



## PI Industries Limited

### Q2 FY26 Earnings Conference Call Transcript

November 12, 2025

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**Moderator:** Ladies and gentlemen, good day, and welcome to the PI Industries Limited's Q2 FY26 Earnings Conference Call. 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 touch-tone phone. I now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you, and over to you, sir.

**Nishid Solanki:** Thank you. Good morning, everyone, and thank you for joining us on PI Industries' Q2 FY26 Earnings Conference Call. Today, we are joined by senior members of the management team, including:

- Mr. Mayank Singhal, Executive Vice Chairperson and Managing Director
- Mr. Rajnish Sarna, Joint Managing Director
- Mr. Sanjay Agarwal, Group Chief Financial Officer
- Dr. Atul Gupta, CEO, CSM AgChem
- Mr. Prashant Hegde, CEO, AgChem Brands
- Dr. Ramesh Subramanian, Global CEO, PI Health Sciences, and
- Mr. Jagresh Rana, Global CEO, Biologicals

We will begin the call with key perspectives from Mr. Singhal. Following that, Mr. Agarwal will take us through his views on the financial performance. Thereafter, the forum will be open for an interactive 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. A disclaimer to this effect has been included in the investor presentation shared with you earlier and also uploaded on stock exchange websites. I would now like to request Mr. Singhal to share his perspective. Thank you, and over to you, sir.

**Mayank Singhal:** Thank you, and good morning, everyone.

Let me begin by sharing my views on the global agchem industry scenario and then the performance of PI in this context.

The global crop protection has been passing through a prolonged down-cycle driven by distributor/ farmer destocking, sharp price deflation from Chinese overcapacity, low commodity prices, rising interest rates and on top of all this, weather disruptions that cut sprayings in several regions. FY26 is expected to see a modest recovery in Q4, a full recovery is not expected to realise before 2nd half of 2026 or later. The silver lining is that input prices are stable, and volume increase is driving a gradual normalisation of inventory levels. Most of the global innovators have reported 3% to 5% decline in H1 revenue with a guidance of cautious volume led recovery in the second half.

On the domestic side, Q2 witnessed erratic and prolonged rains, which negated the positive start to the Kharif season. While we have seen largely a favourable monsoon and positive sowing trends in the major crops, excessive rainfall, abrupt regulatory changes on biologicals and fertiliser shortfall, etc, played a spoilsport to the growth momentum in Kharif. Over 1.2 million acres of crops were damaged in Punjab and Maharashtra due to excessive rains and consequent flooding. As a result, we are seeing higher inventory and credit levels as the industry has sought to support channel partners amid market liquidity constraints. On a positive note, the plentiful rains have helped the paddy crop, and also Rabi is looking good so far with replenished and healthy reservoir levels.

Over the medium and long term, the push to develop next-generation crop protection and enhancement technologies remains vital to global agriculture, due to agronomic, environmental, and economic pressures. Customers are seeking new products that are environmentally friendly, can overcome disease and pest resistance to existing chemicals, and produce higher yields to meet increasing demand for food, fibre, and biofuels. At the same time, the demand for biologicals for integrated crop health management is growing faster because of the challenges posed by climate change.

In the current landscape, global companies continue to elevate their strategic partnerships across the value chain in the pursuit of cost optimization and build resilient business models amidst heightened regulatory challenges.

I shall now move to our business highlights. During Q2 FY26, our performance is broadly reflecting current market conditions and in line with our plan except for the domestic market where excessive and uneven rainfall and abrupt regulatory actions in the biological areas impacted the demand scenario.

On the AgChem exports side, we have seen a decline that is in line with customer delivery schedules to balance overall inventory levels. As explained before, we have built this transitional softness into our FY26 plan. However, it is also important to highlight that the

growth of new products commercialised over the last three years has registered a decent 38% Y-o-Y growth in H1.

We remain on track to commercialise 8 to 10 new molecules in the current fiscal, having commercialized 5 in H1. I am pleased to share that our current pipeline includes non-AgChem molecules, in the categories of electronic chemicals and specialty chemicals.

On the Domestic side, we have seen a 5% Y-o-Y decline during H1 FY26. Domestic revenue was negatively affected in Q2, offsetting the growth seen in Q1. Thanks to our advanced product mix and a solutions-oriented approach, the momentum of new product launches remains strong. We introduced three new brands in the first half of the year and plan to launch an additional three products later this year. Our development pipeline includes over 20 new products scheduled for future development and registration.

