

PI INDUSTRIES LIMITED

Udaipur

Speech delivered by the Chairman of the meeting at the 72nd Annual General Meeting of PI Industries Limited held on September 09, 2019.

Ladies and Gentlemen,

On behalf of the Board of Directors of PI Industries, I have pleasure in extending to all of you a warm welcome to the 72nd Annual General meeting of your company PI Industries Limited.

The Directors' Report and the Audited Financial Statements for the financial year ended March 31, 2019 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 Indian economy which had been the fastest growing major economy in the world, is under pressure due to various global and domestic factors. Trade wars, geo-political tensions, Brexit, banking and NBFC crisis leading to substantial liquidity squeeze, have had a dampening effect on the economy. In FY19, GDP grew @ 6.8%, as compared to 7.2% in the previous year.

The new Government of India, recognizing these issues, has embarked on some ambitious investment plans that should help economic growth. Bank re-capitalization, labor reforms, investments in infrastructure, better water resource management, focus on rural economy are all expected to bring the Indian economy back to its growth path.

Company performance

Your company's performance in FY 19 was in line with targeted 25% growth. Revenue from operations for the year stood at Rs. 28,409 Mn as compared to Rs. 22,771 Mn (net of excise) last year, registering a growth of 25 % on YoY basis. The operating profit for Fiscal 2019 was Rs. 5,731 Mn as compared to Rs. 4,921 Mn last year i.e. an increase of 16.46 % YoY. The net

profit for Fiscal 2019 on stand-alone basis stood at Rs. 4,077 Mn as compared to Rs. 3,666 Mn in the previous year i.e. a growth of 11.21 % YoY basis.

The Earnings Per Share (EPS) for the year stood at Rs. 29.56 per share as compared to Rs. 26.62 per share for the previous year and debt equity ratio at 0.02 as compared to 0.04 in previous year.

Exports grew by 29.4% during the year in line with overall improvement in global sentiment. Your Company is working with innovator partners to help them introduce novel molecules globally. Further, to diminish dependencies or concentration risk, management has been developing domestic alternatives for its raw material and other supplies. Commercialisation of 3 new molecules during the year along with enhanced utilization of multi-purpose plants at Jambusar SEZ and commissioning of new plant is expected to provide further growth momentum to the exports in the coming years.

Despite deficient monsoon, domestic business performed owing to a strong portfolio of high performance brands and touched a milestone revenue of Rs. 10 billion in FY 19. Two new products were introduced in FY 19 viz. **COSKO** and **FANTOM**. These launches enhance leveraging of channel presence, enable accessing market opportunities and gain market share. In addition your Company was also able to push into markets where it was relatively weak and gain a stronger foothold.

Your Company has walked the entire path of farmer needs and worked out comprehensive, efficient and sustainable solutions that would be required to fulfil their aspirations.

Our farmer solutions include mechanized sprayers, multipurpose drone applications and specific high impact products. The introduction of our crop spraying equipment has been a huge success and has helped the effectiveness of product portfolio. Further, our product promotion teams are using gaming techniques to promote a product like 'Osheen' with its huge potential.

Your Company's world class manufacturing facilities with emphasis on quality, efficiency, safety and security backed by the trust it has built with its customers, continues to bring it rich rewards by way of growth in its multi-year order book.

Further, the state-of-the-art R&D centre at Udaipur, Rajasthan, provides excellent infrastructure and lab facilities for research scientists to carry out activities and specialise in the discovery space, including library synthesis, molecule design, lead optimisation, route synthesis, biological testing and greenhouse testing.

Joint ventures with Mitsui Chemicals Agro Inc. and Kumiai Chemical Industry Co. Ltd apart from strategic alliance with global innovators are a few examples providing opportunities for growth across the value chain from Discovery to Distribution.

Indian Agriculture

Indian agriculture witnessed a downtrend in sowings during both Kharif and Rabi seasons, due to below normal South West Monsoons and deficit North East monsoons. With an increase in Minimum Support Prices (MSPs) by the Government, the farm incomes are expected to get some amount of boost. The food grains output is expected to come down slightly by 1% to 281 million tons, from a target of 290 million tons. The Agriculture and allied segment GVA for FY19 is expected to moderate to 2.7%, due to slowdown in agriculture activities during the second half of the year, as per 2nd advance estimates by CSO.

However, the easy availability of information through mobiles via cheaper data connections and educational initiatives by the government through mass media, including farmer helplines, have increased the quality consciousness among Indian farming community. Technology-based crop advisory including satellite imagery, remote monitoring using drones are fast gaining traction among the farmers.

Indian Agro chemical Industry

The agrochemical production in India has risen by 2.9% in FY19 against the CAGR of 4.3%

during previous years. The exports grew by 11% against the CAGR of 12.8% for previous years and imports grew by 4.4% as compared to previous year. Latin America, North America, Europe and Asia have emerged to be important markets for the Indian agrochemical industry. Share of exports towards North America have increased significantly from it being 13% during FY14 to 17% during FY18. The agrochemicals industry is expected to play a pivotal role in attaining food security for a populous country like India. With dwindling land under cultivation and a lower portion of that under irrigation, the need to increase farm productivity with efficient use of plant nutrients and protection is the need of the hour. Investment in safe, effective agricultural chemicals will only continue to expand. The ever increasing need to grow more food on less land, with minimal impact on human health and the environment, creates a vast market for effective agrochemicals.

