



## PI Industries Limited

### Q1 FY17 Earnings Conference Call Transcript

July 28, 2016

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**Moderator** Ladies and Gentlemen, Good Day and Welcome to the Q1 FY17 Earnings Conference Call of PI Industries Limited. As a reminder, all participant 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, you may signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you and over to you, sir.

**Nishid Solanki** Thank you. Good afternoon everyone and welcome to PI Industries Limited's Q1 FY17 Earnings Conference Call. Today we have with us senior members of the management team, including Mr. Mayank Singhal – Managing Director & CEO, Mr. Rajnish Sarna – Director and Ms. Jayashree Satagopan – Chief Financial Officer. We will commence the call with opening remarks from the management and follow that with an interactive Question-and-Answer session.

Before we begin, I would like to highlight that certain statements that may be made or discussed on the call today may be forward-looking in nature and a disclaimer to that effect has been provided in the results release sent to you earlier. The Company does not undertake to update them publicly.

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

**Mayank Singhal** Good afternoon everyone. And thank you for taking time out to join us today on PI Industries earnings conference call. I will touch upon the highlights of our latest results. During Q1 FY17, we reported Revenue growth of 15% and EBITDA in the same period stood 23% higher.

At PI, we are leveraging our capabilities across the value chain in Agri Sciences by offering integrated and innovative solutions across research, product and application development, regulatory services, manufacturing services, marketing and global and local customer connect initiatives.

Over the years, we have developed marquee relationships with some of the world's foremost names in the field of agri-sciences based on the principles of trust, integrity and IP protection. Our state of the art Research & Development Centre houses more than 200 research scientists and chemists with extensive capabilities in the field of process research and technology.



Our world class manufacturing infrastructure with the state of art technology and automation is one of the best in its class. Our several decades of experience in brand building, registrations and our strong wide spread, robust distribution network are our strength in the domestic market.

Our domestic business saw 10% growth despite the delay in start of the monsoon and inventory levels at the channels. Our new line of products like Vibrant, Osheen and Keefun has been receiving encouraging response from market, and we have been happy to introduce new herbicide 'Legacee' in the coming season in the market.

Our global exports have registered a growth of 20% for the quarter. Our two multi-product plants are commissioned in Jambusar last year, which are helping us to execute robust order book position for our exports.

Performance going forward would be driven by sustained improvement in exports, where commercialized molecules are gaining higher traction as well as gains from newly commissioned capacities at Jambusar SEZ. In India, higher demand for our new line-up of brands will support growth.

With that, I would like to call upon our CFO – Ms. Jayashree Satagopan to continue the discussion with her views on the financial performance during the year.

**Jayashree Satagopan** Thank you, Mayank. Good afternoon, everyone. And welcome to PI Industries Q1 FY17 Earnings Conference Call. As highlighted by Mayank, we have started the year on a strong note and expect this momentum to continue throughout the year. Performance during the period stood in line with our expectation, barring minor setbacks on account of delayed arrival of monsoon.

Let me now take you through the financial performance for the quarter ended June 30th, 2016. In the first quarter of fiscal year 2017, total revenues stood at Rs. 683 crore, higher by 15% from last year. Exports increased by 20% while India showcased a robust growth of 10%. Our relationship with innovators continues to remain strong, translating into higher volumes of commercialized molecules. Favorable product mix combined with a disciplined approach to channel sales resulted in a better performance during the current Kharif season.

EBITDA in Q1 fiscal year 2017 stood higher by 23% to Rs.166 crore, giving an EBITDA margin of 24.2%, an increase of 154 basis points year-on-year. Profit after tax improved by 48% to Rs. 127 crore, primarily driven by tax benefits accruing from our exports from the SEZ facility. Our strong operating model is resulting into consistent increment in earnings, thereby augmenting our balance sheet. Our debt equity ratio strengthened to 0.09 to 1. Further, our net working capital position has seen an enhancement. Overall, the Company remains suitably funded to undertake the growth initiatives.

We expect to benefit from a strong presence in innovator molecules, where growth in India will come from branded product mix. Products such as Vibrant, Osheen, Keefun and more recently introduced 'Legacee' have shown promising uptake and will contribute towards growth in margins. Similarly, we expect a good growth in exports on the back of high deliverables to our global customers. For fiscal year 2017, we are looking at introducing couple of new innovative products to augment the level of performance even further.

