PI Industries Limited

Q1 FY27 Earnings Conference Call

August 12, 2026

Moderator: Ladies and gentlemen, good day, and welcome to the PI Industries' Q1 FY27 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 star, then zero on your touch-tone 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' Q1 FY27 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. Sanjay Agarwal, Group Chief Financial Officer
- Dr. Atul Gupta, CEO, CSM Agchem and Executive Director
- Mr. Jagresh Rana, Global CEO of PI AgSciences

We shall begin the call with key perspectives from Mr. Singhal, following that Mr. Agarwal will share his views on the company's financial performance. Thereafter, the forum will be open for question-and-answer session.

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

With that, I invite Mr. Singhal to share his perspectives. Thank you, and over to you.

Mayank Singhal: Thanks. Good afternoon, everyone and thank you for joining the call today. I will share few perspectives on the agrochemical industry dynamics followed by PI's performance and progress on new strategic initiatives.

The global crop protection market is showing early signs of demand and stabilization. While geopolitical and energy-related disruptions have moderated, the need for resilient supply chains and diversification has been reinforced. This environment plays directly into PI's strengths as a research and technology leader with unique proposition of long trusted partnerships.

The industry is undergoing a structural shift with adoption of safer, more sustainable technologies while increasing scrutiny and replacement of older technologies and solutions with limited innovation to answer the challenges. In addition, competitive edge is moving toward innovation, process excellence and ability to commercialize new complex solutions.

As you know, PI has invested ahead of this trend through differentiated capabilities in the area of research and technology to find new Chem-Bio solutions for the end farmer. Today, our customers view us not only as a reliable long-term partner, but as someone deepening our relationships across our business value chain to deliver more economical and sustainable advantages together.

These capabilities closely align to PI's business model built over decades serving highly regulated global innovator solutions, providing strong foundations for our expansions into high-value adjacencies such as Pharma, electronic and specialty chemicals. We believe PI is well placed to participate in the next wave of technology-led growth while continuing to create long-term value for all stakeholders.

On the domestic front, this year began with El Nino, strong heatwaves, delayed sowing and high level of inventories from prior years. As we see today, sowing and monsoon have picked up and we believe sowing is at par as last year. This delay, however, has impacted pre placement & sales of chemicals. While there have been shortages in fertilizer area, our special effort to use biological to support need of the farmer while addressing the need of sustainable vision in agriculture has resulted in achieving positive quarter and aggressive growth of 50% in biologicals, and a flat rather than negative outlook.

We believe, this should be seen positivity coming in period ahead. There are pressure on margins due to high input cost & higher levels of inventory, however we believe consumption patterns will see a positive trajectory. The industry remains cautious and watchful of erratic weather and climatic situations which will impact crops and consumption.

Overall, we believe in the long term need to feed growing population and farmers globally are demanding solutions that are safer, selective and sustainable. Innovative solutions with integrated approach of chemistry and biology driven by strong capability via R&D and commercialization with proven trust of execution, we believe this positions us strongly to be long term winner.

With respect to our exports business, the operating environment continues to remain challenging. Soft commodity prices, in-line with impact of the previous year's industry downturn, and muted recovery in crop economics, consumption patterns continue to exert pressure on growth and pricing. This is further compounded by rising costs due to geopolitical uncertainties, genericization pressures and tariffs. Given our unique business model, we remain confident of a positive trajectory for the business over the mid to long term.

We commissioned one of world’s largest flow plants – Advanced flow chemistry capabilities ensuring better, sustainable, safer handling of chemistries, superior process control and look at manufacturing for sustainable lives, while value adding to the cost efficiency of the production. PI continues to add such unique highly complex capabilities and is well positioned to meet futuristic requirements of products and solutions with higher precision meeting stringent regulatory compliance standards.

I am also happy to inform that slowly but steadily we are moving in the right direction in our pharma play and seeing early positive signs of transforming into a differentiated CRDMO organization. Some early shots – a couple of interesting queries will lead to the commercial phase. On the other side, the capabilities build out is now coming to a stronger foothold putting the centre of excellence for drug discovery at our Hyderabad CRO facility to support IDD programmes for customers, and the commissioning of a QC lab which is now approved by regulators in our site in Italy.

With regard to Electronic and specialty chemicals, new queries & commercialization is showing continued trajectory, and the investments which are supporting on this are also running on track. PI is moving in next orbit, where we are becoming a research & technology-based company through partnership models with global footprint while investing in our core strengths to bring innovation to life at a global level.

