PI Industries Limited

Q2 & H1 FY2017 Earnings Conference Call Transcript
11.30am IST on October 27, 2016

Moderator: Ladies and gentlemen, good day and welcome to Q2 & H1 FY17 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Siddharth Rangnekar from CDR India. Thank you and over to you, Mr. Rangnekar.

Siddharth Rangnekar: Good morning everyone and welcome to PI Industries Limited's Q2 & H1 FY17 Earnings Conference Call. Today, we are joined by senior members of the management team including Mr. Mayank Singhal – Managing Director & CEO, Mr. Rajnish Sarna – Executive Director and Ms. Jayashree Satagopan– Chief Financial Officer.

We will begin the call with opening remarks from the management following which we will have an interactive question-and-answer session. Before we begin, I would like to caution that certain statements made on today's call may be forward-looking in nature and a disclaimer to this effect has been included in the results release which was sent to you earlier. The company does not undertake to update them publicly.

I would now like to request Mr. Mayank Singhal to take us through his perspectives on PI's performance during the quarter and the half-year ended September 30, 2016 and discuss the opportunities that lie ahead. Thank you and over to you, sir.

Mayank Singhal: Thank you Siddharth and I thank CDR India for hosting this event as usual and a warm welcome to all the participants. I am sure that you have received and gone through yet another strong set of financial results reflecting revenue growth of 17% during H1 FY17, with EBITDA margin at 23.4%. In Q2 FY17 Revenue grew by 20% and EBITDA margins were at 22.4%.

Our company is recognized for our capability in providing innovative solutions across the agri sciences value chain backed by our deep rooted partnerships with the global industry majors and customers. Through this approach while on the one hand we are fulfilling requirements of the domestic market that is seeking to enhance farm productivity, on the other we are leveraging our capabilities backed by strong technical skills providing a comprehensive and unique offering to our global partners.

The domestic market has witnessed better monsoons compared to the last couple of years. However, the delayed onset, uneven distribution of rainfall coupled with lower pest infestations have affected the anticipated growth. There was price pressure in the market due to higher level of channel inventory and the company focused on strategic products and operating margins. The series of novel products that we have introduced in the past 2-3 years are gaining momentum.

On the exports front, we continue to maintain growth. Our newly commissioned additional capacities at Jambusar SEZ is progressively ramping up to plan. The inherent flexibility and scalability of our model was expressed in the form of increased revenues during Q2 FY17, as we advanced our schedules to meet customer requirements.

Our philosophy of carefully selecting and adopting a rich product mix, leveraging the state of the art infrastructure and positioning our strong brands are yielding enhanced returns.

We have so far during the year introduced 3 interesting products and are well on track to further introduce new products from our rich pipeline in the balance of the year.

We are looking a moderate H2 FY17 chiefly owing to advancement of supplies made to global customers in the first half and the relative outlook of the global agrochemicals industry. The Rabi season is expected to be favorable and factors such as performance of monsoon and pest infestation will be key for domestic activity.

With that I would request our CFO – Ms. Jayashree Satagopan to continue by sharing her perspectives on the financial achievements made during the period.

Jayashree Satagopan: Thank you Mayank. Good morning and welcome to PI Industries Earnings Conference Call. I will take you through the financial performance of the Company for the quarter and half-year ended 30th September, 2016.

In H1 of fiscal year 2017, total revenues grew by 17% to Rs. 1,255 crore adjusted for IND AS requirements. Improved product mix and operating leverage from progressive ramping up of new capacities helped the margins, EBITDA stood at Rs. 294 crore, higher by 35% Y-o-Y, whereas EBITDA margin improved by 300 bps to 23.4%. Profit after tax came in at Rs. 228 crore, up by 60%, primarily on account from higher exports from Jambusar SEZ.

During Q2 of fiscal year 2017, revenues stood at Rs. 572 crore, higher by 20%, while EBITDA came in at Rs. 128 crore. EBITDA margin expanded to 22.4% and Profit After Tax grew to Rs. 101 crore. Healthy performance in FY17 thus far has contributed to robust operating cash flows strengthening the balance sheet position substantially.

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

Moderator Thank you. We will now begin with the question-and-answer session. We take the first question from the line of Ritesh Gupta from Ambit Investment Advisors Pvt. Ltd. Please go ahead.