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

**Moderator** Thank you very much. We will now begin with the question-and-answer session. Our first question is from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.

**Nitin Gosar** Just wanted to reconcile certain set of numbers, I was looking at excise duty numbers. They have gone up Y-o-Y by 20% and I was under impression that this excise duty should be more applicable to India operations and not exports, while India operations are only up by 10%. Is this the right way of looking at excise duty or there is something more to do with the excise duty?

**Jayashree Satagopan** I think, as you rightly mentioned, excise is primarily on the domestic operations. I can take this question offline and come back to you in terms of any increase that is being seen in the excise duty, we have not seen any specific reason why they should go up.

**Nitin Gosar** And second, again very sharp improvement in gross margin which is now working out according to me around 51% and if I were to see it from say 2010 onwards till date, none of the quarter had this kind of superb margins. So now if I were to build up by thought process, this gross margin should be more a replica of better or improvement in the domestic business or it should be more to do with the custom synthesis business?

**Mayank Singhal** Well, I would not look at this as the domestic or export business but as a blended margin. This is basic in the product mix and with kind of changes from quarter-to-quarter, so I would not really put this as the primary benchmark to evaluate something across because you had probably a better product-mix in the first quarter and which has traditionally been the trend but there has been a better-mix so far in the previous quarter.

**Nitin Gosar** But if I were to say a better product mix then right now we have a better improvement in custom synthesis business and a relatively lower growth in the agri business. So is that what you are indicating is a better product mix?

**Mayank Singhal** No, product mix is at product level. There are some of the higher margin products.

**Nitin Gosar** And last question is with regard to CAPEX, anything new that we would have conceptualized on CAPEX from our equipment of few apart from what we previously discussed?

**Mayank Singhal** No, we will stick with the same approach.

**Moderator** Thank you. Our next question is from the line of Ritesh Gupta from Ambit Capital. Please go ahead.

**Ritesh Gupta** First one is, how much is the order book at the end of this quarter?

**Mayank Singhal** We are still with similar order book position, \$850 million as mentioned earlier.

**Ritesh Gupta** And secondly, so coming to the same question that the earlier participant asked, I mean you have been writing in your press release for the last few quarters that you have been working towards improving product mix, so should we assume this kind

of a gross margin is sustainable, maybe you might have 100 - 200 basis points of favorable mix only for this quarter but on a YoY basis we have seen a large jump in gross margins. Do you think some piece of it is sustainable going forward?

**Mayank Singhal** Basically to do with this quarter, there was a specific product mix, but for the full year, we should not benchmark this as a quarterly run-rate.

**Ritesh Gupta** But on a YoY basis you will still expect some bit of gross margin expansion?

**Jayashree Satagopan** Yes.

**Ritesh Gupta** And, if you could comment on the tax rates, I think this time tax rates surprised substantially and any guidance for the full year tax rates?

**Jayashree Satagopan** Yes, I think we had a good break on the tax rates as you would have seen, it again depends on the mix as well as the products that we had produced in the SEZ facility. And that was the reason why we had a much better ETR compared to the previous quarters. Having said that, on an annual basis, with the current outlook that we have, we should look at around 22% - 23% as our ETR for the year.

**Ritesh Gupta** And from CSM perspective, do you see any improvement in the off-take, I mean of course your numbers are good this quarter, but do you see the environment changing versus say what it was last quarter?

**Jayashree Satagopan** No, we have not seen any substantial change.

**Mayank Singhal** We are not seeing any indicators of that yet.

**Moderator** Thank you. Our next question is from the line of Abhijit Akella from India Infoline. Please go ahead.

**Abhijit Akella** First, just with regard to the changes under Ind AS, just wanted to understand, do those impacts mainly the domestic business in terms of the excise duty now being shown under other expenses as opposed to be netted off against sales previously, so is it mainly in the domestic business that the change is there or is there any change in custom synthesis revenues as well?