Let me now turn to biologicals, which has been our passion for over two decades, during which we have built one of the most comprehensive biological portfolios in the India and now with passion of this expanding into global markets with acquisition of our unique peptide platform. We are excited to see the progress on investment we have made in past and coming year, that results in various large-scale demonstration, validation and conviction of our farmers showing consistent performance across geographies in ag-states Mexico, Brazil and Asia.

Our unique new foliar application nematode, first of it in the industry is at par if not better than some of the chemical alternatives creating a meaningful differentiation for growers.

I would like to now focus on a defining platform for PI built over a decade; our in-house innovation and R&D platform. Our first NCE, Pioxaniliprole, an insecticide, discovered in India, for Indian farmers and now to go to global farmers is set to launch in the domestic market very soon awaiting regulatory approvals. This marks our capability by demonstrating our ability to have invented at a global scale and take innovation from India to the world.

We have invested deeply, both in financial profits and human capabilities to ensure our ability to deliver at global scale to take molecules from lab to markets. These capabilities over the years will be leveraged with pipeline of products we have.

While looking at the external challenges and aggressive investments to support our new initiatives, we remain positive on the growth trajectory for FY27.

With that, I'll hand it over to Sanjay for discussion on financial performance. Over to you, Sanjay.

Sanjay Agarwal: Thank you, Mr. Singhal. Good afternoon and a very warm welcome to everyone. I will summarize our financial performance for the first quarter of FY27 and the progress we continue to make in strengthening PI's long-term growth initiatives.

While the quarter witnessed softness amidst cyclical headwinds and global disruptions, we are steadily transitioning towards a growth trajectory. For Q1 FY27, reported revenue is Rs. 17,023 million with a healthy gross margin of 57% and EBITDA at 22%.

To bring context to these numbers, let me explain few of the initiatives behind each of our businesses. Firstly, Agchem export business, which is built on a deep foundation of innovation, R&D excellence, complex chemistries, and next-generation technologies, has created a significant competitive moat and delivered differentiated value to our global customers. While the business has faced near-term challenges reflecting contraction of global crop protection industry, the strength of our core business remains intact and future ready. We continue to invest in this platform through commercialization of new molecules and targeted capex, positioning us to capture the next phase of industry revival and growth. These capabilities not only reinforce our strategic partnership with global innovators but also provide a strong foundation for expansion into high value adjacencies such as electronics and specialty chemicals.

Thereafter, domestic Agri business continues to be built around differentiated and high value crop protection solutions rather than a generic product approach. Many of our flagship brands, including Nominee Gold, Brofreya, Biovita, have maintained leadership position over several years, reflecting the strength of our portfolio and customer trust. Biologicals have shown an aggressive growth of 50% with a three-year CAGR of 15%. Over decades, we have developed a deep market presence with more than 15,000 distributors and 1.5 lakh retailers creating a resilient channel network and strong partner relationships that help us effectively navigate market and supply chain disruptions.

Despite a challenging operating environment in the domestic market, we delivered a 12% volume growth in this quarter, translating into a 3% revenue growth. With the new product launches planned and monsoon conditions improving in this quarter, we remain optimist about the growth outlook for the coming quarters.

Over the past few years, we have strategically invested in building an integrated pharma platform across Jaipur, Hyderabad in India, and Lodi in Italy, creating a differentiated capability base and a strong foundation for future growth. While our current pharma business spends CRO and product offerings, our long-term ambition is to evolve into a fully integrated CRDMO platform, recognizing that such a transition requires patience, capability building, and customer trust.

Our global biologicals platform continue to gain strong global traction. We are on a track for aggressive growth across Brazil, Mexico, Europe, and US supported by 500 plus field trials. 1,000 plus grower engagements are strengthening our market presence and accelerating adoption.

We maintain a healthy gross margin of 57% during the quarter, supported by a disciplined execution. While margins remain robust, we continue to closely monitor the operating environment, given the volatility in the raw material prices. EBITDA for the quarter stood at INR 3,693 million, translating into an EBITDA margin of 22%. This performance has been delivered while we continue to invest significantly in our future growth platform, including new businesses, innovation initiatives, and R&D investments which contribute 3% to 4% of our revenue. We expect ETR for FY27 to be around 24%.

Moving on to balance sheet. We have always believed in disciplined capital allocation and therefore maintain a rigorous focus on net working capital as well. Despite the challenging environment, the team delivered an impressive reduction of 19 days in net working capital, releasing INR 300 crore of cash. We continue to drive excellence across our commercial and sales team to further strengthen working capital efficiency, which is in any way best in the industry.

