

Results in line: PI Industries Q4FY13 results have been in line. After adjusting for un-absorption of cost at Jambusar plant (non-recurring) EBIDTA is almost in line with our estimates at Rs 492 mn. Higher growth in custom synthesis business overshadowed weak domestic agrochem business. Domestic agrochem business revenues degrew by about 1.2% in Q4; but however custom synthesis business revenues grew a strong 72% yoy and accounted for 60% of total revenues. EBIDTA margins yoy & qoq have declined by 122 bps & 87 bps respectively as a result of higher other which has gone up both yoy & qoq by 28% & 2.6% respectively. Although, PAT margins are down yoy by 18 pbs, it has risen by 63 bps qoq mainly due to rise in other income by 91% and fall in interest expenses qoq by 34% to Rs 47 mn, as company replaced the high cost debt with low cost debt

CSM excels while domestic business suffers: Led by good response for the commercialized products under CSM business, this segment revenues improved 72% yoy to Rs 2.25 bn, while for FY14E it is expected to improve by ~25% (as guide by management) on the back of potential of recently commercialized products and ramping of Jambusar plant. The revenues from domestic agrochem business in the weak demand environment degrew 1.2% yoy, while it is expected to grow ~20% for FY14E (also to be helped by favorable monsoon). Despite pressure from domestic agrochem business Adj. Ebitda yoy grew by ~31% to Rs 492 mn (+2% to our estimates) as a result of improved CSM business performance. Rise in depreciation cost negated the fall in interest cost following the Dahej capacity commissioning. Adj. PAT grew 38% yoy to Rs 300 mn, adjusted for forex gain of Rs 37 mn & non recurring loss at Jambusar of Rs 95 mn adj which has been above our and street estimate of Rs 280 mn.

Key takeaways of the Q4FY13 concall

1) Jambusar facility added Rs ~150 mn to Q4FY13 revenues and going by the guidance this could account Rs ~1 bn to overall revenues up 2) Under absorption of cost to the tune of Rs 95 mn (non recurring) at Jambusar plant and unfavorable dynamics for domestic agrochem business led to lower margins 3) The custom synthesis business order book stands at USD ~305 mn, co., intends to launch 2-3 products and a ramp up of the same could happen over the next 2-3 years. Expects margins for this business to expand by ~150 bps to ~17.5%, mainly attributed to ramp up in capacity of Jambusar plant 4) Management have guided for ~25% & ~20% growth for custom synthesis & domestic agrochem business for FY14, 5) Jambusar plant is currently producing 1 product and it is expected to add 2nd product in near future 6) The FY14 guidance for Agrochem domestic business stands at ~20% provided better monsoon, also they are looking to launch two products in rabi season of current fiscal 7) Gross debt stands at Rs 1.87 bn (Long term- Rs 0.85 bn, Short term Rs 1.02 bn), overall interest cost have lowered down due to repayment of high cost debt

Valuation & Target Price: Backed by better product mix in agrochemicals and a strong order book (USD 305 mn) in custom synthesis business offers better prospects, we expect earnings to compound by 32% during FY13-FY15E. On FY14E the stock is trading at undemeandering PER of 12x, we value the fair PT at Rs 150 (15x FY14E EPS of Rs 10). Tweak estimates somewhat, maintain Buy.

BUY

PI IN | CMP RS 125

TARGET RS 150 (+20%)

Company Data

O/S SHARES (MN) :	135
MARKET CAP (RSBN) :	17
MARKET CAP (USDBN) :	0.3
52 - WK HI/LO (RS) :	149 / 91
LIQUIDITY 3M (USDMN) :	0.14
FACE VALUE (RS) :	5

Share Holding Pattern, %

PROMOTERS :	58.9
FII / NRI :	22.3
FI / MF :	6.5
NON PROMOTER CORP. HOLDINGS :	3.1
PUBLIC & OTHERS :	9.4

Price Performance, %

	1mth	3mth	1yr
ABS	-0.1	1.2	36.8
REL TO BSE	-4.6	-5.6	14.0

Price vs Sensex (Rebased values)



Source: PhillipCapital India Research

Other Key Ratios

Rs mn	FY13	FY14E	FY15E
Net Sales	11,484	12,571	14,898
EBITDA	1,779	2,201	2,674
Net Profit	976	1,264	1,567
EPS, Rs	7.2	10.1	12.5
PER, X	17.3	12.4	10.0
EV/EBIDTA, x	10.5	8.0	6.4
EV/Net Sales, x	1.6	1.4	1.2
ROE, %	18.4	19.3	19.4
Debt/Equity, %	37.6	30.5	24.7

Source: PhillipCapital India Research Est.

