

India
ADD (Initiating coverage)

Consensus ratings*: Buy 23 Hold 7 Sell 3

Current price:	Rs2,247
Target price: ▲	Rs2,505
Previous target:	Rs0
Up/downside:	11.5%
EIP Research / Consensus:	3.8%
Reuters:	PIL.NS
Bloomberg:	PI IN
Market cap:	US\$4,673m Rs3,40,824m
Average daily turnover:	US\$14.3m Rs1041.9m
Current shares o/s:	138.0m
Free float:	53.3%

*Source: Bloomberg

PI Industries Ltd

Good times to continue

- With 8 new generics (US\$900m in global sales) in the pipeline and US\$2.4bn (global sales) worth of current CSM molecules, PI is well positioned for growth.
- We expect PI to deliver 31% EPS and 27% revenue CAGR over FY21-23F. CSM will likely drive growth, growing at 32.1% CAGR over FY21-23F.
- We value PI Industries at +1SD of long-term P/E (last 8 years) to arrive at a TP of Rs2,505. At our Rs2,505 TP, the stock will trade at 34x FY23F EPS.

Growth visibility remains strong, initiate with Add and Rs2,505 TP

PI Industries has been a pioneer in agrochemicals custom synthesis and manufacturing (CSM). While it has been successful in the last decade, our analysis shows that PI's future looks even brighter with its current pipeline as there are at least 10 molecules in various stages of acceptance by clients. As two molecules are in the R&D stage, their market sizes are unknown. The remaining eight molecules have combined sales of US\$900m in CY19 (Source: IHS MARKIT). We expect the company to keep delivering high growth even beyond FY23F (FY21-23F EPS CAGR of 31%). We have valued PI at 34x (+1SD of long-term mean EPS) given the product pipeline's robust growth outlook. We initiate coverage on PI industries with Add and a 12-month TP of Rs2,505.

Product pipeline remains strong in CSM business

Currently Pyroxasulfone, Flubendiamide, Tefuryltrione, Fenoxasulfone and Rynaxypyr are some of the principal molecules of PI industries. The combined global sales of these molecules is US\$2.4bn (IHS MARKIT). Our analysis indicates there are at least 10 molecules in the pipeline – Pyridachlometyl, Cyclopyranil, Benzobicyclon, Picoxystrobin, Metominostrobin, Melampyrin, Bensulfuron, Pretilachlor, Oxathiapiprolin and Pyrazosulfuron. Two are research molecules likely to be launched by CY22F, and the current global sales of the others is c.US\$900m. We expect these molecules to drive growth beyond FY23F.

India business to grow at 9.9% CAGR over next couple of years

PI's India agrochemicals product portfolio includes licensed (PI gets the rights to market the product during the patent period) and generic products. Within its India portfolio Nominee Gold (Bispyribac Sodium) has done well for PI Industries. PI's market share of this product in India is 55% (CY19; Source: IHS MARKIT). PI has also launched Pyroxasulfone in the Indian market. Generics like Acephate, Profenofos, Cypermethrin, etc, form the bulk of PI's sales. We are not very bullish on the India portfolio and expect its sales to grow at c.9.9% CAGR.

Risks

1) Any big downtrend in the global agrochemical market could dent sales. However, since these are long-term contracts, we believe any slowdown in the CSM business could be temporary as innovators, post the mega merger, have focused more on the outsourcing business. 2) Client-specific issues could distort the revenue growth trajectory, which in turn could have a material impact on the financials. 3) We project 9.9% revenue growth in the domestic market over FY21F-23F. Growth in the domestic market is contingent on a normal monsoon season.

Financial Summary

	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Revenue (Rsm)	28,409	33,665	43,809	56,294	70,925
Operating EBITDA (Rsm)	5,764	7,178	9,550	12,497	15,887
Net Profit (Rsm)	4,102	4,566	7,044	8,792	11,192
Core EPS (Rs)	29.7	33.1	46.4	57.9	73.7
Core EPS Growth	11.5%	11.3%	40.2%	24.8%	27.3%
FD Core P/E (x)	75.50	67.90	45.13	37.93	30.49
DPS (Rs)	4.0	4.0	5.6	7.0	8.9
Dividend Yield	0.18%	0.18%	0.26%	0.31%	0.40%
EV/EBITDA (x)	53.53	43.55	30.51	23.13	17.95
P/FCFE (x)	1,056.99	209.90	(105.37)	97.89	64.57
Net Gearing	(6.6%)	9.6%	(35.7%)	(35.0%)	(35.7%)
P/BV (x)	13.56	11.84	6.22	5.68	4.88
ROE	19.5%	18.6%	17.9%	15.6%	17.2%
% Change In Core EPS Estimates					
EIP Research/Consensus EPS (x)			1.04	1.03	0.97

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 05 FEB 2021



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.8	(3.0)	45.3
Relative (%)	(3.1)	(19.9)	17.9

Major shareholders	% held
Promoter & Promoter Group	46.8
ICICI Prudential	3.5
Axis Mutual Fund	2.5

Analyst(s)

Satish Kumar

T (91) 9004603998

E satish.kumar@incredcapital.com

Shaily Ruparelia

T (91) 22 4161 1556

E shaily.ruparelia@incredcapital.com

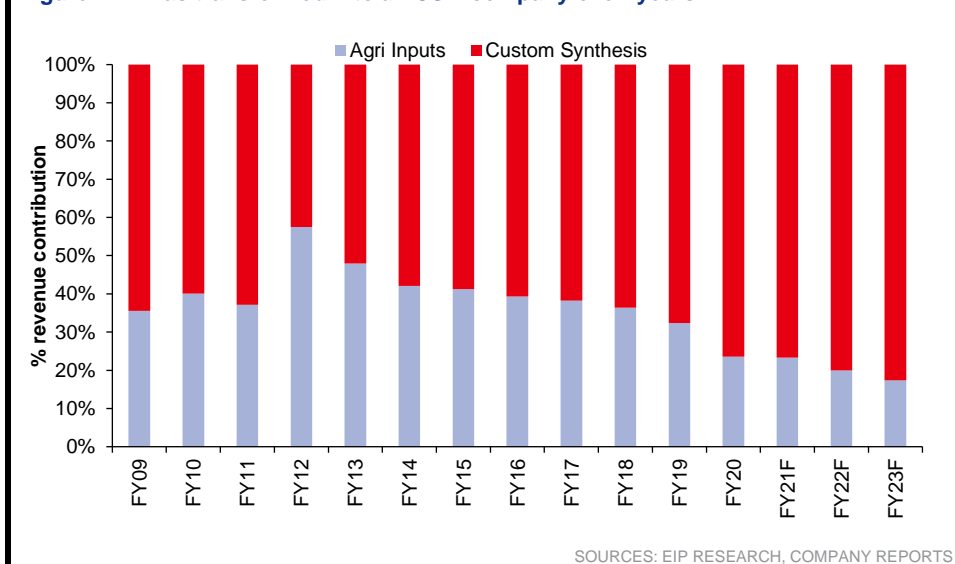
PI is a leading player in global agrochemicals space

PI Industries is a leading company in the global agrochemical CSM space in terms of revenue. Its agrochemicals and formulations exports from India has consistently increased over the last decade.

PI has transformed into a CSM company

PI is a pioneer in the agrochemical CSM space since FY10. While there have been lots of successful CSM efforts in the pharmaceuticals industry, there are few agrochemicals companies that have been as successful in terms of revenue growth as PI in the CSM space. The company has two business segments: Agri inputs and custom synthesis (CSM). Agri inputs cater to the domestic market, which has always shown reasonable growth in the past. However, CSM growth rate has been so high (23% CAGR against 15% CAGR over FY109-FY20) that it has primarily become a CSM company.

Figure 1: PI has transformed into an CSM company over years



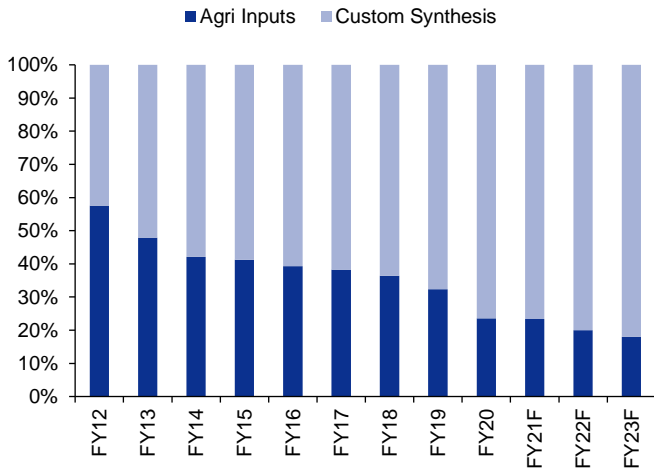
CSM business will likely continue to grow beyond FY23F, product pipeline is strong

PI Industries has been a pioneer in agrochemical custom synthesis and manufacturing (CSM). While successful over the last decade, our analysis indicates that PI's future looks even brighter with its current pipeline as there are at least 10 different molecules in various stages of acceptance by clients. According to IHS Markit, two molecules are in the R&D stage, and their market sizes are unknown, while the other eight had combined sales of US\$900m in CY19. PI has been instrumental in some joint R&D work with clients like Sumitomo, Kumiai and Kyoyu Agri. We expect PI to keep delivering high growth even beyond FY23F (FY21-23F EPS CAGR of 28%). Normally companies send NCV samples for testing only when they are ahead in the client's evaluation process for awarding the contract or they have got the contract.

