PI Industries Limited
Q2 FY24 Earning Conference Call Transcript
November 09, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY24 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 call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you and over to you.

Nishid Solanki: Thank you. Good afternoon, everyone and thank you for joining us on PI Industries Q2 FY24 Earnings Conference Call.

Today, we are joined by senior members of the management team, including:

- Mr. Mayank Singhal - 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

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. Thereafter, the forum will be open for question and answer session.

Before we begin, I would like to underline that certain statements made in today's conference call may be forward-looking and the disclaimer to this effect has been included in the Investor Presentation shared with you earlier and 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: Thanks, Nishid. Good afternoon to everybody and thank you for taking the call today.

Once again, I am pleased to be addressing all of you on the strategic progress that we are making in the ever evolving business landscape for PI. I am once again pleased to report a good performance at PI, its top performance quarter even in the challenging operating environment. Just to give you a flavour, during Q2, we saw 20% increase in revenue. This was accompanied by 28% improvement in the EBITDA and a PAT growth of 44%.

While the performance has been encouraging, I would like to give you an idea of the operating scenario. Heightened climatic variations are impacting both the pattern of sowing, application and usage of crop protection. During the Kharif, we experienced erratic monsoons, consequently forcing farmers to hold back on application of certain crop protection products. The continuously falling prices of raw materials coming in from China moreover, is putting pressure on selling prices across generic portfolios.

A similar scenario is being reflected globally, where prices have been under pressure, channel inventory stayed at elevated levels and the distributors in the US and Brazil are prioritizing destocking and filling up their requirements with lower priced stocks. However, the consumption of crop protection products in the key markets of North America, LatAm is robust, thereby indicative of good health of the industry in the medium to long term.

At PI, our operating model is vastly differentiated with the focus on IP backed products and niche capabilities distinguishing us and placing us on a different path compared to the other industry players.

Our model is focused on innovative molecules based on our technical strengths and capabilities and we have seen a growth of 22% in the quarter over last year, while the industry faces headwinds. Growth remains well diversified in exports and I wish to underline that this is coming not only from Agchem but also from molecules in the other areas like, electronics, imaging and other specialty chemicals. As we exclusively work on innovative molecules, variation in operating environment do not influence our momentum, whereas we continue to get the upside in the form of wider opportunities for growth.

Given our understanding of multiple chemistries and technological platforms, and our ability to bring high performance solutions to the market, we are confident of sustaining the growth momentum. With a healthy pipeline of our molecules, we see a potential for higher growth from our future product mix. We commercialized 3 molecules during the quarter and we expect to commercial one or two additional molecules before the end of the fiscal year.

Now, moving on to our domestic business, our focus of driving quality of our revenue rather than pursuit of growth and size of the revenue alone in these challenging times, has resulted in positive benefits. As always the emphasis has been on a good product mix and efficient working capital management and all those are presented in our presentation.

In this light, our performance has seen moderation due to erratic monsoon. The monsoon has seen uneven distribution so far with the reservoir levels in South India markedly below last year's average. The sowing patterns of Rabi could be influenced as well. The high level operating discipline that we have shown in terms of managing inventory, launching high performance products and having a diverse product mix, is contributing to the momentum and mitigating the operating scenario in which we are present. We expect to see recovery of niche crop segments and our comprehensive portfolio shall be adequately placed to meet these requirements.

Coming to the outlook in the context of what I have shared, we are continuing our original guideline of 18% to 20% revenue growth with improved margin and returns. Initiatives are already underway to augment capacities, to support further growth plans. Concurrently, we are also scaling up efforts of integrating newer technologies. We recently signed an agreement with Koppert to work on a sustainable agriculture agenda to market, distribute and innovate products in the agricultural biological space.

Our journey in the pharma is off to an encouraging start. We continue to work towards developing a differentiated CRO,CDMO and an API-KSM model. We have had multiple senior and highly experienced resources coming on board. Our Hyderabad Research Center is being readied and is getting staffed. There is a team of domain experts both within and outside India, who are aiding us to connect with large pharma companiesIn parallel, we are building infrastructure, building new Kilo Lab, modernizing the quality management systems, digitization and other initiatives in Italy. We have made successful debut at CPHI Barcelona recently.. Our focus on scaling our business in CRO-CDMO, adding more API, KSMs and RSMs to the mix, such that we bring an end to end offering to the large pharma companies . Given the robust operating performance and strong cash, flows the senior management is focused on evaluating various inorganic opportunities to meet the long-term objectives.

