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Dear Sir/ Madam,

Sub: Transcript of the Earnings Conference call pertaining to the unaudited financial results for the quarter and nine months ended December 31, 2023

Pursuant to the provisions of Regulation 30 read with Part A of Schedule III and Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, we are enclosing herewith the transcript of the Earnings Conference call held on Monday, February 12, 2024 at 2:30 P.M. (IST) to discuss the unaudited standalone & consolidated financial results of the Company for the quarter and nine months ended December 31, 2023.

Further, please note that the said press release is also made available on the Company's website at <https://www.piindustries.com/investor-relations/co-go/concal-transcript>.

This is for your information and record please.

Thanking you,

Yours faithfully,
For **PI Industries Limited**

Sonal Tiwari
Company Secretary
ACS: 16638

Encl: As above.



PI Industries Limited

Q3 & 9M FY24 Earnings Conference Call Transcript

February 12, 2024

Moderator: Ladies and gentlemen, good day and welcome to Q3 & 9M FY24 Earnings Conference call of PI Industries Limited.

I now hand the conference over to Mr. Siddharth Rangnekar from CDR India. Thank you and over to you, sir.

Siddharth Rangnekar: Thank you. Good afternoon and thank you for joining us today at PI Industries Q3 & 9M FY24 Earnings Conference Call.

Today, we have with us senior members of the Management, including:

- Mr. Mayank Singhal – Executive Vice Chairperson and Managing Director
- Mr. Rajnish Sarna – Joint Managing Director
- Mr. Manikantan Viswanathan – Chief Financial Officer
- Mr. Prashant Hegde – CEO, Domestic
- Mr. Atul Gupta – CEO, Exports and
- Mr. Anil Jain – Managing Director, PI Health Sciences Ltd.

We shall commence the call with key perspectives from Mr. Singhal. After that, we will have Mr. Manikantan to share his views on the financial performance of the Company. Thereafter, the forum would be open for interactive question and answer session.

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

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

Mayank Singhal: A good afternoon to all of you for joining the call today for our Q3 Earnings FY24.

Over my remarks, I shall come about aspects of strategic and operating progress that we have made in the Company. I am glad to report a good set of results for Q3. Let me briefly cover the highlights. PI has recorded an 18% growth in Q3 over the comparable period of last year. Our EBITDA and PAT has shown a good improvement coming at 34% and 28% respectively.

In recent times, we have seen industry dynamics and global geopolitical tensions, climate change creating adverse impacts on the working pattern of AgChem industry. Owing to its own imperatives, we have seen China offloading material in global markets. Consequently, trade channels are yet at a high inventory and the flow of products from manufacturers is therefore impaired. Certain geographies are more impacted than others internationally, but at an overall level, generic products that are the most popular are tracking declines month-on-month.

PI stands apart as a unique business model, owing to its robust model with a differentiated portfolio of molecules in exports, a range of brands comprised specialized products. Our respect for IPR and meticulous execution and continuous investment in innovation are the supportive pillars of this model.

The growth you are seeing in exports for us is a result of our focus on early-stage patented molecules that are still growing in many countries and obtaining registration in several others. We track the entire arc of growth from beginning to maturity. Our track record of meeting global requirements of some of the largest IP holders over the years has strengthened mutual respect and the relationship we share. In fact, PI ranked among the top three CSM companies in the world and has truly marked the complex operations involved due to the demonstrated capabilities in technology and advanced processes. Our relationships with global innovators has grown very deep, both at the product sourcing level and also in process research and process innovation where our expertise is drawn upon. Over the years, we have supported the growth of advanced molecules of innovators and given the pipeline we have built, this cycle is continuous. It is a kind of natural virtuous cycle replenishing itself with the pipeline of products and new engagements.

Our domestic business is again well poised to tap into the potential of early-stage molecules that are being launched by us as brands. Whereas others have seen subdued performance owing to monsoon deficit in the south, depleting reservoir levels, elevated inventory levels for row crops, our emphasis has been on driving high quality revenue with better margins. Our superior product mix and disciplined working capital management have contributed very well, which again is incredibly unique to us. We have been developing the horticulture category as well and these brands have shaped up well. Creating value for farmers of fruits and vegetables across the key geographies through Jivagro, India's only horticulture specialists, we have 60 brands. Biological and Bio-Nutrients have also grown strongly for us. We have a portfolio of 8 products, 2 have been well entrenched over 2 decades.

