



EQUITY STRATEGISTS™

www.equitystrategists.com



Vol.14.275

31st May 2011

INVESTMENT PICK

LOW RISK / HIGH RETURN
HOLDING PERIOD – SIX MONTHS PLUS

PI INDUSTRIES (LISTED IN BSE – CODE 523642)

Present Price – Rs.735

Projected Price – Rs.840/925/1025

PI Industries, is engaged in the business of Agri inputs, Fine Chemicals, Contract Research & Manufacturing Services (CRAMS) as well as Polymers. It provides inputs and solutions to farmers in key areas of crop protection chemicals, specialty products and plant nutrients.

It is a preferred partner for global MNCs for custom synthesis on account of its competencies in process research and manufacturing. With its well established, noncompete and IP driven business model, PI has amassed a strong order book of ~USD 300 mn to be executed within the next 3-4 years.

PI Industries currently operates three formulation and two technical manufacturing facilities, as well as four multi-product plants under its three business units across Jammu, Gujarat and Udaipur.

In the agri segment all its business is from retail and has no institutional contribution which is a unique model in the listed peer.

PI is amongst the top agro chemical companies in India and its core focus area includes pesticides, plant nutrients & specialty fertilizers. In Agri business, 60% is insecticide, 30% herbicide and rest 10% is fungicide.

Revenue from the agri-input division is primed for a surge on account of the strong growth of newly launched products and pipeline of 7-8 in-licensed products on exclusive marketing rights basis, which are currently under evaluation and registration. Of these, plans are afoot to launch two products in FY12. The product mix in this segment would improve as the revenue share of such products is poised to rise from 40% to 50% over next few years, boosting EBIDTA margin expansion.

Custom synthesis segment is the key growth driver for PI. _ CS segment deals in techno commercial evaluation of chemical processes, process development, Lab and pilot scale-up and commercial production. PI order book in this segment is \$250 Mn with delivery schedule of one to three years plus.

PI is setting up a new manufacturing unit in the SEZ located in Gujarat. The overall capex is guided at Rs. 125–150 Cr for this facility in the next 2-3 yrs. The company has already incurred a capex of Rs. 70 Cr in the current fiscal for expansion. This new facility in CS segment will be operational by 4th quarter next year and at 100% utilisation company will be able to report turnover of more than Rs700 cr with combined (existing & new) facility.

PI posted a consol. profit CAGR of 118% over FY08-FY11 due to a surge in both revenue (25% CAGR) and EBITDA margin (8.7% to 17.3%). Management guides for a much stronger revenue growth of ~40% CAGR over the next two years in both the businesses. Also, the EBITDA margin is likely to expand to 19.1% in FY12E and 19.8% in FY13E.

We expect the company to report EPS of over Rs.74 plus for FY12 and Rs.108 plus for FY13. The current price of Rs.735 discounts this by just 9.93 and 6.80 times leaving ample scope for appreciation.

BUYING IS RECOMMENDED FOR MEDIUM TERM INVESTMENT.

Note: In case of any problem in receiving NEWSLETTER, kindly contact Mr Devesh Chauhan at 9350171231

Disclaimer: The recommendations made herein do not constitute an offer to sell or a solicitation to buy any of the securities mentioned. Readers using the information contained herein are solely responsible for their actions. The information and views contained herein are believed to be reliable but no responsibility or liability is accepted for errors of fact or opinion. Editors may or may not have trading or investment positions in the securities mentioned herein.

Website: - www.equitystrategists.com

EQUITY STRATEGISTS is published by
D Prasad & Jatinder Sharma
(9810018028) (9910694444)

Available through Subscription Only
A – 1, Sector - 53
Noida – 201 301

contactus@equitystrategists.com