



PI Industries Limited

Q3 FY18 Earnings Conference Call Transcript

February 6, 2018

Moderator

Ladies and gentlemen, good day and welcome to the Q3 FY18 Earnings conference call of PI Industries Limited. As a reminder, all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone.

I now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you and over to you, sir.

Nishid Solanki

Thank you. Good afternoon everyone and welcome to PI Industries Limited's Q3 & 9M FY18 Earnings Conference call. Joining us today are Mr. Mayank Singhal – Managing Director & CEO, Mr. Rajnish Sarna – Executive Director and Mr. Subhash Anand – Chief Financial Officer. As always, we will begin the call with the opening remarks from the management following which we will open the forum open for question and answers.

Underlying our standard disclaimer, certain statements that may be made on today's call may be forward-looking statements and the actual results may vary significantly from those statements. A detailed statement in this regard is available in PI's Q3 results press release.

I would now request Mr. Mayank Singhal to share his perspectives with you. Thank you and over to you, sir.

Mayank Singhal

Thank you. Good afternoon and welcome to PI Industries earnings call for Q3 FY18. Your continued presence and support is very much appreciated.

PI Industries is regarded for consistently introducing new research backed early stage products and with dedicated brand building machinery, we have cemented portfolios of advanced products in the psyche of the farmer. Our brand stands for a promise that there should be performance each time and every time. The relationships we enjoy with innovators are well established and continue to act as a platform as we look to the next phase of growth with partnerships across the value chain.

The world and in particular India is facing a challenge as well as opportunity of feeding its ever growing population. The adverse impact of climate change imperils food security at a time when traditional methods of growing more crops are getting inadequate. There is an urgent need to launch next generation solutions including advanced agri-inputs in order to guarantee higher productivity on the field. And PI

today is proudly at the forefront of this effort being part of overall agchem value chain and supporting global innovators in commercializing their innovative solutions.

As the nation we have suffered the effects of below average monsoon for consecutive seasons, which in turn has eroded the ability of our farmers to invest in the farm and to meaningfully diversify their crop basket. Recent budget announcement has taken note of these and announced some of the initiatives like MSP to be 1.5 times of cost, development of rural haat for Gramin agriculture markets (GrAMs), increase in budgetary support in farm credit, Fasal Bima Yojna and higher allocation on Krishi Sinchai Yojna. These initiatives are expected to uplift the farmer's prosperity and drive comprehensive and sustainable growth in the agriculture and so for the agri inputs.

On the domestic front, we have seen water availability issue in Tamil Nadu, North Karnataka, Chhattisgarh and Coastal Andhra which has impacted domestic growth in Q3. All our new products launched this year has helped improving crop yield and are very well accepted by the farmer. Full potential of these products expected to accrue in the coming years.

Our export operations are ramping up supplies as per plan, and we are commercialising four new products in the current fiscal year. Given the sizeable order book position and projected improvement in global sentiment, we believe that the growth momentum has already revived and shall improve from here.

In the recent past, we have seen some stress in the raw material supplies from China which has impacted supply schedules of some of our exports, but we believe this is a short-term phenomena and we have in any case been able to develop alternate sources of some of these raw materials in India and other geographies to de-risk repeat of such situations in the future. This uncertainty in China also poses opportunity for us to backward integrate in many of these products. More importantly, with supply disruptions in China, many global innovators are also exploring alternative sourcing in India and PI remains partner of choice due to its strong technical and executional capabilities.

Globally, we are still witnessing some consolidation as companies' integrate and re-align their portfolios after mergers and other corporate restructuring. This will however open up more opportunities for us and we are already seeing some green shoots of recovery.

Our growth agenda forward is scripted by intense focus in technology and innovation. Our partnerships with the global innovators will further grow basis our technological advantages.

The outlook for the medium to long term is attractive as we see the growing pipeline of high potential novel offerings for launch in India aimed at delivering significant value to the farmers. Our exports are picking up in-line with expectations. Given the consistent trend of growth, cash generation is expected to be strong and contribute to a healthier balance sheet. The next few quarters appears promising with the macro-sentiment globally expected to be more supportive. This will restore the higher growth trend in our export operations.

