

Q3 2012 Earnings Call - PI Industries

Dt-15 Feb'12

Operator

Ladies and gentlemen, good day and welcome to the PI Industries Limited Q3 and Nine Months FY12 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Mayur Maniyar from CDR India. Thank you and over to you, sir.

Mayur Maniyar

Good evening, and thank you for joining us on our Q3 and nine months FY2012 earnings conference call. We are joined on this call today by members of Senior Management including Mr. Mayank Singhal, Group CEO and Managing Director; Mr. Rajnish Sarna, Executive Director, Corporate Strategy and Finance.

As we begin I would like to highlight that certain statements made on this call maybe forward-looking and we do not undertake to publicly update them. A statement in this regard has been included

in the invitation to this conference call.

As always we will commence with opening remarks from Mr. Mayank Singhal on the company's overall business and strategy, after which Mr. Rajnish Sarna will share his perspective on the financial performance. Thereafter, we'll open I will now turn the call over to Mr. Mayank Singhal. Over to you, sir.

Mayank Singhal, Managing Director and Chief Executive Officer

Thank you. Good evening and a warm welcome to all the participants on this call. Let me first start by giving you highlight of the nine months FY12 performance.

We delivered a healthy operational performance for the first nine months of this year, our EBITDA has grown strong by 40%, Agri-Input business has delivered a healthy revenue growth of 30%, ahead of the sector averages, our Custom Synthesis business continues to show robust revenues, scale up expectation by delivering 65% growth.

During this Q3 agri-input business saw impact of the north-east monsoon which has upsetted the cropping pattern in the rabi sowing season, as a result the sector witnessing some temporary --, higher working price adverse scenarios are having put business for the quarter have shown a 16% growth year-on-year.

Our Custom Synthesis shows a good growth on top of a very strong growth scene, in the same quarter last year. Please note these results do not include the performance of the polymer compounding business which was divested in the beginning of the current financial year. Within the agri-input space we have a portfolio of establish products which are showing good upsides in growth, they have farmers acceptability and in which has over the years transferred into strong affinity towards us and the PI brand.

-- was our requirements of the marketplace are gearing up to serve the product niches across both the cropping seasons. We have a very attractive line of existing products, having tremendous growth potential in India and then we have some exciting products in the development and registration pipeline at different stages this as well for our growth of the agri-input going forward.

We are equally encouraged about the possibilities in the custom manufacturing segment. There are proper -- of order progressing as planned and we are seeing a very good growth in the world. Based on an excellent growth in the second half of last year, we have seen a further growth in the current quarter. The products have commercialized early and are delivering along expected lines.

Our value addition lines in our understanding of the trends in the sector coupled with our capabilities in process research and chemical manufacturing, which we have provided to our customers --, who can plan a credible roadmap for the commercialization of the discovered molecules.

We are in a quick deposition of customer demands, and in the weighted results we are getting partners on a high-end number of our newer discovered molecules at their initial stages of development having high potentials.

As you will be aware we are setting up the units at Jambusar SEZ in Gujarat, the progress of our project since our time lines are expected and this facility will become available by the end of the third quarter of the current calendar year. PI has the right ingredients to deliver a good upside from this point given the combination of established existing products -- client of agri products and an ongoing ramp-up in the custom synthesis business.

I would now like to share the forum with Rajnish Sarna, who is our CFO and would take you through his perspectives on the finance performance in the report period. Thank you.

Rajnish please.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Thank you. Thank you, Mr. Singhal. Once again, let me extend my greetings to all of you. We have delivered a set of good operating good results and I shall highlight some of the important aspects of the same.

We have also seen 40% growth in our EBITDA during the first nine months period. The EBITDA is Rs. 1.1 billion which represents close to 160 basis points improvement over last year same period and the current EBITDA margins are at close to 17.2%. The PBT is 1.08 billion showing both growth of 81% and a pre-tax gain of -- this also includes pre-tax gain of 300 million on sale of our polymers compounding business to Rhodia SA.

Net profit for this period is 788 million, which is up by 80% and includes the exceptional item of one time gain, I mean profit of polymer compounding business and also taking into account the foreign exchange fluctuation loss of 65 million during this period. The basic EPS is at Rs. 31.65 per share for this period compared to Rs. 19.60 for the same period last year.

During this quarter, we had a revenue of Rs. 1.9 billion, which is close to 11% growth on a like-on-like basis without considering the polymer compounding business. On the consolidated basis, this looks to be flat, this was backed by again agri-input business growing at 16% year-on-year basis and the custom synthesis business growing at 5% on year-on-year basis. Important here is that this customs synthesis business grew by close to 98% during the same quarter last year.

Our EBITDA for this period is 307 million which is 18% growth over last years and in terms of margin it has improve close to 250 basis points over last year. Current margins in this quarter in this quarter were 16.2% as against 13.7 last year. The PBT, the net profit for this quarter was 115 million, close to 115 million, giving a EPS of 4.60 which is 25% down to last year's PAT of the same period and this is majorly on account of foreign exchange, foreign fluctuation loss of 65 million.

Importantly, 59 million foreign exchange loss in this 65 million is unrealized at the end of the period. We are a growing company and we represent a business that we really understand well. The long-term prospects of agri-input business remains strong whereas in terms of immediate term one may get to see some moderation. We have the benefit of an existing strong portfolio of products that you'll see addition of new molecules in the forthcoming kharif season.

On the custom synthesis side, we see continued traction following the robustness of our order book position, progressive build-up of existing commercialized molecule and then addition of products in our commercial scale from the pipeline of R&D and process research.

Thank you very much for joining us on this conference call and we'll now be happy to answer questions you may have. Thank you.

Questions And Answers

Operator

Thank you very much. Ladies and gentlemen we will now begin the question-and-answer session. [Operator Instructions]. The first question is from Amit Vora from TCS Securities Limited. Please go ahead.

Amit Vora

Yeah, good evening and thanks for taking my question. I have a few questions, the first one is, what have been your EBITDA margins? If you give the segment wise EBITDA margins for this quarter?

Rajnish Sarna, Chief Financial Officer and President, Information Technology Amit Vora

Okay. And what is the order.....

Mayank Singhal, Managing Director and Chief Executive Officer

-- for each month or something.

