PI Industries Limited

Q3 & 9M FY17 Earnings Conference Call Transcript
02.00pm IST on February 16, 2017

Moderator Ladies and Gentlemen, good day and welcome to the Q3 & 9M 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, please signal for an operator by pressing '*' followed by '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.

Nishid Solanki Thank you. Good afternoon everyone and welcome to PI Industries Limited's Q3 & 9M FY17 earnings conference call. Today, we have with us senior members of the management team including Mr. Mayank Singhal, Managing Director and CEO, Mr. Rajnish Sarna, Executive Director and Ms. Jayashree Satagopan, Chief Financial Officer. We will begin the call with opening remarks from the management following which we will open the forum for question and answers.

Before we begin, I would like to highlight that certain statements made in today's conference call maybe forward looking in nature and a disclaimer to this effect has been included in the results release sent to you earlier. The company does not undertake to update them publicly.

I would now request Mr. Mayank Singhal to take us through his prospectus on PI's performance during the quarter and nine months' period and discuss the opportunities that lie ahead. Thank you, and over to you, Sir.

Mayank Singhal Good afternoon and thank you for taking out the time to be with us on this call today. I trust you would have had the opportunity to pursue our press release that captures our thoughts on the business and the performance in the reporting periods.

During Q3 FY17, we saw a marginal decline in revenue mainly on account of lower exports in line with the planned schedules with our global customers. We have seen a healthy growth in the domestic revenues, slightly tempered by deficit in rainfalls in the southern peninsula and liquidity issues on account of demonetization. Our margin performance and profitability have maintained a trend of expansion.

Now for 9M FY17, we have reported a revenue growth of 10% at Rs. 1,756 crore. Correspondingly, our EBITDA and net profit have demonstrated robust improvement of 24% and 51% at Rs. 397 crore and Rs. 322 crore respectively on a year-on-year basis. Structurally, we are looking at a continuance of our growth story backed by solid relationships with our innovators, an advanced portfolio of molecules and exciting pipeline of products.

We believe that the global crop protection industry is still to recover and is expected to normalize gradually. The order book position remains robust and during 9M period, we have commercialized three new molecules as per our plans. Our newly commissioned facilities in Jambusar are scaling up to expectation. The engagement with our global innovators continues to strengthen with several enquires coming in for new products.

The domestic brand business also presents an opportunity for growth. Kharif season, this year saw an impact from delayed monsoons and lower infestation of pests. For Rabi season, the southern peninsula witnessed delayed and scanty rainfall, yet the season is still and out over the next few quarters.

Given our focus on nurturing brands and holistic farmer education, we are in a position to evaluate and introduce high-potential molecules from the portfolios of our global partners on a periodic basis. It will constant endeavor on our part to bring exciting molecules, leverage our brand building capabilities through strong distribution network and farmer-connect initiatives.

Our established brands continue to grow. We plan to introduce three new generation products in the coming year. Our portfolio is getting richer to cater to the needs of the farmer in the country.

To conclude, we are committed to partnering with leading innovators across the value chain as they seek to develop and commercialize novel molecules into the global and domestic markets. We have been able to demonstrate our capabilities across the agri value chain by creating value on both sides of equation.

With this, I would like to hand over the discussion to Jayashree, our CFO, who will now continue with perspectives on our financial journey during the period. Thank you.

Jayashree Satagopan Thank you Mayank. Good afternoon everyone and thanks for joining us today. I will take you through the financial performance of the company for the quarter and nine months ended December 31, 2016.

During the quarter under review, revenues moderated to Rs. 500 crore as a result of lower exports. EBITDA stood at Rs. 103 crore and EBITDA margin was 20.7% reflecting an improvement of 100 bps compared to the same period last year. Margin expansion was a result of favorable product mix, cost efficiencies, and operating leverage. Profit After Tax grew to Rs. 94 crore higher by 33% on a year-on-year basis.

In 9M FY2017, our total revenue grew by 10% to Rs. 1,756 crore led by healthy traction in exports in the first half of the year as well as a steady growth in the domestic market. EBITDA stood at Rs. 397 crore, higher by 24% year-on-year. EBITDA margin was at 22.6%, an increase of 240 basis points. Profit After Tax came in at Rs. 322 crore as compared to Rs. 214 crore in the same period last year, representing an increase of 51% year-on-year owing to lower taxes.

Our balance sheet position strengthened due to strong cash generation. Debt-to-equity ratio stood at 0.07.

