

Operator

Ladies and gentlemen, good day and welcome to Q2 and H1 FY 2014 Earnings Conference Call of PI Industries. 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. . Please note that this conference is being recorded. I'll now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you and over to you Nishid.

Nishid Solanki, Investor Relations

Thank you. Good afternoon and welcome to the Q2 and H1 FY'14 Earnings Conference Call of PI Industries. Today we have with us senior members of the management, including Mr. Mayank Singhal Group CEO and Managing Director; and Mr. Rajnish Sarna, Executive Director.

We will commence the call with the opening remarks from the management and follow that with the question-and-answer session. Before we begin, I want to state that certain statements that may be made or discussed in this conference call may be forward looking in nature and a note to that effect is provided in the results release send to you earlier. The Company does not undertake to update the same in the light of changed circumstances.

Thank you and over to you, sir.

Mayank Singhal, Managing Director and CEO

Yes, thanks Nishid. Good afternoon and a warm welcome to everyone. Our model is now at a higher gear, growth from the domestic market is tendering towards the higher end of the spectrum.

Corresponding custom synthesis exports are thriving, has a portfolio of molecule that in commercial scale up at the customer end in line with our plans, we draw comfort from the visibility we see here.

Going forward in the first half, we saw 23% growth in the domestic revenues. The performance was due to the robust quality portfolio, good monsoons and higher MSPs and increased acreages and better demand with an exclusive basket of high potential products, which are backed by strong distribution network of PI and our domestic business has clearly distinguished itself from the rest of the pack.

PI today is renowned for nurturing its products into brands, our focus on in-licensing and exclusive marketing rights where the innovators have helped us establish a solid footing in the domestic business and outperformed the sector to varied market conditions. The early stage association with innovators have helped us take full advantage of the entire product lifecycle thereby driving meaningful lasting and improving our margins.

Coming now to our custom synthesis business, exports, we continue to partner with innovators at a well early stage of a product lifecycle. A keen understanding of chemistry, available manufacturing infrastructure combined with experience is scaling us, our molecule has resulted in a sustainable model. The model is all too well known. All the molecules are innovator backed and relationships in high end where we assume the role as a preferred supplier of one or two office suppliers.

Today, PI is aligned with some of the top leading players in the Ag business as the key traditional suppliers. Our new site in Jambusar SEZ is yet an addition to go. It has poised to emerge as a new engine for the export-led growth. From a single product plant, currently this is fully equipped facility can be scaled up to accommodate additional plants and take up several new molecules for production. You will recall that we have started this new site with one production plant and I'm pleased to share that with you that the initiative in the next phase, which we implemented over the coming few quarters.

At this stage, I would like to share my thoughts on the outlook of the business. We remain conscious about the continued growth in domestic and agri-business in the forthcoming seasons due to the strong southeast monsoon together, the healthy reservoir situation.

On the other hand, our custom synthesis business is well poised to attain superior growth (inaudible) strong ramp up in existing

molecules and commercialization of new molecules.

So with that, I will now like to draw the opening remarks to the close and request my Executive Director Mr. Rajnish Sarna on the Company's performance. And thank you once again for coming on to this call. Rajnish, over to you.

Rajnish Sarna, Executive Director

Thank you Mr. Singhal and a very good afternoon to everyone present on the call. As stated earlier, PI has yet again showcased a robust performance in the first half of current fiscal on the back of sustained outperformance in the domestic business combined with strong scale up in our synthesis, custom synthesis exports as per our plan.

Let me briefly take you through the financial highlights for the quarter and half year ended 30th September 2013. For the second quarter our net revenues recorded a strong growth of 55% year-on-year to INR460.8 crores mainly due to More importantly the margins reflect our focus on a respect of IPR and deep engagements based on trust and delivery across our clients. Profit before tax stood at INR82 crore while the profit after tax registered a stellar growth of 114% at growth. For the first half of FY' 14, our net revenue stood at INR868.8 crores registering a growth of 62% year-on-year on account of close to 23% growth in our domestic Agri revenue and close to 125% custom synthesis exports. That grew by 84% to INR71 crore, EBITDA margin close to 20%.

Our profit before tax stood at INR157 crore, whereas our profit after tax stood strong at INR103.8 crore up by close to 111% year-on-year.

I'm happy to express that we have further strengthened our balance sheet as the Company has further reduced its debt equity ratio to now close to 0.2. Our net worth as on 30th September stood at close to INR612 crore with total debt to equity ratio of 0.2x.

Company is thus in a very comfortable position to invest in its restricted growth plans. Outlook is bright, where both the segments are showing a strong sustained upside. Southwest monsoon has not only delivered a better kharif, but also set up a potentially enhanced rabi season as well. PI operates a high quality domestic operations with the shares of in licensed product is improving which is also helping us improve our margins. In focus and committed to growing the distris [ph] ahead of visible sector variable in given market condition. And on the other hand, we are seeing a good uptick in our synthesis exports and certainly the growing demand and also the Jambusar will play important role in our future growth of this segment.

I would now like to conclude with my initial remarks and request the moderator to open the forum for questions. Thank you.

Questions And Answers

Operator

Thank you very much sir. We will now begin the question-and-answer session. . The first question is from the line of Himanshu Nayyar from Quant Broking. Please go ahead.

Himanshu Nayyar, Analyst

Yeah, good afternoon sir and congratulations on an excellent set of numbers. Sir, starting with the CRAMs, I just wanted to understand what would be the key growth drivers? Because the actual number has come in, I mean, much stronger than what we were guiding for earlier as well. So, just wanted to understand the growth drivers plus what's our capacity utilization for Jambusar now and the update if you can give any numbers on the expansion front, what is the amount you are looking to invest, this year?

Mayank Singhal, Managing Director and CEO

Okay, well the key growth driver in this business as we have already explained in past also that, the product portfolio is interesting and we are in through the early stage of these molecules. So basically these molecules which we are supplying to our customers, during in their global market, growth of these products, government [ph] demand from us is also increasing and this is basically driving the growth.

Okay. And sir, our capacity utilization rate if you can share that?

Mayank Singhal, Managing Director and CEO

Yeah. As you know these are multi-product plant, the capacity utilization currently is in excess of 85%, or around 85%.

