Agrochemicals
Initiating coverage

India I Equities
22 March, 2024

ANANDRATHI

# PI Industries

## Business model readied to go beyond agrochemicals; initiating, with a Buy

Rating: Buy
Target Price: Rs.4,600
Current market price: Rs.3,798

| Key data | PI IN |
|---|---|
| 52-week high / low | Rs4011 / 2869 |
| Sensex / Nifty | 72832 / 22097 |
| 3-m average volume | $15m |
| Market cap | Rs575bn / $6894.6m |
| Shares outstanding | 152m |

| Shareholding (%) | Dec'23 | Sep'23 | Jun'23 |
|---|---|---|---|
| Promoters | 46.1 | 46.1 | 46.1 |
| *- of which, Pledged* | 0.0 | 0.0 | 0.0 |
| Free float | 53.9 | 53.9 | 53.9 |
| - Foreign institutions | 20.4 | 20.0 | 19.2 |
| - Domestic institution | 23.2 | 23.3 | 24 |
| - Public | 10.4 | 10.6 | 10.8 |

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# Investment summary

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## Summary

PI Industries is one of India's fastest-growing, globally-integrated, highly-innovative agri-science-solutions companies. We believe Indian companies are attractively placed due to lower labour and manufacturing costs, strong R&D backup and good relations with global manufacturers/innovators, which would eventually support growth of domestic Contract Research and Manufacturing Services (CRAMS) players.

## Strong industry fundamentals

After many one-off events globally, starting with Covid-19 to escalating geopolitical tensions arising from the Russia-Ukraine and Israel-Hamas wars, the need to secure food supplies has become the top priority of every nation. Consequently, we believe that the structural growth story of the agrochemicals sector is intact, impelled by a) rising domestic demand, b) stagnant arable land (rising yields being the only way out), c) substantial opportunities to explore products going off-patent in the next decade, d) stringent environmental norms in China, offering domestic manufacturers an edge and e) strategic tie-ups with global giants.

## Further growth due to diversification - pharma & non-agchem sectors

To utilise its CRAMS capabilities and grow beyond agrochemicals, the company entered the pharma business inorganically by acquiring the subsidiaries of Therachem Research Medilab LLC and Archimica S.p.A.

It is focusing on high-potential segments such as electronic chemicals, polymer additives, imaging and specialty chemicals and new applications such as bio-chemistry, nutraceuticals and additives. It aims at ~25% revenue from non-agchem industries in the next 4-5 years.

## Domestic business - focus on portfolio expansion

Its domestic agrochemicals business registered a 8% CAGR over FY21-23 to ~Rs15bn. The company is working on diversifying its portfolio and on launching products. It has a strong pipeline of biologicals and bio-stimulants at various stages of development. After acquiring Isargo, its domestic B2C vertical merged with Jivargo, its 100% subsidiary, which is into horticulture. Now, the company is transitioning from a product approach to a crop-solution one. It launched 12 products for horticulture in FY22. We expect a ~13% CAGR over FY24-26 to Rs16bn, because of the low base when demand was hurt by larger channel stocks and lower realizations.

# Investment summary (cont.)

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### CSM business to clock a 14% CAGR over FY24-26

The company has a strong position in India's CRAMS market. It boasts a substantial order-book of $1.8bn This can be attributed to its adept capabilities, heightened focus on R&D, solid relationships with over 20 global innovators and increasing reliance on Indian manufacturers for CRAMS. It is launching and assessing >40 products in its R&D pipeline. Its strategic goal is to introduce 4-5 molecules annually and setting up two plants in the next two years, further fortifying its market position. We expect a 14% CAGR over FY24-26 to Rs81bn.

### Cash to further accelerate growth

On 30th Sep'23, it had Rs30bn cash. It invested to diversify in pharma business and is looking at closing other M&As and capex opportunities. It has strong relations with global innovators, which back growth opportunities. It has a strong balance sheet with a >25% RoIC. Its huge cash balance is cutting into return ratios, though with its deployment this would improve.

### R&D, a key focus area

It has a state-of-the-art R&D lab at Udaipur and is working on >40 products, which are at various stages of development. It is receiving enquiries from pharma and non-agro customers (25%). In 2023, it had +700 scientists and researchers (inlc. 200+ doctorates), which more than tripled from 228 in 2021.

It developed a state-of-the-art integrated pharma research centre at IKP, Hyderabad, which would serve as a hub for CRO and CDMO offerings, allowing it to cater to a broader range of customers throughout the life-sciences value-chain

### Financials

Over FY24-26, the company is likely to deliver 15%/13%/9% revenue/EBITDA/PAT CAGRs. The expected revenue growth would be driven by the bright outlook for domestic agrochemicals, focus on product development and launches, coupled with its strong CSM order-book and rising enquiries. The vast amount of cash on its books warrants a premium as it showcases its capabilities to grow organically and inorganically.

# Investment summary

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## Valuation

The stock traded at an average 24x over FY11-17.It was re-rated from FY18 mainly supported by CSM business picking up well. For the last six years, it has been trading at an average 41x P/E. We value the company at 35x FY26e EPS (a ~15% discount to the last six years' trading multiple) with a TP of Rs4,600, considering its foray into pharma, recovery in the domestic market and strong growth in its CSM business.

## Key risks

1) Product- and customer-concentration rise
2) Delay in product launches, and slowdown in R&D and the new-products pipeline
3) Slower-than-expected pickup in its pharma business

| Financial Summary Y/E Mar | FY22 | FY23 | FY24e | FY25e | FY26e |
|---|---|---|---|---|---|
| Sales (Rsm) | 52,995 | 64,920 | 78,754 | 89,643 | 103,744 |
| Net profit (Rsm) | 8,438 | 12,295 | 16,834 | 17,155 | 20,116 |
| EPS (Rs) | 55.5 | 80.9 | 110.8 | 112.9 | 132.3 |
| PE (x) | 68.4 | 47.0 | 34.3 | 33.7 | 28.7 |
| EV/EBITDA (x) | 48.8 | 35.4 | 27.1 | 24.9 | 20.7 |
| PBV (x) | 9.4 | 8.0 | 6.7 | 5.7 | 4.8 |
| RoE (%) | 14.7 | 18.5 | 21.2 | 18.2 | 18.2 |
| RoCE (%) | 13.8 | 18.2 | 21.1 | 18.0 | 17.9 |
| Dividend yield (%) | 0.2 | 0.3 | 0.4 | 0.4 | 0.4 |
| Net debt/equity (x) | -0.3 | -0.4 | -0.4 | -0.4 | -0.4 |

| | Bear Case | Base Case | Bull Case |
|---|---|---|---|
| CRAMS CAGR (FY24-26) | 11% | 14% | 17% |
| Domestic business CAGR (FY24-26) | 9% | 13% | 16% |
| Pharma business -CAGR (FY24-26) | 25% | 30% | 33% |
| Revenue CAGR | 10% | 15% | 18% |
| EPS (Rs) | 115 | 132 | 145 |
| P/E multiple on CMP (x) | 33 | 29 | 26 |
| P/E multiple- TP (x) | 40 | 35 | 32 |

Source: Company, Anand Rathi Research

# Company overview

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| | |
|---|---|
| Timeline | Founded in 1946, PI Industries is one of the fastest-growing, globally-integrated and highly-innovative agri-science-solutions companies in India |
| Business | It has expertise in custom synthesis and manufacturing (CSM), manufacturing, marketing and distributing agrochemicals, providing innovative solutions and collaborating with MNCs across the agrochemicals value-chain. It inorganically entered the pharma business in Apr'23 |
| Strong team & infrastructure | >3,300 employees, five formulation facilities, 15 multi-purpose plants, >700 scientists and researchers in the R&D team (incl. >200 with doctorates). More than 10,000 channel partners and 25 stock points engage with a network of over 80,000 retailers in India. The company exports to ~38 countries in six continents, Europe, North and South America, Asia, Australia and Africa, through four global offices |
| Opportunity | From \$220bn in 2020, the global CRAMS market is expected to record a 10% CAGR over 2020-25 to \$354bn. In India, the CRAMS market was ~\$10bn in 2020 and is anticipated to hit \$18bn by 2025, a robust 12% CAGR. India would account for ~5% of the global CRAMS market, with PI holding a commanding share |
| Clients | Reputed clients: Kumiai Chemicals, FMC, Syngenta, Adama, Sumitomo Chemicals, Bayer, BASF, Kureha Nissan Chemicals, Corteva; partnerships with over 20 global innovators |

# Business model stretches over the entire product lifecycle

- The company works on early-stage molecules, which helps it capitalise on the entire lifecycle of these products. This provides it the opportunity to be a prime supplier of such molecules under global patents and strengthen relations with MNCs

Leading agchem distribution company in India with huge market shares in certain crops

India's largest CRAMS company with most revenue from patented products

**DOMESTIC BRAND MARKET**

Levering its all-India network, demonstrating brand-building capabilities; experienced team to deliver in-licensed, brand-named generics and co-marketed products

**IN-LICENSING**

- Introducing products; partnering with global innovators
- Ensuring longer product cycles by brand building
- Developing solutions for Indian agchem through partnerships

R&D partnership

**SYNERGISTIC APPROACH**

Common infrastructure
Developing knowledge, products, processes and experience in different complex chemistries
Cross-selling opportunities

**EXPORT MARKET**

Levering chemistry process research and manufacturing capabilities catering to global innovators; partnering for IP creation

**CUSTOM SYNTHESIS & MANUFACTURING**

- Early stages of product life-cycles
- Complex chemistries
- Process development
- IP protection and generation

- State-of-the-art R&D facilities
  - >500 researchers and scientists
  - Accredited for GLP and 'Norms on OECD Principles' by NGCMA

- To service its customers
- One R&D facility
- Four manufacturing sites
- Domestic brand distribution
  - 25 stock points
  - >10,000 distributors
  - >80,000 retail points

- Three global locations
  - Japan for business development
  - China for sourcing
  - Germany for knowledge management

- Consistent financial performance track record

# Where does PI Industries' expertise lie?

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## Custom Synthesis and Manufacturing

### Opportunity size

From $220bn in FY20, the global CRAMS market is expected to clock a 10% CAGR over 2020-25 to $354bn

The Indian CRAMS market was $10bn in 2020, and is expected to hit $18bn in 2025, a 12% CAGR

### R&D

World-class R&D facility

Dedicated team of >500 scientists and researchers

Advanced R&D labs, kilo plants and pilot plants

**Evaluating >60 molecules at its R&D centre**

### Operations

Offices in Japan and Germany to support business development

Office in China for RMs

Collaborating with >20 innovators

>25 products on a commercial scale

### Product selection

Patented products

Early stages of their life-cycles

High or medium value, low volumes

Involve complex chemistries

### Risk

Concentration risk ~80% of CSM revenue arose from the top-five products and >50% from one product, Pyroxasulfone

# Where does PI Industries' expertise lie? (contd.)



## Domestic agrochemicals

### Positioning

Leading market share in some crops (rice, cotton, chilli, wheat, soyabean) and horticulture

One of the top-five agrochemical distribution companies in India

### Distribution network

All-India marketing and distribution network

25 stock points

>10,000 distributors

>80,000 retail points

### Shifted focus to brand-named products

Shifted focus from manufacturing generic products to developing brand-named licensed products and co-marketed products

Partnered with global innovators

### Strong product pipeline

**For the last few years launched ~2-3 products every year**

**Planning to launch five innovative products in FY24 and ~25 in the next five years**

### In-licensing from innovators

Introducing products, partnering with global innovators

Ensuring longer product cycles by brand-building

# Over 60% revenue from in-licensed, brand-named products

Domestic agrochemicals

In-licensing of newly launched/patented molecules by innovators

Licensing a product from a company, with exclusive right to be manufactured and sold in India

**High-margin business; major revenue arises from in-licensed products**

Selective co-marketing partnerships with MNCs

Partnering with MNC innovators and co-marketing their products in India

Marketing and manufacturing select brand-named generic agri inputs

Manufacturing and marketing generic products in India

# Tailwinds for growth in domestic agrochem

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- India is the fourth largest producer, and the fifth largest exporter and importer of agrochemicals in the world

### Sector to clock an 8.5% CAGR

Domestic agrochemicals in 2022 was a $6bn market, expected to be ~$10bn by 2028, an 8.5% CAGR

Growth drivers: rising population, greater demand for food production, economic expansion

### Considerable investments in the pipeline

Swelling population would need >50% more food to meet ballooning demand by 2050

As India is emerging as the third largest economy, to create growth opportunities and a global supply hub

>Rs1 trillion agri infra fund, drones, etc.

### Low per hectare use in India

India's agrochemicals use is just ~307gm a hectare, compared to ~13kg for the US, China and other nations

Climate change and significant loss of arable land per capita would necessitate greater farm productivity to ensure food security

### Government support

60% of the Indian population relies on agriculture

To support farmers, the government has taken several steps such as establishing effective agri-tech funds to push competition and higher profits and greater investments in the sector

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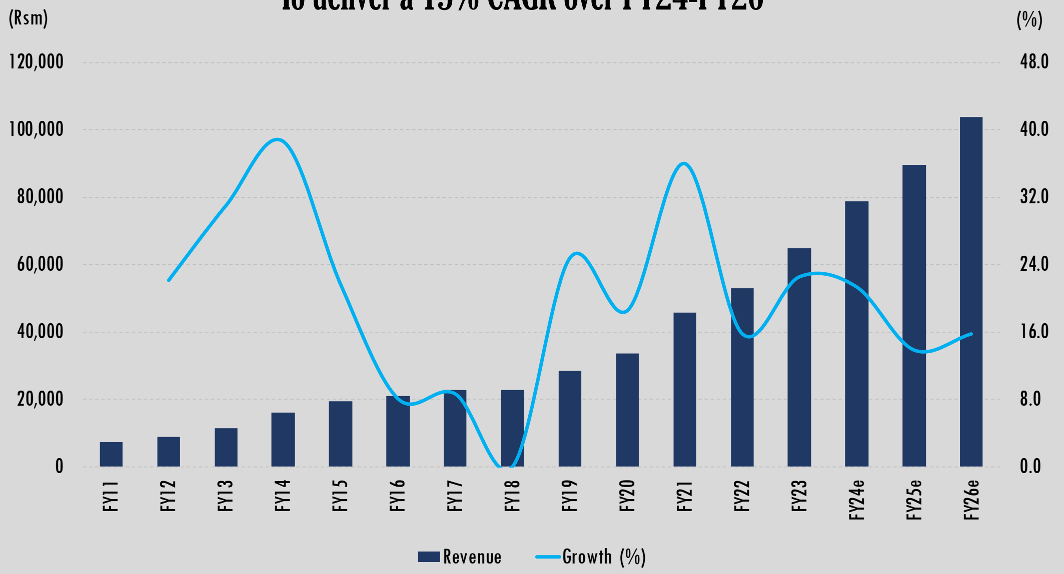
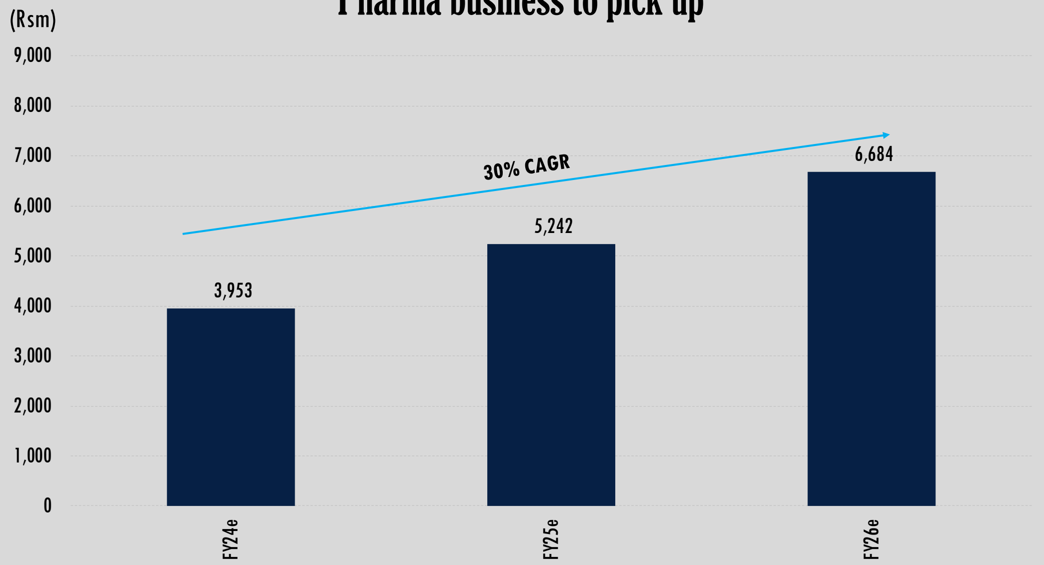
# Growth supported by diversification