Ritesh Gupta: My first question is, could you split between the domestic and the CSM growth for the quarter? And my second question is, is there any moderation in the guidance for the full year FY17?

Jayashree Satagopan: So the breakup for the revenues in quarter 2. Exports was about Rs. 316 crore and domestic about Rs. 256 crore.

Ritesh Gupta: And what will be the number for the base quarter I mean that Q2 FY16?

Jayashree Satagopan: Q2 FY16 was Rs. 211 crore for exports and Rs. 265 crore for domestic.

Ritesh Gupta: And on the full year guidance of 18% to 20% is there a moderation because you have done like 19% in first half and probably you all guiding for a moderation in second half. So is there any change in the revenue guidance for second half?

Mayank Singhal: Yes, we have said it will be moderately guided because looking at a global Agchem outlook, we are looking at something around 15%.

Ritesh Gupta: But you maintain your CSM to be around 17%-18% or would that be also around 15%?

Mayank Singhal: We are looking at about that 15% in the CSM, yes.

Ritesh Gupta: And Sir, on the outlook for agrochemical market if you could just give some qualitative comments on how the market is looking like and when do you see the recovery to happen in CSM side?

Mayank Singhal: If you look at the global markets as you would see the commodity prices and some of the key crops and also looking at weather condition across the world in the last couple of years has not been very conducive for the Agchem consumption. And if you can look at the global reporting of global companies over the last year they have actually reported zero or negative growth. But this as you know Agchem is a cyclical industry and every two to three years see this cycle and I definitely see over 2017 going into 2018, more into 2018 I would say we would see this market pick back on in the Agchem consumption pattern and crop commodity prices and all changing as if one was to look at the trend. So definitely this is going to have a positive impact to the way one would look at business going into the future.

Ritesh Gupta: Any change in your order book as of now?

Mayank Singhal: No, our order book is broadly there. We have got $800 million of the order book position which is maintained and into this year, the schedules and timings will be conferred time-to-time.

Moderator: Thank you. We take the next question from the line of Abhijit Akella from IIFL. Please go ahead.

Abhijit Akella: First, just regarding the revenue split if you will be so kind as to give the split for 1H also that will be really great? 1H of this year versus 1H last year between domestic and exports?

Jayashree Satagopan: So for this year exports is about Rs. 656 crore and domestic about Rs. 599 crore. Corresponding figures for last year; exports was Rs. 495 crore and domestic at Rs. 573 crore.

Abhijit Akella: And from what I read from your guidance for the full year you are basically expecting 15% growth for the overall company with similar growth for both domestic as well as exports?

Rajnish Sarna: Yes.

Abhijit Akella: And then the second just on the other income which was pretty high this quarter as well as last quarter. Are there any foreign exchange gains included within that? So that is one.

Jayashree Satagopan: So the other income is on account of some of the credits that we get primarily for exports. So that is what it is. We have the MEIS schemes the duty drawbacks that come in. Those are the other incomes that are getting reported.

Abhijit Akella: Okay so this kind of run rate is susintable going forward is it on a quarterly basis?

Jayashree Satagopan: Yes, from last year if you see the government has announced an MEIS scheme for which we can take benefits.

Mayank Singhal: Sorry, I did not get your question. What you meant by run rate in terms of?

Abhijit Akella: So the other income this quarter was about Rs. 13 crore versus last year was just Rs. 4 crore in the corresponding quarter. And similarly in 1Q it was Rs. 11 crore versus just Rs. 4.5 crore in the corresponding quarter last year. So it seems like there has been a substantial step up in the quarterly run rate of other income. I was just trying to understand if we can assume that this kind of higher run rate will sustain going forward?

Jayashree Satagopan: You should look at the whole of last year, Abhijit, we had about a Rs. 20 crore of other operating income. And this is primarily available on some of our export operations. This is the new scheme that was announced by the government last year. So we will continue to get benefits on our exports, as long as the scheme is available.

Abhijit Akella: Right, but we have already done Rs. 25 crore in the first half now versus Rs. 20 crore last year?

Jayashree Satagopan: So we have about Rs. 14 crore, you are talking about the other operating income, right?

Abhijit Akella: No, just the other income which is below the operating profit line?

Jayashree Satagopan: Okay the other income constitutes of interest income and FX gains.

Abhijit Akella: Okay, sorry that is what I was asking about. So are there any significant FX gains that have boosted other income in 1Q and 2Q this year?