I would now like to call up on our CFO, Mr Subhash Anand to take you through the financial highlights. Thank you. So over you, Subhash.



Subhash Anand

Thank you, Mayank. Good afternoon everyone. I will take you through the financial performance of the company for this quarter as well as nine-months ended 31 December, 2017.

In Q3 FY18, our revenue stood at Rs. 538 crore, higher by 10.3%. This was driven by 3% growth in domestic sales and 14% in exports. EBITDA came at Rs. 105 crore with a margin of 19.5%. As spoken earlier, the product mix impact as well as increase in raw material prices has resulted in softer margin for the company. Profit after tax stood at Rs. 81 crore.

For 9M FY18, our revenue stood at Rs. 1,652 crore marginally lower on a Y-o-Y basis due to uneven rainfall during kharif, GST changeover and planned lower exports shipment during first half of FY18.

EBITDA stood at Rs. 358 crore with a margin of 21.6%. Profit After Tax came at Rs. 261 crore. PAT is lower compared to previous years mainly due to change in effective tax rate from 14% of last year to 22% this year.

Coming to our balance sheet position. Net debt to Equity position stood at 0.03x and company continued to be cash positive with available cash surplus of Rs. 243 crore as on 31 December, 2017.

With that, I would like to request the moderator to open the forum for question-and-answers. Thank you.

Moderator

Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Ritesh Gupta from Ambit Capital. Please go ahead.

Ritesh Gupta

First one is, we have seen this 200 bps drop in EBITDA margin primarily led by some decline in gross margins as well as other expenses are also up substantially in the third quarter. Is this sort of sustainable and then I mean the margin drop what should we read into it? And the second one is on the raw material supply issues, do you think those issues are behind us in fourth quarter or do you think that it will take a longer I mean this is a situation which will take its own time to resolve?

Rajnish Sarna

So two issues. One is the EBITDA margins for Q3. Basically, there were multiple reasons for it; the most important reason was the product mix. Given the agro climatic challenges in this quarter particularly in the regions like Chhattisgarh, Tamil Nadu and Karnataka, the product mix was not as what we had planned and expected and as a result, the relative EBITDA margins are lesser this is one. Second reason was that as you would have also heard, that there is some element of price increase on some of these raw material imports and given the softness in demand, I mean these price increases were also not been able to be passed on to the ultimate consumer or the user.

So these were some of the reasons for lower EBITDA margins in this quarter. I am sure that as the normalization of monsoon and the season is expected in the forthcoming quarters, the product mix factor should not be there. As far as raw material pricing issue from China is concerned, again it is a very usual situation as their Chinese year is over by the end of Feb, I think things are expected to again get normalized is what the kind of report that we are getting.

The second aspect on the supply side, yes there were challenges in last I would say not only in last quarter but particularly last six months. Again, there we have



taken very concrete initiatives and not only us but I think chemical industry as a whole have taken initiatives to kind of establish alternative sources of these basic raw materials in China and these other geographies.

As a company we had started this initiative maybe one year back. We have already from 32% to 35% of our total raw material dependence on China, we have already come to less than 20%. And we are hoping that in next six to nine months, this percentage of whatever 15% - 18% as of today will further go down substantially. So this is what we are doing.

Ritesh Gupta

and if you could just comment on the demand side of it. On the CSM side, there was 14% growth and any thoughts on how you are seeing the recovery in the global AgroChem demand and when do you think your growth will start coming back to normalcy more like 18% - 20% sort of number?

Rajnish Sarna

So the global scenario is certainly improving. I mean if I see today what the last year and before year, yes certainly the current situation is relatively much better. The inventory levels in the pipeline, in the system in different countries have gone down and this is clearly reflecting in many of these existing products, demand is again coming back. Production campaigns have again starting, so this is kind of gives impression that yes, the inventory levels have come down and the demand is again normalizing. This is on the global front.

On company front yes, we did close to 14% but frankly speaking we could have easily done 20% plus in this quarter because the business was there, business is still in hand. There were two challenges, one challenge was we have already discussed about some issues on raw material supplies from China and these issues were not kind of foreseen. I mean these are not environment related only. We found out many peculiar issues in China in recent past, but I would say that those issues are now kind of to a greater extent addressed.