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Q4FY13 Results

Rs mn	Q3FY13	Q4 FY12	Q4FY13	yoy%	qoq%	Standalone			Consolidated		
						FY12	FY13	% chg	FY12	FY13	% chg
Net Sales	2,819	2,339	3,287	40.6	16.6	8,750	11,476	31.2	8,770	11,484	31.0
As % of sales	84.2	83.9	85.0			83.6	84.6		83.4	84.5	
Raw Material Consumed	1,681	882	1,686	91.1	0.3	4,867	6,430	32.1	4,869	6,433	32.1
As % of sales	59.6	37.7	51.3			55.6	56.0		55.5	56.0	
Stock Adjustment	(156)	394	292	-26.0	-287.4	(336)	17	-105.1	(336)	17	-105.1
Purchase of Finished Goods	126	98	21	-78.7	-83.4	390	295	-24.3	390	295	-24.3
As % of sales	4.5	4.2	0.6			4.5	2.6		4.4	2.6	
Employee Expenses	200	181	255	40.9	27.6	702	864	23.2	719	886	23.2
As % of sales	7.1	7.7	7.8			8.0	7.5		8.2	7.7	
Other Expenses	522	424	541	27.6	3.6	1693	2103	24.2	1671	2074	24.1
As % of sales	18.5	18.1	16.5			19.3	18.3		19.0	18.1	
Total Expenditure	2,373	1,962	2,795	42.4	17.8	7,315	9,709	32.7	7,313	9,705	32.7
EBIDTA	446	376	492	30.8	10.2	1,434	1,767	23.2	1,457	1,779	22.1
Depreciation	50	44	69	56.2	39.1	171	218	27.5	173	220	27.3
EBIT	397	332	423	27.3	6.6	1,263	1,549	22.6	1,284	1,559	21.4
Interest	71	51	47	-7.6	-34.1	201	221	10.1	199	218	9.8
Other Income	27	32	52	62.2	91.7	73	113	55.0	72	112	55.1
Forex fluctuation	-7		-37			45	3	-93.3	45	3	-93.2
Exceptional items						303			321		
PBT	360	313	464	48.2	29.1	1,394	1,437	3.1	1,434	1,450	1.1
Tax	120	95	138	45.0	15.4	388	474	22.1	398	477	19.7
Tax rate %	33	30	30	-2.1	-10.7	28	33		28	33	
Reported PAT	240	218	326	49.6	36.0	1,005	963	-4.2	1,036	973	-6.0
Adj. PAT	240	218	300	37.7	25.2	793	963	21.5	811	973	20.0
EPS Rs	1.9	1.7	2.2	27.3	16.3	6.3	7.1	12.3	6.5	7.2	10.9
EBIDTA %	15.8	16.1	15.0			16.4	15.4		16.6	15.5	
PAT %	8.5	9.3	9.1			9.1	8.4		9.3	8.5	

Source: Company, PhillipCapital India Research

Financials

Income Statement

Y/E Mar, Rs mn	FY12	FY13	FY14E	FY15E
Net sales	8,770	11,484	12,571	14,898
Growth, %	22	31	9	19
Total income	8,770	11,484	12,571	14,898
Raw material expenses	-4,869	-6,433	-7,040	-8,343
Employee expenses	-719	-886	-981	-1,162
Other Operating expenses	-1,725	-2,386	-2,349	-2,719
EBITDA (Core)	1,457	1,779	2,201	2,674
Growth, %	17.4	22.1	23.7	21.5
Margin, %	16.6	15.5	17.5	17.9
Depreciation	-173	-220	-297	-355
EBIT	1,284	1,559	1,904	2,319
Growth, %	18.0	21.4	22.1	21.8
Margin, %	14.6	13.6	15.1	15.6
Interest paid	-199	-218	-180	-180
Other Non-Operating Income	72	112	7	7
Non-recurring Items	321	0	0	0
Pre-tax profit	1,434	1,453	1,732	2,146
Tax provided	-398	-477	-468	-579
Profit after tax	1,035	976	1,264	1,567
Net Profit	1,035	976	1,264	1,567
Growth, %	23.6	21.4	29.4	23.9
Net Profit (adjusted)	804	976	1,264	1,567
Unadj. shares (m)	125	135	125	125
Wtd avg shares (m)	125	135	125	125