Jayashree Satagopan: I think there is some FX gain which is related to last year. This year we have also had investable surplus which has yielded us interest income.

Abhijit Akella: The tax rate was again very low this quarter. So what is your expectation for the full year this year and then for FY18?

Jayashree Satagopan: I think for the full year, based on our current forecast, we think we should be around 18%-odd that is what we are expecting for the effective tax rate. For next year we estimate it around 22% because some of the benefits on SEZ which is 100% during the first five years will become 50% from next year onwards.

Moderator: Thank you. We take the next question from the line of Ashish Naik from Axis Mutual Fund. Please go ahead.

Ashish Naik: In terms of on the CSM business, just wanted to understand although we have kept the guidance of FY17 at about 15% levels, could you highlight in terms of the next year FY18 how is the pipeline looking? And also in terms of Jambusar facility what are the utilization levels currently and the CAPEX that would be required going forward?

Rajnish Sarna: Yes so, we have a very good pipeline in R&D, almost 20 to 22 products at any given point that we are working in R&D at different stages and several of these products are progressing well, well-slated to be commercialized in the second half this year and also next year. So we have a good visibility of 15% to 20% kind of growth to sustain for next several years. As far as Jambusar new facilities that you are asking, yes, the scale up has happened this year and the major growth in this first half has been contributed from Jambusar facilities and that will continue to kind of scale up as we progress.

Ashish Naik: And the second question was on the initiatives on the pharma side. We have mentioned that about couple of quarters earlier. So if you could update in what is the status in terms of the facility and also on the products when should we start expecting revenues flowing through?

Rajnish Sarna: Yes, so we are very actively evaluating couple of options in that space. We had started with one and then we got couple of other interesting options there. So currently at this point we are very actively evaluating these options and may be in the next couple of months we will be in the next phase of diligence and then kind of taking the next step.

Ashish Naik: So in terms of size of the facilities in terms of versus let us say our current business, how big can the pharma business be expected to let us say in two, three years down the line?

Rajnish Sarna: Well, it would be too premature I would say at this stage to comment on that. Because we are currently evaluating and frankly speaking we are not in a hurry to just for the sake of some inorganic initiative. We do not want to rush this. So we are very actively evaluating these options and till we decide on these options it would be very speculative to comment on the size and what will be the revenues and all in the next couple of years.

Ashish Naik: And just one thing on the domestic side. Have we started seeing any sort of competition on Nominee and how is the product has done in the current season because obviously there are couple of generics that had launched during the season?

Rajnish Sarna: So Nominee is doing fine. I mean we also got reasonable growth this year with the introduction of these generics, we believe that the market has expanded. So to that extent it has not impacted the Nominee growth and volumes. So the market itself has grown in this season that we have seen.

Mayank Singhal: And in the consumer mindset Nominee still remains the premium brand offering quality solutions.

Ashish Naik: And sir, other products that we have been always speaking about, if you can just highlight how is the performance been for the season?

Mayank Singhal: When the other products introduced as you know they are in the introductory phase so it is more about evaluation and experimenting. I think they continue to perform well. Obviously, the seasonal inadequacies have been there. But I do believe that going into future we will have a good run on in these products coming in the next two seasons.

Ashish Naik: Actually I also meant in terms of the other recent launches in terms of what we have been talking about. Legacy for example and then Osheen, Keefun, Vibrant, just a bit on how these products have performed in the quarter?

Mayank Singhal: Well, they have been as per expectation, as I would put. Obviously seasonal challenges have created certain challenges in the overall expectation of the delivery but in terms of performance and in terms of growth we are very satisfied as an organization I would say.

Ashish Naik: So the de-growth that we have seen during the quarter could be attributed to the older products that we have or would it be a question of inventory that we had added in the first quarter?

Mayank Singhal: Well, if you look at the overall industry there is a lot of channel inventory for lot of the generic products. So the company focused in looking at enhancing operating profits and focusing on strategic products rather than just chasing the revenue and dollars. In the H2 if the season goes well, we will see some positive impacts coming up.

Moderator: Thank you. We take the next question from the line of Alok Rawat from Karma Management Advisory Services Pvt. Ltd. Please go ahead.

Alok Rawat: Two questions. One, can you talk about the joint venture with Mitsui I believe for the registration of new products and if what kind of progress that has made? And secondly the CAPEX guidance for this year?

