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BSE Limited Corporate Relationship Deptt. PJ Towers, 25 th Floor, Dalal Street, Mumbai – 400 001 Code No.523642	National Stock Exchange of India Ltd. Exchange Plaza, Plot No.C/1, G-Block Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 Code No. PIIND
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Dear Sir,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the earnings conference call for the quarter and nine months ended December 31, 2022.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose the transcript of Analyst and Investor Conference Call for Un-audited financial results for the quarter and nine months ended December 31, 2022 held on Wednesday, February 15, 2023. The link to access the transcript of the earnings conference call is

https://www.piindustries.com/Media/Documents/Q3%20FY23%20Concall%20Transcript_Clean.pdf

This is for your information and record please.

Thanking you,

Yours faithfully,
For PI Industries Limited

Sonal Tiwari
Company Secretary

End: As above



PI Industries Limited

Q3 & 9M FY23 Earnings Conference Call

February 15, 2023

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY23 Earnings Conference Call of PI Industries Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal a Moderator: by pressing star, then zero on your touchtone phone.

I now hand the conference over to Mr. Nishid Solanki from CDR India.

Nishid Solanki: Thank you. Good afternoon, everyone, and thank you for joining us on PI Industries Q3 FY23 Earnings Conference Call. Today, we are joined by senior members of the management team, including:

- Mr. Mayank Singhal, Executive Vice Chairman and Managing Director
- Mr. Rajnish Sarna, Joint Managing Director
- Mr. Manikantan Viswanathan, Chief Financial Officer
- Mr. Prashant Hegde, CEO, Agchem Brands and
- Mr. Atul Gupta, CEO, CSM Agchem

We will begin the call with key perspectives from Mr. Singhal. After that, we will have Mr. Manikantan sharing his views on the financial performance of the company. After that, the forum will be open for a question-and-answer session.

Before we begin, I would like to underline that certain statements made on today's conference call could be forward-looking in nature, and the disclaimer to this effect has been included in the investor presentation shared with you earlier and is also available on stock exchange websites.

I would now like to request Mr. Singhal to share his perspectives. Thank you, and over to you, sir.



Mayank Singhal:

Good afternoon, everyone and thank you for being with us on today's call to discuss our third quarter performance.

It gives me pleasure to share that PI has delivered yet another quarter of outperformance. Year on Year, our revenue growth during Q3 FY23 came in at 19%, with EBITDA increasing by ~40% with margins standing at ~26% supported by favourable product mix and operating leverage. Consequently, our PAT during Q3 saw an expansion of 58%. Further, efficient net working capital management significantly improved free cash flow.

In line with the superlative performance, the Board of Directors has considered an interim dividend of Rs. 4.50 per share for FY22-23.

Our Branded products for crops including Cotton, Rice, Chili, Horticulture and Wheat, have performed well. With a portfolio of advanced brands, we have carved out leadership in respective categories. Further, we are recording attractive responses to the spate of new brands that we have recently introduced into the domestic market; one of the highest number of launches in the industry in a year. Our brands integrate and incorporate best-in-category solutions for crop protection, helping farmers prosper. We have a strong pipeline of products at different stages of development to continually enhance our portfolio. The institutional sale remained subdued during the quarter due to higher channel inventory and hence reflected in the overall domestic revenue growth.

Dynamics within the global speciality chemicals industry are evolving to realise higher value procurement of products from India, where the country stands out both in terms of quality, processes, and technology. Global clients are prioritising diversification of sourcing to India, even as the country develops an integrated value chain in key chemistries. Our order book at the end of the quarter stood at around US\$ 1.8 billion, indicative of the confidence the innovators repose in our business model and delivery.

PI is renowned for its ability to partner with innovators for their global requirements. PI has earned a niche for itself through proactive investments in capacity building and research in novel technologies and platforms. The need for breakthrough and innovative molecules today is very apparent. The operating environment today is far more volatile than earlier, and the business models that have balanced exposure to clients, geographies and technologies will scale up more attractively. Our ability to engage with our global customers on a long-term relationship basis and our keen

understanding of complex chemistries are core advantages for the Company and our Customers.

The share of non-agchem enquires rose to 25% of the total. The product mix for PI continues to evolve and we are looking at higher share of non-agchem molecules getting commercialised in the coming quarters.

We are augmenting our outlook by widening customer relationships beyond agchem. Our research and innovation teams are continually engaged in developing relevant next-generation offerings. We are comfortably placed to realise 20% plus revenue growth with continued improvement in margins and returns.