During the quarter, our pharma business showed 54% Y-o-Y revenue growth. We onboarded new customers and continue to build pipeline with our BD teams in place in US and Europe. Although our pharma business is modest, with significant headroom for growth, there is a slowdown in biotech funding and geopolitical challenges that are impacting the conversion of proposals in the pipeline. In the meantime, we continue to invest in capability-building, people and processes to build an integrated CRDMO platform. We have also carried out planned upgrades and additions to the assets across locations to support the path for strategic growth.

Last year, with the acquisition of Plant Health Care, PI took a significant step in scaling our biologicals business globally and bringing innovative and sustainable solutions to farmers. In India, we are well on our way to becoming one of the largest biological products companies, both in terms of product portfolio and revenue. Our Peptides based Biological technology platform is unique and offers biological solutions for many unmet needs of the growers across the world. This platform has the potential to develop many new products for variety of crop/ pest solutions. During this quarter, we have commissioned a new biological research centre in Hyderabad to study plant systems and support our global biological research centre in Seattle. We are continuing to make investments in market and product development in focused geographies across the US, Brazil, Europe, Mexico, and India, and in partnering with crop solution companies.

We continue to seize growth opportunities across Ag Sciences, Pharma CRDMO, and Specialty Chemicals — transforming our company from an agricultural sciences firm into a diversified life sciences enterprise. Each of these segments presents considerable potential to expand our global presence and leadership. Our ongoing investments in these growth sectors are creating a solid base for the next stage of strong, sustainable growth.

Our long-term growth outlook remains intact while in short term, the global and local industry are still facing Macro headwinds, climatic challenges, geopolitical uncertainties, etc. Our long-term strategic initiatives are on track and aligned to strengthen our leadership position

in the market and achieve targeted scale across newer growth platforms. We remain committed to harnessing cutting-edge technologies and leveraging our integrated model to drive niche offerings. Furthermore, financial discipline ensures that this growth is balanced by robust cash flows and sustainable returns on capital.

I would now like to hand over the discussion to our Group CFO, Sanjay. Thank you very much, and over to you, Sanjay. Thank you.

**Sanjay Agarwal:**

Thank you, Mr. Singhal. Good Morning everyone.

I will summarize the Company's financial highlights for the quarter ended September 30th, 2025.

We have been delivering resilient performance amid headwinds in the global agrochemical industry, driven by factors such as low commodity prices, rising interest rates, inventory destocking, and extreme weather challenges. This demand softness has been coupled with excess capacity in China, causing value erosion, particularly in the generic products.

Back home, in Q2, uneven rains created huge crop losses, impacting our key focus crops; however, we expect better rabi seasons, and an increase in rice and corn acreages should lead to a positive market scenario in H2.

To share the performance highlights for Q2 FY26, we reported revenue of Rs. 18,723 million, a 16% decline from the high base of the same period last year and a 1% sequential decline. On a 3-year CAGR basis, the growth in Q2 is 2% as we had registered a growth of 5% in Q2 FY25 and 20% in Q2FY24, making it a high base.

On an H1 basis, there is a 12% decline in revenue, which is broadly in line with plan except for domestic revenues, which were impacted due to excessive rainfall and abrupt regulatory actions. We have delivered on an H1 8% 3-year CAGR basis, which continues to outbeat the industry.

We have commercialised 5 new products in AgChem Exports and 3 in Domestic Agri Brands. These new products in AgChem Exports have seen a 38% growth in Y-o-Y in H1, which clearly demonstrates our derisking strategy and focused approach to gain new business in this tough environment.

Decline in AgChem Exports business is primarily volume-led, driven by slow demand and customer delivery schedule deferments. The domestic business, despite our strong product portfolio and new product launches, declined due to erratic rainfall, which disrupted demand, and the biological business was impacted by abrupt regulatory changes.

We expect both these issues to be transitory, and we are confident in driving the business to a higher growth trajectory in the coming quarters.

Our pharma platform doubled its revenue over the H1 of the previous year, driven by a deepening relationship with biotech and big pharma innovators. Our development spent into creating a fully integrated pharma CRDMO platform has helped to create an accelerated pathway for strong future growth. We are currently in the investment phase in this business, building capabilities, strengthening people and processes, which is reflected in higher overheads and is expected to get absorbed with higher scale over the next few years.