Amit Vora

What is the order book currently?

Mayank Singhal, Managing Director and Chief Executive Officer

Our order book, at present is \$340 million.

Amit Vora

So there's an increase of approximately \$40 million, right?

Mayank Singhal, Managing Director and Chief Executive Officer

No, the last quarter, yes, there is an increase on that and in addition to that, I mean since we are also clocking revenue close to 18 million to 20 million in every quarter, to that extent also it is getting replenished.

Amit Vora

Okay. And what is the outlook for the agro-chemical sector considering the tough conditions we are having currently in the next year?

Mayank Singhal, Managing Director and Chief Executive Officer

Well, the ago -- if you look at the fundamentals of our agri-growths are going no where, as it is a temporary moderation which is taking place because of external factors, once in place the industry and the segment is geared to go back and grow aggressively. And if you continue to look at it over the long-term, it is going to be in my view a great area to be in and we continue to grow aggressively.

Amit Vora

Okay. And what are the price increases that we have taken in the last quarter, if any?

Rajnish Sarna, Chief Financial Officer and President, Information Technology Amit Vora

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

We can't say that generally speaking the prices have increased across the globe. No, that was not the kind of situation. So there are products where there are imported raw material and the impact of dollar is there. So there we have taken price increases ranging from 3% to 5% and up to even 8% to 9% also in a couple of products.

Amit Vora

Okay. What is our current debt number?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Current debt is 250, close to 250 crore.

Amit Vora

Okay. So from the previous quarter, there was 177, there has been a increase of around 80 odd crores?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah. Because we have raised ECB in the last quarter.

Amit Vora

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

An ECB of \$20 million, this is for our expansion project which is going on.

Amit Vora

Alright. Are we still going ahead with the same guidance that we had given for FY13 or are we changing that?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

FY13 or FY12, which?

No, you had mentioned that you would be growing around 30%, 35% for at least next two years, so are we still maintaining that?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yes. We are still maintaining that growth rate the outlook for FY13 of course.

Amit Vora

So we are still confident of doing at least 35% on the top-line and 40%, 45% on the bottom-line for FY13?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

FY13, 30% to 35%. So let's not fix it at 35%.

Mayank Singhal, Managing Director and Chief Executive Officer

Around 30% as we committed earlier.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Should be 30% to 35% and I don't know how you've worked out this 45%, but our guideline is that over next couple of year, the EBITDA margin should surely improve by 150 basis point to 200 basis point. Now if that results in 45% growth, yes. We have that outlook.

Amit Vora

All right. Okay. Can you give even your some book keeping numbers in terms of what is the current inventory level?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

It is around, around that.

Amit Vora

200 odd crores?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

230 crores.

Amit Vora Rajnish Sarna, Chief Financial Officer and President, Information Technology

It may not be in front of me, this number, maybe we can provide you later.

Amit Vora

Okay, that's it from me I will come back for any further questions. Thanks.

Mayank Singhal, Managing Director and Chief Executive Officer

Thank you.

Operator

Thank you. The next question is from Viraj Mehta from Equirus Securities. Please go ahead.

Viraj Mehta

Yeah, sir. So sir when you mention \$340 million of order book, my question was would, I mean and would it be the same as in you have been mentioning around two to four years of execution timeline?

Mayank Singhal, Managing Director and Chief Executive Officer

Yeah, same.

Viraj Mehta

So would it be more back ended, in the sense would we consistently see the growth of -- in CSM or would it be like currently as I understand we would be roughly 12, 13 odd products in our CSM business?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yes.

Viraj Mehta

Has there been any addition in this quarter?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah, the addition would be in coming quarter.
It would be in coming quarter, but in this quarter we have seen no..

Rajnish Sarna, Chief Financial Officer and President, Information Technology

-- in the current quarter, I mean January to March quarter, yes.

Viraj Mehta

And how many contracts do we see getting added there?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

No, contracts have already been signed, the product commercialization and the revenue would be flowing in this quarter, the

current quarter.

Viraj Mehta

Sure. And how many products would that be?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

We are doing one addition in this quarter.

Viraj Mehta

One addition.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah.

Viraj Mehta

And if you can just throw some light on what would be the ramp up in that particular product a couple of years time frame?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

See, ramp up, I mean as we have time and again explained that these are the early stage molecules, okay. And ramp up takes place in most of these products along with the kind of ramp up which is taking place in the eventual markets and along with the registrations as these companies or customers are doing in different countries. So I mean a typical case could be that the first year volume is say 50 crore, the next year volume is say 100 crore, the third year volume could be 200 crore, something like this, 200 tonnes. So all these numbers in tonnes as I mentioned.

Sure, sure. Now as you mentioned you have raised your prices in a lot of products which -- for which you will be importing technicals. Now if I look at our revenue number both in CSM and agri, agri has increased by around 16%. So would it mean our volume increase has been in this low single-digits in agri inputs, in terms of tonnage?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah, you're right.

Viraj Mehta

And I mean what is your expectation in probably this quarter in terms both of -- I mean have you seen any other increase in the realization in like first 45 days of this quarter? Have you taken any price hikes is what I meant?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah. As I mentioned these prices rises or rationalization are specific to certain products, but on a macro level, I -frankly speaking I would not have those numbers right on.

Viraj Mehta

Sure, sure, sure.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Kind of price increase we have taken in agri business per se. So that number I won't have.

Viraj Mehta

Sure.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

But I don't see a substantial change and let me be very upfront and say also that given the kind of demand situation what we have in markets, even if we have some price increase plan on the fold, we are waiting for it.

Viraj Mehta

Absolutely.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

We are holding it. We are holding it to see what is the way the demand is improving or not improving, what is the kind of plan or the action, is there from our competition particularly in the generated side. So it is always in mind only I mean we would be doing what we are planning.

Viraj Mehta

Absolutely. And sir looking at increase in the number I mean in terms of inventory that we are having, would it be fair to understand that this is a high seasonal number because we are expecting a very good fourth quarter?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah, you are right because we are expecting a good quarter or good supplies of our synthesis and manufacturing business. So there are good supplies already planned. And again this is the peak time for our synthesis business even in our domestic business because the quarter three has not gone the way we had planned. So there are obviously some additional inventories at our end but we have also improvised our procurement plans accordingly and I hope by the end of this fiscal for our domestic business also will bring down our inventories to the normal level.