This will be backed by expansion in business from commercialised molecules, with a better margin profile and sharper checks on costs. Recently launched molecules have continued to scale up. We aim to commercialise up to 4 to 5 new molecules each year. To leverage this momentum we will accelerate capacity expansion further.

Our business model remains poised to scale up markedly once the consummation of the new pharma entity takes shape. We continue to actively evaluate inorganic growth opportunities in pharma domestically and internationally in line with our pharma strategy. Initiatives to augment leadership bandwidth are ongoing to steer our foray.

I am pleased to report that, it is a proud moment for PI, as we received the Golden Peacock Award for Corporate Social Responsibility for the year 2022. PI is committed to inclusive growth aligning with the SDGs and creating long-term sustainable solutions toward reimagining a healthier planet.

With that, I draw my opening remarks to a close and handover to our CFO, Mr. Manikantan for the financial discussion.

Manikantan Viswanathan: Thank you, Mr. Singhal. Good afternoon, everyone and thank you for joining us on the call today. I will summarise the company's financial highlights for the third quarter ended 31st December, 2022. Please note that all comparisons are on a year-on-year basis and refer to consolidated performance.

During Q3 FY23, we reported revenue of Rs. 16,132 million, a growth of 19% over the same period of last year. This was driven by growth in exports revenue by 23% to Rs. 13,286 million and 2% increase in domestic revenue to Rs. 2,846 million.

Exports revenue growth of 23% was driven by volume growth of around 9% and price and currency of around 14%. New innovative Agri brands launched recently also contributed to the growth.

Our gross margin increased by 73 basis points to 47% partially due to cost pass through and favourable product mix. EBITDA increased by 40% to Rs. 4,156 million for the quarter driven by operating leverage benefits and tight control on fixed overheads. Profit after tax increased by 58% to Rs. 3,518 million, attributable to EBITDA growth.

Cashflow from operating activities during 9M FY23 was Rs 9,951 million. This was due to higher EBITDA and efficient net working capital management. The Trade working capital in terms of Days of Sales was reduced to 90 days vs. 103 days on 31-Mar-22.

Our balance sheet further strengthened during the quarter. Networth increased to Rs. 69,716 million. Total CAPEX for 9M FY23 stood at Rs. 2,585 million and is in line with the plan. This year, we estimate a CAPEX of around Rs. 5,000 million.

Inventory levels reduced in terms of Days of Sales to approximately 81 days to Rs. 14,517 million in line with higher revenue and adequate safety stock to avert supply chain disruptions.

The Company maintained its strong liquidity position and has recently repaid the outstanding ECB of US\$ 25.71 Mn

That concludes my opening commentary. I will now request the moderator to open the forum for Q&A. Thank you.

Moderator: First question is from the line of Abhijit Akella from Kotak Securities.

Abhijit Akella: Two of them. First, on the capex side. The presentation talks about planning to intensify the capex in the future. So while we are guiding about INR 500 crore of capex for fiscal '23, is there a number you could help us out with for '24? Is it going to be substantially larger and if so, in which projects? And the second part was just on the pharma side. I believe you have invested INR 675 million into PI Health Sciences to kick start our organic initiatives on the pharma side. If you could please just elaborate a little bit about the plans out there.

Rajnish Sarna: Thanks, Abhijit. So for the first question, this year, we had a plan of INR 600 crore of capex, but some part of it will surely get rolled over as some of the multiproduct

plants, we are reworking on the design. For next year, we are expecting anywhere around INR 800 crore to INR 850-odd crore of total capex.

Abhijit Akella: Got it. And also if you could just talk about the pharma investment into PI Health Sciences.

Rajnish Sarna: Yes. this investment is basically for initial operating setup and our activities that we are intensifying and augmenting our resources in the pharma space..

Abhijit Akella: Fine. And just the last thing from my side was on the margins. Margins overall have been much stronger than perhaps you would have expected about at 25.7% this quarter. So any specific benefits this quarter in particular? Or is this a sustainable sort of run rate for the future?

Rajnish Sarna: This is majorly coming from 2 to 3 areas. One is that the product mix has been positive for us. In this quarter, certainly, the sheer operating leverage benefit is also kicking in with this sustained 20% to 25% growth. And then, of course, we have had a very tight control on our fixed costs. So all these are contributing to this margin improvement. While there will be certainly some variation quarter-on-quarter basis depending on product mix but on a year-on-year basis, we'll be able to reasonably sustain these margin levels.