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

Moderator Thank you very much, Madam. Ladies and Gentlemen, we will now begin with the question and answer session. The first question is from Sumant Kumar from Emkay Global.

Sumant Kumar Sir, you have talked about the three product launches in FY18 in the domestic market, so what is the target segment for the new product, herbicide, fungicide, and other?

Mayank Singhal These will be probably in the fungicidal area.

Sumant Kumar Okay, and all 9 (3) product?

Mayank Singhal No, some are, some are not, they are under partnership model.

Sumant Kumar Out of three, how many 9 (3) product?

Mayank Singhal There are 9 (3) products too, but they are partnership models, once we are closer to the time, I will let you know when we are launching the products.

Sumant Kumar Okay, regarding tax guidance for FY18, we have shown a significant decline in tax in Q3 FY17, so what is the guidance for FY17 and FY18.

Jayashree Satagopan For FY17, we expect it in the range of about 16%, for FY18, we expect it to be between 20 to 23%.

Sumant Kumar The third question is regarding what is the domestic and CSM revenue in Q3 FY17?

Jayashree Satagopan The Q3 revenues for domestic is about Rs. 177 crore and export is Rs. 323 crore.

Sumant Kumar What is the same year previous quarter?

Jayashree Satagopan Last year, it was Rs. 157 crore for domestic and exports was Rs. 366 crore.

Moderator Thank you. The next question is from the line of Nitin Gosar from Invesco Mutual Fund.

Nitin Gosar Just wanted to understand more; the opening remarks for the press release which talks about domestic growth impacted because of demonetization and scanty rainfall, is it more to do with demonetization impact or is it more to do with the scanty rainfall?

Mayank Singhal I would say it is a combination of both, yes, and demonetization has had a little impact because you know there were shortages of money in the cycle and that did create a little bit of nervousness in the system, so that did have an impact to most of the industry.

Nitin Gosar The other statement was with regard to the lower export consistent with export schedule shipment over the last three quarters, so you mean to say that the YTD run rate is the real run rate we should be looking at and not the first half run rate that we registered in export business?

Mayank Singhal Yes, because these are scheduled in shipments which move according to customer needs, so you should look at YTD that would be a better way to look at, yes.

Nitin Gosar Did we disclose the order book size for CSM business?

Mayank Singhal We are sitting on the similar side of the order book position i.e. close to $800 million, that we had indicated in the past.

Nitin Gosar We talked about three molecules in domestic market, but did we also mention three molecules in CSM business which got executed?

Mayank Singhal Yes, three big molecules in the domestic market would come into play next year, but in the CSM business, we have just commercialized three molecules.

Nitin Gosar This quarter will be having an impact of those three molecules?

Mayank Singhal Well, they are in initial stage, so they are marginal but yes we will see them over the years, yes.

Moderator Thank you. The next question is from Bharat Shah from ASK Investments.

Bharat Shah If we look at the year of FY15-16, our top line grew about 9%, a little less than 9%. In all probability for the year of Fy16-17, we might end up doing something similar, now when I contrast this with the earlier five years that is a period of five years up to March 31, 2015; our top line grew at an average rate of about 26%. If you recollect our various dialogues over a period of time, with you as well as with Mr. Sarna, our general thrust of the future assessment is that there is a large size of opportunity, PI as a company is well prepared to seize that opportunity and given that opportunity and our preparedness, our long term growth of about 20% is something that we can reasonably foresee, it may not be quarter-to-quarter or half year or a particular year, but in general on a longer term, that is the kind of opportunity and our preparedness exists for us to exploit that kind of a growth rate, does that picture remain intact or should we read 15-16 of 9% and probably 16-17 of 9% as the new normal?

Mayank Singhal We would definitely continue to keep that target 20%, but as you would see that the global industry over the last few years has had a much deeper challenge but we are still have been outperforming compared to the global peers and even the domestic peers, but ag-business does have it cycles and once it picks up again, we could have an outstanding year and that could completely correct the CAGR levels that we are expecting. This, I would say is cyclical part of this industry and we shall keep to say that is the level that we are targeting as a company to keep moving by looking at various opportunities that we have in our hands.

Bharat Shah Should I Mayank understand that in the long term, let us say five year or more journey, hopefully a 20% kind of a growth rate, this is the cyclical aberration during the last two years?