Our strong debt-free balance sheet, supported with net cash of INR 38 billion, provides resilience and flexibility for strategic investments.

We expect FY27 to be better over FY26 driven by recovery in exports in second half supported by new product launches and gradual scale up of pharma and global biologicals businesses.

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

Moderator: Thank you. The first question comes from the line of Ankur Periwal with Axis Capital. Please go ahead.

Ankur Periwal: So first question on, the new molecule pipeline. Our annual report talks of, you know, 90 molecules under various stages of progress. Out of them, 60% of them are at advanced stage. Could you help us better understand how should one look at this pipeline across the Agchem, Electronic, as well as Pharma and Biologicals, etc?

Mayank Singhal: Well, I think, Ankur, that is a very long drawn question. I think pipelines cover what we have in production and evaluation. It is a funnel approach, as you rightly understood, and there are about 90 projects under that.

And pipelines of these molecules are majority within the Agchem; one is pipeline in the R&D, one is pipeline in the CSM, the other is the pipeline of products which are going to go to market from a development point. Now, that gets further multiplied by chemistry and biology.

Then you look at according to the structures, coming for electronics and specialty chemical segments. So that is the bundle of the whole piece. We do not really have the breakup right now, but that is a large number. What I can say, very excited to say, from the NCE point of view, we have a good pipeline here.

Biological products, we have a pipeline. As you have seen, we have launched two products. We have another two or three to go in the pipeline. And each one seems to be showing very good, positive trajectory, giving us huge potential. And for the Electronics, the pipelines are larger, but the value propositions are different.

So, I would say the pipeline is aggressive and it is interesting to see that some of these when they fructify will give us some great positive trajectory in the medium to long-term.

Ankur Periwal: Sure. And, you know, just a comment that we have made, launching of four to five molecules in FY27, would this be across only Agchem or this includes Electronic Chemicals and, you know, other products as well?

Mayank Singhal: Broadly, in the Agchem area this year, the Electronic chemicals too, would be about a couple of products and one or two in the Pharma, which has not been really covered here yet, it will be more in the Health Sciences.

Ankur Periwal: On the pricing front overall, across Agrochem CSM as well as domestic agrochemical side, we have seen some bit of pricing pressure in Q1 as well. Your thoughts, if this is some product-specific issue or it is a general trend across the products?

Mayank Singhal: Just to give you the input to the pricing pressure, you will see that demand cycle has been challenged. Automatically, that puts pressure on price. You have seen the last year performance in the AgChem industry has not been that aggressive, followed with the commodity prices that have not picked up. So these are directors which put up directives to the pricing pressure. But also, the other challenge – the consumption pattern is not high.

On the other hand, you have the challenge of the input cost. So striking that fine balance is a challenge in the industry today. And you can see that from the CAGRs of the global companies which are facing this challenge, both on the input and selling price fronts.

In certain cases, segments in companies which have one or two or simple generic products which are large, where they have a pricing pressure and have been able to pass to the lower end of the value chain. So that is been the situation, but pricing pressures are there.

I believe this would be better answered starting the second quarter at a global scenario as how these market and the commodity prices span up. And I am hoping, at least in my experience, I have not seen such a long gestation period of the cycle, that this final year this cycle breaks. And that is really what we are all in this industry are betting on.

Ankur Periwal: Sure. Thanks a lot for your answers. I will get back in the queue, if I have more. Thank you.

Moderator: The next question comes from the line of Tejas Pradhan with Citi Group. Please go ahead.

Tejas Pradhan: So on the revenue, FY27 revenue growth guidance.

Mayank Singhal: You see, as we stated earlier, we are looking at a positive trajectory, and in the lower single digit as indicated earlier. But again, depends on the cycle and the industry, it could go one way or the other, but that is what we are confident for right now and maintain the same as we said earlier.

Tejas Pradhan: Okay, understood. And on the EBITDA margin front, considering the different product mix that you would have scheduled through the year, how should we look at the margins? Should we assume the run rate that we have seen in the last couple of quarters or any material change in the mix that we can see towards second, third quarter?

Mayank Singhal: Margins are not that straightforward as you would appreciate given the geopolitical situation, the commodity prices, the logistics and other scenarios. But at the product mix level, we will try and maintain with the optimization that the company is trying to do to manage and look at maintaining the targeted gross margins.

