

PI Industries Q4FY21

Financial Results & Highlights

Introduction:

PI Industries Limited manufactures and distributes agro chemicals in India and internationally. The company offers agrochemicals, including insecticides, fungicides, and herbicides; specialty products; and generic molecules under various brands. It also provides research and development services comprising target discovery, molecule design, library synthesis, lead optimization, biological evaluation, and route synthesis; and custom synthesis and manufacturing solutions consisting of process research and development, analytical method development, synthesis of reference standards, structure elucidation and synthesis of impurities, physio-chemical studies and 5-batch analysis under GLP conditions, scale-up studies, safety data generation, waste categorization and treatability studies, process/plant engineering, and large-scale commercial production.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1162	801	45.07%	1153	0.78%	4390	3355	30.85%
PBT	224	125	79.20%	263	-14.83%	910	594	53.2%
PAT	182	98	85.71%	196	-7.14%	719	442	62.67%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1241	862	43.97%	1201	3.33%	4702	3415	37.69%
PBT	222	142	56%	264	-15.91%	939	614	53%
PAT	180	111	62%	195	-7.69%	738	457	61.49%

Detailed Results:

1. The company witnessed exceptional revenue growth of 44% YoY in consolidated terms in Q4.
2. The profits for the company were up for Q4 with a rise of 86% & 62% YoY respectively in standalone and consolidated terms.
3. The EBITDA for the company grew 22% YoY in Q4 and EBITDA margin fell 290 bps to 19%.
4. Fixed overheads increased by 29% YoY in Q4.
5. Exports saw a growth of 47% YoY in Q4 while domestic sales grew 11% YoY in the same period. Isagro grew 51% YoY.
6. FY21 Performance was similarly stellar with 38% YoY revenue growth and 61.5% YoY PAT growth.
7. Exports saw a growth of 35% YoY in FY21 while domestic sales grew 39% YoY in the same period.
8. EBITDA margin in FY21 improved 90 bps to 22%.
9. The company saw free cash flow of Rs 303 Cr in FY21.
10. Capex for FY21 was at Rs 459 Cr.
11. Surplus Cash net of Debt as on March'21 stood at Rs 2070Cr (including of QIP net proceeds of Rs. 1975 Cr)
12. 5 new launches planned in FY22 for rice, cotton and horticulture portfolio.

13. 5-6 pipeline molecules at various stages of development to be commercialized in the coming FY22.
14. Order book at >\$1.5 billion.
15. PI announced a final dividend of Rs 2 per share.

Investor Conference Call Highlights:

1. The market for crop protection chemicals in India is expected to expand at a CAGR of 8% to 10% between the years '20 to '25.
2. Isagro has now been renamed Jivagro.
3. There has been a reduction of 4.7-4.8% in gross margins in Q4. Part of it was due to a change in product mix & part of it was due to the MEIS going away.
4. The company is in the advanced stages of its next acquisition and has gotten delayed due to the 2nd wave of COVID-19. It should get clarity by Q1 or the start of Q2.
5. The management has assured that the planned acquisitions will be completed within FY22.
6. The management has guided for a cautious target of 15% revenue growth. It states that the cautious stance is due to the current COVID situation in the country.
7. Barring the loss of margin due to MEIS, the management is confident that the drops are temporary, and the margin will be back at normal levels soon.
8. The company will not be doing capex for capacity expansion in FY22 at the same pace as it has done in the past few years. It is now only looking to increase its asset turnover in newer facilities and looking to do major capex only for acquisitions.
9. The company is indeed looking out for pharma opportunities where technologies or new units can be used as plug and play or helping the company create a differentiated solution. Its objective for this category remains to scale it up to 20-25% of sales in 3-4 years.
10. The newest plant will fully be working by Q2.
11. The company is also looking into green chemistry and automated process technologies to increase efficiency and reduce wastage or create safer ways for waste disposal.
12. The management has stated that the breakup between long-term contracts and others should be unchanged at 70-30.
13. The management maintains that PI has not lost any of its long-term customers to date and is even acquiring new ones beyond the agchem space.
14. The few acquisition options that PI is looking at are all with the majority assets in India but with significant sales in exports.
15. Of the 5 new launches in FY22, 3 are insecticides. 1 of these is a new molecule while the rest 2 are mixtures for cotton and rice specifically. These mixtures are expected to be released in Q3 or Q4. The last 2 products to be launched will be fungicides with one being a bio fungicide.
16. The management expects these new products to do well and contribute to significant growth in the next 2-3 years.
17. On the desirable technologies side for acquisition, PI is looking for technological opportunities to combine and leverage both agchem and pharma sides.
18. The key driver for the domestic acquisition in the pharma space is the import substitution opportunity in intermediates or APIs where the majority of domestic demand is imported. The driver for international opportunities is to derisk the concentration of operations in Gujarat and to get closer to customer sites.

Analyst's View:

PI Industries have been one of the most consistent performers in the agrichemicals business. The company saw another stellar performance in Q4 on the back of sustained sales momentum in both domestic and export markets despite the fall in EBITDA margin. The company is still evaluating options for acquisition. It is specifically looking for acquisition opportunities in the pharma sector to speed up expansion into this sector & where it can combine the acquired and its native technologies for newer opportunities. PI already has clarified that it is looking at options with domestic assets and significant export sales. It remains to be seen whether there are any other disruptions in-store from the expansion into the pharma space and whether the company will be able to match its medium-term guidance for growth in all segments. Nonetheless, given the company's strong track record, strong tailwinds of the industry, a good agricultural season, and opportunities arising from the China substitution phenomenon, PI Industries remains a pivotal agrichemical sector stock to watch out for.

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