Himanshu Nayyar, Analyst

Including Jambusar, you're saying?

Mayank Singhal, Managing Director and CEO

No, this I'm telling you overall.

Himanshu Nayyar, Analyst

Okay.

Rajnish Sarna, Executive Director

Our facilities in Jambusar and in place of Panoli.

Himanshu Nayyar, Analyst

Okay. And what would be our CapEx plan for this year sir?

Rajnish Sarna, Executive Director

We have a CapEx plan of close to 100 crores for current...

Himanshu Nayyar, Analyst

And sir, on the back of these strong numbers that we have reported, would we be looking to increase our guidance on the top line front especially on the CRAM side?

Rajnish Sarna, Executive Director

Yeah. Of course, I mean we had, initially indicated at close to 30% growth in the current fiscal. Looking to our performance in the first half, we are seeing this growth exceeding 30% certainly and we are expecting this to be now around 40% to 42%.

Himanshu Nayyar, Analyst Mayank Singhal, Managing Director and CEO

Well, when we look at the agri business, I think our business model of management is very different, so we don't have that kind of challenge in the existing point. Going forward for the next season, it's definitely looking very positive, so we definitely see a good opportunity to be able to continue into same...

Himanshu Nayyar, Analyst

Okay, okay. And sir in terms of our product pipeline, what will be our pipeline be in terms of, I mean, going forward in-licensed or novel molecules?

Rajnish Sarna, Executive Director

Well, we have seven, eight products at different stages of development. Already two products are at the registration stage as we explained earlier. So, every year one or two products we are expecting to get registration of and introduce in the market. So maybe in the third or fourth quarter, we are expecting couple of products with registration pipeline.

Himanshu Nayyar, Analyst

So, these would be in-licensed products, is it?

Mayank Singhal, Managing Director and CEO

Yes, yes.

Himanshu Nayyar, Analyst

Okay. And sir, your comments if you can give some on competitive intensity of Nominee Gold as well as your other key brands?

Mayank Singhal, Managing Director and CEO

Well, yes there is certainly competition exist -- other products and then there are certain products in the registration pipeline, but this is the scenario there for all products and in all businesses. So we are very much aware of these issues and product is performing on its own merits. So till the time I mean there is a product which is giving much better cost benefit to the farmer, we don't see any issue to these products.

Himanshu Nayyar, Analyst

Okay. And sir, just my final question on the margin front, now seeing the 20% margin that we've achieved this quarter, what's your view on sustainable level of margin in the medium term? And if you could quantify any ForEx impact that

Mayank Singhal, Managing Director and CEO

So, I mean, we are certainly expecting to more or less sustain these margin levels. And the key reason is the operating leverage benefits which we are getting due to the significant increase in the up line.

In terms of ForEx benefit, our situation is more or less balanced as you would have seen in our comments and reports also.

Himanshu Nayyar, Analyst

Right.

Mayank Singhal, Managing Director and CEO

We have a marginal benefit in ForEx situation given that, I mean, despite the significant volatility in currency during last six months, we are still been able to balance the situation. And this is because there are imports also. So, I think we are expecting the same situation to continue in the coming quarters.

Himanshu Nayyar, Analyst

Sir, would it be possible to breakup your top line growth into volume and pricing, which can give us some idea on what will be the currency impact?

Mayank Singhal, Managing Director and CEO

That looks little difficult because, there are different products and segments. But yeah, on a overall basis, I would say, I mean it would have been 4% to 5% kind of impact.

Himanshu Nayyar, Analyst

Okay, okay.

Mayank Singhal, Managing Director and CEO

In terms of price.

Himanshu Nayyar, Analyst

Okay. All right sir, great. Thanks a lot and all the best for the future.

Mayank Singhal, Managing Director and CEO

Thank you.

Thank you. The next question is from the line of Viraj Mehta from Franklin Templeton. Please go ahead.

Viraj Mehta, Analyst

Yeah. Hello, congratulations of great set of numbers. Just a couple of questions. Firstly, can you just elaborate what is our order book as of now in CSM business?

Rajnish Sarna, Executive Director

This is around 334 million.

Viraj Mehta, Analyst

334 million, okay. And second sir, for the -- when you gave guidance for 40% to 42% growth rate, that would be for the custom synthesis business for the full year, am I correct?

Mayank Singhal, Managing Director and CEO

No, this, I have dictated for the Company as a whole.

Viraj Mehta, Analyst

Okay, okay. And in light with the CapEx of around 100 odd crores, which we lined up for this year. Do you see us becoming a free cash flow positive company in this year, by FY '14 end?

Mayank Singhal, Managing Director and CEO

Yes. We do expect to do that, achieve that.

Viraj Mehta, Analyst

And sir, is there any dividend payout policy that we have as of now, are we thinking as of now?

Rajnish Sarna, Executive Director

We do not have a formal written policy, but yes, as I explained to you in our past conversations also that the Board has always taken a view on this. The view in part has been that as the cash flows are improving, we should also improve the dividend outflow. Last year, we have -- overall we had distributed close to 15% of profit as dividend. And I think with the improved profitability and cash flow position, this will only keep improving in the future.

Viraj Mehta, Analyst

Sure sir. Congratulations for great set of numbers and best of luck.
Thank you.

Mayank Singhal, Managing Director and CEO

Thank you.

Operator

Thank you. The next question is from the line of Jigar Shah from Kim Eng Securities. Please go ahead.

Jigar Shah, Analyst

Good afternoon and congratulations for a very good performance. First question that I want to ask is, can you provide us a breakup of revenue between the agri-chemicals and custom synthesis business for the second quarter and for the first half?

Mayank Singhal, Managing Director and CEO

Yeah. For the first half, in release as well, but for the first half the domestic revenue is close to 414 crore.

Jigar Shah, Analyst

Okay.

Mayank Singhal, Managing Director and CEO

415 crore. And the CSM export revenues are close to 454 crores.

Jigar Shah, Analyst

And would you have sir the corresponding details as well of the first half of last year?

Mayank Singhal, Managing Director and CEO

First half of last year were I think 335 crore for domestic and it was 202 crores for the exports.

Jigar Shah, Analyst

Okay. And sir when you said, 334 million of order book that is in US dollars right?