**Jayashree Satagopan** See, when you look at Ind AS application it is primarily in terms of how you represent your financials. So obviously, anything that is sold in the domestic, the excise gets re-casted between the line items, That does not impact your EBITDA numbers, but yes from a percentage standpoint you will see it slightly differently compared to the earlier quarters. So that is what has happened with PI as well. When you look overall at a Company level, there could be some minor implications that could fall out because of Ind AS, a very small adjustment that could happen during the year on account of our ESOP valuation, the way we take in our books. Other than that there is no significant impact because of Ind AS.

**Abhijit Akella** Would it be possible to just give us the absolute revenue numbers between domestic and custom synthesis piece for the quarter, just on the Ind AS?

**Jayashree Satagopan** From an Ind AS standpoint, we had domestic sales of close to Rs. 343 crore and exports was about Rs. 340 crore.

**Abhijit Akella** And could we get the year ago comparables please, if possible, just to compare on an apple-to-apple basis.

**Jayashree Satagopan** Yes, it was Rs. 308 crore on domestic business and last year exports was about Rs. 284 crore.

**Abhijit Akella** One last question, just on Nominee Gold, whether you have seen generic competition coming into the market space? And if so, what is the kind of indication on pricing that you are seeing from them?

**Jayashree Satagopan** I think we have seen couple of other players who have brought in their products in the market, this was as per the expectation earlier. So we will have to wait and see how the pricing actually pans out, as of now clearly we see that for Nominee Gold, the end customers are willing to pay a premium. So as the season progresses we will get to know where exactly this stands.

**Abhijit Akella** But the discount at which the generics have come in, could you give us some indication of whether it is 20% or what is the range of discount over there?

**Mayank Singhal** No, we don't, we wish not to comment on the same because we do not have a clear picture what the price is.

**Moderator** Thank you. Our next question is from the line of Alok Deshpande from HSBC. Please go ahead.

**Alok Deshpande** Two questions, one, would it be possible to get some outlook on how the Q2 would look on the domestic side? Because as we know, July has been very good, so are we looking at a very good Q2 because the sales have sort of spilt over from Q1 to Q2?

**Mayank Singhal** Well, there are couple of challenges which should be common for the industry. One, excess rain also has a challenge, on the other hand there is also a huge amount of inventory in the channel as you would know from the past. But I think overall, yes we should expect Q2 to be a good quarter broadly for the domestic business.

**Alok Deshpande** And second question was on the exports business, so would it be fair to assume that the incremental sales that we would see in CSM this year, that would be almost fully from the new capacities?

**Mayank Singhal** I would not pen it down to that, it is a mix and blend for the exports.

**Alok Deshpande** So you mean the new capacity and some from the older capacity as well?

**Mayank Singhal** Yes.

**Alok Deshpande** And have we commercialized any new molecules so far in this fiscal year, in the CSM business?

**Mayank Singhal** Well, for exports, we have started a new product this year in the first quarter.

**Moderator** Thank you. Our next question is from the line of Aditya Jhavar from Investec Capital. Please go ahead.

**Aditya Jhawar** Sir, you mentioned that the CSM demand environment has not changed so favorably in Q1, despite that you reported a 20% growth in the CSM business, sir was there some spill over from Q4 to Q1 in the season CSM this quarter?

**Jayashree Satagopan** Not really.

**Mayank Singhal** We already have an order book position as we have mentioned and we expect to keep this growth of 18% - 20%, there is no major changes.

**Aditya Jhawar** And secondly, can you please tell me the share of in-license product in the domestic formulation business?

**Mayank Singhal** I do not have that right now, but I think it was about 60%.

**Jayashree Satagopan** 60% to 70%.

**Aditya Jhawar** And, number of molecules that you have commercialized, you said you have added one molecule in the CSM business this quarter, so the total number stands at around 23 - 24, is that correct?

**Mayank Singhal** Yes, somewhere around that, we have got 18 - 24 products. Because these products are for both our business, they are for exports and certain are for domestic purposes.

**Moderator** Thank you. Our next question is from the line of Chetan Thakker from ASK Investment Managers. Please go ahead.

**Chetan Thakker** Just wanted to get a sense on 'Legacee', our new product that is launched, what is the molecule and whom are we sourcing it from, if it is an in-licensed product?

**Mayank Singhal** Well, it is not in-licensed, it is a co-marketed product which has been exclusively sold by PI, it is a rice herbicide which we are selling into the market for the application of certain other weeds.

