



**PI Industries Ltd.  
Investor Presentation  
March, 2016**

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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

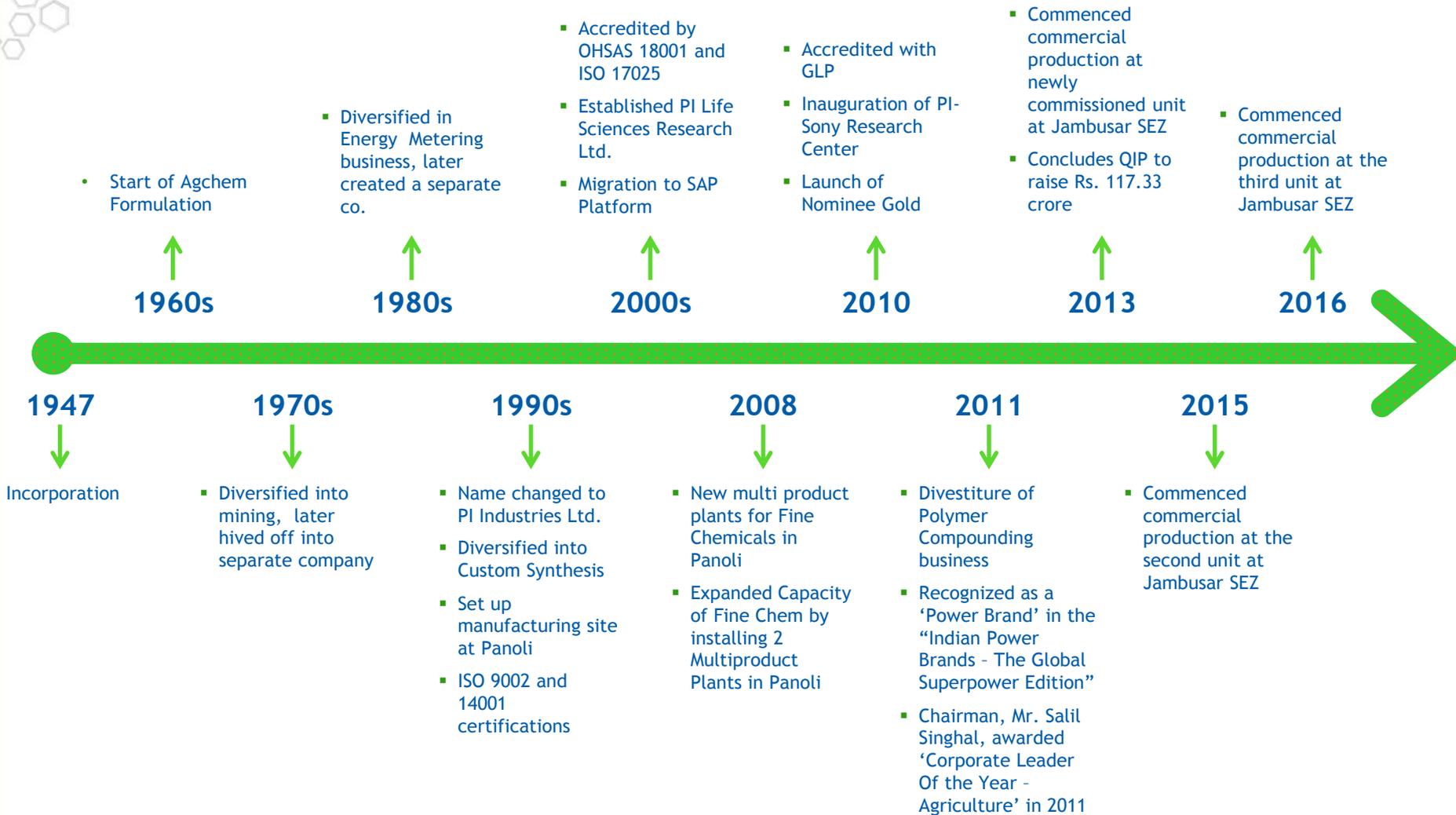
### CUSTOM SYNTHESIS

- 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 Business: Agri-inputs



Inspired by Science

## 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)
- Bunker (Herbicide)

#### Fiscal 2016

- Vibrant (Insecticide)
- Biovita X (Plant Nutrient)