As we look into the future in exports, we have steadily been working towards diversifying our mix. Whereas growth is coming from molecules in the AgChem and shall continue to come, we have grown our footprint well beyond AgChem. We have established strong capabilities in the high-quality markets for electronic chemicals and other specialty chemicals. A significant growth is originating from the new products, more than 50% growth during Q3 has come from here. Beyond this, we have visibility up to 50 new molecules in the R&D pipeline. The share of non-AgChem molecules in new enquiries have grown 30%. The proportion of new AgChem molecules that have a good runway growth ahead of them will see higher commercialization and will account for

about 30% of commercialization going ahead. These will get commercialized in the future with each product giving us a growth curve as it matures. Similarly, on the domestic side, our strategies of introducing novel molecules with underlying performance, we launched 5 new products in the current fiscal year. Over the last 3 years, we have found wide acceptance, which helped us mitigate the revenue decline in the industry. Our recent launch of brands has seen a healthy uptick such as insecticide CLARET for paddy, herbicide EKETSU, a newly patented rice herbicide, fungicide KADETT® for soyabean and groundnut and Bio-fungicide PIIILIN® for grapes and Chili. We have a robust pipeline of over 20 products both under registration and development and will drive growth in the years to come. Our team is intensively working on the field to hand hold farmers in the nuances of right usage of the products thereby generating loyalty towards our brands. We have launched a brand called AMINOGROW, which has met with a good response. Bio-Nutrients represent a growing category of products within farming.

Moving on to our strategic objectives, as our strategic objective of diversifying into pharma has been achieved, we are prioritizing the process of integration of the facets with the help of a global consultant. PI as Health Sciences is working towards potent integration of CRO-CDMO-API platform, which we call CRDMO which shall deliver comprehensive solutions to our clients. Our work continues to enhance and modernize the set-up and capabilities and technological initiatives at both research and manufacturing location in India and Europe. Investments are also being made towards building a strong resource base in order to support the need for the big pharma and biotech clientele, thereby intensifying the new business development pipeline.

We believe that the pharma business is moving in the right direction and on the path to build a future growth engine for PI. Whereas I alluded to this earlier in my remarks, PI's stature in the business is stronger owing to the initiatives of science and technology. We are truly proud of India's only fully integrated AgChem Company. We have the only integrated single site research centre encompassing chemical synthesis, biological evaluation to process development to scale up under one roof in Udaipur. Our R&D setup engages over 800 scientists, researchers as mentioned, who have filed over 155 patents, they are focusing on unique building blocks that will give us opportunities across industry verticals and lead us to the newer capabilities and ultimately in creating new business. Over the years, the attribute has translated into stronger business patterns and a deep and wide pipeline of yet to be launched molecules.

Now, just an update on the ESG. Sustainability is a culture rather than an obligation. Our passion is defined by the purpose of reimagining a healthier planet. We have improved S&P Global Score, a corporate assessment ranked in the 95th percentile as well retained ECOVADIS gold medal with achievement of 98th percentile ranking. PI has featured in S&P Global Sustainability in a yearbook for 2024, thus giving us a distinction mark amongst the best ESG rated companies globally. Initiatives to uphold ESG are integrated well within the planning and operating for the business. Thus, as we grow business, we are doing so with great responsibility.

We continue to actively seek and evaluate new opportunities in the inorganic domain in line with our strategic and operating aspirations, to complement the growth seen in our business. The outlook for this year remains positive and we are on the path to delivering guided performance for FY24.

This brings me to the end of my remarks. I would now like to request Manikantan to take this forward and once again thank you all for joining this call today and to be a part of our growth story. Over to you, Mani.

M Viswanathan:

Thank you, Mr. Singhal. Good afternoon, everyone on the call today. I will summarize the Company's financial highlights for the 3rd quarter ended 31st December 2023. Please note that all comparisons are on a Y-o-Y basis and therefore to the consolidated financial performance.