Viraj Mehta

Okay. Can you just give us some absolute bookkeeping numbers like your creditors if you just wanted to understanding the outstanding creditors as of now? And how -- where do we expect to be there in terms of year ending numbers?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

You mean our creditors?

Viraj Mehta

Yeah, yeah.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

We would have close to 200 crores of creditors.

Viraj Mehta

Okay. So the ramp up has been equal in terms of inventory

Rajnish Sarna, Chief Financial Officer and President, Information Technology

I mean if you see in terms of net working capital

Viraj Mehta

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology Viraj Mehta

Okay.

Which is inline with the kind of growth we have got 41% growth in revenue or at least simultaneously even if you are seeing on the of it 27% growth.

Viraj Mehta

Absolutely, absolutely. Sir any fix dividend policy do we have?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Sorry

Viraj Mehta

Any fixed dividend policy do we have?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Pardon can you repeat?

Viraj Mehta

Sir any fixed dividend policy do we have?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

No we do not have a fixed dividend policy but we have I think as we explained earlier a philosophy that certain percentage of our earnings should be distributed and we are working with this philosophy for last almost one and one and a half year now.

Viraj Mehta

Sure. Sir by your question what kind of dilution are we expecting with the last tranche of being converted?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

No everything is converted already my friend I mean everything we finished in March or April 2011. So there is nothing no outstanding convertible.

Viraj Mehta Rajnish Sarna, Chief Financial Officer and President, Information Technology

That is on account of the ESOPs to the employees.

Viraj Mehta

Okay okay. Thanks a lot

Rajnish Sarna, Chief Financial Officer and President, Information Technology

It will be issued in April 2012

Viraj Mehta

Okay. Thanks a lot for taking my question sir.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Thank you.

Operator

Thank you. In order to ensure that the management is able to address questions from all the participants please limit your questions to two per participant. The next question is from Varun Guntupalli from Edelweiss Securities. Please go ahead.

Varun Guntupalli

Good evening, sir. My question is pertaining to Custom Synthesis business right now we have been in the run rate of around 90 crores -- about 80 crores to 90 crores of revenues on a quarterly basis for the past few quarters. So it's like -is it fair to assume that we would be at a similar run rate until we start off our new plant in the third quarter of this calendar year sir?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Not really I mean we are expecting to ramp up this scale in the current from the current quarter because the product mix is changing. And of course we are also improving our capacity utilization by balancing our equipments and all. So I mean you would see hopefully if god willing you will see improved ramp up or higher scale of revenue from the current quarter.

Varun Guntupalli

You were mentioning about a product edition happening in the Custom Synthesis in the current quarter right?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

And you will see the another scale of revenue once our new site also is commissioned.

Varun Guntupalli

So that would be commissioned during the June quarter?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah this will I mean we are expecting this to be like commissioned in July to September quarter. Quarter two

Varun Guntupalli

Okay sure.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Of the next financial year.

Varun Guntupalli

Okay. That's all I have sir. Thank you.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Thank you.

Operator

Thank you. The next question is from Bhavin Shah from Dolat Capital. Please go ahead

Bhavin Shah

Good evening Rajnish and Mayank sir. On the Agro business we have done pretty well compared to the peers I just wanted to know some a little bit more clarity on how the segments have done herbicides, fungicides, insecticides compared to last year?

Mayank Singhal, Managing Director and Chief Executive Officer

Well the herbicide segment we had -- are we looking from peer perspective or industry perspective?
From peers perspective.

Mayank Singhal, Managing Director and Chief Executive Officer

Yeah definitely we've done very well in the herbicide segment that has been a good area. And we've equally done well in the fungicide segment addition of products and our approach trying to bring in those markets. Whereas insecticides we have been above the market but above the market in terms of our growth rate and we continue the -- I assume this rate was slowed down in the last quarter purely from the basis of the monsoons

Bhavin Shah

Okay.

Mayank Singhal, Managing Director and Chief Executive Officer

Which impacted sowing and acreages.

Bhavin Shah

Correct. So broadly herbicide would continue to lead the pack?

Mayank Singhal, Managing Director and Chief Executive Officer

Yes herbicide will definitely lead the pack.

Bhavin Shah

Okay. And in terms of new launches I mean I'm sure there is nothing for this year now but for next year are there anything any launches planned?

Mayank Singhal, Managing Director and Chief Executive Officer

Yeah we are expecting to launch a couple of products in the next financial year.

Bhavin Shah

This would be across these three segments or specific to herbicides or fungicides?

Mayank Singhal, Managing Director and Chief Executive Officer

It will be one of these segments but we expect to have a product of fairly high potential to be launched in the next financial year. Great. And any update that you could provide on the Sony joint venture?

Mayank Singhal, Managing Director and Chief Executive Officer

Well the joint ventures...

Bhavin Shah

Sorry the Sony collaboration.

Mayank Singhal, Managing Director and Chief Executive Officer

Collaboration where we have -- well there is progress going on it's in the as I have mentioned in the previously it's in the area of new research to the project. It's a long haul and the work is going well and we are working on newer directions of research in that end.

Bhavin Shah

There are some samples send across I believe so any positive new flow from that side?

Mayank Singhal, Managing Director and Chief Executive Officer

Sure that is booked on we are producing more and more samples I mean our research has long way to go before you come to the end. So products and samples keep going we keep evaluating more and finding newer answers revenues.

Bhavin Shah

So you probably have to wait for another year for some meaningful upside from you?

Mayank Singhal, Managing Director and Chief Executive Officer

Very

Bhavin Shah

Great sir. Wish you all the best. Thanks a lot.

Mayank Singhal, Managing Director and Chief Executive Officer

Thank you.

Operator Mitul Mehta

Hi. Good evening. Congrats on a good operational quarter. Sir my question is pertaining to the FX hedging that we do so this 5.9 crores is purely on account of the ECB loan?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

No, no, no this is basically on account of forward cover and the outstanding exposure as on 31st December. So as on 31st December we have say for example outstanding receivable, outstanding payable and outstanding say for example PCFC loans or something. So since there is a some forward cover and the dollar I mean rupee has run up to say 53.25 or 53.50 as on 31st December. So to the extent of this outstanding position this is the kind of fluctuation loss we had on 31st December.

