

## **PI INDUSTRIES LIMITED**

**Udaipur**

### **Speech delivered by the Chairman of the meeting at the 70<sup>th</sup> Annual General Meeting of PI Industries Limited held on Sept 06, 2017.**

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**Ladies and Gentlemen,**

On behalf of the Board of Directors of PI Industries, I have pleasure in extending to all of you a warm welcome to the 70<sup>th</sup> Annual General meeting of your Company.

The Directors' Report and the Audited Financial Statements for the financial year ended March 31, 2017 have been with you for some time now. I will, with your kind permission, take them as read.

Two significant events marked the fiscal year 2016-17. Demonetization and the Introduction of GST in the forthcoming year. These set back the economy to a significant extent in the short term generally affecting performance of most businesses. The Agro Chemical industry was also affected and one saw a mixed bag of results. However, despite these events, your Company fared well both on the domestic and export fronts.

In the domestic market, the focus on efficient and effective distribution resulted in your Company expanding markets of its key products, Nominee Gold and Biovita X, besides others which have also grown. As a result, your Company commanded leadership position in key crop segments.

On the export front your Company commercialized 4 new molecules during the year sowing seeds for future growth. Besides, other molecules that have already been commercialized continue to provide momentum, despite a slow-down in the global Agchem markets. Further, many new enquiries have been taken up and worked upon, i.e. invested in, thereby enriching the pipeline for future commercialization and exports growth.

PI's world class manufacturing along with huge emphasis on quality, efficiency, safety and security along with the trust it has built with its customers, continues

to bring it rich rewards by way of growth in its order book. Further, your Company's state-of-the-art, 125,000 sq. ft., R&D facility with over 300 scientists is fully operational, augmented by an excellent Green House for biological testing, and IT infrastructure for business process and data management.

Your Company continued its focus on building long term partnerships to enhance its science led innovative solutions, process research and world class manufacturing capabilities, brand building and expanding its distribution reach. It made significant progress on key strategic priorities that has culminated in the strategic alliance with BASF for marketing their new fungicides and herbicides, joint ventures with Mitsui Chemicals Agro Inc., and with Kumiai Chemical Industry Company Limited. These, I believe will provide further opportunities for growth across the value chain from Discovery to Distribution.

Your Company once again delivered exceptional results while recording a growth in revenue of 8.45%, a lower rate than in the past, but with intensified efforts, operating profit surged by 28.22% reflecting a higher operational efficiency.

The EPS of the Company increased to Rs. 33.30 in 2016-17 from Rs. 22.60 in 2015-16.

### **Dividend**

For the financial year 2016-17, the Board had declared an interim dividend of 150% in October 2016, and recommended a final dividend of 250% for approval by shareholders. Total dividend aggregates to Rs.4/- per share carrying a face value of Rs.1/- each. This is higher by 29% compared to prior year.

I would like to take this opportunity to congratulate the entire senior leadership for remaining focused and committed towards implementing the Company's growth strategy.

### **Macro environment**

IMF's World Economic Outlook in July 2017, suggests economic strengthening with output growth projected to be 3.5% in 2017 and 3.6% in 2018 with forecast being widespread across advanced as well as emerging and developing economies.

Structural reforms are transforming the Indian economy to provide considerable impetus for growth. At its core, is the resolve to continue deep and wide policy reforms, including introduction of GST, Insolvency & Bankruptcy Code, the abolition of FIPB, ranking states on ease of doing business, measures to harness technological advances, etc. The introduction of GST is expected to create a single market and increase productivity, competition, investment and job creation to dramatically transform Indian lives.

At the Macro level whilst inflation has come down, monetary policy is expected to be tight with little room for reduction in interest rates. The combined deficit and debt of central and state governments is still high, with more pressures due to various factors including NPAs of state run banks, farmer debt write offs, losses of other public-sector entities, increased current spending at the state level, etc. Hence, the government has taken up measures to increase revenues and be better placed to meet social and infrastructure financing requirements. Also, better targeting of fertilizer, food and other subsidies using the digital India stack is expected to alleviate the pressure on the fiscal deficit.

### **Indian Agriculture**

Aiming to double the income of farmers by 2022, the Government of India is intensifying its budgetary and policy support towards farmer empowerment and rural infrastructure development. Improvements in infrastructure including irrigation, access to markets, transportation, storage, distribution, information, etc. are the focus to bring about the change.