Our global biological business has been performing in line with the long-term business plan, and we are focused on new product development, strengthening our go-to-market in the US, Brazil, and other markets, and filing for registrations of new products and label expansions for peptides.

Moving on the margins profile, due to the favourable product mix and operating efficiencies, our gross margin for the quarter has expanded and our EBITDA margin remained resilient. While the revenue has been affected by industry headwinds, we are adopting a focused approach to maintain healthy margins, which allows us to withstand industry challenges and invest in the future.

We expect the ETR to be in the range of 22%-23% for the next 2-3 years.

Furthermore, the Trade working capital in terms of days of sales has risen to 113 days and reflects current market conditions. We expect to improve this as the market scenario normalises in the coming quarters.

We remain very positive about the company's long-term growth outlook and expect to regain growth momentum in the coming years. We also anticipate a recovery in our domestic and agchem exports, particularly in Q4, to offset the decline in revenue and profitability in the first half.

With this, I will conclude my opening remarks. I will now request the moderator to open the forum for Q&A. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask questions may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Also, before we begin, a request to participants to please limit your questions to two per participant. Should you have follow-up questions, we request you to rejoin the queue. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from Saurabh Jain from HSBC Securities. Please go ahead.

**Saurabh Jain:**

Thank you for the opportunity. My first question is on the guidance. You were vocal about saying that you expect a mid-single-digit kind of a growth possibility for this year. How would you look at your H2 given such a sharp decline in the first half?

If you could give us more details around what kind of growth you are expecting in your exports, your domestic and your pharma business for the remainder of the year?

**Mayank Singhal:** So, as we mentioned in the earlier part of our call today, due to the climatical challenge the expected growth rate have not kept up to the mark in H1. But as we see, at least in the Domestic and Exports, there are early shoots of a positive trajectory. Clearly, we see good potential for the H2 from the Rabi season, given the reservoir levels.

But again, I must put a cautious view to say that today looking at the climatical situations, it will be very much dependent on that but the positivity water levels gives us a positive outlook for Rabi.

**Saurabh Jain:** I mean, on the export side, what we understand is that U.S., we are seeing a good amount of destocking that is happening. And some of the products that you do, the competing products of those portfolio of yours are doing really well in U.S., when do you expect those kind of positive tailwinds also reflecting in your portfolio, whether it is going to happen in Q3 or Q4 because now the season is closing by, any thoughts on that?

**Mayank Singhal:** As we said that we see those positivity coming through Q4.

**Saurabh Jain:** So, can it really open up in a very big way because can you go back to those double-digit kind of growth in the second half is where I am coming from?

**Mayank Singhal:** Well, it is picking up but one market is not going to drive all the growth as you well understand. There is U.S., Brazil, there is India which is expected to come up, in 2026.

**Saurabh Jain:** Yes, sure. So, I was asking about one of the competitors, the global players. They have been vocal about talking, they exiting the Indian markets, right? I can call it FMC is talking about exiting Indian markets for which they have also taken a write-down on their Indian business.

And PI in the past has been talking about looking at several inorganic opportunities if they come their way. So, any comments on that side? What would be your outlook when you look at such opportunities that would be very useful for us.

**Mayank Singhal:** Well, I do not think this kind of a comment can be given. We are as always open to looking at opportunities, but cannot comment about any specific opportunity.

**Saurabh Jain:** Okay. If I may just rephrase it, do you think there is enough merit in this business because the pressure that CTPR has been witnessing in the Indian market, if they kind of take back their stocks or if they look to exit the Indian market, does it at least help the competitors or the peers in India get into more market share opportunities? Does it bring health of the Indian market back?

**Mayank Singhal:** I do not think it will be very fair, for me to comment on somebody else's business at this point.

**Moderator:** The next question is from Abhijit Akella from Kotak Institutional Equities. Please go ahead.

**Abhijit Akella:** Thank you very much sir. So just on the cash flow statement, there is a significant increase in contract assets of about INR 450 crore, if you could please just specify what that might be due to?

**Sanjay Agarwal:** As you know, the increase in contract asset is in line with the customer delivery schedules, which are lined up for H2. And those are recorded in accordance with the accounting standards. So, there has been an increase but this is keeping in line with the customer delivery schedule, which is arising again from the global agrochemical industry situation today.

**Abhijit Akella:** So yes, if you could please just help me understand the accounting here. I mean, what exactly does this asset represent on the balance sheet?