**Chetan Thakker** And technical name, if possible?

**Mayank Singhal** I do not have that right now, but we can get that to you later.

**Moderator** Thank you. Our next question is from the line of Sumant Kumar from Elara Securities. Please go ahead.

**Sumant Kumar** My question is, how is our product positioning in pulse crop as we have seen a sowing acreage increase significantly?

**Mayank Singhal** In which crop?

**Sumant Kumar** Pulses.

**Mayank Singhal** Yes, we are working equally in the other areas of applications.

**Sumant Kumar** So which product we have in pulses segment?

**Mayank Singhal** I cannot share the exact marketing strategy for each product and each crop, but yes we are working very well in all the crops in the pulse segment.

**Moderator** Thank you. Our next question is from the line of Balwinder Singh from B&K Securities. Please go ahead.

**Balwinder Singh** If you can highlight firstly on, I think you mentioned in your opening remarks that you will be launching two new products in domestic market this year. So apart from 'Legacee', what are these other two products, and if whether are 9(3) or what category they will be catering to? Whatever you can share.

**Mayank Singhal** Well, as I said we have launched one, we will definitely be launching another product, and once we do it, we will let you know.

**Balwinder Singh** So I think Legacee is not a 9(3) product, so the other one is a 9(3) what you are talking about?

**Mayank Singhal** No.

**Balwinder Singh** And regarding our guidance, we maintain our guidance at around 18% - 20% top-line growth with 100 bps improvement in margins?

**Mayank Singhal** Yes, approximately around that band, yes.

**Moderator** Thank you. Our next question is from the line of Rohan Gupta from Emkay Global. Please go ahead.

**Rohan Gupta** On our domestic product portfolio, we had been continuously increasing our dependence on rice crop and especially also on herbicide. With the new product launch, 'Legacee', also a rice herbicide, I understand that PI has a very strong approach towards rice and strong presence in rice herbicides segment, so what is our strategy to correct this higher concentration towards rice and over next two to three years if you can just guide us that how we are going to launch other products in insecticides category and targeting other crops also?

**Mayank Singhal** In any case, as you would see the other products that we have are also applicable to other crops, herbicides are usually specific to a crop. Herbicides are rarely applicable to all kind of crops. But some of the other products which we have are applicable to other crops like Osheen is a product which we have, there is an approach to look more in the agriculture segment and quite a few insecticides and fungicides are there which will be working on other crops.

**Rohan Gupta** I must understand that for the internal purpose you must have done some exercise that how much revenue contribution in domestic is coming from rice crop or primarily focus products on rice crop. Can you just share that share or that number?

**Mayank Singhal** As you correctly pointed out, the internal run rate and strategy, we would like to keep a little bit closer to our chest on that and then evaluate it going forward.

**Rohan Gupta** Second question on the SCM business, so on a very high base of last year Q1, we once again could deliver 20% growth that is pretty remarkable. Last year in another three quarters Q2, Q3 and Q4, our CSM business growth was muted with almost just 6% to 7% so that has set a very low base for us this year. So on a low base of

last year in another three quarters which are going to unfold going forward, do you see that our growth in CSM business can be significantly high or upward of some 25% or 30% also on a low base primarily?

**Mayank Singhal** Well, I cannot comment on a quarter-to-quarter basis but as we have indicated that on an annualized basis will be at 18% to 20% for our exports business.

**Rohan Gupta** And you will be sticking with that guidance of 20% growth on annual basis?

**Mayank Singhal** 18% to 20% for the exports.

**Moderator** Thank you. Our next question is from the line of Ritter Eric from Nedu LLC. Please go ahead.

**Ritter Eric** With respect to Nominee Gold, would like to get some details on competition from generics, can you give us any details on Nominee Gold, like how big it is for your market and how has it grown recently? It sounds like competition has not really come in yet.

**Mayank Singhal** Well, competition always will be there and will always come in for any product and I would say that that is a part of any business but we are pretty comfortable in handling the situation if the competition comes in the market. We have strong brands and a far superior product performance that is being exhibited on ground.

**Ritter Eric** But can you talk about how the growth has been in Nominee Gold or what your market share it?

**Mayank Singhal** This is bit of competitive intelligence which I would not like to reveal in public domain at the moment as we are in the middle of the season.

