kotak Securities

Dated: 13 Nov 2025

PI Industries (PI) - SELL

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.3589	Rs.3210

Rationale:

- Q2FY26 results weakened considerably yoy amid demand softness and a difficult base.
- Sharp increase in contract assets on balance sheet in past 18 months adds concerns.
- Near-term growth outlook is difficult, reflected in the withdrawal of FY26 guidance.
- Valuations at 30X FY26E P/E continue to take a benign view of looming risks.
- We assign a 15X P/E to pyroxasulfone business & 30X to the rest of the portfolio.
- We cut EPS estimates by 5-7%; revise FV to Rs3,210 (24X December 2027E P/E) while maintaining a SELL, in view of risks to growth and margins.

Positives:

- Margins continued to surprise, with gross margins up 549 bps yoy.
- Standalone EBITDA margins stood at 34.6%, despite severe margin pressure for Kumiai.
- Growth in the broader agrochemical industry is seen happening from H2CY26.

Negatives:

- Consolidated revenues fell 16% yoy, with an 18% yoy drop in agrochemical exports.
- Revenues will decline in Q3FY26 before yoy growth resumes in Q4FY26.
- The key risk we see is the intensification of generic competition for pyroxasulfone.
- Kumiai expects generic competition to enter the US in CY26.
- Sharp increase in contract assets a major worry; these need to be wound down in the coming quarters.
- We cut revenue estimates across businesses—CSM, domestic brands and pharma.

(P/E – Price-to-Earnings ratio; CSM – Contract/Custom Synthesis & Manufacturing; EPS – Earnings Per Share; EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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