Agrochemical CSM pioneer ➤

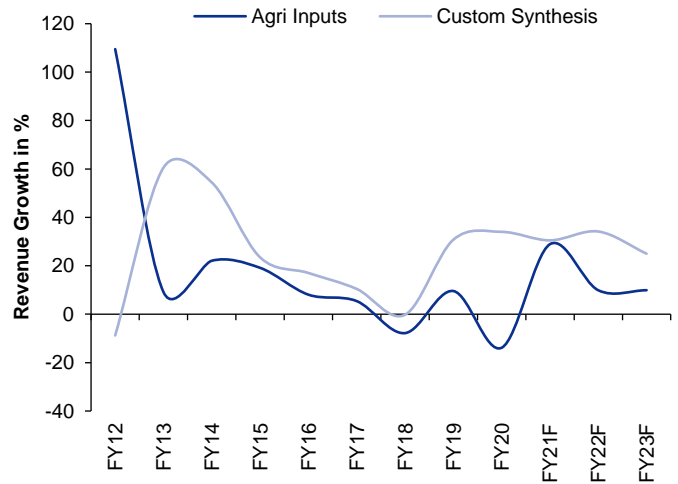
PI has been a pioneer in the agrochemical CSM space since FY10. While there have been successful CSM efforts in the pharmaceuticals industry, few, apart from PI Industries, have been successful in the agrochemicals space in terms of revenue growth. The company has two business segments: agri inputs and custom synthesis. Agri inputs caters to the domestic market, which has always shown reasonable growth.

Figure 2: CSM is PI Industries' principal revenue driver. We expect CSM to rise to 82% of FY23F revenue (42% in FY12)



SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: Revenue growth in the CSM business has continuously exceeded growth in the agri-inputs segment

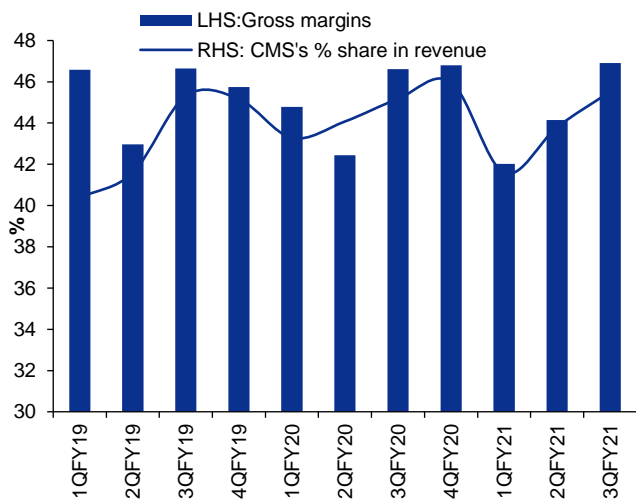


SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

CSM is a high gross margin business ➤

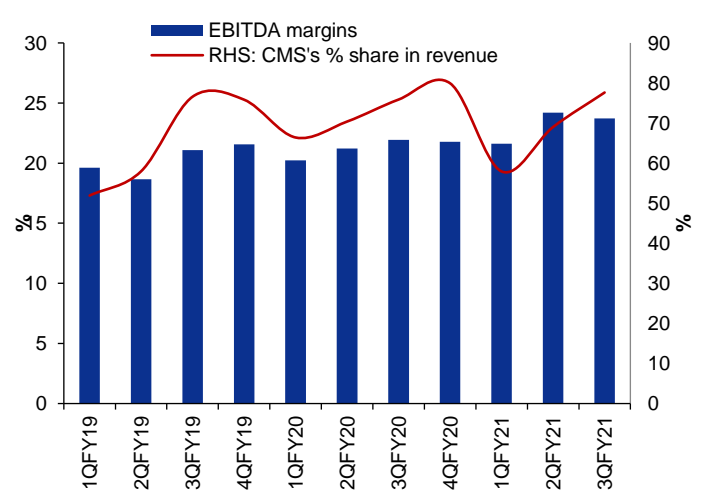
CSM is a high gross margin business relative to the domestic agrochemicals business. This is apparent in the rise of PI's gross margins as the CSM business ramps up.

Figure 4: When % of CSM revenue contribution goes up, gross margins expand



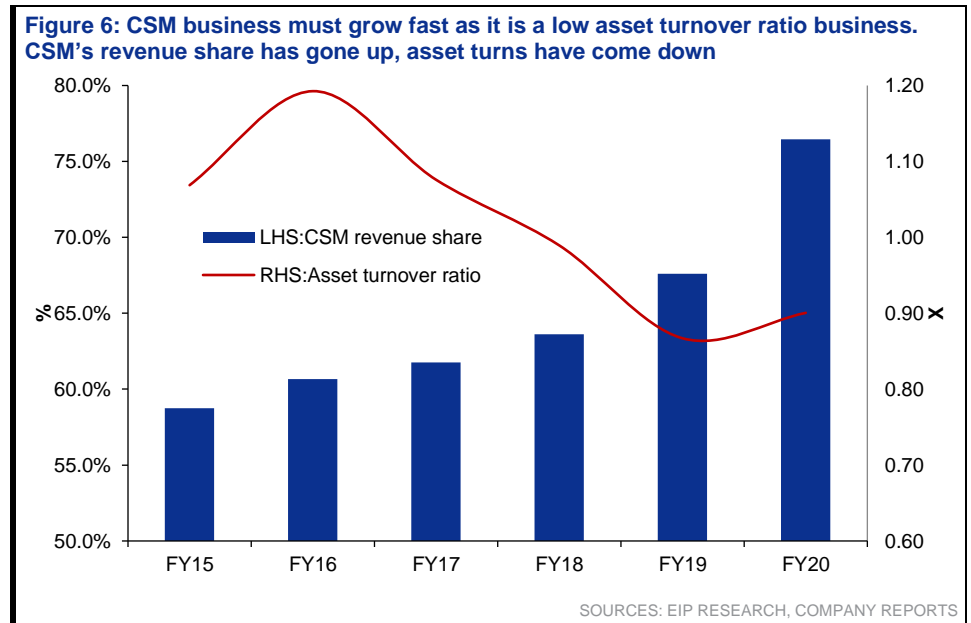
SOURCES: EIP RESEARCH, COMPANY REPORTS

Figure 5: Higher CSM gross margins lead to higher EBITDA margins for company



SOURCES: EIP RESEARCH, COMPANY REPORTS

But it is also capex intensive: growth is necessary for good asset turns, resulting in higher RoE ➤



DuPont analysis shows low asset turns have a negative impact on RoEs ➤

Figure 7: PI needs to increase asset turns (contingent on growth in CSM business) to come back to high RoE path

DuPont Analysis	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21F	FY22F	FY23F
Profitability (%)	11.8	12.7	14.9	20.2	16.1	14.4	13.5	16.1	15.6	15.8
Asset turnover (x)	1.1	1.2	1.1	1.0	0.9	0.9	0.8	0.7	0.7	0.8
Financial leverage (x)	2.1	1.8	1.7	1.4	1.4	1.4	1.6	1.2	1.3	1.3
ROE (%)	27.1	26.8	26.6	28.2	19.1	17.9	17.4	13.4	14.6	16.0

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

CSM is a difficult business, but PI has managed it well ➤

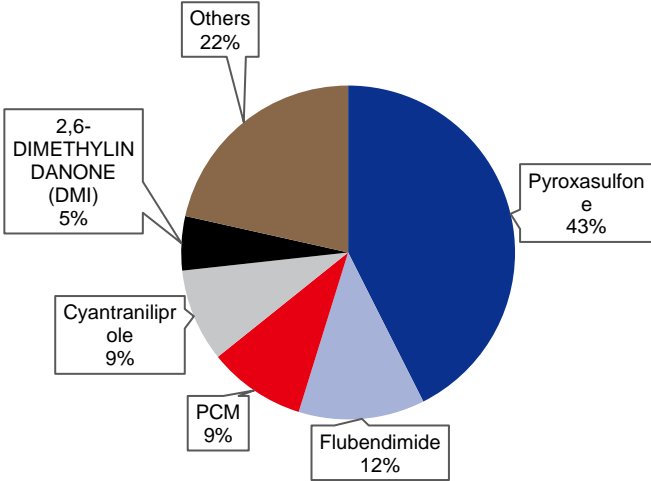
PI entered the CSM business in FY04. We believe setting up a CSM business is an arduous task as:

- One must gain the client's confidence.
- A lab must be set up and should fulfil the client's safety and environmental considerations.
- Molecules need to be manufactured on a laboratory scale in sufficient quantities to demonstrate their commercial viability and pass client tests.
- Pilot plant must be set up to test production on a commercial scale.
- Molecule must be made commercial.