### 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)

# Exports Business: Custom Synthesis

## CUSTOM SYNTHESIS AND CONTRACT MANUFACTURING: FINE CHEMICALS

- 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

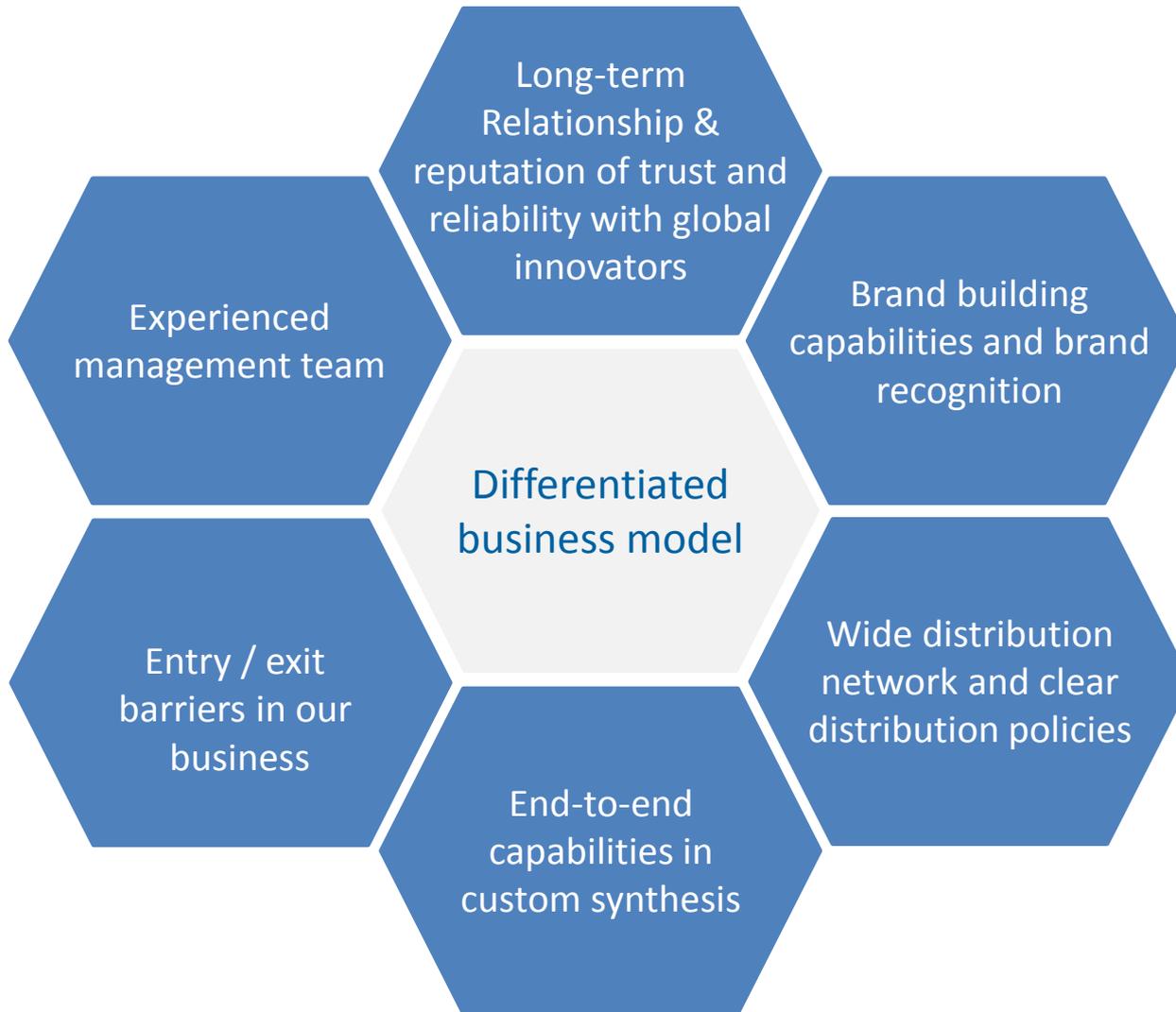
# Solid Infrastructure Setup

- Multi-locational manufacturing facilities
  - 5 Multi-product plants and 2 Formulation units in Panoli spread over 79,000 sq. mtr.
  - 3 Multi-product plants 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

