PI Industries Limited

Q4 FY17 Earnings Conference Call Transcript
May 17, 2017

Moderator: Ladies and Gentlemen, Good Day and Welcome to the PI Industries Limited's Q4 & FY17 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 after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you and over to you, sir.

Nishid Solanki: Thank you. Good Afternoon everyone and Welcome to PI Industries Limited's Q4 & 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 Questions-and-Answers.

Before we begin, I would like to highlight that certain statements made in today's conference call may be 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. Singhal to take us through his thoughts on industry dynamics and discuss the opportunities that lie ahead for PI. Thank you and over to you, sir.

Mayank Singhal: Thank you. Good Afternoon, everyone and welcome to our annual results discussion. I trust you all had the opportunity to go through our documents. I would like to share my perspectives on the present dynamics of the industry as well as develop some trackable milestones of future performance.

Just to give you some highlights: The Company has reported 8.4% growth in the topline numbers during FY17, with a robust increment in margins by 350 bps on account of multiple factors which our CFO, Jayashree, will articulate in detail later. The business continues to support healthy cash generation and thus being in a position to support the growth initiatives.

Financial year 2017 marks the first full year operations of our two plants which had commissioned at Jambusar with four new molecules. Together with healthy accretion to our order book position, we have been able to drive superior product mix into the market. Built on the foundation of trust and respect for IPR, we have been able to grow this business to its present stature and given the size of the opportunity, I am confident that PI Industries will be responsible for many more years of sustainable growth in this space. The cyclical moderation in the global agrochemical industry is resolving and we should see some more positive developments in the year 2018. We will continue our investment in technologies to leverage our capabilities and enhance the product offerings across the verticals.

We have confidence in our approach of building strong brands that deliver performance on the field. Farmers are able to trust our portfolio, which today extends across crops and geographies. Given the prospects of normal monsoon this kharif, we are lining up a product mix that will cater to market requirements. I am further glad to say that PI has recently entered strategic partnership with BASF to offer farmers in India a broader portfolio of crop protection solutions. Under this agreement, PI will market the BASF's latest and innovative fungicides and new herbicide. These product introductions are planned in FY18.

Over the past decades, we have nurtured and grown the relationship with global innovators. We are cognizant of our role as a leading partner to global innovators and intend to contribute through collaborations. We will continue to focus on strategic alliances.

We are looking at maintaining the growth momentum in FY18 with several initiatives unfolding during the year. While exports will see a softer performance in the first half, it is expected to give momentum in the later part of the year as the industry reverts back to normalcy in 2018. On the domestic front, we have lined up exciting new launches that will enhance our product offerings and further our market participation.

As we align strongly with the innovator community, the opportunities to deliver better growth will increase. With that note, I would like to hand over to Jayashree to continue the discussion on the financial developments during the reporting period. Thank you once again.

Jayashree Satagopan: Thank you, Mayank. Good Afternoon, everyone. I will walk you through the financial performance of the company for the quarter and the full year ended 31st March, 2017.

In the financial year 2017, our total revenues grew by 8.4% to Rs. 2,383 crore, while EBITDA stood at Rs. 551 crore, higher by 28% year-on-year. EBITDA margin came in at 23.1%, an increase of about 350 basis points year-on-year, backed by strong product mix gains and better operating efficiencies. Profit after tax stood at Rs. 457 crore as compared to Rs. 310 crore in the corresponding period last year, representing an increase of 48% year-on-year. Benefits of lower tax incidence contributed to augmenting the post-tax returns.

During the quarter under review, revenue stood at Rs. 627 crore, higher by 4% which is in line with the softness in the global markets and the challenges faced in the domestic markets on account of delayed and uneven distribution of rainfall as well as lower pest infestation. EBITDA improved by 42% to Rs. 154 crore while the EBITDA margin was 24.5%. Profit after tax increased by 41% to Rs. 135 crore compared to Rs. 96 crore in the same period last year.

Cognizant of the positive performance reported by the company in the fiscal year 2017, the Board has approved payment of a final dividend of 250%, i.e. Rs. 2.50 per equity share of face value of Re.1 each. With this, the total dividend for the year stood at 400%, i.e. Rs. 4.00 per share.

During the year under review, we further strengthened our balance sheet position supported by robust cash generation. Debt-equity position stood at 0.05x.