Initial success of CSM driven by Pyroxasulfone ➤

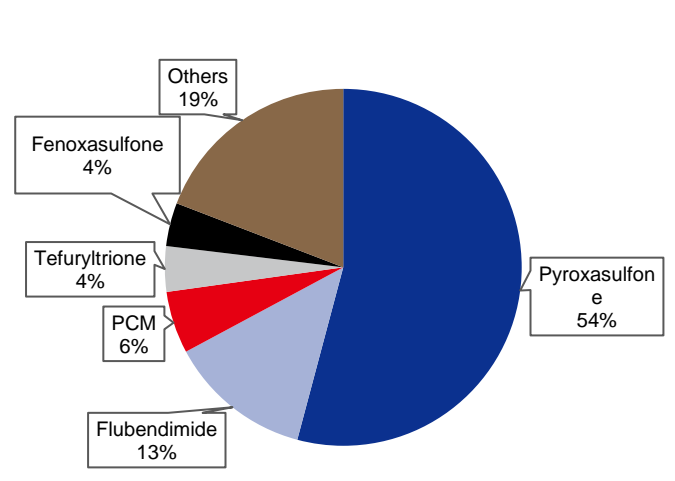
The CSM business’s success was primarily driven by Pyroxasulfone, a herbicide developed by Kumiai, whose manufacturing was outsourced to PI. This chemical was launched by Kumiai in 2011 and its global sales increased sharply in the initial years. Global sales grew from US\$10m in 2012 to US\$135m in four years. PI got the lion’s share of this business as it secured a contract manufacturing order from Kumiai.

Figure 8: Pyroxasulfone was 43% of CSM business in FY15



SOURCES: EIP RESEARCH, COMPANY REPORTS

Figure 9: Pyroxasulfone was 54% of overall business in FY16

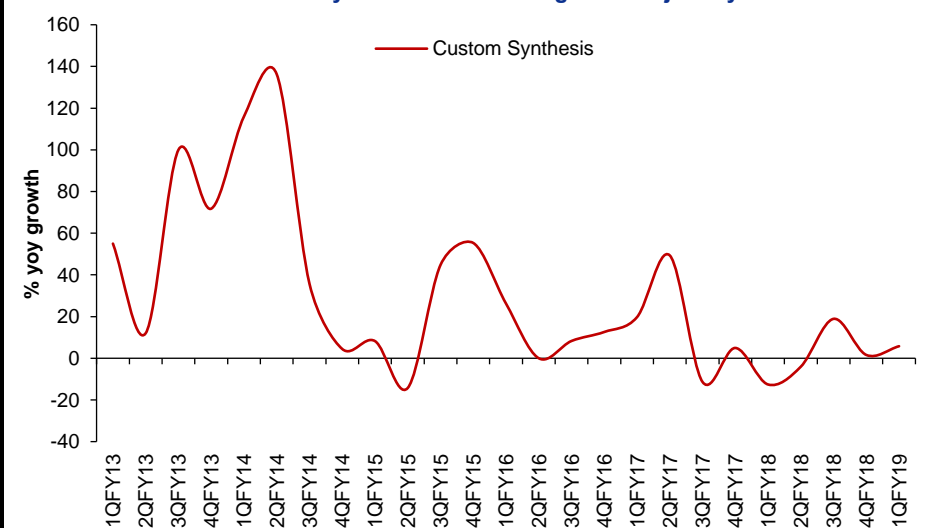


SOURCES: EIP RESEARCH, COMPANY REPORTS

This herbicide developed resistance; sales began stagnating ➤

We refer to weed science (link here) for the study of resistance to Pyroxasulfone (relevant link here). Weeds like Avena Fatua and Amaranthus Tuberculatus are now resistant to Pyroxasulfone. The resistance was visible in 2015 and 2016 and sales have plateaued since. Weeds developed resistance and concurrently agrochemical channels were filled – a ‘double whammy’ for PI.

Figure 10: Pyroxasulfone’s growth stagnated (due to herbicide resistance, etc) leading to the decline of the custom synthesis business’s growth trajectory



SOURCES: EIP RESEARCH, COMPANY REPORTS

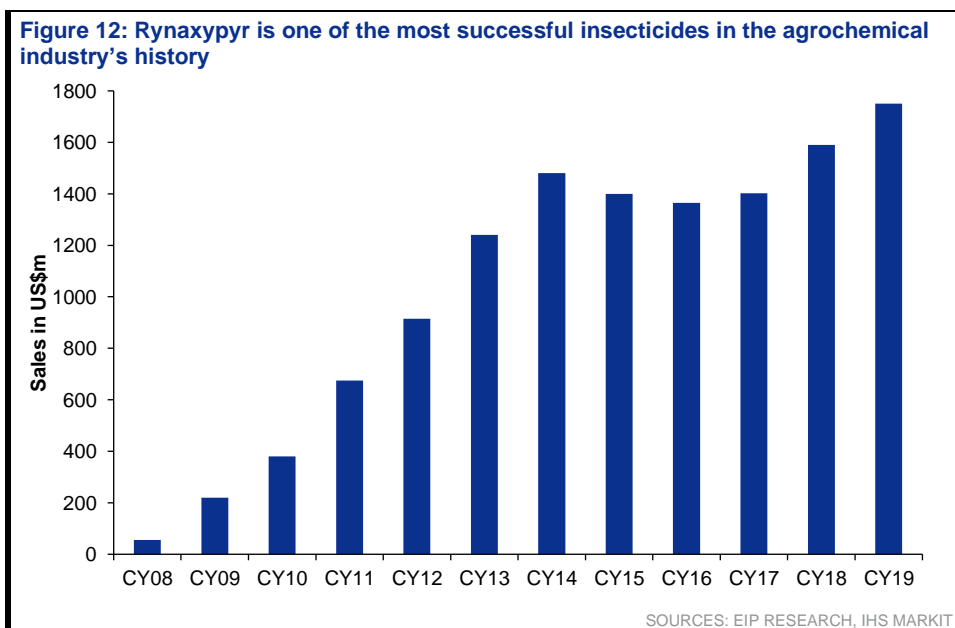
Pyroxasulfone sales have stagnated globally ➤

Global sales of Pyroxasulfone have stagnated, resulting in the CSM business's growth decline.



Insecticide Rynaxypyr had US\$1.7bn of sales in CY19; FMC bought it from DuPont in CY17, giving PI a CSM contract ➤

DuPont launched Chlorantriliprole, also known as Rynaxypyr, in 2008. Sales in the initial year was US\$55m, which rose to US\$1.75bn in 2019 (Source:IHS MARKIT). However, when Dow Chemicals and DuPont announced their merger, DuPont had to divest this product due to regulatory issues. FMC Corporation acquired Rynaxypyr from DuPont in 2017 and launched it in 2018. Normally, innovators tie up with two to three companies for contract manufacturing and we believe PI can get c.US\$200m-250m of revenue from this molecule over the next three years, in our view. FMC will have at least three to four suppliers for Rynaxypyr. After receipt of the molecules FMC will have marketing and selling costs. This means that PI can garner at least US\$200m-250m revenue from the exports of Rynaxypyr.



Rynaxypyr is a big molecule in the Indian market and multiple players make this molecule in India, including FMC and Dhanuka. Moreover, there are multiple

smaller players in India. FMC, disturbed by the infringement of its patent rights, filed a writ petition in the Delhi High Court and was granted an injunction on the same ([link here](#)). The High Court is hearing the case right now ([link here](#)).

PI has ventured into pharmaceutical products; none of the molecules have become big >

PI has been in the active pharmaceutical ingredients (API) market since 2017 and, according to our sample analysis (detailed research on the noncommercial value exports by PI Industries), the company has exported various pharma APIs. As the company exports intermediate stage molecules, it is difficult to ascertain the end products.

