2,678	0	0	0
Capital Employed	**17,470**	**20,082**	**22,953**	**31,370**	**57,499**	**64,757**	**72,198**	**86,735**	**1,04,259**
Gross Block	12,942	14,298	17,109	24,366	28,921	34,082	37,877	46,505	51,505
Less: Accum. Deprn.	3,492	4,322	5,252	6,619	8,367	10,385	12,650	15,617	18,753
Net Fixed Assets	**9,450**	**9,977**	**11,857**	**17,747**	**20,554**	**23,697**	**25,227**	**30,889**	**32,752**
Goodwill on Consolidation	0	0	0	0	0	0	0	3,891	4,233
Capital WIP	773	899	1,828	1,828	2,875	1,145	1,324	5,000	3,500
Current Investments	824	1,595	1,119	1,325	8,517	8,547	9,843	10,843	11,843
Total Investments	**833**	**1,607**	**1,291**	**1,504**	**8,724**	**8,995**	**10,156**	**11,156**	**12,156**
Curr. Assets, Loans&Adv.	**11,760**	**13,515**	**16,431**	**21,169**	**37,866**	**44,074**	**48,090**	**53,322**	**71,999**
Inventory	4,320	4,520	5,357	7,989	10,528	14,234	13,976	18,443	21,364
Account Receivables	4,237	5,268	6,618	6,465	7,035	8,687	7,720	12,840	14,874
Cash and Bank Balance	1,326	1,307	892	1,342	14,757	14,102	22,429	14,370	26,878
Loans and Advances	1,877	2,420	3,564	5,373	5,546	7,051	3,965	7,669	8,884
Curr. Liability & Prov.	**5,544**	**6,182**	**8,595**	**10,878**	**12,520**	**13,154**	**12,599**	**17,524**	**20,382**
Account Payables	2,878	3,687	5,130	5,909	7,960	9,242	8,380	11,348	13,289
Other Current Liabilities	2,350	2,155	3,049	4,421	4,008	3,555	3,838	5,794	6,712
Provisions	316	340	416	548	552	357	381	381	381
Net Current Assets	**6,216**	**7,333**	**7,836**	**10,291**	**25,346**	**30,920**	**35,491**	**35,799**	**51,617**
Deferred Tax assets	198	267	141	0	0	0	0	0	0
Appl. of Funds	**17,470**	**20,082**	**22,953**	**31,370**	**57,499**	**64,757**	**72,198**	**86,735**	**1,04,259**

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)									
EPS	**30.2**	**24.2**	**27.0**	**30.0**	**48.6**	**55.5**	**80.9**	**105.6**	**126.8**
Cash EPS	35.0	29.6	33.1	39.0	60.1	68.8	95.8	125.2	147.4
BV/Share	107.1	126.6	150.4	172.3	351.5	402.7	473.6	569.2	684.5
DPS	3.6	5.0	3.6	3.6	5.0	5.0	10.0	10.0	11.5
Payout (%)	14.6	25.1	16.4	14.7	10.3	9.0	12.4	9.5	9.1
Valuation (x)									
P/E	113.1	141.4	126.7	113.9	70.4	61.6	42.3	32.4	27.0
Cash P/E	97.6	115.4	103.3	87.6	56.9	49.7	35.7	27.3	23.2
P/BV	31.9	27.0	22.7	19.8	9.7	8.5	7.2	6.0	5.0
EV/Sales	22.8	22.8	18.3	15.6	11.1	9.6	7.7	5.9	5.0
EV/EBITDA	93.9	105.3	90.0	72.9	50.2	44.5	32.3	24.3	20.2
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3
FCF per share	14.4	10.9	1.7	2.1	18.9	12.7	77.3	-10.2	102.8
Return Ratios (%)									
EBITDA Margins (%)	24.3	21.7	20.3	21.3	22.1	21.6	23.8	24.4	24.7
Net Profit Margins (%)	20.2	16.1	14.4	13.6	16.1	15.9	18.9	18.8	19.5
RoE	32.8	20.7	19.5	18.6	18.5	14.7	18.5	20.3	20.2
RoCE	30.4	19.8	19.2	17.3	17.2	14.1	18.5	20.3	20.2
RoIC	32.3	21.0	20.9	18.9	22.8	21.4	28.4	31.6	29.9
Working Capital Ratios									
Fixed Asset Turnover (x)	1.8	1.6	1.7	1.4	1.6	1.6	1.7	1.8	2
Asset Turnover (x)	1.3	1.1	1.2	1.1	0.8	0.8	0.9	1.0	0.9
Inventory (Days)	69	72	69	87	84	98	79	79	79
Debtor (Days)	65	83	85	70	56	60	43	55	55
Creditor (Days)	90	115	121	117	113	115	86	90	90
Working Cap. Turnover (Days)	78	97	89	97	84	116	73	92	91
Growth (%)									
Sales	8.6	0.0	24.8	18.5	36.0	15.8	22.5	31.3	15.8
EBITDA	28.3	-10.8	16.8	24.5	41.0	12.9	35.0	35.0	17.2
PAT	47.5	-20.0	11.6	11.3	61.7	14.3	45.7	30.6	20.0
Leverage Ratio (x)									
Current Ratio	2.1	2.2	1.9	1.9	3.0	3.4	3.8	3.0	3.5
Interest Cover Ratio	67	77	97	34	30	73	35	173	709
Debt/Equity	0.1	0.04	0.00	0.2	0.1	0.0	0.0	0.0	0.0

