



Inspired by Science



**PI Industries Ltd.
Investor Presentation
May, 2015**

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Introduction To PI Industries

PI Industries: Overview

Overview

- Incorporated in 1947, PI Industries Limited is an Agri Input and Custom Synthesis & Manufacturing company in India
- Multi-locational manufacturing facilities, including Jambusar SEZ
- Equipped with R&D facilities, accredited for GLP and 'Norms on OECD Principles' by (NGCMA), in Udaipur
- Pan-India presence through a vast distribution network with over 10,000 distributors
- 3 subsidiaries, including PI Japan that carries out marketing activities and PI Life Science which is focused on only custom synthesis services without manufacturing
- Strong Financial Growth with a Revenue CAGR of ~28% from FY11 to FY15

Integrated entity with a non-compete approach driven by respect for intellectual property

AGRI INPUT

- Agri input products offered include agro chemicals, specialty fertilizers and plant nutrients under our own brands under the following models:
- In-licensing of newly launched / patented molecules by innovators
- Manufacture and marketing of branded generic agri input products
- Selectively partnering with multinationals for co-marketing

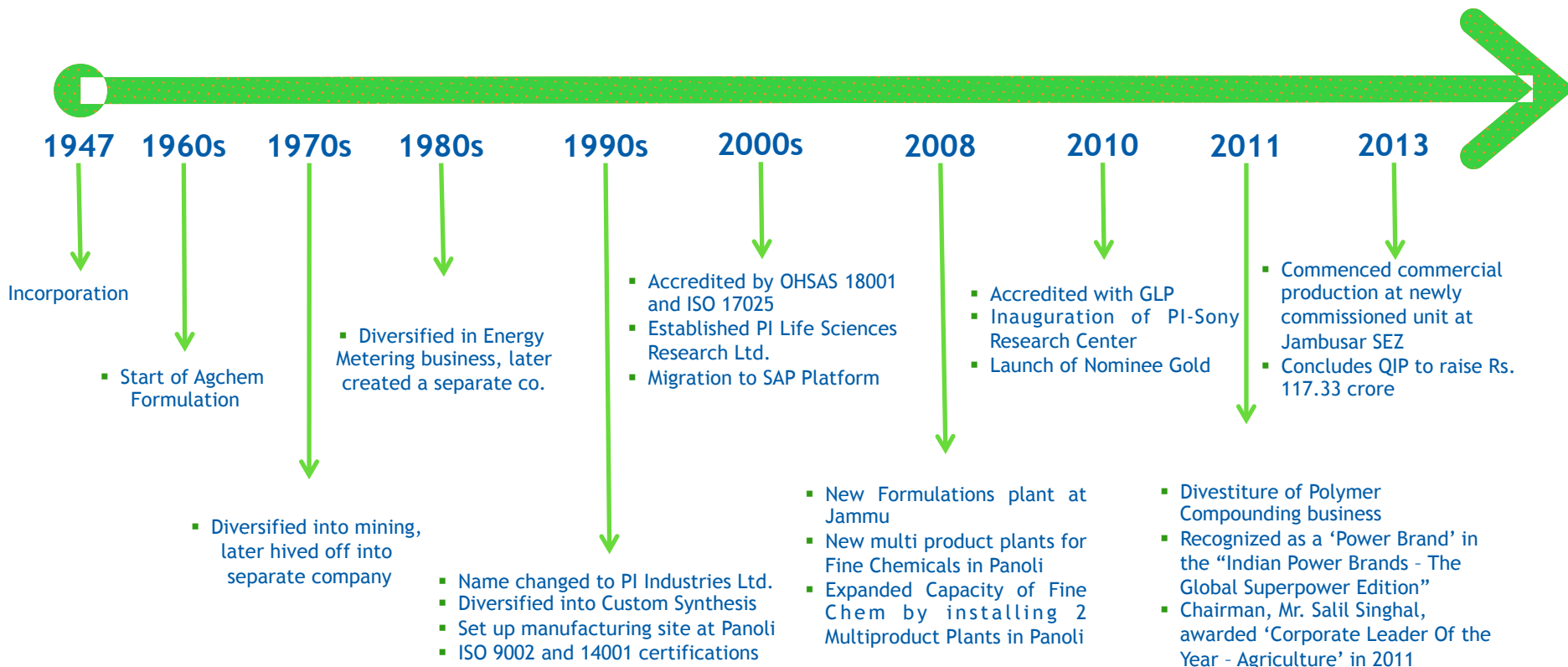
CUSTOM SYNTHESIS

- Offer custom synthesis and contract manufacturing services for global innovators.
- Focus on molecules which are patented; in early stages of their life cycles; of high/medium value and low volume; involve complex chemistries & have scope for growth on successful commercialization by innovators
- Entered into Research collaboration with Sony Corporation & Hokkaido University of Japan for joint research centre

Key Strengths

1. Differentiated business model
2. Long-term Relationship & reputation of trust and reliability with global innovators
3. Brand building capabilities and brand recognition
4. Wide distribution network and clear distribution policies
5. End-to-end capabilities in custom synthesis
6. Entry / exit barriers in our business
7. Experienced management team

Key Milestones



Domestic Agri-inputs



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AGRI INPUTS – AGRO CHEMICALS, SPECIALTY FERTILIZERS & PLANT NUTRIENTS

- Developed **brand recognition** and a **pan-India** distribution network
- **Exclusive marketing rights** from global innovators for distribution under our own brand in India
- Marketing agro-chemicals with added focus on bio plant nutrients and specialty fertilizers
- Most of the recent major product launches have been for in-licensed / co-marketed products

Activities under Agri input

- **In-licensing** of newly launched or patented molecules from multinational innovators to register, formulate and market the formulated products in India
- Manufacturing and marketing of **Branded Generic agri input** products; traditional business activity
- Selectively partnering with multi national companies to **co-market** their early stage lifecycle agri input products using our countrywide marketing set up in India

Select Key Brands



New Launches

Fiscal 2013

- Osheen (Insecticide)
- Fluton (Insecticide)
- Cuprina (Fungicide)

Fiscal 2014

- Melsa (Herbicide)

Fiscal 2015

- Keefun (Insecticide)

Marketing Initiatives

Track record of brand building and concept selling through technical knowledge initiatives:

- Network of rice clinics in Uttar Pradesh in collaboration with CABI (for promoting **direct-seeding**)
- Village level capacity building and productivity focus exercises with farmers
- Modern techniques and information technology for customer education (for improving yield)

Custom Synthesis Exports

CUSTOM SYNTHESIS AND CONTRACT MANUFACTURING:

- Provides contract research and contract manufacturing services
- Wide end use segments across global agrochemical, pharmaceutical and technology sectors
- Associated with leading innovators primarily in US, Europe & Japan
- R&D facility at Udaipur with GLP accreditation
- Plan to commercialize 2-3 new patented molecules in Fiscal 2016

Scope of Services

- Contract research, process development, analytical method development
- Synthesis of high purity product and impurities for analytical reference standards, 5 batch analysis under GLP conditions,
- Scale up studies, process detailed engineering and
- Commercial scale contract manufacturing



Focus on Molecules

- Which are patented;
- In early stages of their life cycles;
- Of high/medium value and low volume;
- Involve complex chemistries;
- Would lead to high growth rates on commercialization across geographies

Capabilities

- In-house process research
- Process engineering team
- Large scale manufacturing capabilities
- Integrated infrastructure for end-to-end activities

Benefits

- Capitalizing on complete product life-cycle
- First or second supplier position
- Strengthens global innovator relationships
- Key growth driver, visibility for top line growth
- Long term sustainability for margins