- To maintain the growth momentum, diversify its product range, industries it caters to, new chemistries for niche products, and capacity expansion, the company raised Rs20bn in Jul'20
- It is focusing on high-potential segments: pharmaceuticals, electronic chemicals, polymer additives, imaging and specialty chemicals, and new applications: bio-chemistry, nutraceuticals, additive chemicals
- It is working on many pharma intermediates and is focusing on commercializing 4/5 molecules every year
- With proven CSM capabilities, core competencies in complex chemistries, process development, operational excellence, technology platforms and global reach by partnering with prominent innovators, the company expects to replicate its CSM growth story in the pharma business too
- For this, it analysed many inorganic opportunities and acquired the subsidiaries of Therachem Research Medilab LLC and of Archimica S.p.A. to enter the pharma value chain, investing Rs9bn (refer to page 14)
- It aims at integrating CRO, CDMO and API segments into a single platform called CRDMO, for comprehensive solutions to clients. It will provide contract research services to support early-stage discovery services for innovators. These factors would help it to tap the global CDMO market, broadening its offerings and strengthening its position

To deliver a 15% CAGR over FY24-FY26




Pharma business to pick up




Source: Company, Anand Rathi Research

# Growth supported by diversification

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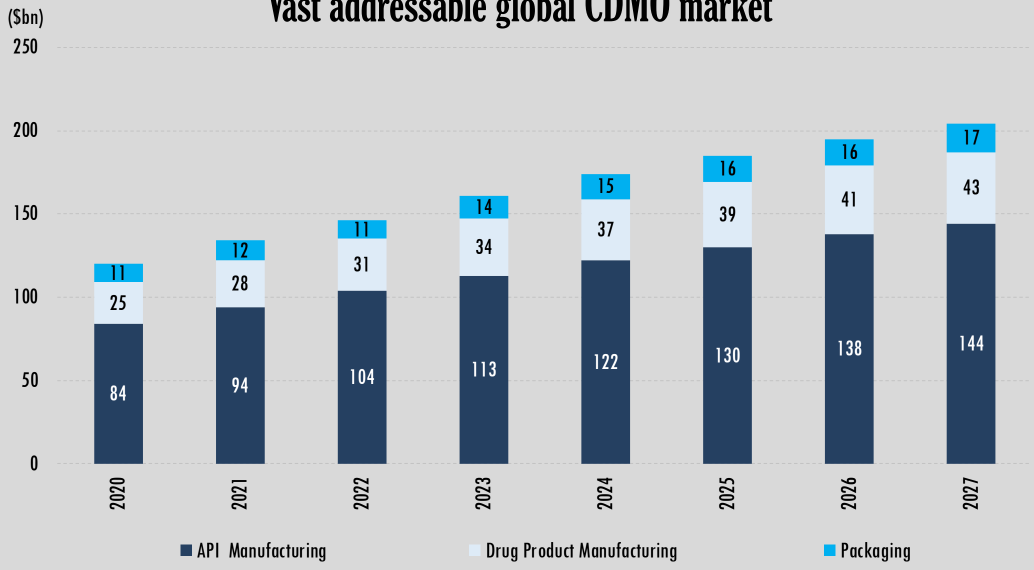
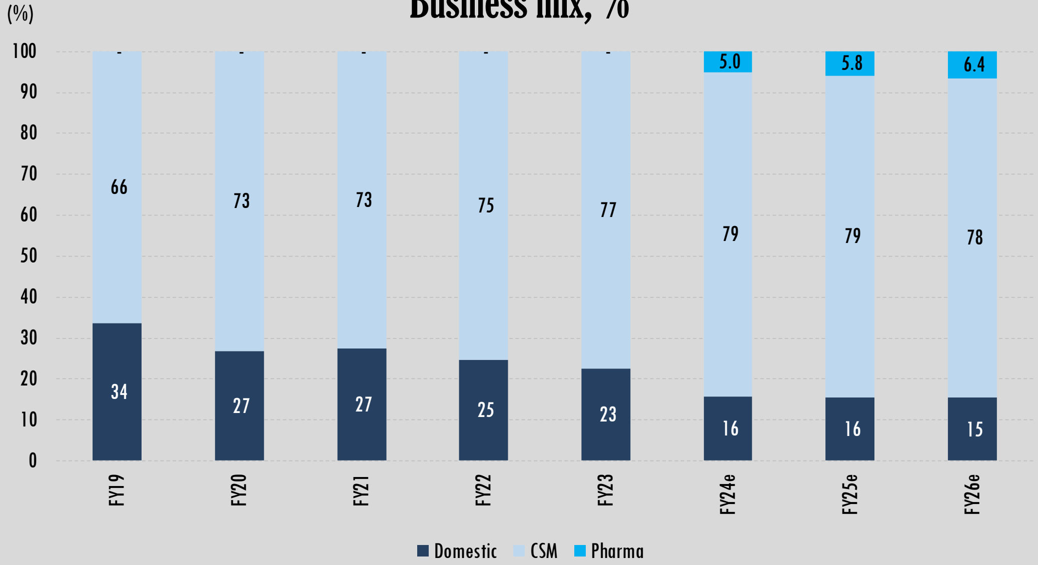
- India holds ~5% of the global CRAMS market and is expected to reach $18.1bn by CY25. China and Japan's CRAMS markets in CY20 were respectively ~15% and ~9% of the global market (by value). North America and the EU accounted for >60% of the global CRAMS/ CSM segment in 2020
- The company is expanding its pharma business and seeking acquisition opportunities. Global pharma CRAMS is larger than agrochemicals CSM. However, regulatory requirements for pharma tend to be more stringent. The company expects to double its pharma business in the next 4-5 years
- In other applications, it launched two chemicals in electronic segment in FY23, marking its foray into this niche field with promising potential. Further, the company has a sound R&D pipeline across diversified portfolios of agchem, electronic, imaging and other specialty chemicals. It intends to launch 4-5 products to be commercialized every year, diversifying its revenue mix and generating ~30% revenue from non-agchems in the next 4-5 years
- We believe that its proven track-record, strong R&D set-up, relations with innovators and available cash for inorganic opportunities would help it grow its pharma CRDMO and advanced intermediates businesses
- We expect the pharma business to contribute in FY26 ~6% to sales, to Rs6.7bn. However, management has guided to Rs6bn–6.25bn revenue in FY25 itself but we asses growth conservatively considering the new business stream

Vast addressable global CDMO market




Business mix, %




Source: Company, Anand Rathi Research

# Differentiated play across the pharma value chain

**Service offering focus**

| CRO services | CDMO services | | |
|---|---|---|---|
| **Drug discovery** | **Development** | **Intermediate & API production** | **Formulations** |
| Target identification ✓ | Drug development ✓ | Extraction ✓ | Solids |
| Lead discovery ✓ | Scaling up ✓ | Synthesis ✓ | Semi-solids |
| Medical chemistry ✓ | Tech transfer ✓ | Fermentation: small molecules | Non-sterile liquids |
| Pre-clinical studies: *in vitro* ✓ | Process analytics development ✓ | Fermentation: large molecules | Sterile liquids |
| Pre-clinical studies: *in vivo* ✓ | High-potency APIs | High-potency APIs | Other finished-dosage forms (FDF) |
| Formulations development | Peptides | Peptides | |

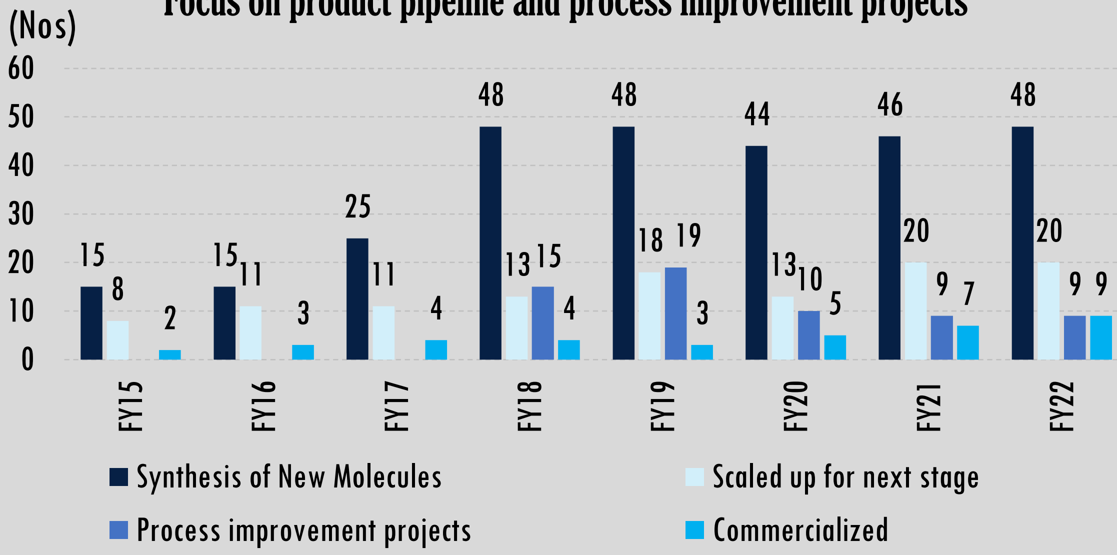
# Pharma entities acquired by PI Industries

| Acquiring company | PI Health Sciences (PIHS), wholly-owned subsidiary | | | PI Health Sciences (PIHS), wholly-owned subsidiary | | | PI Health Sciences USA, LLC (PIHS LLC), wholly-owned subsidiary PIHS BV | | | PI Health Sciences Netherlands B.V. (PIHS BV), wholly-owned subsidiary of PIHS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | TRM Group | | | | | | | | | | | |
| Acquired Company | Therachem Research Medilab (TRM India), Indian subsidiary of TRM US | | | Solis Pharmachem, Indian subsidiary of TRM US | | | Assets of TRM US | | | Archimica S.p.A | | |
| Agreement type | Share-purchase agreement | | | Share-purchase agreement | | | Asset-purchase agreement | | | Share-purchase agrrement | | |
| Incorporated | Dec'06 | | | Dec'19 | | | Mar'08 | | | 1947 | | |
| Profile | TRM India is into R&D and manufacturing chemical compounds used for APIs and other pharmaceutical products | | | Solis Pharmachem is into R&D and manufacturing chemical compounds used for APIs and other pharmaceutical products | | | Pharmaceutical R&D and manufacturing KSMs used in manufacturing APIs and other pharma products | | | Manufacturing of APIs and other pharma products. Also, into CDMO | | |
| Holding, % | 100 | | | 100 | | | NA | | | 100 | | |
| Consideration | \$42m (Rs.3,360m) | | | \$3m (Rs.40m) | | | \$5m (Rs.400m) \$25m (Rs.2,000m) over the next six years, on a profit-sharing basis | | | €34.2m (Rs.3,078m) | | |
| Financials | FY20 | FY21 | FY22 | FY20 | FY21 | FY22 | FY20 | FY21 | FY22 | FY20 | FY21 | FY22 |
| Revenue (Rs m) | 312 | 685 | 2,061 | - | - | - | 656 | 1,232 | 2,680 | 2,882 | 3,485 | 3,733 |
| Net worth (Rs m) | 297 | 514 | 1,326 | (1) | 38 | 152 | 832 | 1,240 | 2,376 | 1,887 | 1,529 | 1,827 |
| Valuation (price / sales) | 1.6x | | | 1.6x | | | 0.9x | | | 0.8x | | |

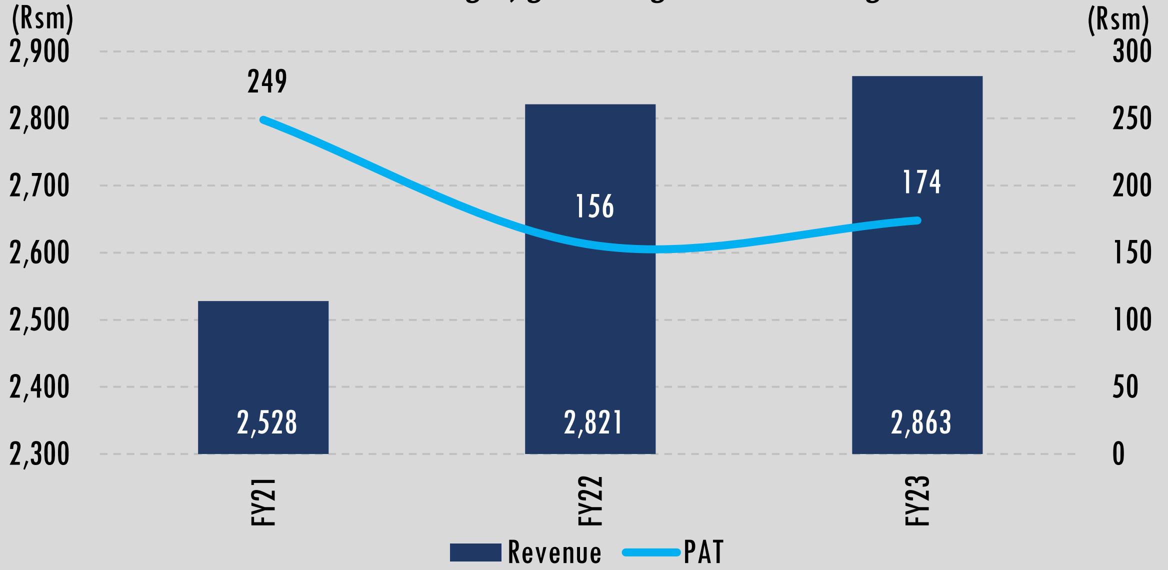
# Growth supported by diversification

- India's horticulture sector has proven to be more profitable and productive than agriculture and is growing rapidly. According to The Agricultural and Processed Food Products Export Development Authority (APEDA), India ranks second in fruit and vegetable production in the world, after China
- In the past, the company's primary focus was on field crops (rice, cotton, corn, wheat, etc.) to drive domestic agriculture growth
- To expand its business abilities and strengthen its global and home market position, in Dec'19 it acquired Isagro (Asia) Agrochemicals Pvt. Ltd from Isagro S.p.a., Italy, for Rs4.4bn. Isagro is into contract manufacturing, local distribution and exporting agrochemicals
- The company then hived off the Isagro domestic B2C business and merged it with its subsidiary, Jivagro, aiming to be one of the leading horticulture companies in India
- Now, it is offering 'horticulture only' under its Jivagro brand, a first and one of a kind in India. It launched 13 products in FY22 in this category, the most brand launches in a year. It now has >60 horticulture products
- It is focusing on its product pipeline and geographical distribution

