

PI INDUSTRIES LIMITED

Udaipur

Speech delivered by the Chairman of the meeting at the 69th Annual General Meeting of PI Industries Limited held on 9th August 2016.

Ladies and Gentlemen,

On behalf of the Board of Directors of PI Industries, I have great pleasure in extending to all of you a warm welcome to the 69th Annual General Meeting of your Company. Thank you for your presence here today and for your continued support and goodwill.

I would like to begin with expressing our deepest appreciation and gratitude to Mr. Salil Singhal who decided to step down, having attained the age of 70 years from his position of Chairman and Managing Director and as a director of your Company.

Mr. Salil Singhal joined the Board in 1976 as Joint Managing Director and rose to become the longest serving Chairman and Managing Director. He transformed PI into the fastest growing highest value creating entity that it is today. Under his leadership PI established long standing relationships across its wide spectrum of stake holders with a reputation for trust, ethical standards and a passion for growth. PI is now a globally recognised company the agro chemicals sector and is also a well known brand amongst millions of Indian farmers.

At the unanimous request of your company's board, Mr. Singhal accepted to be designated Chairman Emeritus and to continue his invaluable association with your company. Consequently, Mr. Singhal's continued guidance and support will be available to your Company, which I am sure you would greatly appreciate. I would like to place on record your appreciation of the leadership and contribution made by Mr. Salil Singhal.

The directors' report and the audited results of the company for the year ended 31st March 2016 are with you. I would like to brief you on the progress made by your company during the year under review.

ECONOMIC AND INDUSTRY REVIEW

India continued to be a fast growing economy with its GDP growing at 7.6% in 2015-16. Various reforms, policies and measures initiated by the Government including efforts to bring about greater financial inclusion, subsidy reforms, infrastructure development, budgetary measures to boost farm sector and the proposed GST implementation are expected to reset the economy to a higher growth trajectory.

AGRICULTURE IN INDIA

Last couple of years have been hard for the agriculture sector with consecutive years of drought. Rate of growth in the farm sector was 1.2% during the year 2015-16, a slight rebound from the year before. Good monsoons during the kharif season and similar expectation for Rabi is expected to improve agriculture growth this year 2016-17.

Against the backdrop of economic growth there are many challenges for the sector. Despite being a country with second largest farm output, shrinking farmland contrasted with rising population, shifting food patterns and increased per capita consumption of farm produce is necessitating higher agricultural yields. Demand for better quality and higher nutritional food products are leading to a healthy shift in food consumption patterns. Keeping pace with demand requires a considerable shift in the way we farm and bring food to the table.

The Government has been rightfully focusing on several measures to boost farm sector with soil health card schemes, direct credit of subsidies, crop insurance, corpus for special irrigation fund, sustainable ground water management, unified agricultural marketing e-platforms, etc. Your Company plays an active role in bringing about adoption of modern agronomic practices including providing effective and affordable crop protection and nutrition solutions. Your Company with decades of experience in understanding farming requirements, is focused on bringing in right products, combining them with new delivery modes, to reach farmers through its efficient distribution network.

GLOBAL AGRICULTURAL SECTOR

Globally, the macro-economic environment is delicately poised. The global crop protection industry witnessed a sharp decline in growth last year. Various factors like adverse weather conditions, rainfall deficit, higher channel inventory, pressure on commodity prices, currency fluctuations adversely impacted the industry.

Last year also witnessed increased M&A activities and significant consolidation of large industry players across the globe, increased emphasis on greening, rationalization of chemical operators in China. The need for more comprehensive offering to support the need of global players is also emerging as a strong trend. PI's plans are on similar lines spanning from research to final formulation increasingly encompassing all capabilities across the value chain in agri-life sciences.

PERFORMANCE

ECONOMIC CONTRIBUTION:

Your company's goal is to provide sustainable growth and to continue enhancing shareholder value. Your Company's strategy, a sustainable business model combined with sharp focus and execution excellence has resulted in its impressive CAGR of Net Revenue 24%, Net Earnings 33%, and Net Worth 38% over the last 5 years.

For the fiscal year 2015-16, your company achieved Net Revenue of Rs.2097 crores recording a growth of 8% over the previous year with net income growing by 29% at Rs.313 crores. This is a stellar performance against a backdrop of marginal growth in the domestic crop protection industry and a sharp decline in growth witnessed globally. I am glad to inform you that your Company has outperformed the market in the financial year 2015-16.