Mayank Singhal, Managing Director and CEO

Absolutely.

Right, okay. One more point that I wanted to ask sir, was that, for the first half your datas have short up considerably. And I believe that would be also due to very growth that you are experiencing. So can you give us an idea of the full year data position, I think last year, if I'm not making a mistake, your data days are 80, 85. So, will that be the same this year as well as the end of the year?

Mayank Singhal, Managing Director and CEO

Yes, certainly, I mean, we are maintaining at the same level even today.

Rajnish Sarna, Executive Director

Data levels are maintained with the quantum is going up as for the revenue is shooting up and at what point you are taking up depending on the seasonal and the demand situations.

Viraj Mehta, Analyst

Okay, okay. I think that answers my questions. And wish you all the best. Thank you.

Mayank Singhal, Managing Director and CEO

Thank you.

Operator

Thank you. The next question is from the line of Amit Khurana from Dolat Capital. Please go ahead.

Amit Khurana, Analyst

Yeah, thanks so much. Just a few basic clarifications, the order book that, when you mentioned \$334 million, how do you define the order book per se? Are these sort of confirmed orders or sort of tentative orders in that sense?

Mayank Singhal, Managing Director and CEO

These are the orders in hand against the supplies yet to be made. So confirmed orders.

Amit Khurana, Analyst

Okay, fine. And in terms of the operating margin gain for the current quarter, where would we have seen significant or let's say higher gain, I mean, I know domestic isn't pretty strong during the quarter and we've seen the rupee depreciation also helping on the CSM side. So, where do you think the higher amount of leverage would have played for the current quarter for us?

Mayank Singhal, Managing Director and CEO Amit Khurana, Analyst

Okay, is this better? Can you hear me now?

Mayank Singhal, Managing Director and CEO

Yes.

Amit Khurana, Analyst

I was trying to understand the operating margin gain in the second quarter, where would it have been higher between CSM and the Agri business?

Mayank Singhal, Managing Director and CEO

Obviously in the exports business because there the steep growth was in that segment only in the second quarter.

Amit Khurana, Analyst

Okay. And how much of that would have been currency driven or operating leverage driven? I'm trying to split whether this is sustainable going forward, let's say if the rupee were to come back let's say to 65, 66 then the operating leverage will also pay around further on this. Is that a fair understanding?

Mayank Singhal, Managing Director and CEO

Yeah, it's purely driven by the operating leverage I would put it.

Amit Khurana, Analyst

Okay. So, the currency gains are not as much as the operating leverage, is that what we're suggesting?

Mayank Singhal, Managing Director and CEO

Yes, yes, yes.

Amit Khurana, Analyst

Okay, fine. And now if you look at the overall split, I mean, the way it is going; it seems that the custom synthesis business is already a larger proportion of our revenues versus the domestic. So, from a strategic perspective, this should operate -- this should lead to further potential for margin gains. So over a medium term, is it fair to say that we will target 20% plus margins over the medium term?

Mayank Singhal, Managing Director and CEO Amit Khurana, Analyst

Okay. And finally on the intend to scale up this part, I know we've been sort of making some efforts towards acquiring capacities here and there or either looking at some new segments on the business. So, any update if you could share on that will be helpful?

Mayank Singhal, Managing Director and CEO

Sure. So what is your question please?

Amit Khurana, Analyst

So, I was trying to figure out, any update on the acquisition of new capacities in the commercialization side, this part of the season business that we've been talking about. Any acquisitions that you think could work out over the next few months for us and is that still an open-end situation?

Mayank Singhal, Managing Director and CEO

No, right now, there is no such plan or target right now. But yeah, going forward we shall certainly be evaluating various options.

Rajnish Sarna, Executive Director

As you can see from the past we continue to perform. And the growth is sustained. So we will definitely looking at some intelligent ways of growing this business going forward, which are under evaluation at the moment.

Amit Khurana, Analyst

Okay fine. Thanks very much.

Mayank Singhal, Managing Director and CEO

Thank you.

Operator

Thank you. The next question is from the line of Prateek Poddar from ICICI Prudential. Please go ahead.

Prateek Poddar, Analyst

Yeah. Hi, congratulations on a great set of numbers. The first question is on the Annual Report, the MD in the Annual Report mentions about a 24% -- 25% CAGR growth for next three years. So if you can just broadly highlight the growth engines for the same?

Mayank Singhal, Managing Director and CEO

Growth engines are going to be, one is the, these products, the early-stage molecules in our synthesis export, which will be picking up new growth. We also have a very good pipeline of products in our domestic segment. And we should be getting one or two products coming out every year from this pipeline getting introduced in the market and driving the growth for us. So these are mainly the two sales growth.

Prateek Poddar, Analyst

Okay, okay. Sir, just one question on the CSM part. You mentioned that in the opening remarks that you have eased visibility for the future. So, just want to understand once, whenever you do a plant CapEx in Jambusar, that is adding new plant capacities, do you have the visibility and that is why you add or is it first you build the capacity and then you search for a market? Or it's the other way around?

Mayank Singhal, Managing Director and CEO

No, I mean certainly I mean we have certain visibility contracts in place and then only we invest. This has been effective for the last couple of years now.

Prateek Poddar, Analyst

Okay. So investment will not be done if there is no visibility.

Mayank Singhal, Managing Director and CEO

Certainly.

Prateek Poddar, Analyst

Okay, okay. Sir one more question was on the CSM side again. How many molecules do we plan to commercialize this year?

Mayank Singhal, Managing Director and CEO

We are expecting to commercialize three products this year. One of them have already been commercialized and two we are planning to commercialize in the second half.

Prateek Poddar, Analyst

Would these be intermediaries or active ingredients?

Mayank Singhal, Managing Director and CEO

Yeah, both kind of products. So couple of them are intermediaries and one of them is (inaudible).

Okay. Sir one question on the tax rate. If you can just tax, basically the tax amount, if you can break up between the deferred tax and the current tax amount.

Mayank Singhal, Managing Director and CEO

Yeah. This is not in front of me.

Prateek Poddar, Analyst

Okay.

Mayank Singhal, Managing Director and CEO

We can inform you separately.

Prateek Poddar, Analyst

Okay, okay. I have a couple of questions; I'll just come back in the queue.

