

PI INDUSTRIES LIMITED

Chairman speech for the 74th Annual General Meeting of PI Industries Limited to be held on September 14, 2021.

Dear Shareholders,

On behalf of the Board of Directors of PI Industries Limited, I have immense pleasure in welcoming you to the 74th Annual General meeting of your Company. This is indeed a special occasion when your Company completes 75 years, a significant milestone, coinciding with India's 75th year of Independence.

When I addressed you last year, I had hoped that I would be able to meet many of you in person for this AGM. However, the long tail of the second wave, the possibility of a third wave and, the Delta variant calls for caution. Hence another virtual meeting! On the positive side, this format has enabled shareholders spread across different geographies to participate in the AGM.

The Directors' Report and the Audited Financial Statements for the financial year ended March 31, 2021 have been with you for some time now. I will, with your kind permission, take them as read.

Over the next few minutes, I will share with you my perspectives on the Indian economy, the agriculture sector, your Company's performance and its outlook.

Economy

The imposition of stringent lockdown in March 2020 reflected in a sharp contraction of 8% in India's GDP for fiscal year 2020-21 (FY21). With industries, transport, shops, and malls shut down, the economic activity came to a grinding halt. Domestic consumption, which makes up around 57% of GDP, was almost wiped out. Despite high growth on an annualized base, real GDP and real GVA in Q1 FY22 were 9.2% and 7.8% below their respective pre-pandemic level of Q1 FY20, reflecting continued slack in the economy.

After a sharp contraction, India's economic growth is expected to gain momentum. Real Gross Domestic Product (GDP) growth in Q1 FY2022 came in at 20.1% YoY, compared to the sharp 24.4% contraction in the same period last year. Sequentially, real GDP recorded a 16.9% QoQ contraction

much lesser than -29.7% QoQ during Q1 FY21, reflecting a less stringent lockdown during the second wave versus during the first wave.

On the demand side, the sharp rebound in the FY2022 June quarter was led by government-driven investment spending, consumption demand, and export growth whilst on the supply side, the real gross value added (GVA) grew by 18.8% YoY, benefitting from a favourable base. The manufacturing and construction sectors led the rebound, while the second wave dented the services sector's recovery.

On a positive note, high-frequency data indicates a continuation of swift economic recovery from the impact of the second COVID wave.

Economic recovery is expected to gain momentum, aided by increasing vaccinations, strong exports growth, likely pick up in fiscal spending, and continued accommodative monetary policy stance.

Government of India's initiatives such as Aatmanirbhar Bharat Abhiyan, Ease of Doing business and Make in India have helped the country consolidate its position as a potential growth market. India retained its 63rd rank in the 'World Bank's Ease of Doing Business Ranking 2020'.

Company performance

During FY 21, your Company's revenue on a consolidated basis stood at Rs.45,770 Mn as compared to the previous year revenues of Rs.33,665 Mn, a growth of ~36% on YOY basis; PAT on a consolidated basis stood at Rs.7,383 Mn, registering a growth of ~62% on YoY basis. Net worth as on March 31, 2021 stood at Rs.53,425Mn, almost double compared to previous year. The Earnings per Share (EPS) for the year stood at Rs.48.57 per share as compared to Rs.32.04 per share for the previous year and debt equity ratio at 0.06 as compared to 0.20 in previous year.

During FY2021, your Company successfully integrated Isagro Asia with itself absorbing all the manufacturing assets into PI Industries. These assets are being repurposed to create additional global quality manufacturing capacity to cater to the export markets. Isagro's domestic was demerged into Jivagro, a 100% subsidiary of PI created to focus on the high growth horticulture segment.

Further, your Company successfully completed QIP, raising Rs.20 billion to fund its expansion into the pharmaceutical API and Intermediate businesses. Recently, we announced the signing of a binding agreement to take over on a "slump purchase" basis the API and Intermediate business of Ind-Swift

Laboratories Limited. Our plans to bring your Company's enormous understanding of complex chemistry, process R&D capability and its extensive global customer connects will soon become a reality.

Added to the above acquisition, your Company is also working on bringing biological possibilities into its process areas as well as new products. This is expected to help with the sustainability goals the Company has set for itself. We now have a full-fledged R&D laboratory focused on pharma in Udaipur.