Focus on product pipeline and process improvement projects




Revenue of Jivagro, generating a 6% PAT margin



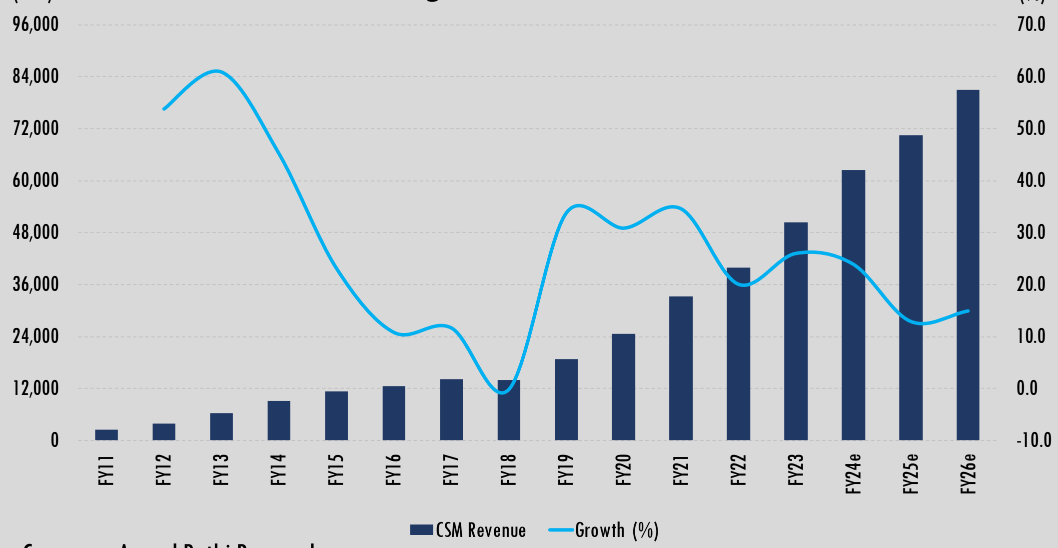

Source: Company, Anand Rathi Research

# CSM growth momentum to continue



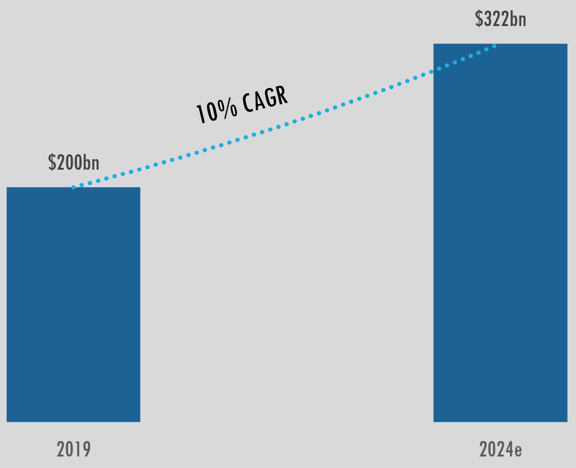
- The CSM business was started in 1996, growing more than 4x in five years, from Rs2.6bn in FY11 to Rs11.3bn in FY15. Over FY16-18, the business was hurt by weak commodity prices and global demand slowing down, resulting in huge channel stocks. Revenue, then, grew just 8%, from Rs12.6bn to Rs14bn. The business again started growing, averaging 33% over FY19-21 to Rs33bn, supported by market-share gains from Chinese manufacturers and a ramp-up in commercialized products. In the last two years, growth averaged 23%
- Due to a wide-ranging product mix incl. high-end research services, biologics and complex technology services, all offered at low costs, CRAMS grew tremendously in India. The average annual cost of employing a scientist in India is just $30,000 vs. $180,000 in the US. India, therefore, presents a strong case for global companies outsourcing their research and manufacturing
- Today, PI Industries' share is ~12% of the Indian agrochemical CRAMS market. It has a $1.8bn order-book, which almost doubled in the last six years (from $1bn in 2017), supported by greater reliance of western customers on Indian manufacturers, the shift from China and its strong customer relations
- The company is discussing partnering with global innovators to develop two promising leads; a novel fungicide and a broad-spectrum insecticide with sizable market opportunity. Considering the company's track record, we expect the growth momentum to continue despite the concentration risk in key product, *Pyroxasulphone,* going off-patent.

## CSM revenue to register a 14% CAGR over FY24-26




Source: Company, Anand Rathi Research

## Global CRAMS market size



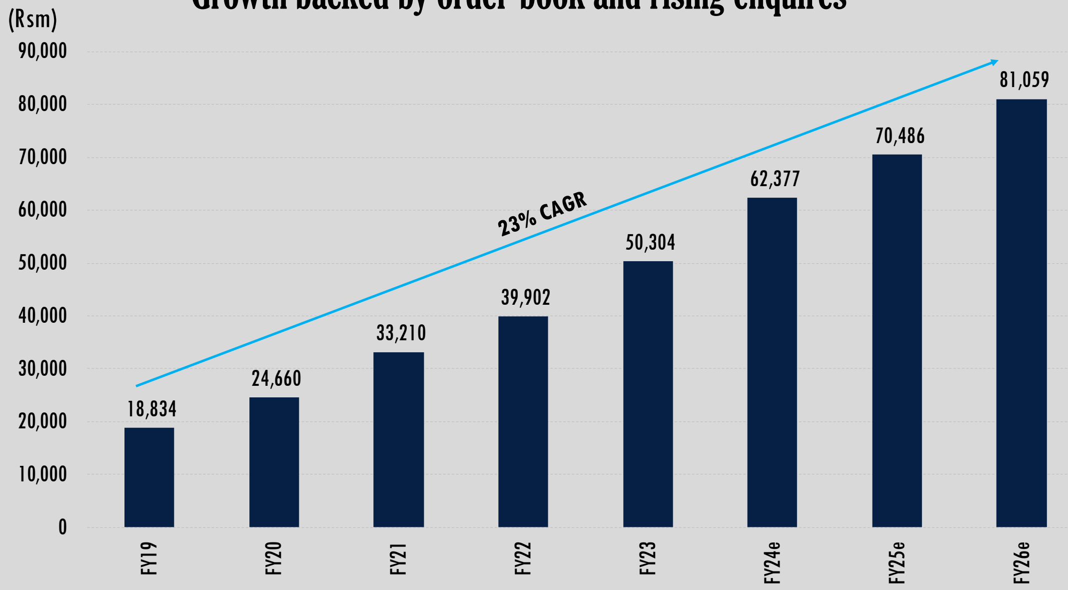

Source: Offer document - Anupam Rasayan

# CSM growth momentum to continue

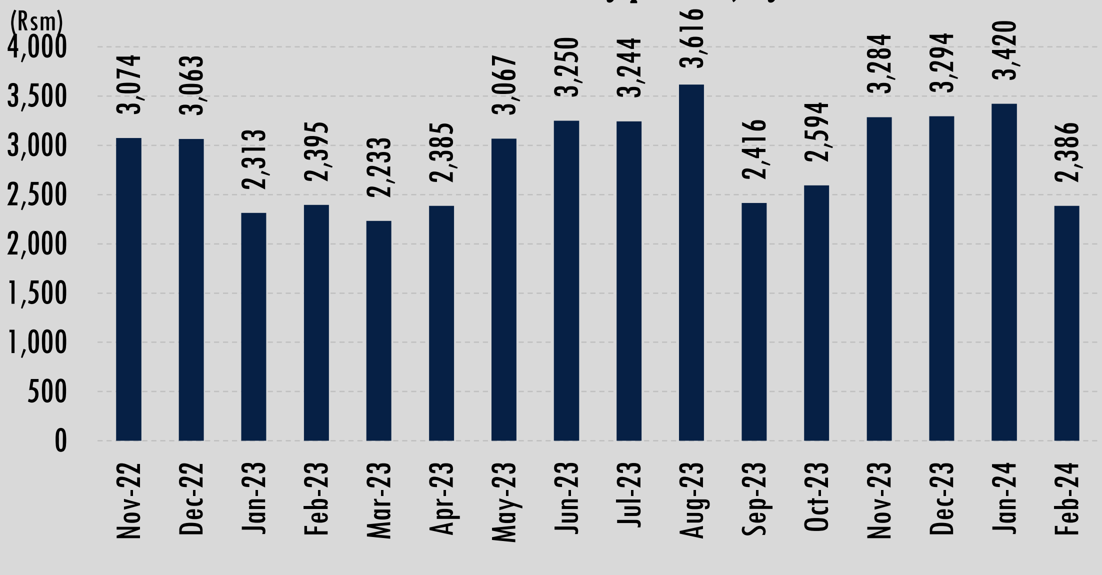


- Due to India's favorable position, rising R&D spend and lower capex cost, the CRAMS market is expected to grow healthily in the next few years. Being the largest in the industry, PI would benefit more from this global shift, backed by strong customer relations. We expect a 14% CAGR over FY24-26
- We believe FY25 growth would be soft, compared to last five years' strong performances (29% growth, on average), considering the current de-stocking situation in the global market and mounting competition in *Pyroxasulphone*
- The company now generates ~80% of its CSM revenue from 10 products, the most from Pyroxasulfone, developed by Kumiai Chemicals, Japan, and marketed under the 'Axeev' brand. It is a pre-emergence herbicide that inhibits production of very long-chain fatty acids in plants. In 2022, it was registered in 21 countries, incl. Japan, the US, Canada, Mexico, Brazil, Chile, Argentina, South Korea, China, India, Australia, New Zealand, Turkey, Israel, Saudi Arabia, South Africa and Namibia and sold globally through agrochemical manufacturers, used on crops (maize, soybean, wheat, cotton)
- Pyroxasulfone will be going off-patent in different countries, exerting pressure on prices and volumes. Hence, this can be a risk to the company's' CSM business growth. Management, though, is confident of maintaining the growth momentum as Kumiai Chemicals (the innovator) is working on registration in many markets. Furthermore, management clarified that it sells formulations in developed markets. These products have a longer patent life; therefore, patent expiry is less of a threat. Also, management clarified that when molecules go off-patent, their market size expands. As an experienced manufacturer of the product, PI would benefit from the anticipated increase in volumes. Currently, the product's market size is $600m-700m

## Growth backed by order-book and rising enquires



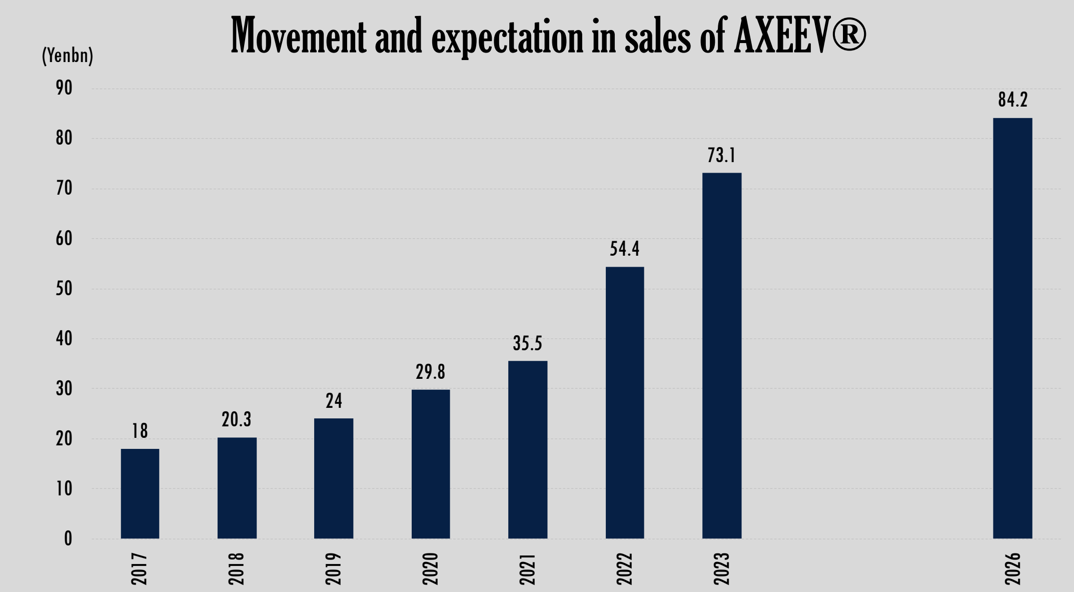

## Revenue contribution from key product, Pyroxasulfone

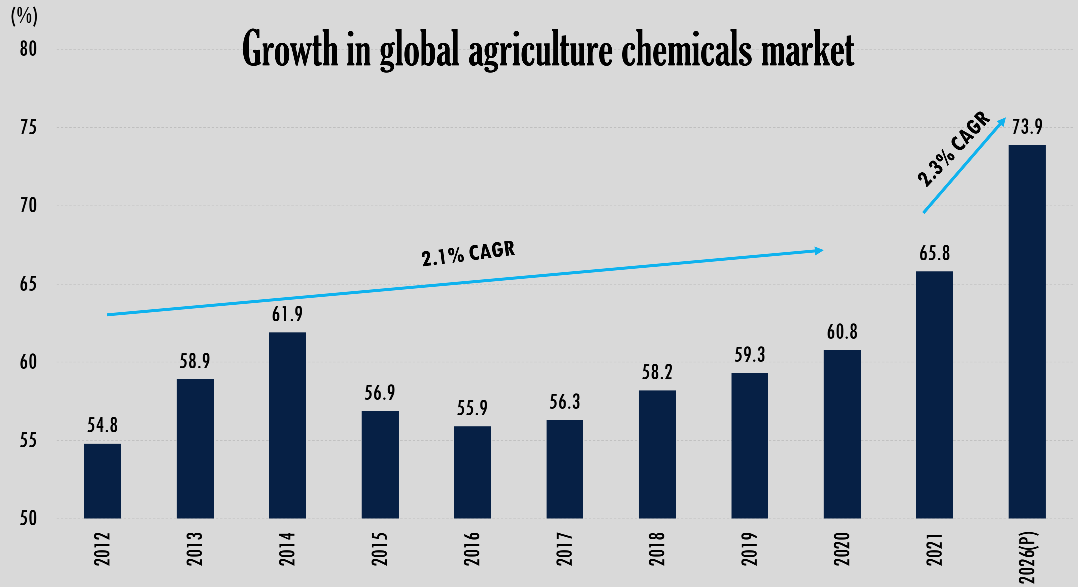



Source: Company, Anand Rathi Research

# Product concentration risk in CSM

- Per Kumiai Chemicals, this product (Pyroxasulfone) saw a 25% revenue CAGR over FY13-22 as weed resistance to herbicides like Glyphosate rose. To maintain the growth momentum, Kumiai aims to add countries and crops for which 'Axeev' is registered. Furthermore, it aims at Yen84.2bn revenue by 2026 due to the spread of herbicide-resistant weeds in US soybean, more areas treated with pre-emergence herbicides due to expansion of overlapping treatment and sales growth in the US corn market. The adverse inventory adjustment in agriculture is expected to gradually dissipate in FY25. Stronger sales promotion and appropriate pricing strategies as counter-measures would compete with generic products (in Australia and Argentina)
- Also, per export data, PI has a few products which can substantially contribute revenue ahead. In Jan'24, Fluxapyroxad (BASF) revenue was Rs1bn a month.
- The company has other products like Fluindapyr (FMC corporation). Per FMC, a new SDHI fungicide used to control a variety of diseases would be launched invarious markets. Expected peak sales would be $350m-400m. The company received registration for Fluindapyr in Brazil in Aug'23 and is registered in Argentina, the US, Paraguay and South Korea. It has submitted Fluindapyr formulations for registration in other countries, covering key markets. Thus, more registrations and acceptability in markets would drive growth
- Management said that the rising contribution from new products would reduce the product concentration risk for Pyroxasulphone.