Mitul Mehta

Does it mean that at the end of the year if rupee were to remain at this level more or less all this will get return back?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah I mean god willing if that remains this situation hopefully but yeah I mean we can't speculate on this foreign currency issue in any case.

Mitul Mehta

Sir your 100 basis points to 150 basis point margin improvement that you have highlighted going forward and can you just take us I mean what will help you to achieve this kind of margin improvement?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

See in the domestic business as we have been saying that the margin expansion would be there because of change in revenue mix in favor of our newly launched products and in-license products in some of these exclusive products. So domestic business margins should improve because of two reason one sheer growth, the volume growth at this pace 30% to the revenue mix, which is changing. In case of our synthesis business, again the reason is that if we are growing at 30% to 35% kind of pace we should get the operating margin or operating leverage benefit, because the fixed cost should not be growing at this pace. So therefore, I mean we believe that if we are continuing at this pace, I mean on a blended basis 150 to 200 basis kind of margin expansion should not be a difficult situation.

Mitul Mehta

And sir my last question is over and about this CapEx that we have incurred for the Jambusar facility, what would be the normal CapEx for the next two years, minus this 120 crores that we are spending in Jambusar?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

See, given the kind of size of plant and the facilities what we have or what we will end up having at the end of Jambusar expansion. I think 40 crores to 50 crores to 60 crores is a very normal CapEx when you have 400 crores to 500 crores of asset.

Mitul Mehta

Okay. And sir final question. In terms of the overall debt and also in terms of the overall collection, are we likely to see some improvement going forward or?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah, I mean if we are growing at this phase, margin expansion is there, internal accruals are growing, of course, I mean the overall debt position will only improve going forward.

Mitul Mehta

This would be more or less a peak debt, 250 crores or?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yes.

Mitul Mehta

Okay. Thanks a lot and wish you all the best.

Operator

Thank you. The next question is from Runjhun Jain from Nirmal Bang. Please go ahead. Please go ahead.

Runjhun Jain

Thank you for taking my question. Sir what was the foreign currency portion of your debt currently, it would be only that \$20 million for ECB or any other?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

That's it.

Runjhun Jain

That's it.

Runjhun Jain Rajnish Sarna, Chief Financial Officer and President, Information Technology

Plus we have some PCFC foreign exchange, foreign exchange PCFC also to be tune off 4 million.

Runjhun Jain

Okay. Sir can you just throw some light on your nominee gold performance this quarter or during nine months?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

See, in any case in quarter three this is not a peak requirement season for this product.

Runjhun Jain

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Nine months, yes, we have done reasonably good, given what kind of climatic conditions were there I think we have done very good for this molecule in nine months.

Runjhun Jain

Okay, sir you quantify any kind of growth you have witness during nine months?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah it was in excess of 43% to 45%.

Runjhun Jain

Okay. Sir, have you launch any product during the quarter in agri business?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

No, in quarter three, we have not launched any product, but yeah, we had in quarter two, we had launched two products, for which this was also a season.

Runjhun Jain

Okay. And sir, last question, you have given your FY13 guidance that you would be growing 30% to 35%. Can you see about FY12 also like, now we have seen a sluggish accrued Q3, can you just throw some light on your FY12 guidance also?

See, FY12, we should still be growing at the same pace, 30% to 35% in the businesses as we are in, in both the businesses.

Runjhun Jain

So, on a consolidated basis, 30% to 35% you are still expecting growth?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yes, yes.

Runjhun Jain

So on that basis you are expecting your Q4 to be --?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah, but just one clarification, because I saw this, I mean could see this confusion on some end, that when we say that we want, I mean we are expecting 30% to 35% growth in our businesses, it means -- this obviously means that the businesses we are in, not business which we have already discontinued.

Runjhun Jain

No, no. Sir yes.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

So when you see this on balance sheet basis or the overall macro level, then only in the continued businesses, yes we are expecting to grow at this pace.

Runjhun Jain

Sure. Sir that means you -- on this basis you are expecting your Q4 to be quite good?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah.

Runjhun Jain

Despite it being a little seasonally weak quarter?

Rajnish Sarna, Chief Financial Officer and President, Information Technology Runjhun

Jain

Q4 is peak quarter for Custom Synthesis is it right sir?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yes.

Runjhun Jain

Okay. Thank you very much. That's all from my side.

Operator

Thank you. The next question is from Gaurav Singh from Bonanza Portfolio. Please go ahead.

Gaurav Singh

Sir could you give me the details of your agro-chemical segment between insecticide, herbicide and fungicide for Q3 and nine months?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

We couldn't hear you. Please can you repeat?

Gaurav Singh

Sir could you give me the revenue mix between the agro-chemical segment between insecticides, fungicide and herbicides for Q3 and nine months FY12?

Gaurav Singh

No those won't be there for quarter three and nine month but yeah I mean generally speaking I mean close to 50% 55% s insecticide close to 25% to 30% is herbicides and 15% 18% is fungicide This is the general break up.

Gaurav Singh

And sir if you could give us the indicative margins in agro-chemicals and Custom Synthesis business for the quarter three and nine months?

Rajnish Sarna, Chief Financial Officer and President, Information Technology Gaurav Singh

Improvement in the Custom Synthesis margin?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah we will surely see the improvement in margins.

Gaurav Singh

Okay sir. Thank you so much.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Thank you.

Operator

Thank you. The next question is from Manoj Garg from Edelweiss. Please go ahead.

Manoj Bahety

Good afternoon, Mr. Mayank. Good afternoon, Mr. Rajnish.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Very good afternoon.

