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BSE Limited Corporate Relationship Deptt. PJ Towers, 25th 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**

Dear Sir/Madam,

Sub: Transcript of the Earnings Conference Call for the quarter and financial year ended March 31, 2023

Pursuant to Regulations 30(6) read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, we are enclosing herewith the transcript of Earnings Conference Call held on Friday, May 19, 2023 to discuss the Audited Financial Results for the quarter and financial year ended March 31, 2023. The link to access the transcript of the Earnings Conference Call is https://www.piindustries.com/investor-relations/co-go/Concal-Transcript.

Thanking you,

Yours faithfully,
For PI Industries Limited

SONAL RAMANAND TIWARI

Digitally signed by SONAL RAMANAND TIWARI
Date: 2023.05.26 14:49:44 +05'30'

Sonal Tiwari
Company Secretary

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PI Industries Limited

Q4 & FY23 Earnings Conference Call Transcript
May 19, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY23 Earnings Conference Call of PI Industries Limited.

As a reminder, all participants' 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 call, please signal the operator by pressing "*" then "0" on your touch-tone phone.

I now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you and over to you, Mr. Solanki.

Nishid Solanki: Good afternoon, everyone and thank you for joining us on PI Industries' Q4 & 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
- Mr. Atul Gupta – CEO, CSM Agchem , and
- Mr. Anil Jain – MD, PI Health Sciences

We will begin the call with key perspectives from Mr. Singhal. After that, we will have Mr. Manikantan share 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 may be forward looking in nature and a disclaimer to this effect has been included in the investor presentation shared with you earlier and available on stock exchange websites.

I would now like to request Mr. Singhal to share his perspectives with you. Thank you.

Mayank Singhal: Good afternoon, everyone and thank you for taking out the time to join us today. We have assembled to review the fourth quarter and annual performance of the Company.

FY2023 witnessed unprecedented challenges. Global economic activities experienced a widespread, sharper-then-anticipated slowdown, and inflation has risen. The cost-of-living crisis, tightening financial conditions in most of the global regions followed by Russia's invasion of Ukraine, and the lingering effects of the COVID-19 pandemic have all hurt the economic outlook.

Against this backdrop of the overall business and operational environment of 2022-23, I am very pleased to report that we have delivered on our ambitious financial targets, revised upwards in Q3. Team PI has excellently continued the growth momentum of revenue and EBITDA during Q4 and for the full year '22-23. This growth came despite the aforesaid challenges in the last year's high base both in domestic and exports. I thank all PI team members for their winning spirit and our business partners for their continued support and trust in our relationships.

PI model continues to deliver. Year-on-year, our revenue growth for FY23 came in at 23% with an EBITDA increasing by 35% and a profit after tax of 46%. Further, a laser sharp focus on net working capital management significantly improved the cash flow from operation activities to nearly 3x of that of FY22.

Given our growth disposition, we delivered a healthy accretion to free cash flows and investments in capacity creation and new research. In line with the continuity of superior delivery of results, the Board of Directors have recommended a dividend of Rs. 5.50 per share (face value Rs.1) thereby giving a shareholder total dividend of Rs. 10 per share for the year FY22-23.

I will also take this opportunity to convey yet another milestone in PI’s journey. With the twin acquisitions in the pharma CDMO and CRO space announced on 27th April 2023, these acquisitions mark a solid and accelerated beginning of the PI journey in the pharma space. Our unique ability to build concrete offerings from abstract situations and leveraging our capabilities across the complex chemistries in the value chain and business processes will continue again to create a differentiated value proposition to our stakeholders.

With the advanced range of crop-protection brands, the domestic business has thrived at a 12% annual growth with 8% volume, and 4% price increase in FY23. Our new launches in the recent few months have witnessed good acceptance with a portfolio of new brands and brand launched over the past few years, we have established leadership in the respective categories. During FY23, we delivered one of the highest number of launches of new brands in the industry in a year. We have a strong pipeline of products at different stages of development and continue to enhance our portfolio with a differentiated offering.