**Sanjay Agarwal:** So, these are the finished goods, what we have produced, which is to be delivered to the customers. And as we have confirmed orders from them and they have been produced exclusively for them, the deliveries will happen over a period of time in the next 1 to 2 quarters. And therefore, as per accounting standard, we have to recognize the revenue and create a corresponding asset on the balance sheet side.

**Abhijit Akella:** Okay. So, this does not get shown under inventories, is that? You have to separately break it out as contract assets?

**Sanjay Agarwal:** Correct. That is right.

**Abhijit Akella:** I see. Okay. And then just on the outlook front, if I may. So, Pharma, we were expecting to grow 75% this year. And yet there does seem to be some headwinds from the biotech slowdown, funding slowdown and those sorts of things. So, if you could please just update us on what our new expectations might be over there. And Plant Healthcare, would it be possible to just break out the revenue number for the first half of the year that is gone by?

**Sanjay Agarwal:** Yes. So, Pharma, we spoke in the past and also on the call today by Mayank and myself, the business directionally has been doing well. We have a positive outlook. It is a business for long term, and we are doing well there. On the Plant Healthcare, the yearly revenues are in the range of \$10 million to \$12 million, and we have been doing well there as well.

**Abhijit Akella:** Yes. Just on Pharma, so 75% is still something you can hold on to or that might be a bit out of?

**Mayank Singhal:** Right now, you see the CDMOs, they are in development phases. As things mature, the numbers come close. And right now, we have significant space for that growth and we are positive about long-term outcomes for the business.

**Abhijit Akella:** The EBITDA margins have been very strong. They have been significantly higher than your guidance range of 26%, 27%. So, should we expect them to remain around this range of 28%, 29% going forward?

**Mayank Singhal:** Well, as we have given the annual guidance given the top line challenges, this quarter has been good because of the given product mix, as we mentioned. So, we will keep to our guidance as earlier.

**Abhijit Akella:** Okay, sir. Got it. Thank you so much.

**Moderator:** The next question is from Rohit Nagraj from 360 One Capital. Please go ahead.

**Rohit Nagraj:** Thanks for the opportunity. So, first question is, what has been the contribution of new CSM products in the overall CSM revenues during the first half of this financial year?

**Mayank Singhal:** So, as we mentioned, we do not have the numbers here, but I think we have delivered about a 38% growth on new products over the last year.

**Rohit Nagraj:** Right. Fair enough. Second, on the biologicals front. So, on PHC, we have just indicated that we have about \$10 million to \$12 million of revenues. When do we see a significant scale up in this opportunity? Would it be more like FY28 given that there are multiple registrations, which are currently ongoing across different markets? And what could be the potential sometime maybe FY28-29 from this biologicals acquisition?

**Mayank Singhal:** Jagresh, would you like to comment that, please?

**Jagresh Rana:** Yes, absolutely. So, see, the biological phase, we are in the situation where we are investing in the market, creating distribution as well as launching our new products and getting label expansion for the product. So, we are into that kind of a phase. Based on the performance of product, what we are seeing, we expect our growth to start from, this year as well and continue to grow basically from the next year onwards. We see a significant growth from this business in the years to come.

**Rohit Nagraj:** And is this business again generating profitability at the EBITDA level or will it have some time to breakeven?

**Sanjay Agarwal:** This is a business as you know we are in the investment phase. So once the scale happens -- profitability will also follow.

**Rohit Nagraj:** Yes, that is it from my side. Thank you and all the best.

**Moderator:** The next question is from Navid Virani from Bastion Research. Please go ahead.

**Navid Virani:** Yes, thank you for the opportunity. First one is on the newly commercialized products. So, we can see that there are 5 new products, which we have commercialized in H1 FY26. And I am sure there will be a couple of products planned in the 2 quarters, which are expected to come. What I wanted to understand was what is the agri versus non-agri mix in these newly commercialized products, be it H1 or coming H2?

**Sanjay Agarwal:** Yes, these are primarily in the agri side of the business

**Navid Virani:** So, it will be 100% on the agri side? Or are we looking at something. So, the reason why I am asking this question is just wanted to understand how are we progressing on the diversification aspect of the CSM business?

**Mayank Singhal:** In the CSM business, there have been a few products commercialized, and it takes about 3 to 5 years to really get to the ramp-up stage. So just to give you a sense of what it takes because you get into the evaluation, you get into the early stage and as the molecules pick up, then values go up.