Multiple initiatives are being helmed in the ESG arena. We have already improved S&P Global Corporate Sustainability Assessment (CSA) ranking to 95 percentile, further our assessment of Ecovadis' sustainability is under progress for 2023.

I have completed my remarks and would hand it over to Manikantan to continue. Once again, thank you for supporting us and once again my congratulations to the management team for this great effort. Over to you, Mani.

M. Viswanathan: Thank you, Mr. Singhal. Good afternoon, everybody on the call today. I will summarize company's financial highlights for the second quarter ended 30th September 2023. Please note that all the comparisons are on year-on-year basis and refer to the consolidated performance of the Company.

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 our objectives.

To share the performance highlights, during Q2 FY24 we reported revenue of Rs. 21,169 million, a growth of 20% over the same period last year. This was driven by growth in export revenues by 28% to Rs. 16,329 million and a decline of 2% in domestic revenues to Rs. 4,840 million. Profit after tax increased by 44% to Rs. 4,805 million attributable to EBITDA growth and low ETR despite higher depreciation.

Let me also cover YTM performance for FY24, YTM 30th September revenues were Rs. 40,273 million, a growth of 22% over the same period last year. This was driven by solid growth in export revenues by 32% to Rs. 31,959 million, which offset 7% decline in domestic revenues to Rs. 8,314 million. Profit after tax improved by 45% to Rs. 8,634 million. ETR for YTM was 9.83% due to growth in export revenues and onetime effect of merger on pharma entities in India.

Cash flow from operating activities increased 118% to Rs. 6,697 million and Rs. 7,253 million excluding pharma. This was due to higher EBITDA and efficient working capital management.

The trade working capital in terms of days of sales reduced to 84 days vis-a-vis 111 days as on 30th September 2022. Inventory levels also reduced in terms of days of number of sales to approximately 63 days to Rs. 13,998 million. Our balance sheet further strengthened during the year. Net worth increased to Rs. 79,820 million as on 30th September 2023. YTM CAPEX stood at Rs. 7,630 million and is in line with our plan. This concludes my opening commentary. I will now request the moderator to open the forum for question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. We have our first question from the line of Abhijit Akella from Kotak Securities. Please go ahead.

Abhijit Akella: So just a couple of clarifications, I wanted to seek, one was on the pharma entity performances, so first of all, if you could just help us understand from an accounting perspective, why do these Ind AS reductions or adjustments show up when we are booking the net revenues in our financials? Also, the earnings have been on the negative side and how should we see that trending forward over the rest of this year and into next year? And finally just on Therachem within the pharma business, the revenues for the quarter seem to be in the range of Rs. 6 to Rs. 7 crore, I believe the run rate was much higher at the time of acquisition, about Rs. 200 crore for the full year or thereabouts, so what exactly is happening there and how we should see it moving forward?

Rajnish Sarna: Re your first question, this is more about aligning the accounting practices. So one of the companies was following a different accounting standard and since now we have combined all these entities in PI Health Sciences, we were to align the accounting policies and standards and therefore these Ind AS adjustments. The second point on Therachem, it is more about the scheduling of the business. They were already carrying some inventory for their requirement, so in this CDMO business, it is more about campaign and the supplies according to the customer requirement but yes, there are different schedule for different products in following quarters and there is no significant downsizing of the business from the customer side, it is more a matter of scheduling of the business and inventory.

Abhijit Akella: Just to clarify, should we continue to assume roughly Rs. 500 odd crore revenue base for the pharma business for this year and this Ind AS adjustments are more of a onetime alignment and they will go away at some point in the subsequent quarters?

Anil Jain: This is Anil Jain here. Rs. 500 crore revenue was our indication for the whole year. During this financial year, one acquisition is almost 11 months and other is almost close to 9 months. We are therefore on track right and Ind AS adjustment would have one off effect.

Abhijit Akella: And just one last thing from my side, if you will permit on the CSM side, the agrochemical CSM business, how does the growth outlook look like for the second-half of this year and there is a mention in the results about shipment that got lost in transit about Rs. 40 odd crore, so number one, what happened there exactly? Is it shown as cost in the raw material line and excluding that then the EBITDA margin seemed to be even higher at about 28% for the overall company, so it seems a very sharp improvement versus what we were doing, so if you could please just elaborate a bit on what has driven the margin improvement and how we should see that going forward?