India exported $24 billion plus worth of chemicals in FY22, the highest level achieved since the year 2015. In another 15 years or so, India is expected to have a chemicals market of $850 billion to $1,000 billion accounting for about 10% to 12% of global share. Specialty chemical exports from India are slated to scale 10x between 2023 to 2030 in line with the growing consumption in the consumer, agri and industrial space. As per CRISIL, Indian Ag-Chem is slated to grow 10% to 12% in FY24 with exports accounting for 50%. Concurrently, the China+1 phenomenon and the decline of the EU as a chemical industry powerhouse will support growth for India. India is naturally well placed to absorb this new demand on account of development of the value chain backed by its finesse in chemical engineering and technologies.

In the recent past, the specialty chemicals industry has been witnessing some headwinds with the US seeing recessionary pressures and Brazil expecting elevated channel inventories. Similarly, demand for the agrochemicals is said to be getting lower in the EU and China as well, but all this is more relevant to the generics and more matured products in the market.

PI, which is mainly engaged in the early-stage molecules, the demand scenario for such products largely remained unaffected given the inherent nature of its model. We continue to work with partners for the global requirement for their new molecules.

PI has meticulously developed the business model over the years that works best for the innovators and ensures high quality and timely supply of next-gen products to global requirements. The quality and the quantum of order book and the pace of inquiries, testify to our renown for developing advanced solutions. Over the years, we have diversified our client engagement to cover newer markets, products/, crops, segments. PI's competitive advantage lies in technological edge, world-class infrastructure ensuring sustainable operations, and enduring relationships with global innovators/large MNCs .

I am confident of the underlying momentum in our core businesses and expect the Company to deliver an 18% to 20% growth momentum with better margins in FY24. The pace of commercialization of new molecules has increased year-on-year, which is apparent in our performance. We expect to continue this pace with 4 to 5 molecules yearly and record scale-ups of existing molecules.

Our recent foray into the pharma CSM, through announced acquisitions presents a well-defined pathway into the pharma ecosystem with the help of integrated approach from R&D starting materials, API, and single-stop solutions to our customers.

Once again, ESG remains the core of our initiatives. It is a way of life at PI. I am pleased to report that team PI received several accolades during the year reorganizing our long-term quality, CSR, and safety programs. PI is committed to inclusive and responsible growth aligning with the SDGs and creating a long-term sustainable solution towards the purpose of reimagining a healthier planet.

With that, I now conclude my remarks and would like to invite the CFO – Mr. Manikantan, to take you over the statements of financial performance. Over to you, Mani.

Manikantan V: Good afternoon to everyone and thank you for joining us on the call today.

I will be summarizing the Company's “Financial Highlights” for the fourth quarter and full year ended 31st March 2023.

Please note that all comparisons are on a year-on-year basis and refer to consolidated performance of the Company.

During Q4 FY23, we reported a revenue of Rs. 15,656 million, a growth of 12% over the same period last year. This was driven by growth in exports revenue by 15% to Rs. 12,814 million and 1% increase in domestic revenues to Rs. 2,842 million.

The export revenue growth of 15% was led by price and a favorable product mix of 17% offset by volume decrease of 2%. Domestic growth of 1% year-on-year was driven by volume increase of 2% offset by a price decrease of 1%. Our gross margin improved by 74 basis points to 45% due to favorable product mix. EBITDA increased by 13% to Rs. 3,440 million for the quarter driven by operating leverage benefits and tight control on fixed overheads.

Profit after tax increased by 37% to Rs. 2,806 million is attributed to EBITDA growth despite high depreciation. Cash flow from operations before tax during Q4 FY23 was Rs. 5,729 million. This was due to higher EBITDA and efficient working capital management. The trade working capital in terms of number of days of sales reduced to 79 days vis-a-vis 103 days as on 31st March FY22.

Let me cover the "Annual Performance" for FY23:

Revenue was Rs. 64,920 million, a growth of 23% over FY22. This was driven by solid growth in export revenues by 26% to Rs. 50,304 million and 12% increase in domestic revenues to Rs. 14,6165 million. 26% growth in exports was driven by scale up of existing products and introduction of 4 new products. The growth was led by volume growth of 11% and 15% from price and favorable product mix. Revenue growth of 12% in the domestic segment was driven by a price increase of 4% and balance from volume growth.

Rising input costs were offset by efficiencies and price increase in exports and domestic. EBITDA increased by 35% to Rs. 15,489 million for the year. Favorable product mix and significant increase in operating leverage reflected an improvement in the EBITDA margin by 223 basis points to 24%. Profit after tax improved by 46% to Rs. 12,295 million on account of ETR (effective tax rate) improvement of 14.9% due to growth in export revenue.