**Ritter Eric** Can I just ask on the CSM business, it appears that the customers' inventory is normal now and so demand has picked up again?

**Mayank Singhal** No, for CSM business I would not comment on that either because our business based on our order book position which we are working, the customer inventory is something which they manage at their end and that is to be seen as the global markets pan out in the agri space.

**Moderator** Thank you. Our next question is from the line of Prashant Tarwadi from Axis Capital. Please go ahead.

**Prashant Tarwadi** In Q4, you have guided for FY17 CAPEX at about Rs. 200 crore, so just wanted to know what can be our expected CAPEX in FY18? And second thing is, what is our current utilization at Jambusar plant? The objective I am asking this question is, up to what incremental revenue can the Jambusar support?

**Mayank Singhal** See, looking at the capacity which we have explained in the past, it is a multi-product, multi-purpose plant and multi-product and multi-purpose plants do not have a capacity, it is based on product mix, so capacity changes with product mix. To specifically answer this, we are in a comfortable position for capacity and we have the capabilities to ramp up revenue and accordingly as per our plans going into the future and the margin investments which we need to make to ensure to achieve our top-line.

**Prashant Tarwadi** And FY18 CAPEX, what could be the correct?

**Mayank Singhal** It is similar in the line.

**Prashant Tarwadi** And lastly, our other income was a bit higher on sequential business, so just wanted to understand whether any export incentives associated with that and whether it is sustainable going forward?

**Jayashree Satagopan** Yes, you are right, this is primarily on account of export benefit that is coming. So as the Government has the schemes, we are taking benefit of that. As long as we have that going in, we would see these benefits coming in.

**Moderator** Thank you. Our next question is from the line of Shekhar Singh from Excelsior Capital. Please go ahead.

**Shekhar Singh** Sir, just wanted to understand like has there been any changes in the realizations for the domestic or the international market?

**Mayank Singhal** What do you mean?

**Shekhar Singh** Price per unit, has there been a change in price per unit?

**Mayank Singhal** No I don't know, I do not get the point as price per unit approach.

**Shekhar Singh** What I am saying is like the average selling price for you, has that changed, just wanted to understand the margin expansion you mentioned.

**Mayank Singhal** It is product mix, is based on the different product mix which gives margin change.

**Shekhar Singh** So the prices as such like compared to last quarter it would have been more or less the same?

**Jayashree Satagopan** Yes, you are right.

**Shekhar Singh** And what portion of this margin contribution might have happened because of excise now being taken as an expense, is that also a contributing factor for the margin expansion.

**Jayashree Satagopan** You should look at the numbers that we have given, comparative numbers for last year have also been adjusted for Ind AS. So there is nothing like margin expansion because of excise duty. On a comparable basis there is about 115 basis points improvement that we have indicated.

**Moderator** Thank you. Our next question is from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.

**Chirag Dagli** If I look at your dollar sales for the exports business, you have roughly added about \$6 million year-on-year, so the way we should think about is this growth, is that this new product that you have launched has contributed materially to this growth and then the other businesses broadly remain flat. Is that understanding just broadly correct?

**Mayank Singhal** I am not sure how you interpreted that, but I would not put it that way because we have different business models and different approaches with different customers as we have been saying in the past. So it is not dollar growth and flat, I did not get that point too well.

**Jayashree Satagopan** We should look at rupee to rupee growth, that is the way one has to look at the business. As we had clarified in the past, the Company has a hedging policy, so the FX impact is getting covered through that. And more importantly, we also have the pass through arrangements with the customers, therefore it is not a dollar to dollar comparison, we should look at as a rupee basket.

**Chirag Dagli** But the billing would be in dollars, right?

**Jayashree Satagopan** Yes, the billing will be in dollars, we get the realization in dollars but there is a FX pass through for the contracts.

**Chirag Dagli** Correct, but that will come in the expense?

**Mayank Singhal** Yes, it comes with a price. So I guess that is the level of detail we can give you.

**Chirag Dagli** And then secondly, these new products Vibrant, Osheen, Keefun, these have been launched, say, last couple of years, can you sort of broadly indicate what they contribute to sales?