The earnings per share increased to Rs.22.9 in 2015-16 from Rs.17.8 in 2014-15.

DIVIDEND

The Board declared two interim dividends in the financial year 2015-16 aggregating to Rs. 3.10 per share carrying a face value of Re. 1/- each. This is higher by 24% compared to the prior year.

NEW PRODUCT DEVELOPMENT

Your company continued its focus on introduction of 2 to 3 new products in the domestic and global markets. During the year, your company launched 3 new products; Vibrant, a new granular rice insecticide, BioVita X, a plant nutrient in granular form and Perido, a broad spectrum fungicide. All products have received strong encouraging response. Also, Your company successfully commercialised 3 new high potential molecules for its global customers' requirements.

INFRASTRUCTURE DEVELOPMENT

Your company continued to invest in expanding its capacities, infrastructure and technology in the areas of manufacturing, distribution, and Research & Development. During the year, 2 new best in class Multi Purpose Plants were commissioned at Jambusar. A state of the art research centre was established with a view to enhance creation of IP in the areas of process, new formulations, etc. The technology deployed in creation of these facilities has brought about the highest level of automation, safety and efficiency.

ENVIRONMENTAL & SOCIAL CONTRIBUTION:

Your company, in addition to delivering high financial performance cares for the environment and society. This is evident from the accolades it has received including Responsible Care Certification and the Golden Peacock Award for Environment Compliance during the year. Your company continues to focus on measures to reduce its carbon foot print, energy conservation, water recycling, waste reduction and other initiatives. PI's Corporate Social Responsibility programs have brought about positive impact on the lives of farmers and helped people living near the Company's plant locations deal with the resultant expanding economic opportunities.

Following an awareness creation program many farmers adopted Direct Seeded Rice (DSR) Technology in over 600,000 hectares, leading to an annual saving of over 130,000 crore litres of water. In addition, several skill development programs targeted to provide employment to rural youth have been undertaken. Focussed efforts around education, health & hygiene, preventive healthcare and women's empowerment are other notable initiatives.

FUTURE OUTLOOK

The long term outlook continues to be quite positive, despite many challenges in domestic and global economies. India is likely to remain one of the fastest growing economies with the World Bank estimating growth of 7.6% during 2016-17.

The global consolidation in agri sector, heightened emphasis on better environment management, an influx of biologicals, and many other changes in the industry provide a number of opportunities to your company.

PI's deep and long association with the Indian agri sector, its farmer connect, regulatory capabilities, global relationships, knowledge of new and emerging chemistry, strong R&D, highly efficient manufacturing, and more, puts it in a vantage position of being able to address opportunities across the agri sciences value chain and even beyond.

The enormous leverage with an integrated approach and carefully chosen strategic alliances and partnerships, I believe is the way forward to provide innovative solutions to PI's customers and continue to build its leadership position.

Driven by Passion, ignited by Imagination, an entrepreneurial culture, intellectual curiosity, excellence in delivery are the key strengths your company will continue to apply to build a strong and formidable institution in the years to come.

BOARD CONSTITUTION

Let me briefly take you through couple of changes in the constitution of our Board of Directors. Mr. Anurag Surana, non-independent director of the Board had resigned from the Board in May 2016 due to personal reasons and I would like to place on record my appreciation for his contributions.

Mr Ravi Narain, a co-founder of National Stock Exchange of India (NSE) in 1994 and its Managing Director and CEO till 2013, currently its Non-executive Vice Chairman and in addition who serves as a director on the board of several prominent companies like National Securities Clearing Corporation Ltd, NSDL e-Governance Infrastructure Ltd, National Securities Depository Ltd, National Commodity & Derivatives Exchange Ltd, etc. is sought to be inducted as an Independent director of the board. With his vast experience of the capital markets, your company's aim is to set new benchmarks in governance. With your permission I take the liberty to extend Ravi Narian a warm welcome to PI.

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, the farming community, our global customer for the confidence reposed by them in the organization

I would also like to thank my colleagues on the Board for their unflinching dedication to the prosperity of the company and valuable guidance to the Company's management.

I am confident that we are on a journey to build a strong, enduring and sustainable business. I look forward to your continuous support and trust in building the Institution of PI.

Thank you.

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