Moderator: Our next question is from the line of Vivek Rajamani from Morgan Stanley.

Vivek Rajamani: Two questions from my side. Firstly, there's obviously been some concerns of slowdown in some pockets of agrochemicals, both domestically and in the export market. Could you maybe provide some colour on the trends that you're seeing with respect to your products, both for domestic and exports? That was the first question. And secondly, on your point where you're saying you will obviously be focusing more on capacity expansions going into next year. Any indication on what kind of increase you are envisioning there? I know that this is not a straightforward question with respect to your products, but some colour would be very helpful.

Mayank Singhal: So if I get your first question right, you're looking, you see a downward trend agrochemical products? Or what was that?

Vivek Rajamani: Some trends that you are seeing with respect to your products?

Mayank Singhal: Okay. If I look at the product portfolio, I think that's the unique part about PI. Both in the domestic business, as you've seen, we declared that we have seen the highest concentration of innovator products. And these innovator products have put us on a

growth trajectory while the growth of certain generics has been muted due to adverse weather conditions. The new products will continue to grow, and we see a good positive direction coming from the product portfolio that we have. I'm pretty sure some of the products will scale up through different weather conditions and will give some exceptional outcomes.

When I look at the global product portfolio that we are in, we again see positive trends some of the large products that we are in still need to be registered globally, and there is a positive trajectory of growth that continue to happen. At the same time, we have entered some interesting strategic products, which have a good potential for growth in the global markets, and that's quite exciting for us to see that we are poised to be in a comfortable position in terms of our product portfolio strategy. While there could be certain headwinds, which could come in, these will take good shape in the future.

Vivek Rajamani: So just to clarify, you've not really seen any significant slowdown with respect to your products, particularly on the export side, so that would that be a fair statement?

Mayank Singhal: Yes. We've already put in our order book position we see as well the demand and that continues to happen. So that is where we are right now.

Vivek Rajamani: Sure. And on the capacity expansion, any colour would be really helpful.

Mayank Singhal: I think that was answered. Obviously, one great job has been done, we've looked at about taking 12% plus capacity debottlenecking of the existing assets by looking at various engineering and technological solutions and given us the growth trajectory that we have. And looking at the portfolio of the consumer, the impact on the technologies, we are looking at ~INR 600-plus crore extra capex for next year in addition to the rollover capex of a couple of hundred crores from current year. So that is where we are.

Moderator: Our next question is from the line of Aditya Jhawar from Investec.

Aditya Jhawar: My first question is on one of a key molecule has seen a very strong growth in this quarter. So just wanted to understand that what could be the reason driving this growth? Are you seeing market a wider application of this product? Are farmers using this product as a substitute of Glyphosate? And I am sure you would have also collected some market intelligence on what should be the growth for one of key products?

Mayank Singhal: Well, as you know, these products are cyclical in demand. There has been a product portfolio expansion. Newer geographies, which are being added clearly, application and acceptance are growing. So we do see growth coming through this. And obviously, I would not like to talk about quarterly up and down. It depends on the supply chain, market situation, and cost positioning, which is taking part in various parts of the geographies.

Aditya Jhawar: Okay. That's good to hear. So that essentially means that the growth that we have seen is an organic growth and it is not that the inventory gets piled up in the channel and in the subsequent quarter, we see a significant slowdown? Yes. My next question is on the tax rate side. What should we expect on tax rate on a full year basis?

Manikantan Viswanathan: The Tax rate for 9 months is 14.5%. So the full year basis will be less than 15%

Moderator: Our next question is from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: Congrats on a good set of numbers. So first question is on Slide #9. We have mentioned that more than 60% products falling in green category. So what exactly does this mean? And how beneficial it is for us given that the sustainability is a criteria for global innovators?

Atul Gupta: Yes. So the product under the green category are the one with green Ecoscale and low level of wastage etc. We decide which products fall in the green category, yellow category and in red category basis international criteria and then work systematically in the development stage to improve the Ecoscale of products.

Rohit Nagraj: Right. Just a clarification. This is applicable for both CSM as well as domestic?

Atul Gupta: Yes. It has got both.

Rohit Nagraj: Right. Got it. Second question after commercializing 3 products in CSM, what is the total number of products in CSM and any non-agro products in current landscape? And for next year, are there any non-agro products, which will be commercialized in FY '24?