Rajnish Sarna: There are too many questions in your one question. So let me try and remember and answer one by one. First of all, we still maintain our growth guideline including that of CSM of clocking close to 18%-20%, and accordingly, second half will also be seeing growth in this business. Talking about this container thing, yes, this is a very unprecedented situation which we have never experienced t in last 75 years of our Company and also in the industry. In few of our sealed container for exports, theft took place, which is very unprecedented and we later on also found out that it is not only with PI, but few other chemical companies have also experienced this. But good part is that Police has already nabbed some of these culprits and traced the theft material. I must therefore certainly appreciate the kind of effort put in by the state and police administration for a very swift action. So at this stage, since the matter is still under police investigation, we will not speculate on the recovery and its timing but to be on a conservative side, we have accounted for the material cost in our financials for this quarter.

Abhijit Akella: And just the last point was the margins have expanded significantly if you adjust for this cost, so what is driving that and how should we see that going forward?

Rajnish Sarna: The product mix has been favourable for us during this period and even in our domestic area, we have focused on quality of revenue and favourable product mix rather than chasing the volumes and values. That has certainly helped improve the overall EBITDA margin during this quarter.

Moderator: Thank you. We have our next question from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Thanks for the opportunity and congrats on a very strong set of numbers. First question is on the pharma initiative, so what is the progress in terms of some of the R&D molecules in PI's kitty getting commercialized through the manufacturing facilities outside. So how do we expect the rollout over the next maybe 2-3 years' timeframe?

Anil Jain: Anil here, I do not know which molecule you are talking because this is a platform where we are providing the services to the companies, not the product.

Rohit Nagraj: We had mentioned earlier that we have been working on the Pharma segment R&D, so those molecules?

Rajnish Sarna: Those are more of intermediates and key starting materials. So yes, those are also progressing in our R&D CRO bench that we are pursuing, and this is part of our evaluation.

Rohit Nagraj: And second question is that given that during current year, there have been a significant decline generally in all the RM prices, how are we seeing our prices for the next year contracts, 2024 contracts for our products?

Rajnish Sarna: Are you talking about our exports? CSM exports?

Rohit Nagraj: CSM segment?

Rajnish Sarna: Given our business model, in any case, pricing, etc., for each campaign is reviewed before we start campaign. While the price structures are defined but final pricing is worked out basis the prevailing raw material etc. So yes, before starting 2024 campaign, necessary price corrections would take place, whether it is reducing or increasing.

Moderator: Thank you. We have a next question from the line of Vivek Rajamani from Morgan Stanley. Please go ahead.

Vivek Rajamani: Thank you for the presentation and congratulations for a good set of numbers. Sir just two questions, firstly, on the broader inventory situation, you obviously touched upon that, you are still seeing the destocking kind of playing out, just in terms of your assessment compared to maybe a quarter or two back, do you get a sense that you are starting to see some improvement either in the intensity or are you starting to see some green shoots from any part of the world?

Rajnish Sarna: We are certainly seeing some improvement because the consumption remains strong in different geographies, whether it is South America, North America, even in Asia, Europe as the crop acreages are almost same or marginally increased. So obviously the inventory destocking has gradually improved in last quarter. But yes, it may take a few more quarters, again depending on products (generic or commodities), before things should normalize, is the expectation.

Vivek Rajamani: And just as an extension to that, is there any particular geography where the problem is extremely severe in your general understanding?

Mayank Singhal: In our understanding, Brazil has been facing a major challenge because there was a lot of stocking in previous years there, mostly of the generic products. Yes, given that there were supply challenges from the last year, and further added to that was the price escalation, which has now shown a turnaround, both the availability and price points with a double impact and that is something we expect in the next couple of quarter shifts hereon.

Vivek Rajamani: And just last couple of clarifications from me before I rejoin the queue. The 18% to 20% guidance on the Agchem side, I would imagine that is predominantly volume driven, correct?

Rajnish Sarna: Yes, majorly because price corrections are already there on the inputs.

Vivek Rajamani: And you have mentioned in your slide there is capacity expansion, the CSM side is on track, any ballpark, what is this capacity expansion number that you are looking for this year, any ballpark?