There could be challenges from contraction that could become a challenge, but how we optimize those areas. Not necessarily product mix is the only answer to that solution. Again, opportunities may change with margins and structures. So that is the way we have to move.

So, to answer objectively, very precisely, our objective is to keep and sustain our gross margins at the best possible levels by optimizing and being agile given the best situation to be managed for the industry scenario, in a volatile world that we are in today.

Tejas Pradhan: Sure, thanks. And just lastly, could you share the contract asset number for June 2026?

Sanjay Agarwal: It is around Rs. 750 odd crore.

Moderator: Thank you. The next question comes from the line of Rohit Nagraj from 360 ONE Capital. Please go ahead.

Rohit Nagaraj: Thanks for the opportunity. First question is on the Pioxaniliprole. You mentioned that in domestic market we are currently in advanced stages. So when do we expect the commercial launch in domestic market? And what are the timelines that we are looking at in the other geographies given that we have started the process of registering the products? Thank you.

Mayank Singhal: Hopefully, depending on the regulatory framework, we expect to have early start this year. We are hoping within the year we should get the launch for India. On the other geographies, we would be planning with the local regulatory data coming in some of the geographies, one coming up for one geography next year, and one for the year after. That is the plan for now.

Rohit Nagaraj: Sure. Thank you. And second question is on the contribution of the new products in our CSM segment during Q1. So what was the percentage of contribution from that?

Sanjay Agarwal: 16% to 18%.

Rohit Nagaraj: Thanks a lot and all the best. Thank you.

Mayank Singhal: Thank you.

Moderator: The next question comes from the line of Surya Narayan Patra with Phillip Capital India. Please go ahead.

Surya Narayan: Thanks for the opportunity. My first question is on the new launch, peptide products that we have talked about, biological one in the US, is it relating to the Pharma or Agri?

Mayank Singhal: So just to clarify, this is more in the Agri, as you will see in the investor deck in my communication.

Surya Narayan: So if you can also talk something about the new molecules, 3 molecules that has been launched for the export market and any visibility, commercial success about those and the line of the product, anything on that you can add on that?

Mayank Singhal: These are for Agri application. They are new generation products which we are working with global innovators. That is the only level of information I can really disclose for today because they are still under development phases and confidential in nature.

Surya Narayan: Okay. My next question is on the capex side. See, in fact, despite of the industry challenges and all that, our capex momentum is very steady and consistent on that front. This quarter also, it looks like more than Rs. 250, 260-odd crore kind of a number that we are looking at. So what is driving these capex investments? And what would be the full year capex guidance that you can talk about for current year?

Mayank Singhal: We have given a guidance of Rs. 700 to Rs. 800 crore, which is the standard capex as you rightly said. Our present investment is Rs. 250 crore. They are going into 3 verticals, the existing manufacturing asset, investments going to our new verticals, and our innovation-led approaches in geographies and products.

Surya Narayan: Just one clarification about the export growth number that we have indicated in the presentation, so we have mentioned that there is a volume decline of 8% while value decline is 12%, but if I see the rupee depreciation benefit that itself on a Y-o-Y basis is around 13 odd percentage. So if I just consider 8% volume decline, that would have been easily covered up by the kind of rupee depreciation benefit that we should have seen in this quarter. What is the disconnect that I am finding here?

Mayank Singhal: Happy that you asked me this question. At the time when in the early days, I remember when the rupee was appreciating, people were asking, why is that. So I think our business manufacturing approach has been a pass-through model of value proposition. So, certain areas currency benefits and certain areas non-currency benefit, optimization is about managing margins at the optimal level.

So that is really the way we have looked at the currency benefits. And that is how it gets through. It is a complex model for PI, as we discussed in the past, because currency benefits around value benefits are shared. And also, we have currency risk management which is also put into play. Given that our business is not about currencies, but our business is more about the product and margins that you want to sustain.

Surya Narayan: Sure. Just one last point from my side. Regarding the domestic growth, we have seen volume decline of 12% in the current quarter. Obviously, this is because of the delayed sowing.

Mayank Singhal: Just for correction, we are the only few who have grown at 12% volume.

Surya Narayan: 12% volume

Mayank Singhal: It is not a decline. It is a growth in the volumes.

Surya Narayan: Okay. Sorry, that is my mistake. Thank you. Thank you for answering my questions.

Moderator: Thank you. The next question comes from the line of Sanjay Kumar with iThought PMS. Please go ahead.