PI has multiple new molecules in the pipeline (apart from Rynaxypyr) >

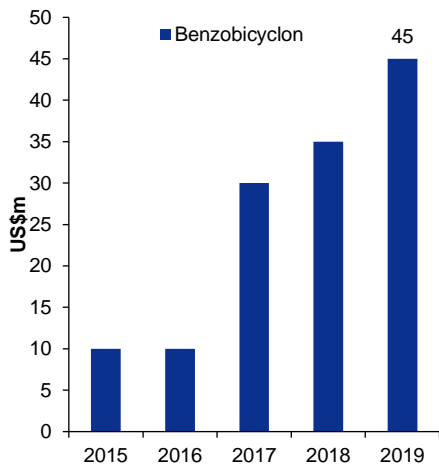
From PI's exports data and non-commercial value (NCV) of exports (Source: Corpiness Global Pvt Ltd), we believe it has either got, or is very near getting, contracts for multiple new molecules. Normally companies send NCV samples for testing only when they are far ahead in the client's evaluation process for awarding the contract or they have got the contract. These contracts are for:

- Pyridachlometyl
- Cyclopyranil
- Benzobicyclon
- Picoxystrobin
- Metominostrobin
- Mepanipirim
- Bensulfuron
- Pretilachalor
- Pyrazosulfuron
- Oxathiapiprolin

PI Industries positioned to tap ~US\$900m of CSM opportunities >

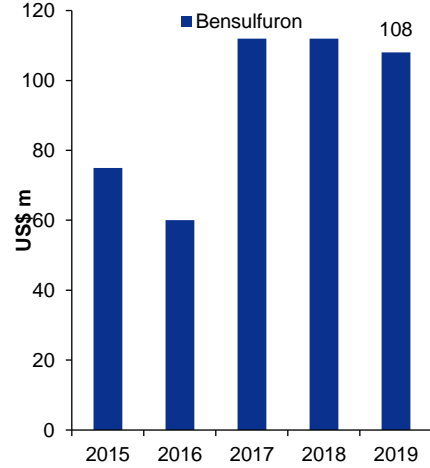
PI has eight active molecules (currently sold by various producers) in the pipeline, in our view, whose combined global sales is US\$900m (CY19 sales, Source: IHS MARKIT).

Figure 13: Benzobicyclon is an SDS Biotech-herbicide & has grown well



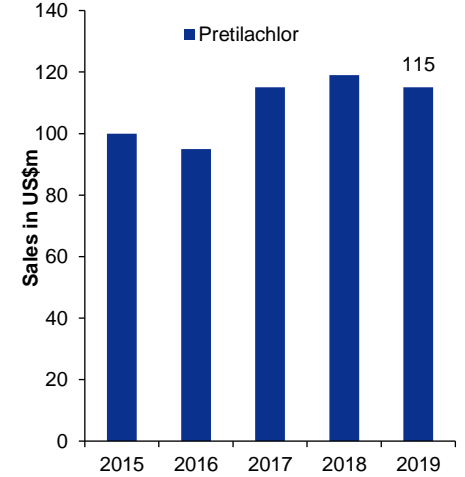
SOURCES: EIP RESEARCH, IHS MARKIT

Figure 14: PI beat Chinese companies to get this DuPont herbicide contract



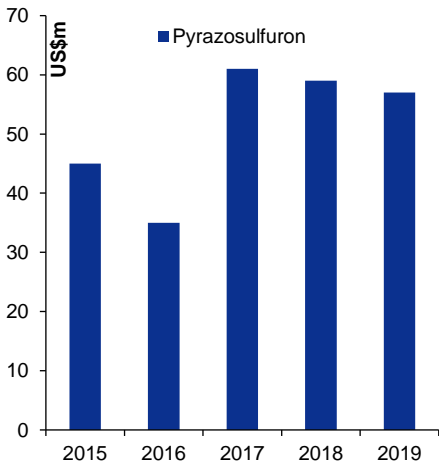
SOURCES: EIP RESEARCH, IHS MARKIT

Figure 15: A Syngenta herbicide, Pretilachlor is used on rice



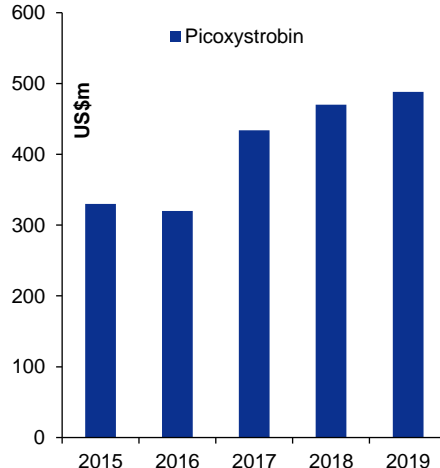
SOURCES: EIP RESEARCH, IHS MARKIT

Figure 16: Pyrazosulfuron, a Nissan chemical, is used as a rice herbicide



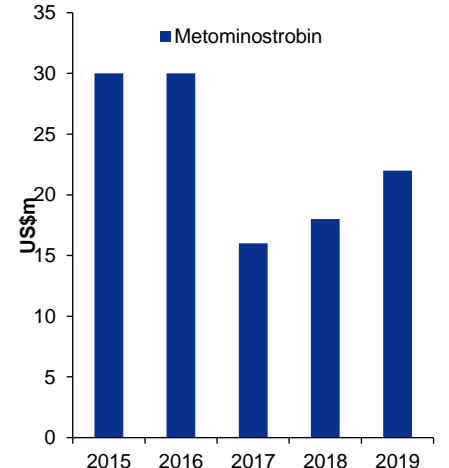
SOURCES: EIP RESEARCH, IHS MARKIT

Figure 17: Corteva's fungicide Picoxystrobin is a big win for PI



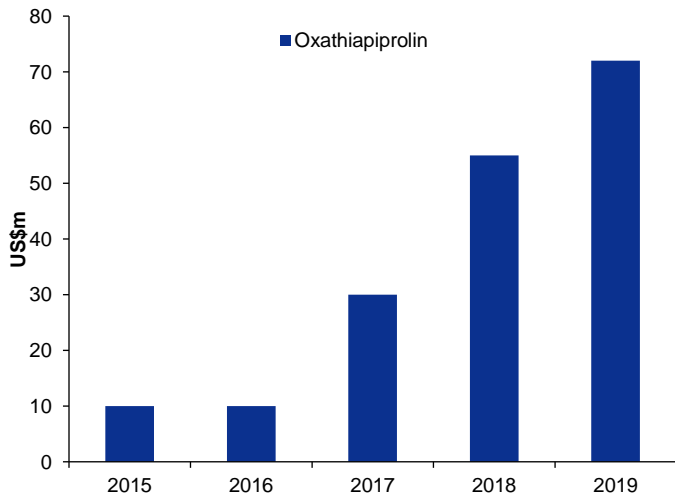
SOURCES: EIP RESEARCH, IHS MARKIT

Figure 18: Relatively small molecule from Sumitomo; a rice & soybean fungicide



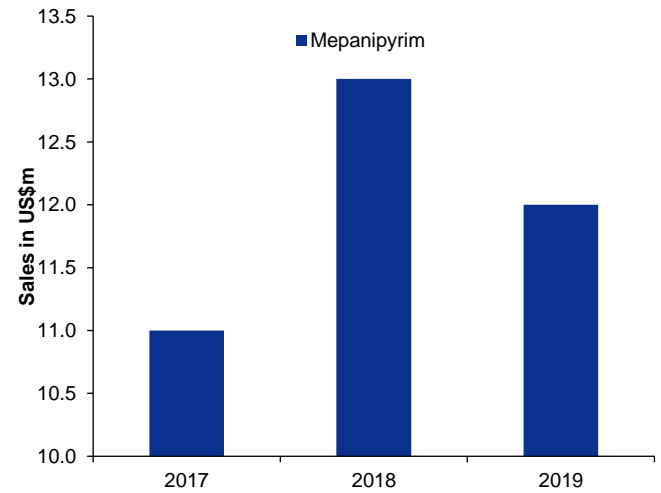
SOURCES: EIP RESEARCH, IHS MARKIT

Figure 19: PI has a foothold in Oxathiapiprolin (brand name Zorvec) – another of Corteva's CSM molecules



SOURCES: COMPANY REPORTS, IHS MARKIT

Figure 20: PI has a good relationship with Kumiai. PI stands to gain if this molecule becomes big