Rajnish Sarna: We have guided for close to Rs. 800 odd crore of capex in current fiscal and so far we are progressing in line with that.

Moderator: Thank you. We have a next question from the line of Noel Vaz from Union Asset Management. Please go ahead.

Noel Vaz: I just have one question on the one molecule which was mentioned, this is the new product which the company is coming up with which is the new Diamide, so I just wanted to know what exactly is the total market size that we are potentially looking at as well as how does the company plan to take up this product?

Mayank Singhal: This is a very proud moment that PI has been the first Indian company to receive the International Organization for Standardization ISO recognition named PIOXANILIPROLE, but I think I would say this is, we have right now got the registered name, the product is under evaluation in various geographies across the world. We had discussions with various partners evaluating the product performance at various levels, at the field level, in various crops, in various regions to figure out the potential. As you may know that this is a Diamide molecule, globally a couple of billion dollar market. So, we will be looking at how we are going to play into this market. that's how I would put it for now.

Moderator: Thank you. We have our next question from the line of Rohan Gupta from Nuvama. Please go ahead.

Rohan Gupta: Sir, my first question is on this pharma business, you mentioned that one off Ind AS impact is over onetime, so this you are talking about that the current numbers which you are already factoring in terms of the reporting is over or it is going to be for the balance of the year itself in the similar ratio?

Rajnish Sarna: No, whatever was, we had inherited the inventory, and all those things would have onetime impact.

Rohan Gupta: So you are saying the H1 Rs. 35 crore Ind AS adjustment that was all over, right?

Rajnish Sarna: Yes.

Rohan Gupta: So from H2, we should be seeing some positive contribution in terms of the contribution from the pharma business?

Rajnish Sarna: Yes net of any one-off Ind AS adjustments.

Rohan Gupta: Sir, second question is the ramp up of this pharma business once again and the margin profile, it is quite different than when we have got the numbers from this time of acquisition, so is it still in terms of because of the higher cost which you are incurring at these plants, that is so, or at the time of acquisition this profitability margin was high around these plants, you also mentioned that this year you would be looking roughly 14% to 15% margin, while H1 pro forma margins are still at 7%, so we see that the margin of 15% will be only achieved next year because your long-term guidance in margin in pharma business is still in the 20% to 22%, so when we are expecting that?

Rajnish Sarna: Frankly, this is too early to look at the volumes and the margin percentage of this business. I understand your point, but if you recall, we were cautioning the analysts in our earlier calls for not reading too much into deal valuation basis previous year numbers. Basically, two-three things are happening here. One is that there is lot of development spend being done as the idea is to scale up this business and not run these businesses as individual entitities. I mean, whether it is the starting material company or the API company, we are not wanting to run them independently as standalone business but integrate them and scale up them in a differentiated model to cross leverage and during this initial period, there is certainly going to be pressure on these margins due to this development spend, but we are confident that post full integration, which will take next several quarters or a year's time, we will get to the expected margin level of 20% in this business.

Rohan Gupta: Sir, second question is on our domestic business, though we have seen most of the formulation companies in India have done collectively well in first half and Q2 was fantastic for most of the domestic formulation guys, however, that is not the case for us, so even in H1, if we combine that with the Q1 as well, we actually see the dip only in our revenues compared to last year, while in general the season and the demand scenario has been pretty decent as far as the domestic market is concerned, any particular reason for that?

Rajnish Sarna: In fact, we have seen very mixed results. There are situations where the local players have not been able to kind of achieve growth. Significant impact is there in terms of revenue and more so in terms of the margin profile and this genericization and generic situation, pricing situation has certainly reflected across the industry in the performance. We as a Company, focused on our specialized product rather than chasing revenue growth. Our focus in first and second quarter was more on quality of revenue and the discipline around the working capital and margins etc., and that has been one reason for the flat revenue. Whatever few percentile moderation that we have seen in revenue could have been avoided if we would have also chased those typical products, even in our portfolio, but that was not done.

Mayank Singhal: So strategically, some of the products which have been kind of a generic exposure for volatility.

Rohan Gupta: So actually we refrained away from selling generic products and focus more on specialty that helped us actually in improving our margins, but not reflecting revenues?

Mayank Singhal: Margins and working capital efficiencies, so that is a clear reflection of quality of business having a substantial shift for more value accretion .