Our balance sheet further strengthened during the year. Net worth increased to Rs. 71,985 million as on 31st March 2023. Total CAPEX for FY23 stood at Rs. 3,385 million and is in line with the plan. Inventory levels also reduced in terms of days of number of sales approximately to 79 days to Rs. 13,976 million. The Company repaid its entire ECB loan during FY23 and maintained its strong liquidity position. Cash generated from operations before tax during FY23 was Rs. 17,572 million vis-a-vis in FY22 of Rs. 7,038 million including efficient working capital management leading to significant improvement in the cash position.

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

Moderator: We will take our first question from the line of Aditya Jhawar from Investec. Please go ahead.

Aditya Jhawar: My first question is that we acknowledge that inventory situation for generics is much more as compared to innovative product, but keeping that in backdrop, a volume decline of 3% in this quarter, if you can throw some light, are you seeing a change in production schedule of customers and are you also seeing that there is a commentary which is suggesting that deferment of procurement by farmers? And in that backdrop, how is the volume momentum looking over the next few quarters?

Rajnish Sarna: Yes, as you explained, the backdrop of falling generic prices given the overall inventory in the channel is fine, but in case of the products that we operate in the early-stage molecules, we are not currently witnessing any kind of significant change in the demand scenario for us going forward. As far as Q4 volume decline that you are referring to, this was in line with the annual plan because there were supplies scheduled of different products for different customers in Q1 to Q3, and accordingly as per the planned schedule, certain quantities were scheduled in Q4. Therefore, volume degrowth and the overall value in Q4 is absolutely in line with our plan. In fact, overall FY23 , we have finally delivered better than what we had anticipated for this year for our exports, and this is obviously based on the surge in some of the existing and new products that we commercialised.

Going forward, in the coming quarters as we have also guided again, we are seeing a similar trend. We are expecting 18% to 20% growth. Yes, in certain quarters, this growth may be higher. In certain quarters, again, basis the schedule, growth may be a little lower than 18% to 20%. But overall, for the year FY24, we are very confident, and we have a very clear visibility of growing this business by close to 20%. I hope this answers your question.

Aditya Jhawar: One bookkeeping question, sir. When we look at the export database, that and what numbers PI has reported, there is clearly a difference of about $50 million. In terms of revenue recognition, do we recognize the revenue once the shipment reaches, or it is based on the export?

Rajnish Sarna: This is the basis of different incoterms with different customers and different contracts with different customers. Revenue recognition is in accordance with the accounting standards.

Aditya Jhawar: As a ballpark, which is the large part? After it reaches or when it is shipped?

Rajnish Sarna: As I told you, this is according to the incoterms and contracts with different customers. Obviously, it is not in front of me to tell you what percentage is to what kind of incoterms.

Aditya Jhawar: Final question is on margin if you can throw some light. We saw sequential margin compression. How should we think about margin going into FY24? What are the key monitorable that we should look for?

Rajnish Sarna: Margins, again, if you see in Q4, there is a dip of close to 2.5% in gross margin and that is directly linked to the product mix. As I said earlier, different quarters will have different product mix while in Q3 or Q2, the product mix was different. Even the business composition was different. In Q4, it was slightly different and that the gross margin dip is clearly reflecting the product mix change. Besides, this being the last quarter of the year, there are also annual provisions and charges and there were also one-offs pertaining to some of the strategic initiatives that we were taking throughout the year. That is even less than or around 1% or so. I would consider that to be a one-off kind of case. Going forward FY24, we are expecting to certainly improve our overall FY23 margins. It would be difficult for me to quantify it, but yes, as the volumes, and values are expected to grow by 18% to 20% operating leverage benefits and some qualitative improvements in the product mix, will help further improve EBITDA margins going into FY24.

Aditya Jhawar: My final question is on CAPEX, sir. How should we look at the number combined CAPEX for even the acquired assets in FY24 and FY25?

Rajnish Sarna: As we guided in the last quarter, we have carried over CAPEX of close to Rs. 300 odd crore. We are also expecting to do another Rs. 600 odd crore CAPEX in the core business areas. So overall, close to Rs. 850 crore to Rs. 900 crore of CAPEX we are seeing in the Ag-Chem business areas. In case of pharma, we are still to get into the depth of assessing the current stage but, tentatively, around USD 10 million to Rs. 12 million is what we are projecting in FY24 and these pharma-related numbers will get firmed up once we take full control of these acquired entities.