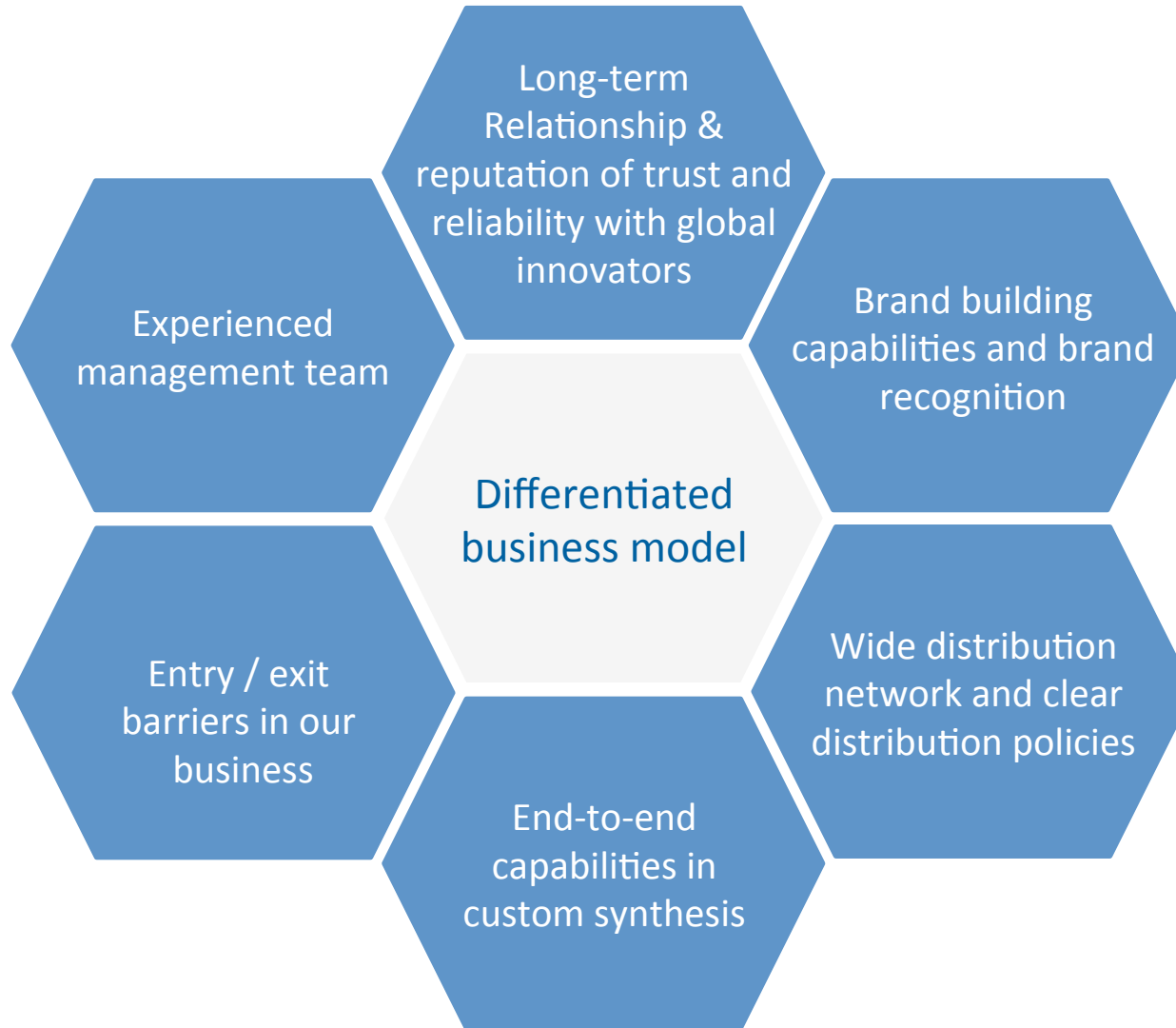
Solid Infrastructure Setup

- Multi-locational manufacturing facilities
 - 5 Multi-product plants and 2 Formulation units in Panoli spread over 79,000 sq. mtr.
 - 2 Formulation units in Jammu spread over 10,000 sq. mtr.
 - 1 Multi-product plant in Jambhusar with ample scope for expansion 88,000 sq. mtr.
- Manufacturing facilities are ISO 9001, ISO 14001, OHSAS 18001 certified
- Formulation facilities for WDG, WG, SC, SL, EC, DP, GR etc.
- Integrated process development team to handle scale up, safety and waste treatment aspects
- Up to date waste treatment facilities for solid, liquid & gas, Captive gas based power plant
- High quality Plant & Machineries like various MOC's of reactors, vessels, heat exchange systems and support equipment: vacuum systems, fractionating columns, filters & dryers
- R&D facility at Udaipur including a Pilot plant and a Kilo Plant
 - Laboratories ISO 17025 (NABL accredited) and GLP certified
 - 24 Work stations with complete online utilities with more than 100 people including researchers and chemists
- Integrated from process evaluation, bench scale trials, kilo lab, pilot plant to commercial production
- Logistics handled centrally using the concept of hub & spoke in order to optimize inventory
- Centralized SAP based ERP system which gives us efficient last-mile connectivity



Key Strengths

Key Strengths



Key Strengths (1/7)

1

Differentiated business model



Integrated entity with a non-compete approach driven by respect for intellectual property

Domestic Agri input business – Leveraging on pan India network, brand building capabilities, track record and experienced team to deliver in-licensed, branded generics & co-marketed products.

In-licensing:

- Enables us to introduce new and novel products;
- Have longer product lifecycles;
- Yield higher margins;
- Strengthen relations with global innovators

Exports Custom Synthesis business – Leveraging on chemistry process research and manufacturing capabilities

- Patented molecules
- Early stages of their life cycles
- Complex chemistries
- First or second suppliers

Differentiating Factor

In-licensing: Focus on Selected & Patented Innovative products through in-licensing

Non-compete model: Respecting IP of global innovators which strengthens relationships with them

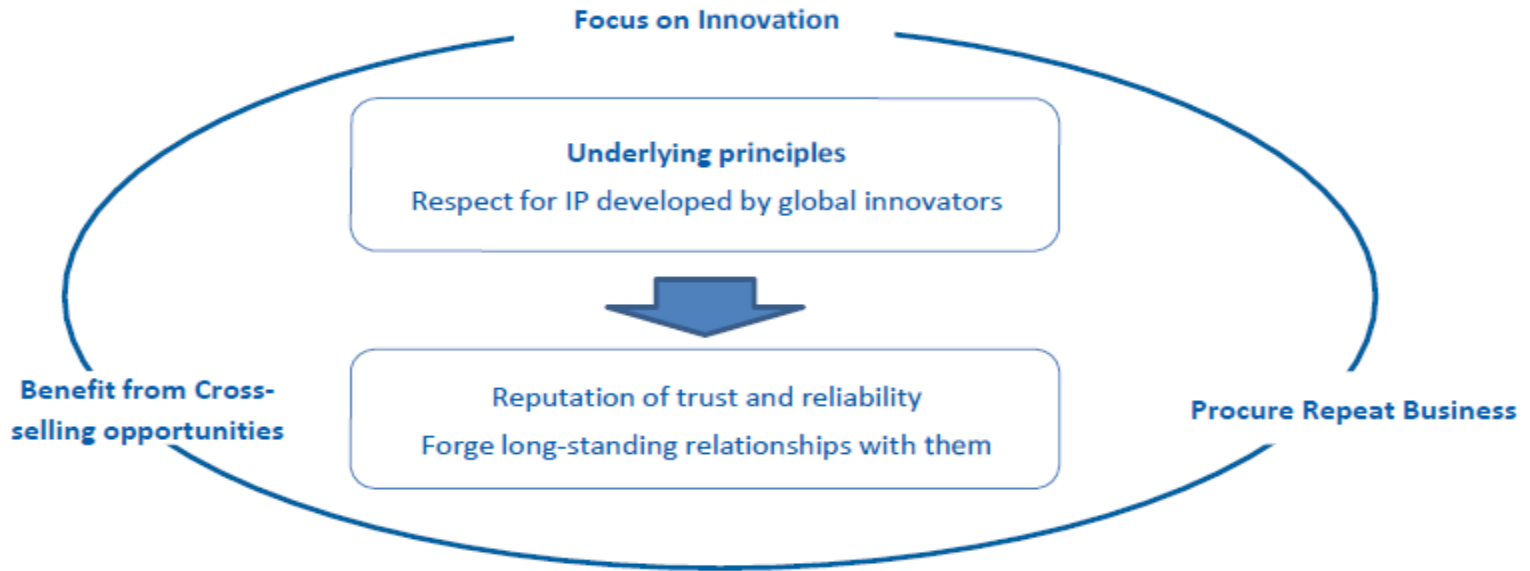
Synergistic Benefits

1. Common Infrastructure
2. Develop knowledge bank, processes and experience in different complex chemistries
3. Cross-selling Opportunities

Key Strengths (2-3/7)

2

Long-term Relationship and reputation of trust and reliability with global innovators



3

Brand building capabilities and brand recognition

Select Key Brands



- Bayer Group of Companies awarded Certificate of Excellence to PI Industries As “Winner – Global Sourcing India 2013
- PI Industries received the “Best Supplier” award at Agrow Awards 2013

Key Strengths (4/7)

4

Wide distribution network and clear distribution policies

Distribution Network

- 29 branches
- 10,000+ distributors / dealer
- Centralized SAP based ERP system which gives us efficient last-mile connectivity