With that, I would request the moderator to open the forum for Questions-and-Answers. Thank you all once again.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Kartik Mehta from Canara Robeco. Please go ahead.

Kartik Mehta: I have a couple of questions: First is on global agrochemicals cycle, basically you mean calendar year, right, 2018?

Rajnish Sarna: Yes.

Kartik Mehta: For us, you have said that the next couple of quarters are going to be muted on the export side. That is for the industry or for you particularly?

Rajnish Sarna: For both, in fact, the global industry is also expected to rebound by second quarter of 2018 and this is also in a way reflecting in our product demand as well.

Kartik Mehta: But then the commercialization of two to three new molecules and also few of the new early state products would be driving your revenue on the export front better than the industry numbers?

Rajnish Sarna: Yes, we are in any case doing better than industry, of course, and we will continue to do so, but yes, the kind of growth that we were earlier achieving and also projecting, there might be some slowdown. This is what we had said.

Kartik Mehta: So any particular set of number you would like to set aside for the growth side on the exports front?

Rajnish Sarna: In FY17 we have done close to 10% growth on the export front and we expect that on an annual basis we still be able to kind of maintain that. Of course, in the next couple of quarters, there might be some slowdown, but on an annual basis, we should be achieving around that kind of growth.

Kartik Mehta: On the margins front, it is a pleasant surprise especially in this quarter I think one of the highest so far. So any outlook on that whether it would be sustainable going ahead or there is further scope for improvement?

Rajnish Sarna: The margin in quarterly results will vary basis the product mix particularly in that quarter.

Kartik Mehta: Even the full year margins have been very good.

Rajnish Sarna: So margins yes, in this particular quarter, we had little better margins because of the product mix and the leverage that we got and in coming quarters also we would like to maintain that sort of margin.

Kartik Mehta: Roughly 23-24% is something which is maintainable from your side?

Jayashree Satagopan: Around 23% something, that is where we are currently. We are hoping to maintain the margins at those levels.

Kartik Mehta: Regarding Jambusar facility, sweat out is yet to happen, right. At that facility what would be the utilization?

Rajnish Sarna: Currently, the utilization is close to 65-70%.

Kartik Mehta: You have mentioned about improved order book position. Any number would you like to quantify?

Rajnish Sarna: A little over $1 billion mark now.

Kartik Mehta: What was that last quarter or maybe six months ago?

Jayashree Satagopan: We were around $800 million.

Kartik Mehta: Roughly $200 million you have added despite of the execution of the orders in the last six months?

Rajnish Sarna: Yes.

Kartik Mehta: On the taxation front, current year tax rate was way lower than the last year. So, what could be the reason and going ahead what is the outlook?

Jayashree Satagopan: The taxation rate as we mentioned in the earlier call, is a combination of two-three factors – One is the benefit that we get out of the SEZ operations where the profits are taxed at 0% for the first five years; Secondly, there is tax incentives that you get on spending on R&D, whether it is capital expenditure or revenue expenditure; Thirdly, the investment allowance on the plant & machinery or equipment that we installed. All these three things during the year contributed to much lower tax rate. As we are move in to the next year, we are entering into the second set of five years for the SEZ and many of those investment allowances which were earlier there, would not continue to be there. Therefore, we are expecting ETR of around 20%-odd.

Kartik Mehta: On BASF strategic partnership on herbicides and fungicides, so we would be sole distributor for those products in India or BASF is already distributing that products, if you can throw more color on that?

Mayank Singhal: We will be co-marketing some of these new products on a mutual exclusive basis.

Kartik Mehta: So you will be co-marketing the products with BASF?

Mayank Singhal: Yes, where PI will be the exclusive partner, leveraging in terms of geographies where we are stronger presently.

Kartik Mehta: But these products are altogether new in India or already in the existing?

Mayank Singhal: Two of them are completely new to India.

Moderator: Thank you. The next question is from the line of Sudarshan Padmanabhan of Sundaram Mutual Fund. Please go ahead.

S Padmanabhan: Just wanted to take forward from the previous participant on the domestic market. Historically, we have seen Nominee Gold doing well for us, Osheen doing well for us. If you can throw a bit more color on the four molecules that you are working with BASF, how much of this would be 9 (3) molecules and a bit more color on what kind of crops are we going to target over here, what is the kind of market, probably the addressable market size and is there a possibility that one of the four could probably be a potential next Nominee Gold, bit more color on this sir?