Moderator: We will take our next question from the line of Vivek Rajamani from Morgan Stanley. Please go ahead.

Vivek Rajamani: One clarification and one question from my side. Just an extension to the previous participant's question on the margins. You mentioned that the dip in this quarter was because of the product mix. I just wanted to clarify; does this product mix typically happen in the Q4? Because, in the last couple of years as well, the Q4 margins have gone a bit below the previous quarters. So, just wanted to check if this is a Q4 phenomenon normally or it is just something that specifically happened in this year?

Rajnish Sarna: I will not say this is a very normal or a regular phenomenon, but yes, every year the scheduling of the product may undergo some change depending on the specific markets or customers or product-specific requirements, but yes, the product mix may vary year to year. There is no fixed trend or there is no specific trend on this for a specific quarter.

Vivek Rajamani: The second question was more on CAPEX. Even after the recent acquisition, we still have a lot of firepower with respect to your balance sheet and cash. Just looking slightly beyond FY24 and FY25, could you just maybe provide some color with respect to your more medium-term ambitions with respect to how you are thinking of deploying this cash?

Rajnish Sarna: We have several strategic initiatives identified for the long-term growth of the organization and obviously this cash on the balance sheet will get deployed over the years as we progress on some of these initiatives. These initiatives include Pharma bolt-ons, strengthening our product portfolio in the domestic market. As you know in the past we have been evaluating, looking at, and are still looking at some of the opportunities of near-shoring and expanding our global manufacturing footprint going beyond India. So, yes, there are several of these strategic objectives that we have clearly identified, and we are actively evaluating several inorganic opportunities to meet these objectives. As we will eventually zero down on some of these opportunities, we will keep deploying the cash on the balance sheet.

Moderator: We will take our next question from the line of Sabyasachi Mukerji from Bajaj Finserv AMC. Please go ahead.

Sabyasachi Mukerji: My first question is a clarification on the growth guidance between the 18% to 20%. This is excluding the pharma CDMO consolidation that will happen, or this is including that?

Rajnish Sarna: This is excluding the pharma consolidation.

Sabyasachi Mukerji: A follow up to that is, if I look at your FY23 revenues which have grown at 23% and the CSM exports basically have grown at 26%. A large part of that also came from the benefit of currency depreciation. What kind of volume growth if I may ask that you are looking at in FY24?

Rajnish Sarna: I would say it will be broadly the volume growth that we are indicating, 18% to 20%, because we are not expecting a significant price movement or currency movement from here. So, yes, it is majorly coming from volume growth.

Sabyasachi Mukerji: Is there any skewness probably towards H1 or H2? You are seeing depending on the client orders and all, will it be back ended, or it will be even out during this year?

Rajnish Sarna: There is no major skewness that we see here. The domestic business is majorly in the first half, at least 60% of it. When we talk about exports, it is evenly distributed in H1 and H2.

Sabyasachi Mukerji: Last question from my side is how should one look at the tax rates for FY24 and FY25?

Manikantan V: For the current year, it is 14.9%; however, for the next year, it will be between 15% and 16%.

Moderator: We will take our next question from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Sir, the first question is on the pharma acquisition. Is it possible to give broadly what kind of asset turns both Archimica and TRM have and what kind of incremental projects that they are working on?

Anil Jain: As Rajnish said in the initial discussions, we are in the phase of detailing it right now. One transaction is closed; the other is under process right now. So, it will take some more time for us to assess that part, I think.

Rohit Nagraj: The second question is particularly from the domestic market. We have been hearing that there is a good amount of channel inventories in the system and an influx of China generics. Will that also have an impact on our products based on the last one and half months of placements that we have done for the kharif season.

Prashant Hegde: Channel inventory we are maintaining as per our practice and strategy which we have been doing for the last few years. I do not see any abnormality in the channel inventory for us. Whatever growth we are forecasting for Q1, we are optimistic and positive about that.

Rajnish Sarna: Just to add to this, PI is in any case into specialized products and not so much into generics and me-too kind of products. So, this steep fall in pricing or channel inventory that is being talked about is not much relevant for us.