Mayank Singhal: Yes. So we have already got 3 commercial products in CSM exports. We're looking to commercialize 2-3 non-agchem products in the next year. And obviously, we are in the early stage of this business, and these are not forming substantial revenue, but these investments just show a positive direction for growth and customer confidence with them.

Rohit Nagraj: Just different number right now, including these 4 products?

Mayank Singhal: We would not have a number on hand in that for the moment.

Moderator: Our next question is from the line of Vishnu Kumar A.S. from Avendus Spark.

Vishnu Kumar A.S.: Congrats for good numbers. This question is on margins. In the past, we understood that many of our contractual terms to the customers are that we will earn a fixed kilo per margin. And so irrespective of the price movements we earned, fixed price and higher pricing will still probably percentage margins will be lower. That is one. And second, as the production scales up for certain products, we were -- at least what we understood was that we will have to transmit certain efficiency gains to the customer. But the current commentary seems to suggest that there is a change in the contractual terms, if you could slightly elaborate on this point.

Rajnish Sarna: As I explained earlier, this is majorly coming from change in product mix favourably for us. Every year, we are launching 4 to 5 new products. Even in domestic, many new products have been added in the last 2 to 3 years. So obviously, the product mix is favourably changing. That is one. And secondly, the operating leverage benefits. We suffer in the initial periods of capacity installation with the lesser utilization of these plant investments and at a later stage, the operating leverage kicks in. So right now, some of these benefits are kicking in and that is giving this margin improvement.

Vishnu Kumar A.S.: Understood. In terms of new products on the export side, how much would be, let's say, the last 2, 3 years, if we have launched certain products, any rough contribution of revenue, if you could just help us understand the last 2 years or 3 years, what would that proportion of your overall revenue would be?

Rajnish Sarna: We don't have exact numbers with us. But I think I mentioned in the last call, around 17% to 18% of total export revenue comes from products introduced in the last 3 years.

Vishnu Kumar A.S.: Got it. And on your comment, you said that domestic products also, we are getting better margins. So the margins that you are currently earning would be higher in the domestic because of the new product launches? Is that the way also we can think, that you are earning slightly better numbers from these?

Mayank Singhal: Adding new products at higher margins, the domestic business will be giving us the better contribution level.

Vishnu Kumar A.S: Got it. And just on the capex bit, you said we have spent about INR 250 crore out of the INR 600 crore, another INR 350 crore is pending, plus about INR 800 crore which you just mentioned. When should we expect these new plants to be coming up? Any rough commissioning dates that we are looking for?

Rajnish Sarna: Yes. So just to clarify on it, some of the capex, which was planned in the current year is getting rolled over because of the plant design related changes. And that will also be covered under this INR 800--850 crore that we have indicated for next year. We have two multiproduct plants scheduled to get commissioned maybe one in the second half of next year and the other one, we are monitoring, may come in next to next year, that is FY '25. So this is currently the tentative plan that we have.

Mayank Singhal: And on the other hand, we changed the way of the structure of formats of how we look at these plants with new technological capability and giving us better throughputs and efficiencies with the larger footprint for each plant.

Vishnu Kumar A.S: Got it. And sorry, I am just looking back on the margin, should we take the guidance to be at probably at 23%, 24% from here on is earlier it used to be 21%, 22%. So we should see a step up going forward over the next couple of years to be anywhere between 23%, 24% or any thoughts?

Rajnish Sarna: Yes, 23 to 24% is what we are currently estimating.

Moderator: Next question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: Congrats for good set of numbers. Sorry, again, just checking on the capex side. So on the -- our earlier commentary was that we will be continuously focusing on improvising and improving the asset turns, which we have sort of displayed over the last few quarters. And at the same time, the capex number is also getting decreased. You also suggested to invest further into the pharma production there. So from your thought perspective, from a sustainable growth run rate in CSM business, are we looking at upwards of 25% plus or maybe even higher rather than the 20% plus mark that you typically comment on?

Rajnish Sarna: In terms of growth, we are still guiding for 20% plus growth rate on a sustainable basis. That's what currently we are predicting, and we are continuing with that guidance.

Ankur Periwal: Sure. Where I was coming from was typically, it takes 3 to 4 years for a product to mature. And historically, we had launched newer products, which were probably

margin negative as well as higher potential ones. So is there a faster growth coming in the near term there or probably it's still a medium-term thought?