Clear Distribution Policies that minimize dispute

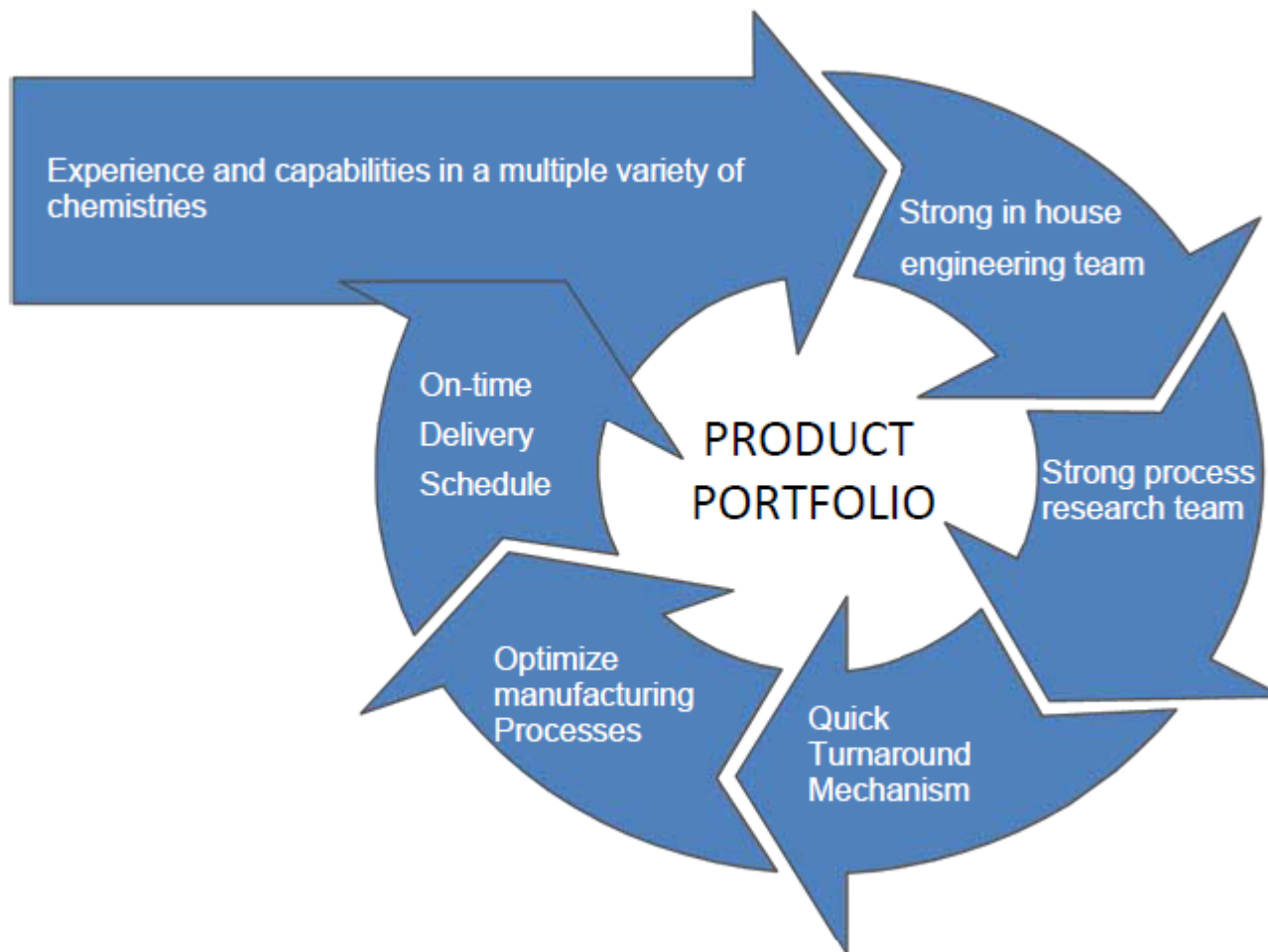
- Provide delivery of products as required at a particular point in time and not in excess
- Once delivered any stock which remains unsold is not accepted back from the distributors
- Price margins for our products is pre determined prior to delivery to distributors, and not adjusted or negotiated post



Key Strengths (5/7)

5

End-to-end Capabilities in custom synthesis



Custom Synthesis is a key growth driver: Gives visibility for top line growth & assures long term sustainability for margins

Key Strengths (6/7)

6

Entry / Exit barriers in our business

Entry barriers for Domestic Agri input activity

- Registration process in India requires substantial time
- 3 year exclusive data protection for the product in India post-registration
- Considerable costs and time is required for brand building and marketing in India

Exit barriers for Export Custom synthesis activity

- Early and close working relationship with global innovators which allow us to generate efficiencies over a period of time
- The global innovators typically name us as a manufacturer of the relevant product while registering the product overseas, amending which would require additional time and costs

Key Strengths (7/7)

7

Experienced Board & Management Team

- Professionally managed Company with a board of directors consisting of individuals with backgrounds across various industries & disciplines like agro-chemicals industry, pharmaceuticals industry and financial services and accounting disciplines

Salil Singhal, Chairman & Managing Director (Promoter Director)	Took charge of the family business in July '79. after the demise of the founder. He headed Pesticide Association of India (now Crop Care Federation of India) as Chairman for 17 yrs and is now Chairman Emeritus. He was the Chairman of the Environment Committee & FICCI for 5 years. He is currently on the Boards of Wolkem India, Historic Resorts Hotels, The Lake Palace Hotels and Motels, Secure Meters, Somani Ceramics, Usha Martins, PILL Finance and Investments and Entity Holding PTE, Singapore.
Mayank Singhal Managing Director & CEO (Promoter Director)	An Engineering Management Graduate from the UK, joined PI in 1988. Worked at the plant level for 2 years and was inducted to the Board of the Company in 2000 and appointed as Joint MD in 2004. He is also a Director on the boards of PI Life Science Research and PILL Finance & Investments.
Rajnish Sarna (Executive Director)	An enterprising Chartered Accountant and law graduate associated with the Company for long time and brings Industry knowledge, leadership skills and strong operational expertise. He provides leadership to business strategy and overseas operations and finance. He is also a Director on the boards of PI Life Science Research and PILL Finance and Investments

Key Strengths (7/7)

P K Lahiri
Independent Director

Mr. Pravin K. Laheri (IAS Retd.) Gujarat cadre studied at St. Xavier's College and Government Law College, Mumbai. Mr. P.K. Laheri joined Indian Railways in 1967 and Indian Administrative Services in 1969. He served in Government of Gujarat in various capacities - District Development Officer (Jamnagar), Collector (Banaskantha), Director - Cottage Industries, Joint Secretary (Education Department), Industries Commissioner, Principal Secretary to Five Chief Ministers of Gujarat, Principal Secretary (Rural Development, Information etc.) and Chief Secretary. He also worked as Executive Director of National Institute of Fashion Technology (NIFT) in Government of India

Narayan Sheshadri
Independent Director

He is a Chartered Accountant with specialized knowledge in areas of financial & consultancy services. He is a Director on the Board of PI since 2006. He has worked with Arthur Anderson and later became the managing partner of the business advisory practice of KPMG. He is also the founder chairman & CEO of Halcyon Group, an investment advisory & management services organization.

Ramni Narula
Independent Director

Ms Nirula holds Bachelor's Degree in Economics and Master's Degree in Business Administration from Delhi University. She has more than three decades of experience in the financial sector, beginning her career with the erstwhile ICICI Limited. Since then she has held various leadership positions in areas of Project Financing, Strategy, Planning, Resources and Corporate Banking

Dr. Venkatrao Sohoni
Additional Director

He holds a B.Tech degree in Electronics Engineering from IIT, Kharagpur and has also done PhD in Information Systems for Banking from IIT, Mumbai. An experienced executive, with a career spanning 48 years with MNC's in India and USA having worked in senior level position for various Agrochemical and Pharmaceuticals businesses. He held position of Managing Director with Rallis India Ltd & Novartis India Ltd, and as President at Pharmacia India Pvt Ltd, Biosys Inc and Sandoz Group. He is also on the Board of Advinus Therapeutics Ltd., Fulford India Ltd (a Merck subsidiary), and Advisor to Bausch & Lomb India.

Anurag Surana Non-
Independent, Non-
Executive Director

A B.Com (Hons) graduate, joined Company in 1995. He was associated with the company as Whole-time Director till 15th September, 2012. Initially, he handled the polymer compounding business and later he managed the entire manufacturing operations of the Company at Panoli. He is on the board of PILL Finance, PI Life Science Research and WILL Investments



Business Strategy

Business Strategy

Focus on expanding our product portfolio and service offerings

- Expand product portfolio of agri input products, with primary focus on in-licensing arrangements and co-marketed products
- Expand existing chemistries to all existing customers for export custom synthesis segment

Introducing new categories of products and service offerings

- Introduce new categories of innovative products in agri input which provide better efficacies and cost savings
- Concentrate on new chemistries and new applications sectors in Custom Synthesis
- Focus on pure synthesis
- Selective acquisitions, partnerships, or alliances to further broaden our product offerings and strengthen our market position

Expanding customer base

- Cater to new categories of customers in geographies other those where we have presence
- Cater to a diverse range of industries and products
- Selective acquisitions, partnerships, or alliances to further broaden our customer base

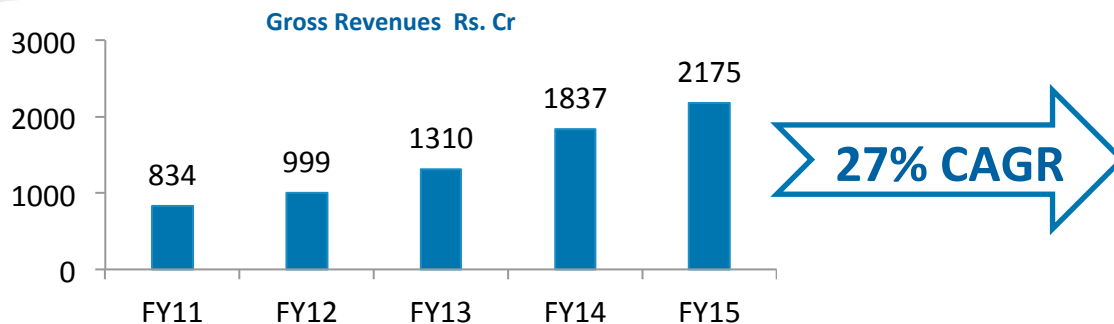
Drive strong revenue growth and predictability at lower investment risks