Moderator: We will take our next question from the line of Praful Kumar from Dymon Asia. Please go ahead.

Praful Kumar: CAPEX number for next year. What is that? Rs. 1,000 crore is what you are saying?

Rajnish Sarna: Yes, around Rs. 900 crore.

Praful Kumar: Secondly, sir, in terms of your acquisition plans. You said there are a few other opportunities that you are working on. Broadly, I wanted to understand exactly what space, geographies, or alignment to the business they will be?

Rajnish Sarna: That's what I was explaining to the earlier participants. For example, there are certain other technologies that we are evaluating to further strengthen our portfolios of marketing and distribution space. There are opportunities that may also help us derisk our manufacturing concentration in India and have a more global manufacturing footprint near-shoring the markets and all. There are also opportunities that may add more value and help us further strengthen our pharma business model, could be the bolt-ons to that. So there are different opportunities and to meet our long-term objectives, we will be evaluating and suitably deploying our cash on the balance sheet in some of these areas.

Praful Kumar: Finally, Sir, on the asset turn that you incrementally deployed would be similar to what asset turn we have currently, or these are better opportunities?

Rajnish Sarna: This would surely be our objective, but as you can imagine that whenever you get into a new business area or new asset, you will have to make some development spend but after that initial period of integration, yes, this will be our objective to improve on our current financial metrics including asset turns, margins, asset returns, and all.

Moderator: We will take our next question from line of Ankur from Axis Capital. Please go ahead.

Ankur: Sir, the first question on the CSM side. If you can highlight the revenue contribution from let us, say the newer products which we would have launched over the last few years or the freshness index that you usually share in terms of the ramp-up?

Rajnish Sarna: New products commerciased over last 4-5years , 17% to 18% is the revenue coming from those products.Generally, that is the metric we look at.

Ankur: And if I am not wrong, last year this number was around 15% to 16%.

Rajnish Sarna: Yes, 16% to 17%.

Ankur: Sir, on the domestic side as well, while on an overall basis, there is a pricing and volumetric growth and you have mentioned an 8% odd growth for the full year, how has been the ramp-up there from the new products and the older ones? And an allied question to that; is there any down-trading or any slowdown in terms of the uptick in sales?

Prashant Hegde: Overall, in terms of new products, it will continue to grow. We do not see any challenge on the products which we have launched. These are very specialized products and there is a requirement in the market. That is why we strongly feel even this year as well, these products continue to do well.

Ankur: Just a follow up if I may. The working capital reduction that we have seen, an impressive performance there, should we expect that to sustain going ahead as well, especially on the inventory side?

Rajnish Sarna: I would say, by taking some initiatives, we have significantly reduced the working capital particularly on the inventory side as you may know that for the last 1 to 1.5 years because of COVID and uncertainties in supply chain, shipping lines, etc., we were operating at higher inventory levels and working capital levels. By taking these initiatives, a significant part of it we have already normalized in the last couple of quarters. There is still some room and, on both sides, domestic as well as exports side, we will be working on it. There is some scope for improvement, but yes, I would surely exercise caution to not extrapolate from the current levels of improvement.

Moderator: We will take our next question from the line of Madhav Marda from Fidelity. Please go ahead.

Madhav Marda: I just wanted to broadly understand when customers are asking for more near shoring of capacity, I would assume the cost of manufacturing or CAPEX cost would be a bit higher if you were to make the same product in Europe or in the US. What is the key reason for having this near shoring?

Rajnish Sarna: Near-shoring may have many strategic advantages. One is that some of the strategic projects they may want to have closer to their sites, closer to their markets, plus near-shoring also helps in overall supply chain management because there are other people and other suppliers also involved in a particular product. Therefore, from the overall supply chain efficiency point of view, they find it better to have some of the suppliers near-shoring or near the markets or their setups. Some of these reasons are there and obviously, as far as cost is concerned, from our point of view, we would always want to retain the cost advantage that we have been operating..

Madhav Marda: The second question from my side is when we look at our pipeline, you do mention the mix between agrochem and non-agrochem pipeline, but within the agrochem, for example, is the pipeline more to do with new patent that we are looking at or is it more intermediates? If you could give us a broad sense in terms of how does the pipeline mix look like?

