

Pick of the Week

- In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our “Pick of the Week” report.
 - **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
 - **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP	Target Price *	Potential Upside (%)	Reco
PI Industries	11,133	809	890	10.0%	Buy

* Note: Investment horizon Approx. 6 months., CMP as on 2nd June, 2017.

CMP	Target
809	890

MARKET DATA

No. of Shares	: 13.8
Market Cap	: Rs 11,133 Cr
52-week High / Low	: Rs 950 / 655
BSE Code	: 523642
NSE Code	: PIIND

Investment Rationale

- ❑ In FY17, PI outperformed its margin guidance by a wide margin, which gives us comfort that favorable product mix and operating efficiencies (in CSM) may help PI in reporting reasonable growth in earnings.
- ❑ **Strong CSM franchise:** PI's CSM biz will benefit from (a) order book at USD 1 bn, ~4.5x its FY17 CSM revenue, (b) expected recovery in global agrichem market from H2FY18, (c) success in CSM-pharma.
- ❑ **BASF deal:** PI will act as an exclusive co-marketer for BASF's innovative fungicides/ herbicides products in India. In FY18, PI-BASF intends to launch two molecules – to be simultaneously marketed by PI/ BASF in different regions
- ❑ **Capex intensity to continue:** FY18 capex guided at Rs 2 bn, of which only ~50% will generate incremental revenue. Post FY18, capex will remain elevated on likely (a) acquisition of Pharma CSM plant; (b) Jambusar plant expansion, as utilization reaches ~75% (70% currently).
- ❑ We maintain a **BUY** with a target of Rs 890.

Financial Summary

Y/E Mar	Sales (Rs Cr)	EPS (Rs)	RoE (%)	Ev/E (Rs)
FY17	2,277	33.5	33.1	20.9
FY18E	2,529	33.2	25.2	18.1
FY19E	2,904	39.3	24.2	15.1

Source: Axis Securities, Bloomberg, Capitaline

No of Stocks Matrix

No of Stocks	< 9m	>9m
Met Target	56	-
Not Met Target	2	5

Performance Matrix

% Return	< 9m	>9m
Met Target	14.75%	-
Not Met Target	(18.83%)	(23.24%)

Benchmark Performance Matrix

% Return	< 9m	>9m
Met Target	2.31%	-
Not Met Target	13.18%	9.70%

Note : performance of the pick of the week is calculated for stocks recommended June-16 To Feb-17

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DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

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