- Continue to mitigate risks in Custom synthesis business by ensuring that all future capital expenditure is planned only against contracts which have either been signed or are being negotiated
- Continue to negotiate contracts to ensure minimum risk on account of commercials, raw material and currency

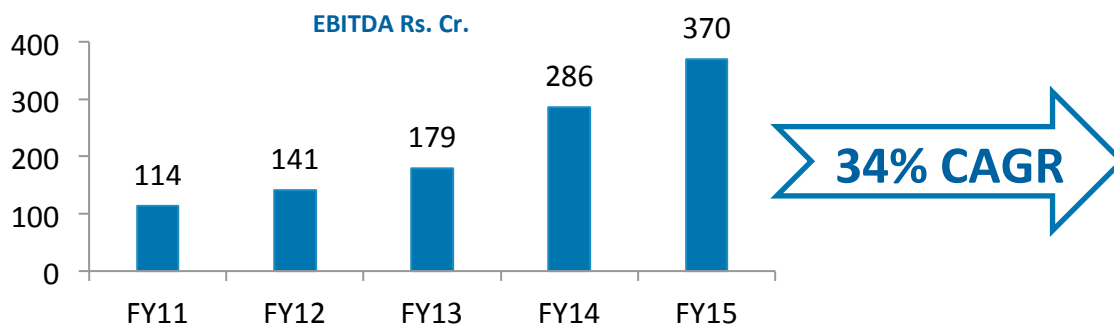


Financial Overview

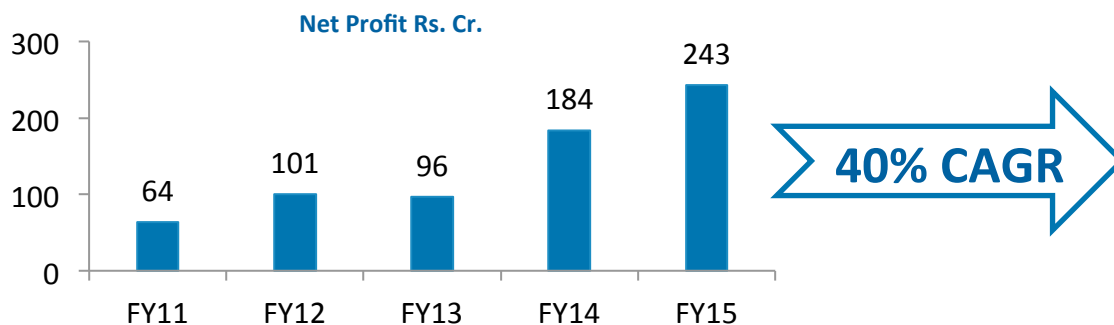
Growth Profile



Improved business mix drives topline growth



Focus on in-licensed products in domestic business and high-potential molecules in exports yielding operating gains



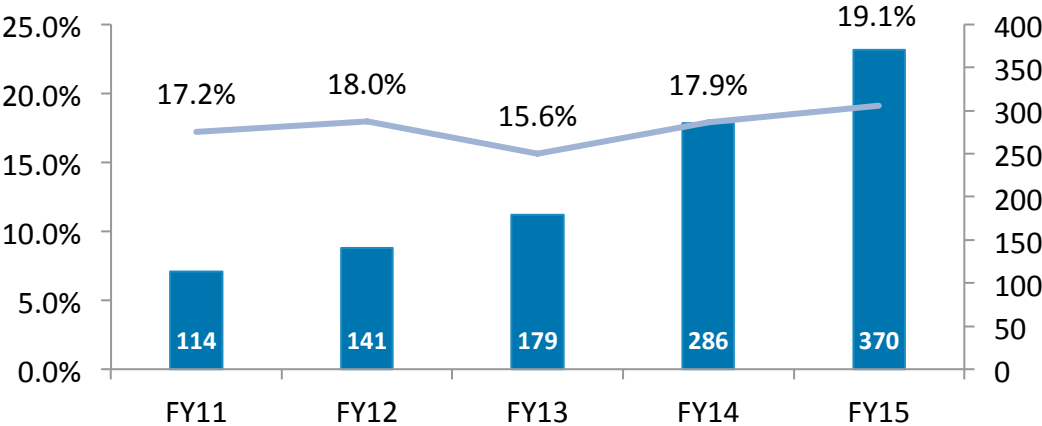
Consistent revenue growth translating into robust post-tax earnings

Margin Profile



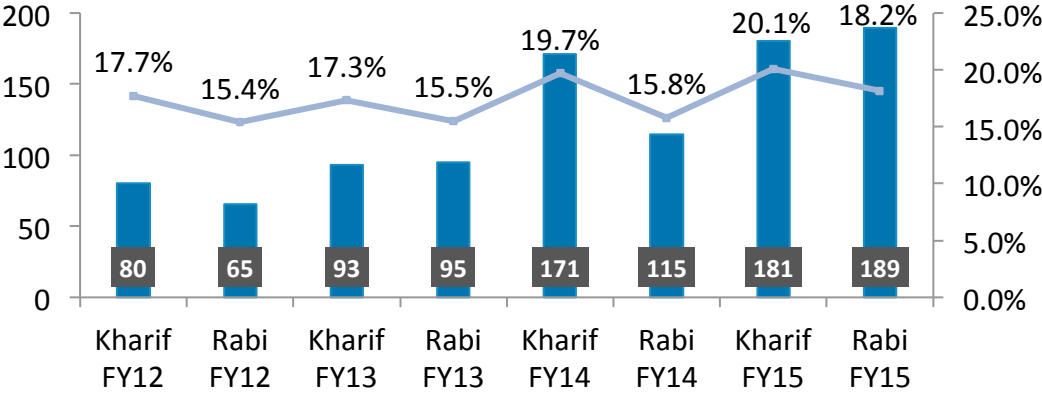
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EBITDA in Rs. Cr. & Margins



EBITDA margins driven by enhancement to business mix and operating leverage

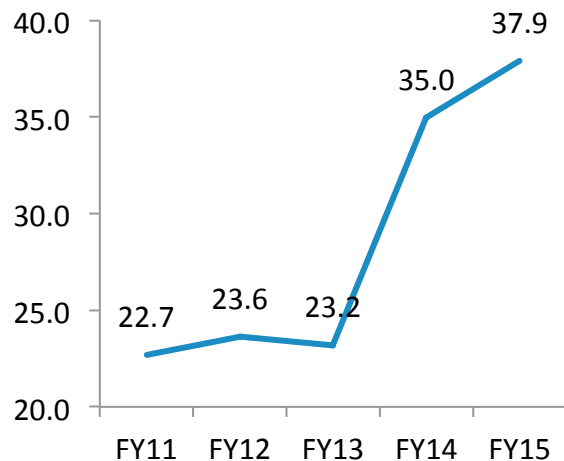
EBITDA in Rs. Cr. & Margins (season-wise)



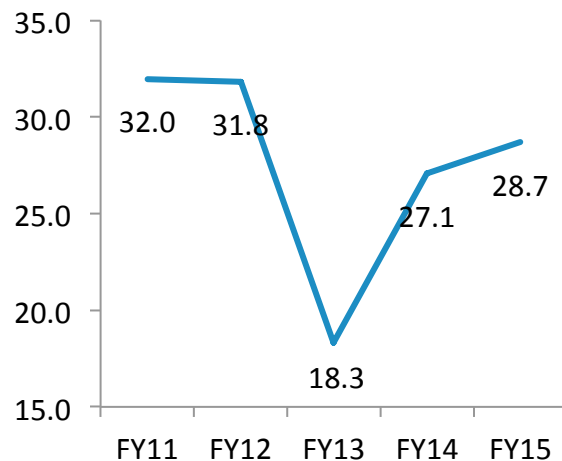
Margins show consistent improvement season on season