Dividend

For the financial year 2018-19, the Board had declared an interim dividend of 250% in October 2018, and recommended a final dividend of 150% for approval by shareholders. Total dividend aggregates to Rs.4/- per share carrying a face value of Re.1/- each. This is in line with the dividend declared by the company during previous years.

Outlook

In the FY 20, your Company is expected to introduce 3-4 new products, some of them to be introduced for the first time in India and will be on exclusive or near exclusive basis for marketing and distribution rights. These new products will help your Company leverage its presence and position in the crop segments and create additional value for itself and all stakeholders including the farmers.

Scaling up of new commercialization molecules, capacity expansion at Jambusar, acceleration in pickup of export shipments, your Company expects to accelerate exports delivering sustainable growth in the coming years.

With a firm belief of becoming a technology enabled disrupter, we are fast realizing our blueprint in a steady, yet decisive way. Our fast paced technological advancement in turn would open new growth avenues for the company. Your Company is investing ahead of time

in building PI of tomorrow. While we continue our focused efforts to grow in our existing areas of operations and achieve excellence, we are also exploring newer avenues for growth in the longer term. Our R&D efforts are expected to fuel not only agrochemical growth, but also a host of other speciality chemical domains.

ENVIRONMENTAL & SOCIAL CONTRIBUTION

Your Company continues to pursue business in a sustainable manner caring for the environment and society and is well recognized for its outstanding contributions.

Environmental, Health and Safety

Your Company maintains its strong culture of commitment to environment, health and safety aspects and adheres to very high global standards of compliance. Energy conservation, effluent and waste reduction, water conservation, recycling, health checkups, safety training for employees, etc., are integral part of the Company's operations.

Your Company's manufacturing site at Panoli has won 'Golden Peacock Environment Management' award for third time on account of its significant achievements in the field of Environment Management and had been also awarded with ISO 27001:2013 Certification from British Standards Institute for implementation of information security based on global standards and frameworks.

Your Company was also rated by ECOVADIS in 'GOLD Category' for second consecutive year demonstrating Company's quality in integrating the principles of CSR into their business (Environment, Labor/Social, Fair business/ Ethics and Supply Chain).

Corporate Social Responsibility

As a business enterprise that has steadily evolved over the last seven decades, your Company remains committed to pursue its business in a sustainable manner. Pursuing

sustainable value creation, your Company balances its business interest with that of environment and well-being of society.

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

Over 6.84 lac farmers benefited through leading agronomic practices thus saving over 1.51 trillion litres of water through the adoption of Direct Seeding of Rice (DSR) technique. Total 91,439 villagers were treated through your Company's "SWASTHYA seva" initiative and more than 570 toilets set up in schools & households. Over 12,000 Govt. school children across 125 Schools benefited from Learning Enhancement Programme and 650 youth gained employment through Skill Development Programmes. More than 5,000 women members & their families benefitted through Entrepreneurship and Skills Enhancement Programme. Your Company strengthened rural infrastructure by electrifying streets in rural villages.

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 in one hand our agricultural intervention has promoted environmental sustainability, increase in farm yield and farm mechanization through the other we have been instrumental in delivering high impact programmes in Education, Healthcare, Skill Development, Women Empowerment Rural Development, Learning Enhancement Programme etc.

Your Company's CSR arm namely PI Foundation won prestigious SKOCH AWARD 2018 for Integrated Community Development.

Board Constitution

Let me briefly take you through changes in the constitution of your company's Board. Mr. Ravi Narain, Independent Director had resigned from the Board on May 02, 2019 as a result of SEBI order in Server relocation case. The Board places on record appreciation for the services rendered by him during this association with the Board of the Company.

Keeping in view the wider role and responsibilities in line with growth of business, it is proposed to elevate the position of Mr. Mayank Singhal from Managing Director & CEO to Vice Chairman & Managing Director of the Company w.e.f September 09, 2019 after seeking approval from the shareholders at this Annual General Meeting.

Further, in order to strengthen the Board, Dr. Ramachandran, who holds a Ph.D from the University of Adelaide and an M.Sc. In Agriculture from the Indian Agricultural Research Institute, New Delhi has been inducted on Board as a Whole time Director w.e.f July 01, 2019 and is proposed to be appointed as Managing Director & CEO w.e.f September 09, 2019 after seeking shareholders' approval.

Dr Raman Ramachandran in his last assignment held the position of Chairman & Managing Director of BASF India and Head of the BASF legal entities in South Asia (India, Pakistan, Bangladesh and Sri Lanka). During his stint of nearly two decades with global chemicals major, Dr. Ramachandran held many positions of responsibility and led the strategic evolution of the Company as a leader in the agricultural products business across the Asia Pacific region. He was a member of the Company's Executive Committee of the Global Agricultural Products Division and its Global R&D Steering Committee.

Dr. Ramachandran was a member of the Asia Pacific Business Board and Vice-President, Crop Life Asia.

Acknowledgement

I take this opportunity to express my sincere appreciation for the support of all our stakeholders including shareholders, employees, business associates, bankers, Government 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 for their unstinted efforts in building your Company's future.

In our journey to build a world class integrated agri-sciences Company, I look forward to your continuous support and trust. Let us continue to capitalize chemistry by deepening technological capabilities and opening new horizons for growth!

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.)