Mayank Singhal Yes, that is what I have indicated earlier, that is what we will stick to between that 18 to 20% that we have been looking to grow in the long term.

Bharat Shah One related question, Mayank, the relative slower growth in the global situation probably should not automatically translate as a lower growth for PI, because I think your research kind of a bake-house for them, until that extent you are an inevitable partner for them, to the extent that they face some challenges on their front end growth, I suppose that should not logically affect entirely your ability to grow what essentially is a very quality research partnership outsourcing with them because the two things probably in a longer term their relatively lower growth would have some impact for your ability to grow I understand that, but given the fact that you are providing research outsourcing high-end service, which they themselves probably make it more expensively or probably with a greater delay, their front-end growth should not become necessarily your backend growth, it is what I understood?

Mayank Singhal Yes, you are right in that assumption and that is the way it is, therefore, we fairly still continue to be a far higher than that, and therefore, we always looking at the newer products and approach to these companies which keeps our rate definitely far away from what they are facing. So to that extent, to some level, we are isolating ourselves from them, but somewhere in the scheme of things, some impact do come on a temporary basis.

Bharat Shah Just one small clarification point, Jayashree, for the year of FY16-17 you said tax liability is very likely to be 15% and for 17-18, you said what 20-22%, did I hear right?

Jayashree Satagopan Yeah, you are right because if you see next year one of our Jambusar facility would have completed five years of the total 10-year period where you get a 100% deduction from a tax standpoint, so next year it will get into a 50% slab, so there will be a moderation in terms of the ETR.

Bharat Shah Okay, it will be about 20-22%?

Jayashree Satagopan Yeah, 20-22%, 23% as we work through our plan, we will have much more granularity of that, but at this point in time that should be the range one should look at.

Bharat Shah One very last question, Mayank, in the journey of this great opportunity and our growth, I assume broadly the kind of margins now we are currently earning and steadily we have very strongly we have improved it over a period time in a very commendable way, I suppose broadly the margins are intact while growing that top line in the future?

Mayank Singhal Yes, that would be a fair assumption.

Moderator Thank you. The next question is from the line of Sameer Deshpande from Fairdeal Investments. Please proceed.

Sameer Deshpande Congratulations for good numbers despite some slowdown here and there that continues to happen in business, but regarding this global crop protection industry, our commentary mentions that it continues to be in a recovery mode and it is likely to be weak in the short term, so what is the problem actually globally because our exports predominantly are not of the nature of the overall like exporting this pesticides is there, because we are contract research and all those things are the major constituents of our exports now.

Mayank Singhal The context of that is definitely the global industry which is not directly linked, the advantage of eventually supplying products, these markets who are innovator partners, the added advantage that we have had is we are working in a new generation, new technology products which continue to even grow better when the external parameters are not favorable. So when we look at the global markets today, the crop crisis, the productivity and weather patterns have impacted over the last couple of years, there are typical cyclical phase and expected that over the mid of next year or end of year, if the season is well, than the markets should come back with a bang.

Sameer Deshpande It was not a climate issue in the global market?

Mayank Singhal It is more on the commodity price and stock levels and which they are working right now.

Sameer Deshpande Inventory levels etc., were high earlier and all those things, that was the reason. Secondly, the sales in domestic market to the southern states which had some lower rainfall etc., and Tamil Nadu, so these Tamil Nadu and Karnataka I think were the main problem markets?

Mayank Singhal Tamil Nadu was the main problem because they are based in the big rice markets also.

Sameer Deshpande Andhra Pradesh, I think this year they had good rains?

Mayank Singhal Yeah, that is in a fairly better state but not in the best of state that it could have been. If you look at the reservoir levels of today, it is 27-28% so water is a little challenge in those places right now.

Sameer Deshpande The sales in this quarter in this area are particularly more, so the effect has come in this quarter, domestic sales?

Mayank Singhal To some extent, yes.

Sameer Deshpande In this coming quarter, we expect the sales to be improving?

Mayank Singhal This again depends on the weather prediction and the situations which we are yet to see because there is a delay in the season, so it is expected to pick up again earlier or it could shift by 15-20 days scenario, will depend on how product movements takes place, but predominantly we do not believe in just shoving in, putting inventory in the market.

Moderator Thank you. The next question is from the line of Alok Deshpande from HSBC.

Alok Deshpande My question was we understand that this is the global scenario for crop protection remains very weak and probably we are now in the third or fourth year of this slow down, so can we look at this year where our CSM growth would have bottomed out in a way probably we will end the year between 12-15% for the year, is that something we will do in sort of base case scenario for us now?