Source: Kumiai chemical industry Integrated Report 2023

# Product concentration risk in CSM

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Kumiai Chemicals' expectations about Axeev's performance

- Axeev to continue to play a central role in driving growth in management's new medium-term plan
- Increase in area of soil treatment due to the spread of herbicide-resistant weeds in US soybean and the spread of overlapping treatment. We believe that by expanding in corn, sales can further grow by FY26
- While the impact of global pesticide inventory adjustments would persist till FY24, it is expected to disappear from FY25

Kumiai Chemicals' strategy to enhance measures against generic products; continue sales growth

- Many target markets where continued development and expansion are likely
- The company works with distributors to promote and develop compound agents. Axeev has become an essential agent for farmers and for distributors
- Multiple rights have been secured through manufacturing method patents, compound agent patents and intermediate patents. A firm stance has been taken against generic and illegal products, protecting even the slightest possibility of infringing patents to secure Axeev's rights

**Registration status of AXEEV®**


| Year of launch in major countries | |
|---|---|
| **Year** | **Country** |
| 2011 | Australia |
| 2012 | U. S. |
| 2017 | Argentina |
| 2019 | India |
| 2020 | Brazil |

Source: Kumiai chemicals report

# Business impact: post-patent expiry

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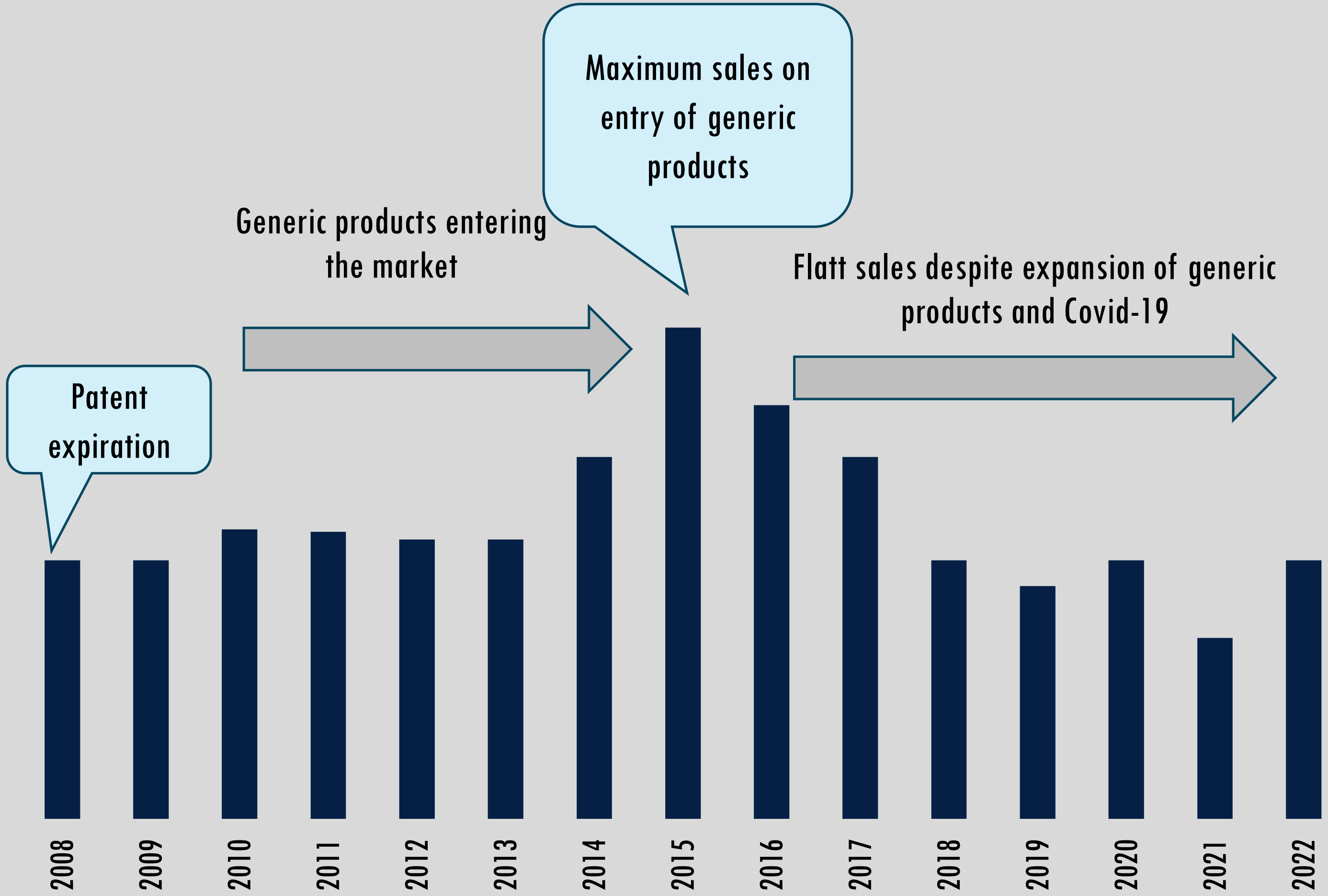
Nominee Gold (herbicide for paddy fields developed in-house), for which generic products have entered the market. Data show that on the patent expiry, Nominee Gold revenue did not decline; Kumiai Chemicals expects Axeev (Pyroxasulphone) not to lose its market share to generic products soon. However, there could be some pricing pressure due to new generic entrants




Source: Anand Rathi Research

# The Protection of Regulatory Data

Prevents test data for original products from use in registration application for a certain time

Delays the entry of generic products

Registration application for original products

Requires extensive and costly testing and submission of test data on performance efficacy and safety

ORIGINAL PRODUCT DEVELOPMENT PERIOD

MARKET RETAINING PERIOD

Substance patent validity

Registration application for generic products

Enables reduction of testing time and cost because test data for original product is disclosed

If covered by The Protection of Regulatory Data

ORIGINAL PRODUCT DEVELOPMENT PERIOD

MARKET RETAINING PERIOD

Substance patent validity

Test data for original product is protected so it cannot be viewed

## Expiration of Axeev substance patent

- Moves toward market entry of generic products in Australia and Argentina
- The Protection of Regulatory Data prevents entry of low-cost generic products in the market till 2025 in the US and 2030 in Brazil

# Axeev: greater productivity and lower environmental impact



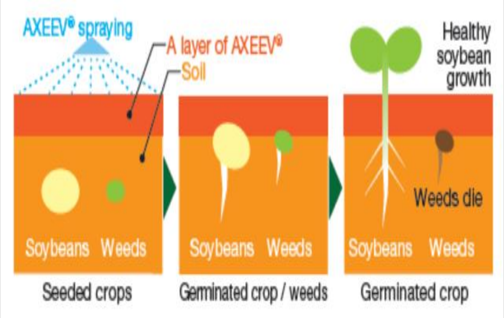
## TARGET CROPS

Applicable to major crops incl. soybean, corn, wheat and sugarcane

## USE APPLICATIONS

**Soil-applied herbicide for field crops sprayed on the soil before weeds germinate**

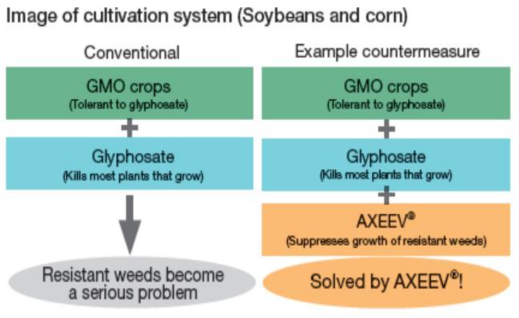
Spraying AXEEV® forms a layer of AXEEV® on the surface of the soil. When AXEEV® is absorbed by soybean and weed sprouts, only the weeds are killed while soybean continues to grow

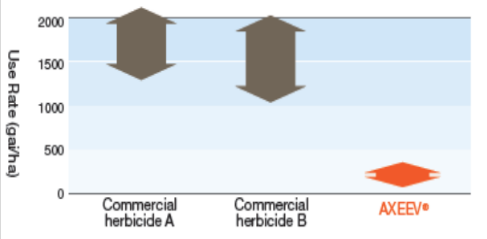



**Highly effective against glyphosate-resistant weeds**

Currently, >90% soybean and corn in the Americas is grown using a combination of the herbicide glyphosate, which kills most plants, with GMO crops tolerant to glyphosate. This cultivation system was introduced in the 1990s, but during the 2010s, glyphosate-resistant weeds became a major problem. Since AXEEV® provides excellent efficacy for controlling glyphosate-resistant weeds, it is in high demand in such affected areas

Strength 1

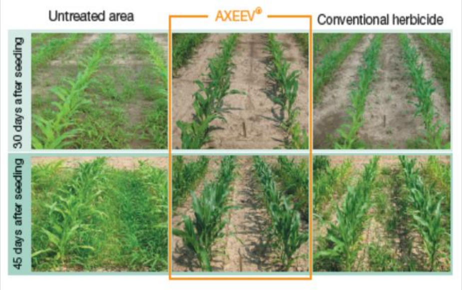



**Low use rate**

AXEEV® is effective at a low-use rate ~1/10th of conventional soil-applied herbicide. This not only helps reduce the labor needed to spray agricultural chemicals, but also suppresses the load on the environment as well as CO2 emissions related to transportation

Strength 2




**Excellent long-lasting weed control by soil-applied herbicide**

AXEEV® is effective for about two weeks longer than conventional soil-applied herbicides. The negative impact of weeds on crops can be reduced, while better productivity and higher crop yield are expected. Since it is possible to reduce the amount of agricultural chemicals applied, it would reduce environmental load

Strength 3

**The mode of action making it difficult to develop resistance**

AXEEV® has a mode of action that makes it difficult for resistance to be developed. Therefore, it is expected to continue to contribute to improved crop productivity as a herbicide-resistant weed-control product

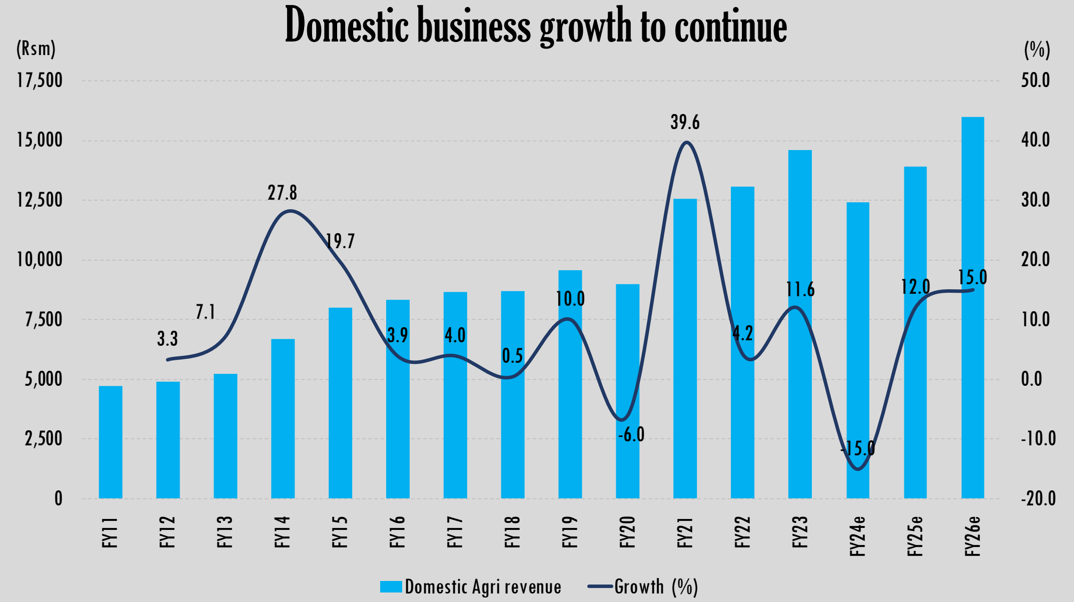
Strength 4

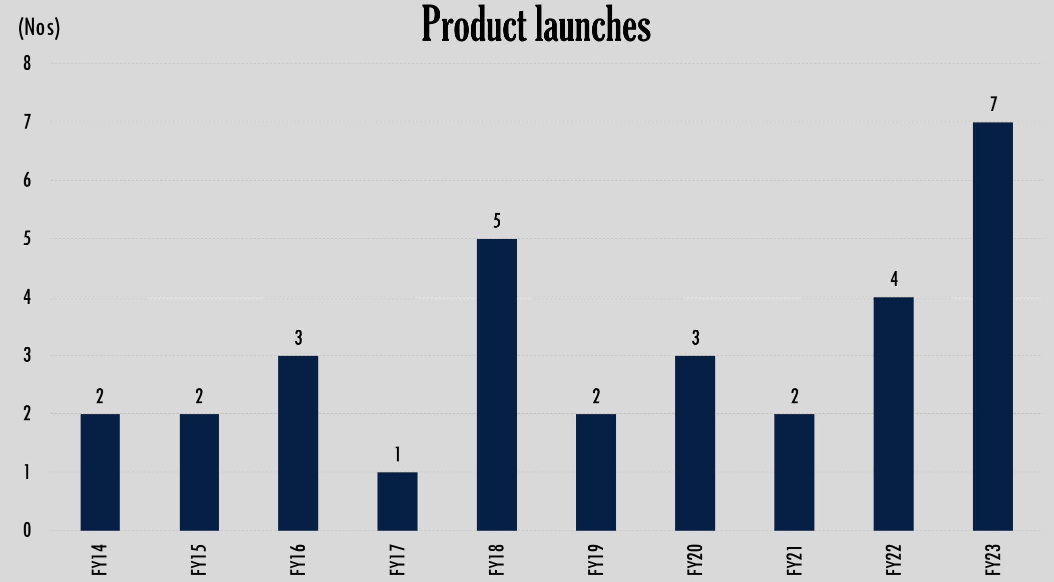
# Investment argument (continued)