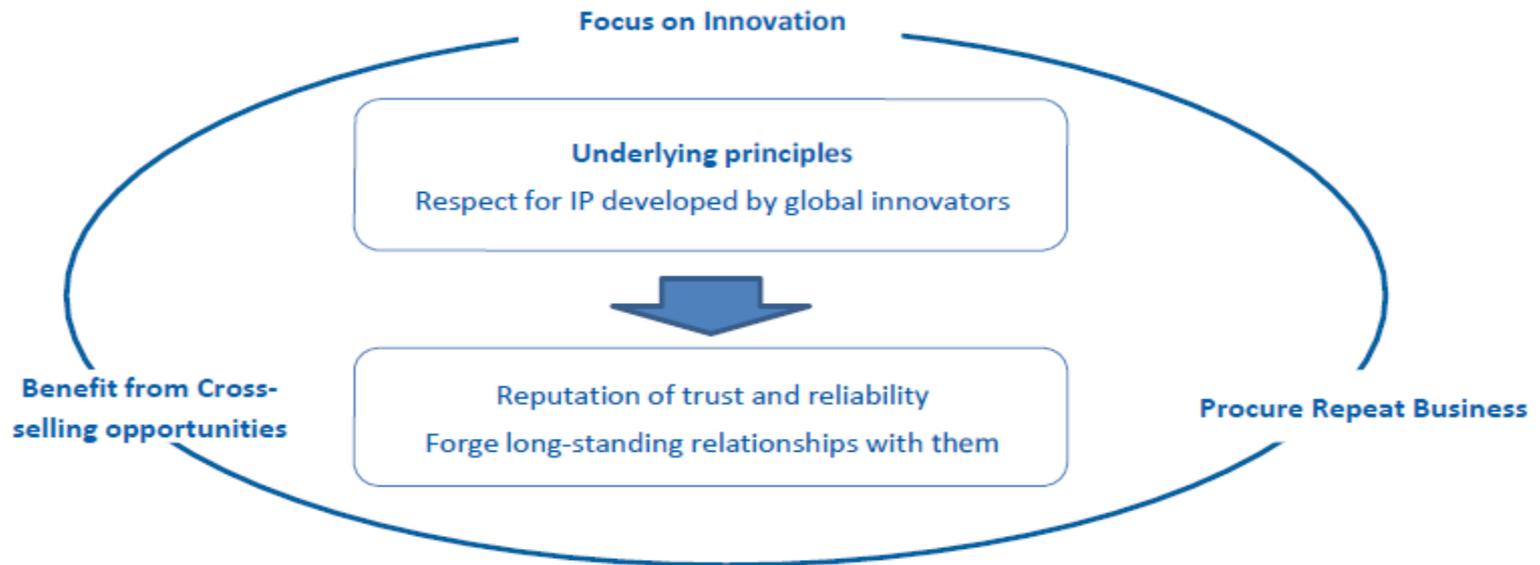
#### **Synergistic Benefits**

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

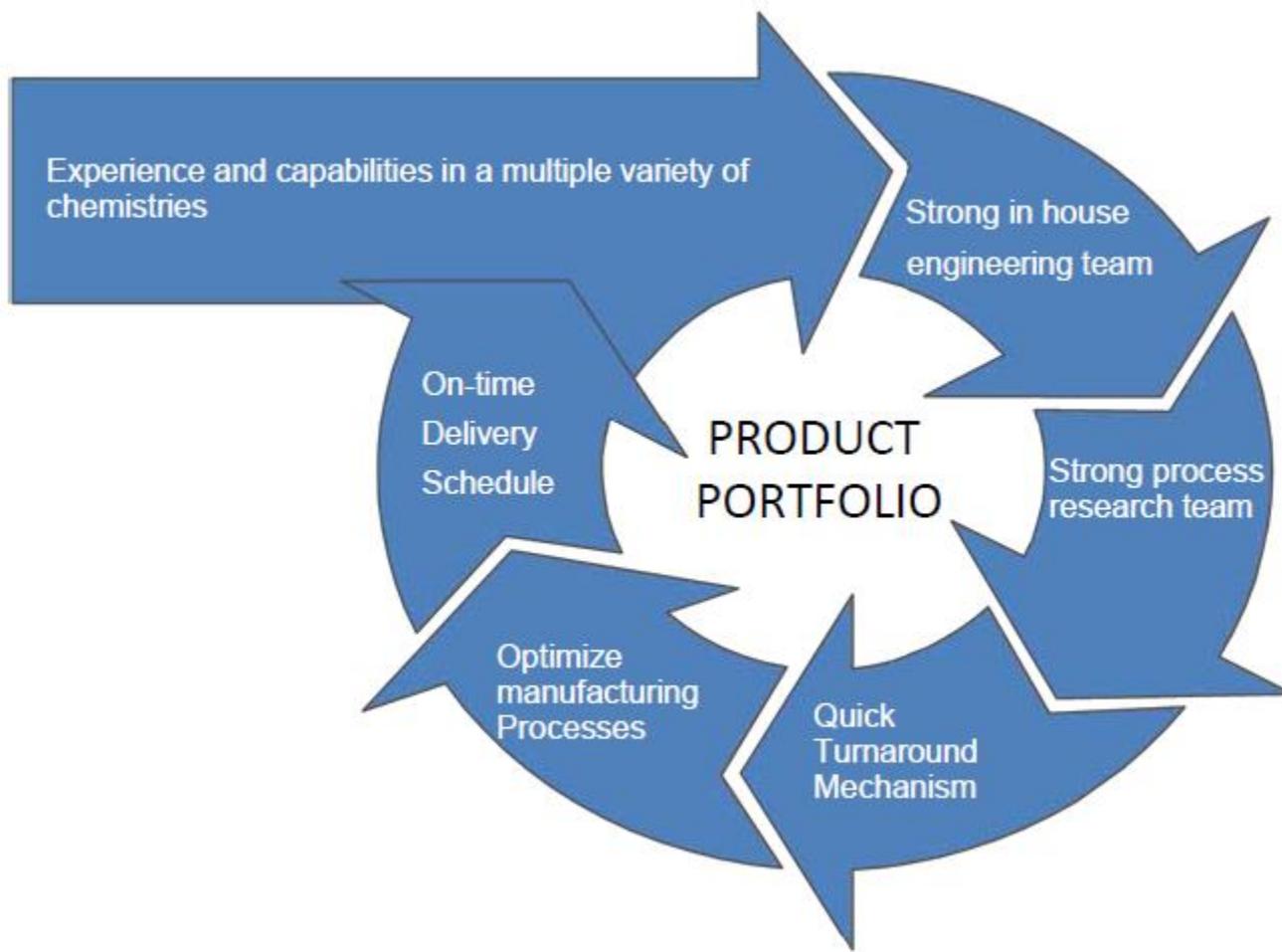
- Provide delivery of products as required at a particular point in time and not in excess
- Once delivered any stock which remains unsold is not accepted back from the distributors
- Price margins for our products is pre determined prior to delivery to distributors, and not adjusted or negotiated post



# Key Strengths (5/7)

5

## End-to-end Capabilities in custom synthesis



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

<b>Salil Singhal,</b> 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.
<b>Mayank Singhal</b> 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, PILL Finance and Investments and Samaya Investment and Trading.
<b>Rajnish Sarna</b> Executive Director	An enterprising Chartered Accountant 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
<b>Anurag Surana</b> 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

# 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.

**Ms. Jayashree Satagopan**  
Chief Financial Officer

Ms. Jayashree Satagopan is a finance professional with Chartered Accountancy, Cost Accountancy and Company Secretaryship with over 23 years of industrial experience. She was earlier associated with International Paper APPM Limited, GE Healthcare, Ford India Ltd. and Ashok Leyland. She has taken keen interest in training, coaching & mentoring, developing business leaders and community volunteering activities. She is part of WILL Mentoring Council and has been active in various industrial forums and academic circles on Leadership, Finance, Global Supply Chain and Diversity Initiatives.