Mayank Singhal Yeah, I would assume that is the worst case scenario if you want to look at it that way, but it will pick up and we will ramp up the performance. You are basically asking is that what is the lowest level of growth rate that we should be looking in that business if I understand you right?

Alok Deshpande That is correct, that is what I am asking?

Mayank Singhal Okay.

Alok Deshpande In terms of Nominee Gold's growth this year, has the product grown in terms of value and volumes this year on the domestic side?

Mayank Singhal Well, the year is yet to finish, we are on track with the plans as we have seen for it to happen. On the other hand, some of the seasons were also not favorable, but I think we are in a pretty good position to counter and manage the generic situation, and I would not like to disclose too much given the competitive challenges that are there with the product.

Moderator Thank you. The next question is from the line of Rahul Veera from Elara Securities.

Rahul Veera Sir, just wanted to understand over the next couples of years, what are the CAPEX plans, if you could divide any kind of new CAPEX that is coming and the maintenance CAPEX that is going to go?

Mayank Singhal I think about Rs. 200-250 crore and we will be coming with a more detailed plan by the end of the year.

Rahul Veera Okay, so this will be over the next two years?

Mayank Singhal Yeah, somewhere around that.

Rahul Veera Sir, just a quick question on understanding the margin perspective like in terms of the industry had a very good gross margin perspective because of the lower raw material prices, but we have not seen that kind of operating leverage coming in via either through raw materials or?

Mayank Singhal Are you talking about the quarter?

Rahul Veera Yes, Sir.

Mayank Singhal As you said, in our business product mix quarter-to-quarter would change depending on the product mix and exports, domestic or products within the portfolio of these businesses, so one has to look at in a year-to-year basis. If you look at it, I think we are pretty well stacked on the nine-monthly basis if you were to look at it.

Moderator Thank you. The next question is from the line of Ritesh Gupta from Ambit Capital.

Ritesh Gupta Sir, just two questions, on the global side have you seen some bit of an improvement in terms of enquiries or in terms of future supplies over last two-three months, I mean because I think from a growth rate point of view, you have seen a moderation across every supplier across chemical players in India, so in that sense, have you seen some bit of improvement in last three to six months, or is it the same and probably I mean it is getting worse towards the end of it?

Mayank Singhal The interesting and the exciting factor is that the level of enquiry and interest of doing more is increasing, but as you know there is a gestation period in this business. It takes its own time to take it to the commercial state, which really results in revenue and the money, but I would say on the enquiry side we have seen the enquiry engagement which are increasing and we are very happy to note that.

Ritesh Gupta Secondly, on the order book side, given that you have commercialized three molecules this year, ideally would you have seen an increase in the order book because of the new molecules coming in?

Mayank Singhal We are taking around the same order book because some goes off and some comes on, so that is the approximate benchmark that we are working at right now.

Ritesh Gupta What would be your nine month domestic growth be like, if you can split it out?

Mayank Singhal Somewhere in the double digit.

Jayashree Satagopan It is around 6.2%.

Ritesh Gupta What would be CSM then?

Jayashree Satagopan It is about 13.7%.

Ritesh Gupta In that sense probably we will be ending the full year with around 10% growth, is that correct assumption on the sales side is what I am talking about?

Mayank Singhal Yeah, between 10-12% whatever you may assume.

Ritesh Gupta Jayashree, you gave the CAPEX sum as Rs. 200 crore for the next two years is what I got, what is the right CAPEX number for FY18-19?

Jayashree Satagopan It is Rs. 200 crore per year and we are still working out the plan and as we firm it up, maybe end of the year, we may be able to give you a better guidance.

Ritesh Gupta You already have a plant going on which will get commercialized somewhere in FY18?

Jayashree Satagopan One plant, yes.

Ritesh Gupta Any update on the pharma acquisition that you were looking at, I mean the pharma plant acquisition?

Mayank Singhal We are still in the process of evaluating and we will come to a conclusion in the next year.

Moderator Thank you. The next question is from the line of Vishnu Kumar from Spark Capital.

Vishnu Kumar Just wanted to understand whether the margins that we have got is it the best in class, from hereon do we see kind of shrink on any risks that you see or we are going to maintain this kind of margins?

Mayank Singhal We have maintained the margins at these levels, which we see expect to continue to manage, sure.