**Rajnish Sarna:** Atul can explain that how many of CSM or non-CSM are there in the first half?

**Atul Gupta:** Yes. So, this year, in H1, we have been able to commercialize 5 to 6 , new products, another 5 to 6 new products are planned, which has got the mix of both agrochemicals as well as the non-AgChem products. We are ramping up our capacity with the expansions wherein we had a plan to start the new plant. Out of the 2 plants, which are in the process of getting commissioned, one is of the AgChem plant where we intend to take up these products. So that is where we stand today from the new products commercialization point of view and the assets which are being there.

**Navid Virani:** Thank you for the clarity. Next up, I just wanted to have a long-term view on the biologicals business since we are so bullish and are investing heavily in this business. So, if we take, let us say, a 5-year view, given the visibility which we have right now, how big do we see the biologicals business becoming for PI? And if you can give some numeric sense to give us an understanding, that would be very helpful.

**Mayank Singhal:** Yes. as you look at the biological business where we are today, we expect it to at least have it three - to four-fold increase. We have shown that kind of growth. If you look at the past, we have given a 25-plus percent CAGR on the domestic business. Now on global platform, with the development regulatory timelines, once we are able to cross those hurdles, we see at least achieving that level of growth.

**Navid Virani:** Sure. Thank you for that answer. If I can squeeze in one more. I wanted to understand regarding the pharmaceutical business. So, in the past, we have talked about onboarding 3

to 4 large pharmaceutical clients in the segment. So where are we on that particular journey?

**Mayank Singhal:** Yes. So, as we have mentioned in my earlier comments today, we have onboarded a couple of pharma companies and onboarding is ongoing process but then moving into the next phase of the journey, and that is where we are right now.

**Navid Virani:** Okay. Thank you for all the answers. Wishing you all the best.

**Moderator:** Thank you. The next question is from Vivek Rajamani from Morgan Stanley. Please go ahead.

**Vivek Rajamani:** Thank you for the presentation. Apologies if this was addressed in the previous questions. But just wanted to clarify where exactly are we with respect to the regulatory challenges that you were alluding to on biological? Have we seen the resolution for that or that would continue for maybe one more quarter? And in that case, how should we think about the scale-up of the biologicals segment in the next 2 quarters and potentially fiscal 2027? That is the first question.

**Mayank Singhal:** So if you look at it from what was mentioned earlier for the Indian regulatory context, there has been disruptions. We are expecting to see in this coming quarter or the next quarter for that to wind down and get sorted. Regarding the global perspective, Jagresh gave an outlook earlier.

**Vivek Rajamani:** Sure. Just one clarification there. I think in the previous quarter, you mentioned that because of this, you could not make any sales in the previous quarter. Would it be fair to say that at least we started to see some traction come back? Or that is still some time away?

**Mayank Singhal:** Yes. As you know, there was ban put on biologicals product sales with the regulatory framework in India. Those have now been sorted out, but now we are in the regulatory phase of getting the documentation procedures and once that comes, we see it moving from the fourth quarter and this is specific to India.

**Vivek Rajamani:** Thank you sir. That is very clear. And the second question that I had was just some color with respect to the U.S. tariff, if that is been having any sort of impact on the business or the conversations that you may have with prospective customers? Any color on that will be super helpful. Thank you.

**Mayank Singhal:** Yes. The U.S. tariffs is a complicated conversation. At present, we are not seeing much issue, but clearly we are seeing uncertainty, both in the agchem and pharma sector to have a long-term clarity and which is creating slowdown in decision-making.

**Vivek Rajamani:** I am sure, sir. I will rejoin the queue. Thank you so much and all the very best.

**Moderator:** Thank you. The next question is from Tejas Pradhan from Citigroup.

**Tejas Pradhan:** Yes. Hi, sir. Just to clarify on the domestic biologicals business, could you split out what would have been the impact of the regulatory changes from this quarter revenue perspective?

**Sanjay Agarwal:** So, for most part of the first half of the year, the business was under restricted category and then post that, as Mayank mentioned, we are still in the process of getting approvals at the state level to restart the sales. So yes, it has impacted significantly, and that is why you are seeing the overall agri business being significantly down in this quarter.

**Mayank Singhal:** To be honest, we do not have that exact number on hand but maybe you could take it from Sanjay later.

**Tejas Pradhan:** Sure, sure. No problem. And apologies if this was clarified earlier, but just on the FY26 overall guidance, we still maintain the guidance that we had initially provided?