## *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

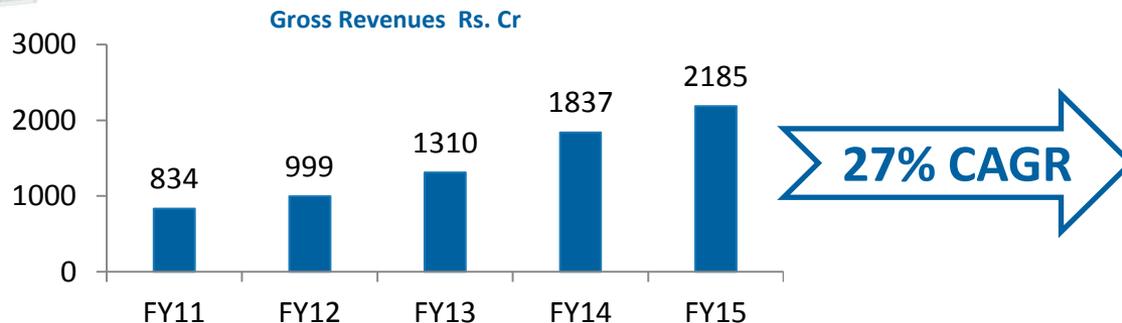
## Drive strong revenue growth and predictability at lower investment risks