Enhancing Shareholder Value

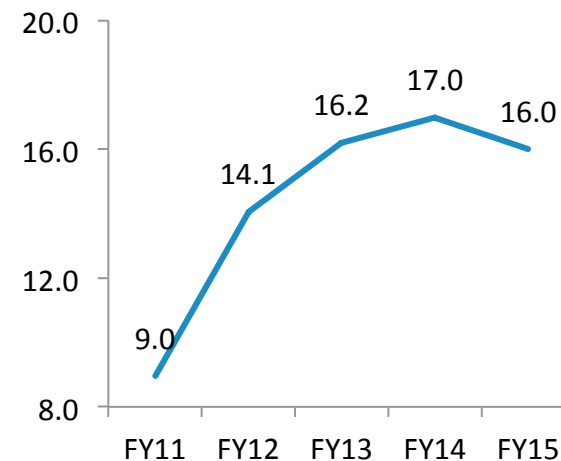
ROCE in %



RONW in %



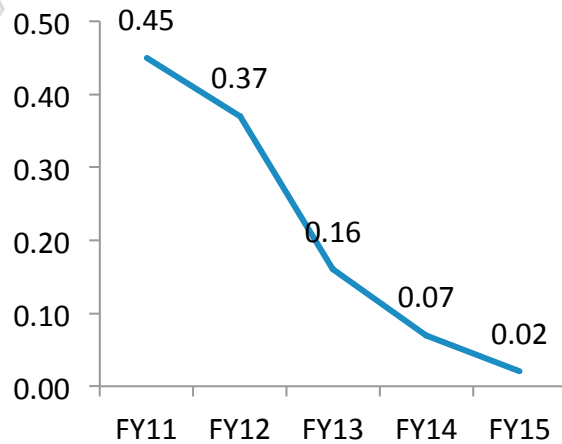
Div. Payout Ratio in %



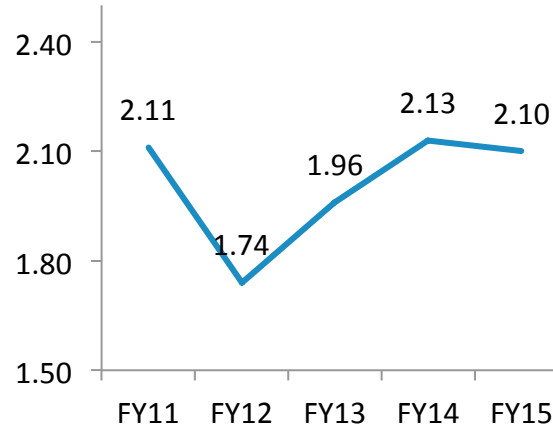
ROBUST TRENDS IN PERFORMANCE TRANSLATING INTO GREATER SHAREHOLDER VALUE

Driving Quality Operations

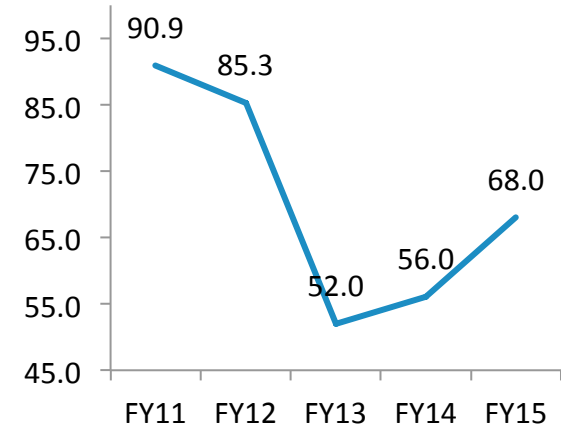
Long Term Debt Equity Ratio



Asset Turnover Ratio



No. of WC days



BUSINESS GROWTH SUPPORTED BY QUALITY OF BALANCE SHEET

Key Financial Highlights

	Q4 FY15 (Rs. in Crore)	Growth (%) (Y-o-Y)	FY15 (Rs. in Crore)	Growth (%) (Y-o-Y)
Revenues	537	48%	1,940	22%
EBIDTA	95	84%	370	30%
PAT	60	34%	243	32%

Results analysis

Net Revenues

Continued momentum from custom synthesis exports (23.5% growth) together with 19.1% improvement in domestic agri inputs gave revenue increase of ~22% on a blended basis in FY15. Exports saw robust growth, as planned through H2, as commercialised molecules saw enhancement in deliveries. Domestic business performance leveraged the strength of the IPR-focused business model, superior product portfolio and ongoing efforts towards building sustainable brand positions. Performance was mainly driven by strong growth of new products launched in the last 2-3 years.

EBITDA

EBITDA during FY15 was at Rs. 370 crore, with corresponding margins of 19.1%, reflective of a 110 bps expansion YoY. Earnings are primed for sustainable level of growth reflective of the quality of operations.

Post-tax Earnings

Profit After Tax in FY15 stood higher by 32% at Rs. 243 crore. The Basic EPS during the period was at Rs. 17.84 from Rs. 13.52 per share previously.

Strong Balance Sheet

Enhanced business performance has continued to drive robust cash flows from operations, thereby resulting in a stronger balance sheet position. Debt equity ratio further improved to 0.02. Net working capital position witnessed an increase aligned to business growth.

Dividend

The Board has recommended a final dividend of 130% (Rs. 1.30 per equity share of face value Re. 1), which will result in a payout of Rs. 17.7 crore post dividend distribution tax. The total dividend for FY15 thus stands at 250% (Rs. 2.50 per equity share)

Outlook

- The overall industry environment is expected to remain subdued in FY16 both in domestic and global market place. However, PI's FY16 performance to reflect continued growth momentum although at a moderated pace on the back of a larger base now:
 - The driving factors in the domestic operation will be:
 - Pattern and distribution of the upcoming annual monsoon rainfall
 - Expected upsides from the product launches made in last few years and also 1-2 new products slated for introduction in FY16
 - And in the exports business:
 - Scale up in sales volumes of commercialised molecules
 - Commercialization of 2 new products
 - Commissioning of second phase at Jambusar, which remains on track



Annexure: Abr. Statements

Profit & Loss Extract (In Rs. Cr.)

	FY13	FY14	FY15
<i>Net Sales</i>	1,147.6	1,585.6	1,936.4
<i>Expenditure</i>	971.2	1,309.3	1,569.7
<i>EBITDA</i>	179.3	285.6	370
<i>Depreciation</i>	21.8	31.4	49.2
<i>EBIT</i>	157.5	254.2	320.8
<i>Interest</i>	22.1	11.8	9.7
<i>PBT</i>	143.7	258.0	334.2
<i>Tax</i>	47.4	74.3	109.4
<i>PAT</i>	96.3	183.7	243.3
<i>EPS</i>	7.1	13.5	16.5

Balance Sheet Extract (In Rs. Cr.)

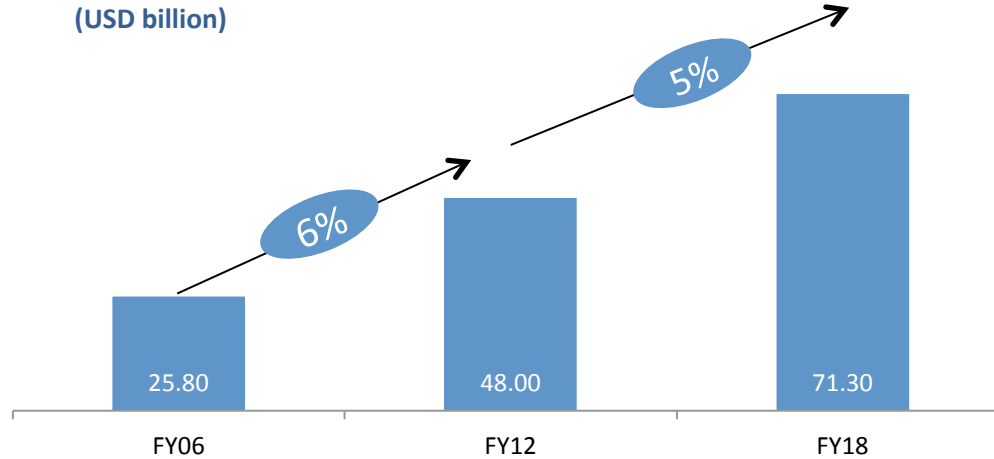
	FY13	FY14	FY15
<u>Sources Of Funds</u>			
<i>Equity Share Capital</i>	13.5	13.6	13.7
<i>Reserves</i>	511.0	669.5	868.9
<i>Networth</i>	524.9	683.1	882.5
<i>Loan Funds</i>	187.3	86.0	81.5
<i>Total Liabilities</i>	759.7	812.3	1,000.5
<u>Application Of Funds</u>			
<i>Net Block</i>	474.9	523.6	512.9
<i>Net Current Assets</i>	222.4	244.3	335.6
<i>Total Assets</i>	759.7	812.3	1,000.5



Annexure: Industry

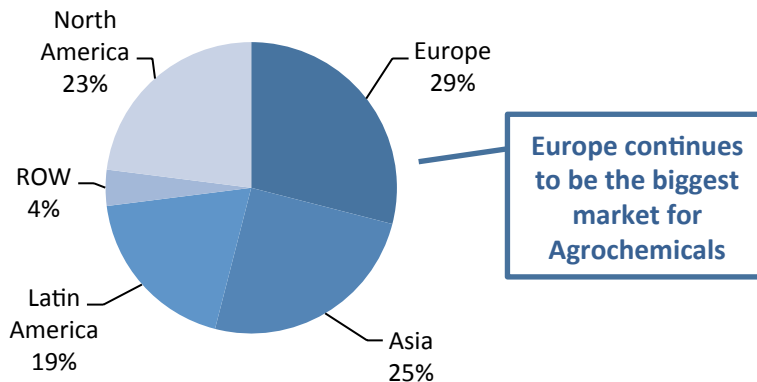
Global Agrochemical Industry - Overview

Global Agrochemical Industry growing at a steady pace
(USD billion)