Mayank Singhal: The four molecules that we are working are going to be in the crop segments of rice, horticulture and also one is in the maize segment They have good potential and we are beginning the launches this year, so we will forsee scaling them in next few years.

S Padmanabhan: On the global market, here one thing that we are noticing is that overall the commodity prices across the board has been quite benign over the last few years. A bit more color on our hypothesis of a revival in 2018 and probably a bit more muted color probably for the rest of the year, how do we see this year, have we bottomed out as far as the commodity prices are concerned, do we see some kind of revival happening in the later end of the year, what are the triggers that probably one should be looking at and how do you think things are going to move up there?

Rajnish Sarna: Yes, you are right, the commodity prices for the last three-four years as you see have been kind of declining, the trend was always every year going down, but again the feeling is that they seem to have bottomed out in a couple of crops and there is a revival trend in terms of commodity prices also.

The other key aspect is the inventory and the assessment is that the inventory in the channel with the company, this data I am talking at global scale, seem to be also kind of reduced over a period of time and it is the time for replenishing this and this is the reason that what is expected by these global companies is that where purchasing schedules or volumes would slightly be increasing by the next campaign which should be sometime early next year or second half of 2018. That is giving a hope that the industry should rebound by 2018. These are few triggers, the inventory in the channel, inventory with the companies and also commodity prices.

S Padmanabhan: One last question regarding the escalation in prices on the technical side. I think in the last couple of months you are seeing that first it was chemicals and probably towards the end it was more of active ingredients that have seen some kind of a jump because of Chinese companies shutting down capacities. I am just trying to understand probably for the industry per se, would there be kind of a jump in the overall technical prices across the board and would there be an issue as far as availability of technical is concerned especially the ones from some China, what is the kind of production and kind of demand situation over there?

Rajnish Sarna: That situation is not in general, that is product-specific. So certain products, yes, AI or the intermediates, the prices have shot up from 20% to 50%. But that is not the situation across the board for all the products. This kind of situation has emerged because of some of these companies or manufacturers in China got shut or some sort of demand consolidation in some of these products in South America. So these are few reasons because the demand has shot up and so the supply, prices have gone up. But this is certainly not the general across the board situation.

S Padmanabhan: I would assume that we would not be impacted to a large extent on account of escalating prices?

Rajnish Sarna: No, we are not actually dealing in most of such products, we have different set of products for us.

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

Nitin Gosar: Just wanted to understand, there was one press release in which the statement was margins have expanded by 350 bps due to favorable product mix and better operating leverage. But I think during the opening commentary today, better operating leverage term was not used and it was better operating efficiencies. Could you be more specific, are we talking about better operating leverage or better operating efficiencies for margin expansion?

Jayashree Satagopan: So we do have a better operating leverage and operating efficiencies as well. As you know, this year Jambusar plant has scaled up and therefore you do see the efficiencies also kicking in. So it is a combination and more importantly the product mix has been pretty rich.

Nitin Gosar: When we talk about product mix, are we talking about the ratio of the export business versus domestic or within the segment itself, the higher margin products have been doing good?

Jayashree Satagopan: I think generally, I would say that within the segments, we are seeing that high margin products are relatively higher compared to the last year.

Nitin Gosar: This would be more to do with the domestic business?

Jayashree Satagopan: There have been improvements across.

Nitin Gosar: The order book which got quantified around $1 billion, how many molecules you would be referring to that particular order book?

Rajnish Sarna: There are eight to nine molecules.

Nitin Gosar: Any CAPEX outlook that you would like to talk about?

Jayashree Satagopan: We are estimating close to Rs. 200 crore of CAPEX for FY18.

Nitin Gosar: Any further bifurcation of this Rs. 200 crore?

Jayashree Satagopan: There is going to be some investment in one of the MPPs that is currently in progress. We are also looking at some refurbishing of the earlier assets, some expenditure is also going to happen towards ETP & Utilities .

Rajnish Sarna: Also in R&D and some of these kilo plants and pilot plants scale ups. So basically investment in technology.

Nitin Gosar: I do not know, but if you are in a position, this will be of help if you can bifurcate this Rs. 200 crore into something that can be more revenue generative and something which is more therefore infrastructure and technology investment?