Raw material supplies have been restored some of these revenues or shipments which could have happened in Q3 are happening in Q4 and so would be the case that what we were expecting to happen in Q4 may spill over to first quarter next year. But the business remains, business orders are increasing, order book is improving so in terms of demand, the situation is only improving.

Ritesh Gupta

And what is your order book right now?

Rajnish Sarna

It is almost USD 1.15 billion around that.

Moderator

Thank you. The next question is from the line of Aditya Jhawar from Investec. Please go ahead.

Aditya Jhawar

Question was on the domestic business. We saw a growth of about 3% and there was a pretty much divergence between the growth reported by different players, some of the competitors have reported a strong double-digit growth but whereas some MNCs have reported a decline. What could be the nature of such a big divergence in the domestic industry?

Rajnish Sarna

Well, there are different companies having different business model and portfolios. There are companies purely into generic products having maybe 80 to 100 to 125 products in their range and some of these generic products have done reasonably well because the season was not good and farmer is also in such a situation.



Farmer will also tend to kind of use these relatively inexpensive products in such a scenario.

And there are companies who kind of deal only in a niche or new age products, new chemistry and new solutions. And as a result, when the overall industry scenario is not great or season is not good, I mean that reflects in their growth trend and probably you would also be seeing that how the growth percentages of different companies are kind of showing today.

Aditya Jhawar On the inventory side in the domestic market, in your assessment, how is the inventory situation now and going into Q4 which is a typically channel filling quarter, what essentially gives us a comfort in terms of the outlook for Q4?

Rajnish Sarna It is a mixed situation if I tell you, because for certain products because of supply constraints as I discussed earlier from China, there are challenges I mean inventories are not as high. But for some other products maybe generally called specialties there are reasonably high inventories. So it is a mixed situation. We cannot certainly generalize the situation right now.

But overall Rabi sitting today, the expectations are reasonably good because the crop aggregate in relevant areas are reasonably good compared to last year, the water situation is also reasonably good, so hopefully it should be a better Rabi than last year.

Aditya Jhawar So on the export front, Mr. Mayank mentioned that you added four products I mean four products will be commercialized this year so do you mean FY18 or FY19?

Rajnish Sarna No, FY18, for two products we have already commercialized and two products we are commercializing in Q4.

Aditya Jhawar Okay. And in terms of outlook for exports as we enter FY19, what kind of growth would you like to pencil in for FY19 for export business?

Rajnish Sarna This is expected to be quite robust because as I said earlier that some of the planned revenue may also spill over to Q1 so we are expecting a reasonably good FY19.

Aditya Jhawar Will it be mid-teens or close to 20%?

Rajnish Sarna I will not kind of put a number on this and maybe we will have much better visibility say by end of next quarter but as of sitting as of today I think it is certainly much better than what you have seen so far, and it would be resuming our high growth trends of past.

Moderator Thank you. The next question is from the line of Vishnu Kumar from Spark Capital. Please go ahead.

Vishnu Kumar In terms of margin decline, which segment had higher I mean incremental drop, was it exports or the domestic?

Rajnish Sarna It was mainly in the domestic area because as I explained earlier the product mix was not as favorable as we had expected or planned.



Vishnu Kumar So whatever price increase that you are talking about does not impact anything on the CSM side, so our margins remain more or less intact?

Rajnish Sarna Yes, you can say so.

Vishnu Kumar Okay so in a rising commodity environment, should we see margins as a percentage or let us say per kilo or per ton, how does it work on the CSM side?

Rajnish Sarna I have not understood your question.

Vishnu Kumar No, in a rising scenario let us say if you are at 20% CSM margins, the commodity prices increase do we get 20% on the let us say if our commodity cost go up by 10% do we get on Rs. 110 or we will still stick with 20% on 100?

Rajnish Sarna No, frankly I am not sure I have still understood your question.

Vishnu Kumar Okay so I was just trying to understand whether our margins on a per ton, per kilo as an absolute amount or is there a percentage on the end sale value, that is all I wanted to understand?