Rajnish Sarna: Well, yes, a product takes 3-4 years to mature, but we have to also appreciate that the base is also growing. I mean, if you see last 3-4 years of growth, we have been growing @ 20% plus year-on-year. So the base is also high and therefore, we are guiding for 20% plus kind of growth rate on a sustainable basis. Although there are opportunities but there are also uncertainties around the global supply chain and hence we are a bit cautious in guiding growth.

Ankur Periwal: Sure. And just second bit on the domestic side. One, if you can comment how the branded or the newer launch products are doing in terms of growth rate versus the just likely older portfolio? And secondly, your comment on the channel inventory, is it largely done or probably it will take some more quarters to settle?

Prashant Hegde: So as you rightly said, yes, the channel inventory because of lower-than-expected uptake in Kharif season, so -- due to adverse weather conditions, the higher channel inventory build-up. However, it is being consumed. So that is a good trend, I can say. The overall growth is subdued, but growth has come from newer products. However, the generic products have suffered. So that is why overall growth is subdued.

Ankur Periwal: Sure. Sorry, just a clarification. So on the channel inventory, so Q4 should be a normal quarter?

Prashant Hegde: It's a very good question, but let me also tell you, Q4 is not a major consumption period. Industry usually prepare for Kharif through preplacement effort. Hence, there is always a limitation on growth purely from the consumption point of view.

Moderator: Next question is from the line of Sumant Kumar from Motilal Oswal.

Sumant Kumar: So can you talk about the AWKIRA performance in the Rabi season?

Rajnish Sarna: We normally do not talk about specific product performance as you know. But generally, as Prashant indicated, all the new products that we have introduced in the last couple of years, have been very well accepted by the farmer. The growth year-on-year has also been very good.

Sumant Kumar: Okay. And the second question is other expense, is there any forex gain and freight cost is also lower in this quarter, Y-o-Y?

Manikantan Viswanathan: Yes, freight costs were lower basically this quarter. You are right. And on the forex, there are no major gains in the other.

Sumant Kumar: Okay. And what is the tax rate for FY '24-'25 Kharif?

Rajnish Sarna: Sorry, can you repeat please?

Sumant Kumar: Tax rate for '24-'25.

Manikantan Viswanathan: It's too early to predict for '24-'25, my dear friend. We can give guidance in the next quarter on '24-'25 tax rate.

Moderator: The next question is from the line of S. Ramesh from Nirmal Bang Equities.

S. Ramesh: So if you look at your domestic business on the kind of base you have this year, including the weak base in the third quarter, would you be able to do double-digit growth in FY '24? What is your expectation considering the kind of launches you have done this year?

Prashant Hegde: So yes, based on the launches we had in the last 2 years, definitely double-digit growth is what we are expecting.

S. Ramesh: And would that help you improve your margins as well given that FY '24 should be a more normalized year in terms of at least the inventory or and with the input costs coming down and the freight costs coming down, will that give you some increase in pricing power and margins?

Atul Gupta: Yes. So as I said earlier as well, as we start scaling up the new products, definitely, margins in new products are better. And definitely, it will improve overall margins for sure..

S. Ramesh: Okay. Now on the CSM, when you look at the capex plan, it's about INR 1,200 crore over 2 years. So how much of this is to increase your capacities and synthesis capabilities for the increase in the order book by about \$200 million between first quarter and the second quarter? And how much of it is to build your capabilities to get the normal business as well as to bid for new orders? Can you give us some indication of that?

Rajnish Sarna: Well, I'm not too sure on several elements of your question, but let me try. So yes, with these investments in last 2 years or even next year, including that will surely add to capacity to the tune of 25% to 28%. And apart from this, as we have been guiding

for last few quarters that we are also working on improving efficiencies of our existing facilities, multiproduct plants and improving throughput.

Last year, we improved throughput by more than 12% to 15% this year, also close to 10%, 12%. So apart from fresh investments in capacity expansion, we are also improving with technological improvement, the plant throughput of the existing capacity. And all this is certainly helping us increase capacity utilization and also improve capital efficiency, which is also clearly reflected in the numbers that are there. And being a capital-intensive business, our whole objective is to keep improving capital efficiency.

S. Ramesh: Yes, understood. So what I was trying to understand was in terms of the increase in the order book, is any part of this capex intended to enhance your capacity to be in a position to deliver the increased order book?

Rajnish Sarna: Yes. I mean a part of capacity expansion is certainly towards this increase in order book position. And also some part of this expansion is towards many new products that are also coming through the R&D pipeline and commercialization of those.

S. Ramesh: Okay. Just one housekeeping question. Can you give us some insight into how the other income has gone up and how the interest expense has gone up?