Vishnu Kumar Is there any guidance that we should consider looking ahead say instead of 24%, it should have been in the range of 20%-22%, or 18%?

Jayashree Satagopan As we indicated earlier, there might be a slight moderation. This year the margins have been quite healthy; as we work out the plans for the next three years, which currently is in the process, we will be in a position to guide you further.

Vishnu Kumar Is there a revenue guidance for FY18, if that is possible for you to give?

Mayank Singhal We are right now in the process of evaluation and budgeting, so next time around we will be fully prepared with that, but I think we will continue to look at a good growth going into the future.

Vishnu Kumar On the new plant, when are we expecting it to come live in the fourth one?

Mayank Singhal That will be the end of the next financial year.

Vishnu Kumar What is the CAPEX split if you can give at least only for FY18 split between fourth facility and other CAPEX?

Mayank Singhal I do not have that on hand, but I am not too sure, it will not be that fair to answer now, we can kind of take that offline.

Moderator Thank you. The next question is from the line of Abhijeet Akela from India Infoline.

Abhijeet Akela First, just with regard to the growth guidance you had given for FY17, last quarter we had indicated we were expecting about 15% growth in both the businesses, now in the nine months, we have done about 13.7% as you indicated in custom synthesis, are we on track to hit that 15% guidance for that business and in the domestic business could you just update your guidance for the year please?

Mayank Singhal Yes, we should be broadly on track, depends on the scheduling of delivery but that is what we see for now and in agri-inputs it depends really on how the season is playing out in the next 45 days that is for the end of the year.

Abhijeet Akela Okay, and with this prolonged downturn in the global industry, would CSM revenue growth remain around this 15% kind of band for the next couple of quarters do you think or is there a chance that within the next two quarters itself there could be an acceleration back to your older growth rate?

Mayank Singhal I do expect, because again as I mentioned the CSM business must be looked at a year-on-year basis because scheduled deliveries, planning or shift of the product mix is changing at the customer end, so I would say that we would like to look at a better growth rate then where we are today.

Abhijeet Akela Sorry Sir, I missed that last part, you said better level then where you are?

Mayank Singhal Better or similar rate looking at next year depending on how it plays up which we will see when we are more to the end of this year.

Abhijeet Akela Lastly, on your margin guidance, this year we had guided to a 100-150 basis points of margin expansion, you are saying that there could be some slight moderation in FY18, is that correct?

Jayashree Satagopan Possible, yes.

Moderator Thank you. The next question is from Pramod Krishan from JM Financial.

Pramod Krishan My question was pertaining to the CSM business given the global agrochemical slow down, so in such a situation when you probably face a deferment of order or probably a cancellation is there any minimum quantity or such that the player has to offtake or any kind of penalty that you will levy or how are the contracts based, Sir?

Mayank Singhal Each contract is different, number one, I do not think any of these contracts have a cancellation approach, it is scheduling and rescheduling of demand that really what takes place.

Moderator Thank you. The next question is from the line of Ajit Motwani from Bharti AXA Life Insurance.

Ajit Motwani On the previous question itself, when you talk about this order book in the CSM, you are saying there is nothing such as cancellation of orders, so there were some delays which we saw in FY16 second half as well and then maybe somewhere around this year also we have seen some deferments of order, is there a particular timeline where you actually invoke take or pay sort of clause in your contract?

Mayank Singhal The take and pay only, again there is nothing like a standard contract as you would appreciate that there are multiple contracts with multiple companies and the take and pay is subjected to many parameters, which could be a different understanding with different organization, I would say that you are not coming to a situation of any take or pay with any customers yet. The take-or-pay contract happens when there is a cancellation, so we have not had any cancellation of any orders, only rescheduling or a little bit of push here and there depending on the situation.

Ajit Motwani In your nine month revenues of domestic growth of 6%, can you sort of indicate what has been the volume growth in this number?

Mayank Singhal I am not carrying the number on volume growth because I do not understand the volume number, because frankly volume will be dependent on a product mix. Some products are applied in kgs and some are applied in milligrams, so really the volume would not be a fair indicator, but overall I would say we have covered more ground with our products.

Ajit Motwani When you broadly indicated some hints on the margins that you were saying that in FY18 there could be moderation in margin, so you would indicate that as moderation in expansion of margin or absolute decline in margins?

Jayashree Satagopan Expansion of margin.