Rajnish Sarna: Yes, so Mitsui joint venture we are currently discussing rather progressing on two or three new molecules. We are discussing and deciding on the development plans. And very soon we will be kind of initiating the bio efficacy and other studies in India and then gradually these products will be progressing for registration in next couple of years.

Alok Rawat: And for on the CAPEX, sir?

Rajnish Sarna: The CAPEX Jayashree, if you can.

Jayashree Satagopan: CAPEX by end of the year we should expect somewhere between Rs. 150 crore to Rs. 200 crore of capitalization.

Moderator: Thank you. We take the next question from the line of Ajit Motwani from Bharti AXA Life Insurance Co. Ltd. Please go ahead.

Ajit Motwani: Sir, my question was on this margin side this quarter we have seen 500 bps expansion and also healthy amount of EBITDA margin expansion. So I just wanted to know, it is the effect of the mix in the business or also the fact that as you move more towards Jambusar facility the efficiencies there are far better and hence these margins are sustainable?

Rajnish Sarna: Well, these margins represent the product mix both in domestic and export markets. So we certainly cannot attribute these uptick in margins to Jambusar. But yes, some impact on effective tax rates is surely attributed to SEZ facilities. But otherwise this is attributable to the product mix what we had in this first half. Going forward as you can understand like these seasons have different product sets. So yes, while this may not be sustainable as it is but Yes, I mean our margins will surely remain healthy given the kind of overall product mix that we have in both set of markets.

Ajit Motwani: In the first half you have seen roughly about 300 bps expansion in margin and I guess your initial guidance was about 100 bps expansion for the year. So just wanted to know that with 1H being already 300 bps is there upside to that guidance on margins?

Rajnish Sarna: Certainly I will certainly not suggest that upside. I mean as I said these margins are representing the product mix. So in first half you have certain set of product mix in the other half the second half you will have the other set of products which may have little lesser margins. So we would still be able to achieve 150 to 200 kind of bps of improvement. Of course but certainly not 300 bps. I do not think that would be sustainable.

Ajit Motwani: So for the full year you are saying 150 to 200 bps is certainly possible on the year-on-year basis?

Jayashree Satagopan: I think 150 to 200 bps is something that we could look for.

Ajit Motwani: And then sorry I missed the initial remarks. You are saying that the full year revenues will be around 15% growth which I guess earlier was around 18% to 20%. Now this moderation is led by your outlook on the CSM business or is that you do not see the domestic picking up that way?

Jayashree Satagopan: I think it is a combination of both. We expect by end of the year both the business should be around 15% in terms of growth.

Moderator: Thank you. We take the next question from the line of Hardik Bora from Union KBC Asset Company Limited. Please go ahead.

Hardik Bora: Just clarification on the CAPEX front. You said Rs. 150 crore to Rs. 200 crore of capitalization, right for the year? How much of the CAPEX expectation for the year is Rs. 150 crore to Rs. 200 crore capitalization, right?

Jayashree Satagopan: Yes.

Hardik Bora: So what is the cash outgo as such? Just wanted to understand that.

Jayashree Satagopan: The cash outflow could be around Rs. 200 crore.

Hardik Bora: And I missed that, what is the capacity utilization at Jambusar?

Jayashree Satagopan: These are all multipurpose plants.

Rajnish Sarna: But it is around 75% at this point in time.

Hardik Bora: Our final part just harping on the revenue guidance again. So the moderation that you are expecting in this CSM segment the third quarter and fourth quarter of financial year 2016 also had relatively tepid growth. So can one assume that this would lead to faster than expected growth in FY18 some of the spill over will go to next year on the CSM part?

Jayashree Satagopan: This all depends upon how the global agrochemical industry is going to recover. As we indicated earlier we are seeing a slowdown. We witnessed not so healthy performance last year and it is slowly picking up. So it depends upon how the global scenario is.

Moderator: Thank you. We take the next question from the line of Chirag Dagli from HDFC Asset Management Co. Ltd. Please go ahead.

Chirag Dagli: Sir, did you indicate that Nominee Gold in the current season has actually grown YoY?

Mayank Singhal: In volume metric tons and yes, it has grown.

Chirag Dagli: And secondly sir, in terms of your full year growth 15%, the ask in the second half for the India business is 13% which is are you building in some sort of conservatism in your guidance is there something specific that you are seeing? Because rabi is expected to be like a reasonably good season?