- 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

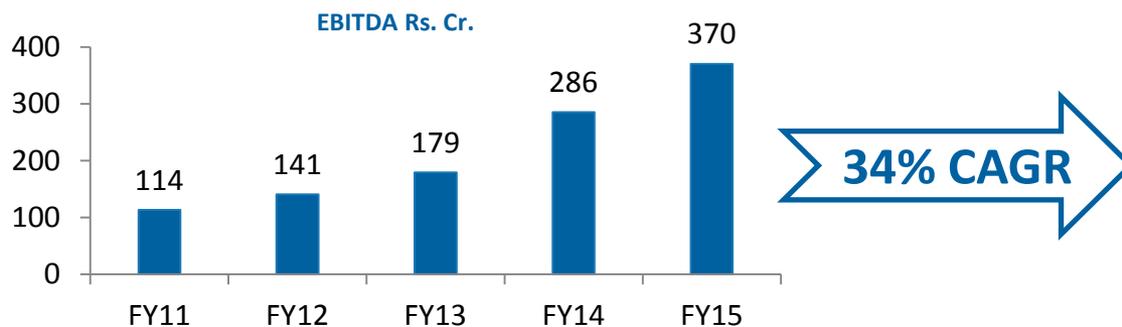


## *Financial Overview*

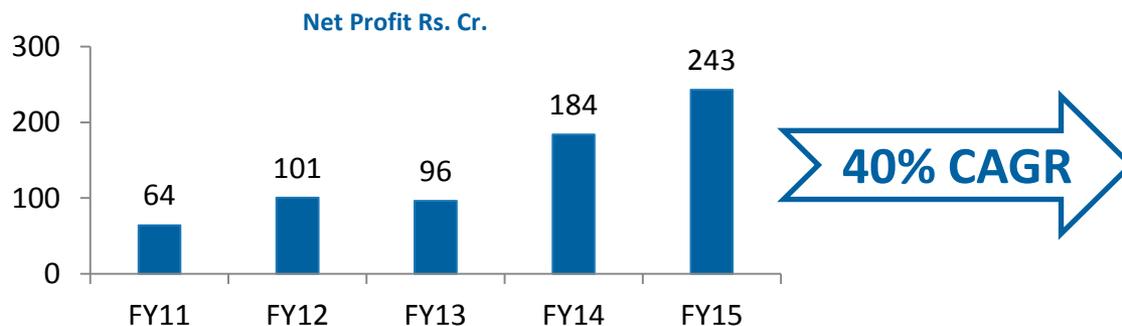
# Growth Profile



Improved business mix drives topline growth

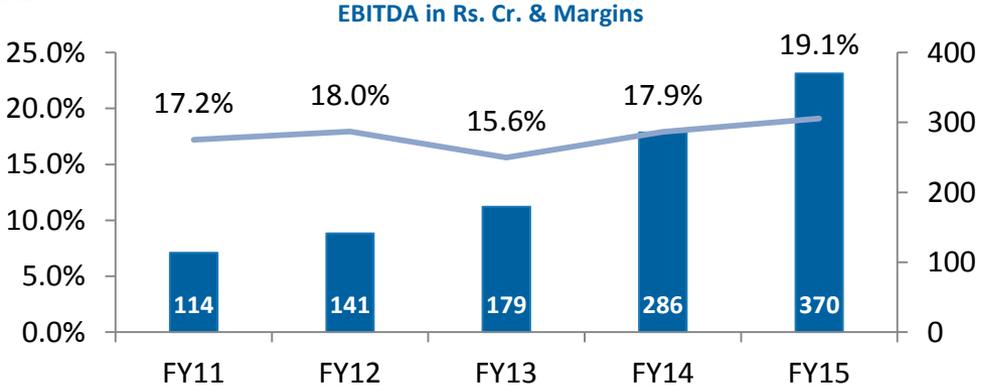


Focus on in-licensed products in domestic business and high-potential molecules in exports yielding operating gains

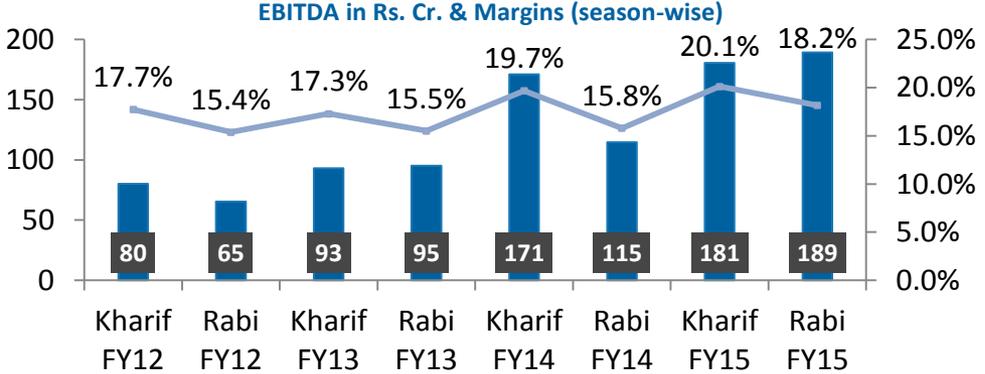


Consistent revenue growth translating into robust post-tax earnings

# Margin Profile

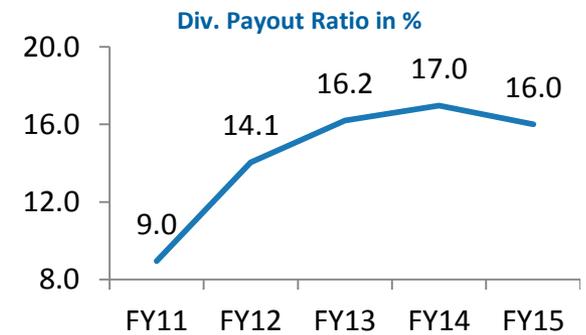
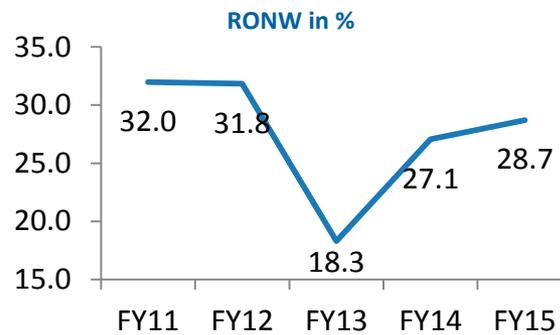
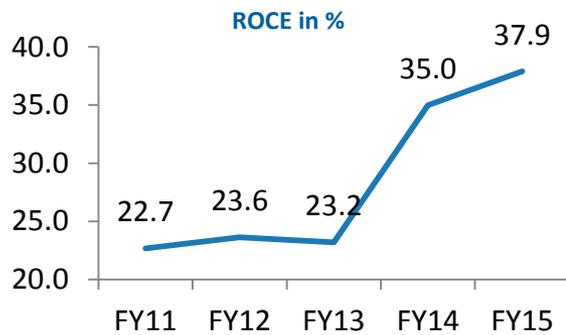