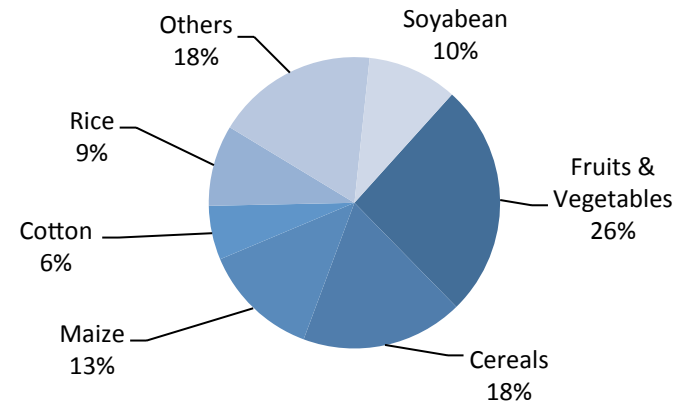
Source: Industry Reports, Analysis by Tata Strategic Management Group

Geographical Share of Global Crop Protection Industry – FY2012



Source: Industry Reports, Analysis by Tata Strategic Management Group

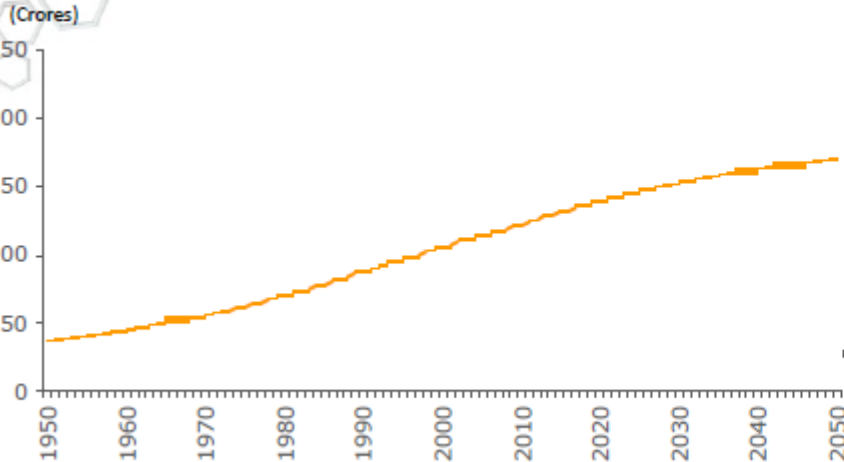
Global Crop Protection Market by Crops – FY2012



Source: Industry Reports, Analysis by Tata Strategic Management Group

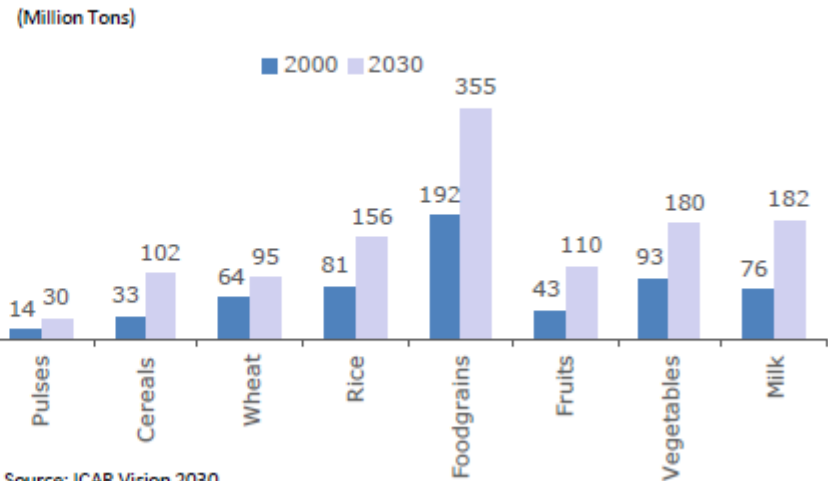
Domestic Opportunity in Agri business

Rising Population levels in India...



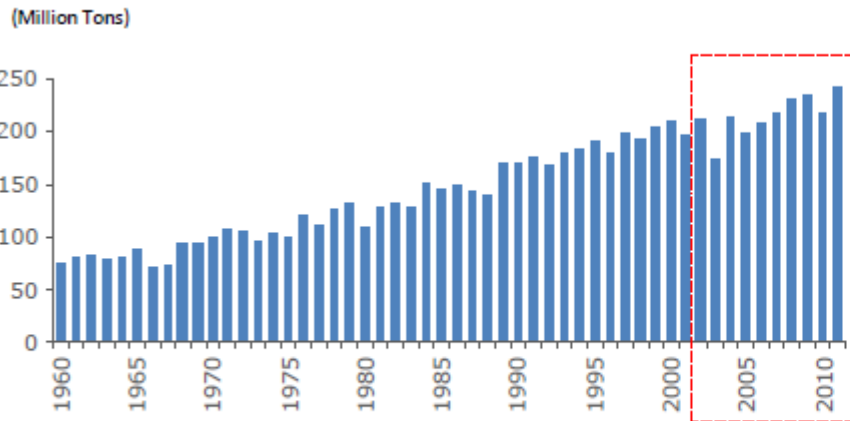
Source: United Nation (Population Division)

... will lead to an increase in Domestic Food Demand



Source: ICAR Vision 2030

Stagnant Food Production during Previous Decade.....



Source: Department of Agriculture

.... Has led to a yield gap

Yield for select major crops (Tons/ Hectare)			
	World	India	Yield Gap
Rice	4.2	2.3	1.9
Wheat	3.0	2.8	0.2
Corn	5.0	2.2	2.8
Sugarcane	74.0	67.0	7.0
Soybean	2.2	0.9	1.3
Rapeseed	1.9	1.1	0.8

Source: FICCI – Tata Strategic Management Group Knowledge Paper 2011

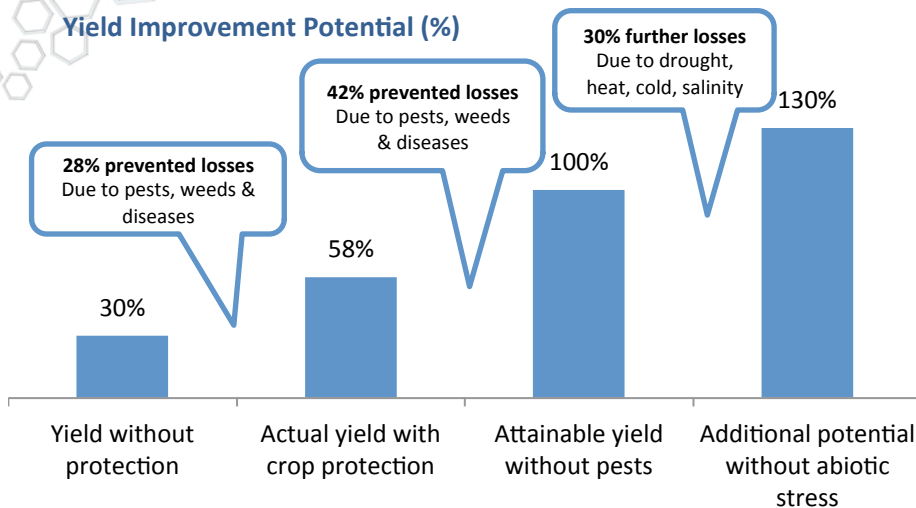
Indian Agrochemicals – Demand led Growth



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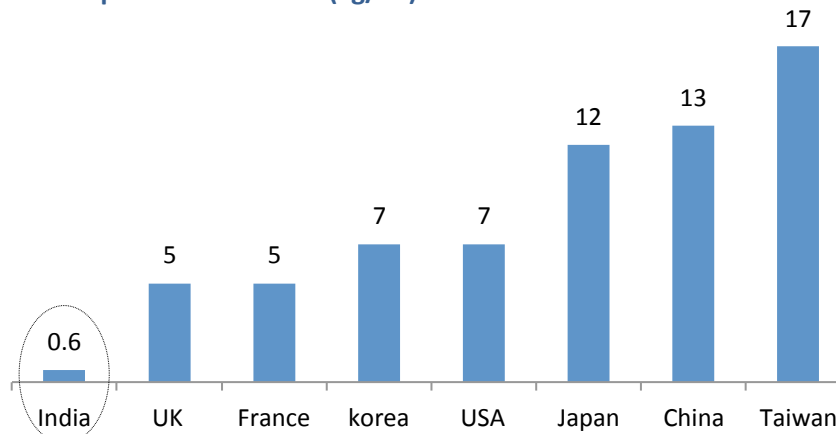
To cater increasing food demand, only option left is to improve Yield...

