

PI INDUSTRIES LIMITED

Udaipur

Speech delivered by the Chairman of the meeting at the 71st Annual General Meeting of PI Industries Limited held on August 06, 2018.

Ladies and Gentlemen,

It gives me great pleasure in extending a warm welcome to each and every one of you to the 71st Annual General meeting of your Company PI Industries Limited.

The Directors' Report and the Audited Financial Statements for the financial year ended March 31, 2018 have been with you for some time now. I will, with your kind permission, take them as read. Over the next few minutes I will share with you my perspectives on the Indian economy, the agriculture sector, your Company's performance and its outlook.

Economy

The Government's drive to formalize the Indian economy had an initial adverse impact on growth as would be expected with any deep change. By latter quarters of fiscal 2018, the economy regained growth overcoming the impact of demonetization and the introduction of GST. Besides with the introduction of Indian Bankruptcy Code, banks affected by the NPA crisis also began to see a path to recovery. The economy recorded a growth of 6.7% in FY 2017-18 and is expected to grow at 7.4% in fiscal 2019.

These and other changes brought about by the Central and some of the State Governments resulted in Moodys upgrading India's sovereign credit rating Baa2 with a stable economic growth after 14 years and, the World Bank

moving India up by 30 places in their Ease of Doing Business Report. In addition, this year's forecast of a normal monsoon augurs well for your Company and industry in general.

Company performance

FY18 was a challenging year and did not reflect the true potential of your Company despite a portfolio of strong brands and a solid order book position. In the first-half, we faced challenges in key cropping regions due to uneven rainfall, freak adverse weather incidences and the effects of primarily demonetization in the rural area. Further, weak demand in the global Agchem sector resulted in deferred export shipments.

The overall scenario, however, substantially improved in the second-half 5 new products that were launched in the domestic market during the year have been well received by farmers indicating strong growth in forthcoming quarters. Your company continues to invest in a vibrant product portfolio covering a broader crop profile. There is visible traction for the mechanization and digital driven solutions-centric approach we have taken with the farmer community. With the aid of cutting edge real-time technology, we are expanding our connect with our retailers and trade channels as well to increase market penetration and better service orientation.

The second half also saw a demand uptick in exports, significant improvement in inquiry flows, but basic raw material supply challenges from China, some logistical challenges and timely execution resulted in some delayed deliveries. Further, we saw commercialization of 4 new molecules in the year. Over the mid-to-longer term, we see growth from the significant increase in both number of enquiries and scale-up of existing products. Also, in keeping with the stated ideal of being **"Inspired by Science"** we are specifically targeting

development of new building blocks in adjacent and novel chemistries and process technological capabilities to build long term resilience and increasing our scope for exports and attain an unassailable global position.

PI's world class manufacturing facilities with emphasis on quality, efficiency, safety and security backed by the trust it has built with its customers, continues to bring it rich rewards by way of growth in its multi-year order book.

Further, your Company's state-of-the-art, 120,000 sq. ft., R&D facility with over 300 scientists, backed by a strong IT infrastructure for business processes, documentation, data management and analytical support is fully operational. This is further augmented by an excellent Green House for biological testing creating a significant edge for PI in creating new and cutting-edge intangible assets.

Our strong partnership driven approach backed by our R&D to Technology Development to Global Quality Manufacturing to Innovative Application Development to Regulatory Capability to Marketing is providing us a global reach. Joint ventures with Mitsui Chemicals Agro Inc. and Kumiai Chemical Industry Co. Ltd apart from strategic alliance with global innovators are a few examples providing opportunities for growth across the value chain from Discovery to Distribution.

Indian Agriculture

Aiming to double income of farmers by 2022, the Government of India has taken several initiatives to boost agriculture income including Soil Health Card, Kisan Credit Card, Fasal Bima Yojana, raising of MSP etc. India's foodgrain production is forecast to grow to a record of 279.5 million tons. Further, with

increased investments in agricultural infrastructure such as irrigation facilities, warehousing and cold storage etc., the agriculture sector is expected to get a substantial boost to sustain its growth.

Indian Agro chemical Industry

The size of the Indian agrochemical industry is estimated at ~Rs.28000 Crores (USD 4.1 bn) and is expected to grow 8.3% annually to touch ~Rs.55000 Crores (USD 8.1 bn) by FY 2025. Exports are expected to grow at a slightly faster rate of 8.6% and expected to contribute nearly 50% at ~Rs.28500 Crores (USD 4.2 bn) by FY 2025.