EBITDA margins driven by enhancement to business mix and operating leverage



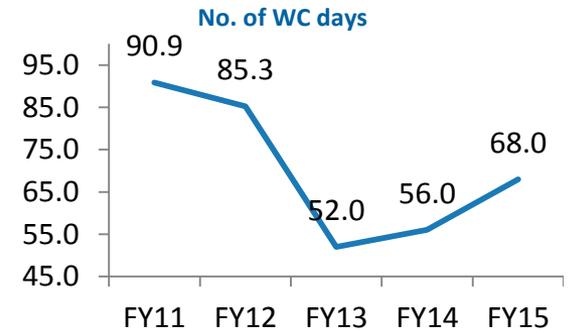
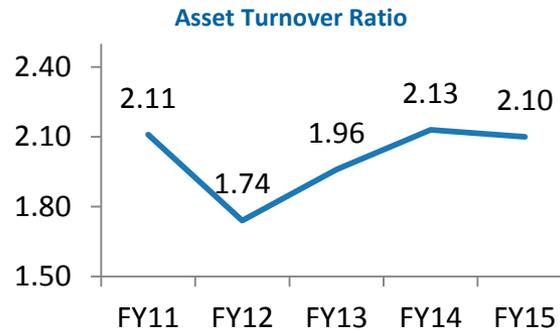
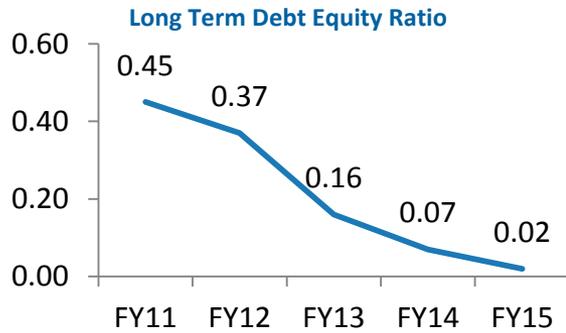
Margins show consistent improvement season on season

# Enhancing Shareholder Value



**ROBUST TRENDS IN PERFORMANCE TRANSLATING INTO GREATER SHAREHOLDER VALUE**

# Driving Quality Operations



**BUSINESS GROWTH SUPPORTED BY QUALITY OF BALANCE SHEET**

# Key Financial Highlights

	Q3 FY16 (Rs. in Crore)	Growth (%) (Y-o-Y)	9M FY16 (Rs. in Crore)	Growth (%) (Y-o-Y)
Revenues	511.0	1%	1,511.9	8%
EBITDA	104.8	11%	325.4	18%
PAT	72.5	17%	218.1	19%

## Results analysis

### Net Revenues

Revenue growth in 9M FY16 stood at 8% driven by 3% growth in domestic agri-input and 11% upside in custom synthesis exports.

Revenue growth in Q3 stood at 1.2%. Custom synthesis exports have shown growth of 9% which was moderated due to deferred procurement schedules from the global customers. Domestic agri-inputs business performance was muted due to tough agro-climatic conditions.

### EBITDA

9M FY16 EBITDA grew by 18% to Rs. 325.4 crore. Margins stood higher at 22%, representing a growth of 194 bps.

During Q3 FY16, the EBITDA stood at Rs.104.8 crore with margins of 21%, showing an expansion of 188 bps Y-o-Y. Better cost management and favourable product-mix led to healthy operational performance.

### Post-tax Earnings

Profit After Tax during 9M FY16 came in at Rs. 218.1 crore, an increase of 19%. This translated into Basic EPS of Rs. 15.94 per share from Rs. 13.42 per share. This follows tax benefits accrued by way of commissioning new plants at Jambusar SEZ and extension of R&D facility at Udaipur.