Ajit Motwani You are saying may be not 150 bps but maybe 50 bps.

Jayashree Satagopan Yes.

Ajit Motwani Would that be an indication of rising competitiveness in your domestic market or the mix on the international side?

Jayashree Satagopan It is a combination of both and if you look at the margins over the last three years, you would see there has been a considerable level of expansion. While we continue to expand margins, the rate of expansion has to slow down because you cannot keep that up.

Ajit Motwani One last question on, you have three plants at Jambusar now?

Mayank Singhal Yes.

Ajit Motwani The fourth one is now coming, what would broadly be the utilization at those three plants?

Mayank Singhal Again, as I said you know utilization for us is a difficult science to answer because they are not product based, these are multi-product plants and each product has a different rate of utilization depending on the level of dilution, number of unit process, so average right now we are running at a good utilization rate, but each change is dependent on a product mix.

Ajit Motwani You are basically saying that you cannot asses utilization, but mix is something that decides the revenue trajectory?

Mayank Singhal That is right.

Ajit Motwani Would it be fair to assume that as revenues at Jambusar increases there, would be effect of both mix as well as operating leverage playing out on the margins, is that more efficient than other plants?

Mayank Singhal No, efficiency is equal. It is just as a company we leverage on growth, so it depends on that.

Ajit Motwani On tax rate, you said one plant is going off from 100% to 50% in end of this year and how is the trajectory of other plants, when are they sort of getting off into?

Mayank Singhal There is one site, there is Jambusar and the other site is Panoli which is not an SEZ, so Jambusar is going off the first five years.

Ajit Motwani But that is only for one plant, right?

Mayank Singhal It is one asset, so we have treated it like it.

Jayashree Satagopan We have two facilities, one is at Panoli which is not an SEZ facility, therefore, there are no specific tax benefits on it, the other location is Jambusar where we have the SEZ related 10-year tax window.

Ajit Motwani It is not related to let us say plant 1, plant 2 or plant 3, it is for the facility?

Mayank Singhal It is a size specific, within the size, not unit specific.

Moderator Thank you. The next question is from Karthik Mehta from Canara Robeco.

Karthik Mehta Sir, just can you repeat the export number for this quarter, was it Rs. 323 crore?

Jayashree Satagopan Yes.

Karthik Mehta Versus Rs. 366 crore last year?

Jayashree Satagopan Yes.

Karthik Mehta We actually degrew by 12%?

Jayashree Satagopan Yes.

Karthik Mehta In your press release, I was just going through statement that revenue growth in the near term is expected to be moderate given the current global scenario, when you say short-term, what do you mean by short term, one quarter?

Mayank Singhal Yes, it could be a few quarters, I would not say one quarter, because this could be a few quarters before we get and as I indicated somewhere mid or the end of next year we expect a rise in the global scenario.

Karthik Mehta Reason behind asking this question is that in response to one of the questions, you mentioned that CSM growth which is on a nine-month basis 13.7% is likely to be

15% on a full-year basis that means Q4 has to make up for the better growth, so that does not go in sync with the statement you have mentioned in the press release?

Mayank Singhal Again, I would just give you that we discussed CSM business; it is a scheduled delivery, so it is based on the year-to-year scheduled delivery. You do have shifts in deliveries, so do not look at it as quarter-to-quarter as I mentioned earlier to somebody else that what you should at look at it a year-to-year basis because some deliveries could be in a year, some deliveries could be different depending on the product mix.

Karthik Mehta But on a full-year basis, 15% growth is achievable?

Mayank Singhal Yes, around that, that is what we see.

Karthik Mehta That is what I am saying that 13.7% is on nine-month basis and if you have to achieve the 15% growth on a full-year basis, your Q4 has to be better?

Mayank Singhal Subject to some deliveries could get plus or minus here or there, we will shift it to the next month, so that is anywhere, yes.

Karthik Mehta One thing I just wanted to understand that because of the highly competitive pressure on the global ag-chem side and most of the innovators have seen customers doing down trending and going to more of generics and also couple of products incrementally going off patent, most of the innovator companies have started looking for options of manufacturing the off-patented product in the form of generic from the low-cost countries like India and China, so firstly how do we get benefit out of that number one, and number two, if we do not get benefit then does it mean that the innovators would be going slow into the innovation cycle given the competitive intensity and incrementally we will see moderation on a structural basis in our CSM business?