Rohan Gupta: This is a time being exercise, sir, or you think that we may continue to do so going forward as well.

Mayank Singhal: This is a temporary exercise, obviously because the volatility doesn't add value, so its stressed. We will eventually play this game as when things stabilize.

Rajnish Sarna: But of course, if this situation for generic remains the way it is, our focus will be more on specialized and specific categories.

Moderator: Thank you. We have our next question from the line of Siddharth Gadekar from Equirus Securities. Please go ahead.

Siddharth Gadekar: Sir, my first question is on the Diamide**,** we had highlighted earlier that we are in talks with global partners for the product, so any progress on that side and how should we look at 3 years higher down the line in terms of the launch? Could you give us any timeline for that?

Mayank Singhal: No, but as I just mentioned to earlier question that now we have a name and we are in the process of evaluation of the product in different crops/geographies/etc and the market opportunities of Diamide are quite sizable**.**

Rajnish Sarna: This evaluation normally takes a long time as it is done across multiple seasons, in different geographies, crops and comparative trials.

Siddharth Gadekar: But in terms of our patents, when will our patents get counted, from 2019 or the day the product is launched?

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Mayank Singhal: Patent is, always date of filing is counted, not on the date of the launch of the product. That is the way it is done.

Moderator: Thank you. We have our next question from the line of Naushad Chaudhary from Aditya Birla Sun Life Mutual Fund. Please go ahead.

Naushad Chaudhary: Congrats on a good set of numbers in a challenging time. Within the existing basket of commercial molecule and the molecule which are at the advanced stage of pipeline, how many do you think can become Rs. 400 - Rs. 500 crore of revenue per molecule the next 3-4 years?

Rajnish Sarna: Will you please repeat. We were not clear about your question.

Naushad Chaudhary: Within the existing basket of commercial molecules and the molecules which are at advanced stage of pipeline, how many do you think can become Rs. 400-500 crore of revenue per molecule in the next 3-4 years?

Rajnish Sarna: There are many of them, because this is one of the key criteria we evaluate products when we start working on them. When we get into these molecules, these molecules are at a very early stage of their commercialization and their potential is more clearer when they are already registered and commercialized in few geographies. So yes, while the initial indications are very good for several of these molecules, but we will be very sure of their scale-ups and growth potential as we progress further.

Moderator: Thank you. We have our next question from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: In terms of when you have dedicated plans for CSM versus multi-purpose plants, typically what is the difference in asset turns you are able to get higher asset turns on the dedicated plants?

Mayank Singhal: Are you asking a question that, are you able to get a higher asset turns for dedicated plant?

Nitin Agarwal: Yes, and a sense on how much higher do we are able to get typically?

Mayank Singhal: It is unfortunately not a straightforward answer because we have to look at various factors e.g. dollar per kilo, margin per kilo, etc. it could be lower asset turn, but better return on capital, better margin. Pure asset turn may be high for the bulk chemicals, but for the specialty and big chain molecules, it could be lower asset turn, but gives you better returns on investment. So there’s no standard ratio which you can identify, but typically if you look at the chemical industry in this space, it can go between 1.5 to maximum 2.8-2.9.

Nitin Agarwal: And sir, secondly on our CSM business, with the volatility which has been there in the raw material pricing over the last few quarters, do we go through quarters during the cycle where there is a lag and lead impact in terms of the raw material pricing and the final product pricing, there are the gains we make in a sense, if there is a declining raw material pricing situation, we end up making gains in a particular quarter likewise and vice versa, does that really come about in particular quarters?

Mayank Singhal: As explained earlier, we have this pass-through model and that has been PI way of working as mentioned earlier by Rajnish on a contract to contract, quarter-to-quarter basis based on the contract.

Rajnish Sarna: Yes, there will always be lead and lag, but the commercial understanding, the business model is such that these things are shared, whichever way the trend is on the pricing.

Nitin Agarwal: Sir, on the overheads this quarter, Y-o-Y there will be very little increase, so is there any particular factor which is driven that despite the growth in revenues?

Mayank Singhal: Overheads, frankly, are not linearly proportional to revenue, but yes, there has been a good approach to this because we obviously are looking at the volatility of the market and trying to see how we can continue to optimize and run this.

Moderator: Thank you. We have our next question from the line of S Ramesh from Nirmal Bang Equities. Please go ahead.