SOURCES: COMPANY REPORTS, IHS MARKIT

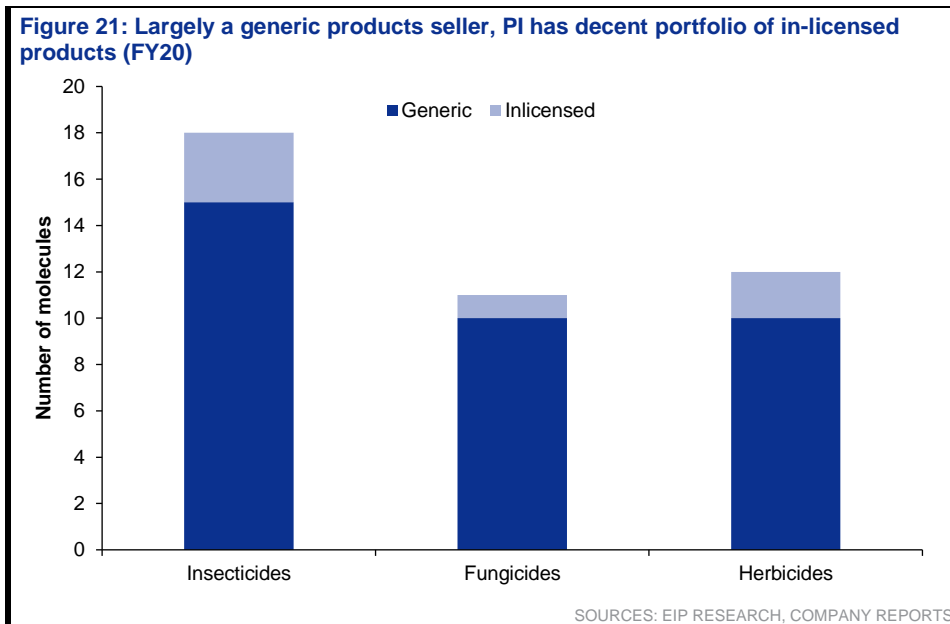
PI is active in research molecules; with likely launch in CY22/23F (Source: Analysis of export data from Corpiness Global) >

1. **Pyridachlometyl**, a fungicide, is being developed by Sumitomo Chemicals. Sumitomo expects to launch it by CY22 (Source: IHS MARKIT). In the research phase itself PI is supplying active ingredients and will likely be involved in CSM once Pyridachlometyl is launched.
2. **Cyclopyranil** is a novel herbicide being developed by Kyoyu Agri. The molecule is likely to be launched in 2021/22 (Source: IHS MARKIT). PI is supplying active ingredients to Kyoyu and appears to be collaborating closely in the molecule's development.

Domestic agrochemicals business mostly driven by generic agrochemicals

PI's domestic agrochemicals business is mostly driven by generic molecules, but in-licensed products comprised 13% of its portfolio as on FY20.

Figure 21: Largely a generic products seller, PI has decent portfolio of in-licensed products (FY20)



PI in-licenses newer agrochemicals ➤

PI has tied up with reputable players such as Bayer, Syngenta, BASF, Kumiai and others, indicating its strong relationships with innovators, in our view.

Figure 22: In-licensed product tie-ups with various innovators

Molecule	Innovator	Launch Date	Type of Agrochemical
Flubendiamide	Nihon Nohyaku, Bayer (Takumi, Belt, Phoenix, Fenos, Fame)	2007	Insecticides
Rynaxypyr	DuPont	2008	Insecticides
Spiromesifen	Bayer (Oberon, Forbid)	2005	Insecticides
Fluxapyroxad	BASF (Xemium)	2012	Fungicides
Pinoxaden	Syngenta (Axial)	2006	Herbicides
Topramezone	BASF (Clio, Impact, Armezon)	2006	Herbicides

DUPOINT HAS DIVESTED RYNAXYPYR TO FMC.
SOURCES: EIP RESEARCH, COMPANY REPORTS

Good farmer connections ➤

PI has an extensive dealer and distribution network which would help it reach end-consumers. It had 10,000 dealers and distributors and 100,000 retail distribution points as on Dec 2020. These points help PI to have a better connect with farmers.

Figure 23: PI Industries had one of the largest distribution networks in India (Dec 2020)

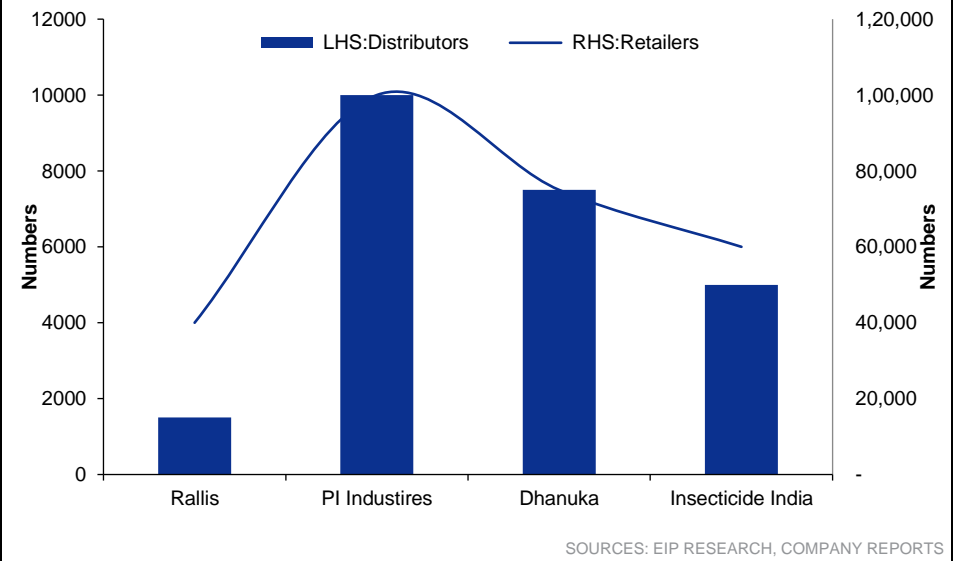
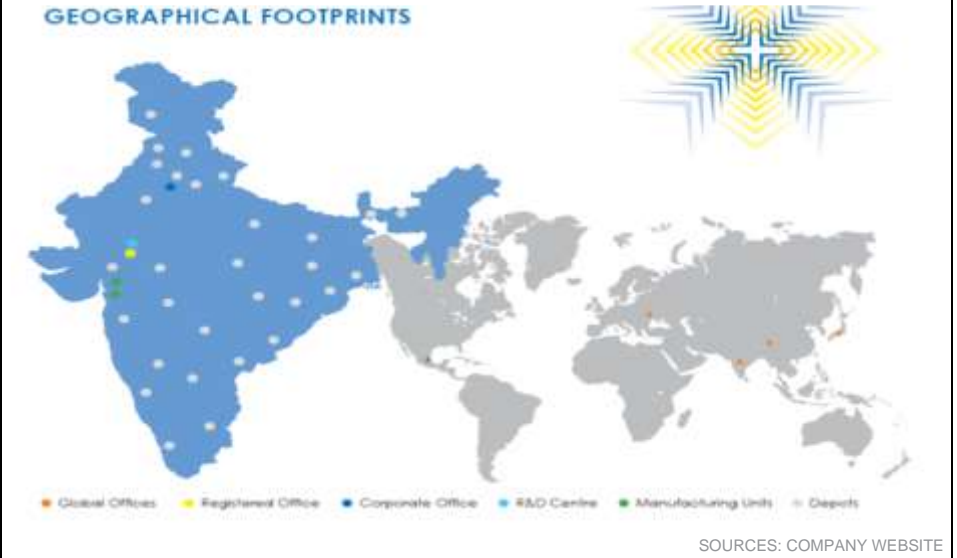


Figure 24: PI's geographical reach



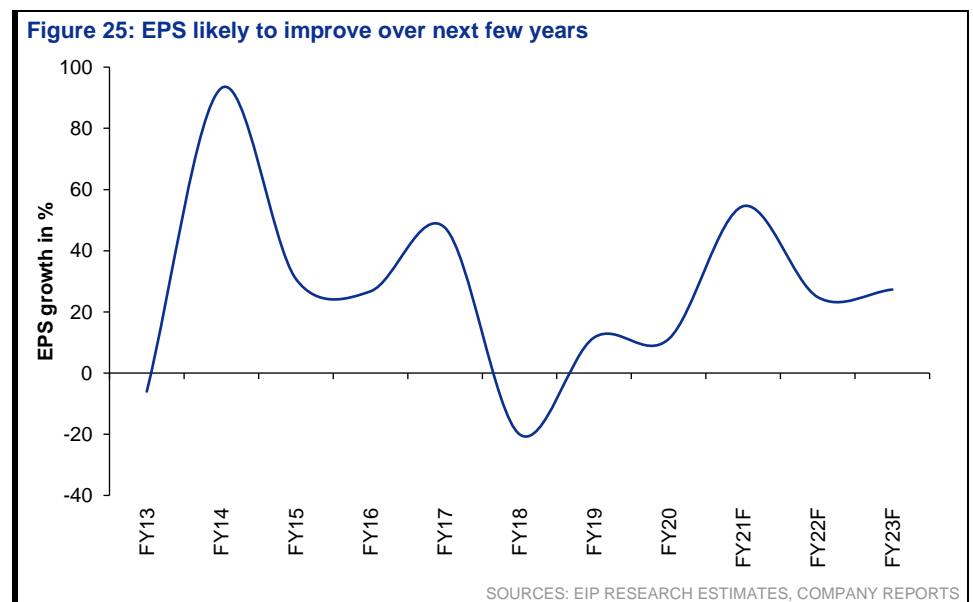
Improving financials, strong balance sheet