As Mr. Singhal has shared, our performance demonstrates a differentiated approach to doing business and a sharp focus on keeping operating parameters in line with objectives.

To share the performance highlights, during Q3 FY24, we reported a revenue of Rs.18,975 million, a growth of 18% over the same period of last year. This was driven by growth in exports revenue by 23% to Rs.16,310 million and a 6% decline in domestic revenue to Rs.2,665 million. Gross margin and EBITDA improved mainly on account of favorable product mix, operating leverage, and one-time impact of recovery of theft material, contributing around 300 basis points improvement in EBITDA. Profit after tax increased by 28% to Rs.4,486 million, attributable to EBITDA growth and lower effective tax rate.

Let me also cover YTM performance for FY24. YTM 31st December revenue was Rs.59,248 million, a growth of 20% over the same period last year. This was driven by solid growth in export revenues by 29% to Rs.48,269 million, which is a 7% decline in domestic terms to Rs.10,979 million. Profits after tax improved by 38% to Rs.13,120 million. The effective tax rate for YTM was 11.56% due to growth in export revenue.

Cash flows from operating activities increased by 16% to Rs.11,561 million and Rs.12,889 million excluding pharma. This was due to higher EBITDA on efficient working capital management. The trade working capital in terms of number of days has reduced by 10 days to 80 days compared to the previous year. Inventory levels also reduced in terms of days to approximately 59 days to Rs.12,743 million.

Our balance sheet further strengthened during the year. Network increased to Rs.84,508 million as on 31st December 2023. YTM CAPEX stood at Rs.9,001 million, including pharma acquired assets for Rs.4,972 million and is in line with the plan. Surplus cash, net of debt is Rs.32,926 million as on 31st December 2023. Our balance sheet and cash flow have stood robust in line with clear financial strategy and disciplined execution, thereby enabling superlative performance.

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

Moderator:

The first question is from the line of Aditya Jhawar from Investec. Please go ahead.

Aditya Jhawar:

One of our key products, Pyroxasulfone, if you can highlight which are the key markets where the registration process is still on, that is #1?

Rajnish Sarna:

There are several countries, but since these registrations are being done by the Innovator and not PI, we would not have the detailed first-hand information.

Aditya Jhawar: How much pricing erosion we have seen, do we have some market intelligence for the markets where the product has become generic like Australia or Argentina?

Rajnish Sarna: We don't have first-hand information but the market intelligence suggests that the price erosion was 10%-15% in the initial year.

Aditya Jhawar: You mentioned some commentary on the CAPEX front. So, what kind of CAPEX intensity we should expect in FY25 and what could be your guidance going into FY25, sir?

Rajnish Sarna: Well, the lot will also depend on the R&D pipeline's progress, but we expect an annual capex of Rs. 600-800 crore for organic growth. We will have more clarity on this by the Q4 end.

Aditya Jhawar: Sir, from growth perspective, you have not spelled out FY25 guidance yet, but from a near to medium-term perspective, how is the visibility on growth?

Rajnish Sarna: We will have specific guidance at the end of the 4th quarter, but as of now, we maintain our earlier indication and are confident of sustaining this growth momentum.

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

Ankur Periwal: My first question was on the pricing cut. Typically, historically, seeing that across the innovator molecules or the products that we have been working on, what has been the worst-case pricing cut that we would have seen historically?

Rajnish Sarna: Since we are working across the value chain, I am not very clear if your question is for our manufacturing or marketing in India.

Ankur Periwal: On the patented CSM side, you did allude towards around 10%-15% pricing cut that we have seen till now given the product getting generic in some of the key markets globally, earlier experience?

Rajnish Sarna: I think the question was about the price reduction in one of the markets where the product has gone generic, not the price cut we have seen in our supply.

Ankur Periwal: No, no, not you have seen, the final product pricing was what I was referring to.

Rajnish Sarna: Yes.

Ankur Periwal: On the similar lines historically for any patented product turning generic, what has been the worst-case pricing cut we would have seen, a broad range would be helpful?