Rajnish Sarna Generally because these margins are basically on the investment, so whether it is raw material cost or conversion cost or even the investment in plants and other assets. So if raw material becomes from \$100 to \$200 certainly your margin would also increase but whether it will get double it certainly not because there would be some sort of semi fixed, fixed cost kind of valuation will have to be worked out.

Vishnu Kumar In terms of the export growth that we are talking about, is it likely to come from the existing order book I mean are we seeing more traction from our existing molecules or we are seeing more demand from our newer molecules that we are launching or rather we have launched this year?

Rajnish Sarna Actually both, so on one side because of slowdown in last couple of years the growth of existing products is also reviving on one side and on the other as I mentioned in the last quarter call also, that there is certainly uptick in the new enquiries and many new businesses are kind of or these enquiries are getting converted in businesses, so that is also kind of driving the growth.

Vishnu Kumar And just on the final point, in the opening remarks you had mentioned that we are also looking to backward integrate for some of the raw materials. If you could just explain it a little better?

Rajnish Sarna The typical business model is that there are starting materials, then there are intermediates and then there are APIs or AIs as we call them. Our focus has always been in downstream high value complex intermediates and AIs. But now because of these challenges and uncertainties in some of these raw material markets or intermediate markets so to call in China and some other areas, The focus is that in high value businesses and projects why not try and de-risk them by backward integrating into upstream raw materials or even intermediates if we are in AI. So either we do them in-house or we develop some of these intermediates or raw material alternative sources in India. So that is what we are currently doing.

Vishnu Kumar One final question. How much is the CAPEX that we are spending this year and what will be our trajectory for the next two years if you can give a number?



- Rajnish Sarna** So current year it should be anywhere between Rs. 150 crore to Rs. 200 crore maybe close to Rs. 175 odd crore in the current financial year and for next financial year almost similar number.
- Moderator** Thank you. The next question is from the line of Madhav Marda from Fidelity. Please go ahead.
- Madhav Marda** I had just two questions. The first one was, you said that a lot of the global people will start looking at India instead of China for sourcing some of their raw material. So how could the opportunity shape up there, could that be a big opportunity size since PI anyways is very well positioned for that?
- Rajnish Sarna** So obviously lot of focus is now shifting towards India and other Asian geographies because of these uncertainties in China and particularly these newly patented complex molecules the more you know preference is towards India and if a global innovator is coming to India, our credentials are already there. We are already in this business for more than twenty years and probably dealing with these global innovators, so we become a preferred partner for such molecules.
- So this is where I think lot of uptick is there in terms of new business enquiries and all and in general I mean this is about PI but in general also I believe that these uncertainties in China are kind of also driving huge growth opportunities for Indian chemical industry per se. And that is clearly reflecting in terms of when I talk to some of these companies like reactor companies or other plant equipment companies who are kind of full of orders working on lot of expansions. Lot of companies are also looking at expansions of basic chemicals or bulk chemicals so that kind gives an impression that lot of this business which had moved from India to China in early 2000 is kind of coming back.
- Madhav Marda** And the second question is what would be your view on the general farm economics right now going into the coming season, would you think it would be very stressed or it is probably okay, not too bad how would you sort of think about that?
- Rajnish Sarna** Even if 50% of what we are hearing in the budget speeches is happening on ground, I think it would be a great opportunity for the farmers and the whole of agri value chain because this gives an impression that things should improve. On one side the MSPs would be increasing, on the other a lot of efforts are being made to kind of improve productivity for the farmers. So overall, I think it should help in improving the overall farm economics for the good of everyone.
- Madhav Marda** But don't you think that it will probably take a little more than a year to play out before that policy comes into force so maybe this year that impact would not be that meaningful, or do you think it could just sort of flow this year itself?
- Rajnish Sarna** No, I mean the other day I was seeing that for some of these crop MSPs they have already kind of declared that the hike in MSPs would be there certainly. It will take a little more time but MSPs and other initiative I think it should happen immediately.
- Moderator** Thank you. The next question is from the line of Basanth Patil from HDFC Securities. Please go ahead.
- Basant Patil** Our exposure to China raw material is hardly 25% to 30% is that correct, so still we face the pressure even though our dependency is not that large particularly for the



China raw material. So do you think this kind of pressure will continue for couple of quarters?