Manikantan Viswanathan: Basically, you are aware, there was an increase in rate of SOFR.. And also the exchange rate was also there, both together has increased the overall interest expenses.

S. Ramesh: And on the other income?

Manikantan Viswanathan: On the other income, what's the specific question? Other income is foreign exchange gain and interest income.

Moderator: Our next question is from the line of Rohan Gupta from Nuvama.

Rohan Gupta: Congratulations on a good set of numbers. A couple of questions. First is on -- you had mentioned that there has been a significant surge in inquiries in non-agri product by roughly 25%. I understand that right now the revenue contribution from non-agro and non-pharma is still very less. So just wanted to understand when we talk about that continuous increase in inquiries, how well we are leveraged to use these capabilities -- use our capabilities and scaling of the revenues from this segment, where you see that over the next 2 to 3 years business can be from non-agro, non-pharma?

- Atul Gupta:** Yes. Basically, these products that we're seeing in non-agro area, they have got a life cycle approach and right away from the labs to scale up and commercial scale, there is a gestation period for these molecules to scale. And we foresee that many of them will fructify over a period of time in terms of meaningful revenue from non-agro and non-pharma.
- Rohan Gupta:** In terms of like 3 to 4 years where we see this business panning? And will we be using our existing set of plant machines only for the product development here or we need to have a fresh capex to capture the growth there?
- Rajnish Sarna:** Yes. at commercial scale, broadly the existing multiproduct plants are being used till the time the volumes go up to a scale where you need a dedicated plant. As the development stage, most of the existing setup is what is getting leveraged. But yes, there are certain specific quality-related requirement for such different specialty chemical areas for which we have already augmented our set ups in R&D and making further investments in FY '24.
- Rohan Gupta:** Further, I still did not get what is your plan in 3 to 4 years any guidance? Any target which the management is set for the coming 3, 4 years?
- Rajnish Sarna:** Rohan, our aspiration of getting non-agchem contribution to close to 20-odd per cent in the next 4-5 years. This is what we have also guided in the past.
- Rohan Gupta:** Okay. So as of now, so the revenue guidance which you are having is still maintaining 20%. I believe that we are still relying on agrochemical product only. And even in agro also, we had that one product contribute significantly to our exports, almost 50% of the volumes coming from the one single product. So do we see that there is a risk in terms of our export revenues -- sorry, our CSM revenues and the 20% growth guidance which you're talking about, if you are not able to scale up the other products?
- Rajnish Sarna:** Not really. So I'm not too sure about the percentage you mentioned, but there are 3-4 points to keep in mind here. One that every year, we are commercializing 5 to 6 new products, Today, if you look at our CSM export portfolio, there are 27-28 products; and in the last question, we mentioned that 4- 5 products from non-agchem are already at commercial scale. Next year, we are commercializing 4, 5 non-agchem products. So you see these many numbers of new product launches as well as non-agchem products. The diversified portfolio is already there. It is no more dependent on 1 or 2 molecules. That is one aspect.

The second point is that even on the domestic side as well, many new products are getting launched. So if you look at the company level, blended level, the portfolio diversification is there and in terms of broadening the product portfolio, even on the domestic side beyond agchem, we are getting into biological - with a large range of products already in play and many of them are at the development stages at different levels.

So this is how the product portfolio is getting diversified and this is certainly not a scenario of dependence on one product. The CSM export model with 15-16 customers and 27-28 products with another 35-40 products at R&D scale from 10-12 new customers will only broad-based this structure. Of course, each product will have its own life cycle and at different points in time, different products will peak. So in the next 3-5 years, the scenario will be completely different.

Rohan Gupta: On pharma side, we have seen that in last 1 year, the profitability of many pharma companies have been impacted and so as the valuations of these companies has also been impacted. We have been very value cautious, and I think that was also one of the deterrent that we were not able to back some good deal as far as the inorganic growth ambitions are concerned. Do you see that in last 1 year with the moderation and the valuation across the pharma companies? We are now more closer and the chances have increased significantly that we have any value deal in pharma, and we can hear something soon. If you can just give some more idea about that.

Rajnish Sarna: Yes. we are currently at an advanced stage of negotiations of a few of these opportunities and at an appropriate time, we will let the investors and markets know of it.

Moderator: We'll take our next question from the line of Noel Vaz from Union Asset Management.

Noel Vaz: My questions have been answered.