## Domestic agrochemicals business: Focus on portfolio diversification with launch of novel offerings

- The company's domestic agrochemicals business registered a 8% CAGR over FY21-23 to ~Rs15bn. For future growth, it is working on portfolio diversification and product launches. It has a strong pipeline of biologicals and bio-stimulants at various development stages
- FY24 growth was hit hard by less demand due to huge channel stocks and pricing pressure due to relentless dumping by China. The company is focusing more on a favorable product mix rather than volumes
- In FY23, in domestic agrochemicals, it launched seven products (Distruptor, Brofreya, Dinoace, Taurus (an insecticide), Tomatough (a bio-stimulant), Provide (a herbicide) and Sectin (a fungicide), of which five are innovative products. Furthermore, the wide acceptance of newly-launched products supported growth. The companyhas a robust pipeline of over 20 products under registration and development, which would drive growth ahead
- Further, on acquiring Isargo, its domestic B2C vertical was merged with Jivargo, a 100% subsidiary that is into horticulture. Now, the company is transitioning from a product approach to a crop-solution one. It launched 12 products in horticulture
- We expect its revenue growth trend to persist and reach Rs16bn, at a 13% CAGR over FY24-26, driven by the low base of FY24, product launches and the rising proportion of revenue from products launched over the last few years



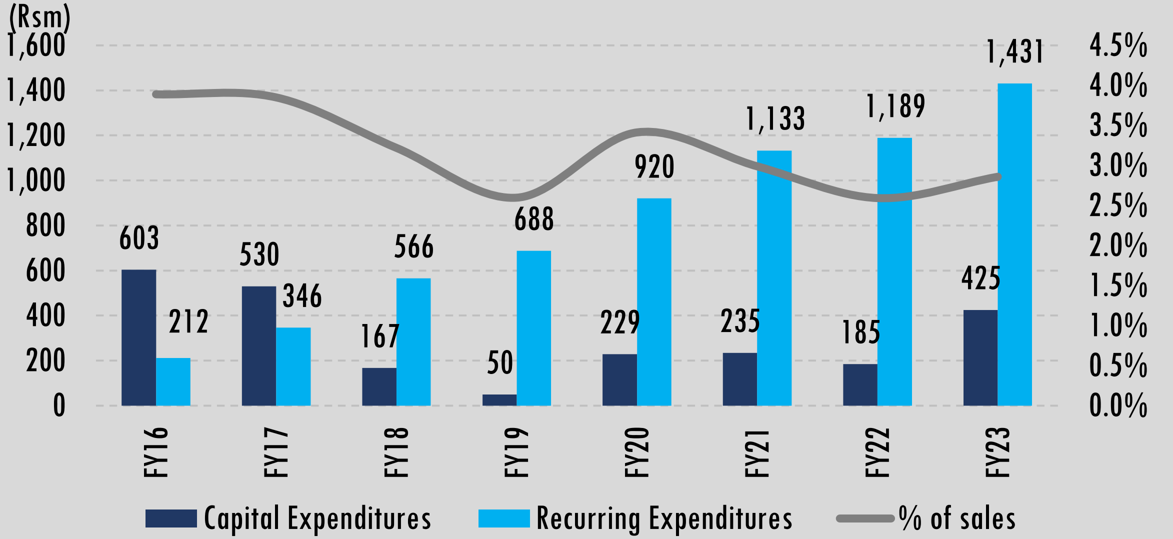




Source: Company, Anand Rathi Research

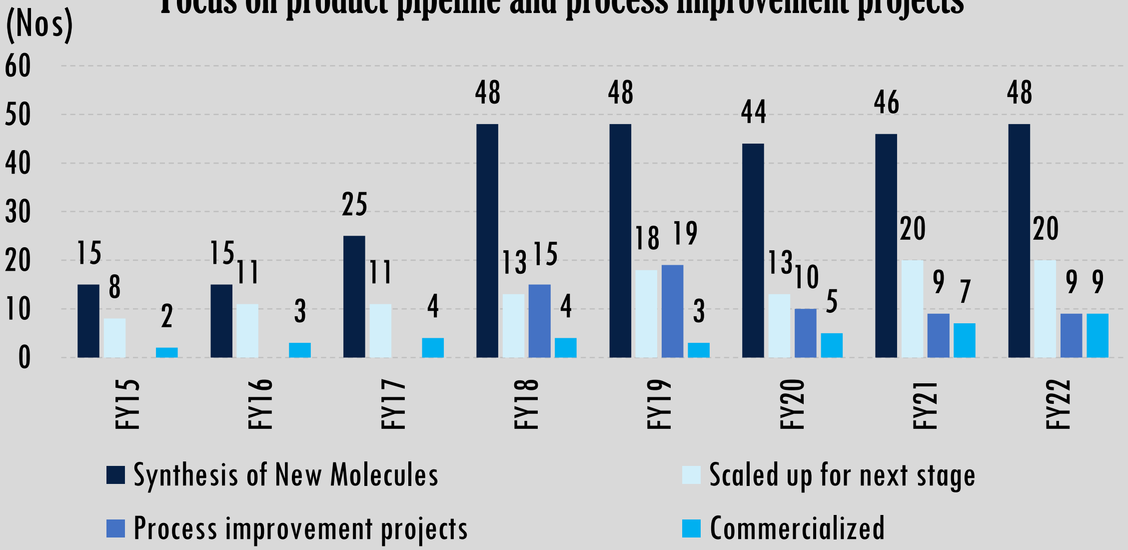
# R&D, a key focus area

- PI Industries has a state-of-the-art R&D lab at Udaipur and is working on over 40 products, which are at different stages of development. It is receiving enquiries from agro and non-agro customers (25%). In 2021 it had 228 scientists and researchers, more than doubling that figure in 2023 to 473
- Over FY11-15, its R&D spend as percent of sales averaged only 0.7%, rising to ~3% (Rs1.8bn) in FY23. It talked of investing a similar 3–4% of annual sales on R&D ahead
- It is developing a state-of-the-art integrated pharma research centre at IKP, Hyderabad, to serve as a hub for CRO and CDMO, catering to a broader range of customers throughout the life-sciences value-chain

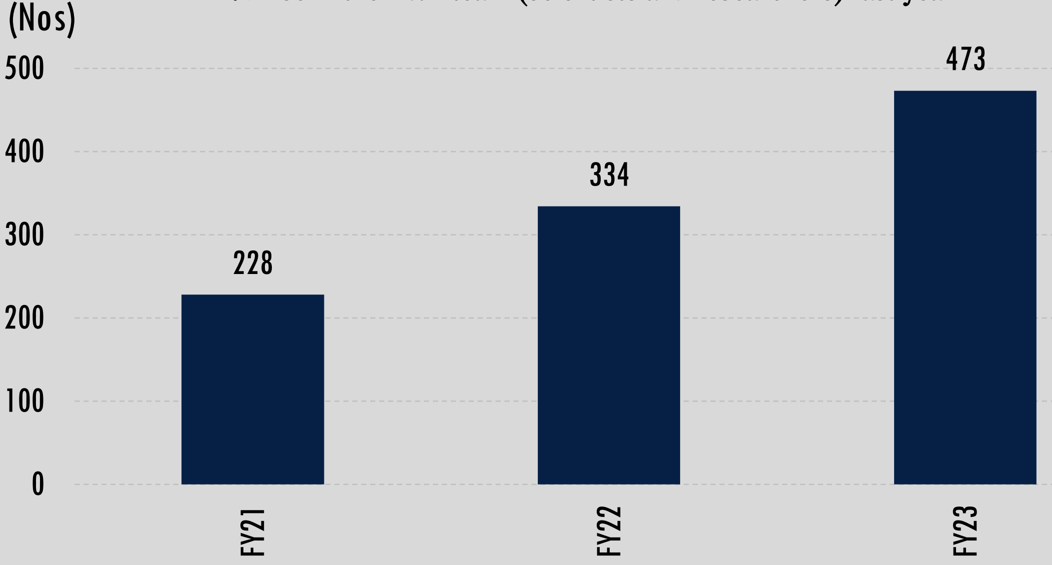
~3% of revenue invested on R&D in the last five years




Focus on product pipeline and process improvement projects




~42% rise in the R&D team (scientists and researchers) last year




Source: Company, Anand Rathi Research

# Cash to further accelerate growth

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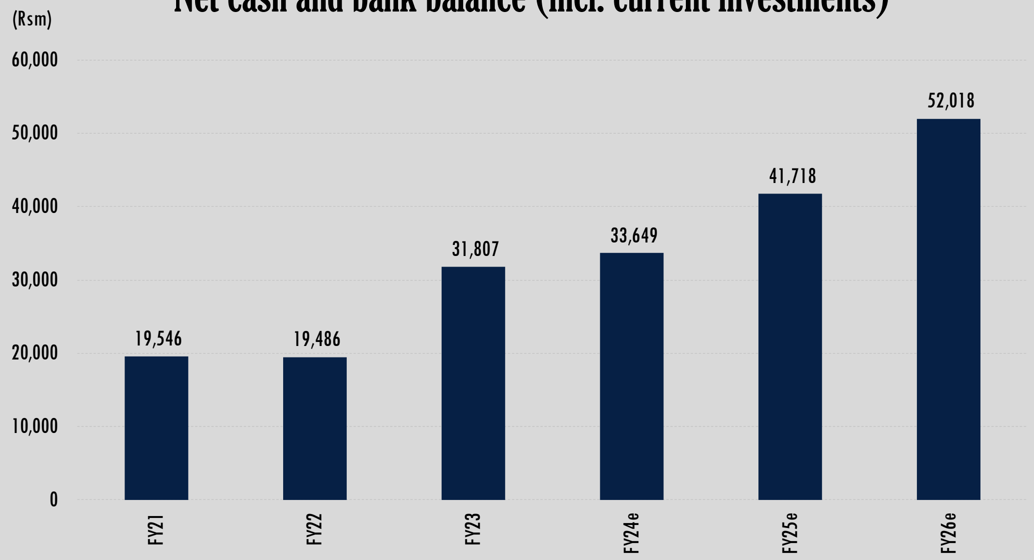
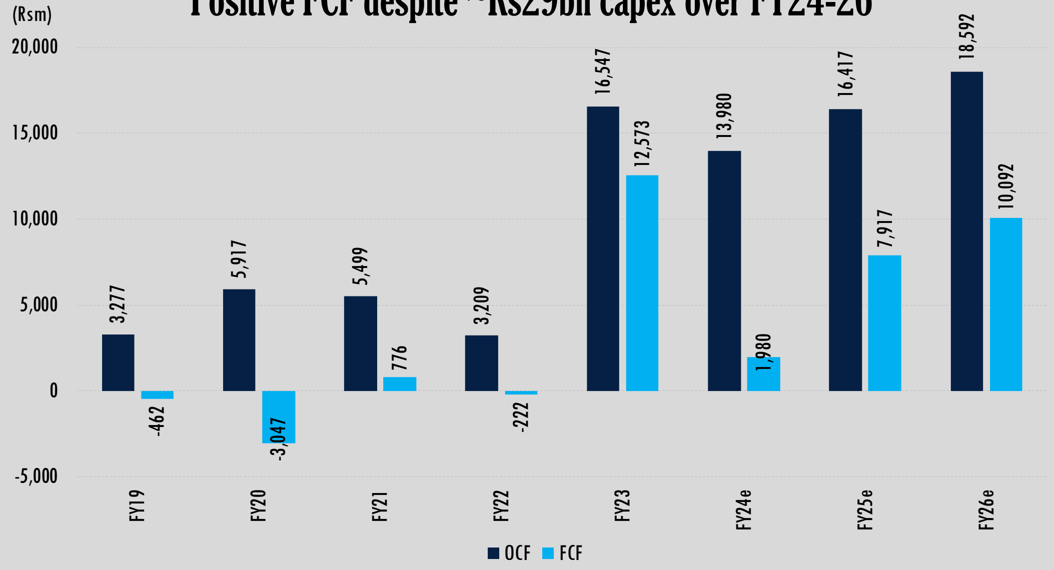
- Of the Rs20bn raised, PI spent Rs9bn on acquisitions. Besides, it generated Rs12.5bn free cash in FY23, supported by strong profits and better working capital
- Having invested Rs29bn on acquisition and capex over FY24-26, it is expected to have ~Rs52bn net cash and equivalents by FY26. Its strong balance sheet, vast cash available and working capital offer assurance about future deployment without dilution or debt funding
- The company generated a healthy asset turnover averaging 2.6x over FY11-23, which we expect to average ~2.4x over FY24-26, supported by revenue growth
- However, the huge cash balance dragged the RoCE down to 17.9% in FY26 while generating strong RoIC at 27%
- The company is looking to diversify more and widen its product and service ranges, focus on potential higher-margin segments such as pharmaceuticals, polymer additives, imaging and specialty chemicals and new applications in bio-chemistry, nutraceuticals and additive chemicals

Net cash and bank balance (incl. current investments)




Positive FCF despite ~Rs29bn capex over FY24-26




Source: Company, Anand Rathi Research

# Valuation and risks

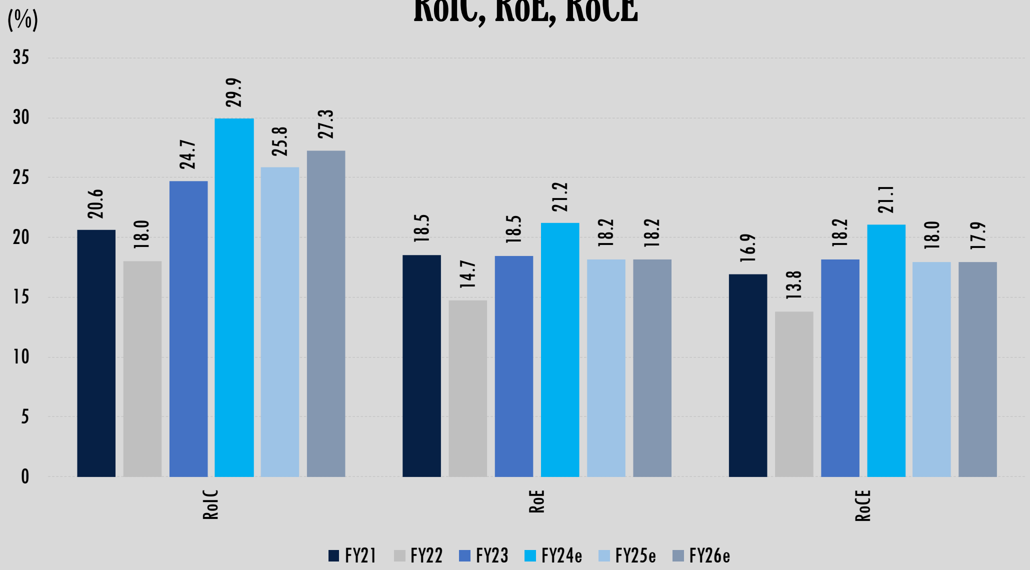


- The stock traded at an average 25x over FY11-16. It was re-rated from FY17 due to the strong pick-up in its CSM business. For the last seven years, it has been trading at 40x P/E. Ahead, we expect this trend to continue due to its foray into pharma, which enjoys high multiples; its CSM business is expected to grow at a healthy rate. Indian companies are attractively positioned due to lower labour and manufacturing costs, strong R&D back-up and good relations with global manufacturers
- Over FY23-26, the company is likely to deliver 17%/18%/18% revenue/EBITDA/PAT CAGRs. The stock quotes at 28x FY26e EPS, which looks attractive, given expectations of strong growth while maintaining industry-leading margins. However, a delay in revenue pick-up from other products in CSM business would hurt its future performance
- Its debt-free balance sheet, with over Rs30bn cash and equivalents and ~20% return ratios, provides assurance regarding its financial performance. Our TP of Rs4,600 is based on 35x FY26e P/E, offering ~21% potential