Mayank Singhal: Aditya, there is nothing like worst case or best case, I mean if you look at the industry and being in the sector, you know this better, it is quite a standard approach where price and volume curves play up in the industry. So, there is nothing which you can really say what is worse and what is good. Again, as you know once the volume picks up, costs also change. So, the price is determined by the product segments. As I was mentioning, the spectrum of price cuts is dependent on various factors. The innovator is the one who guides the prices in the market.

Ankur Periwal: Second question is on the growth part. While we are not guiding anything in particular this quarter, but directionally you did mention, we will maintain the growth momentum. Trying to understand from a new product ramp up perspective, since we have been pretty reasonably aggressive in terms of our launches over the last 2-3 years, any of the products across agri and non-agri side which are seeing a good ramp up from the client perspective on the CSM side?

Rajnish Sarna: As we have also indicated that, for example in this current quarter, there is significant growth contributed by the new products commercialized (more than 60% growth). Likewise, we have a good visibility of many of these new projects, contributing to the growth in the 4th quarter as well as in the coming year.

Ankur Periwal: Lastly, on the domestic market, any timelines or thoughts on the revival or growth uptick of which you can share?

Prashant Hegde: In the domestic market, we expect the challenges to continue in Q4 as well because of the external conditions. However, our new products have really done well even in the domestic market, especially in Chili and seasonal vegetables, which was the major focus crop as well as on wheat.

Moderator: Next question is from the line of Madhav Marda from Fidelity International. Please go ahead.

Madhav Marda: I have a couple of questions. The first one was given whatever slowdown we have seen in the global AgChem space, has there been any change in our engagement with our clients in terms of new products or have you seen any clients saying that we want to go back to China now versus sourcing from the larger Indian CMO companies, has there been any discussion of that sort?

Rajnish Sarna: We have not seen any change in our engagement. In fact, these engagements have only gone deeper with the customers and strategic partners. As explained earlier, since we focus on early-stage molecules, the kind of headwinds that we are seeing and customers evaluating China as an alternate are not relevant situations for us.

Madhav Marda: My second question was slightly more basic one like in the pharma piece, when we talk about the kind of projects that we want to do with the biotech or big pharma customers. Is it basically doing research for them at phase one, phase two, phase three kind of stage or what kind of projects are we doing, if you could give some more sense on the business model would be very helpful?

Mayank Singhal: The business model is that of a CRO contract research services supporting early-stage discovery services for innovators.

Madhav Marda: So, then the growth comes from engaging with them like phase one, phase two and then as the molecule progresses through, we scale up the business, is that how we should think about it going ahead?

Mayank Singhal: Yes, and as you know this is a long gestation period business. We are doing the same for this business and we are focusing on the innovative pipeline.

Madhav Marda: Anything that you can share like any specific, how many big pharma clients we are engaging with or how many biotechs we are engaging with, any color on the business as it stands today will be helpful?

Mayank Singhal: Some of these are under confidential agreements as you would understand because it is already in the innovator space. So, yes, we are working with a few, and you would appreciate that we just started and we are building the capabilities and then we are going to be looking at expanding our platforms as well.

Moderator: The next question is from the line of Sumit Kumar from Kotak Securities. Please go ahead.

Sumit Kumar: My first question was relating to the one-off gains that we have seen in Q3. So, in quantity terms, how much was the one-off gain in Q3?

Rajnish Sarna: This was pertaining to the recovery of the theft material and the amount was close to Rs.70 crore. Since the inventory cost related to that material was already accounted for in the previous quarter, this one-time gain and its impact on gross margin and EBITDA is highlighted in our result release also as the one-off item.

Sumit Kumar: But sir in Q3, we had mentioned that the items that were lost in transit was worth Rs. 410 million. So, how did we re-evaluate this to Rs. 700 million?

Rajnish Sarna: That was the inventory cost.

Moderator: The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Sir, I was saying on the FY24 guidance, we talked about 18%-20% growth in the agrochemical business for FY24 if this is correct. For 9M, we have done 15%. So, how should we look at the full year, more towards the lower end of the guidance?

Rajnish Sarna: Yes, we had indicated close to 18%-20% YoY growth in FY24. While the domestic growth as explained earlier by Prashant is subdued and we will have to see how things pan out in the last quarter, we are still confident to achieve the original guidance of 18%-20% for agrochem exports. To be safer, on the lower end of this guidance.