Rajnish Sarna: I would say it would be almost 50% is towards revenue generation and again these are broad percentages, close to 25-30% would be in technology upgradations and rest is all the infrastructure upgrades and all.

Nitin Gosar: Our export business, keeping in mind the INR appreciation that has happened, do we need to renegotiate our contract or how does the pricing get revised in such a scenario?

Rajnish Sarna: It is generally the process that every time when new contracts or new purchase orders are discussed and finalized, all these aspects are considered.

Moderator: Thank you. Our next question is from the line of Chetan Thacker of ASK Investment Manager. Please go ahead.

Chetan Thakkar: I wanted to know what was the exports revenue was in the current quarter.

Jayashree Satagopan: We had about Rs. 431 crore.

Chetan Thacker: On the other expenses which has dipped in this particular quarter, what are the heads that have basically given you this improvement in efficiency, last year same quarter it was Rs. 100 crore and this year it is Rs. 89 crore, so it is Rs. 11 crore dip, so just wanted to get a sense on what is changing there because that is giving you good operating leverage?

Jayashree Satagopan: I will have to come back to you with specific detail on this, maybe we can take this offline.

Chetan Thacker: One other question on the product launches on the domestic side. The two products that are there from BASF, those would be launched in FY18?

Jayashree Satagopan: Yes, that is the plan.

Chetan Thacker: Any other launches apart from these two?

Jayashree Satagopan: The products of BASF is what we are referring to as launches for the current year.

Chetan Thacker: On the Nominee side; just wanted to understand, are we seeing any pricing pressure in the upcoming season or pricing is still holding steady despite competition?

Mayank Singhal: Season has not come up. So nothing has panned out as yet. The season is a couple of months away. So we will have to see how it will play out there.

Chetan Thacker: Has the intensity increased significantly for the upcoming season because compared to last year's same season, there would be more players this time around?

Mayank Singhal: Sure.

Moderator: Thank you. Our next question is from the line of Sunil Kamath, an individual investor. Please go ahead.

Sunil Kamath: Now, you already might be using optimization in your manufacturing as well as business processes; however, to boost the profits further, would you consider full-fledged optimization as have been deployed by some chemical industries? My second question which you might have already partly answered is the cyclical phenomena last time. In a simplified scenario to a layman, it seems that in India as well as abroad, the patents regime encourages the generic players and discourage the innovators. Now, global market has shrunk in value but Indian generic players revenues are increasing. So would acquiring a pie of the generic market independently affect our hard-earned partner trust or you prefer to rely on partners for orders for generic products?

Mayank Singhal: If you look at the market, there is an opportunity for both and depends on the business model that you are taking and our business model is that of a non-conflict partnership approach. So whichever structures stays the molecule or the product is at, it does not matter, if we can take it, that is clearly a conflict of business interest. At the same time, we do believe even these large companies have huge scales of generic revenues in the pie.

Moderator: Thank you. Our next question is from the line of Pramod Krishna from JM Financial. Please go ahead.

Pramod Krishna: My question was pertaining to the trade payables. So, they seem to have gone down on Y-o-Y basis from Rs. 366 crore to Rs. 288 crore. So is there any reason for the decline?

Jayashree Satagopan: There are a couple of reasons. One is better price negotiation that our teams were able to do and the second thing is we were also able to utilize our cash position working through some vendor discounting schemes.

Pramod Krishna: So this is like a one-time payment or this could be the rate going forward in terms of trade payable days?

Mayank Singhal: While this is again subject to what raw materials you are buying for what products and it kind of varies time-to-time with the product mix?

Pramod Krishna: The investment of Rs. 82 crore, I am sorry if I missed it, so what exactly is this pertaining to?

Jayashree Satagopan: Yes, we have a Board approved investment policy and in accordance with that, we invest the surplus funds, some of these are obviously invested in mutual funds.

Pramod Krishna: In the other income, is there any FOREX component or the derivative and FOREX component?

Jayashree Satagopan: We do not get into derivative transactions.

Pramod Krishna: Because this has gone down drastically, so is there any FOREX component in that?

Jayashree Satagopan: In the other income, the IND AS standard requires that if there are exchange gains that are attributable to your sale, you can reclassify them. So in accordance with the IND AS requirement, there has been some reclassification of the forward gains for the year. So that is the reason.