Cash Flow Statement (Consolidated) **(INRm)**

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	5,095	4,655	5,379	6,138	9,385	10,328	14,443	19,101	23,119
Depreciation	730	830	930	1,367	1,748	2,018	2,265	2,967	3,136
Interest & Finance Charges	72	53	50	170	282	128	371	103	30
Direct Taxes Paid	-1,212	-963	-1,183	-1,048	-1,647	-1,751	-2,558	-3,123	-3,930
(Inc)/Dec in WC	-1,234	-1,045	-1,503	255	-1,303	-5,276	2,050	-8,366	-3,311
CF from Operations	**3,451**	**3,530**	**3,673**	**6,882**	**8,465**	**5,447**	**16,571**	**10,681**	**19,045**
Others	-63	-336	235	99	-1,216	-160	-1,557	79	83
CF from Operating incl EO	**3,388**	**3,194**	**3,908**	**6,981**	**7,249**	**5,287**	**15,014**	**10,760**	**19,128**
(inc)/dec in FA	-1,413	-1,696	-3,677	-6,693	-4,375	-3,362	-3,263	-12,305	-3,500
Free Cash Flow	**1,976**	**1,498**	**231**	**288**	**2,874**	**1,925**	**11,751**	**-1,544**	**15,628**
(Pur)/Sale of Investments	-1,090	-375	427	1,014	-5,516	39	-941	-4,891	-1,342
Others	151	266	34	-4,170	-14,413	2,219	-758	0	0
CF from Investments	**-2,351**	**-1,805**	**-3,216**	**-9,849**	**-24,304**	**-1,104**	**-4,962**	**-17,196**	**-4,842**
Issue of Shares	0	0	0	0	19,736	0	0	0	0
Inc/(Dec) in Debt	-248	-365	-399	4,562	-1,786	-720	-2,669	0	0
Interest Paid	-72	-53	-50	-179	-244	-85	-342	-103	-30
Dividend Paid	-248	-662	-831	-748	-607	-758	-1,137	-1,520	-1,748
Others	297	-329	173	-317	13,371	-3,275	2,423	0	0
CF from Fin. Activity	**-271**	**-1,409**	**-1,107**	**3,318**	**30,470**	**-4,838**	**-1,725**	**-1,623**	**-1,778**
Inc/Dec of Cash	**766**	**-20**	**-415**	**450**	**13,415**	**-655**	**8,327**	**-8,059**	**12,508**
Opening Balance	560	1,326	1,307	892	1,342	14,757	14,102	22,429	14,370
Closing Balance	**1,326**	**1,307**	**892**	**1,342**	**14,757**	**14,102**	**22,429**	**14,370**	**26,878**

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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