Manoj Bahety

First question is are you seeing some impact of rural slowdown like we were hearing a lot like because of a significant decline in some of the crop prices, farmer is bit reluctant to buy like expensive products or expensive pesticides or herbicides. And last quarter also you have explained that the farmer mix has -- I mean farmer preference has changed to a lesser costlier product vis-à-vis the expenses so are you seeing that trend continuing?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah I mean this situation is surely there but then this kind of a situation is quite reason in specific and crop specific. That if in a particular region or a state if there is a particular climatic condition like today you have drought in -drought like conditions say in Andhra. Now in Andhra state for this particular season yes this would be the kind of approach of the farmer that he would like to invest least in not only in agro-chemical but in all Agri-Inputs. But the moment it I mean this scenario changes in terms of rains or in terms or again the food prices or crop prices, we have

Operator

Excuse me this is the operator the management line has been disconnected. Please continue to hold. This is your operator. We have the management line back. Please go ahead, sir.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah Manoj

Manoj Bahety

Yeah Mr. Rajnish

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah so I was explaining that this kind of trend is there region to region and state to state and we have seen in quite some time that if crop prices are low in a particular state this is followed by less acreages or reduction in acreages in immediate next season. And then less production which ultimately results in again higher prices going up. So what I am saying that we can't say that on a macro level or on a sector level there is a trend that rural incomes are going down and hence the sectoral approach is changing or the farmer approach to a sector is changing. I can't say this but yes I mean there is some kind of a reflection in a specific region or with respect to some specific crops, it is certainly there.

Manoj Bahety

Sir are you seeing that impact in the coming, means in the current quarter also like last quarter, it was there but in the current quarter also it continues?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah. Because ultimately we have to understand that the Rabi season major agriculture activities are in Southern state. And of course in Northern state, but the major application or the consumption normally is in Southern states which are getting impacted because of this. Now some portion of it may recover due to delay at Sony, but not fully.

Manoj Bahety

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

So, there would be some impact continuing in the current quarter as well.

Manoj Bahety Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah. So, in the Synthesis business, there is some business which is contracted, which is to the tune of 55%, 60% I would say, 50%, 55% of the total business and there is some business which is not contracted but which is done on a annual order basis.

Manoj Bahety

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Okay, now what happens that the business which is contracted or long-term contracts there this risk is pass through. So there ideally there is no risk in terms of whether rupee is going down or up.

Manoj Bahety

Okay risk as well as reward goes back to him, right?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yes, but when it comes to the remaining say 45% business which is not contracted but I mean in most and then some of the cases we are the sole supplier even and this is the reason that we have not entered into long-term supply agreement to have this flexibility.

Now in those cases, we tend to partly cover our risks through forwards and all that, and then we also have imports, and imports are there for both our businesses even for domestic businesses there are imports. So we tend to, I mean partially cover our risk by forwards and all and to that extend, yes, there could be some gain or some loss in terms of foreign exchange.

Manoj Bahety

Right sir. My last question on Custom Synthesis business since we are having a order book of almost \$330 million to \$340 million as of now. So, just wanted to understand what is that time frame for execution of this order and as well as like when we commission the, means the new plant what type of CapEx turnover ratios you are seeing there and whether we will be doing other than in the agri business we will be doing some outsourcing for some other businesses also like pharmaceuticals or something?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah. So okay, now to answer first part of your question. The delivery of this order book as you mentioned is generally over next three to four years, so some products remaining supplies is on next two years, some products three years, some products four years so on an average I would say three to four years is the delivery time. Can you repeat your

Manoj Bahety

My next question was like, after commissioning the new plant, what type of CapEx turnover ratio you are seeing, to put in simple words what is the additional revenue which you are expecting post commissioning of that plant.

And how much time will it take to scale up that plant to 100% capacity? For reaching that whether you are also having some outsourcing work for pharmaceutical business also along with the pharmaceutical business also along with the agri-input business?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah, in fact we are already, if you look at our projects in our pipeline, R&D pipeline, apart from -- we are also working on electronic chemicals, imaging chemicals and early intermediates as well. So yes, we are working, we have diversified in other verticals as well. Coming to the Jambusar question, see, it will take some time, because as you can imagine that when you develop a new site there is a portion of your total investment which is towards the common development.

Manoj Bahety

Right.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

And apart from that common development the investment is in product specific manufacturing circuits. So while the investment in product is specific manufacturing circuit is concerned, it should surely leverage and optimize right from the day you start manufacturing and supplies. But when it comes to your common infrastructure and setup, yes. Once you put your another manufacturing circuit there, a couple of manufacturing circuits, so as to leverage your overall common infrastructure till that time, yes. It won't be 100% utilized, but yeah, I mean it would partly leverage and partly attribute to the products which you start producing there.

Manoj Bahety

Okay. And what type of CapEx turnover ratio you're eying from that plant, say one year or three year down the line?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

The, I mean to start with I would say, it will say for example, I mean although we need to look at exact numbers and timeline when it starts, because first year would be only six month working.

Manoj Bahety

Right sir.

Rajnish Sarna, Chief Financial Officer and President, Information Technology Manoj Bahety

Correct.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

So, I mean first full year, it should -- I mean get say 1.25, 1.5, given the, I mean both the nature of common and the product specific investment, but eventually in second or third year, it should come to normal level of 2.5 or 2.25 kind of.

Manoj Bahety

Okay. And 1.2 will be on a annualized basis, right?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah.

Manoj Bahety

Right sir. Thanks for taking my question. Wish you all the best.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Thank you.

Operator

Thank you. The next question is from Dheeresh Pathak from Goldman Sachs Asset Management. Please go ahead.

Dheeresh Pathak

Hi, good evening. Can you tell me the year-over-year growth in the custom synthesis order book given number of \$340 million, but a year back what this number would have been?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Well, this is not in front of me, but I can tell you.

Dheeresh Pathak

But your broad sense.

By memory that it was less than I think 200 million, same period last year.

Dheeresh Pathak

Okay. And sir of course you would have added new molecules to the order book and some growth would have come on old molecules and some growth would have come through addition of new molecules. To the extent you have, is it possible to give me a sense of the growth from similar molecules, without adding, if you could strip out the impact of new molecules in the order book on a like to like molecule basis, what would be the growth in the order book?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah, so basically you are asking that what is the growth in order book from new molecules?

Dheeresh Pathak

No, I am asking like for example as of 31st December 2010.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah.

Dheeresh Pathak

The order book stood at \$200 million.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Okay.

Dheeresh Pathak

To the extent that let's say we did not get any new molecules, or if we strip out the impact of new molecules on the order book instead of 340, the order book would have been lesser than 340, right?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah.

Dheeresh Pathak

If we strip out the impact of new molecules. So, after stripping that out, what would the order book look like? Just to get a sense of same molecule growth in order book?