S Ramesh: So first on the CAPEX you have done in pharma and the disclosure you have made in the segment assets, can you explain the mismatch because you have acquired assets for Rs. 497 crore and you have shown an asset of Rs. 1,257 crore in the segment assets, so how do we tie in these two numbers if you can help us understand?

M. Viswanathan: On the pharma side, there is one acquired asset and what has been shown is retained assets, I can send across the details to you. offline.

Rajnish Sarna: Maybe you can connect with our CFO separately.

S Ramesh: The second thing is to dwell bit more on the pharma economics. What is the level of gross margin we should see on a stable basis as you scale up over the next say four to six quarters? And in terms of the proportion of overheads to revenue again, if you can give us some sense in terms of the percentage, it will help us work towards when you can possibly breakeven and get to that 20%-25% assuming a certain scale for the revenue, we can just help us understand that?

Rajnish Sarna: Yes, sure. So currently the gross margin is at 70%-75% plus level and we believe that this can certainly be sustained on the scaled up level as well. Re Overhead percentage and EBITDA margin, as I explained earlier that we will have to keep in mind that this is going to be a development phase for next several quarters as we are integrating these different resources and companies from CRO till API in the interest of long-term objectives of building a differentiated model, so yes, once we get to a maturity level, we will see that we will be generating 20%-22% kind of EBITDA margin.

S Ramesh: So in terms of the development expenditure, in terms of cash outflow, what is the kind of expectation you have say in the second-half and for FY25 for the pharma assets?

Rajnish Sarna: Well, we don't have these specific numbers right now on the call because all this is still in development phase, but yes, we can have a separate call on this.

S Ramesh: So finally on the tax rate, now there is a certain amount of difference in the tax rate for pharma and the existing business, so can you give us some sense in terms of where the tax rate will settle for the pharma entities once it is in a steady state stable profit generating phase? What is the kind of tax rate which would assume there?

M. Viswanathan: That tax rate for pharma would be around 25% normally. But what you see in this current quarter is one off effect on account of merger.

S Ramesh: So pharma, we can work with 25%, right?

Rajnish Sarna: Yes.

Moderator: Thank you. We have our next question from the line of Krishan Parwani from JM Financial. Please go ahead.

Krishan Parwani: Just one clarification from my side, when you said 18% to 20% revenue growth, did you mean for overall company including pharma or just the Agri CSM?

Rajnish Sarna: Well, this is only for the Agri CSM we are saying without considering the impact of pharma acquisition.

Krishan Parwani: Thank you so much for the clarification. Wish you a very happy Diwali.

Rajnish Sarna: Thank you. Same for you.

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

S Ramesh: So just as a follow up question, now in terms of the domestic business, I know it is a little bit of a challenging environment out there, so if you look at the second-half, given the challenges in terms of moisture levels, last time you had said that you hope to do well, so what is the kind of expectation you have for growth in the domestic business in the second-half and how do you see the new molecules and normal economic condition guide you in terms of the potential volume growth for say FY25 in your domestic business?

Prashant Hegde: Yes, last time we did mention, we were hoping that the rainfall situation will improve, but if you look at August was completely dry, that has impacted overall numbers in the domestic. As we look forward basically the second half, there are few areas, one is South and the wheat. Wheat is obviously very positive looking at overall commodity prices, looking at the acreages. However, we are seeing some challenges in the South, where it is a rice and chilly because of water levels are very low, mainly because of dry conditions prevailing in parts of Andhra Pradesh, Telangana and Karnataka. That will have some impact, but we are expecting a growth on the quarterly basis both in Q3 and Q4.

S Ramesh: And any sense in terms of what we can expect for FY25 based on your current portfolio and the new molecules you have launched?

Prashant Hegde: It is a tough question to answer at this point of time looking at the overall volatility which we are seeing globally as well as in India, probably after December, we should be able to give you a good indication.

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

Mayank Singhal: Once again, thank you everybody for coming on to this call. We at PI management are very well encouraged and supported by the Investor Community and continue to look forward to the support in these challenging times and I wish you and all your families a very Happy Diwali, a great year, full of happiness, joy, great health and success. All the very best from the PI team. Thank you.

Moderator: Thank you. On behalf of PI Industries Limited, that concludes the conference call. Thank you for joining us and you may now disconnect your lines.