**Mayank Singhal** Well, they are doing well, I cannot give too much of details at the moment for competitive reasons.

**Chirag Dagli** But generally speaking, would this have contributed say double-digit to your overall sales right now?

**Mayank Singhal** Yes.

**Moderator** Thank you. Our next question is from the line of Sameer Deshpande from Fairdeal Investments. Please go ahead.

**Sameer Deshpande** I would like to know, now the GST Bill, if at all it materializes and from next year it is applicable, will it help us by anyway, do we pay excise currently and all the taxes put together, is it more than the likely rate of about 16% to 18% for the GST and will it help the organized market in a big way, because the unorganized market is likely to shrink after GST?

**Mayank Singhal** Well, that is applicable for all the businesses, idea of putting GST to get a better control of this unorganized sector. Yes, so surely for well-run disciplined companies there would be hopefully certain benefit which should come and that is one of the key intentions the Government has, which I think is great, So I don't think the excise structure over that would be any different because whatever would come as a benefit or loss would get usually passed on or pushed on to the customer.

**Sameer Deshpande** So the prices will have to be reduced accordingly for the competition also?

**Mayank Singhal** It works for everybody, depends on how everybody plays and not everybody will play it.

**Sameer Deshpande** But it will help curbing the unorganized sector and it will help us going forward?

**Mayank Singhal** Sure.

**Moderator** Thank you. Our next question is from the line of Ritesh Gupta from Ambit Capital. Please go ahead.

**Ritesh Gupta** Just wanted to check the progress on the pharma plant that you had acquired, have you got any, I mean what is the progress on that?

**Mayank Singhal** We have not acquired the pharma plant, that was in process of evaluating such options and we have initiated some work in process in R&D for the pharma initiatives going into the future.

**Moderator** Thank you. Our next question is from the line of Surjit Arora from Tata Mutual Fund. Please go ahead.

**Surjit Arora** What is your order book position in CSM currently?

**Jayashree Satagopan** Our exports have about \$850 million order book.

**Moderator** Thank you. Our next question is from the line of Abhijit Akella from India Infoline. Please go ahead.

**Abhijit Akella** Just to get an update on the capacity expansion plans, we had I think one more plant coming up at Jambusar, what is the status on that?

**Jayashree Satagopan** That work is going as per the plan, so we have just initiated getting our plant, the building and ordering for the necessary equipments.

**Abhijit Akella** So by when would we expect to sort of have this on the ground?

**Jayashree Satagopan** It should be next year.

**Abhijit Akella** And then second, just in the margin expansion in this quarter, the 150 basis points, can we interpret that it has come equally from both the domestic and CSM side or is it more concentrated towards CSM?

**Mayank Singhal** What we look at is a blended business, I cannot say which, but yes broadly it should be balanced.

**Abhijit Akella** And finally just to clarify on the pharma plans that we had, so we are in the process of doing the due diligence for the acquisition, is that also ongoing in addition to the R&D initiatives you are working on?

**Jayashree Satagopan** Yes, the due diligence work has commenced and it is in progress and there is lot of R&D initiatives as well.

**Moderator** Thank you. Our next question is from the line of Afshan Sayed from Dolat Capital. Please go ahead.

**Afshan Sayed** Just wanted to clarify, you just mentioned about the capacity expansion at Jambusar, this will be the fourth plant which will be coming at Jambusar and what would be the CAPEX for it?

**Jayashree Satagopan** This is the fourth plant, you are right, that is what we had clarified earlier. The CAPEX would be around Rs. 50-odd crore.

**Afshan Sayed** And my second question was on 'Legacee', so you mentioned it is a co-marketing arrangement for rice, so which company actually we have gone in tie-up with?

**Jayashree Satagopan** We have the tie-up for this product with Bayer.

**Afshan Sayed** And thirdly and lastly on the order book position, so we have actually been at status quo at \$850 million order book, so is it fair to make assumption that we have done some execution in Q1 and there is an addition to this as well?

**Jayashree Satagopan** Yes, I think that is a fair assumption.

**Moderator** Thank you. Our next question is from the line of Manish Mahawar from Edelweiss. Please go ahead.

**Manish Mahawar** Just wanted to know how has the price of raw material changed over the last two to three months?

**Mayank Singhal** I don't see any substantial change.

**Manish Mahawar** Wanted to know basically have you seen the improvement in the prices, because we source from the China market.