Moderator: Thank you. Next question is from the line of Alok Deshpande from HSBC Securities. Please go ahead.

Alok Deshpande: Two questions from my side: So the first question is regarding the next set of CAPEX or the capacity addition that might be on the cards maybe one or two years down the line. So from what we can gauge, you have right now the capacities to sustain the growth momentum in exports for the next couple of years or next three years? Are we looking at a start of a new CAPEX or plant addition, capacity addition, may be next year or the year after, is some thinking on those lines?

Rajnish Sarna: Yes, we are considering some investment in creating capacities for new products during this financial year, and then, yes, second tranche of investment may follow depending on the negotiations and the success of our negotiations with some of these contracts that we are currently discussing. The next tranche of investment may come in the next couple of years.

Alok Deshpande: Mr. Sarna, this will be in the same Jambusar complex, we have enough land for more addition here?

Rajnish Sarna: Yes, we have enough land for putting up another five to six plants.

Alok Deshpande: Just another book-keeping question, so the working capital if we were to just compare domestic business and the exports business, which would have the lower of the two in terms of the working capital requirements, I don't need the number but just to get a sense on it?

Rajnish Sarna: Obviously, this would be the exports business, the export cycles are less. So they would relatively have lesser working capital requirements.

Alok Deshpande: This would be primarily on account of lower receivables only or even the inventory usually is lower?

Rajnish Sarna: Mainly receivables.

Alok Deshpande: In terms of the global recovery that you are expecting in 2018, now this is based on some hints or some concrete orders that you have received for the second half of FY18 in terms of your delivery schedule and all that or is it more as a news flow from your clients or from the global majors?

Rajnish Sarna: At this point, as I was explaining earlier, there are several factors which are hinting towards this recovery, it is commodity prices, also the inventory levels, you know what happens, the inventory level can trigger the discussions for the next campaigns and the subsequent campaigns and that kind of hint we are getting or rather we are now clearly seeing on the ground, some of the discussions and some of the communications are happening in that line.

Moderator: Thank you. Our next question is from the line of Mohit Pandey of Citi Group. Please go ahead.

Mohit Pandey: My question is related to the tie up with BASF. What kind of revenue potential do will see from the tie-up for this year and over the next two years? Secondly, is there any particular guidance for the domestic revenue growth you mentioned 10% might be possible for the exports business?

Mayank Singhal: For competitive reasons, I would not answer that exactly but we see a pretty significant revenue potential from these products going into the next three to four years, and as far as the revenue growth potential is concerned, we do see closer to the export business.

Mohit Pandey: So that is closer to 10%?

Mayank Singhal: Yes.

Moderator: Thank you. Our next question is from the line of Priyank Chheda from Standard Chartered Securities. Please go ahead.

Priyank Chheda: I just wanted to know the consolidated revenue break-up between exports and domestic for both the FY17 and FY16.

Jayashree Satagopan: FY16 first, Rs. 1,273 crore of exports and Rs. 924 crore of domestic. In FY17, it was Rs.1,410 crore and Rs. 973 crore.

Priyank Chheda: Have we seen any new clients' addition? If you can just share the top-five clients contributing to the exports revenue?

Rajnish Sarna: Yes, there are several new client additions to our R&D pipeline during this year. To your second question, in this business numbers are not that significant, you would have some 17-18 customers at commercial scale, so top-five are contributing more than 50%.

Priyank Chheda: Just wanted to understand another thing on the revenue guidance. Is this guidance been on a conservative side or just coming from the last quarter like some few of the CSM molecules that were scheduled to be delivered but it got postponed. So is that growth guidance coming out from that delivery side or is it that we might be missing out this run rate again in the coming quarters?

Rajnish Sarna: We are basically guiding on realistic basis. So I will certainly not judge this as conservative basis, but yes, this is what realistically we feel that given today the context and also projecting reasonably good monsoon, we should be able to achieve this kind of growth rate.

Priyank Chheda: Just wanted to know an update on the Pharma business opportunity that we were evaluating. So, is there any further development on that?

Rajnish Sarna: We are in the due diligence phase at the last round of diligence and soon should be concluding on this particular proposition.