Rajnish Sarna: Yes, so definite rabi is expected to be season and as you would see there is good water in the reservoir in certain parts but certain parts of the country has still a bit on the end like Tamil Nadu which is yet to get a delayed monsoon. And therefore we do expect rabi to be good and the only dependent and how overall the monsoon reacts.

Chirag Dagli: And then similarly sir, on the custom synthesis business again building in sort of 15% means that in the second half the custom synthesis business will broadly be flat to may be 3%, 4% kind of growth. So again similarly are you building in some sort of buffer in here?

Rajnish Sarna: Certainly not, no buffer. We are trying to be realistic and do not want to give a kind of surprise. So basically the idea is to understand the current global situation and factor in.

Moderator: Thank you. We take the next question from the line of Atul Tiwari from Citi Research. Please go ahead.

Atul Tiwari: Sir, just one question. For full year FY16 if you could share the break up between exports and domestic That is the only question I have.

Jayashree Satagopan: Full year FY16 is it?

Atul Tiwari: Yes.

Jayashree Satagopan: Rs. 1,274 crore in exports and Rs. 923 crore in the domestic market.

Moderator: Thank you. We take the next question from the line of Chetan Thacker from ASK Investment Managers. Please go ahead.

Chetan Thacker: Sir, just wanted to reconfirm the CSM order book number at the end of the quarter?

Rajnish Sarna: Around $800 million.

Chetan Thacker: And it is down from $850 million because of execution?

Rajnish Sarna: Yes.

Chetan Thacker: And on the nominee side have you reduced prices?

Rajnish Sarna: Yes, marginally.

Chetan Thacker: What would be the extent that how lower is the competition right now in pricing?

Rajnish Sarna: Well, I said it is a competitive intelligence which I would not like to put it down on a public forum.

Moderator: Thank you. We take the next question from the line of Chintan Modi from Motilal Oswal Securities Limited. Please go ahead.

Chintan Modi: Your guidance for CSM of 15% for the full year and while you have done 32% growth in the end of 1H. But if I look at your commentary and the press release it is mentioned that inventory situation is slowly getting adjusted to newer levels. So, I would like to understand what is happening globally and if you can detail a little bit more on why such a moderation in the guidance for the second half or for the full year?

Rajnish Sarna: As we explained earlier the global situation if you see the commodity prices are still at a lower end although in last few months they are improving but it is still if you see a longer horizon say three to five years the commodity prices are at lowest and the channel inventory is also at peak although it has reduced due to certain initiatives taken by these global companies in last one year. But it is still at a pretty high level. Besides this there are currency headwinds and there are so many factors which are playing. So just for last one, one-and-a-half years, two years it is also reflecting in the performance of these global majors. Things have started improving gradually. But it takes its own time. It will take may be another nine months to one year to get normalized at their end. For us it varies from product-to-product. In certain products as we have explained we had to even advance these schedules to meet their demands. And in some other products the situation would be slightly different where the supplies may get little deferred. So overall this is the reason that we have kind of factored in that situation and moderated our projection for the second half.

Chintan Modi: And next is on the margin side. Large part of improvement in the margins we can see it on the gross margin front. So, is it purely because of the mix or is it also because as you have highlighted the commodity prices are at the low it also gives you a benefit on the raw material side?

Jayashree Satagopan: This is mostly on account of mix. While there has been some benefit that comes on raw material but primarily on account of a healthy product mix.

Moderator: Thank you. We take the next question from the line of Karthikeyan from Suyash Advisors. Please go ahead.

Karthikeyan: I had two questions. One relating to the custom synthesis business. Mr. Sarna guided for a 15% to 20% growth based on the pipeline that is available for several years. Wanted to understand what would be the impact of the consolidation happening in the agrochemical space? On this particularly given that China may become an important player in the overall scheme of things. So, your thoughts on that please?

Rajnish Sarna: We believe that in general this consolidation will help us in a kind of further sustaining this kind of growth. Because this will provide more opportunities for these large companies to look out for some more outsourcing. So, I guess this will help us in a way to looked at more opportunities and since we already have deep relationships and partnerships with these large companies I believe that this will only help us in terms of further strengthening our partnership and also going deep into some other products.

Karthikeyan: How would China's behavior basically would you have some thoughts on that? How would Chinese behavior be assuming the Syngenta deal goes through and how exactly would that impact? Would there be a change in the location based sourcing that happens?