The structural reforms being undertaken by the Government to change the face of Indian Agriculture are expected to be the long-term growth drivers for India's agrochemicals Industry. These reforms and changes are expected to dramatically increase current poor crop yields compared to global yields, increase penetration and use of innovative crop protection products, increase arable land, enhance farmer income and address labour issues.

Your Company's revenue from operations for the year stood at Rs. 2,277 crores (GST adjusted) was almost similar to the previous year revenue. The operating profit for Fiscal 2018 was Rs.492.06 crores, a decrease of 10.6% from Rs.550.53 crores recorded in Fiscal 2017, primarily due to reasons I cited above, a higher spend on R&D and, other growth initiatives. The net profit for Fiscal 2018 on stood at Rs.366.54 crores as compared to Rs.457.36 crores in Fiscal 2017, a decline of 19.86% primarily to the effective tax rate going up by about 11%.

Our EBIDTA margin decreased 179 basis points to 21.6% in Fiscal 2018 compared to Fiscal 2017 and, PAT margin declined by 332 basis points to 15.88%.

The Earnings Per Share (EPS) for the year stood at Rs. 26.62 per share as compared to Rs. 33.31 per share for the previous year and debt equity ratio at 0.04 as compared to 0.07 in previous year.

Dividend

For the financial year 2017-18, the Board had declared an interim dividend of 150% in October 2017, and recommended a final dividend of 250% for approval by shareholders. Total dividend aggregates to Rs.4/- per share carrying a face value of Re.1/- each. This is in line with the dividend declared by the company during previous year.

Outlook

Your Company's focus in FY 2018-19 will be to scale up sale of new products already and to be launched. In addition, by widening our mechanization and digital initiatives, existing and new geographies will be tapped to take our established products such as 'Nominee Gold', Osheen and well established decades old brands, scale up recently launched products and own specific crop segments. This deeper, effective and efficient approach to market and our trusted long-term relationships with global innovators, we believe, will lead to launch of new products obtained through tie-ups for marketing and distribution, application development with possibilities on an exclusive or near exclusive basis.

Regular commercialization of molecules from the pipeline of inquiries we have worked upon, along with our efforts to improvise on process technology, and with the capacity already available and new being built at Jambusar, we expect to accelerate exports delivering sustainable growth in the coming years.

Our continued investments in R&D will keep us in good stead in the face of disruptive changes in the market place.

ENVIRONMENTAL & SOCIAL CONTRIBUTION

Your Company continues to pursue business in a sustainable manner caring for the environment and society and is well recognized for its outstanding contributions.

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.

In yet another achievement, PI also topped the TFS audit conducted by BCS for its leading suppliers by securing a score of 99 out of 100. TFS audit program assesses suppliers on various sustainability criteria, e.g., management, environment, health & safety, labour & human rights, and governance issues.

Time and again, your Company's manufacturing facilities have been acknowledged and felicitated. Your Company has been awarded Energy

efficiency award by BEE, Green Manufacturing Excellence Award by Frost & Sullivan, Economic Times India Manufacturing Excellence Award by Frost & Sullivan and, the Golden Peacock Environment Management Award for all three aspects of Safety, Environment and Quality, National Quality award and, National Safety Council's Shreshtha Suraksha Puraskar.

Corporate Social Responsibility

As a business enterprise that has steadily evolved over the last seven decades, your Company remains committed to pursue its business in a sustainable manner. Pursuing sustainable value creation, company balances its business interest with that of environment and well-being of society.

In line with the Company's CSR philosophy, PI Foundation undertook several community development initiatives during last year in the areas of sustainable agricultural practices, healthcare, sanitation and hygiene, water preservation through the promotion of Direct Seeding of Rice, Women Empowerment, Quality education and Skill training of underprivileged youth.

Over 10,000 farmers were imparted training in leading agronomic practices, our healthcare outreach program has touched lives of over 1,00,000 people, over 570 toilets has been set up in households and schools, nearly 1.5 trillion liters of water has been saved through farmers adoption of Direct Seeding of Rice, more than 3,000 women benefitted from our livelihood enhancement programme through entrepreneurship in dairy value chain, over 13,500 children benefited from our work in promoting quality education and over 600 youth from lower socio economic background have got jobs through employment linked skill training programme.

Our long-term value and success of businesses are inextricably linked to the integration of economic, social and environmental issues into corporate

management and operations. While in one hand our agricultural intervention has promoted environmental sustainability, increase in farm yield and farm mechanization through the other we have been instrumental in delivering high impact programmes in Education, Healthcare, Skill Development and Women Empowerment.

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 including joint-venture partners 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. Finally, I thank the management team for their unstinted efforts in building your Company's future.

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.)