**Mayank Singhal:** No, we had said that looking at how the H1 has gone, and I think we had a conversation as you rightly gathered, we expect the positive trajectory now coming from Q4FY26 on Exports. On the Domestic business, we expect a good Rabi, but I would put a cautious statement given the fast-changing weather conditions. So if things go well, we should do well, but I would keep the guidance muted.

**Tejas Pradhan:** Yes. Okay. Thank you.

**Moderator:** Thank you. The next question is from Sumant Kumar from Motilal Oswal. Please go ahead.

**Sumant Kumar:** Yes. So, my question is regarding Pharma business loss in H1. And when we can see a positive trajectory in the coming year? And what is the key molecule development happening in that segment where we can see momentum and profitable growth.

**Rajnish Sarna:** Yes. As we explained, we are currently in the investment phase. And we expect that this phase will continue for another year or so. And we expect that in next 1 year, we will reach to a scale that will be able to sustain and maintain profitable growth and also achieve positive EBITDA.

**Sumant Kumar:** My question regarding CSM. We have seen a muted performance in Q2 in CSM segment. How you are talking about recovery going forward. So, can we see some single-digit growth in Q3, Q4?

**Rajnish Sarna:** As we have already guided that we anticipate recovery from Q4FY26 and accordingly, this whole year will pan out.

**Sumant Kumar:** So, we will see growth in Q3.

**Rajnish Sarna:** I think it is too speculative to talk about quarterly growth numbers. What we are indicating today is based on our current visibility on Domestic and Exports.

**Moderator:** Thank you. Next question is from Darshita Shah from DSP Asset Managers. Please go ahead.

**Darshita Shah:** Yes. Thank you for taking my question team. I just had one question What is giving us the confidence of the recovery that we are anticipating in the fourth quarter?

**Mayank Singhal:** That is coming from what we see from the feedback from our customers..

**Darshita Shah:** Got it. Okay. So, this is maybe a schedule, a tentative schedule shared by the customer, which is driving the confidence?

**Mayank Singhal:** Yes.

**Darshita Shah:** Got it. Okay. That is all. Thank you.

**Moderator:** Thank you. The next question is from Farokh Pandole from Avestha Fund Management. Please go ahead.

**Farokh Pandole:** Yes. So, I am referring to the presentation where there has been a mention of PI's own NCEs and there is been good progress and forward movement on that. So, is there some additional color or light you can shed on these initiatives and if you can tell us how we are placed and sort of some kind of timeline with respect to the future?

And second question is with respect to the cash position. Is this sort of a level that we are comfortable with? And how do we see that playing out? Or what is the plan with respect to future cash flows?

**Rajnish Sarna:** For our new NCE, we are on track for the first registration in India. While we are waiting for it, we have also gone ahead with a large number of field trials in India and working on product development in that direction. As regards cash flow question, yes, we are right now evaluating several inorganic opportunities in the domestic and also in other technology areas outside India as well.

But at the same time, given the kind of uncertainties in the general business environment, we are not in a hurry to deploy the available cash. We are happy to sit on cash and looking for the right set of opportunities.

**Farokh Pandole:** Great. Thanks very much. And wish you all the best for the coming quarters.

**Moderator:** Thank you. The next question is from Chetan Thacker from M3 Investment. Please go ahead.

**Chetan Thacker:** Just one clarification on that contract asset piece. So, from an accounting perspective, is the revenue already booked in this quarter and that is the asset that is sitting on the balance sheet?

**Rajnish Sarna:** Yes, the revenue has been recorded. This is not the first quarter that we are talking about contract assets. It has increased in the recent quarter mainly because of deferment of customer delivery schedule. So, there is nothing new about it.

**Chetan Thacker:** Sure. So, I just wanted to clarify that for my understanding. Thank you so much. All the best.

**Moderator:** Thank you. The next question is from Madhav Marda from Fidelity. Please go ahead.

**Madhav Marda:** Thank you so much for your time. Sir, two questions. The first one is on the Pharma CDMO business, which you are looking to grow. As we understand, looking at many of your peers in India as well, it is slightly a longer gestation business. Just wanted to understand where we are in that journey in terms of building up the pipeline.

And if you could give some color in terms of how many projects we are addressing and how many are in Phase I, Phase II, Phase III? If you could give some color there on our sort of pipeline, that will be helpful to understand the business better.