Yield Improvement Potential (%)



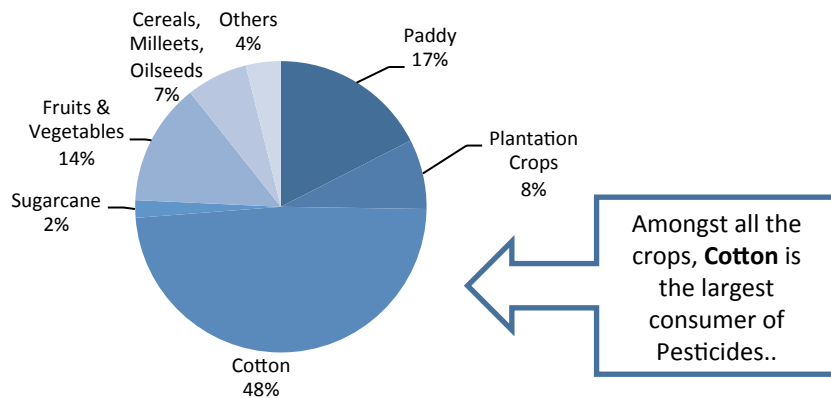
Source: FICCI - Tata Strategic Management Group Knowledge Paper 2011

Low per capita consumption of Agrochemicals indicates potential for improvement – FY12 (kg/ha)



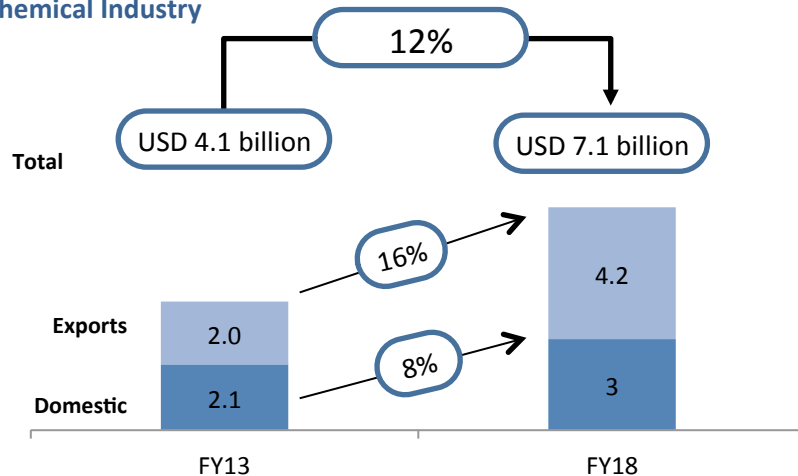
Source: Industry Reports, Analysis by Tata Strategic Management Group

Crop-wise Pesticides Consumption - FY12



Source: Industry Reports, Analysis by Tata Strategic Management Group

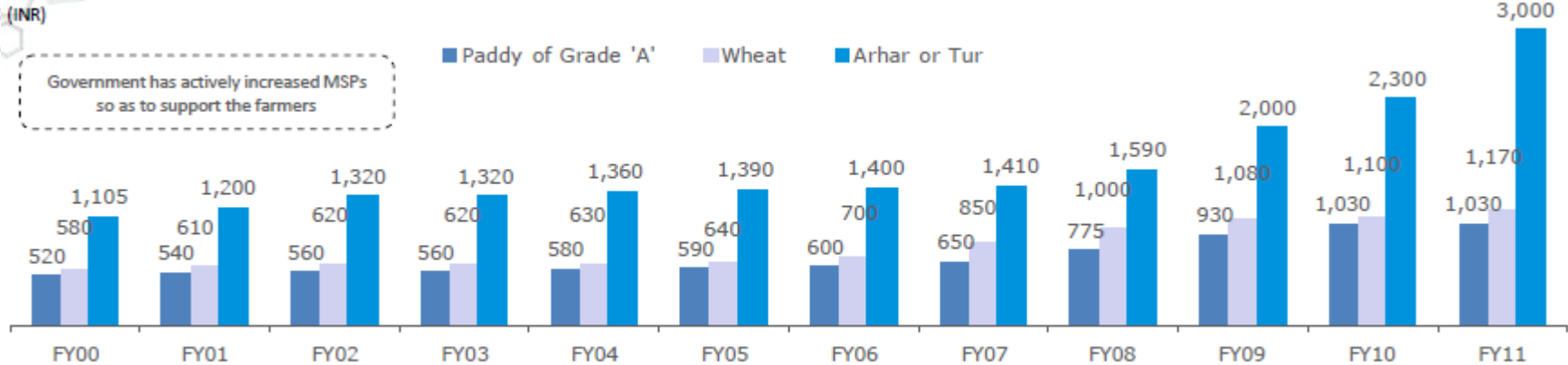
This demand for Agrochemicals will result in a strong growth for the Indian Agrochemical Industry



Source: Industry Reports, Analysis by Tata Strategic Management Group

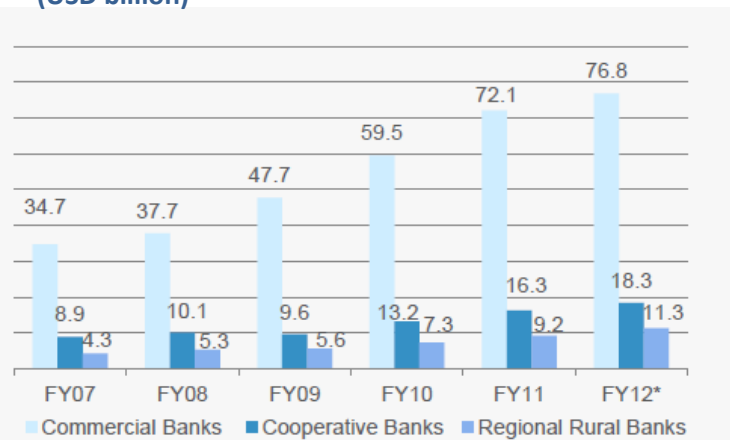
Supply Side Drivers - Policy Initiatives will increase affordability

Minimum Support Prices have shown a continuous upward trend in the past decade



Source: Govt of India

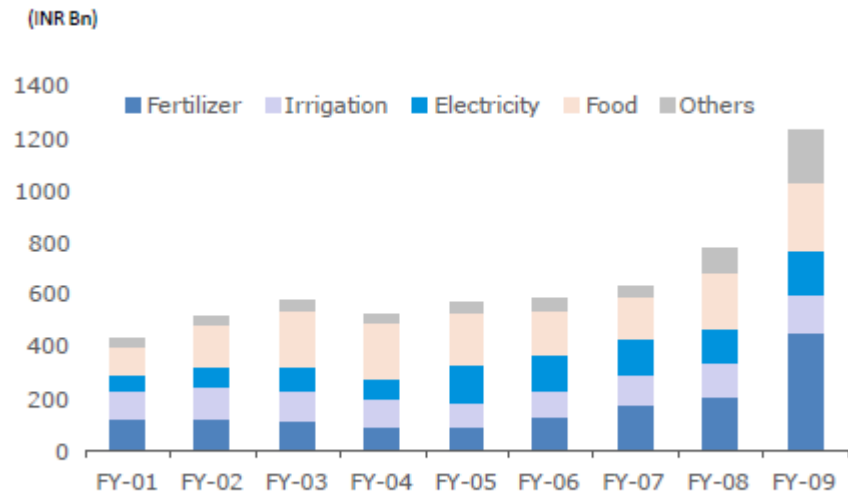
Institutional Credit to Agriculture (USD billion)



Source: Ministry of Agriculture, Aranca Research

Note: - Figures for FY12 are provisional

India's Agriculture Subsidy (INR Bn)