We forecast c.30% revenue CAGR over FY21-FY23F ➤

PI posted revenue/EBITDA CAGR of c.16.6%/15.4% over FY13-FY20. We forecast c.27% revenue CAGR over FY21-23F driven by strong growth in the CSM business. We expect CSM revenues to touch US\$802m in FY23F from US\$ 357m in FY20, implying c.33% CAGR over FY20-23F. Growth would mainly be driven by new molecules like Rynaxypyr, Zorvec, Orysastrobins and other molecules currently in the sample stage. We expect domestic revenue CAGR of c.10% over FY21-FY23F, led by strong new product launches and an extensive distribution network.

Consistent earnings growth over FY13-FY20; we expect the same over next 3 years ➤

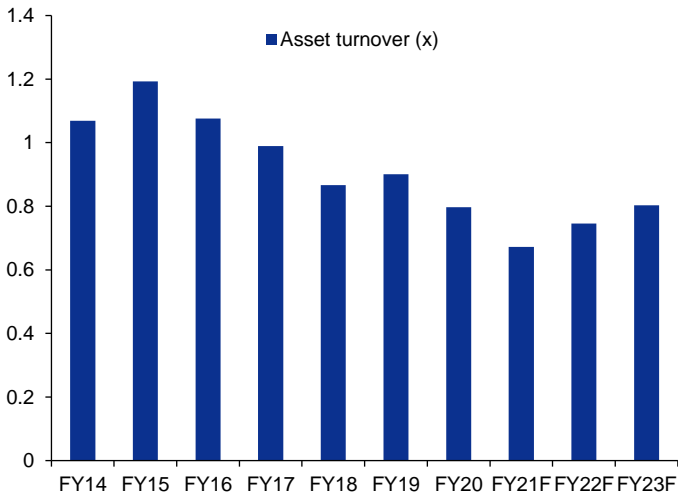
PI delivered EPS of c.27% over FY13-FY20 on strong revenue growth mainly in the CSM business and an improving margin profile. We expect EPS to improve from Rs33.1 in FY20 to Rs73.7 in FY23F, translating to c.31% CAGR over FY20-23F.



PI's conservative capex stance unlikely to change near term ➤

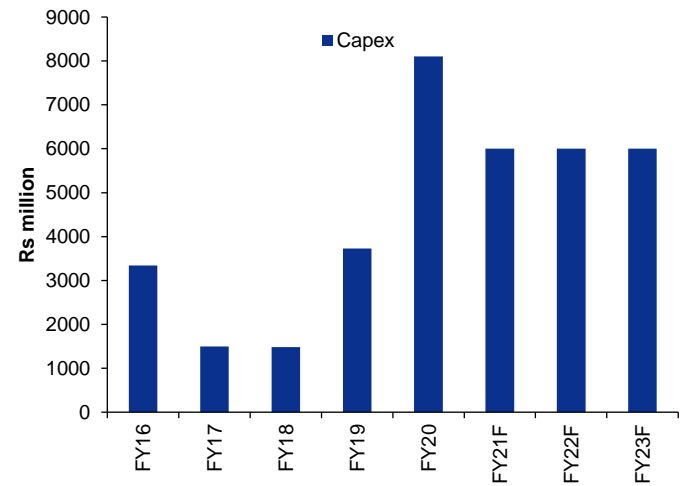
PI has been prudent with its capex, and never over-committed in capacities without revenue visibility; this is evident from its Rs11.4bn capex programme over FY12-18. However, the company did capex of Rs3.7bn during FY19 and Rs8.1bn in FY20. We expect the company to invest Rs18bn in capex over FY21F-23F. We believe this capex would mainly be towards new molecules and orders in hand. Also, we expect the company's asset turnover ratio to improve from 0.67x in FY21F to 0.8x in FY23F.

Figure 26: Asset turnover will remain muted in near to medium term as company's capex is intended for future growth



SOURCES: COMPANY REPORTS ESTIMATES, COMPANY REPORTS

Figure 27: We expect Rs18bn capex in FY21-23F

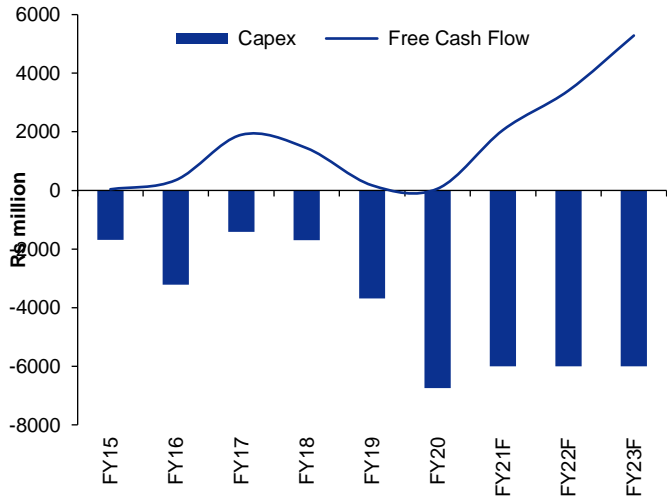


SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Rising profitability to strengthen balance sheet ➤

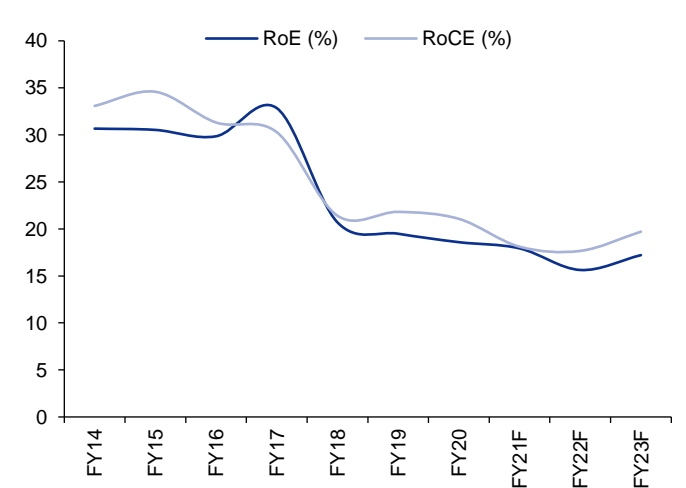
Rise in profits will further help strengthen the balance sheet, in our view.

Figure 28: Despite rising capex, free cash flow will improve.



SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Figure 29: RoE and ROCE likely to touch 20% by FY23F

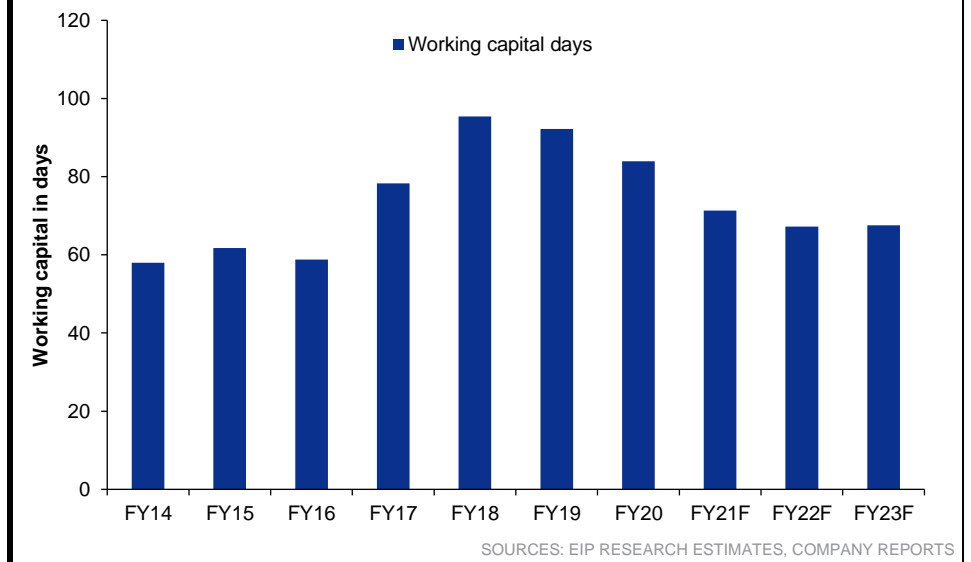


SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Working capital to remain elevated ➤

Typically, in the contract research and manufacturing services (CRAMS) business, customers make payments only after 90 days and up to 180 days. Unsurprisingly, debtor days increased to 85 days in FY19 from 72 in FY12. We expect debtor and inventory days to stay elevated as the company's revenue share of exports is expected to increase to c.82% FY23F from 68% in FY19.