Nitin Agarwal: Just to be clear, our guidance is only for agrochem part of the business, right?

Rajnish Sarna: No, it was for overall business.

Nitin Agarwal: Including the pharma?

Rajnish Sarna: Yes.

Nitin Agarwal: Secondly, for the quarter on the gross margin, even if we make the adjustment for the one-off item that you talked about, I mean, the gross margins are higher than the previous sort of levels. Anything has changed in this quarter for the gross margins and how should we look at the sustainable number for this gross margins for the business?

Rajnish Sarna: We had focused on a favourable product mix rather than the volumes, particularly in the domestic business where there was a choice of chasing the volumes by liberalising credit norms and also pricing. This is the key contributor to this improvement in the EBITDA margin apart from the one-off that we have seen. Even in our exports, we have seen that because of the growth of new

projects. Going forward, in terms of EBITDA margin, we believe that around 25%-26% should be a sustainable level.

Moderator: The next question is from the line of Vivek Rajamani from Morgan Stanley. Please go ahead.

Vivek Rajamani: Just one clarification before I ask my 2 questions. You mentioned earlier that over 60% of the growth in this quarter has come from the new products. Am I correct?

Rajnish Sarna: Yes.

Vivek Rajamani: Just related to that, the first question was, would it be possible to share what the contribution of these new products would be as a percentage of your overall portfolio today and where do you see this going say in the next 2 years?

Rajnish Sarna: Well, we don't have this data in front of us, but yes, this quarter's growth was more than 60% contributed by new products.

Vivek Rajamani: Just one clarification here. When you say new products, that would mean the products that you have been working on say in the last 1-2 years.

Rajnish Sarna: Yes, last 3 years.

Vivek Rajamani: The second question was just in terms of the broader industry challenges that we have been seeing with respect to the farming space, are these new products not getting affected in a big way, would that be a fair statement?

Rajnish Sarna: Yes, because these products are still in their early stage, they are still growing, they are also getting registered in the newer geographies, etc. It is quite natural for these products to continue to grow for the next several years.

Moderator: Next question is from line of Ramesh Sankaranarayanan from Nirmal Bang. Please go ahead.

S Ramesh: In the pharma business, you have indicated Rs. 350 million development expenditure year-to-date. Can you explain what is the nature of these developments expenses and what are the kind of run rate we should expect say in FY'25 and FY'26, and when do you expect this to kind of grow, how much will that be?

Rajnish Sarna: Well, the development spend is in terms of augmenting resources in R&D, in business development, in managerial/commercial areas, setting up new systems and processes wherever there is a scope found during the integration of acquired assets. The development spending is also towards a lot of infrastructure improvements that we have made or we are making right now. Since we are still in the process of completing this integration process, it is difficult to indicate what would be the development spend in the next few years. We will have clear visibility of the scale-up of the newly acquired businesses and development spending over the next few quarters.

S Ramesh: On the balance sheet details, you have given the pharma assets and liabilities. Can you share the current assets and current liabilities in pharma if it is possible?

Rajnish Sarna: Yes, that we can share on the sideline. You can get it from our finance team.

S Ramesh: In terms of the pharma business, there is improvement in terms of your revenue and adjust for the Ind AS, there is improvement in the EBITDA and before development expenditure, EBITDA margin were 16%. How do you see the revenue run rate for the next 3-4 quarters and before development expenditure, what is the kind of EBITDA margin you would expect say by end of FY25 and FY26?

Rajnish Sarna: We will have much better visibility of what is the revenue scale-up and the margin profile in FY25 and FY26 in the next few quarters. But on broad terms, once this development phase of a couple of years is over, we would surely expect the EBITDA margins and other financial parameters to be in line with PI's core business today.

S Ramesh: One last part on the CSM business. This entire Rs. 800-900 crore of CAPEX will be on CSM. So, while you have in the past said you should not look at the asset turn. But where are these investments going in terms of developing your capabilities and eventually what are the kinds of incremental growth in revenue one can expect based on this sort of CAPEX over the next 2 years?