Sanjay Kumar: Hi, thanks for the opportunity. We seem to have Rs. 550 crore of expenses in pharma, and we are doing more capex in Archimica. So has this acquisition not worked out? Also can you give the list of molecules we are working on in pharma? Out of these how many are in late stage, say phase 3 and commercial?

Mayank Singhal: Okay. I just want to clarify to you the strategy. We are not in the business of molecules. We are in the business of services where we do contract manufacturing for products and drugs which are under development or at early-stage development. That is what is called CRDMO. That is really where we are focusing. So we cannot be disclosing patented or to be patented molecules and codes, because they are not our products, till they become products and they are globally known.

On the other hand, just to answer, yes, as you would understand, the contract manufacturing business has a long gestation period because you are starting to work in the pharma sectors you would all appreciate and you know better than me, that you need to start with the customer the early stage of development, then through the development stage you support, and then when it gets to commercialize stage then it goes to volume growth.

We are making investments in the regulatory framework, because the regulatory requirements need to be made upfront so that you are a part of that value chain as products progress, we are able to optimize. So usually the CRDMO in pharma is a long gestation J-curve.

Sanjay Kumar: No, I understand, because other CRDMO companies give that list. Anyways second question on Pioxaniliprole's efficacy, it is a diamide belonging to the same class as CTPR. And I try to look up data as to what is the efficacy against many of these pests. How do you compare it with CTPR? And is this a flow chemistry based manufacturing process and what is the out-licensing potential?

Mayank Singhal: Well, we are not benchmarking into CTPR, diamide does not mean it is only CTPR as a diamide. There are many diamides which are working in different segments of different pests, the different stages. So then we have a different value proposition for our product. But yes, it is in the diamide class and in that segment, but with a differentiated approach. So that is one clarity.

Clearly, we see good potential for certain amount of crops where we see the advantage of this product compared to competing landscape. And that is also driving initiative for dialogues to look at partnerships at global footprint.

Sanjay Kumar: Okay. Last question, on our largest molecule today, I believe we have developed flow chemistry process capabilities. Does this help in our EBITDA margins? And what is our relationship with our partner? Is there a possibility of the partner shifting to lower cost suppliers?

Mayank Singhal: Well, I do not want to dwell into the commercial negotiation and contracting with our partners. Because that is again tied under CDA as you would appreciate. Clearly, we have a very long-term strategic partnership, which is aligned together for over 5 decades. And we believe we will co-create and co-compete to take on the competition as things come. Through technology, through innovative dialoguing and discussions to look at the market. So we do not see a challenge from that perspective with our partner.

Sanjay Kumar: Got it. Thank you. I will come back in the queue.

Moderator: Abhijit Akella, your line has been un-muted. Please go ahead with your question.

Abhijit Akella: Okay, thank you. Just a couple of clarifications if I may. One is, the order book number, I just wanted to clarify. I think you cited a number of $1.2 billion previously, a little earlier on the call. Is that the correct number, did I catch it correctly?

Sanjay Agarwal: Correct.

Abhijit Akella: Okay, so that is stable sequentially.

Sanjay Agarwal: Yes.

Abhijit Akella: Okay. And on the contract asset side, Sanjay, I think in response to a previous question you mentioned the number of Rs. 750 crore. Did I catch that correctly as well or some correction there?

Sanjay Agarwal: That is also right.

Abhijit Akella: Okay, alright. And then just one final thing on the domestic business, when we look at PI's peers that have reported so far, they have generally talked about soft volume growth but a lot of price-driven increase in revenues given the pricing inflation post the Iran war. In our case, it seems to be the exact opposite; pricing under pressure but volumes growing double digits. So I mean, any colour or any comments on just what the disconnect might be?

Mayank Singhal: See our approach has been to push and create market share with our products which are moving in that market share and not look at price softening. Now, price escalation is purely happened in the generic, that is where the commodities impact more.

Abhijit: Okay, understood. Thank you so much.

Moderator: Thank you. The next question comes from the line of Riju with Antique Stock Broking. Please go ahead.

Riju: Few bookkeeping questions. So, if I look at your subsidiary financials data, so the EBIT comes roughly at Rs. 120 crore loss. But the pharma EBITDA is roughly around Rs. 60 crore loss. So what is the disconnect or where we are spending our money in the subsidiaries? If you could explain that?

Sanjay Agarwal: There are several other business, several other new initiatives which we have built up over the last few years. And the losses or the ramp up of investments is what is captured between standalone to consolidated.