Rajnish Sarna: When I look at the two areas, it is more into the IP space whether it is new AIs or advanced intermediates. That is where we play with a little more complex in technological-related products.

Madhav Marda: AIs and advanced intermediates are patented molecules, right?

Rajnish Sarna: A mix of both.

Moderator: We will take our next question from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: Sir, you have mentioned in the PPT the five innovative products we are going to launch in FY24. Can you talk about how many products are patented and any product is a very good product and in the high-opportunity segment?

Rajnish Sarna: As we explained to the earlier participant that most of the products that we commercialized in our exports are early-stage molecules, be it AI or be it intermediate. And even in the domestic area, most of the brands that we introduced are specialty products. patent or no patent, but almost of them are specialty products and many of them are introduced in the Indian market for the first time

Sumant Kumar: I am asking for the domestic market, branded.

Rajnish Sarna: Yes, Domestic market and many are specialized products.

Sumant Kumar: Any product you want to highlight? Likely to do well or high-opportunity area?

Rajnish Sarna: Most of these products whether it is Brofreya® or whether it is Sectin®. Prashant you may want to elaborate on it.

Prashant Hegde: I don't want to get into a product very specifically, but I can say that these products we can do very well on wheat, we can do well on rice, we can do well on horticulture crops, and on top of it, we are adding few biological products and they are crop agnostic. They can move into many other crops. It is a mix of obviously biologicals as well as crop protection products.

Sumant Kumar: Any exceptional item or forex loss and gain in other expenses this quarter?

Manikantan V: The other expense in this quarter includes one-time forex impact due to repayment of ECB loan.

Sumant Kumar: Any one-time expense in other expenses this quarter?

Manikantan V: We have told that there are some one-time expenditures on account of the strategic initiatives as well as some usual year-end, provisions.

Sumant Kumar: Can you quantify that?

Manikantan V: Rs. 25 odd crore.

Sumant Kumar: That is not going to continue in the next quarter.

Rajnish Sarna: Yes, those are annual provisions, and the strategic initiatives are one-off.

Moderator: We will take our next question from the line of Sanjaya Satapathy from Ampersand Capital. Please go ahead.

Sanjaya Satapathy: Sir, if you can just explain to us that your revenue growth is coming despite volume not growing as much, the price hikes, how much of it is because of the product mix change and how much of it is you taking price hike?

Rajnish Sarna: We don't have this much detail in front of us, but as we explained, close to 11% of the growth rin our exports is from volumes and rest has come from change of product mix, price, currency, because we have seen all these things moving and also overlapping. It is very difficult to segregate price from product mix and then to currency.

Sanjaya Satapathy: The primary reason we are asking this is that nowadays mostly we are in a bit of a deflationary environment whereas your numbers are pointing out as if you have been taking a lot of price hikes. So, I was just trying to understand whether it is actual price hike, or it is getting into some different product.

Rajnish Sarna: No, there's no price hike in the current scenario. If you talking about FY23, , yes, there was inflationary impact on the input material prices and as you know, our business model is that these inflationary impacts are passed through to the customer so that we can sustain the margins at which we are operating. And that was the reason of the price increase.

Sanjaya Satapathy: And a related question is that in your guidance you were really looking at the next year, i.e., FY24 as more driven by volume growth than 18% to 20% growth rather than a price increase.

Rajnish Sarna: Yes, because we do not see this inflationary trend and the currency trend moving up from where we are today.

Sanjaya Satapathy: And at the same time, you are looking at better margins. So, it must be because of better utilization and operating cost savings.

Rajnish Sarna: Yes, you are right.

Sanjaya Satapathy: Last thing I just wanted to understand, though you might have already explained that there is a step jump in CAPEX, and the Rs. 900 crore does not include the acquisitions, I assume. This step jump partly is because of the delayed deferred CAPEX. Is that right, sir?

Rajnish Sarna: Yes, we are carrying over close to Rs. 300 odd crore from FY23 as we explained earlier.

Sanjaya Satapathy: And the benefit of this new CAPEX will be realized in FY25 onwards?

Rajnish Sarna: Yes.

Moderator: We will take our next question from the line of Vishnu Kumar from Spark Capital. Please go ahead.

Vishnu Kumar: Just a connected question from the previous participant. Are you currently seeing a deflationary trend starting to play out now? Some RM material that is coming off now and which you would have to pass on to your customers at a later part of the year?