- Rajnish Sarna** No, so our dependency on China is not even 25% - 30%, our dependency is less than 20%. As I was saying that some 16% - 18%. So important is not that percentage my friend, important is that for a particular product, a raw material is coming from that geography now that product got stuck and that is dependent or that kind of risk needs to be mitigated and this is what we have kind of put in effort in last six, eight months and still doing that in next couple of quarters even that small dependency would be over.
- Basanth Patil** How the Nominee Gold has performed during the quarter, so in terms of volume and pricing how it has performed?
- Rajnish Sarna** This particular quarter was not that great because as I explained earlier, there were challenges in some of these states like Chhattisgarh, Tamil Nadu and Karnataka because of the agro climatic conditions, we had quite a bit of challenge there. So in fact volumes were also kind of not to our expectation.
- Basanth Patil** Actually in Rabi season, rice crop has been increasing in terms of number of hectares as compared to last year also. But still we could not grow, in terms of volume we could not grow that aggressively?
- Rajnish Sarna** Particularly this product but some of these other products have done exceedingly well like we did exceedingly well in Osheen. We did very well in couple of other rice products so it all varies product to product that whether that particular product can be given agro climatic conditions are conducive.
- Basanth Patil** Can you give the breakup of domestic and export revenues for nine months and for the quarter?
- Subhash Anand** Yes, in fact Q3 domestic revenue was Rs. 170 crore and export revenue was Rs. 368 crore.
- Basanth Patil** And for nine months?
- Subhash Anand** Nine months domestic revenue is Rs. 682 crore and export revenue is Rs. 970 crore.
- Basanth Patil** For nine months, what is the CAPEX incurred? For first half we incurred almost around close to Rs. 60 crore so is there any kind of incremental expenditure which has happened in Q3, actually if you look at second half should be the major CAPEX?
- Subhash Anand** We have already spent slightly over Rs. 100 crore till Q3.
- Moderator** Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.
- Rohan Gupta** With regards to this focus on backward integration though next year you maintain your CAPEX of Rs. 150 crore to Rs. 175 crore what sort of an opportunity in investment you foresee in future you can do in that and we have been in asset light business model so do you think that going forward our return ratios may come down if you go more on the backward integration?

- Rajnish Sarna** That assessment will be done on economics of whether we should be doing backward integration in-house or whether we should be kind of a developing an alternative source in India to kind of help us in de-risking the challenges. And this is how it is done. So if the backward integration is giving the overall financial advantage and strategic advantage yes and we have in fact taken in last one year if I tell you, we have kind of backward integrated two products where we were kind of importing some starting intermediates and we have kind of finally started doing them in-house.
- So we have done that and that has also given us advantage not only financially, but because of getting into those early intermediates, we are also now being able to kind of target some other products. That is the kind of advantage I am talking about. However not in all cases that kind of advantage would be there and in those situations there is always opportunity to develop these early intermediates with some of our partners in India who are basically into kind of these early intermediate and kind of raw materials and you go to them, you give them assurance of assured off take of say next one year, three years and they will be very happy to take up those intermediates and start working with you. So that is how it happens.
- Rohan Gupta** So you want to say that right now these customers of yours are taking those intermediates from other markets maybe like China. Once you set up the capacities larger than probably what you can consume then you will start supplying these intermediates to those global customers as well for their global requirement?
- Rajnish Sarna** Not only intermediates but downstream products coming out of those intermediates because our interest will not be in selling those intermediates only. So more value added downstream products.
- Rohan Gupta** Okay, but your dependency on China imports is hardly 16% to 20% so I mean we are hardly consuming almost Rs. 1,200 crore sort of materials that means roughly Rs. 200 crore to Rs. 250 crore only we are procuring from China. So I mean is there so much of worry that the procuring or backward integrating just on the product which are just Rs. 200 crore - Rs. 250 crore will that make sense for your company?
- Rajnish Sarna** Yes, for some of the products certainly yes. The important point is that maybe you are getting a raw material of Rs. 50 crore but if your revenue of Rs. 500 crore is dependent on that Rs. 50 crore material, then it becomes important is it not?
- Rohan Gupta** Okay but you will be looking replacing only those materials which you are importing from China that is just on the Rs. 200 crore - Rs. 250 crore as of now. So it is not like something Rs. 500 crore or Rs. 1,000 crore rupees sort of progress are getting affected?
- Rajnish Sarna** No, absolutely not.
- Rohan Gupta** Secondly, you mentioned definitely that there is a pickup in the global market but there may be still some spillover may happen which earlier you were talking about the recovery will happen probably in second half Q3 and Q4 but it is now looking likely to come in Q1. So do you think that this spillover may keep on happening I mean there is a chance that from Q1 it may spill over to Q2 or there is now a certain or fair amount of certainty you have that you are expecting those execution in order book will happen in Q1?