Moderator: Our next question is from the line of Vishnu Kumar from Spark Capital. Please go ahead.

Vishnu Kumar: Just wanted to understand the strategy on the domestic piece, how are we going to increase market penetration for the existing products increasing distributors? We have obviously the BASF tie-up in the recent past and whether this will again restrict the new launches of rice, herbicides or fungicide, so, how are we going to increase market penetration and in general I would like to understand the strategy from the domestic piece?

Mayank Singhal: Getting more products definitely going to help the market. How it is going to be done, it will be the operational, marketing and brand building strategy of the company.

Vishnu Kumar: So would there be a conscious effort in terms of increasing distribution phenomenally to increase market penetration on those angles?

Mayank Singhal: There are multi-pronged approaches which are taken to increase market penetration and that is what we would be looking that. One of them could be, yes, expanding domestic distribution.

Vishnu Kumar: So the recent increase that is seen in the order book from $800 million to $1 billion plus now. I just want to understand whether it is coming from the existing customers for the current Jambusar unit that are live or is it going to come from the new business in Jambusar where we are going to start another phase somewhere in 2018?

Rajnish Sarna: No, it is mix of all the sectors that you narrated. So somehow the existing product additional volume, couple of new products as well. So all this is contributing in this increase.

Moderator: Thank you. Our next question is from the line of Sumant Kumar from Emkay Global. Please go ahead.

Sumant Kumar: What is the contribution of top ten products in FY17 and FY16?

Jayashree Satagopan: Top ten of our products should contribute more than 60% of our revenues, and in FY16 more or less the same percentages.

Sumant Kumar: The second question is regarding other expenses is 12% lower than Q4 FY16. So what was the key reason for that?

Jayashree Satagopan: This question had come in little earlier. We said we will take it offline because I do not have the exact details right in front of me now.

Moderator: Thank you. Our next question is from the line of Rohan Gupta of Edelweiss. Please go ahead.

Rohan Gupta: You mentioned exports business revenue for the quarter was Rs. 431 crore. It was based on IND AS gross sales or it is net revenue, and if you can also give the comparable domestic revenues for the Q4?

Jayashree Satagopan: For exports, what was indicated last year comparable IND AS adjusted was Rs. 411 crore and this year is Rs. 431 crore.

Rohan Gupta: What is the similar number for domestic?

Mayank Singhal: Domestic was about Rs. 193 crore which has become Rs. 196 crore.

Rohan Gupta: The second question is on our domestic business. This year we have done roughly 5% growth in our domestic business while we understand so far all the companies and the industries have been close to 8-10% growth in the industry. Would it be fair to assume that we have lost some market share in a domestic market or this is the product-specific reason mainly coming from the Nominee Gold where we have lost some sales and that is why the growth has been muted?

Mayank Singhal: The lower sales growth is because we did not try to push inventories into the market. We are looking at the present market situation. So Nominee Gold is not something which is reduced as per the plan.

Rohan Gupta: So you anticipate that the growth is likely to accelerate in next year because there is a less inventory for your product in the industry?

Mayank Singhal: I would not assume that. It is based on what we have indicated as the growth that you can look at.

Rohan Gupta: Coming on to the exports business, we have done roughly 11% growth. Given that, there has been some pressure on currency and some of the molecule prices would have been also on a lower side, can you give indicative number in exports business of the volume growth - was it higher than 11%, then up to what extent?

Rajnish Sarna: I have also explained in past that this currency issues are in any case adjusted whenever the new orders or POs are discussed. So it is not the currency impact to a great extent in the growth, it is all volume sector that drives the growth.

Rohan Gupta: I understand that we have a power to pass on any currency-related impact or even any increase or decrease in input prices. What I wanted to understand that this year has been volatile because the crude was falling and also in second half we have seen currency has fallen. So is this 11% growth in export businesses this year? Can we assume in the current scenario that volume would have been 16-17% growth and there would have been negative impact of 4-5% in currency and prices?

Rajnish Sarna: Not really.

Rohan Gupta: Given that our strong cash flow generation over FY18 and FY19 with even 23% EBITDA margin which you are talking about, we will be with the limited CAPEX of Rs. 200 crore are likely to end with the huge cash flows in our balance sheet, what are the next four to five years plan for the company. Do you think that the cash will be returned back to the investors or you have investible opportunities in the existing business in exports?