Mayank Singhal No, I would put it at we will not be doing globally competitive generic products, our products have become generic, so therefore we see that as a big opportunity because if you are partners with them in the innovator cycle and they are looking to do outsourcing of things which would go into the generic phase, PI would be the first space of choice. Secondly, I do not think this innovation cycle and generic it is a standard cycle which takes place in any industry. The global companies come out with newer and better products, which eventually would continue. The global share of innovative and generic products continues to be probably in the same ratio as history would reveal it.

Karthik Mehta What is the current ratio as of now?

Mayank Singhal I do not have that offhand, but in somewhere between, depends geography to geography actually.

Moderator Thank you. The next question is from Rohan Advant from Multi-Act.

Rohan Advant Sir, I had a question on the Nominee Gold, I believe there is an ongoing court case regarding data exclusivity, so I just wanted to understand what is our bone of contention in the court case and depending on which way it goes, does it have an implication on our strategy of in-licensing this patented products in the domestic market?

Mayank Singhal Thanks Rohan for the question, unfortunately you know what, because of the sensitivity and since it is a legal battle in the court, I would avoid to discuss this on the call.

Moderator Thank you. The next question is from Chirag Dagli from HDFC Mutual Fund.

Chirag Dagli Sir, if I look at the last five years, and if I sort of look at our custom synthesis revenue in US dollar terms, I see that on an average we have added about $30-40 million each year, this absolute run rate, do you think as we go along over the next couple of years, we can significantly better this run rate of absolute addition in sales?

Mayank Singhal As you see the details discussed, there could be opportunities coming along, so as you these situation in the globe of M&A activities, and I see that there will be benefit as these settle down in the next couple of years, they are with larger opportunities in coming year, so we think this is something which will have a slow pace, but will take very well.

Chirag Dagli This $30-40 million run rate is what you can maintain or can you do meaningfully better, because as our base goes up, obviously this number has to meaningfully go up, right?

Mayank Singhal Yes, that is the growth rate to be measured in the terms of percentage basis as we have mentioned, so whatever the revenue is, we to talk about the growth rate of the next year and not on the basis of absolute money. If you do that, then you are obviously bringing your growth rate down.

Chirag Dagli Correct, but you are confident that you know sort of add more than $30-40 million going forward as an effort?

Mayank Singhal Sure, that is the objective and that is what we think we are positioned to do that, but hoping that everything is fair with us, pace can go up and down, but that is what we are confident of where we can get at.

Chirag Dagli Sir, when you sort of look at your $200 million custom synthesis business in Ag-Chem, how many players exist in the industry, who are the players larger than us, meaningfully larger than us, if you can give us some sense, because we as investors our understanding of custom synthesis in agri is actually far lower than in pharma?

Mayank Singhal We do stack up in the top 10 players, and the company already differentiated from the others because we are part of the development cycle of the global custom manufacturing game in the ag-chem space with the global innovators. The interesting fact of this space is this is going to be the one of most fastest growing CSM spaces in the near-term future as these M&As settle, because the very large companies are merging into very few, so then investments for the future will be based on managing them better at their end. In terms of opportunities for companies like us to look at partnering to do investments for their future needs.

Moderator Thank you. The next question is a follow up from the line of Bharat Shah from ASK Investments.

Bharat Shah Mayank, couple of quick questions, any client separation of any material in nature we have witnessed in the current year?

Mayank Singhal That is one fortunate part that we have not had a single client separation in the history of PI and we are very proud of that, indeed we are adding on to one, so I am happy you asked that question.

Bharat Shah Second, in terms of the improvement in complexity of chemistry that we handle, what is your assessment, have we improved in getting further better or we have maintained?

Mayank Singhal As you would see the company has invested aggressively in the R&D, so we are building our capabilities far stronger in this space and to be known as a knowledge chemistry player in the next few years and to offer solutions which could be very unique. I would definitely say that we are not only better, but we want to become the best.

Bharat Shah Any milestone of progress on the pharma side?

Mayank Singhal Yes, we mentioned, we are evaluating pharma opportunity and we would have some definite answers on that in the next couple of months.

Moderator Ladies and Gentleman, that was the last question, I now hand the conference over to the management for closing comments.

Mayank Singhal Thank you everybody for coming on this call today. We deeply appreciate your support and participation, and many thanks from the PI management to all of you, and look forward to your support in the coming times.

Moderator Thank you very much members of management. Ladies and Gentlemen, on behalf of PI Industries Limited that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.