Yeah. So basically you are saying the same, I mean existing molecule is fill up, what is the kind of a scale up?

Dheeresh Pathak

Right.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah. Again, I have again a question, I mean I'll not have a ready answer in front of me, but yeah, see -- there is significant scale up in the molecules which we have already commercialized and I was -- in reply to my some earlier questions I was explaining that the ramp up of these early stage molecules takes place in initial at least five seven years and every year the molecule is growing at say more than 50% to 100% kind of rate. So sure I mean there is scale up in the existing products. In last one year yes there are few couple of products new products which we have contracted on a long-term basis. And other than that all this order book position growth is from existing products.

Dheeresh Pathak

So from 200 to 340 there is hardly any impact from new molecules is that what you're saying?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

No no I said two molecules we have added

Dheeresh Pathak

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Now that should be I think close to \$60 -- \$55 million \$60 million kind of position in both two new molecule

Dheeresh Pathak

Okay so may be stripping that it is from 200 to let's say 280 so roughly a 40% growth.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah yeah.

Dheeresh Pathak

Okay. And sir you also talked about two different buckets within Custom Synthesis one 55% to 60% being long term contracts Yeah.

Dheeresh Pathak

And the remaining 40% or 45% being annual contracts

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah.

Dheeresh Pathak

So when you give us a number of order book this represents both the revenue streams right? Long term contracts as well as annual contract?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah long term for three four year and annual only for the one year for which you have the order.

Dheeresh Pathak

Correct. So but 340 represents both the revenue streams?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah.

Dheeresh Pathak

-- only represents long term contract?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

No no as I explained that the order book will have long-term which are three four year contract or remaining supplies. And the other portion for the current year or may be next say three months six months kind of period because these annual order or annual PO basis contracts are for one year only they are not for longer term.

Dheeresh Pathak

Understood. So last question...

Rajnish Sarna, Chief Financial Officer and President, Information Technology Dheeresh Pathak

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

May be for next six months or so.

Dheeresh Pathak

Okay. Finally on that number 30% to 35% top-line growth next year that is equally spread between the two businesses right, custom

synthesis and agri input or one will grow much faster than the other?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah I would say that some of these long-term projects are growing at a much faster pace because these are early stage molecules.

Dheeresh Pathak

No so what I meant was almost 40% of your business is Custom-Synthesis 60% Ag-Chem. So when you're saying 30% in

Rajnish Sarna, Chief Financial Officer and President, Information Technology

So you are asking business wise okay

Dheeresh Pathak

Yeah when you are saying 30% top-line growth in FY13 is it fair to assume that both these two businesses would grow equally or the growth would be disproportionate is what I am asking?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Well growth would be surely I mean given today's visibility today's situation growth would be surely better in our synthesis and manufacturing business.

Dheeresh Pathak

Okay. So can you quantify that growth separately?

Rajnish Sarna, Chief Financial Officer and President, Information Technology Dheeresh Pathak

No but Custom Synthesis should not very depend too much on the monsoon outlook right?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Since your question is that what is the growth we see in our domestic and what we see in synthesis

Dheeresh Pathak

Sir because of I take your point agri can -- would depend on function of can you talk about the growth in Custom Synthesis in FY13?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah I mean as I explained we see -- we should be achieving easily 35% kind of growth.

Dheeresh Pathak

Okay okay. Great. Thank you sir.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Thanks.

Operator

Thank you. The next question is from Rohan Gupta from MK Global. Please go ahead.

Rohan Gupta

Hi sir. Good evening.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Good evening.

Rohan Gupta

Sir couple of questions as one you just mentioned that the growth that you're projecting in Custom Synthesis business next year is roughly close to 30% to 35%. While on like-to-like basis, as you had given the calculation, you have

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah, of course I mean when we are saying growth, we are only talking or we are only accounting for the product which are already commercialised. So, we will be happy remaining conservative and delivering more. So yes, there is potential of some more products getting commercialised, some more products getting contracted, negotiated contracted, yes of course.

But right now, our indication of this whatever 30%, 35% what we are seeing is based on our order book position which is of course for the existing products. And which is based on for other business, whatever remaining orders we have. And of course, the kind of other volume growth we can visualise to get it.

Rohan Gupta

Okay. And sir, the products which are in pipeline under the Custom Synthesis business over next two years, can you just give us some growth potential or any potential from those products?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Well, revenue potential is of course there.

Rohan Gupta

No, no, from the products which we are -- must be some product pipeline, right?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

I'm understanding. Your question is that the revenue potential from the products which are in R&D pipeline.

Rohan Gupta

Yeah.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah. So, yes, these are the projects, products which again are in ag-chem area which are in chemicals, pharma early intermediates and also some of them are in electronic chemicals. So they would have...

Rohan Gupta

Sir I think just to put it simple like you already mentioned that 30% to 35% growth under the Custom Synthesis business as per the

current product line, I just want to add, because this is already based on the current order book, I just want to understand can there be some big positive surprises over the next two years where the revenue growth can be significantly higher or maybe 50% through the launches of new products I mean is there any...?

Corporate Participant

I'll answer that clearly, there is no -- product doesn't get into commercialisation over night, they have two to three years minimum for to take shape and get some revenues scaled. So there is not something in this business that you can say yeah, there could be some certain upside, it's for the long-term visibility hence you look at the order book position as a way of saying. Okay we are on a good steady footing.

Yes but at the same time there are 25 to 30 products in the pipe which are being evaluated all the time potential of this vary and they are evaluated as they come to scale as we are in the business of new molecules as we scale up and we move to the next value phase of the products and the projects, we get a better estimate and alignment of its potential.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

And one more thing I would like to add that, see I mean rather than we speculating on that upside we remain confident that even if there are certain contingencies, we would be able to achieve this kind of growth given the pipeline of these 25, 30 possible commercialisations over the period of time because those opportunities are also in pipeline.

So I would say we remain confident on the kind of growth rate we are indicating, without speculating on the upside. I don't know whether I've answered your question?

Rohan Gupta

Okay. Sir how many products will be there under Custom Synthesis business, roughly number, As of now?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Commercial scale we would have closed to 12, 13 products and then at the R&D scale at different levels, we would have 25, 30 products at any given point.