Mayank Singhal: As you know, the company is looking for certain strategic initiatives. So will be investing to create better returns to the investor.

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

Prashant Tarwadi: My first question is more related to the industry dynamics. Lately, we have observed that couple of global agrochemicals companies are getting into co-licensing or co-marketing arrangements with domestic players rather than in-licensing model earlier. So is there any shift from being in-licensing model to co-marketing model, that is number one? Second thing if you can throw some light on performance of 'Osheen' and 'Vibrant' and how are we going, I know the season is still a little bit far away but what kind of potential do we see from these two products. Thirdly and lastly on the Pharma initiative that we have been taking, if you can just refresh our memory based on whether we will be doing API grades or intermediates in the CSM pharma and whether it will require some FDA approvals or not?

Mayank Singhal: While talking about the global industry, I think the global industry has been very much present in India. Co-marketing and in-licensing models have been relevant and prevalent still. So, not all the global companies are here in India. On the other hand, co-marketing pieces companies are expanding to grow faster from the new initiatives. The second question was about 'Osheen' and 'Vibrant'. Regarding 'Osheen' and 'Vibrant', that remains in the second part of the key season for them. So clearly, we do expect the growth season favors which have not been very favorable over the last three years. You would see definitely some good upswings coming from there.

Rajnish Sarna: On pharma initiative, it would be little premature to discuss too much about that initiative right now. We will certainly speak about it when the right time is there.

Moderator: We will take the next question from the line of Chetan Thacker of ASK Investment Managers. Please go ahead.

Chetan Thacker: So just a follow-up question on the exports business. We have seen muted two-year performance as far as exports are concerned but the medium-term growth outlook still remains in the high teens?

Rajnish Sarna: As I said, for short-term, we are predicting around 10% kind of growth and medium to long term, yes, high teens is the expectation.

Chetan Thacker: That would still be driven largely by agchem or then Pharma has to kick in for us to deliver that kind of number?

Rajnish Sarna: Current visibility basis the agchem and not pharma but some of these other Fine Chemicals verticals. But yes, pharma will kick in and it will certainly secure those kind of production.

Moderator: Our next question is from the line of Nitin Gosar of Invesco Mutual Fund. Please go ahead.

Nitin Gosar: A clarification on the domestic growth outlook. Did you mention that in domestic market, we are looking somewhere around 10% kind of growth?

Jayashree Satagopan: Around that, yes.

Nitin Gosar: I recollect maybe in last one of the two conference calls that we had, you did mention that the EBITDA margins will peak out in this current year and may slightly moderate in the upcoming year. Does that commentary still hold good or is there any change in the outlook?

Jayashree Satagopan: There is no change in the outlook. So the commentary still holds good. Our endeavor is to see how we can sustain the current level.

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

Vishnu Kumar: We have launched three Fungicides and one Herbicide. Does this partnership restrict us to launch any new molecules in the same category in future?

Mayank Singhal: No, we are already in those categories. So it does not restrict us.

Moderator: Thank you. Our next question is from the line of Kartik Mehta from Canara Robeco. Please go ahead.

Kartik Mehta: So just a small clarification and information I was seeking that appointment of additional director Dr. T.S. Balganesh, what could be his role and value addition to the company given his profile more on Pharma side and very good track record. So what sort of synergies and advantage we are looking at from him?

Mayank Singhal: As you would have seen, we have also said that we are also looking at building certain technological capabilities and there is quite a similarity between the pharma and agchem sector and his great knowledge in that area of chemistry, microbiological areas of interest to leverage to build the capability for the company.

Kartik Mehta: So he would be contributing towards our endeavor to go more on pharma side, R&D capabilities, etc.

Mayank Singhal: Sure, every director or a person associated with the organization definitely adds value to that, yes.

Kartik Mehta: So that was the objective behind inducting him?

Mayank Singhal: It is also to get a technical person on the board to give us, we are wanting to be a science-led technology company, he would be in the technical backdrop of mind thinking at board level.

Moderator: Ladies and gentlemen, that was our last question. I now hand the floor back to the management for closing comments. Over to you, sir.

Management: Thank you everybody for coming on the call. We appreciate your time and we look for your good wishes going into the future.

Moderator: Thank you. On behalf of PI Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect you lines.