Rajnish Sarna: Well, yes for that specific company yes, maybe not in short term but eventually lot of manufacturing will get centered from China. But at the same time as you would be aware that the situation of chemical industry in China is more and more becoming challenging because of environment, because of cost rise and so many other factors. And in general, again there are so many opportunities coming for Indian chemical industry over the last one, one-and-a-year and you must be seeing this reflecting in the growth of many other even bulk chemical industry apart from a specialized chemical industry even in bulk chemical industry there are companies doing very well. Just because of this sector that Chinese chemical industry is undergoing certain or some sort of challenges at this point.

Karthikeyan: The second question that I had was on the domestic portfolio that you have. While lot of focus is on Nominee Gold and therefore your thoughts center around that. Would you be able to give us some sense of how the next five products in the portfolio are doing in terms of revenue contribution and what has been the movement you have seen over a period of time? And say over a two-year time frame how do you see those products evolving so one is able to think beyond Nominee Gold?

Mayank Singhal: Of course, you know that we have got two to three new products; Osheen, Vibrant these are some of the products that we have been already launched. That coming up in the initial phases what is called the introductory phase. And going in next two, three years they will be a substantial part of the revenue mix of the company.

Karthikeyan: It would help if you can quantify sir so we are able to have some kind of an anchor in order to think about the way the portfolio evolves?

Mayank Singhal: I would like to keep that as a part of our business. We can probably discuss this offline.

Moderator: Thank you. We take the next question from the line of Natasha Agarwal from CRISIL Research. Please go ahead.

Natasha Agarwal: Sir, my first question is from our ground sources we have understood that this year the pest infestation has been low and therefore the pesticides sale has reduced compared to a good normal year. So, sir, I wanted to specifically know which segment in the pesticides have not done well whether it is in insecticide or herbicide, which one exactly?

Mayank Singhal: Well, there has been a couple of areas. Insecticides is the primary area. In terms of herbicides, some of the excess water conditions in some part of the country have reduced the consumption pattern of the herbicides. So, these are the two areas which has got impacted. The fungicide segment is still to play a role in the coming year.

Natasha Agarwal: And sir, my second question is do we see any more tie-ups happening with international player to launch products in cotton and other crops so as to reduce the concentration of rice?

Mayank Singhal: Definitely we have products in the cotton. We have products in the horticulture area. Those are two areas that we are focusing on. So, it is just not only rice.

Rajnish Sarna: And that will certainly remain focus area for us. We will be continuously building these relationships. There are some joint ventures with Mitsui is only in that direction.

Natasha Agarwal: And sir, my last question has how is Nominee Gold done in the Eastern India specifically in West Bengal, Jharkhand and Orissa as compared to the Northern parts of India?

Mayank Singhal: The product is performing overall not too bad all across the country.

Moderator: Thank you. We take the next question from the line of Rohan Gupta from Emkay Global financial Services Ltd. Please go ahead.

Rohan Gupta: Ma'am, just first in domestic market in the first half 5% growth which you have mentioned can you split it between volume and price because I understand that there has been some price drop in nominee gold has happened. So, what would have been the volume growth for first half in domestic?

Mayank Singhal: Well, at the moment I do not have the figures on hand. So it is not been something which I can answer to you specifically. But you can definitely get later from us.

Rohan Gupta: Sir, second you are still guiding for a similar growth in both the businesses in full year. It means that second half domestic business you expect it to do much better than what it has done in the first half. And what will it lead to because we have seen a very strong or very good monsoon so far in the first half and kharif price has been pretty much benefited from that. And our product portfolio is not very heavy on a second half of Rabi crop. So what will lead to significant growth in the second half in domestic business?

Rajnish Sarna: Well, it is I would say the second half we have a very strong product portfolio for the second season. And as we have mentioned yourself that the rabi season is looking good. So that is definitely going to give us some positive outlook.

Rohan Gupta: But sir, we have seen pretty decent first half also I mean kharif crop also has been pretty good in terms of monsoon except may be one month of slow down or something?

Rajnish Sarna: Yes, and you would have seen in the pest infestation where the patterns have been a bit erratic all the crops have been good. You are right.

Rohan Gupta: Sir, second though you mentioned that globally there are challenges in agrochemicals market and with the high inventory in the global market. Despite that we have done almost 35% growth in our CSM business. If the global inventories were high and the challenges were still there then what actually lead to this kind of growth? Whether when inventories in the global market was already high then you would have got an order or this is led by some new products which we have launched that has driven this kind of growth of 35% in CSM in first half only?