Nishid Solanki, Investor Relations

Thank you. The next question is from the line of Abhijit Akella from IIFL. Please go ahead.

Abhijit Akella, Analyst

Hello. Good afternoon, gentlemen. Thank you so much for taking the questions. First, just on the margin expansion, which was very strong, would it be possible to indicate just in a rough ballpark manner, where the margins for the respective divisions may have been domestic and custom synthesis?

Mayank Singhal, Managing Director and CEO

Yeah, the domestics have been between 17 to 18 and the CSM were 20 to 21, around that.

Abhijit Akella, Analyst

Okay, sure. And within the CSM, is Jambusar now operating at double digit margins or is it still in the single digits?

Mayank Singhal, Managing Director and CEO

Yeah, it is still in single digits.

Abhijit Akella, Analyst Mayank Singhal, Managing Director and CEO

Yeah, you can have your mathematics.

Abhijit Akella, Analyst

Right. And in the domestic business sir, this 17%, 18% do we consider this sustainable in the second half and going beyond or was it related to some specific product mix kind of issues?

Mayank Singhal, Managing Director and CEO

Not really. These are the products, I mean, there is nothing new -- no new product was introduced in the first half. So these are the products, which were introduced either in last three, four years or the old generic products what we have in our portfolio. So, yes this is -- this kind of margin is sustainable if the external environment is conducive and positive.

Abhijit Akella, Analyst

Sure, got it. And you did raise your margin, excuse me, revenue growth guidance for the year. Regarding your margin expansion guidance, you previously talked about; I think roughly 150 basis points this year. But in the first half you've already done almost 250 basis points. So, any update you would want to make to that?

Mayank Singhal, Managing Director and CEO

Yeah, certainly, I mean, with the top line growth, the operating leverage benefits will flow to the bottom line as well. Yes, I mean it should be around 300 basis points to my estimate.

Unidentified Participant

Okay. And just on the custom synthesis run rate now, should we assume that this 240 crore to 250 crore kind of run rate is, where we have stabilized going forward for the rest of the year?

Mayank Singhal, Managing Director and CEO

Yeah, it should remain within that range.

Unidentified Participant

Okay. Fantastic sir.

Mayank Singhal, Managing Director and CEO

From 225 to 250 I mean.
225 to 250. And the increase will come mainly from Jambusar, is that correct?

Mayank Singhal, Managing Director and CEO

Yeah, both the places.

Unidentified Participant

Okay, great. So, you mentioned the scale up in the molecules that we have in custom synthesis, how many molecules do we have in total now, now that we've commercialized one already and we are planning to do two more. So, how many will we have by the end of this year? How many of those would be early stage where we still see several years of growth as the molecule gets registered in different regions?

Mayank Singhal, Managing Director and CEO

We'll have close to, I think 16 products by the end of year in commercialized -- in commercial scale. And I would say, I mean close to 40% to 50% are the molecules which are expected to grow by substantially for many years.

Unidentified Participant

Okay, great. And finally sir, just on the new product launches on the domestic business, we were planning to launch I think two insecticides, what is the update on that? And also how is the products launched over the last year or two performed especially Osheen?

Mayank Singhal, Managing Director and CEO

Yes, so we are awaiting registration of these two products which you mentioned. So, we may get maybe in third quarter or in fourth quarter. As regards Osheen, and in Osheen did very well this year both in cotton and rice segment and season is still going on.

Rajnish Sarna, Executive Director

And plus the season for Osheen is still to come in. So, in this coming season, still on the season for Osheen.

Unidentified Participant

Okay. So last season I believe we had introduced it only in rice and this year we've got an expansion into cotton. So and last season we had, I believe you had not got very good feedback from the rice market. So is it much better this year and in particular in cotton is it better?

Mayank Singhal, Managing Director and CEO

Yes, cotton has picked up well, yes in the rice season, obviously there were more seasonal vagaries last year, which also created an impact on the product performance. But for now I can say that, it's responding very well on rice and we

Unidentified Participant

And are there further expansion, label expansion plans for Osheen sir, into vegetables or any other crops?

Rajnish Sarna, Executive Director

Well, they're under evaluation and with time we will be looking at the opportunity.

Unidentified Participant

Great, fantastic. And one final question from my end. If you could just update us on the total debt including that within the other current liabilities? Thank you.

Mayank Singhal, Managing Director and CEO

Well, I think this is in our balance sheet.

Unidentified Participant

Yeah, but I think the, there is some small element within the other current liabilities also, which we don't see separately.

Mayank Singhal, Managing Director and CEO

No, other current liabilities, there is no (inaudible) debt. Debts are short-term debts and long-term debts. So long-term debts are close to (inaudible).

Unidentified Participant

Okay.

Mayank Singhal, Managing Director and CEO

And then there are short-term debts, which are 64 crores. So, these are total debts.

Unidentified Participant

Great.

Mayank Singhal, Managing Director and CEO

So, 130 crores to 133 crores.
Fantastic. Thank you so much sir.

Operator

Thank you. The next question is from the line of Runjhun Jain from Nirmal Bang Securities. Please go ahead.

Runjhun Jain, Analyst

Thank you sir, for taking my question. And congratulations for the good set of numbers. Most of my questions have been answered. Just wanted to, just check on the margin outlook like this, in the first half we have clocked good margins. So, what is your outlook on the full year margins?

Mayank Singhal, Managing Director and CEO

Yeah, as I just mentioned that we are expecting to kind of sustain these margins and with 40% to 42% kind of growth in top line, I mean, we should be able nearly sustain these margins.

Runjhun Jain, Analyst

Just to elaborate, is it right to say that, around 18%, 19% kind of margins are sustainable for the full year?

Mayank Singhal, Managing Director and CEO

Yes, you can consider around 19%.

Runjhun Jain, Analyst

Great sir. Sir, just one more thing, you said that, you have already launched one product in CSM in this year. Can you just tell me when it was launched and was it launched from Jambusar plant?

Mayank Singhal, Managing Director and CEO

No, this was in our other unit.

Runjhun Jain, Analyst

Okay and when it was launched, in Q1 or Q2?

Mayank Singhal, Managing Director and CEO

Was in Q2.