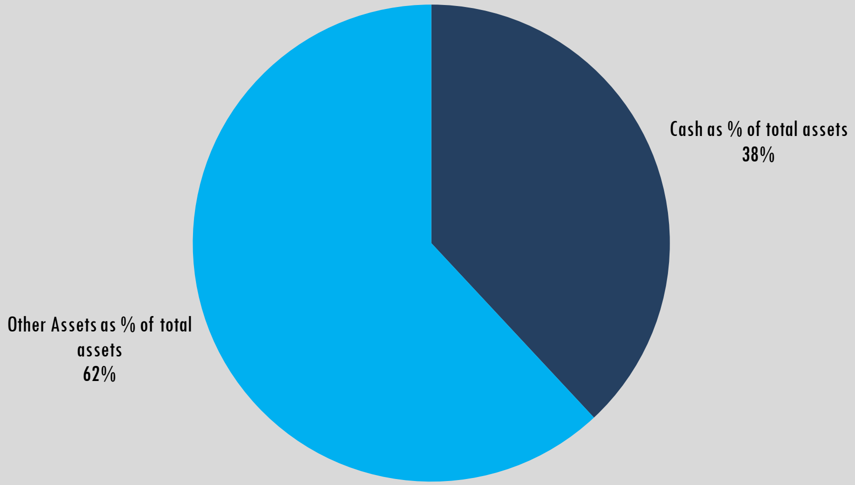
## Key risks and mitigation

- ~50% of PI's revenue arises from five clients. It has longstanding relations with customers but any adverse developments in its relations could affect business and revenue
- Product concentration rise
- Delay in product launches, and slowdown in R&D and the new-products pipeline
- Slower-than-expected pick-up in its pharma business

RoIC, RoE, RoCE




Cash is currently a drag on the RoE

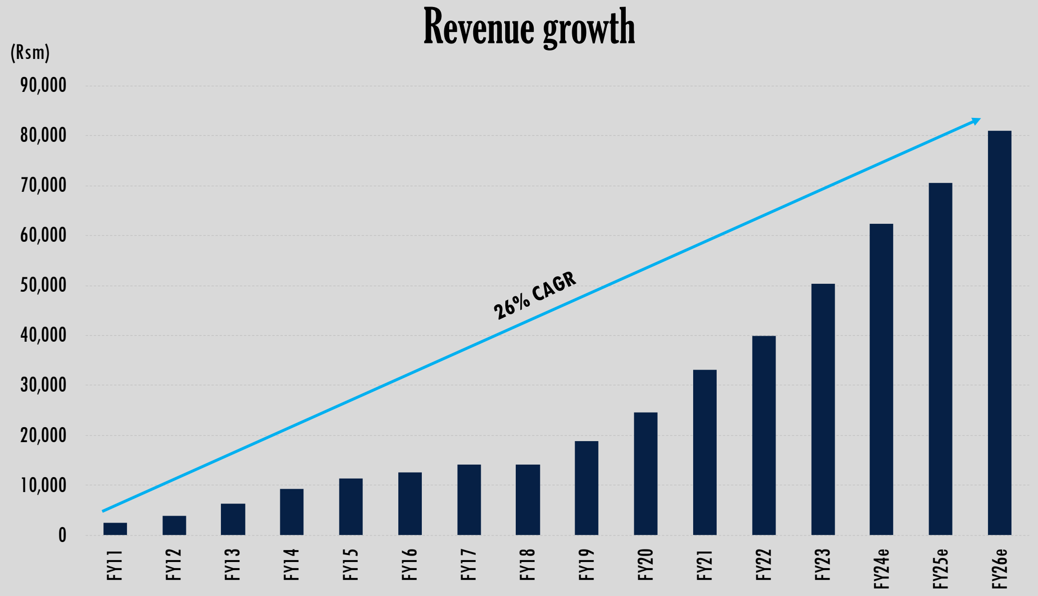


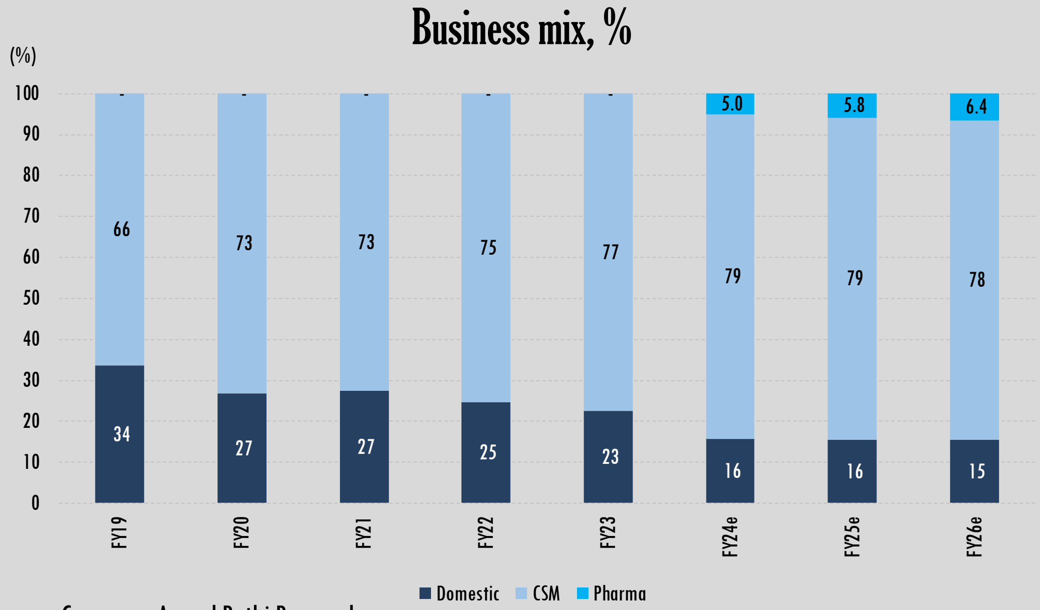

Source: Company, Anand Rathi Research

# Revenue to clock a 15% CAGR



- Over FY11-23, revenue clocked a 20% CAGR, from Rs7.3bn to Rs64.9bn. Over FY11-18, because of the slowdown and a key product (Nominee Gold) going off-patent, growth dipped to 18%. FY18-23 saw a strong, 23.3%, CAGR, supported by good industry demand, rising orders in CSM, product launches and manufacturing disruptions in China due to Covid-19 and plant shutdowns. Growth was mainly driven by its CSM business, which registered a 28% CAGR over FY11-23.
- Its domestic agriculture business revenue clocked a soft, 10%, CAGR due to challenging market conditions over FY16-19.
- Over FY24-26, we expect an 15% revenue CAGR, driven by the bright outlook for domestic agrochemicals, focus on product development and launches, coupled with its strong CSM order-book and rising enquiries.
- Further, the company's foray into new business verticals such as pharma and specialty chemicals offers future revenue assurance. We expect the pharma business to contribute ~5% (Rs7bn) in FY26.
- The company intends to launch >25 products in the next five years for crops and in horticulture.



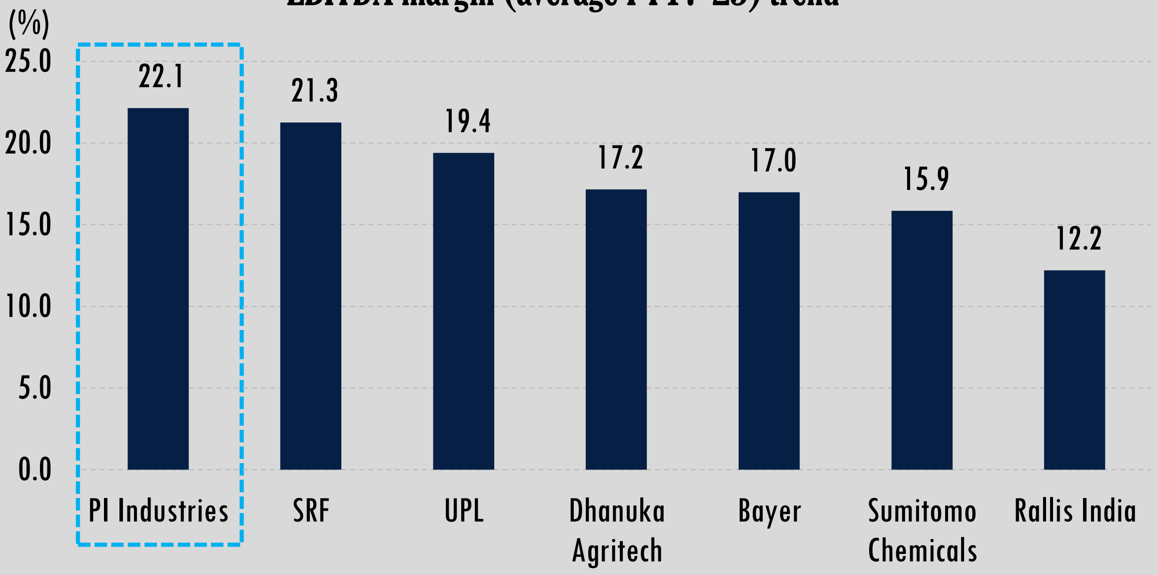




Source: Company, Anand Rathi Research

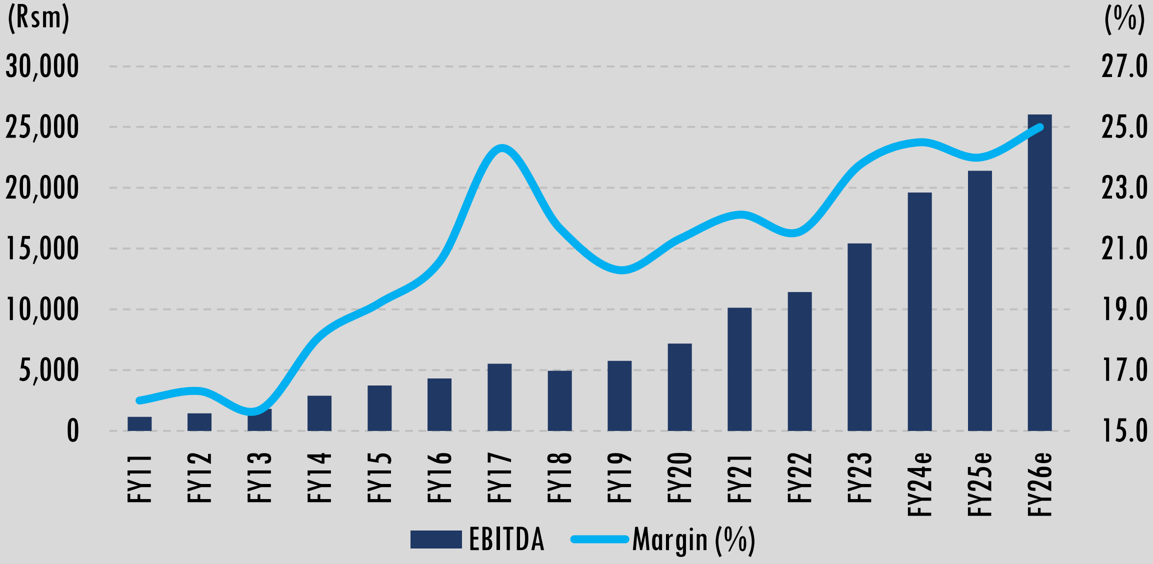
# Healthy EBITDA margin

- Other agrochemicals manufacturers have been generating ~15-20% EBITDA margins on average, with fluctuations. However, PI has been clocking a healthy sustainable EBITDA margin, in line with other specialty chemicals companies exposed to CRAMS
- In FY11, its EBITDA margin was only 16%, expanding 776bps in the last 13 years to 23.8% in FY23. In FY17, its EBITDA margin shot up to 24.3%, the highest, due to the high gross margin, chiefly due to lower raw-material prices
- The 23.8% EBITDA margin in FY23 was supported by lower operating expenses, freight, logistics costs, and efficiencies
- We expect healthy margins to persist, supported by greater cost efficiencies, more revenue from CSM and the rising share of high-margin products
- With healthy margins, a 13% EBITDA CAGR over FY24-26 is expected, from Rs20bn to Rs25.4bn.

EBITDA margin (average FY17-23) trend




EBITDA to clock 13% CAGR over FY24-26




Source: Company, Anand Rathi Research

# PAT at a 9% CAGR; strong return ratios

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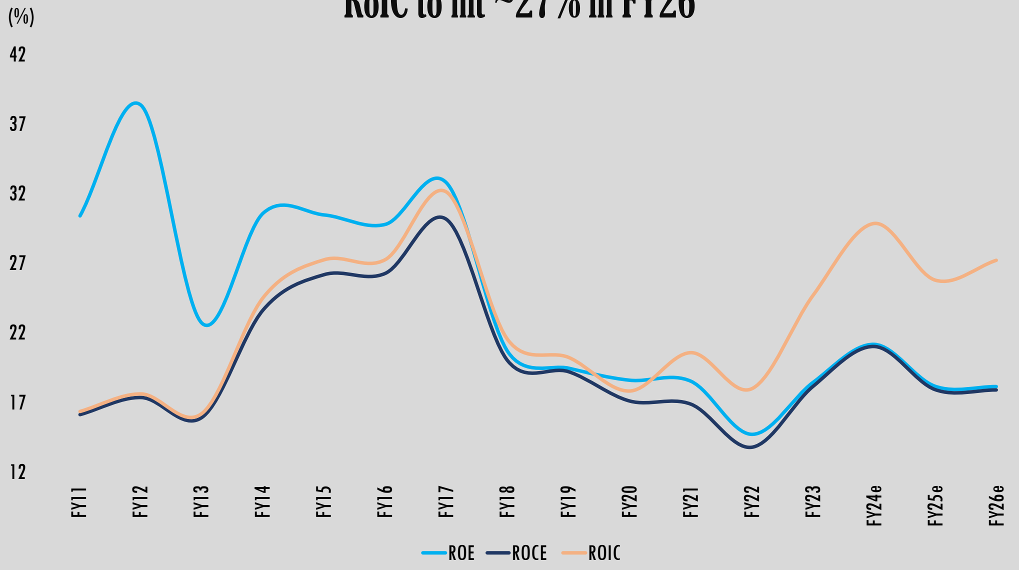
- The company would register a 9% net profit CAGR over FY24-26 to Rs20.1bn, boosted by strong revenue growth and expanded EBITDA margins.
- Profit growth is expected to be lower than that of revenue and EBITDA due to strong FY24 growth. Profit is expected to rise ~37% in FY24, driven by the strong EBITDA margin (25.5%), higher other income (Rs2bn) and lower tax expenses (11%). Ahead, we expect softer margins with higher tax rate resulting in lower profit growth.
- Other income would be higher as the company would have over Rs53bn cash balance (incl. investments) on its books by end-FY26, expected to be utilised ahead for organic and inorganic growth opportunities.
- With expanding margins, strong revenue growth and the better operating performance, the RoE and RoCE are expected to hold at ~18%. The RoIC would expand to ~27% in FY26 considering the huge cash balance on its books.