Moderator: Our next question is from the line of Naushad Chaudhary from Aditya Birla Mutual Fund.

Naushad Chaudhary: Congrats on a good set of numbers. Firstly, just a follow-up on the previous question. On the CSM business, the number of commercials which we did last year and this year in looking at the historical run rate, it seems really higher. So firstly, on the growth guidance, if I look at the commercial numbers versus the growth guidance, do you see the guidance which we are giving is slightly conservative, looking at the

number of launches? And secondly on this, any of these commercials can it become a sizable in the next 3 to 4 years? Can it become to a similar size of your existing top 2, 3 products?

Rajnish Sarna: It would be helpful if you can please repeat your question.

Naushad Chaudhary: So the first piece of question was in terms of your commercials in the CSM business last year and this year has been slightly higher than our historical run rate. So going by the numbers of commercial, would it be fair to assume your growth guidance of 20% is slightly conservative?

Rajnish Sarna: I will not say conservative. But yes, this is a guidance we are very confident of, We always remain cautious of the global markets and we are seeing the kind of swings, which are happening in the global market, whether it is European markets or American markets and many other challenges in the global supply chain. So we have to be mindful of these uncertainties and we always try and give a guidance with which we are very confident.

Naushad Chaudhary: Okay. And secondly, on this, from your new product basket, can we see any or a few of them can be a sizable or similar to our existing top 2, 3 products in next 2 to 3 years?

Rajnish Sarna: Yes. When we decide to work on a molecule for our development for the domestic market or for export, we always screen those molecules on these parameters. And many of these molecules are for multi crop/pest segments and wider geographies and therefore, they have the potential to be a sizable molecule.

Moderator: Our next question is from the line of Abhijit Akella from Kotak Securities.

Abhijit Akella: Just to clarify regarding the capex footprint, the asset footprint we have at this time. So we've mentioned in the presentation, we have 15 multipurpose plants. Are there certain dedicated plants also that are part of our infrastructure right now within these 15 or excluding them? And then these 2 new plants that we are talking about over the next 2 years, are these primarily for the newer molecules that are getting commercialized? Or is there also some capacity expansion for the existing major products that we have?

Rajnish Sarna: Yes. out of the 15, there are 3 or 4 dedicated plants for which we have long-term contracts and volumes which are pretty high. For the next 2 plants, there are many new products that are getting scheduled there for commercialization. And again,

these are all fungible plants. So as the volumes of even existing products grow, we keep switching capacities from one to the other plant in order to meet the customer requirements and all.

Moderator: Our next question is from the line of Aditya Jhawar from Investec.

Aditya Jhawar: Can you comment on the inventory situation in our key export market?

Rajnish Sarna: You said inventory position?

Aditya Jhawar: Yes. How is the channel inventory in our key export market?

Rajnish Sarna: Well, there is a mix kind of scenario. It varies from product to product, market to market. So in a few markets, yes, there is some sort of inventory pile up. But in others, we are seeing also a scenario where there are challenges on supply and product availability on time as well. So there is a mixed scenario.

Mayank Singhal: To put it in a summary, we go with the uncertainty in China, and definitely the generic are facing the pressure of this build-up at a global level, both the inventories because they were secure in that on the other hand, supply is opening up. So that's going to be under pressure in a generic play, yes. And that's the indicators, especially in the latin part of the world and in certain markets. So inventories are as a matter of fact, yes, there will be certain challenges for some of these areas in the coming year.

Aditya Jhawar: Okay. That's helpful. But sir, if you can just specifically talk about how is the inventory situation in North America, South America and Europe?

Mayank Singhal: Well, these are very well captured in global reports. If you see at a general level, yes, there are inventory build-up, but as the seasons progress well, they should be aligned, in America and Europe. And I can't say how inventory cycles will run, whether this could change we don't know what happens in the next 6 months, but from a channel point of view and from a logistics point of view there could be challenges, in the coming year.

Rajnish Sarna: But fortunately, for the kind of product that we are dealing in, we have not yet seen those kind of alarms.

Aditya Jhawar: Okay. My final question is, typically, in agrochemicals patented products. So as compared to the total ASP of the product, what proportion is the active ingredient?

Mayank Singhal: What do you mean, I mean in terms of proportion of the active ingredients?

Aditya Jhavar: Yes. So for them, if the product is selling at, say, \$10, what would be the cost of active ingredient for a patented agrochem?