Runjhun Jain, Analyst Operator

Thank you. The next question is from the line of Sachin Shah from Emkay Investment Managers. Please go ahead.

Sachin Shah, Analyst

Yeah, good afternoon sir and congratulations on very good set of numbers. I just had one question on your balance sheet front. Your creditors have increased quite a bit particularly the creditor days, any particular reason for that sir?

Mayank Singhal, Managing Director and CEO

This is in line with the business cycle. So if you see our receivables have also gone up.

Sachin Shah, Analyst

No, I understand that, the point I'm trying to make is that earlier your creditor days were about 67 and now it looks like about 130 odd days. So any particular reason for that, like if I see the September or saw the March '12 balance sheet, you had creditor days about 67 days and now it's about 130 days, so any particular reason for that sir?

Mayank Singhal, Managing Director and CEO

Yeah, let me explain, so to my calculation our September, 30th September creditor days are almost the same what it was on 31st March in terms of days.

Sachin Shah, Analyst

Right, right. No, I'm saying if you compare to the March 2012 versus to September 2013.

Mayank Singhal, Managing Director and CEO

Okay. Over last, you're saying...

Sachin Shah, Analyst

That's right, that's right. So from 67 days it's gone to almost 130 days, is that a correct way to look at or something am I missing somewhere?

Mayank Singhal, Managing Director and CEO

Yeah. So there certainly we have taken certain strategic initiatives in last one year or so.

Sachin Shah, Analyst Mayank Singhal, Managing Director and CEO

In order to get the extended credit, long credit from our suppliers, import suppliers and all.

Sachin Shah, Analyst

So a two month credit has gone to almost four months?

Mayank Singhal, Managing Director and CEO

Yeah. In certain cases, yes.

Sachin Shah, Analyst

No, even overall it's looking like sir, four months.

Rajnish Sarna, Executive Director

No.

Mayank Singhal, Managing Director and CEO

Yeah, that maybe if you see numbers on a particular date may look like this.

Sachin Shah, Analyst

Okay.

Mayank Singhal, Managing Director and CEO

But I'm talking more in terms of average.

Sachin Shah, Analyst

Average. Okay, so what would your average creditors day be for the full year roughly?

Mayank Singhal, Managing Director and CEO

Roughly for the current period it is around 75.

Sachin Shah, Analyst

75 days?

Mayank Singhal, Managing Director and CEO

Yeah.

Sachin Shah, Analyst

Okay. Got it. Thank you much sir.

Mayank Singhal, Managing Director and CEO

Thank you.

Operator

Thank you. The next question is from the line of (inaudible). Please go ahead.

Unidentified Participant

Yeah. Sir congratulations on a very good set of numbers. Sir if we compare first half performance of fiscal year '14 to fiscal year '13, sir CSM contribution has gone up significantly. Despite of that sir gross margin improvement has not been there if we compare on the half yearly basis. So sir if you can throw some light on this?

Mayank Singhal, Managing Director and CEO

Well, this is the difference in the composition of your cost. So in case of CSM business, the raw material cost is more, the marketing cost is less. In case of domestic business, the raw material cost is relatively less, the marketing cost is more. So if, in the total composition if synthesis exports are increasing, your raw material cost is increasing, but that doesn't mean that your margins are going down, your EBITDA margins are still improving. I hope you understand what I'm saying.

Unidentified Participant

Yeah, got it. Sir, just one clarification on 40% to 42% for the full year, the growth which we have given, which means that for, I mean, excluding half one growth, I mean, for half two we are targeting almost 25% kind of a growth, is it right?

Mayank Singhal, Managing Director and CEO

For the second half?

Unidentified Participant

Yeah.

Yeah, you can say, it would be around that.

Unidentified Participant

Okay. Thanks a lot sir.

Operator

Thank you. . The next question is from the line of Param Desai from IDFC Securities. Please go ahead.

Param Desai, Analyst

Hi, thanks for taking my question. Mayank on your -- you talked about the strategic plans that have been -- that you're working on. So, when do some of those initiatives begin to sort of play out for you, is it something which is more of a medium term growth strategy?

Mayank Singhal, Managing Director and CEO

No, as a matter of fact we are always looking at strategic initiatives continuously as part of the business process. And we keep rolling them out. So it's a continuous embedded process. And as you can see what performance of as based on those initiatives which were taken initially. And then more initiative have been taken continuously to keep up our growth engine going.

Param Desai, Analyst

But this initiatives, I mean, when we're talking of initiatives is more in terms of strengthening the current lines of business or are we exploring some difference here -- some new lines of businesses also, is it also part of the plan?

Mayank Singhal, Managing Director and CEO

No, strategic plan usually looks at both the issues. Continuously strengthening what you have and further adding value to what we are doing. So we have both the areas which are being evaluated on a constant basis.

Param Desai, Analyst

Okay. And secondly on this custom synthesis business, Rajnish, so when are looking -- I mean when you're talking about a flat sort of a number in terms of a run-rate going forward, when do you see the next bit of scale up really coming into this business then?

Rajnish Sarna, Executive Director

Well, there would be certainly a kind of sustainable level and when we further find out capacities, maybe next year, then maybe

you can see another still going forward.

And lastly on this domestic agri-chemical business, typically is it fair that our second half -- our first half sales are stronger than the second half sales as a proportion of the business?

Mayank Singhal, Managing Director and CEO

For domestic?

Param Desai, Analyst

For domestic.

Rajnish Sarna, Executive Director

Yeah, I mean, certainly the kharif is the stronger season. One can say 60, 40 kind of ratio, I mean, for industry also. But then it lot depends on the kind of season also. This time around with the good Southwest monsoon, with reservoirs full, people are expecting a good season, rabi season.

Param Desai, Analyst

Okay sir. Thanks very much.

Operator

Thank you. The next question is from the line of Sachin Agarwal from Argonaut. Please go ahead.

Sachin Agarwal, Analyst

Hi sir, on this other current liabilities, it has gone up from 93 crore to 165 crore. So, can you give a breakup of that?

Rajnish Sarna, Executive Director

Well, there are certain, provisions and expense provisions and -- in our domestic businesses schemes, which are provided some product schemes, incentive scheme. So all those provisions are there, then there are statutory liabilities, those are also part of this. So, these are, I mean, there are long list of liabilities and provisions in this.