These measures when effectively implemented combined with better use of high quality farm inputs will dramatically improve farm productivity and thereby achieve the objective of income of farmers. This transformation is set to provide a number of opportunities for private sector participants with the right capabilities, patience and resilience.

### **Indian chemical Industry**

India's chemical industry's potential for growth is estimated at 9% per annum

over the next four years from \$139 billion to \$214 billion, with more than 80,000 chemicals being manufactured. The government's Make in India and other initiatives including creation of chemical hubs, new pharma policy, efficiencies arising out of GST, etc. are expected to accelerate growth of the sector offering innumerable opportunities.

Indian agrochemical industry has steadily risen in global stature, thanks our understanding of complex chemistry, a vast talent pool of qualified professionals and a culture of ethical partnerships and respect for IPR. At a time when the global agrochemical industry is consolidating to deal with increased competition, requirement of investments and increasingly stringent environmental regulations, opportunities for a greater share of global contract research, synthesis and manufacturing opportunities is, in my view, imminent.

## **Outlook**

Against the above vastly changing landscape, PI's focus will continue to be its small and large customer needs to bring new products and services by building its internal capabilities. An integrated "Discovery to Distribution" approach, spanning the entire value chain will provide your Company the resilience and inherent strength for rapid and continued growth.

PI's research, its technology platforms, product development, partnerships and alliances, inorganic initiatives for acquisition of new markets, products and technologies combined with strong, efficient and effective operations will be the core strengths for fueling your Company's growth.

Through various alliances and strategic partnerships, your Company will continue enriching its domestic product portfolio, leverage digital and other new technologies for better "farmer connect" and bring about efficiencies in its entire Supply Chain. With a solution oriented approach along with the scheduled launch of new generation/novel products, your Company will drive its domestic growth.

Your company completed its second phase of expansion of its state of the art R&D facility at Udaipur including setting up of green house facilities for biological testing. New formulation facilities have been added at your company's Panoli site apart from upgradation of existing facilities and infrastructure required for environmental safety and operational efficiency.

On the export front, your Company's order book continues to grow and investment in exploring new enquiries has grown manifold for taking our existing and new customers early stage molecules to key markets worldwide. New chemistries and next generation processes, technologies, are areas of focus for supporting the future needs of our customers.

## **ENVIRONMENTAL & SOCIAL CONTRIBUTION**

Your company continues to pursue business in a sustainable manner caring for environment and society.

### **Environmental, Health and Safety**

Your company maintains its strong culture of commitment to environment, health and safety aspects and adheres to very high global standards of compliance. Energy conservation, effluent and waste reduction, water conservation, recycling, health checkups, safety training for employees, etc., are integral part of the company's operations. Golden Peacock Award for Environment Management, second time in a row and Shreshtha Suraksha Puraskar award from the National Safety Council, India for its efforts on sustainable development are testimony to the company's continued emphasis on environment, health and safety.

### **Corporate Social Responsibility**

Your company continued its sharp focus on Water Conservation promoting the use of Direct Seeded Rice (DSR) technology in rice cultivation. Partnering with Agricultural Universities, NGOs, policy makers and farmers, your company provided strong financial and technical support, as a result of which DSR technology was adopted in more than 675,000 hectares, saving roughly 355 billion gallons of water annually. Further, several measures including agri-skill development, mobile crop clinic and livelihood promotion for small and marginal farmers were undertaken enhancing their income and positively impacting their lives.

Further, your company focused on general and specific skill development, vocational training and employment programs for rural youth resulting in improved job opportunities and livelihood enhancement. Its focus on preventive healthcare with dedicated mobile health vans, better hygiene & sanitation

awareness programs, promoting higher standards of education in schools and women empowerment resulted in uplifting the general well-being of people in 55 villages around the locations where your company operates. In addition, your company has partnered in “Doctoral Research Fellowship” under the Prime Minister’s Fellowship scheme for Doctoral Research demonstrating its emphasis on promoting research education in the country.

### **Acknowledgement**

I take this opportunity to express my sincere appreciation for the support of all our stakeholders including shareholders, employees, business associates, bankers, Government departments, State Governments of Rajasthan & Gujarat, farmers and our global customers for their confidence reposed in PI. I would also like to thank all my fellow board members for their valued guidance and contributions to the Company’s management.

In our journey to build an innovation led, technology oriented, integrated agri-sciences company, I look forward to your continuous support and trust. Let us continue to better chemistry and deploy it towards a better world!

With warm regards,

**Narayan K. Seshadri**

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

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