Rajnish Sarna: Organic growth CAPEX is mainly into capacity expansion and new technologies, capability building for which we are investing in R&D and kilo lab, pilot plant. The asset turns today are around 2-2.25x, and we expect similar kinds of asset turns to continue in future as well for this business.

Moderator: Next question is from the line of Amarnath from Ministry of Finance of Oman. Please go ahead.

Amarnath: Sir, I just wanted to have a clarification on those news items which came to the media a month and a half back relating to some competition in the China is building up, huge capacity for the product which you are mainly dealing in and also your major clients somewhere in Japan has given a guidance of very lower growth of their final output, for which you are supplying the input. Any comment or clarification you would like to give because you might have seen this one particular news has impacted your share price quite rigorously, if you want to give certain clarification that how you see this news items impacting your business, it will be helpful for the entire investment community?

Rajnish Sarna: In fact, we had given a clarification to this news item immediately after that news came. But I will again share our view on this topic for the interest of the investor community. Yes, as we all know, every product will eventually go generic. Same way, this product will also go generic at some point. The solo product patent has already expired in a few countries, and in other major countries, it will expire in the next few years.

But the important point to understand here is that in most of the developed markets/countries, the ultimate products sold are the combination-formulations products having a significantly longer patent life than the next few years. Therefore, the impact of the product genericization is not going to be as significant as was articulated in that news item. This is the first point.

The second point is about the new capacity build-up happening in China with some of these companies. Since the market opportunity for the generic would be limited for the next several years because of the first point that I explained, we will have to also see that eventually what kind of capacity will actually come into play in the next several years.

The third important point for us to also appreciate is that when the products go off patent and many generic players come into the market, the ultimate market also grows. The product that we are talking about is in a certain segment, which is a multi-billion-dollar segment, and this product is still USD 600-700 million. Hence, there is huge potential/headroom for growth in the years to come, even when there will be generic competition. And we, being one of the major suppliers and manufacturers for the last almost 8-9 years, strongly believe that there will be a strong position that we as a Company will have, that is the fourth point.

The fifth important point for us to appreciate is that PI is not a one-product Company. As we have already explained a few times, PI has a diversified portfolio. In export, we have more than 20-22 products, and every year, 5-6 products are getting commercialized, and these products are now driving growth for the business and the Company. Even in this quarter, more than 60% growth is contributed by some of these new projects which were commercialized in the last 2-3 years. And going forward also the growth will be driven by many of these newly commercialized products. With our diversified portfolio in ag chem and other speciality chemicals, e.g. electronic chemicals, the sheer revenue and the margin risks articulated in that news item are highly exaggerated. I hope this answers your question.

Amarnath: My second question is with respect to your diversification towards this pharma business. As your results show that the growth is quite robust, just to get an idea, how quickly you have a plan to make this pharma business quite a bigger part of the total revenue pie? Say, at the moment it is quite small. Without going to the detailed guidance which you may not be able to give, just to give an idea, this diversification drive which you just started a few years back, how quickly it could get a momentum to make certain material difference at your profitability level?

Rajnish Sarna: Right, this diversification drive we have been working on for some time. In our exports, close to 30%-35% of our new enquiries and new projects that we are commercializing, are coming from non-Agchem areas. Besides, our diversification into pharma will also balance the overall business segmentation and business growth. Our objective is over the next 4-5 years, more than 20%-25% of our Company's revenue should be from non-AgChem areas including pharma as well as our portfolio of non-AgChem in our CSM exports. We are progressing well in that direction.

Amarnath: This 20%-25% contribution by how many years, sir – 3-4 years?

Rajnish Sarna: 4-5 years as I said.

Amarnath: Because of these red seas related problem and the shipping disturbance, which is happening, is your Company getting impacted due to this which can create problems for the transportation and exporting to the US side?

Rajnish Sarna: There is certainly some impact in shipments to Europe and the US. And accordingly, the supplies are being planned. Obviously, costs have increased on some of these shipments, which have also been discussed and accordingly shared with our customers.

Amarnath: The incremental costs relating to this, will you be able to pass on to the customer or it will add on to your expenditure?

Rajnish Sarna: No, in most cases this will be passed on because this is the general understanding we have with our customers.

