Key Takeaways from Q3FY13 concall of PI Industries held on 21st February 2013 :

Consolidated Performance :

(1) Consolidated **Revenues** for **Q3FY13** stood at **INR 282.58 cr.** translating into a **YoY growth of 48.61 %**. For **9MFY13**, Revenues stood at **INR 820.15 cr.**, translating into a **YoY growth of 27.78 %**.

(2) Consolidated **EBITDA** for **Q3FY13** came at **INR 47.4 cr.**, a **YoY increase of 51 %**. For **9MFY13**, EBITDA stood at **INR 143.1 cr.**, a **YoY increase of 28 %**.

(3) Consolidated **PAT** for **Q3FY13** was at **INR 23.96 cr.** and that for **9MFY13** was at **INR 73.25 cr.**.

(4) CAPEX guidance given for next two years (FY14 & FY15) is INR 100-125 cr. p.a.

(5) Debt on books at the end of Q3FY13 is ~INR 200 cr. while Inventory is at INR 228 cr. majorly on account of pending execution of orders in CSM segment as management expects substantial order execution to take place under CSM in Q4FY13.

(6) Jambusar CSM facility enjoys tax holiday for 10 years which should gradually bring down effective tax rate for the company at consolidated level starting FY14.

(7) 30 % YoY growth guidance for domestic Agri-Input segment will be difficult to achieve in the backdrop of current on-ground situation, but, on a consolidated basis, company should comfortably achieve previously guided 30 % YoY growth because of exceptional, more than expected, contribution from CSM segment.

(8) In Q3FY13, domestic agri environment was very tough which also had a substantial impact on profit margins of company's Agri-Input segment which inturn enabled only negligible YoY improvement in consolidated EBITDA margins despite much higher contribution from high margin CSM segment during the quarter.

(9) Although company's balance sheet as also near term business execution doesn't require any external funding, but, still, company preferred raising of ~INR 117 cr. via QIP in January'2013 inline with its conservative leveraging policy while at the same time ensuring robust growth for the company on a consistent basis. Two major factors necessitated such fund-raising :

  (a) Increasing number of products going into commercial scale under CSM segment which will require more investments into capacities as delivery volumes will substantialy rise going forward.

  (b) Company seriously looking at inorganic opportunities which will complement organic growth and will enable sustenance of robust growth for the consolidated entity even on an increased scale of operation.

Segmentwise Performance – <u>CSM (Custom Synthesis & Manufacturing) Segment :</u>

(10) In **Q3FY13**, CSM segment revenues stood at **INR 172 cr.**, a YoY growth of **<u>95.45 %</u>**. For 9MFY13, CSM segment revenues stood at **INR 370 cr.**, a YoY growth of **53.52 %**.

(11) Current order-book in CSM segment stands at USD 305 mn. to be executed in ~3 years timeframe.

(12) However, the compostion of revenues of CSM segment is ***60-65 % from Long Term contracts that are covered under the said order-book*** (of USD 305 mn.) while another **<u>35 % are from Annual Contracts which are not covered under the said order-book</u>**. Hence, company has the visibility of ~USD 100-102 mn. p.a. (~INR 520 cr. p.a.) in CSM segment to be contributed from the current order-book which doesn't include Annual Contracts that the company executes under CSM on an ongoing basis.

(13) Phase 1 of Jambusar facility expected to contribute INR 35-40 cr. in Q4FY13.

(14) Two products are expected to be commercialised in Q4FY13 under CSM segment.

Segmentwise Performance – <u>Agri-Input Segment :</u>

(15) In **Q3FY13**, Agri-Input segment revenues stood at **INR 110 cr.**, a **YoY growth of 7.84 %**. For **9MFY13**, Agri-Input segment revenues stood at **INR 448 cr.**, a **YoY growth of 12.84 %**. *This growth is commendable considering the fact that current Rabi (Q3FY13) and recently concluded kharif season (1HFY13) was one of the worst* in last many years because of inclement weather conditions.

(16) 7.84 % growth in Agri-Input segment was **mainly driven by volume growth.**

(17) Top 5 products for PI's Agri-Input segment are Nominee, Biovita, Kitazin, Foratox and Roket. They together contribute ~55 % to Agri-Input segment sales.

(18) Share of In-licensed products in Agri-Input sales should rise to 50 % in current fiscal FY13.

(19) One broad spectrum insecticide is expected to be launched in Kharif'2013.

(20) Management expects its key product Nominee Gold to continue growing at a brisk pace in coming two years. Although company's domestic exclusivity for the product will end in the forthcoming year but any other company wishing to launch the product's generic version in India will have to go through one and a half to two years regulatory clearances before officialy launching it. Also, going forward, company has plans to launch two in-licensed products every year for coming few years which will broaden its product portfolio and reduce its dependence on any one product.

(21) Competition is unlikely to intensify in domestic in-lincensed products space because of strong entry barriers in the form of bulding of vast dstributor network, establishing efficient supply chain, gaining the trust of farmers, etc. involving loads of investments not only in terms of money but also time which no MNC innovator can risk. Therefore innovators are likely to continue with the current policy of in-licensing their patented molecules for Indian market to companies like PI Industries who can demonstrate past successful track-record and exhibit a no-conflict business model.