Rajnish Sarna So it is certainly not spilling over continuous for several quarters. The point is that we will certainly be producing in the fourth quarter and because of some of these challenges because another point that we have to also keep in mind is that we are also kind of commercializing two new products in this quarter. Now what happens that generally whenever you scale up these new products maybe every ten days, fifteen days you will have some teething challenges.

So the point what we are saying is that yes, there is business, there is capacity to produce these shipments and all now whether these shipments go by as scheduled is what something looks little difficult at this point in time to again meet those 10% kind of expectation that we had. But what in worse situation will happen that it will spill over to next quarter. But it cannot continue because again production capacities are there and we will be producing to the best of our capacities in first quarter. And the first couple of quarters should be relatively heavier than generally what we see.

Moderator Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari Just one clarification. In your press release, in the management comment section, you have kind of mentioned that now you expect the global AgChem demand to revive in second half of FY19. So I mean how should we read it, so are we looking at recovery in the first half starting from first quarter or from the second half of FY19?

Rajnish Sarna There are these two different things, one is about the global industry scenario that we are talking. So yes that is expected to as mentioned expected to revive by second half of next financial year if you call it or maybe second half of current calendar year so it is the same thing. So from September quarter or December quarter it is expected that the global situation should be reviving fast. So this is about the global scenario.

Talking about PI and our current order book and supply schedules and all this, as I said earlier yes we are certainly expecting the businesses in hand, the revival has already started as you have seen in the just ended quarter with 14% growth. It could have been more but because of these challenges it is 14% and we will be seeing that this growth is only improving and some spill over could be there in the first quarter also.

Moderator Thank you. The next question is from the line of Nandan Vartak from Wealth Managers. Please go ahead.

Nandan Vartak I just wanted to get a sense about volume growth in medium to long term in progressive states like Punjab, Maharashtra, Gujarat, Karnataka where the AgroChem usage is already there, the penetration is better than other states?

Rajnish Sarna Yes so if the agro climatic conditions are normal, we should certainly grow pretty well in all these states because PI is present pan India basis. More than 50 to 60 years that we are in these markets and we are present on pan India basis particularly the prosperous states as you mentioned. And in addition, I mean 5 - 6 products we have launched this year, there is a big pipeline for introduction of newer products in next financial year and coming years. So if the agro climatic conditions are normal, we certainly are fully prepared to grow well in all these states.



Nandan Vartak And the second question was regarding newly launched products which were launched in last two quarters. So what would be growth rate there?

Rajnish Sarna They are doing very well.

Nandan Vartak Can you give a number?

Rajnish Sarna Well, we generally do not talk about product specific numbers but as I was telling for several of these products, this was the first year and they did very well in the first year. It was very good acceptance of some of these new products that we had launched. Few products which we had launched couple of years back like Osheen and Vibrant and all they have done exceedingly well. More than even our expectations in this current financial year.

Moderator Thank you. The next question is from the line of Abhijeet Akella from India Infoline. Please go ahead.

Abhijeet Akella First, just to check last quarter we were talking about an expectation of somewhere around 10% growth in both CSM and domestic for this year. So post this quarter's performance would we like to revise that may be slightly lower or you think it is still achievable?

Rajnish Sarna Well, frankly it looks difficult sitting today while we have business on hand and everything is there but achieving 10% looks difficult although as I said, in exports there is business in hand to achieve annual 10% plus kind of growth and what will happen that this spill over to next quarter will certainly reflect in next quarter. Next means first quarter of next year but it as sitting today it looks difficult to achieve 10%.