Source: Ministry of Agriculture

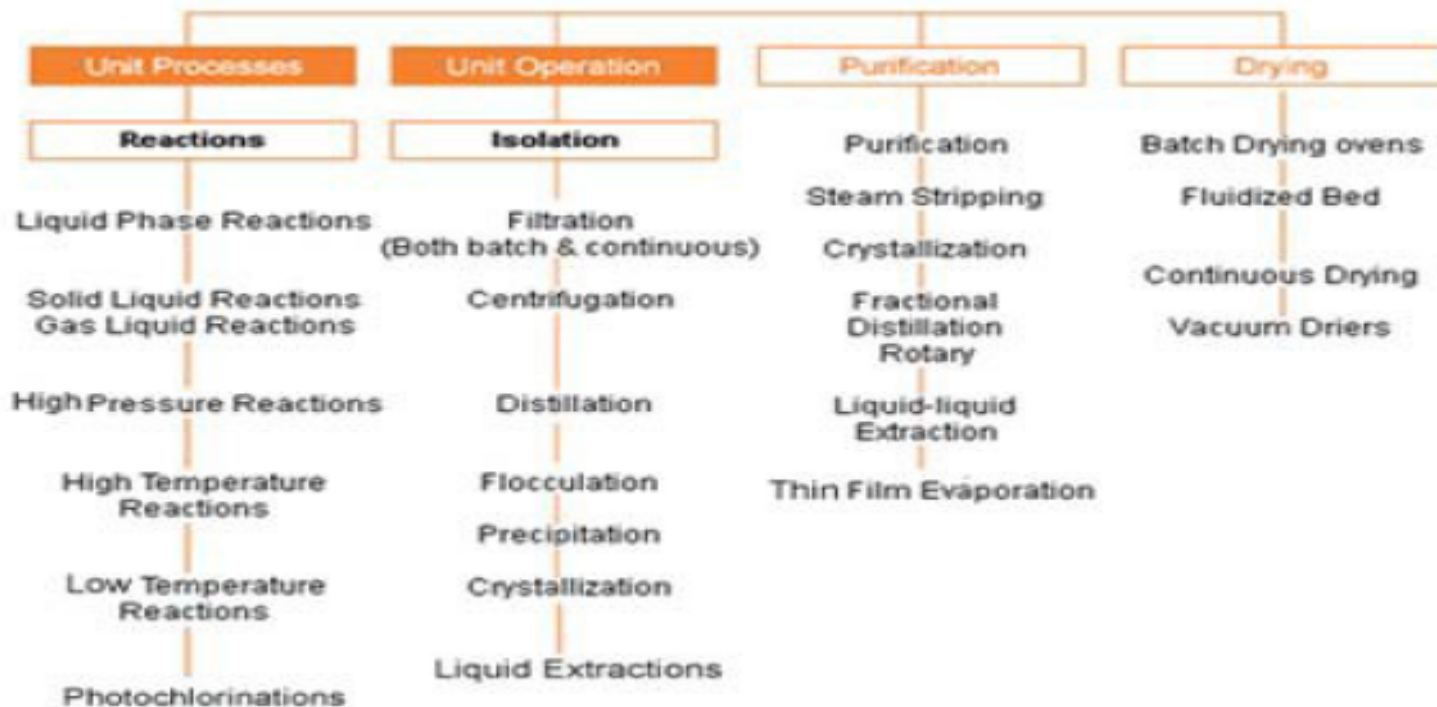


Annexure: Custom Synthesis Manufacturing Processes

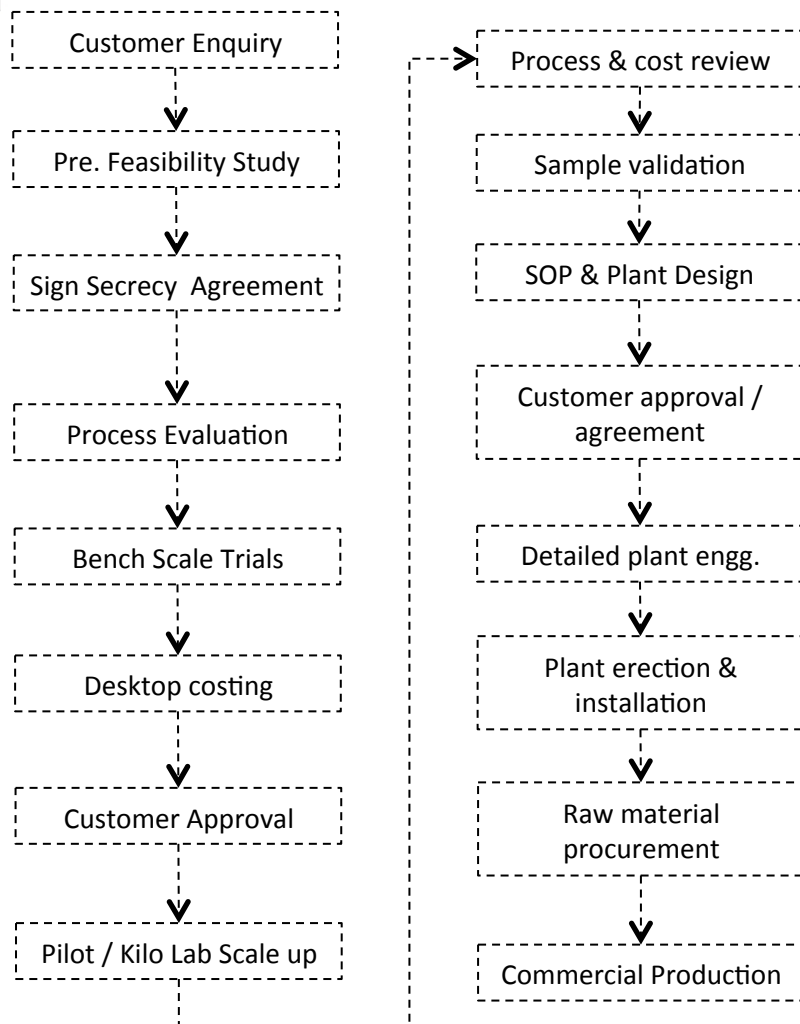
Custom Synthesis – Production Technologies

What is Custom Synthesis

- Contract Research (CR) and Contract Manufacturing (CM) services
- Involves custom synthesis and contract manufacturing of chemicals including techno commercial evaluation of chemical processes, process development, lab & pilot scale up as well as commercial production
- Research includes conducting clinical trials, bioequivalence studies, drug library generation & screening etc. on contract
- Process research on new chemical process synthesis and production scale up
- Custom manufacture of special chemicals in small quantities



Custom Synthesis – Sample Process



An Example - PI 011

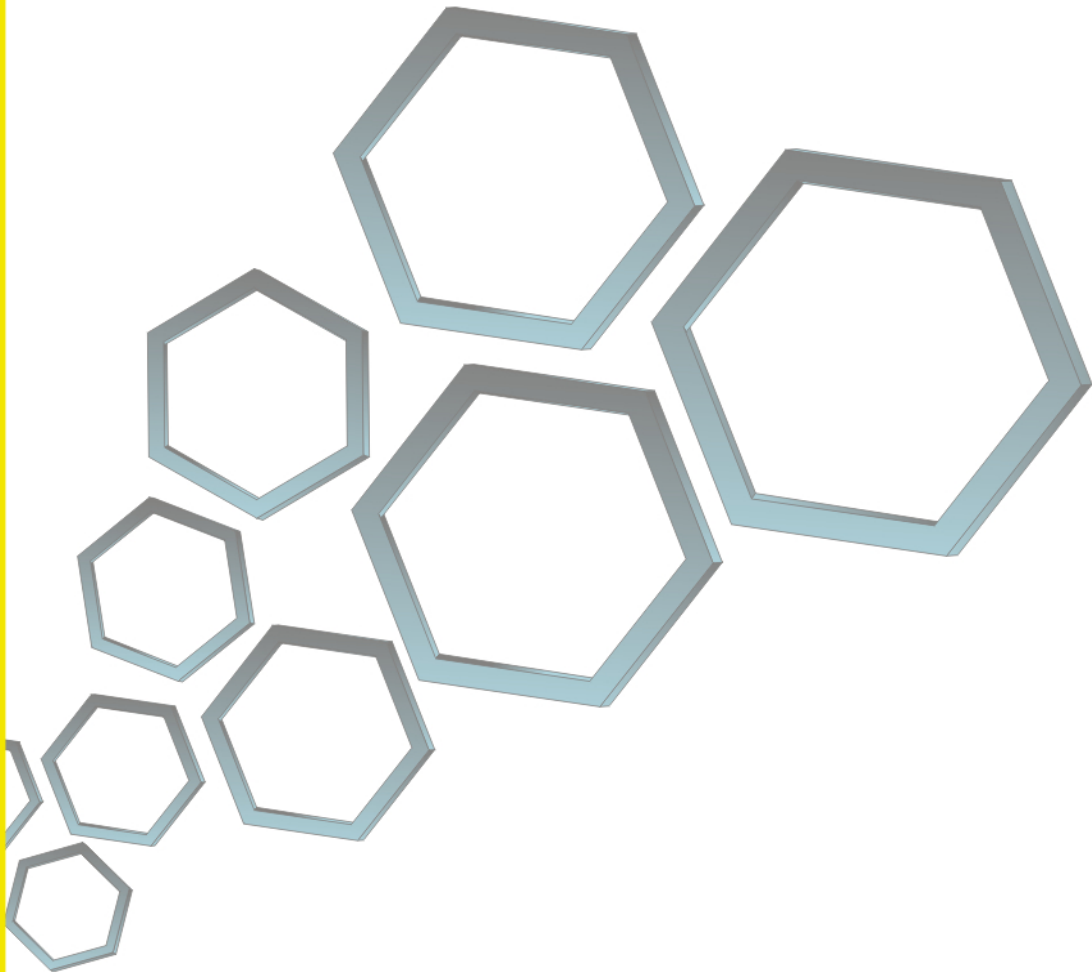
- Enquiry recd Dec, 11
- 1st sample sent to customer Feb, 12
- Sample approved by customer Mar, 12
- Scale up Study undertaken May, 12
- 1st Commercial Order (5MT) Jun, 12
- 2nd Commercial Order (57 MT)
[Supply up to Mar, 13] Aug, 12
- 3rd Commercial Order (200 MT)
[Supply up to Mar, 14] Nov, 12
- Signed Agreement of 1500 mt
(USD 36 mn) for 3 yrs Apr, 14

Contact Details

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THANK YOU

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