Mayank Singhal: Well, there is no standard formula my friend. If you look at the API world, there is no standard formula because cost is very different from the selling price. Selling price is determined by the affordability of the farmer and the value proposition to the farmer and what goes behind technologies. So it is not just the cost of raw materials, which are driving the cost of sales. There's also investments which companies have made over the last 10, 15 years, a little bit different by different products. It could be \$200 million to \$7-800 million. So that is not a cost which comes in cost of goods. So depending on which lens you look at it. Today, if you are registering one product in one geography there is a cost; if you are registering multiple crops/pests/formulations, the investment is completely different. If the registration is for herbicides there is a different requirement for toxicology and the requirements for fungicides are different.

So the cost of goods is not the only factor to decide the selling price of the goods if I was to put that very clearly. There are other costs, which may not be visible on the base. I hope that answers.

Moderator: Our next question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal: My question is on the pharma business plan that we have. Like in agro, after predominantly our entire businesses is on different products. In pharma, when you're looking for acquisitions, are we looking for purely patented products, like patented in CDMO or are you looking at generic CDMO also?

Mayank Singhal: Well, let me answer this. I think when we look at the custom synthesis & manufacturing business, it is a service which we provide in research, development and manufacturing, products obviously form a part of that. When you look at the domestic business, it's purely products, yes, and crop solutions. When you look at the pharma business, we are obviously eventually manufacturing the products, but again, we intend to start with the service in the CRO/CDMO model. Yes, it's coming into products; if we look at manufacturing some of those large cases then they become products.

Nitin Agarwal: I get your line, but is our -- so we are agnostic to whether it's a generic or a period product as well as pharma is concerned?

Mayank Singhal: Well, there will not much of a CRO or CDMO work in generics, but it will be more innovators pipe, that's where we will be focusing. When we look at CRO or CDMO, which has started the innovator side where we work with the innovator at an early stage and take it to commercial because of the regulatory framework. The generics will be a value add in certain select products if we are able to create some differentiated proposition for our customers with our chemistry capabilities..

Moderator: Our next question is from the line of Dhruv Muchhal from HDFC Mutual Fund.

Dhruv Muchhal: In your 9 months for the export business, you mentioned favourable product mix. Yes. So in the exports business, you mentioned that for the 9 months, the product mix and currency is about 12% contribution. I just wanted to understand what we understand is, that in the CSM business or the exports business, the price increase would largely be due to an RM price increase because that gets passed through is what our understanding is. And if that happens, generally the gross margin should decline because your per Kg margin remains broadly the same because you work on a contribution basis. But your gross margins are still improving or still steady. So just wanted to understand, is there some change in the structure? And on currency, that also largely is a pass-through, if I'm not wrong, and in your contract. So does the currency always benefiting in your revenue? Does it also benefit in your EBITDA?

Rajnish Sarna: Yes. Just to explain, first of all, this notion is not correct that there is a per kg fixed or something. That is not the kind of business we are in. Yes, we work on a model where there is transparency on raw material costs, currency movements and conversion costs and any increase or benefits are shared with our partners.

So yes, in the last 1-1.5 years, there is a significant increase in the input cost both in terms of raw material prices and other inputs like fuel, etc. The benefit that you are seeing reflecting in our numbers is, as I explained to the earlier participant also, is mainly coming from improved product mix as we have commercialized more than 10-12 products in last 2.5 years. So product mix is improved. The contribution of some of the existing products, which was different, say, last couple of years versus this year. So overall product mix change is favourable for us. That is one.

Secondly, the operating leverage benefit is also kicking in for us. This scenario was obviously different a few years back when the capacities were underutilized. But yes, this year, those benefits are kicking in for us. And that is what is reflecting in these numbers.

- Dhruv Muchhal:** Understood. On EBITDA basis, I understand the operating leverage benefit. But even on the contribution margin where it is largely RM, if I'm not wrong, where it's a transparent model. So you get to retain a decent part of the -- it seems the efficiency gains or the benefit from higher volumes.
- Rajnish Sarna:** Yes. So that comes from product mix. Because if you look at the contribution level, only 1-odd-percent is the improvement and that is coming from the favourable product mix.
- Dhruv Muchhal:** So it's primarily the product mix, which is helping us maintain our gross margins.
- Mayank Singhal:** Yes.
- Moderator:** Ladies and gentlemen, we take that as a last question. I now hand the floor back to the management for closing comments.
- Mayank Singhal:** Thank you for joining us on this call, and we look forward to a successful year and thanks for all your support to PI. Good evening.

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