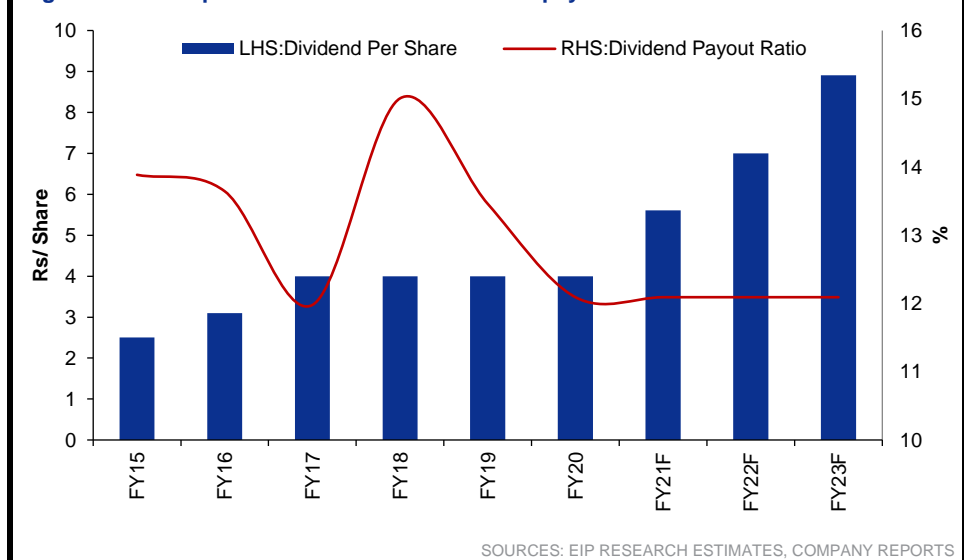
Figure 30: Working capital days to stay high, but likely to decline from FY19 peak



Set to maintain strong dividend payout ratio ➤

PI's net cash as of FY19 was Rs1.5bn. With c.Rs7.2bn of free cash flows over the next three years, we expect the dividend payout to remain intact at 12%. Over the past two years, the company consistently paid dividends at c. 12% of net profit.

Figure 31: We expect PI to maintain its dividend payout ratio of 12%



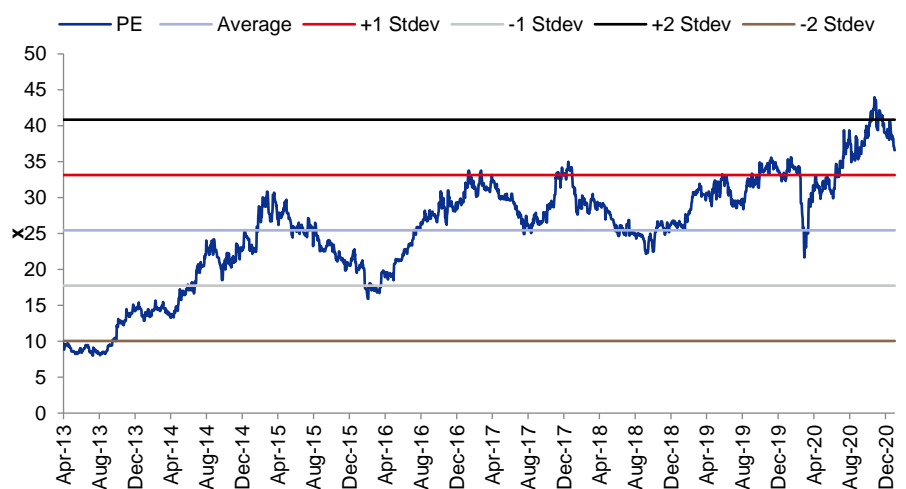
Valuation & recommendation

Prefer P/E (to DCF & EV/EBITDA) to value agrochem companies ➤

We value PI on a P/E basis as we consider it as a more appropriate valuation method for agrochemical companies over DCF or EV/EBITDA. In our view, DCF is not a suitable valuation method for PI as the earnings of chemical companies are highly cyclical and forecasting longer-term earnings is difficult. Also, we think a balance sheet-based valuation is inappropriate as short-term debt may rise because of inventory cycles, distorting the balance sheet for a short period (in many cases, only for one quarter).

Fundamentals support premium valuations (34x FY23F EPS) ➤

Figure 32: Currently PI industries is trading at 37x FY22F P/E. We value PI Industries at +1SD of long-term mean to arrive at fair value of Rs2,505



SOURCES: EIP RESEARCH, COMPANY REPORTS, BLOOMBERG

We value the stock at 34x to arrive at our end-Mar FY22F TP of Rs2,505 ➤

In the current uncertain environment, we think PI offers a predictable volume-driven EPS growth opportunity based on new products in its pipeline. While the stock is trading at 37x FY22F earnings (close to +2SD above historical levels), with high optimism in its volume-driven earnings growth, we don't expect PI to de-rate significantly (barring severe market risk-off) in the near to medium term.

We value the company at 34x one year forward P/E, at +1SD historical eight-year mean P/E to arrive at our one-year forward TP of Rs.2,505. At the CMP, our target price implies an upside potential of 10% from current levels. We initiate coverage on the stock with an Add rating.

Figure 33: We value PI at +1SD of the long-term mean valuation. At our target price the stock will trade at 34x FY23F EPS

Target Price Methodology

Item	Unit	Valuation
FY22F EPS	Rs/Share	57.9
FY23F EPS	Rs/Share	73.7
P/E	x	34
Target Price	Rs/Share	2,505

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Risks

- Client-specific issues could distort the revenue growth trajectory, which in turn could have a material impact on the financials.
- Any big downtrend in the global agrochemical market could dent sales. However, since these are long-term contracts, we believe any slowdown in the CSM business could be temporary as innovators, post the mega merger, have focused more on the outsourcing business.
- Our earnings forecast for PI is predicated on the ramp up of Rynaxypyr exports. Any slowdown in the global demand of this molecule will be negative for the company.
- We project 9.9% revenue growth in the domestic market over FY21F-23F. Growth in the domestic market is contingent on a normal monsoon season.
- PI Industries also imports base chemicals. Any disruption in their global supply chain will be a negative for the company.

Peer comparison

Figure 34: Peer Comparison

Company	Bloomberg Ticker	Closing Price (LC)	Target Price* (LC)	% Upside	Rating	Market cap (US\$ m)	EV/EBITDA (x)		P/BV (x)		RoE (%)		P/E (x)	
							CY21F	CY22F	CY21F	CY22F	CY21F	CY22F	CY21F	CY22F
UPL Ltd	UPLL IN	541	578	7%	HOLD	5,668	9.5	8.6	2.0	1.8	14.4	13.9	18.9	15.6
Rallis India Ltd	RALI IN	275	355	29%	ADD	733	13.3	12.0	3.3	2.9	16.5	15.7	21.4	19.8
SRF Limited	SRF IN	5,607	6,227	11%	ADD	4,559	18.9	16.3	4.9	4.2	18.8	17.6	29.8	25.8
PI Industries Limited	PI IN	2,233	2,505	12%	ADD	4,649	30.6	23.2	6.2	5.7	17.90	15.60	45.2	38.0
Bayer	BAYN GR	56	NR	NR	NR	66,673	6.9	6.3	1.1	1.0	2.85	2.85	8.3	7.4
BASF	BAS GR	67	NR	NR	NR	73,818	8.7	8.0	1.3	1.3	0.12	0.12	17.3	14.8
Corteva	CTVA US	44	NR	NR	NR	32,638	12.9	11.6	1.2	1.2	3.66	3.66	22.6	19.7