For its export business, your Company operationalized 2 new manufacturing facilities with capacity enhancement of approx. 15% in key products. During the year, exports grew by ~35% mainly driven by volume growth of existing products and commercialisation of 4 new molecules. With enhanced utilization of multipurpose plants located at Jambusar, SEZ and commissioning of the new plants, your Company expects continued growth. As part of its efforts to continued improvement in quality and sustainability, your Company has been developing new vendors in domestic market whilst reducing its dependency on Chinese suppliers.

On the domestic agri front, your Company launched 2 new products namely 'Londax Power & Shield' which received positive feedback from farmers and channels alike. Growth was well supported by 'Bio-vita', 'Awkira' & 'Header'. With increasing digitalisation, we now reach our products and information to our customers much efficiently and in time have added an edge to the marketing strength.

Our frugal but highly effective R&D efforts in the area of agro chem have begun bearing some significant new possibilities. Over 100 patents that have been filed from the work were carried out in your Company's state of the art infrastructure and lab facilities in Udaipur. The entire end to end activity is paperless, including advanced R&D labs for process and analytical development, workstations with complete online utilities, in-house library with a vast array of knowledge resources, kilo and pilot plants with NABL accreditation and GLP certification, and green houses for biological testing.

Indian Agriculture

Agriculture, with its allied sectors, is the largest source of livelihood in India. With 82% of Indian farmers being small and marginal, 70% of country's rural households still depend primarily on agriculture for their livelihood.

The agricultural sector is expected to play a key role in India's ambitious plan to touch a USD 5 trillion economy by 2025. The Government through its various measures and programs has been emphasising on need to make agriculture a tech embedded sector with significant focus on R&D and sustainable farming practices. Some of the schemes and initiatives run by the Government for the sector include PM Kisan disbursement, Kisan Rail, Direct benefit transfers to farmers, Pradhan Mantri Fasal Bima Yojna, increased allocations under MGNREGA, enhanced agri credit schemes, formalization of Micro food enterprises, and developing market system with larger procurement under MSP (Minimum Support Price) for farm produce.

During the year, the agricultural sector received significant policy impetus by the Government in form of three path breaking bills that have the potential to transform agriculture sector inside out. Considered as the mother of major agricultural reforms of recent times, their key provisions include de-regulation of agricultural commodities from the Essential Commodities Act, limiting stock limit only to emergencies, giving selling choice to farmers and allowing private sector participation in agriculture and substantial fund allocation for development of agricultural and food processing infrastructure.

Dividend

For the financial year 2020-21, your Company' Board of Directors declared an interim dividend of Rs. 3/- per equity share carrying a face value of Re. 1/- each (300%) in February 2021 and has further recommended a final dividend of an additional Rs. 2/- per equity share (200%) for approval of shareholders at this AGM taking total dividend to Rs.5/- per share (500%) carrying a face value of Re.1/- each.

Outlook

While COVID-19 remains a concern as its impact expands further to the rural India, the steady vaccination drive of the government to cover the remotest corner of the country is expected to flatten the curve and rejuvenate the country's economic progress.

Your Company remains optimistic of its growth in FY2022 backed by the strong sentiments of the agriculture sector, positive forecast of monsoons, and overall government measures to keep the farms and farmers healthy and motivated.

Business outlook continues to be robust in FY2022 supported by new launches and crop

diversification, 5 new launches planned in FY2022, will strengthen rice, cotton and horticulture portfolio. Crop diversification of existing products to extend to Rice, Horticulture, Cotton, Soybean and Wheat to drive growth. Finally, we will continue our focus on Application Services with a view to provide wider solutions to farmers.

In line with its long-term growth strategy, PI is deepening its consumer connect, building new and powerful brands and investing in R&D and technologies to become a preferred agrochemicals solutions provider with scale, reach and expertise across the value chain. The strong enquiry pipeline and order book position are indicative of robust growth potential backed by our current and planned capacities.

ENVIRONMENTAL & SOCIAL CONTRIBUTION

All manufacturing units use state-of-the art technologies, thereby ensuring cleaner and efficient operations. PI employs both direct and indirect energy sources with a mix of renewable and non-renewable fuel types in its operations. Avenues are continuously explored to reduce waste generation, water consumption, energy efficiency and GHG intensity across our manufacturing processes. Your Company undertakes Eco-Vadis assessment for its sustainability ratings. PI is ranked in Gold rating under Eco-vadis and is among top 7 agrochemical supplier companies globally on sustainability practices. Your Company was also adjudged winner at the 14th Edition of CII-National Awards for Excellence in Water Management 2020.