Rohan Gupta

Okay. And generally sir what is your success ratio, I mean the products which are under R&D, how many get commercialised, 50%, 20% I mean some number?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

I would say it would be anywhere between 35%, 45% kind of rate.

Rohan Gupta

Okay. And sir...

Rajnish Sarna, Chief Financial Officer and President, Information Technology

The reasons are different. It could from the technology point of view, it could be from our side that we have done some process research, but then we don't want to commercialize that, because of many reasons. And maybe in certain cases

Rohan Gupta

Okay. And from this 12 to 13 product we generate revenues of almost 360 crore analyzed right now.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah.

Rohan Gupta

I mean, it will be fair to assume that each product has a market size of close to 30 crore, 40 crore or it is skewed towards 3 to 4 products and 3 to 4 products are very less?

Mayank Singhal, Managing Director and Chief Executive Officer

Well, like every business has it's ratio, so it would be different, so it is not evenly distributed surely not.

Rohan Gupta

Okay. So some product maybe even as high as probably maybe 60 crores, 70 crores and some maybe less?

Mayank Singhal, Managing Director and Chief Executive Officer

Yeah.

Rohan Gupta

Okay. Sir, second on this agri-input business like the growth in nine months or I should say rather the first half has been very good for the companies product has been there, but Q3 has been 15% and even you also mentioned that a larger portion of this was driven by price growth or price increases. So volume growth I understand that's a single digit growth and that's what we have seen across the industry in fact that almost every company have reported similar kind of growth, in fact less than your company number. So the slowdown in this growth or a slowdown in revenues in Q3 from domestic business, you think is it cyclical, or it's just a one-off phenomenon, or it can even continue probably maybe next quarter or in next three quarter also, kharif crop also?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

No, as we explained this situation is continuing in current quarter as well, yeah. This is surely continuing in this quarter. But I don't think it has any connection or link with coming Kharif season, because Kharif season, I mean we have seen this kind of situation not for the first time being in the industry. I mean every time after a bad season, things start on a fresh slate, because farmer is ultimately growing this for their livelihood as well. So kharif season starts again from North, starting on a fresh slate and I don't see any connection in -- or we don't see a possibility of this continuing beyond the rabi season or beyond this quarter.

And the basic assumption behind a good kharif crop is that good monsoon or because I understand farmers profitability has seen, definitely been affected this year?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

No, we expect that the wheat is good for the farmers, so they would have a reasonably good earnings and not reason as I am explaining. And if there are other factors in favor, which is like timely on set of monsoon and other factors, we don't see a reason why kharif should not be the normal kharif.

Rohan Gupta

Okay, okay. And sir, with this year being a bad year for paddy, do you think that there may be some drop in acreages for paddy next year and which may affect our sales of nominee gold, do you see that kind of a scenario happening?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Not really. Because there is a reduction of acreages in the rabi there, which is going to impact the rabi production of paddy, which means you will very soon see the impact of paddy prices also. And therefore, I mean for next year surely the normal acreages are expected to be there so that right from the farmers expectation point of view and also from the State and Central Government agreed, directorate point of view that in order to balance the production of these major crops having seen substantial reduction in rabi, I think there would be all efforts to again bring the acreages of paddy at the normal levels, in the coming kharif.

Rohan Gupta

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Because otherwise it would have dramatic impact on the paddy prices in coming seasons.

Rohan Gupta

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

And government has barely been able to bring down the food price and price and inflation now almost in control. I don't think all the efforts would be there to maintain that and therefore the acreages, the food crop prices are closely being monitored and they may not be a substantial reduction or drop in the acreages.

Rohan Gupta Rajnish Sarna, Chief Financial Officer and President, Information Technology

Well this would be in insecticide and fungicide categories, broader spectrum insecticides and fungicides, so we'll surely announce details closer to the launch, for competitive reasons we won't, I mean we would not like to discuss them too much at this point.

Rohan Gupta

Okay. Thanks sir, that's from my side. Thank you very much.

Operator

Thank you. The next question is from V K Karthikeyan from Suyash Advisors. Please go ahead.

V K Karthikeyan

Good afternoon, gentleman.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Good afternoon.

V K Karthikeyan

Sir just a couple of clarifications. One is if you could just give some color on the order backlog that you spoke about in terms of the top five agro-chem companies that is Bayer, BASF, Syngenta and the others and the others just for perspective? And secondly, non-agro-chem contribution to this order backlog, if any?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Well, I don't know, I mean what companies you are talking because generally we don't speak about our customer and we are not supposed to speak about our customers. So surely.

V K Karthikeyan

Not company specific sir. Would it be possible to kind of break it down between the bigger ones and the smaller ones, I mean just for our

perspective?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

No. I mean it's not possible.
Okay. And...

Rajnish Sarna, Chief Financial Officer and President, Information Technology

We can't talk the order breakup..

Mayank Singhal, Managing Director and Chief Executive Officer

And again what is big small towards to us -- your perception big and small.

V K Karthikeyan

Right.

Mayank Singhal, Managing Director and Chief Executive Officer

Keep that down.

V K Karthikeyan

Right. And between agro-chem and non-agro-chem sir?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Majorly ag-chem.

V K Karthikeyan

Okay. Would you want to put a number to that I mean, just for clarification?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Quite substantially, I mean, majorly.

V K Karthikeyan

Okay. Sir, the other question on which I wanted some clarification from you is, have you two instances one is you have been executing these contracts for sometime now, has there been a renewal experience and what kind of experience you had sir, with regard to renewing these contracts, you said these are typically of three to four year duration so A, what kind of experience have you had with regard to renewals say be it in terms of volumes, be it in terms of pricing?

Rajnish Sarna, Chief Financial Officer and President, Information Technology V K Karthikeyan

Right.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

And at that point, there were two or three suppliers of that product.

V K Karthikeyan

Right.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Today, we are the exclusive supplier. So even after 13, 14 years, we are supplying that product.

V K Karthikeyan

Right, right.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

This is one example I'm giving you.

V K Karthikeyan

Right, right.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

First product is also still being manufactured and supplied by us and we are sole manufacturer.

V K Karthikeyan

Sure sir.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Same way in couple of other cases, I mean the initial four, five year contract is complete. And we have got into in one case, we have not renewed the contract, but we are doing that business on an annual basis, annual -- and we are supplying.