Rajnish Sarna: Yes, so you are right. You see as I explained the situation vary from product-to-product. So, for certain products we had to even advance the supplies. And for several other products the inventory situation is tight and therefore there might be deferment of supply. So, it varies from product-to-product.

Rohan Gupta: So, it was primarily product specific only and the product which we supply in second half you will see that are facing pressure in a global market that is why you are giving a grim outlook for second half, is that a right interpretation?

Rajnish Sarna: Yes, in general yes.

Rohan Gupta: Sir, is it also to do some market specific like our second half is good for generally in global markets North America see a very strong second half and you are seeing high inventory in the North America that can lead to lower growth in our H2 number, is something to do with that?

Rajnish Sarna: No, I think this is not the situation. As I said the situation varies from product-to-product.

Rohan Gupta: So, it is a purely product specific?

Rajnish Sarna: Yes.

Rohan Gupta: Not the region specific?

Rajnish Sarna: No.

Moderator: Thank you. We take the next question from the line of Alok Deshpande from HSBC Securities & Capital Markets (India) Pvt. Ltd. Please go ahead.

Alok Deshpande: My question was on the CSM and even if you are able to give broad answer it is okay. So, of the all the 20 molecules that we have commercialized or all the CSM business, is it possible to share which are the one or two top regions to which these products are more aligned to? Is it Latin America or is it Europe?

Rajnish Sarna: Generally, we do not answer these specific questions. But I can only tell you that we are not focusing or I mean these products are not targeted to one specific region. The companies and these products that we are supplying are global products and they are being supplied in different markets in various regions.

Alok Deshpande: So, sir, fair to assume that our top 5 or top 6 products in CSM are all global products?

Rajnish Sarna: Yes, certainly. Our 100% of products.

Alok Deshpande: And sir, just one clarification if I missed the earlier part. The guidance for the domestic business is 15% for the whole year you said?

Jayashree Satagopan: Yes, around 15%.

Alok Deshpande: So it will have to do something like 25% to 30% in the second half, is that a fair assumption?

Jayashree Satagopan: The first half is about 5% so we have to hit a 15% whatever it comes at.

Moderator: Thank you. We take the next question from the line of Abhijit Akella from IIFL. Please go ahead.

Abhijit Akella: Just one question regarding price cuts in Nominee that we have talked about. So have we taken any measures to cut the cost base? I mean as we sort of started manufacturing the product in India or are there any plans to start doing so in order to protect the margins?

Mayank Singhal: Well, we have different strategies in place and we were managing that accordingly.

Abhijit Akella: So basically we should not expect any significant deviation in the margin, is that your expectation?

Mayank Singhal: I mean I am not going to comment on this. This we would understand it is highly competitive strategic space. So we are working strategically to ensure that we can maximize our margins, yes.

Moderator: Thank you. We take the next question from the line of Ritesh Gupta from Ambit Investment Advisors Pvt. Ltd. Please go ahead.

Ritesh Gupta: Jayashree, just one question on the tax rates. So you said that the tax rates will increase next year because of one of the plants going out of 100% exemption to a 50% exemption. So is it that every plant has its own 5 year period or is it like the whole Jambusar facility has that 5 year period and the Jambusar facility moves out of 100% tax rebate in next year?

Jayashree Satagopan: This is facility specific so the Jambusar SEZ will be moving from a 100% bracket to 50% bracket.

Ritesh Gupta: So all your plants will move from 100% to 50%?

Jayashree Satagopan: Yes.

Moderator: Thank you. We take the next question from the line of Chirag Dagli from HDFC Asset Management Co. Ltd. Please go ahead.

Chirag Dagli: Sir, how different are the margins in the two businesses? If you could give some qualitative color is fine, sir? I am not looking for a number.

Rajnish Sarna: As you would know that we never talk about these as two different businesses or we are not making accounts or profitability separately. And they are so integrated. That it is not possible to kind of answer your question accurately.

Moderator: Thank you. That was the last question. I now hand the conference over to the management for their closing comments.

Mayank Singhal: So thank you very much to everybody to coming on to this conference call. We really appreciate all your support and look forward to a good season coming into the future. Thank you.

Moderator: Thank you. On behalf of PI Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.