Our sustainability effort commences at the planning stage where each and every investment, business proposition, supply chain and commercial arrangement is looked through the sustainability lens. Sustainability improvement goals are set for production processes, vendor enrolment and procurement, supply chain management, marketing and sales, information technology and for our end customer outreach programs.

Health of the employees has always been the prime focus in PI. Various training and awareness sessions are conducted to imbibe healthy practices in the employees. The Process Safety Management Systems in PI is in line with the national and international standards and best practices adopted by industries. Your Company has implemented 14 process safety management elements of Occupational Safety and Health Administration (OSHA). Regular training programs are conducted on various OH&S (Occupational Health & Safety) and Process Safety topics, including best safety practices for employees and contractual workforce.

Corporate Social Responsibility

In line with the Company's CSR philosophy, PI Foundation undertook several community development initiatives during last year in the areas of conservation of natural resources and sustainable agricultural practices, healthcare, sanitation and hygiene, water preservation through the promotion of direct seeding of rice, women empowerment, quality education, skill training of underprivileged youth, environmental sustainability, promotion of rural sports, rural development etc.

The COVID-19 pandemic created an unprecedented crisis globally. As responsible corporate citizens, teams at PI swung into swift action to support the Government and the community during the COVID-19 crisis since the beginning. To mitigate the effects of the outbreak, PI has undertaken numerous community initiatives which include awareness on health and safety, provision of food, oxygen plants, isolation centres, sanitizers, sanitization drives, partnering with the local administration among several others.

- Our Mobile Medical Units (MHUs) extended their services for conducting thermal screening, distributing hand sanitizers, masks and other necessities to >30,000 villagers
- arranged for protective equipment (PPE) for healthcare workers and provided funds for medical infrastructure at government healthcare centres.
- In-house manufactured hand sanitizers were distributed amongst 1,50,000 underprivileged people in over 30,000 households. Sanitisers were also distributed in old age home in Bharuch district, Gujarat. PI employees and their families were also given sanitisers. Additionally, over 100,000 litres of disinfectant used to disinfect entire villages near PI's plant operations in Jambusar and Panoli, Gujarat.
- Several awareness sessions were organized on precautions against COVID-19 in villages around plant locations. Demonstration of proper hand washing, information on COVID-19, social distancing and basic hygiene techniques were imparted.
- PI Foundation also joined forces with local administrations in several states to fight the virus and provided hi-tech spraying application services with 60 machines and 642 machine working days, covering large areas for sanitisation in >34 districts.

47,000 new farmers benefited through leading agronomic practices thus saving over 1.7 trillion litres of water through the adoption of Direct Seeding of Rice (DSR) technique in FY 2021. Over 90,985 lives impacted through our Mobile Health Units (MHUs) and blood bank project in FY 2021. Over 15,000 children in Government run schools benefited from our Learning Enhancement programme through digital mode and 170 youth gained employment through Skill Development Programmes. Improvement in the livelihood of >7,000 women members and their families via entrepreneurship and skills enhancement.

Your Company's long-term value and success of businesses are inextricably linked to the integration of economic, social and environmental issues into corporate management and operations. While on one hand, agricultural intervention has promoted environmental sustainability, increase in farm yield and farm mechanization through the other your Company have been instrumental in delivering high impact programmes in Education, Healthcare, Skill Development, Women Empowerment Rural Development, Learning Enhancement Programme etc.

Acknowledgement

I take this opportunity to express my sincere appreciation for the support of all our stakeholders including shareholders, employees, business associates, bankers, Central Government and its departments, State Governments of Rajasthan & Gujarat, farmers and our global customers including joint-venture partners for their confidence reposed in PI. I would also like to thank all my fellow board members for their valued guidance and contributions to the Company's management. Finally, I thank the management team and all employees for their unstinted efforts in building the Company's future.

Stay safe and healthy.

With warm regards,

Narayan K. Seshadri

(This does not purport to be a report on the proceedings of the annual general meeting of the Company.)