**Ramesh Subramanian:** So yes, I can give you some color. So, what we have done is we have onboarded 2 new clients in the first half. The focus is on investing in the CDMO business.

There are two pieces to that. One, we look at growing late-stage programs, which in the next 2 to 4 years, potentially start giving us sustainable revenue. And the other one is onboarding quality customers. So, in addition to the 2 customers that we have onboarded, I can tell you that we have two new late-stage programs that we have onboarded and we also expect to add two more late-stage programs in the second half.

Right now, these things hopefully as they move forward, can become good businesses. And we have several actively pursuing late-stage opportunities, and we will see how some of them play out. So that is the first foundation. And the second foundation is quality customers. And I think Mayank and Sanjay referred to it in their opening comments.

We have onboarded 2 large pharma's, and we expect to get one more in Q3 and in Q4. We had given guidance that we will try to onboard 4, and we are well on track for that.

**Madhav Marda:** Understood. So currently, how many Phase III programs do we have?

**Ramesh Subramanian:** In terms of late-stage programs, we have six.

**Madhav Marda:** Six late stage. So, I mean, usually, late-stage in the industry is Phase III or late Phase II, something like that is how we should also look at that?

**Ramesh Subramanian:** Yes, Phase I, Phase II.

**Madhav Marda:** Phase II, Phase III. Got it. Okay. Perfect. Understood. And there are no commercial programs yet, right, for us. We are doing more like pipeline development work. There is no commercialized molecule yet in our revenue.

**Ramesh Subramanian:** We have quoted on some.

**Madhav Marda:** Quoted on some. Okay. So, this would be like a second source to an already commercial molecule, something like that tech transfer?

**Ramesh Subramanian:** That is correct.

**Madhav Marda:** Okay. Got it. The second question was PI in the past few years has been looking to seed the electronic chemical business as well. I do not know if you have shared any update yet on how that is progressing in terms of ramping that up? And any update on that business as well, that will be helpful. Thank you.

**Rajnish Sarna:** We are already doing electronic chemical products for the last few years. We have already commercialized 5-6 products and in Current year also, we are commercializing a few. And on top of it, we have a very good pipeline in R&D for scale up studies and development. So yes, we are very much there in electronic chemicals and growing and also expect to do well in the next 1 to 2 years.

**Madhav Marda:** Is there any comment you can share in terms of capital or capex that we have installed for electronic chemicals specifically for us in our current gross block?

**Rajnish Sarna:** I think, Atul while responding to another question already mentioned that we have one plant, which is already near commissioning. We have another multi-product plant for electronic chemicals. So yes, there are a couple of plants used for these kinds of products.

**Madhav Marda:** And what was the gross block, including the one that we are adding and the one

**Rajnish Sarna:** We do not have this number in front of us.

**Madhav Marda:** Understood. Thank you.

**Moderator:** Thank you. The next question is from Krishan Parwani from JM Financial. Please go ahead.

**Krishan Parwani:** Just one from my side. I think, Mayank, you mentioned that you have offtake visibility from Q4 FY26. So, in that context, can you guide us for the order book status for FY27 and probably result in CSM growth in FY27?

**Rajnish Sarna:** Yes. We will not have order book positions for year-wise – FY27 or FY26 or something like this. We generally keep track on the overall order book position, which is around \$1.25 billion as of now. I think it is too early to guide you for FY27. We still have to see how the

inventory restocking and normalization happens in the next 2 quarters. But yes, we will surely guide you sometime in the fourth quarter around what is our visibility for FY27.

**Krishan Parwani:** Okay. And just one clarification. I think we have stopped giving the overheads and the gross margin for the Pharma segment from this quarter. Can you please give us for the second quarter?

**Sanjay Agarwal:** The gross margins have been in line with what we had seen in the past. In this particular quarter, the PBT margins, what are required to be disclosed, they have been there. There has been a slight decline in the profitability in this quarter for the Pharma business due to some one-off waste processing-related costs and unfavourable product mix. And as you know, the overheads have been higher because we have been in the investment phase, building capabilities and people cost.

**Rajnish Sarna:** I think the information structure is the same as previous quarter. Is that correct, Sanjay?

**Sanjay Agarwal:** Yes, the statutory requirement disclosures all have been given. I think he wanted more color on the gross margin piece and at the overhead level, which obviously gets culminated at the PBT level.