Sachin Agarwal, Analyst

Okay, thank you sir.

Operator

Thank you. The next question is from the line of Devang Mehta from Canara Robeco. Please go ahead.

Thank you very much. First of all congratulations for a brilliant set of numbers. Just trying to understand on the utilization front, you mentioned that 85% utilization across plants. Can I understand, what would that be in custom synthesis?

Rajnish Sarna, Executive Director

Yeah, I mean the major this thing is in custom synthesis only. So there also it is like this, 85 plus.

Devang Mehta, Analyst

Okay. Actually at Jambusar, we would be running at 100% now?

Rajnish Sarna, Executive Director

Yeah, I would say 85% to 90%. If we have seen this in annual terms.

Devang Mehta, Analyst

We are only running one product at Jambusar as of now. So, any talks of new product launch in CSM that we can look forward to?

Rajnish Sarna, Executive Director

Yes, we have already initiated work for setting up another plant there.

Devang Mehta, Analyst

Yes.

Rajnish Sarna, Executive Director

And we are in the initial phase of plant engineering and civil work and all. And we are expecting to add few more products next year.

Devang Mehta, Analyst

Okay. Apart from that one specific question on the revenue of CSM, we did close to 454 crores in first half. So in that can I understand what would be coming through the order book and what portion would be the short-term orders you should be flowing directly apart from the order book?

Rajnish Sarna, Executive Director

I don't have this in front of me, but roughly I think 60%, 65% is coming from the long-term orders where the products are, I mean, the contracts are already in place. And the remaining 35%, 40% will be on annual purchase order basis.

Mayank Singhal, Managing Director and CEO

And even the balance 40%, they are strategic partners to those products. It's not that they are ad hoc businesses, which are opportunistic with the structure, which are followed a different, but in terms of product there are one or two sources of those products also.

Devang Mehta, Analyst

Okay, okay. Great. That's it from my side. Thank you very much.

Operator

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

Manish Mahawar, Analyst

Yeah. Good afternoon, Mr. Rajnish and Mayank. Sir, just a specific question on the Jambusar plant mainly. What is the -- early you guided for 100 crores to 150 crores contribution [ph] for Jambusar plant. So how much we have did basically in the first half?

Rajnish Sarna, Executive Director

Can you repeat please?

Manish Mahawar, Analyst

Yes sir. In the Jambusar plant, we have earlier guided for 100 crores to 150 crores of turnover in FY '14 from Jambusar plant I think so. How much we have did in the first half?

Rajnish Sarna, Executive Director

Yeah. So first half we have done 68 crores

Manish Mahawar, Analyst

68 crores. And you said, we are still in a single digit margin in Jambusar, right?

Rajnish Sarna, Executive Director

Yes.

Manish Mahawar, Analyst

And can you sir just in your, you have already given number of H1 top line revenue breakup in the CSM and the domestic. If we roughly work it out, your domestic growth in the second quarter is roughly around 12% to 13% it comes. I believe like industry has taken a 4% to 5% price hike and our volume growth would be roughly around 8% to 10% I believe. Considering our growth and our products, I think the number looks quite low actually comparing the season is very good and monsoon. Can you labor it out -- can you give me reason sir?

Rajnish Sarna, Executive Director

Well, I think as we have also explained in the past, in this industry it is not appropriate to look at this quarterly numbers because there is lot of positioning of products. So for example if you take our case, we had 38% growth, I think roughly 38% growth in first quarter.

Now that growth or that supply was not only for quarter one, a portion of that was pre-positioning for the second quarter. So I think the right way to look at this is to look at maybe half yearly, because there is one season during the first half and there is second season in the second half. So the better way to look at the performance of the business in domestic market is to look at this half year rather than looking at it quarterly.

Manish Mahawar, Analyst

Okay. But sir, in H1, I think we shown, if you look at the growth is around 16%, 17% growth in the first half. And what is your expectation basically for a industry for full year and do you see like, still the second half would be around 16%, 17% growth for domestic because I believe like in a -- if you look at the first half as well as Q1 basis number looks lower in the domestic considering the monsoon is good and (inaudible) pretty fine this year.

Rajnish Sarna, Executive Director

Yeah, so we have close to 23% growth in first half. And I don't think the overall industry average would be higher than that, it will only be lower than theirs. And yes, the...

Manish Mahawar, Analyst

...is between 14% to 15%

Rajnish Sarna, Executive Director

...the trade was good. And although you have to also understand that there was, I mean, a bad season last year. So, there was lot of

inventory also lying in the market from previous seasons.

Manish Mahawar, Analyst

Okay.

Rajnish Sarna, Executive Director

But yeah, I mean, now since the consumption and performance was good in the first season, and not much inventories are in market, I do expect that the second season, the rabi season should be better.

Okay. And secondly sir, just in your CSM business, you have shown a roughly around 135% growth in second quarter in CSM business almost. Can you give me a growth on a constant currency basis in the CSM business?

Rajnish Sarna, Executive Director

I've not understood your question please, can you repeat...

Manish Mahawar, Analyst

I wanted to know sir, basically if you exclude the ForEx impact on the top line in a season business, so, what will be the growth?

Rajnish Sarna, Executive Director

Well, that need to be worked out. It is not in front of me certainly. But yeah, I mean you may remove 4%, 5% or 5%, 6% from it and big number.

Manish Mahawar, Analyst

Okay. It's not much, 5%, 6% not much.

Rajnish Sarna, Executive Director

Yeah.

Manish Mahawar, Analyst

Okay. And sir, just last to data point -- for a data point perspective, can you give me contribution of in-licensed product during the quarter?

Rajnish Sarna, Executive Director

Can you repeat your question please?

Manish Mahawar, Analyst

Contribution of in-licensed product in your domestic business during the quarter.

Rajnish Sarna, Executive Director

It should be around 65%.

Manish Mahawar, Analyst Rajnish Sarna, Executive Director

Yeah.

Manish Mahawar, Analyst

Okay. And sir just last question on the -- if you look at your gross margin, I think sir if you look at your cost of goods sold have increased on a Q-o-Q basis. Could you give some color on how is the raw material prices behaving in the market, actually domestic market as well as global, if you can give me some idea?