**Jayashree Satagopan** Not really.

**Mayank Singhal** We don't source from the China market.

**Manish Mahawar** And just wanted to understand this 'Legacee', basically how it is different from the Nominee Gold in terms of application or disease wise?

**Mayank Singhal** There is different application and has a control for different spectrum of weeds and is complementary to our product portfolio.

**Manish Mahawar** And last question, on CAPEX front, next year you said the number will be around Rs. 150 crore - Rs. 200 crore CAPEX for FY18?

**Jayashree Satagopan** Yes, FY18 will be in the same range.

**Manish Mahawar** And you are saying the fourth line in the Jambusar will be CAPEX of around Rs. 50-odd crore, right?

**Jayashree Satagopan** Right.

**Manish Mahawar** And the rest of around Rs. 100 crore to Rs. 150-odd crore of CAPEX, what is the breakup of that?

**Jayashree Satagopan** Yes, there is. As I said earlier there are some plans for R&D facility, we are putting up a second floor in our Udaipur R&D center. There is also substantial amount of work in terms of operating from one of our plants in Panoli that is going on. So it is a combination of all of these things, we are also putting up an administrative building in Jambusar, I cannot give you more specific details but flavor is this.

**Manish Mahawar** And pharma, basically what type of amount you wanted to invest in pharma?

**Jayashree Satagopan** What type of investment?

**Manish Mahawar** Yes, basically what will be initial investment in pharma?

**Mayank Singhal** That is not substantial in nature.

**Moderator** Thank you. Our next question is a follow-up from the line of Rohan Gupta from Emkay Global. Please go ahead.

**Rohan Gupta** One clarification on Ind AS, under Ind AS I think you have to also give while restating the number for last year, a revenue recognition difference which you have assumed in a sales return basis for last year, that number was not given in the presentation for restating number for previous year. Can you give that number or we do not follow sales return policy at all?

**Jayashree Satagopan** See, we have clarified in the past that we have a very strict sales return policy.

**Rohan Gupta** So we do not have any sales return policy?

**Jayashree Satagopan** We have a sales return policy which is very strict, so we do not normally pickup sales return.

**Rohan Gupta** So while estimating sales, we do not consider any sales return number?

**Mayank Singhal** How can we do that, I didn't get your point.

**Jayashree Satagopan** No, what is your question?

**Rohan Gupta** So generally, while reporting sales number many companies assume a sales return number and adjust that sales return number while reporting that sales.

**Jayashree Satagopan** I do not know, I do not think that should be the process.

**Rohan Gupta** Just second question on CAPEX, you mentioned Rs. 200 crore for the current year, can you also give us some guidance about the CAPEX over next two years how much roughly it will be?

**Mayank Singhal** Similar lines as we mentioned earlier.

**Rohan Gupta** So should we be living with a Rs. 200 crore CAPEX over next two to three years?

**Jayashree Satagopan** I think so.

- Rohan Gupta** So that leaves roughly Rs. 400 crore - Rs. 500 crore CAPEX over next three years and with the rising base of CSM business, this year will be Rs. 1,500 crore and other 20% growth next year. So I mean, incrementally your base is rising and then you will be probably requiring more CAPEX to keep that growth. If your CAPEX numbers are going to be stable at Rs. 200 crore then are you estimating that growth will taper down in CSM business?
- Jayashree Satagopan** No, that is not the way to look at it.
- Mayank Singhal** Product mix ratio always have different connotation. It is not that simple to put it in a linear evaluation to that I would say.
- Rohan Gupta** So in a way you are highlighting that even with investment of Rs. 200 crore you can generate a revenue of Rs 300 crore or Rs. 400 crore also, so asset turn going forward at least next two to three years should keep on rising?
- Mayank Singhal** Well, I would not assume that either because product mix, revenue, KG cost, capacities, these are multiple dimensions which impact the revenue and all these ratios. But the objective of the Company is to try and improve that.
- Moderator** Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the floor over to the management for closing comments.
- Mayank Singhal** Thank you so much, everybody, for coming on to this call. I deeply appreciate your support. And hopefully we look forward to a good season in the next quarter. 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.

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