Balance Sheet

Y/E Mar, Rs mn	FY12	FY13	FY14E	FY15E
Cash & bank	94	161	111	435
Debtors	1,722	2,625	3,031	3,592
Inventory	1,788	2,417	2,652	3,143
Loans & advances	586	695	503	503
Total current assets	4,190	5,899	6,296	7,672
Investments	5	5	5	5
Gross fixed assets	3,952	5,034	6,855	7,355
Less: Depreciation	-1,249	-1,469	-1,767	-2,122
Add: Capital WIP	1,083	1,821	500	1,000
Net fixed assets	3,785	5,386	5,589	6,233
Total assets	7,997	11,308	11,908	13,928
Current liabilities	3,552	4,551	3,926	4,408
Provisions	166	224	224	224
Total current liabilities	3,718	4,776	4,150	4,633
Non-current liabilities	1,098	1,098	1,098	1,099
Total liabilities	4,816	5,873	5,248	5,731
Paid-up capital	125	135	125	125
Reserves & surplus	3,129	5,182	6,417	7,955
Shareholders' equity	3,254	5,317	6,542	8,081
Total equity & liabilities	7,997	11,308	11,908	13,928

Source: Company, PhillipCapital India Research Estimates

Cash Flow

Y/E Mar, Rs mn	FY12	FY13	FY14E	FY15E
Pre-tax profit	1,434	1,453	1,732	2,146
Depreciation	173	220	297	355
Chg in working capital	-107	-585	-1,073	-569
Total tax paid	-414	-478	-468	-578
Cash flow from operating activities	1,085	611	488	1,354
Capital expenditure	-1,083	-1,821	-500	-1,000
Cash flow from investing activities	-1,083	-1,821	-500	-1,000
Free cash flow	2	-1,210	-12	354
Equity raised/(repaid)	10	1,120	-10	0
Dividend (incl. tax)	-17	-31	-29	0
Cash flow from financing activities	-7	1,089	-39	0
Net chg in cash	-5	-121	-51	354

Valuation Ratios & Per Share Data

	FY12	FY13	FY14E	FY15E
Per Share data				
EPS (INR)	6.4	7.2	10.1	12.5
Growth, %	10.4	12.2	40.0	23.9
Book NAV/share (INR)	26.0	39.3	52.2	64.5
FDEPS (INR)	6.4	7.2	10.1	12.5
CEPS (INR)	5.2	8.8	12.5	15.3
CFPS (INR)	8.1	7.2	3.8	10.8
DPS (INR)	0.1	0.2	0.2	-
Return ratios				
Return on assets (%)	15.9	11.6	11.9	13.0
Return on equity (%)	24.7	18.4	19.3	19.4
Return on capital employed (%)	29.8	20.0	19.0	19.5
Turnover ratios				
Asset turnover (x)	1.6	1.7	1.5	1.5
Sales/Total assets (x)	1.2	1.2	1.1	1.2
Sales/Net FA (x)	2.6	2.5	2.3	2.5
Working capital/Sales (x)	0.1	0.1	0.2	0.2
Working capital days	22.6	37.7	65.6	69.3
Liquidity ratios				
Current ratio (x)	1.2	1.3	1.6	1.7
Quick ratio (x)	0.7	0.8	0.9	1.0
Interest cover (x)	6.5	7.1	10.6	12.9
Dividend cover (x)	53.5	36.0	50.5	
Total debt/Equity (%)	76.1	37.6	30.5	24.7
Net debt/Equity (%)	73.3	34.6	28.9	19.4
Valuation				
PER (x)	19.5	17.3	12.4	10.0
Price/Book (x)	4.8	3.2	2.4	1.9
EV/Net sales (x)	2.1	1.6	1.4	1.2
EV/EBITDA (x)	12.4	10.5	8.0	6.4
EV/EBIT (x)	14.0	12.0	9.2	7.4

Recommendation Chart



Source: PhillipCapital India Research

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