Rajnish Sarna, Executive Director

No, I think I answered the same question earlier to some other participant that this is only because of the increased share of synthesis exports. In terms of raw material trends, I think they are pretty much at, pretty much stable as of now.

Unidentified Participant

Okay.

Rajnish Sarna, Executive Director

Because in the beginning, yes, there was a trend of, increasing trend because of oil and some other basis chemicals. But, now for last couple of months, the trend is quite stable.

Unidentified Participant

Okay. Sure sir, thanks sir. All the best.

Operator

Thank you. . The next question is from the line of (inaudible). Please go ahead.

Unidentified Participant

Yeah. Hi sir thanks for taking my question. I would like to understand, in the custom synthesis I believe we have done revenues or something like 245 crores this quarter and if I were to strip Jambusar, out of that, then we have done from our old capacities, we have done Jambusar custom synthesis revenues of around 200 crores or 205 crores. So, that is almost of double, doubling of customs in synthesis revenues. So, what I would like to understand is that since we have already operating at capacity utilization of (inaudible) 70, 80 parts and so, how is that possible that we are able to double our revenues excluding Jambusar? Am I missing the larger picture?

Unidentified Speaker

Yeah, there are several other factors. So, first of all we have also being investing in capacities are other sites as well along with Jambusar. So, it is not that in last two years, we have not invested any capacity than the other site, number one. Number two, the capacities are always with respect to the product we are producing there. So, if I'm producing product A the capacity could be for example 1 metric ton per day, if I'm producing in the same capacity product B, capacity could be 2 metric ton per day or even more.

So, lot also depends on the product mix, what you're producing there. The third important aspect is that there is I mean continues improvement, process improvement, which also has increased the capacity of the same product in the same plant over the year. So these are certain factors which have that to significantly increase the turnover. Hello?

Operator

Sir, the participant is gone off to queue.

The next question is from the line of --. Please go ahead.

Unidentified Participant

Hi. Thanks for taking my question sir. Sir, what was the CapEx done in the first half of this year?

Unidentified Speaker

We have done close to 30 crores in first half.

Unidentified Participant

Okay. So, is it safer to assume that in second half there wouldn't be any serious debt payments because we'll be having close to about 70 crores of CapEx which needs to be done as per yearly plan?

Unidentified Speaker

Yes.

Unidentified Participant

Okay. And sir, what would be the cost of debt as of now?

Unidentified Speaker

It is around 18.5% or so.

Unidentified Participant

Okay. Sir and one point which probably I missed, what was the break up for Q2 in terms of agri and CSM business -revenues? You had given for H1 this year and H1 of FY' 13, I missed for Q2, if you could share the number?

Domestic revenue was close 218 crore.

Unidentified Participant

Right.

Unidentified Speaker

And the synthesis exports revenue was close to 245 crore.

Unidentified Participant

Okay. Sir and if you could share the same number for Q2 last year, FY' 13?

Unidentified Speaker

It was 195.105.

Unidentified Participant

Okay. Fair enough. And sir last question in terms of our CSM order book, what is the timeline to execute this entire order book of around \$334?

Unidentified Speaker

It is different for different products, but on an average you can consider three year.

Unidentified Participant

Okay. Fair enough sir. Thanks a lot, thanks for taking my question.

Operator

Thank you. The next question is from the line of --. Please go ahead.

Unidentified Participant

Yeah. Sir, sorry I got disconnected that time. Sir, I mean I wanted to understand going forward what is the delta apart from jambusar. What kind of growth can we expect in custom synthesis top line as such going back to the fact that from old capacities we have been able to double our revenues since last year?

Unidentified Speaker Unidentified Participant

Not really sir.

Unidentified Speaker

Okay. So, I told, I mean that there are three, four factors. So, one important factor is that we have invested in other sites also in the last couple of years, other than Jambusar, okay.

The second important point is that these are multi-product plants, so capacities are with respect to the product you produce in both plants. So if in a particular plant product A capacity is 1 metric tonne per day, if you produce in the same plant product B the capacity could be 2 tonne, 3 tonne also, okay.

The third important aspect is that on a continuous basis there are process improvements done. So the same product in the same capacity can be -- and all these can be improved over the years and throughput can be more. So these are all the sectors that how we have been able to expand our revenues from the same -- not same, but yeah not proportionately increasing the capacities.

The other aspect is that when you're comparing it with, say it's one year, two year or three year -- at that point in time our capacity utilization was also not very much optimum at that time. So we're producing at a much lower utilization level and now is the time that we're kind of working at optimum level, of course there is still continuous improvement scope, but yeah nearly 85% is a very good level of capacity utilization.

Unidentified Participant

So sir would it be fair to say that going forward apart from Jambusar if we're operating at around 85% capacity utilization across our plants, so we can do maximum 20%, 25% growth going forward, is it fair to say that?

Unidentified Speaker

No, I've not understood your question. Can you repeat please.

Unidentified Participant

Yeah. What I mean to say is if we're operating at such high capacity utilization across our plants of 85%, so the kind of delta that we've seen in the last two years or so. So that kind of delta is not possible going forward, so it will be more of a reasonable growth of 20%, 25% going forward apart from Jambusar?

Unidentified Speaker

Well, as I mentioned, there are at least two possibilities always there that you have still the flexibility of changing your product mix of production. You still have the possibility of further improving the processes of these products and increasing their capacity. So I am -- that and also considering that there are possibilities of further addition in these capacities, yes. This is the reason we're integrated around 30% kind of growth outlook.

Unidentified Participant Unidentified Speaker

not early next year, but since we have initiated this process this quarter it generally takes three to four quarters before it could be commenced, maybe sometime in third quarter of next calendar year.

Unidentified Participant

Third quarter of FY' 15?

Unidentified Speaker

Yeah.

Unidentified Participant

Okay. And sir, lastly on this, we are expecting to achieve overall revenue growth of 40% to 42% in fiscal 14 with margin expansion of around 300 bps, am I correct?

Unidentified Speaker

Yes.

Unidentified Participant

Okay. So, and on a -- from a medium term perspective we say achieving around 25% top line growth say over the next two to three years CAGR?