Moderator: Next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Generally, I understand that we have a calendar year contract. So, when we had our negotiations during the last few months, how has been the mood from the global agrochem players in terms of the volume lift up for this calendar year, are there any delays that we are experiencing or they are still in wait and watch mode, any comments on that?

Rajnish Sarna: That varies from product to product, but generally, we have not seen any significant change. With the kind of products that we are working with our global customers, we have seen good momentum and effort in finalizing the businesses for the next campaign.

Rohit Nagraj: The second question is on pharma bit. There are 3 sub-questions. One is the one-time development expenditure, is it over or will it continue? The second thing is in terms of the EBITDA and EBIT difference, there will be an interest cost. So, how do we justify, given that we have cash on our books, why this interest is being paid? And a third thing is we have also shown the segmental results for last year same quarter. So, what was the pharma segment during that time?

Rajnish Sarna: Regarding your first question, yes, development spend may continue for a quarter or two because we are still trying to optimize things. Regarding your second question, I think it would be good if you connected with our finance team for these line items. What was your third question, please?

Rohit Nagraj: Sir, last year same quarter also, we have given the bifurcation in terms of segmental data. Last year I understand, we did not have pharma.

Rajnish Sarna: In the 3rd quarter of last year, we had no pharma. If you see in the investor presentation, close to 10% is coming from pharma and the remaining 13% from our AgChem exports.

Moderator: Next question is from line of Vishnu Kumar from Avendus Spark. Please go ahead.

Vishnu Kumar: Over the last 3 years, we have more or less doubled our CSM with limited CAPEX. I mean, annualizing Rs. 300-400 crore. Going forward, as we look for a similar run rate of growth, is this the CAPEX similar numbers or we have maxed out wherever efficiencies can and we need to invest a bit more CAPEX, just some understanding on this?

Rajnish Sarna: I am not too sure about your number of Rs. 300-400 crore capex. I think it would have been more in the earlier years as there is always a lead and lag in CAPEX investment and revenue realisation. So, whatever revenue growth you have seen in the last few years has also come from the investments or CAPEX that we would have made two years back. But having said, yes, we have taken many initiatives to continuously improve the existing facilities' throughput. I think in the last couple of years, we have made a 10%-15% capacity enhancement through improvements in our capacity throughput every year. Going forward, as I indicated to the earlier participant, we anticipate close to Rs. 800-odd crore CAPEX every year while we will surely be working on further throughput improvement through technologies such as flow chemistry, etc., we

are already commercializing a few products and I believe that will also help us further improve our overall asset turn business. Atul, you may want to add something to what I have already said.

Atul Gupta: The major focus is on the investment in the technologies in the coming years, and of course we have been continuously working on our capacity utilization of our existing assets by way of improving the efficiency plan and that is where 10%-15% capacity is being improved on every year basis.

Vishnu Kumar: In one of the previous participant's question on margin, you highlighted that we settle around 25%-26% on EBITDA margin. This quarter if we look at the gross margins, there seems to be some significant improvement and obviously our overhead investments have led to a slightly lower EBITDA as compared to what the gross margin is. So, looking ahead, when you say 25%-26%, do you expect some pricing cuts from the customers as you go forward in the next year or the investments and overheads will keep you at 25%-26%, because optically it looks like this number can be even more at the current gross level?

Rajnish Sarna: We don't anticipate any reduction, but it is also to do with product mix, it is also to do with development spending that we believe we would be making not only into pharma space but even in agchem, biologicals and areas. Therefore, we suggest considering 25%-26% rather than being speculative basis of 1-2 quarter results.

Vishnu Kumar: The tax rate guidance if you can give for this year and next year?

M Viswanathan: This year will be around 14%-15%. Next year may be in a similar range, but we need to confirm. We will confirm in the next quarter.

Vishnu Kumar: Versus this 25% normative rate, when will we be having the delta from 14%-15%, will you catch up for the next 2-3 years or this 14%-15% will continue for at least couple of years?

M Viswanathan: That will continue at least for one more year. But as I said, we need to confirm that as there are other computations.

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

Rajnish Sarna: Thank you, gentlemen for joining on this call. We really appreciate your continued interest and support in this growth journey of PI. Thank you so much and have a good day.

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