So it would be I mean just put things in perspective it would be in single digit. I do not think it would be appropriate again to put a number and then come back. But what I am saying that the business is there, and it will reflect if you will see next two quarters you will understand that this 10% growth guideline that we had given is clearly reflecting this.

Abhijeet Akella And second, just on the new products just wanted to make sure I got all the numbers clearly. So you said that this year we have launched 5 - 6 new products this year so far in the domestic market, is that correct?

Rajnish Sarna Yes, 6 products.

Abhijeet Akella Six products in the domestic market and the pipeline for next year are also strong, how many are we planning to launch?

Rajnish Sarna I think we are certainly launching two to three products.

Abhijeet Akella and that would be in Kharif or Rabi?

Rajnish Sarna Yes, one odd product in Kharif and then couple of products in the second season.

Abhijeet Akella And in the CSM business, how many have we commercialized in FY18 and then what is the pipeline like for next year?

Rajnish Sarna So current year, so far in first three quarters we have already commercialized two products and we are currently commercializing two more products in the fourth quarter. Going forward there is quite a significant pipeline as of now in R&D and then scale up and there are more than 30-odd products and may be four to five of them are pretty advance stage. So we are hoping that at least three to four products should get commercialized next year as well.

Abhijeet Akella And in terms of the products that have performed encouragingly well you mentioned obviously Osheen and Vibrant among the slightly older launches but among these more recent launches over the last year or so any products you would like to name the ones that look most promising?

Rajnish Sarna Well, there are few of them. So like we had this Visma, we had this Header and these products have done well. We also had this Kovus which did good for us. These are two, three products out of these six because some of them were launched at a very later stage in season so frankly it is not very representative period also. But yes, basis that this is the first season for them they have done reasonably well these three, four products.

Abhijeet Akella And one last question, if I may. Just any update you could offer on your endeavor to grow larger in the Pharma and the specialty chemicals side?

Rajnish Sarna Yes, so our efforts continued in last quarter as well and again blessing in disguise we are seeing a dramatic turmoil of Pharma industry in last six, eight months or one year which has certainly kind of dramatically changed the valuations and outlook and all that. So that is the reason we thought it is better and in our interest to kind of go bit slow on that, is on one side.

Although the assessments and discussions continue, and on the other hand we have also got some interesting opportunities even in agchem on the table. So that is the reason that it is taking little more time. But we are hopeful that we will certainly get something out of this effort that we have put in last six, eight months.

Moderator Thank you. The next question is from the line of Bharat Shah from ASK Investments Managers. Please go ahead.

Bharat Shah You have mentioned that for the current year, you hope to have a single digit growth but for the 9M our topline is about kind of flat, little about a 1% down compared to last year. So therefore, the equation is if you have to do let us say even a 5% kind of a growth for the year in entirety, our domestic and international business CSM would have to grow about 20% to 25% in the fourth quarter. Is that what you think you are implying?

Rajnish Sarna Yes, so as I said the plan is there, the orders are there for even achieving whatever 25% - 30% kind of growth and we are expecting to do well in the fourth quarter. Now whether it will become 5% - 7% - 4% is something will depend on deliveries and other critical aspects. But what I can tell you is that yes, business is there and if it will not happen 7% - 5% it will couple of percent it may spill over to the next quarter. But business will happen.

Bharat Shah And secondly, rains have been little weak not just in the farms I think the numbers have also we have been deprived for a while. So can we assume FY18-19 finally will reflect normal years that we associate with PI in terms of the growth as well as the profitability?



Rajnish Sarna Yes, we do hope so.

Bharat Shah So drought should end now hopefully?

Rajnish Sarna Yes.

Moderator Thank you. The next question is from the line of Saurabh Jain from HSBC Securities. Please go ahead.

Saurabh Jain Again on the guidance. Correct me if I am wrong. We were guiding for about 15% kind of growth for FY19 and we just made a comment that on the export side you will not disclose the number in particular. So just want to know would we be able to end up around that number for the Company as a whole or I mean what is your take on that?

Rajnish Sarna So we are talking about FY19 you said?

Saurabh Jain Yes.