Unidentified Speaker

No, it should be around 25% to 30%

Unidentified Participant

Okay, great sir. Thanks a lot.

Unidentified Speaker

Thank you.

Operator

Thank you. The next question is from the line of -- from HDFC Securities. Please go ahead.

Yeah. Good afternoon, sir. Sir, just to understand our product concentration, will it be possible to share what will be the contribution of top two, three product in our agrochemical? A rough percentage --

Unidentified Speaker

Can you repeat last one -- your voice.

Unidentified Participant

Sir, just to understand the product concentration in our agrochemical business like in FY' 14 we will be doing 700 odd crores of top line. What will be the contribution from top two, three product?

Unidentified Speaker

Well, so agrochemical lines, what I mean, you are talking about domestic business or what?

Unidentified Participant

Domestic.

Unidentified Speaker

Yeah. So, domestic business, yes -- I cannot be able to share with you details of one or two product, but yeah top five products are contributing close to 65% revenue, 65% to 68%.

Unidentified Participant

And are there any B2B business in our portfolio?

Unidentified Speaker

-- we are selling to other players.

Unidentified Speaker

Yeah, we have some small share of -- marketing, yes.

Unidentified Participant

A rough percentage if you can share?

Unidentified Speaker Unidentified Participant

Okay. And sir just last, the in-licensing proportion last time you talked in the range of 60%. So, is it still there of any deviation from there?

Unidentified Speaker

Yeah, it should be marginally above 60% for the first half.

Unidentified Participant

Okay, okay. Thanks sir.

Operator

Thank you. The next question is from the line of Pradeep Poddar from ICICI Prudential. Please go ahead.

Pradeep Poddar, Analyst

Sir, just one question on the tax rate. When can we see some material deterioration and tax rates, when can that happen sir?

Unidentified Speaker

-- please repeat because I couldn't hear your voice.

Pradeep Poddar, Analyst

Okay. I'm audible now?

Unidentified Speaker

Yeah. Now you're audible.

Pradeep Poddar, Analyst

So by when can I assume substantial decrease in the tax rates because of the Jambusar effect coming in?

Unidentified Speaker

Well, I expect from FY15 onwards when there is a reasonable share of revenue from Jambusar. So FY15 or rather FY16 I would say then only it will have a meaningful effect on the overall tax rate.

And this will be your gradual process right sir, so from FY14, '15, and '16, it would gradually come down?

Unidentified Speaker

Yes, yes.

Pradeep Poddar, Analyst

Sir, just one last question, which is on the sustainability of these growth rates. I mean If I see like last year we're 33%, now this year you are guiding for a 40%. Are these kind of growth rates sustainable despite reaching a very high base?

Unidentified Speaker

This is the reason that we're also investing lot of our time in evaluating and looking at various other options of growth. We're very conscious of this pressure. We do know that the market and the investors and other stakeholders they expect us to sustain these kind of growth rates and therefore we're certainly looking at and evaluating various options.

Pradeep Poddar, Analyst

So would I be -- if I were to assume or 25% growth rate say over the medium term, so which is an FY15, '16, and '17?

Unidentified Speaker

No, we have always given the guidelines that for the next three, four years we see quite a good visibility we have for 25% to 30% kind of growth.

Pradeep Poddar, Analyst

Okay.

Unidentified Speaker

Beyond that we'll certainly have to look at more ways to sustain the higher growth rate.

Pradeep Poddar, Analyst

Okay, great sir. One more question on the margins front. Earlier you had guided key, every year you know we would have a 100 basis point to 50 basis point increase in margins because of operating leverage coming through. Now this year obviously there is a substantial increase in margins. From here also is it sustainable that here also you will be guiding for a 100 bits [ph] kind of improvement in margins?

Unidentified Speaker

No. For now I would say -- in medium term I would say that we would be able to sustain the current level of margin.

Unidentified Participant

Okay.

Unidentified Speaker

Once we're fully leveraged in our new sites jambusar and all then we may certainly get another improvement further.

Unidentified Participant

Sir, in terms of margins we have picked out, I mean, is that a fair assessment to make?

Unidentified Speaker

As of now, you can say so, yeah.

Unidentified Participant

And sir, just one question monsoons, if I have to assume that monsoons are bad then obviously this would affect your margins, right?

Unidentified Speaker

Yeah, it would certainly, I mean in the domestic business, yes.

Unidentified Participant

And how volatile would that be, I mean would it again go back to 15%, 15.5%, 16% kind of margins or -- it would be because now CSM contribution is increasing, so.

Unidentified Speaker

You are saying in terms of overall or...

Unidentified Participant

Yeah. So, if I have to assume say next year the monsoons are not that good as they are this year. Would margins go back to its original level or...

Unidentified Speaker

-- I mean frankly, I mean this a very hypothetical question. We sees that lot depends on the product mix even in a bad season if the product mix is good, yes, you can still maintain good margin. It is very difficult for me to comment on this.
Okay.

Unidentified Speaker

Yeah, that is true that if there is a very bad season, domestic season it will have some impact on the margins level.

Unidentified Participant

Okay, okay.

Unidentified Speaker

Last year was one such example and despite that we, I think we had some 17.5, around that 17%, 17%, 17.5% kind of margins on a global basis or a Company basis. It -- mean you've been have that example with you.

Unidentified Participant

Fair enough. Thank you sir, thank you so much.

Operator

Thank you. The next question is from the line of --. Please go ahead.

Unidentified Participant

Yeah, sir, just a follow-up question. Sir, out of our outstanding receivables, I mean what could be the dollar denominated out of around 405 crore?

Unidentified Speaker

It's around 80 crore, 90 crore or something.

Unidentified Participant

Only 90 crore, out of 405 crore?

Unidentified Speaker

Right.

Unidentified Participant

Thank you.

Thank you. As there are no further questions I'll now like to hand the floor back to the management for closing comments.

Mr. Sarna, Mr. Singhal would you like to give any closing comments?

Unidentified Speaker

Yeah. Thank you, friends. Thanks for coming on the call and participating in this call. We value your time, thank you very much for coming on this call. Thank you very much.

Unidentified Speaker

Okay. Thank you, everyone once again for coming on. Appreciate all your support for coming on. Thank you, bye-bye.

Operator

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