Rajnish Sarna: There is no common scenario here. It varies from product to product. As we were talking earlier, in the case of generics and in the case of many of these commodity chemicals, yes, there is a deflationary trend that we are witnessing. But yes, there are still several of these raw materials, where the prices are quite stable; in a few cases, even increasing. So, it is a very mixed scenario. But yes, as per our business model, whenever we see this kind of downward price improvements we pass-through these benefits to our customers.

Vishnu Kumar: Earlier you used to say that a lot of efficiency gains we were bringing in terms of our manufacturing practices and hence we were able to increase revenue on volumes with a limited CAPEX. Where are we now? Have we maxed out that? And if you could also talk about your Rs. 300 crore carry over plus Rs. 600 crore this year? Also, next year, what kind of agrochem CAPEX you will be doing over the next 24 months, and how many new multipurpose plants if you can give some commentary on this?

Rajnish Sarna: Over the last 2 years, we have taken a lot of initiatives towards increasing the plant throughput, improving the capital efficiency, and this is all reflecting in asset turns. I will not say that this magnitude of improvement will continue, but yes, there are a lot of opportunities still exit and our teams will keep working on further improving these efficiencies from here as well.

What was the second part of your question?

Vishnu Kumar: I just wanted to understand the nature of the CAPEX you are doing in Ag-Chem. Close to Rs. 900 crore including the carryover of previous year and whatever you have some plans in terms of putting in next year. What will be in the new multipurpose plants or what is the nature of CAPEX or how many new plants will be coming in? Any idea on it?

Rajnish Sarna: A major part of this CAPEX is towards capacity expansion, and we are putting up two more multi-product plants. The other part of this CAPEX is towards further automation,qualitative improvement of these sites, R&D, and other technological upgradation of these plants.

Vishnu Kumar: One clarification of a previous point you made. Sir, you mentioned that there are some contracts where you will recognize this is on revenue recognition, more to Mr. Mani sir. Are there any contracts where you have exported some volume, but it is still not reached to the customer? Only when it reaches more of a CIF basis, then only you will consider as revenue?

Rajnish Sarna: As per the accounting standards, if there are contracts where you are producing exclusively for one customer and they also very specifically mention that you produce and keep this at the port or at some warehouse or something, sso, as per the accounting standards, those things are recognized accordingly. That is what I am saying that each contract, each product, there are different incoterms, there are different inventory terms, and supply terms. And accordingly, the revenue is recognized. But all this is done as per the accounting standards.

Moderator: We will take our next question from the line of Abhijit Akella from Kotak Securities. Please go ahead.

Abhijit Akella: On the pharma acquisitions, would it be possible to share some rough guidance regarding the sort of EBITDA contribution they could make in FY24? And one corollary to that; for TRM, we do not have the FY23 EBITDA. In case you have it handy with you, could you please share that as well?

Rajnish Sarna: We are still in the process, Abhijit, and as I told you last time, we are still to close TRM transactions, and currently the FY23 numbers are not readily available with us.

But tentatively, our projections are anywhere between Rs. 550 crore to Rs. 600 crore kind of revenue. Again, it will all depend on when we close and when will these numbers get consolidated with PI, and 15% to 18% of EBITDA on that.

Abhijit Akella: 15% to 18% margin? Okay. I was under the impression that TRM was doing much better than that from the FY22 numbers.

Rajnish Sarna: Yes, but there will also be development spend in the initial years and consolidation. We are also putting up our R&D site.

Mayank Singhal: We are in the process of building a unique business model and acquiring and taking it to the next level requires significant development spend. Those investments will happen over the next couple of years whether it is in overheads or whether it is in structures or whether it is in building assets..

Abhijit Akella: The second thing was on the new product contribution. The percentage of revenues from the new products has been stable at around 17% to 18% for some time in the past. As we move into the next 3-4 years and try to bring down our product concentration within the agrochemical business away from the top molecule, how much confidence do we derive from the traction in the new molecules that we are moving in the right direction and what sort of improvement could we expect to see there?

Mayank Singhal: The fact of the case is this is a constant pipeline of things that keep coming. There are peaks for each product, and at each different stage, different products take the lot. And if you look at the cycle of 15-20 years because that is the lifecycle of a product;. If you look at the history of the last 4-5 years, it is between that range of 16% to 18% because that is the typical scale-up time lifecycle for a new product.