Right.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

And this choice of not getting into contract is ours not there's.

V K Karthikeyan

Okay, okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

was okay, but then because of the various other aspects and we were also not sure that whether we would like to continue that molecule for four years again.

V K Karthikeyan

Right.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

We have kept it open.

V K Karthikeyan

Right.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

And we have said that, okay let's review this on an decide on annual basis.

V K Karthikeyan

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

And in one more case where this have four, five year contract was complete, we have renewed it for next three years. So all-in-all, I mean there is a high possibility, I would say a significant possibility of these contracts getting renewed after the initial term of four, five years.

V K Karthikeyan Rajnish Sarna, Chief Financial Officer and President, Information Technology

As I explained in our model.

V K Karthikeyan

Yes.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

We are not dependent on that.

V K Karthikeyan

Sure.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

We are hopeful that we, I mean we would be able to churn out many more products to the commercial scale from the pipeline of this R&D pipeline or something.

V K Karthikeyan

Right.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

But as I can tell you that unless we goof up big time I don't see any reason why these contracts won't be renew.

V K Karthikeyan

Wonderful, wonderful. Good to hear that sir. Thank you very much and very best of luck, sir.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Thank you.

Operator

Thank you. The next question is from Hardik Vora from Dolat Capital. Please go ahead.

Hardik Vohra Rajnish Sarna, Chief Financial Officer and President, Information Technology

40 lakhs is realized 40 lakh or 45 lakh and rest is unrealized.

Hardik Vohra

Okay. So I think you had mentioned earlier that this could be reversed back if the rupee appreciation

Rajnish Sarna, Chief Financial Officer and President, Information Technology

No no let me again clarify. Actually this was a question asked that can it be reversed and I said that there is a possibility but I would solely not like to speculate on it.

Hardik Vohra

Definitely I mean assumption is that it goes back to the level where rupee was the beginning of the year

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah.

Hardik Vohra

Okay. Just want to understand this loss is not tax exempted right I mean the tax rate is not considering this loss it's excluding it right?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Pardon

Hardik Vohra

This loss that we record in the books this is not a tax exempted expenditure is it?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

No no unless and until you realise this loss how can we deduct

Hardik Vohra

Definitely so I just wanted to clarify that so to actually calculate the effective tax rate we have to exclude this or add this back to the PBT and then calculate right

Yeah yeah yeah.

Hardik Vohra

So just if I am doing that the tax rate for this quarter is about 20% so it seems little lower than what we have been recording for the previous quarters, so any reason for this variation?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

No can you come back again?

Hardik Vohra

If I add back the tax component sorry the loss component to the PBT the unrealised part and I try to calculate the tax rate it comes to about 21% odd so

Rajnish Sarna, Chief Financial Officer and President, Information Technology

No, for this quarter provision I will surely consider this

Hardik Vohra

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

The point what I was trying to make was I was trying to understand this from the effective tax rate

Hardik Vohra

Right.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

So point is that if at the closing rate or the recording rate if I am taking a provision I am taking a provision with this I mean assumption or presumption that I may get this kind of a hit

Hardik Vohra

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology Hardik Vohra

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

At the year end or for the financial year or assessment year it would be surely based on realized basis. So if for example at the end of the year I end up getting this loss

Hardik Vohra

Right.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Whatever six crores or 6.5 crores if I end up getting this loss surely it will be considered for tax calculation.

Hardik Vohra

Okay understood. Okay. Just a next question was on your the ECB that you have raised about \$20 million what is -where will this be utilized?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

This is towards the expansion project which is going on.

Hardik Vohra

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Jambusar.

Hardik Vohra

And I just have one final question regarding we have some tie-up base arrangements of the Agro business so can you just quantify as to how much of the revenue came from that -- those arrangements?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

What arrangements?
Some tie-up based arrangements that we have in the Agro-chem segment?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

No I have understood. Can you repeat please?

Hardik Vohra

Basically what I wanted to ask is that I think we have some tie-up based arrangements in the Agro business at a lower side. So is there -- MNC tie-ups basically that we have on

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah in license products.

Hardik Vohra

Right.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah. So yeah I mean we have in license certain products from these multinational or innovators global innovators who are not present in India. And we are also working with some of these multinationals who are present in India for helping them develop their newly introduced products. And these products contribute close to 45% of our revenue.

Hardik Vohra

45% total revenue?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Yeah agri revenue.

Hardik Vohra

Agri revenue. Okay that's all from my side. Thank you very much.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

Thank you.'

Operator Viraj Mehta

I'm done sir. Thank you.

Operator

Thank you. Ladies and gentlemen we have one more question from Mitul Mehta from Lucky Securities. Please go ahead.

Mitul Mehta

Yeah sir question is pertaining to your tax rate going forward once the Jambusar facilities goes live. What could be the tax rate then the company as a whole?

Rajnish Sarna, Chief Financial Officer and President, Information Technology

See, we have 100% -- we will have 100% exemption in Jambusar, for first 10 years, okay. So if my Jambusar revenue is contributing say 10%. Hello?

Mitul Mehta

Yeah, I am listening sir.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

And my profitability from that business for that unit is equally almost in the same proportion as my existing site, so I should be able to reduce 10% of my effective tax rate, so 30 should go down to 27 or so.

Mitul Mehta

Okay.

Rajnish Sarna, Chief Financial Officer and President, Information Technology

This will be in a maturity model as I explained in response to the some earlier question that, it will take initial one or two or maybe two and a half years to balance this. So during this period, yes I mean maybe it is from second or third year, we should be able to rationalize or reduce the effective tax rate by 3% to 4%.

Mitul Mehta

About 24% to 25% should be the tax?

Rajnish Sarna, Chief Financial Officer and President, Information Technology Mitul Mehta

Okay. Okay, great sir. Thanks.

Operator

Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Singhal for closing comments.

Mayank Singhal, Managing Director and Chief Executive Officer

Yes. I would like to thank all of you for taking your time on this call. And if you have any further queries, do contact the Investor Relations partners either by phone or email, which we mentioned in the results release. And thank you once again for taking the out. Bye bye

Operator

Thank you very much. On behalf of PI Industries Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines. Thank you.