Mayank Singhal: So let me take that example to be very specific, right now in our global biological business, we are investing heavily in market development activities as Sanjay stated earlier. We have 1,000 farmer's interactions, 500 demonstrations in global geographies and to bring satisfaction over a couple of seasons and that is expected to earn revenue at a later stage.

These require human resources, because this business is more about soft investments and those soft investments come in the P&L as a part of expenses. So that is really the challenge. You may call it good losses, which is equated to investing and in my view because you are building investments to create business for the future. Whereas from a financial angle, you are right, it looks like losses.

Riju: My question was regarding the, the additional loss at the EBIT level, for the subsidiaries. So that you are saying is mainly towards the Biological business development apart from the Pharma one. So Biological business development and related to the PIHS subsidiaries that we have acquired earlier is that correct understanding?

Sanjay Agarwal: Yes, these are new businesses, whether it is Pharma business or the global Biological business, which is where we are front-loading the investment so that we get the growth, in the next few years.

Riju: Okay, so understood. So this kind of expenses will go maybe for next few quarters, is that correct assumption?

Mayank Singhal: Yes. we are building new technologies, new capabilities. They need investment up front to demonstrate benefit to the end consumer. Once they are well established and the capabilities are well established, then the revenues and the business starts taking off. Without this investment, you cannot achieve growth in scale, which we wish to.

Riju: Yes, understood. Thank you. Thanks for the clarification. And one last question regarding the pharma business. So this time we have mentioned that a few of our order book got delayed to the next and delivery schedule delayed. So if you quantify that number in the pharma business, and are you still maintaining our pharma business guidance that we have given earlier?

Mayank Singhal: Yes, the CRDMO business is working with new innovators, new products and new technologies. And clearly sometimes there are sequential delays but eventually they come if you are locked in with a customer. So these delays are driven from that. We look at the guidance, unless we saw some shifts which could take place based on moving some products from one quarter to the other or the demand shifting from that one quarter to the other, based on launches or based on product demands, primarily the revenue gets securitized.

So that is how this business is reflected in the CRDMO. We are in the early stages, and have more volatility, to be very honest, because our portfolio levels are very small. The minute we scale, and more customers and portfolios expand, the volatility, standard deviation reduces. And that is the strategy that will take time to build.

Riju: Understood. Thanks for clarifying all my questions.

Moderator: Thank you. The next question comes from the line of Siddharth Gadekar of Equirus. Please go ahead.

Siddharth Gadekar: If we look at the last three, four years, we have seen our R&D expenses almost increasing from Rs. 100 crore to Rs. 400 crore plus our subsidiary losses last year was around Rs. 300 crore. So how should we look at these losses going ahead? Because even this quarter, we have seen almost Rs. 100 crore EBITDA loss in our subsidiaries, which is largely pertaining to the Biologics business. So is there any timeline that where these businesses break even? And how these expenses should be looked at over the medium term?

Mayank Singhal: I just want to clarify one thing, R&D to us is never a loss. It is a value creation that we are doing. If you look at global benchmarking, there is one of the things when we were pushing India into the innovation bucket globally in any business, people are asking, how much money do they spend in research. Research is creating value for sustainability going for organizations into the future.

Yes, this is the strategic direction. PI is passionate about R&D. And now not only passionate, PI is now performing company for R&D in the areas of a chosen field. This expense is going up. Yes, it creates EBITDA margin constraints in the operating day to day, but in the long term, it is a sustainable and a growth accretive approach by investing in R&D to create scale and impact at a larger level.

So that is the way we are seeing and I think we remain at that level of a certain percentage, at 3% to 4% investments of our revenues into research.

Siddharth Gadekar: So secondly on the Biologics business, last year we had EBITDA loss of Rs. 120 crore in the global Biologics business. Can we share these numbers on a quarterly basis that how is this business shaping up? Because till the annual report is out, we do not get any color on how this business is going about. And suddenly we see a Rs. 120 crore EBITDA loss in that business, where you have never highlighted that these are the kind of investments we have made in that business?

Mayank Singhal: Well, yes, because these are different phases, different developments. We will try and figure that out and put that across to you. But yes, these are investments as I do not know whether you were up in the earlier question which came from the earlier participant, where we expressed that these are investments for development to scale up revenue and establish credibility of the product.

Product innovation is one, product development is the other, then is revenue. So, these are the development which is also treated as a part of taking the product to the market or telling the technology to the consumer by demonstrating the performance of the product.