Profit growth to continue


RoIC to hit ~27% in FY26




Source: Company, Anand Rathi Research

# Balance sheet exhibits sound fundamentals

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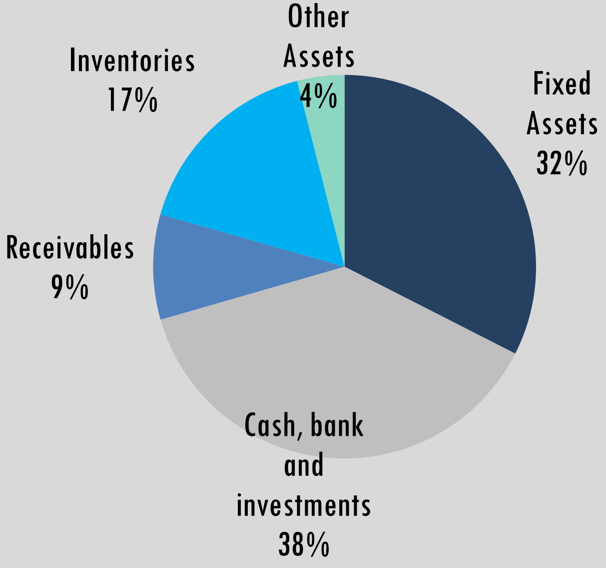
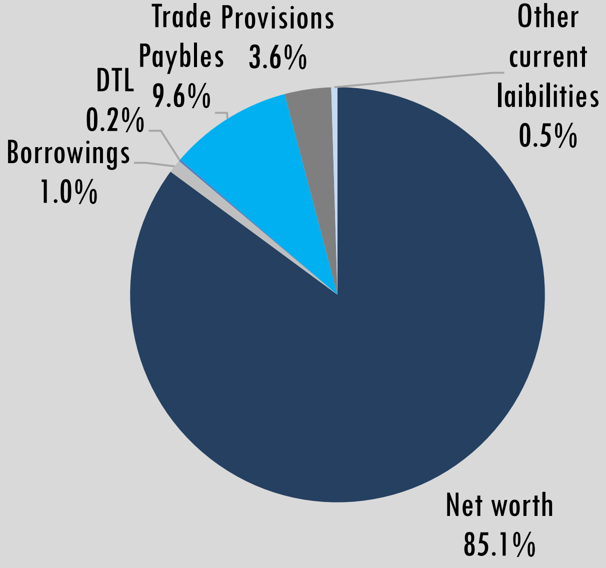
- ~38% of the company's assets are ~Rs53bn cash, largely due to proceeds received from the QIP, its strong financial performance and greater working capital likely in FY26
- Of liabilities, 85% consists of shareholder funds with no major borrowings and trade payables. Borrowings consist of only lease liabilities
- Working capital improvement: Receivable days continuously declined from 84 in FY18 to 43 in FY23. On average, the company maintains 80 days' inventory. Average payable days were 63 over FY18-22, falling to 47 in FY23
- Overall, working capital days declined to 71 in FY23 from 97 in FY18 and 113 in FY22
- The CFO-to-PAT conversion is healthy, averaging 89% over FY18-23 while the FCF-to-PAT conversion averaged 11.3% over FY18-23, the highest being 102% in FY23 and the lowest -67% in FY20

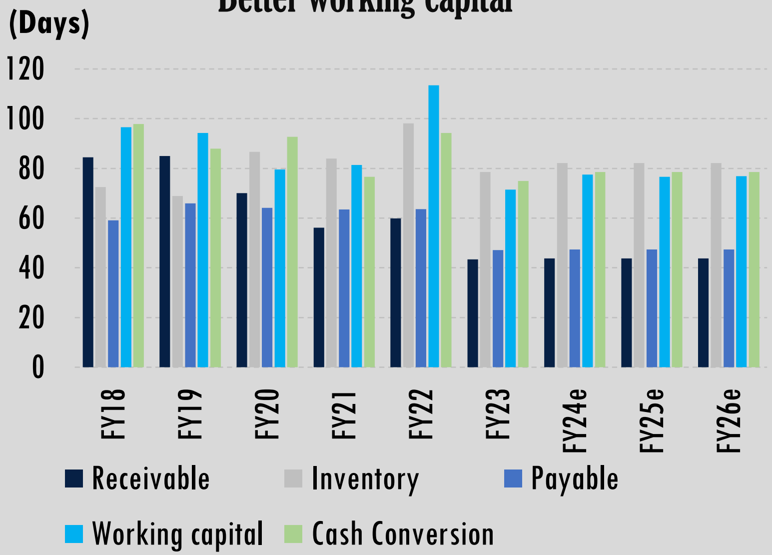
Items as percent of assets (FY26e)



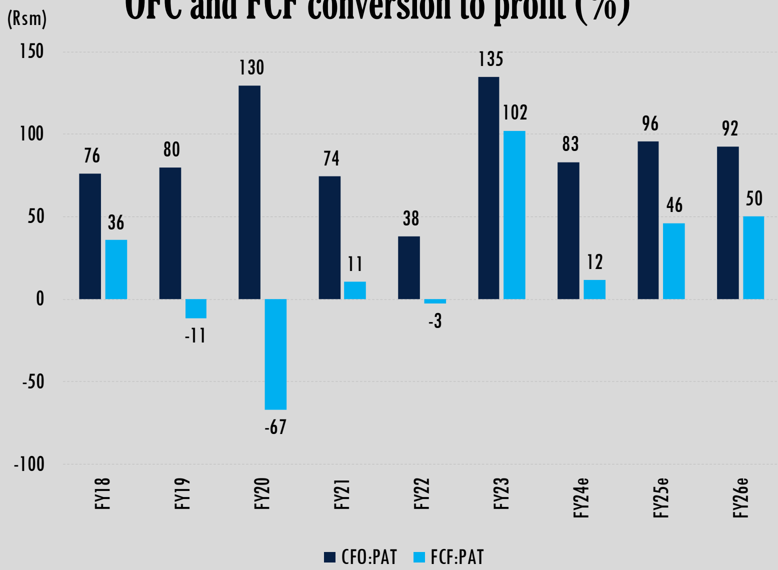

Items as percent of liabilities (FY26e)




Better working capital




OFC and FCF conversion to profit (%)




Source: Company, Anand Rathi Research

# Valuation

- Per our estimates, PI Industries' revenue could cross Rs100bn by FY26 and its EBITDA register a 13% CAGR over FY24-26. The EBITDA margin is likely to be ~25% till FY26 due to operating leverage, better business and product mixes and the rising share of value-added high-margin products. However, pricing pressure in CSM (rising competition in Pyroxasulphone) would hurt margins
- The company has delivered well in the last few years and is on track to achieving an ~15% revenue CAGR over FY24-26, driven by rising CDMO opportunities, coming expansions and a pick-up in its pharma business. We value the company at a forward P/E of 35x FY26e.
- **TP of Rs4,600** offers 21% potential for the next 12 months. We initiate coverage on the stock with a Buy rating

## Key financials

| (Rs m) | FY21 | FY22 | FY23 | FY24e | FY25e | FY26e |
|---|---|---|---|---|---|---|
| Sales, Rs m | 45,770 | 52,995 | 64,920 | 78,754 | 89,643 | 103,744 |
| Growth % | 36.0 | 15.8 | 22.5 | 21.3 | 13.8 | 15.7 |
| EBITDA | 10,123 | 11,424 | 15,421 | 20,082 | 21,514 | 25,417 |
| EBITDA margins,% | 22.1 | 21.6 | 23.8 | 25.5 | 24.0 | 24.5 |
| Net profit | 7,384 | 8,438 | 12,295 | 16,834 | 17,155 | 20,116 |
| Net profit margins, % | 16.1 | 15.9 | 18.9 | 21.4 | 19.1 | 19.4 |
| EPS,Rs | 48.6 | 55.5 | 80.9 | 110.8 | 112.9 | 132.3 |

## Cash flow and profitability ratios

| (%) | FY21 | FY22 | FY23 | FY24e | FY25e | FY26e |
|---|---|---|---|---|---|---|
| CFO : Net income | 74.5 | 38.0 | 134.6 | 83.0 | 95.7 | 92.4 |
| FCF : Net income | 10.5 | (2.6) | 102.3 | 11.8 | 46.1 | 50.2 |
| RoIC,post-tax | 20.6 | 18.0 | 24.7 | 29.9 | 25.8 | 27.3 |
| RoE | 18.5 | 14.7 | 18.5 | 21.2 | 18.2 | 18.2 |

Source: Company, Anand Rathi Research

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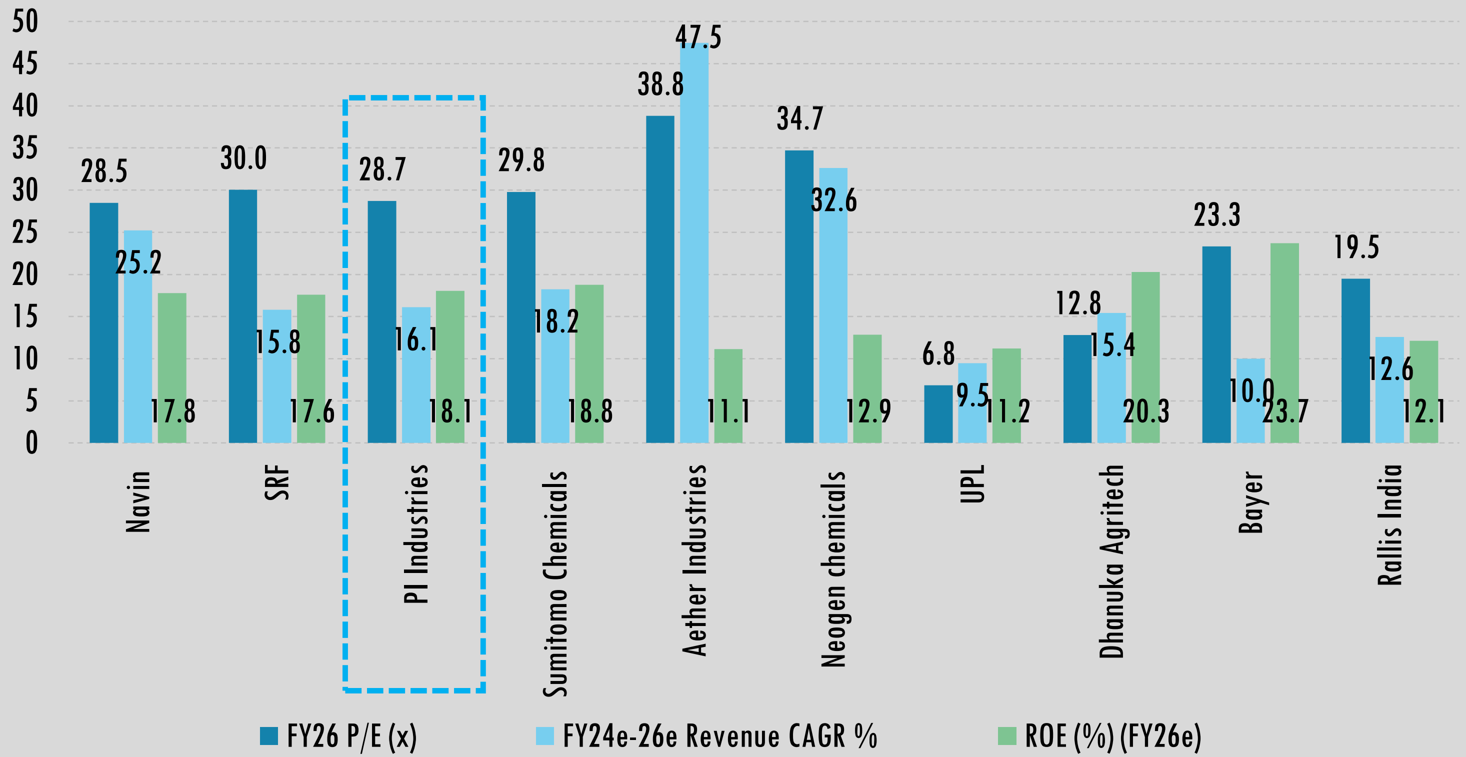
# Valuation

- The stock has traded at an average P/E of 41x over the last six years. We believe that this valuation multiple would persist as the company is focusing on product launches in its domestic and CSM businesses coupled with scaling up the pharma business, boosting growth through its long-standing relations with global innovators
- The company is in a high-growth stage and is far from being in a mature stage. It is likely to continue being in the former beyond the explicit forecast period. Our target multiple of 35x reflects the scale-up opportunities
- The vast amounts of cash on its books warrant a premium as it showcases its capabilities to grow organically and inorganically

**FY26e - P/E, Revenue CAGR and ROE**




Source: Bloomberg, Anand Rathi Research

# PI Industries - Financials

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| Income statement (Rs m) | FY22 | FY23 | FY24e | FY25e | FY26e |
|---|---|---|---|---|---|
| Revenues | 52,995 | 64,920 | 78,754 | 89,643 | 103,744 |
| Growth (%) | *15.8* | *22.5* | *21.3* | *13.8* | *15.7* |
| Raw material | 29,508 | 34,343 | 37,408 | 44,821 | 51,353 |
| Employee & other expenses | 4,804 | 5,266 | 6,694 | 7,171 | 8,300 |
| **EBITDA** | **11,424** | **15,421** | **20,082** | **21,514** | **25,417** |
| EBITDA margins (%) | *21.6* | *23.8* | *25.5* | *24.0* | *24.5* |
| - Depreciation | 2,018 | 2,265 | 3,060 | 3,557 | 4,110 |
| Other income | 1,014 | 1,590 | 2,048 | 2,331 | 2,697 |
| Interest expense | 128 | 371 | 249 | 205 | 176 |
| PBT | 10,292 | 14,375 | 18,821 | 20,082 | 23,829 |
| Effective tax rate (%) | 18.4% | 14.9% | 11.0% | 15.0% | 16.0% |
| + Associates/(Minorities) | 36 | 68 | 84 | 85 | 100 |
| Adjusted income | 8,438 | 12,295 | 16,834 | 17,155 | 20,116 |
| Extraordinary item (Loss)/Profit | | | | | |
| Reported PAT | 8,402 | 12,227 | 16,751 | 17,070 | 20,016 |
| WANS | 152 | 152 | 152 | 152 | 152 |
| FDEPS (Rs/share) | 55.5 | 80.9 | 110.8 | 112.9 | 132.3 |

| Balance sheet (Rs m) | FY22 | FY23 | FY24e | FY25e | FY26e |
|---|---|---|---|---|---|
| Share capital | 152 | 152 | 152 | 152 | 152 |
| Net worth | 61,204 | 71,985 | 86,799 | 101,896 | 119,598 |
| Total debt (including Pref) | 3,163 | 465 | 1,465 | 1,465 | 1,465 |
| Minority interest | - | - | - | - | - |
| Deferred tax Liability/(Asset) | 875 | 213 | 213 | 213 | 213 |
| **Capital employed** | **65,242** | **72,663** | **88,477** | **103,574** | **121,276** |
| Net tangible assets | 23,330 | 24,944 | 32,278 | 38,451 | 42,841 |
| CWIP (tangible and intangible) | 1,145 | 1,324 | 2,930 | 1,700 | 1,700 |
| Investments (Strategic) | 448 | 313 | 313 | 313 | 313 |
| Investments (Financial) | 8,547 | 9,843 | 9,843 | 9,843 | 9,843 |
| Current Assets (ex Cash) Incl LT | 29,144 | 24,833 | 31,187 | 35,499 | 41,083 |
| Cash | 14,102 | 22,429 | 25,271 | 33,340 | 43,640 |
| Current Liabilities | 12,669 | 12,134 | 14,455 | 16,683 | 19,254 |
| Working capital | 16,475 | 12,699 | 16,731 | 18,816 | 21,829 |
| **Capital deployed** | **65,242** | **72,663** | **88,477** | **103,574** | **121,276** |
| Contingent Liabilities | 1,161 | 1,320 | - | - | - |