Rajnish Sarna: And many of these new products that we have added to our portfolio, I would say both on the export side as well as on the domestic side, have significant potential. On the domestic side, some of these products are multicrop-by-segment products, not specifically for a single crop or a pest segment. They have a much larger market potential. Same way, on the export side as well, some of these are either AIs or intemediates of very large global molecules. So, yes, they have a very good market potential for growing big.

Abhijit Akella: Just one last quick thing. Slide #16 of the presentation talks about working with some global advisors for integration and transformation for value creation initiatives. If you could please shed some details on what direction are these initiatives towards, that would be helpful.

Mayank Singhal: This is as you have seen in the pharma initiatives, we would need to get the various expertise and that is what we are doing.

Rajnish Sarna: This will be towards the integration of these acquired entities and transforming them to build a differentiated model.

Moderator: We will take our next question from the line of S Ramesh from Nirmal Bang Equities. Please go ahead.

S Ramesh: In terms of the outlook for the next year if you are looking at the entire top line growing in volume, how would you expect to maintain margins at 24%? Will there be some stability in margins per unit? Because the reason I am asking is if there is some decline in prices compared to the base of last year to the extent that there is a decline in the top line, the overall trend will be down. So, in terms of the margin outlook, can you give us some sense of what to expect?

Rajnish Sarna: As explained earlier, we are expecting to improve on margins, and this will mainly be driven by operating leverage because we are expecting to grow 18% to 20% and there are also several initiatives that we are working on to further improve efficiencies around our manufacturing as well as on the marketing side.

S Ramesh: On the pharma acquisitions, is it possible to indicate what is the timeline you would expect to bring the ROCE in line with your current blended ROCE? And can you give us some sense in terms of the development expenses you will have to incur both for development as well as integration cost, whatever broad estimates you can give?

Rajnish Sarna: The kind of acquisitions and the differentiated model that we are planning to build, it will take anywhere between 2.5 to 3 years for us to get to the level where it will start matching margin and return profile that we have in PI today.

Moderator: We will take our last question from line of Rohan Gupta from Nuvama. Please go ahead.

Rohan Gupta: Sir, in our exports market, last year, we had roughly volume growth of 11% while balance was currency and product mix change. Sir, if you can just give some sense how much of this volume growth of 11% was primarily driven by pyroxasulfone the single product and how much would have been from the other products? And the guidance which you are giving for the current year, 18% to 20%, is it on net revenues or it is driven by volume?

Rajnish Sarna: Firstly, as we have discussed in the past, we cannot share product-related growth and volume. But the growth that we have seen in the last year is certainly widespread. It does not come from a single product. There are 4 new products we have commercialized in FY23. Apart from that, there are several existing products including the one that you are talking about which has scaled up. This is about FY23 that we talk about. Going forward, FY24, again, the growth that we are projecting is volume growth. It is majorly coming from volume as I explained to the earlier participant. Because, we are not expecting a significant change in terms of inflationary impact on the raw materials or currency to this 18% to 20% growth or major driver for this growth will be the volume scale-up. And again, this will also be widespread; it is not going to be one odd product that will be driving this volume growth.

Rohan Gupta: Sir, the second question is about our cash flows. We have roughly Rs. 3,200 crore cash on the balance sheet as of now. I understand Rs. 700 crore will be paid for the acquisition. We are still left with Rs. 2,500 crore. You have an Rs. 900 crore CAPEX for FY24 that can be easily funded through the cash flows generated in the current year itself. Now, Rs. 2,500 crore cash we are sitting on the balance sheet. If you can give some guidelines on how soon we can deploy this cash in terms of further opportunities or any scaling up further CAPEX plan or inorganic growth? If you can give some sense on that, sir?

Mayank Singhal: We are looking at opportunities as mentioned earlier and we'll continue to look but how soon is not a question that we can answer at the moment because it's got to be right opportunity which fits in and is in the strategic right path of PI's intent which is technology and scalability in the areas which we want to operate in and the right strategic fit. Clearly, the Company has a focus on it, the leadership is driving as mentioned earlier.

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

Mayank Singhal: Once again, thank you everybody for joining the call today. I appreciate your time and your continued support and look forward to a great year ahead. Thank you.

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