Siddharth Gadekar: Lastly then how should we look at the peak sales of these products? Can you give some guidance on that, like the Nematicide that we are launching, what kind of peak sales do we expect from these products over the next three to five years?

Mayank Singhal: When you take any technology, you look at the performance, I think where I would like to highlight, which I did in my speech, our technology outcome performance for the product is extremely successful. Now we are looking to see how it works in the field, which we are getting positive trajectory.

And based on the satisfaction of that, we will soon come out what is the potential we can look. But clearly, you would appreciate with our capability and understanding, we will not be chasing something which is not less than three digits in millions of dollars. And that is really what we are chasing when you look at the innovation.

Siddharth Gadekar: Okay, thank you.

Moderator: Thank you. The next question comes from the line of Anand Jain. Please go ahead.

Anand Jain: Thanks for the opportunity. My question is on Biologics. So we have these product registrations in Brazil and U.S., now, Tiekko/ Shanema and it is a very exciting nematicide product in Biologics. And very clearly, the advantage, as you mentioned in the presentation, is because of the foliar application versus root application of the competition, which clearly gives us a right to win is how I think. If you could give us the market size of this product across various markets like Brazil, India, USA, that would be very helpful in assessing as to how big this product could be.

And I remember in the Q4 call, it was said that the Brazil market from biologics point of view will grow by 300%. So what is our size there and with India and U.S., launch happening this year, what kind of growth can we expect in the biologicals? That is my first question. I have more, so if you could answer this.

Jagresh Rana: So, first piece, I think let's understand the overall biological business. Globally, biological business is something around USD 10 billion. Growing in double-digit. So this is the only segment if you look at in the crop input market which has been growing.

Now, our biological nematicide, which is very unique and which we said is the only product in the industry which has foliar application, can also be applied with seeds. So it has, it can be applied in the soil, with the seed, foliar application. So it has all the flexibility for the farmers.

And this product is registered in Brazil, Mexico, and U.S., U.S. is basically just getting launched. In Brazil, if you look at it, of the total market, roughly around USD 750 million is the nematicide market. So that is the market we are participating right now.

And you know farmers basically who plant roughly around 5 million hectares of the crop, they tested this product last season. Farmers will start planting in roughly around a month's time in Brazil. We have very positive feedback. In Mexico, we are primarily focusing on the fruit and vegetable market, which is a very high value market.

And then U.S., as we have launched, we are looking at both the field crops like corn, soybean as well as the fruit and vegetable markets. So, these are three. And then we are bringing it to other markets as well. The other fact maybe I just want to share is, nematicide or nematode management is a relatively newer concept. Nematodes are present everywhere, but farmers normally do not realize it, and we see a significant opportunity even in India and other markets as well in the future with this.

Mayank Singhal: And only one line of caution that I would put please appreciate that where the usages are there, when we are doing for a foliar application, we are also trying to sell a new concept to the farmer, of changing his habit. But which is better for him, but as you would appreciate, any habit change, any concept change takes some time and investments to deliver that value.

Anand Jain: So, is it a fair understanding that this particular product because of the foliar application need not be used at the time of planting the crop but can be used later when the nematode issues appear? Is that a fair understanding because the competitive products actually require you to use right at the time the crop is planted?

Jagresh Rana: Competitive products are typically used either in the soil or as a seed treatment. This product can be used as a seed treatment, in the soil, which we call it in furrow, as well as foliar. There are farmers who may have missed the first application, they could not do it. These farmers have the ability to catch up again in the foliar, which you do not have with chemicals.

Another piece, think of the permanent crops typically, the fruit crops which are there, or long duration crops like sugarcane, cotton. In these crops, normally when you do the early application with seed or soil, it does not take you all the way through. Here, a farmer has the option to come back again and apply. So, it is the flexibility as well which this product is offering, which is very unique effectively. No one has in the industry this kind of product.

Anand Jain: Thanks for that. My next question is on Pioxaniliprole and I think this was asked by an earlier participant as well. Now we do not want to compare this with CTPR, which is another diamide. But what I wanted to understand is if you can give us some kind of efficacy data like there are two things which matter most. One is efficacy against the various pests/ crops.

And then the days between repeat application. Because what we have seen is that the most commonly used diamide which is CTPR today, the efficacy has just gone down significantly, and farmers are kind of using it after every week. So, if you could give us anything around that because there the data is totally absent for us to judge it in terms of what kind of molecule it is?