NR COMPANY ESTIMATES ARE FROM BLOOMBERG CONSENSUS

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG. PRICED AS AT 05 FEB 2021

SWOT Analysis

Figure 35: SWOT analysis for PI Industries

Strengths	Weaknesses
High client trust in CSM business results in repeat business for new molecules	Apart from Rynaxypyr, nothing else is a big molecule in CSM
Ability to deliver on time and safeguard proprietary information (PI) of the client	Domestic business is not growing fast enough
Opportunities	Threats
Big opportunity in generic agrochemicals –US\$5bn-6 bn over next five years, in our view	PI is leveraged to the global agrochemical cycle, hence a global deceleration will be bad for business
PI is actively participating in client R&D work which opens further opportunities	

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

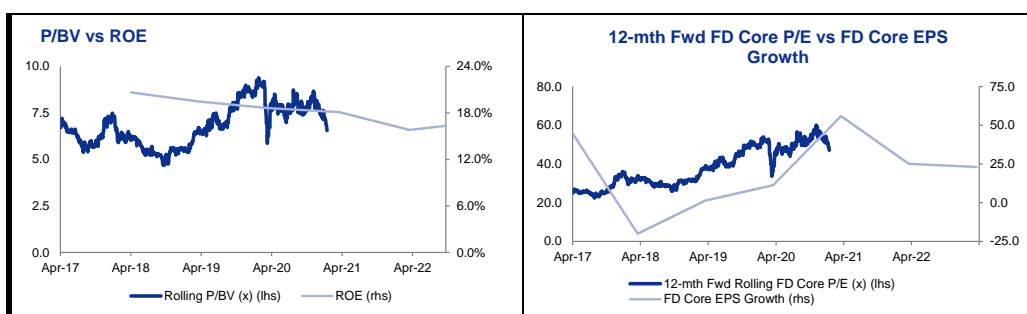
Appendix

PI has a differentiated business model across the agrochem value chain – from R&D to distribution, providing innovative solutions by partnering with the best agrochemical innovators – Bayer (Not Rated), Syngenta(Not Rated) and Corteva(Not Rated) are its client. It is known for its technological capabilities in chemistry/ engineering-related services and has built leading brands over the years and connected with more than 1 lakh retail points pan-India Dec 2020.

Figure 36: Key management personnel (currently as per company website)

<p>Mr. Mayank Singhal, Vice Chairman and Managing Director</p>	<p>Mr. Mayank Singhal joined PI Industries in 1996 as an engineering and management graduate from the UK and rose to become its Joint Managing Director in 2004, and Managing Director and CEO with effect from 1 Dec 2009. With his rich experience in the fields of chemicals, intermediate and agrochemical industries, he has played an instrumental role in the rapid development of the company's customer base. He has also been responsible for changing policies and transforming operations and systems, thus, providing synergies to the company's various business activities. Besides PI Industries, he serves on the boards of PI Life Science Research Ltd., PILL Finance and Investment Ltd., TP Buildtech Pvt. Ltd. Fratelli Wines Pvt. Ltd. and CropLife India.</p>
<p>Dr. Raman Ramachandran, Managing Director & CEO</p>	<p>Dr. Raman Ramachandran was the Chairman & Managing Director of BASF India and Head of BASF's legal entities in South Asia (India, Pakistan, Bangladesh and Sri Lanka). During his stint of nearly two decades with the global chemicals major, Dr. Ramachandran held many positions of responsibility and led the strategic evolution of the company as a leader in the agricultural products business across the Asia-Pacific region. He was a member of the company's Executive Committee of the Global Agricultural Products Division and its Global R&D Steering Committee. Dr. Ramachandran was a member of the Asia-Pacific Business Board and Vice-President, Crop Life Asia.</p>

SOURCE: COMPANY WEBSITE

BY THE NUMBERS

Profit & Loss

(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Total Net Revenues	28,409	33,665	43,809	56,294	70,925
Gross Profit	28,409	33,665	43,809	56,294	70,925
Operating EBITDA	5,764	7,178	9,550	12,497	15,887
Depreciation And Amortisation	(930)	(1,367)	(1,882)	(2,389)	(2,870)
Operating EBIT	4,834	5,811	7,668	10,108	13,017
Financial Income/(Expense)	(50)	(170)	(96)		
Pretax Income/(Loss) from Assoc.		8			
Non-Operating Income/(Expense)	595	489	1,459	1,615	1,906
Profit Before Tax (pre-EI)	5,379	6,138	9,031	11,723	14,923
Exceptional Items					
Pre-tax Profit	5,379	6,138	9,031	11,723	14,923
Taxation	(1,277)	(1,572)	(1,987)	(2,931)	(3,731)
Exceptional Income - post-tax					
Profit After Tax	4,102	4,566	7,044	8,792	11,192
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	4,102	4,566	7,044	8,792	11,192
Recurring Net Profit	4,102	4,566	7,044	8,792	11,192
Fully Diluted Recurring Net Profit	4,102	4,566	7,044	8,792	11,192

Cash Flow

(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
EBITDA	5,764	7,178	9,550	12,497	15,887
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,503)	255	(821)	(1,805)	(2,813)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	235	99	(44)	30	36
Other Operating Cashflow	(1,721)	(1,429)	(2,418)	(4,247)	(5,556)
Net Interest (Paid)/Received	(50)	(170)	(96)		
Tax Paid	1,183	1,048	1,987	2,931	3,731
Cashflow From Operations	3,908	6,981	8,157	9,407	11,286
Capex	(3,677)	(6,695)	(6,000)	(6,000)	(6,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	461	(3,156)			
Cash Flow From Investing	(3,216)	(9,851)	(6,000)	(6,000)	(6,000)
Debt Raised/(repaid)	(399)	4,347	(5,174)		
Proceeds From Issue Of Shares	29	80	20,000		
Shares Repurchased					
Dividends Paid	(831)	(748)	(852)	(1,063)	(1,353)
Preferred Dividends					
Other Financing Cashflow	(50)	(179)	(96)		
Cash Flow From Financing	(1,251)	3,500	13,878	(1,063)	(1,353)
Total Cash Generated	(559)	630	16,035	2,343	3,932
Free Cashflow To Equity	293	1,477	(3,017)	3,407	5,286
Free Cashflow To Firm	742	(2,700)	2,253	3,407	5,286

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Total Cash And Equivalents	2,011	2,667	18,702	21,046	24,978
Total Debtors	6,618	6,465	8,413	10,811	13,620
Inventories	5,357	7,989	9,002	10,796	13,602
Total Other Current Assets	2,923	3,112	2,967	3,097	3,250
Total Current Assets	16,909	20,233	39,084	45,750	55,451
Fixed Assets	13,685	20,454	24,572	28,182	31,312
Total Investments	172	179	179	179	179
Intangible Assets		828	828	828	828
Total Other Non-Current Assets	782	554	521	521	521
Total Non-current Assets	14,639	22,015	26,099	29,710	32,840
Short-term Debt		1,083			
Current Portion of Long-Term Debt					
Total Creditors	5,130	5,909	7,689	9,881	12,449
Other Current Liabilities	2,592	3,916	4,130	4,456	4,844
Total Current Liabilities	7,722	10,908	11,819	14,337	17,293
Total Long-term Debt	492	4,091			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	190	832	832	832	832
Total Non-current Liabilities	682	4,923	832	832	832
Total Provisions	290	226	149	179	214
Total Liabilities	8,694	16,057	12,800	15,348	18,339
Shareholders Equity	22,854	26,191	52,384	60,112	69,951
Minority Interests					
Total Equity	22,854	26,191	52,384	60,112	69,951

Key Ratios					
	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Revenue Growth	24.8%	18.5%	30.1%	28.5%	26.0%
Operating EBITDA Growth	16.8%	24.5%	33.0%	30.9%	27.1%
Operating EBITDA Margin	20.3%	21.3%	21.8%	22.2%	22.4%
Net Cash Per Share (Rs)	11.01	(18.16)	129.01	138.54	164.42
BVPS (Rs)	165.65	189.75	361.34	395.70	460.47
Gross Interest Cover	96.68	34.18	79.87		
Effective Tax Rate	23.7%	25.6%	22.0%	25.0%	25.0%
Net Dividend Payout Ratio	13.5%	12.1%	12.1%	12.1%	12.1%
Accounts Receivables Days	76.36	70.92	61.98	62.32	62.86
Inventory Days	nm	nm	nm	nm	nm
Accounts Payables Days	nm	nm	nm	nm	nm
ROIC (%)	22.3%	19.6%	22.2%	25.3%	28.4%
ROCE (%)	22.3%	21.2%	18.3%	18.0%	20.0%
Return On Average Assets	14.4%	12.8%	13.3%	12.5%	13.7%

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BGP** – Excellent, Certified, **BPCG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, n/a, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** – Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TNR** – Very Good, Certified, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

Recommendation Framework

Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.