Source: Company, Anand Rathi Research

# PI Industries - Financials

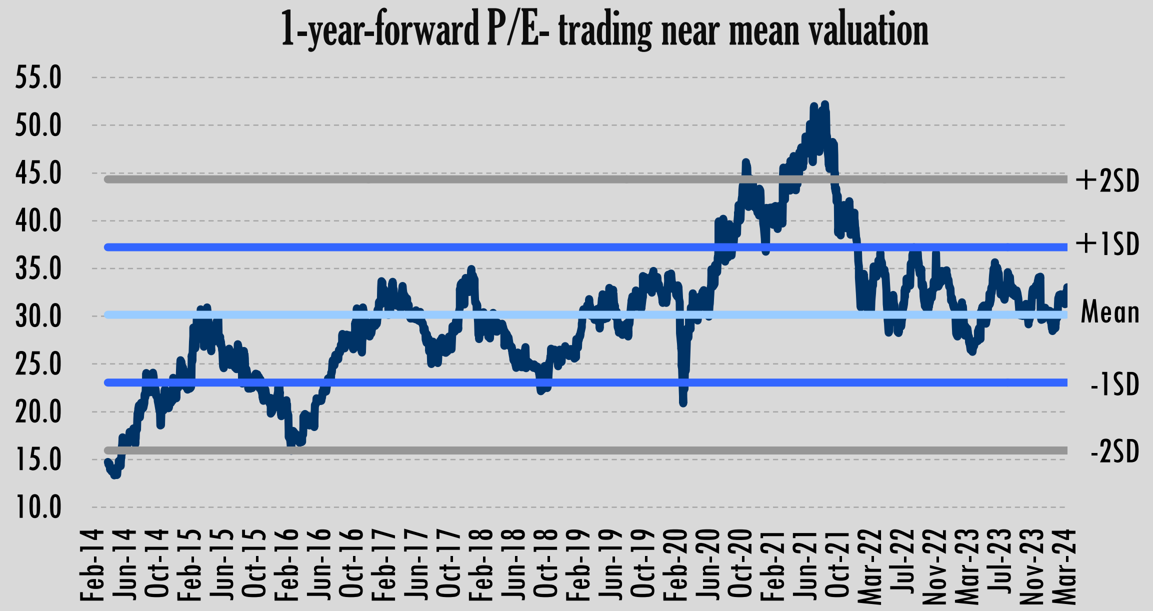
| Cash Flow (Rs m) | FY22 | FY23 | FY24e | FY25e | FY26e |
|---|---|---|---|---|---|
| PBT | 9,406 | 13,156 | 17,022 | 17,957 | 21,307 |
| + Non-cash items | 2,018 | 2,265 | 3,060 | 3,557 | 4,110 |
| Operating profit before WC changes | 11,424 | 15,421 | 20,082 | 21,514 | 25,417 |
| - Incr./(decr.) in WC | 6,265 | (3,776) | 4,032 | 2,085 | 3,013 |
| Others incuding taxes | 1,950 | 2,650 | 2,070 | 3,012 | 3,813 |
| Operating cash-flow | 3,209 | 16,547 | 13,980 | 16,417 | 18,592 |
| - Capex (tangible + Intangible) | 3,431 | 3,974 | 12,000 | 8,500 | 8,500 |
| Free cash-flow | (222) | 12,573 | 1,980 | 7,917 | 10,092 |
| Acquisitions | | | | | |
| - Dividend (incl. buyback & taxes) | 912 | 1,520 | 2,020 | 2,059 | 2,414 |
| + Equity raised | - | - | - | - | - |
| + Debt raised | (565) | (2,698) | 1,000 | - | - |
| - Fin Investments | 271 | 1,161 | - | - | - |
| - Misc. Items (CFI + CFF) | (1,315) | (1,133) | (1,882) | (2,211) | (2,622) |
| Net cash-flow | (655) | 8,327 | 2,842 | 8,069 | 10,300 |

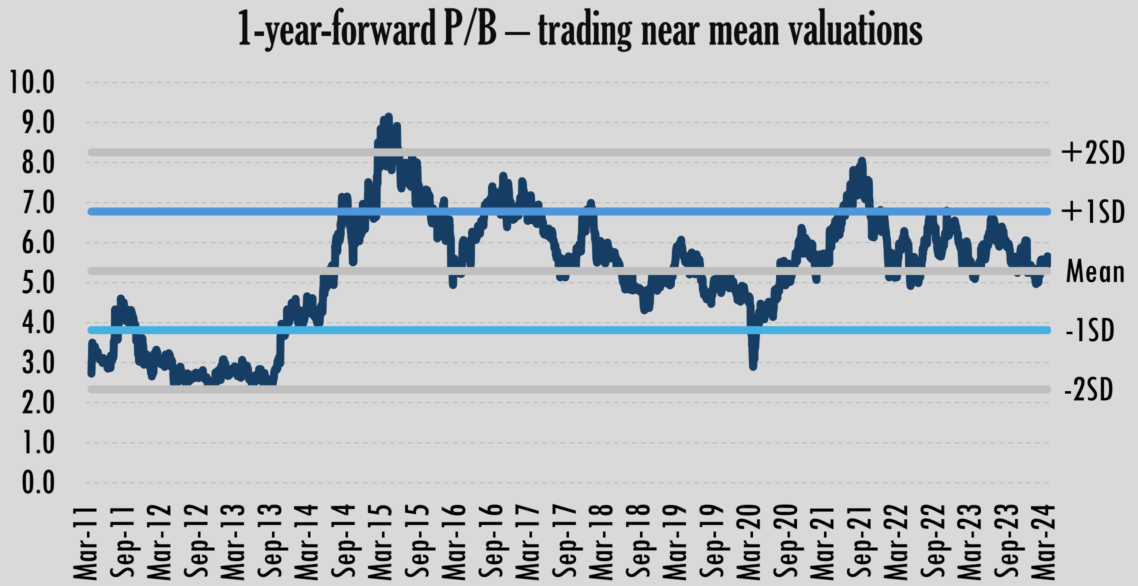
| Ratio analysis | FY22 | FY23 | FY24e | FY25e | FY26e |
|---|---|---|---|---|---|
| P/E (x) | 68.4 | 47.0 | 34.3 | 33.7 | 28.7 |
| EV/EBITDA (x) | 48.8 | 35.4 | 27.1 | 24.9 | 20.7 |
| EV/sales (x) | 10.5 | 8.4 | 6.9 | 6.0 | 5.1 |
| P/B (x) | 9.4 | 8.0 | 6.7 | 5.7 | 4.8 |
| RoE (%) | 14.7 | 18.5 | 21.2 | 18.2 | 18.2 |
| RoCE (%) - After tax | 13.8 | 18.2 | 21.1 | 18.0 | 17.9 |
| RoIC (%) - After tax | 18.0 | 24.7 | 29.9 | 25.8 | 27.3 |
| DPS (Rs per share) | 6.0 | 10.0 | 13.3 | 13.5 | 15.9 |
| Dividend yield (%) | 0.2 | 0.3 | 0.4 | 0.4 | 0.4 |
| Dividend payout (%) | 10.8 | 12.4 | 12.0 | 12.0 | 12.0 |
| Net debt/equity (x) | -0.3 | -0.4 | -0.4 | -0.4 | -0.4 |
| Receivables (days) | 60 | 43 | 44 | 44 | 44 |
| Inventory (days) | 98 | 79 | 82 | 82 | 82 |
| Payables (days) | 64 | 47 | 47 | 47 | 47 |
| CFO:PAT% | 38.0 | 134.6 | 83.0 | 95.7 | 92.4 |

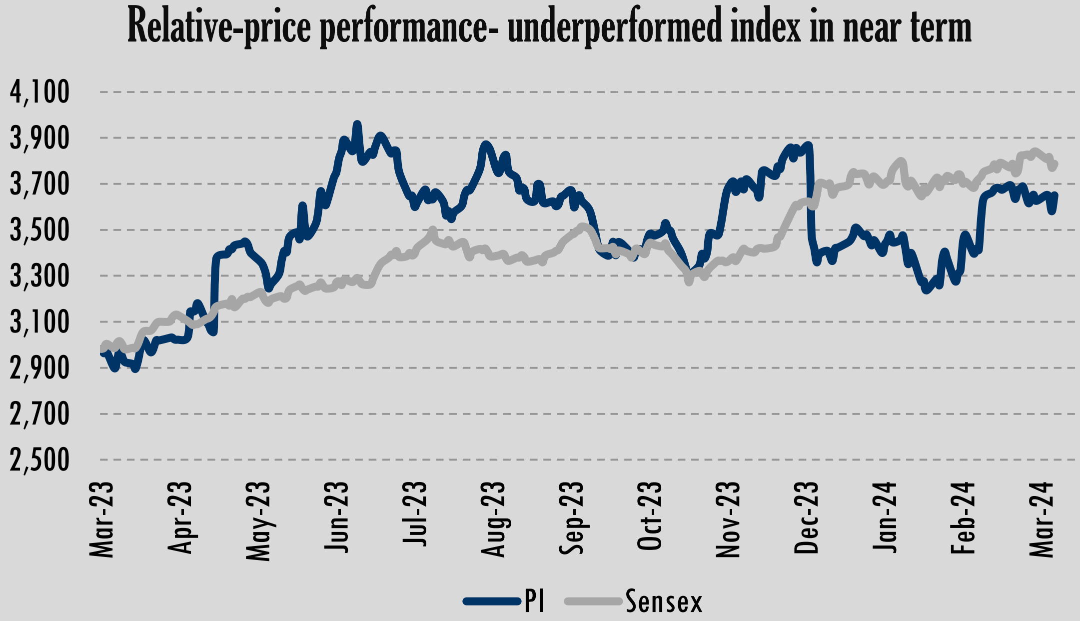
Source: Company, Anand Rathi Research

# PI Industries – Valuation Charts






Source: Bloomberg, Anand Rathi Research

# Board of directors

ANANDRATHI

SALIL SINGHAL

Chairperson Emeritus

Co-chairman of CII's National Council on Agriculture besides being a member of its National Council for the past eight years. Was Chairman of the Pesticides Association of India for 20 years and is its chairman emeritus

Also, member of the Executive committee of FICCI and Chairman of its environment committee; Chairman of the northern region of CII and chairman of the National Council for MSMEs

MAYANK SINGHAL

VC and MD

Engineering and management graduate from the UK. Served the company's interests in various positions. Steers the company's growth, crafting its vision, driving business strategy, nurturing global relations and corporate governance

Has over two decades' experience in agrochemicals and played an instrumental role in the growth of the business

RAJNISH SARNA

Joint MD

A CA, he has over 30 years' diverse experience in business development & strategy, customer-relationship management, operations, finance & risk management, legal contracting & compliance, investor relations, corporate planning & reporting, information technology & process re-engineering, etc.

ARVIND SINGHAL

Non-independent non-executive director

An entrepreneur, he has more than four decades of rich industry experience spanning mining & mineral processing, agro-chemicals and specialty chemicals, electronic metering systems, etc.

Was Joint MD of the company for 22 years, stepping down in Dec'01

T.S. BALGANESH

Independent non-executive director

Ph.D. in Medical Microbiology, Univ. of Calcutta; Ph.D from Brookhaven National Lab, USA, and Max Planck Institute, Germany

Has an honorary doctoral degree from theUniversity of Uppsala, Sweden

MD and on the Board of AstraZeneca India Pvt. Ltd.

# Board of directors

ANANDRATHI

SHOBINDER DUGGAL

Independent director

International general management program for executive development, the International Institute for Management Development, Lausanne, Switzerland

Proficient in financial planning, direct taxes, consolidation & reporting, Treasury management, payroll, fixed asset management & operational & financial audits incl. due diligence audit

NARAYAN K. SESHADRI

Independent non-executive chairman

A CA, he started with Arthur Anderson, subsequently joining KPMG and becoming the managing partner of the firm's business advisory practice in India

Has expertise in strategic planning, good management practices, financial engineering. Is also on the Boards of several reputed companies

LISA J BROWN

Independent director

A registered trademark attorney; Law degree from the University of Derby.

More than 20 years' experience in industrial, technology and consumer sectors. She excels in IP management, compliance, risk assessment and corporate restructuring

PIA SINGH

Independent director

A Wharton School of Business graduate, she brings over two decades' extensive experience in business management, strategic planning and implementation

# Leadership team

Dr. Atul Kumar Gupta
CEO, CSM - AgChem

Mr. Prashant Hegde
CEO – AgChem Brands

Mr. Pradip kumar Jain
Head Operations

Dr. Alexander Klausener
Project Lead - Research

Mr. Jiro Mochizuki
President - PI Japan

Mr. Manikantan Viswanathan
Chief Finance Officer

Mr. Atanu Roy
chief Information Officer

Mr. Samir Dhaga
Chief Transformation Officer

Mr. Arunabha Raychaudhuri
Head-Supply Chain Management

# Corporate governance

ANANDRATHI

## BOARD OF DIRECTORS

- Mayank Singhal, Vice-chairperson and MD
- Rajnish Sarna, Joint MD
- Narayan K. Seshadri, Non-independent non-executive chairperson
- Arvind Singhal, Non-independent non-executive chairperson
- Lisa J Brown, Independent director
- Shobinder Duggal, Independent director
- T.S. Balganesh, Independent director
- Pia Singh, Independent director

## COMMITTEES OF THE BOARD

- Independent directors: 50% of board; 25% women directors
- Audit, NRC, CSR, stakeholder relationship committees chaired by independent directors
- No separate role for MD and chairperson
- Business CEOs not members of the Board
- Audit committee (chaired by Shobinder Duggal; members: Lisa J Brown, Pia Singh,Rajnish, Narayan K Seshadri)
- Nomination and remuneration committee (chaired by Lisa J Brown; members: Pia Singh, T S Balganesh, Narayan K Seshadri)
- Risk management committee (chaired by Mayank Singhal; members: Narayan K Seshadri, Shobinder Duggal, Rajnish Sarna)
- Corporate social responsibility committee (chaired by Pia Singh; members: T S Balganesh, Mayank Singhal, Rajnish Sarna)
- Stakeholder relationship committee (chaired by T S Balganesh; member: Shobinder Duggal)
- M&A committee (chaired by Mayank Singhal; members: Narayan K Seshadri, Rajnish Sarna, Shobinder Duggal, T S Balganesh)
- Administration committee (chaired by Mayank Singhal; members: Rajnish Sarna, Arvind Singhal)
- Statutory auditors: Price Waterhouse Chartered Accountants LLP

| (Rs m) | FY21 | FY22 | FY23 | Incre. % |
|---|---|---|---|---|
| Mayank Singhal, Vice-chairperson & MD | 153 | 165 | 191 | 15.9 |
| Rajnish Sarna, Joint MD | 63 | 67 | 82 | 22.4 |
| Raman Ramachandran, MD & CEO * | 51 | 30 | NA | NA |
| Total | 267 | 262 | 273 | |
| % of PAT | 3.6 | 3.1 | 2.2 | |
| Average rise in salary of employees, % | 9 | 10 | 12 | |
| Average rise in salary of managerial personnel, % | 0 | 20 | 14 | |

Source Company

Note: *Raman Ramachandran stepped down and became a non-executive non-independent director w.e.f. 1st Jan'22

## Appendix



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|---|---|---|---|
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