**Krishan Parwani:** Okay. No problem. Thank you so much for answering my question. All the best.

**Moderator:** Thank you. Next question is from Riju from Antique Stock Broking. Please go ahead.

**Riju:** Thanks for taking my question. I think all my questions have been answered broadly. Last one thing. If I look at the gross margin, so that has increased by roughly about 500 bps. So, is it because of lower inventory that have helped in terms of getting the gross margin? Or was there only the product mix that you have talked about earlier?

**Rajnish Sarna:** Well, it is primarily because of product mix. And as we have explained in past also that every quarter, you will have variability in the product mix. On a longer-term basis, as we have guided in the past, 50% to 52% gross margin is what we believe is a sustainable level.

**Riju:** Understood. And one last clarification in terms of CSM order book that you have mentioned. So that is \$1.25 billion that you have said, right, as of Q2?

**Rajnish Sarna:** Yes.

**Riju:** Okay. Thanks.

**Moderator:** Thank you. The next question is from Abhijit Akella from Kotak Institutional Equities. Please go ahead.

**Abhijit Akella:** Thank you so much for taking my follow-up. Just to understand this -- the point about the contract assets one last time. I am sorry, it was a bit unclear in the past. So, this is basically

revenue that we have recognized but the billing has not been made to the customer. Is that basically how it is?

**Mayank Singhal:** Yes.

**Abhijit Akella:** Okay. And how do we make the decision regarding when to shift it from, say, inventories to contract assets? Because I guess we would have the choice of keeping the inventories as well.

**Rajnish Sarna:** No, accounting is not done by choice. Accounting is done according to accounting standards. So, if we have produced inventory exclusively for a customer and we have an order in place, accounting for revenue recognition has to be done that way.

**Abhijit Akella:** Okay. So, the increase in this line item is largely because certain large deliveries have gotten deferred in the recent past.

**Rajnish Sarna:** Yes.

**Abhijit Akella:** Okay. Got it. And just last thing on the outlook for this year and maybe a little bit beyond. So, third quarter, we still expect maybe a little bit of lingering softness in terms of the CSM business on a year-on-year basis. But Q4 onwards, we expect growth to revise. Is that how we are looking at it?

**Rajnish Sarna:** Yes.

**Abhijit Akella:** Okay. And finally, I mean, just with regard to calendar 2026 or fiscal 2027, whichever, are you seeing that there could be a recovery in the agro industry in terms of demand? Or do things still look a little bit challenging?

**Rajnish Sarna:** In the earlier commentary, Mayank also indicated, we see recovery in the second half of calendar year 2026. And this is based on the discussions and the commentary we see from all the global players because the consumption is more or less getting normalised, destocking has already occurred in many geographies, and it is only a matter of the next few quarters, 2-3 quarters that the normalisation of re-stocking will happen.

**Abhijit Akella:** Got it. No, that is very clear. Thank you so much and wish you all the best.

**Rajnish Sarna:** Thank you.

**Moderator:** Thank you. We take the last question from Rohit Nagraj from 360 One Capital. Please go ahead.

**Rohit Nagraj:** Thanks for the follow-up. On the biologicals front, when do we expect the margins to converge to the business level margins at, say, 25% plus/ minus?

**Rajnish Sarna:** Well, as I explained, biologicals for us is a global long-term play. And we are right now in the investment phase. We have a very small-scale revenue of around \$12 million. So, while you will see that we will be growing at a very high rate, we will be investing in the market and product development for the next couple of years.

So, my view is that as far as margins are concerned, for next few years, we should only be focusing on scaling up this business and not looking at margins. I hope this clarifies. Also, let me add that biologicals for this industry is going to be the next growth driver.

Last 5 years, biologicals have been growing at double-digit, while chemicals have been growing at 2%- 3%. Next 5 to 10 years, biologicals will still continue to grow at that rate and become a significant portion of the overall crop protection play. With our cutting-edge peptide platform, we have a great opportunity to be in the right place at the right time in biologicals over the next 2 years. If we are able to scale up, profitability will obviously follow.

**Rohit Nagraj:** Sure, that explains. Thanks a lot and all the best.

**Moderator:** Thank you very much. That was the last question. I would now like to hand the conference back to the management team for closing comments.

**Mayank Singhal:** Thank you once again for joining this call of PI Industries and look forward to connecting with you. Thank you for all your support.

**Moderator:** Thank you very much. On behalf of PI Industries Limited, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

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