Rajnish Sarna So I am not sure 15% or 20% that what we have been giving guideline because generally we are giving guideline for one year. But yes, point is that yes we are seeing a good uptick in the exports as we have already discussed. For domestic also this is expected to be a reasonably good year given two, three factors that while there were uneven rainfalls but water reservoir situation in important areas is reasonably good. There are new product launches and many products have already been launched. So all these factors give us confidence that yes, FY2018-2019 should certainly be much better year.

Subhash Anand So for guidance is concerned for FY19, I think it is too early for us to spell out, may be next quarter may be a better quarter when we have much better visibility.

Saurabh Jain Also my second question is on the new products that you are launching in Q4. So I know that you would not be able to give a number to that. But how quickly can these products achieve their kind of reasonable potential like over next one year or two years you will see substantial chunk contributing to the revenue or how quickly can these really ramp up?

Rajnish Sarna Well, it varies from product to product. But generally, these new products actually in three to four years they kind of project a good size. But then at the same time there are few products that we are commercializing which are already at some stage in their growth and relatively they would certainly get a good size in earlier years may be in one or two years.

Moderator Thank you. The next question is from the line of Aditya Jhawar from Investec. Please go ahead.

Aditya Jhawar One small question. What should be the tax rate for FY18 and FY19?

Subhash Anand The tax rate we expect to be around 22% for FY18.

Aditya Jhawar And for FY19?

Subhash Anand It should be a similar range.



Moderator Thank you. The next question is a follow up from the line of Rohan Gupta from Edelweiss. Please go ahead.

Rohan Gupta Can you just share a little more detail about the new product launches which you are looking for next year I mean in terms of what crops they are targeting, which segments they are I mean herbicide, fungicides a little bit more detail about couple of products which are going to launch in Q4 and also which you are talking in next year?

Rajnish Sarna Couple of products that we are planning to launch next year are in wheat herbicide segment for example which is in the second season.

Rohan Gupta So both of them, two are from them are wheat herbicides?

Rajnish Sarna No, not two of them one of them is wheat herbicide.

Rohan Gupta So you are saying that you are planning to launch three products next year, one in Kharif and two in Rabi, right?

Rajnish Sarna Yes.

Rohan Gupta So one is a wheat herbicide?

Rajnish Sarna We are also kind of planning to launch one product in the rice segment again vegetables, rice these are the crops segments that we would be launching other two products.

Rohan Gupta This rice will be once again herbicide or the other category?

Rajnish Sarna No, insecticide.

Rohan Gupta And about the vegetable which you are talking about?

Rajnish Sarna Yes, again insecticide.

Rohan Gupta And these are the products that you have got from some of the global customers?

Rajnish Sarna Yes.

Rohan Gupta And they are under the 9(3) registration they are new products in the country?

Rajnish Sarna Not all of them but couple of them are new products and others are in 9(4) kind of registration.

Rohan Gupta Which one, rice and vegetables?

Rajnish Sarna Yes.

Rohan Gupta So rice and vegetables are more of a generic product, which are developed by you only?

- Rajnish Sarna** Yes, not generic products but yes, they are not 9(3) products. We will be able to share more details near the next year plan because again there are some sort of confidentiality attached to them as of now. But I am sure that by end of next quarter we would be already in the process of introducing them. So then we will be able to share more details.
- Rohan Gupta** And that two products which we have already launched this year in what segment they were and what category?
- Rajnish Sarna** So there are fungicides that we have launched, for example we have launched this year three fungicides we have launched.
- Rohan Gupta** And since it is already launched if you can share the detail about I mean the product name, brand?
- Rajnish Sarna** Yes, so Fender, Header, Visma you can find these details on our site but these are the products that we have launched this year. There is also Elite that we have launched this year. Visma that we have launched this year again a fungicide. Again another herbicide that we have launched is Kovus. We have also launched a plant nutrient this year. Some of these fungicides were again in rice segment.
- Moderator** Thank you. Ladies and gentlemen, with this I handover the floor back to the management for their closing comments. Over to you, sir.
- Management** Thanks everyone for showing interest in PI and we look forward to coming back and again having the next call after our March result. Thanks everyone.
- Moderator** Thank you very much, sir. Ladies and gentlemen, on behalf of PI Industries, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

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