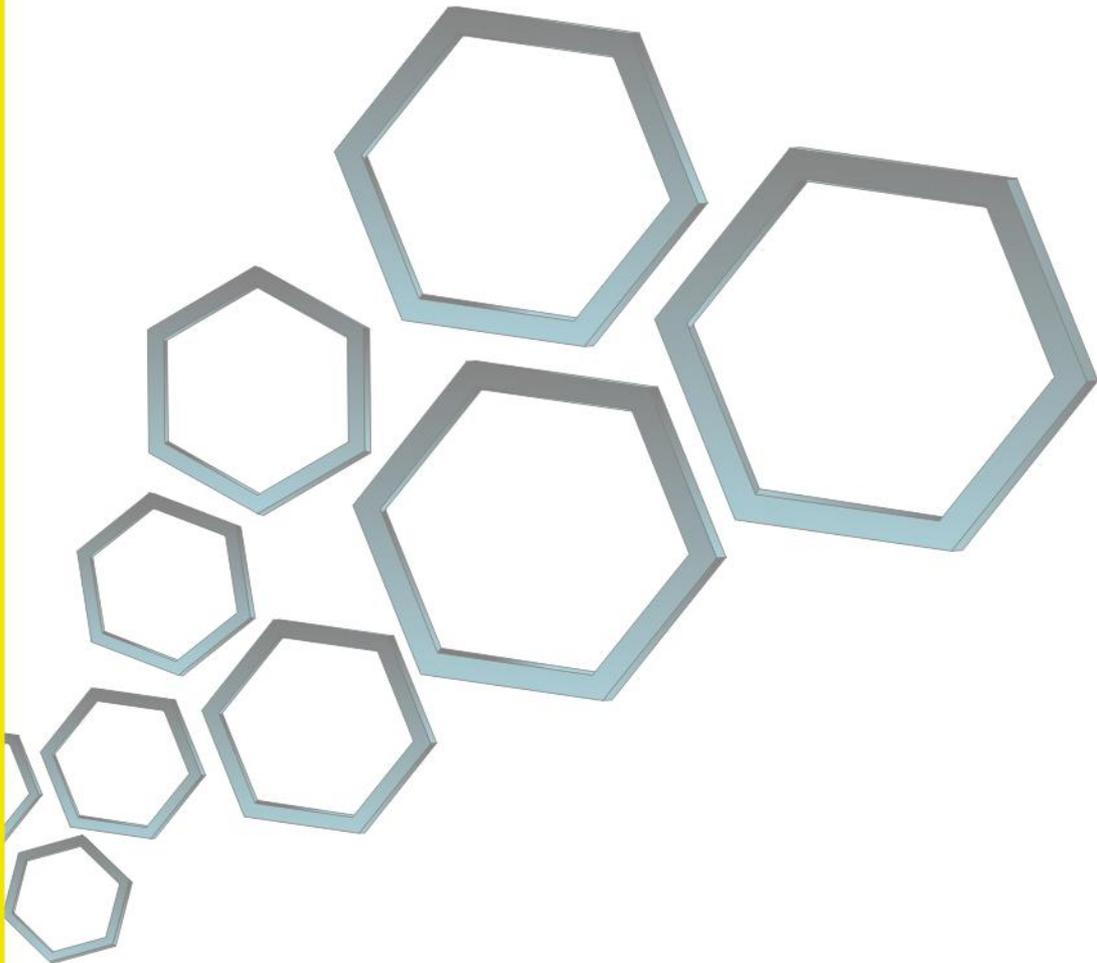
In Q3 FY16, PAT increased by 17% Y-o-Y and stood at Rs. 72.5 crore. The Basic EPS in Q3 FY16 stood at Rs. 5.30 per share.

### Strong Balance Sheet

Balance sheet position strengthened during the period supported by healthy cash generation. Net Cash from Operations stood at Rs. 235 crore. Debt : Equity ratio remains at 0.09 despite increase in long term debt. Working capital cycle marginally improved.

# Outlook

- The global agro chemical industry is going through a challenging environment. The domestic markets have also seen a slowdown in last couple of seasons due to poor agro climatic conditions. However, PI's outlook for the medium and long term remains robust due to the following factors:
  - Growth in the domestic business driven by strong brand profile, contribution from recent launches of in-licensed products and introduction of 1 to 2 new products every year from a rich pipeline
  - Continued growth momentum in the custom synthesis exports due to operationalization of new plants at Jambusar and commercialization of new products



# THANK YOU

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