Mayank Singhal: I will highlight when we launch, you will get a better sense of the product. Typically, when a product goes to the market, you get a better sense of that. Clearly, we have got the product, it has a better efficacy. And again, I want to highlight this too, does not mean every diamide will be replaced by this product and this product will replace every diamide. Every product has its own opportunity.

Whether it is in crops and sometimes in crops there are multiple applications which are done of the similar chemistry. The advantage, one of the key areas, it has better efficacy than some of the competing products. But does not mean that those products will still not have a place. And our approach to sustainable agriculture, is to reduce this efficacy and to improve efficiency is by seeing and educating the farmer in the same segment by using different products, hence enhancing resistance management.

So, in a nutshell, we see better efficacy in certain. I would not say CTPR is the only benchmark. It improves the efficiency. CTPR has its own space. This product will have its own space, the other products have its own space, is how we take the product on the efficacy in the segment of the pest.

If it gets good value proposition to the farmer and a sustainable approach in different crops, different diamides work differently. As you would know, since you are well aware, certain diamides do not work in certain crops and certain diamides work very well in certain crops. So that is also the other differentiator.

Anand Jain: Last question is on Electronic and Performance chemicals. I actually have been tracking your company for quite some time. I remember that in 2011 was when we first made our electronic chemical journey, i.e. started early electronic chemical journey. And exactly five years before, that we said that we have commercialized something in electronic chemicals.

Now over the period of last five years, we have said multiple times that multiple molecules have been commercialized. What exactly do you mean, when you say commercialized because we have not seen anything significant or substantial come out of that bucket.

Mayank Singhal: The electronic chemicals are not substantial. It takes a longer gestation. We had entered that space as true nascent at that time, it was not a big thrust. The whole trajectory of that industry is changing now. But let me be clear. We have put a commercial plant, which has got into operations, and commercial supplies in that area have started with the new technology.

Anand Jain: Oh, that is great to hear. So commercial supplies would mean significant in terms of revenue is what I would assume for certain molecules.

Mayank Singhal: We are trying to get into a billion dollar play, but significant from our perspective to have entered that space, and in the meantime, to ensure the requirements do meet the next generation of technologies, we are in the process as I have said earlier, investing in a very high-tech manufacturing asset to support the business development, to look at a differentiated approach because the whole sector is far more dynamic than any other sectors.

And the evolution, the requirement of technology and products is constantly changing. So that is how we are trying to address rather than go at the lower end of the value chain at a commoditized approach. So that is the game that we play there, as the PI formula in other businesses.

Anand Jain: Great. Thank you and all the best.

Mayank Singhal: Thank you.

Moderator: Ladies and gentlemen, this will be our last question. It is from the line of Sanjay Kumar with ithought PMS. Please go ahead.

Sanjay Kumar: So just a couple of follow-ups. First on the Brazil nematicide market. You said USD 750 million is the market size. Given our product is performing at par, what kind of market share can we aim for in Brazil?

Mayank Singhal: We are developing, and what I can say, we want to keep up with smart competitive intelligence, but double-digit market share is not a challenge for that product, and that is where I would park that answer.

Sanjay Kumar: And how long would it take, the double-digit market share?

Mayank Singhal: It takes five to ten years to develop a product, but we are trying to accelerate it with technology. And the market will also grow. So as Jagresh mentioned earlier, the potential is there.

Sanjay Kumar: Got it. And second, I believe we have registered for a product called Dicloromezotiaz for diamondback moth. And when can we launch this product and will we also do CSM too for this innovator which has generally been our model? And can this be as big as our current large molecule because diamondback moth, I believe, is one of the worst insects affecting the farmers.

Mayank Singhal: We are getting into that product, it is a new generation product, that is why as a part of the launch that you mentioned the three to four products, that is the product which is under launch this coming season.

Sanjay Kumar: What could be the revenue potential of this product?

Mayank Singhal: First commercial launch in the Indian context, I do believe it will be a three-digit product in times to come. It takes five, seven years in that segment to build a product as you would appreciate.

Sanjay Kumar: Got it. And this last question, we have signed up as an exclusive partner for integrated drug discovery with a biotech. Can you talk more about this? What will be the services we will be providing, and can we sign such deals with more other biotechs as well?

Mayank Singhal: Yes, we are, that is one of the key offering of the value chain in the CRDMO. It is about independent discovery programs which are supporting through a chemistry process capability, biology evaluation capabilities. We have right now been able to lock in one, our partner, we have worked with more other partners, so that becomes our knowledge capability which tomorrow translates into the production capability and which leads into the CRO, from a CRO to a CDMO play.

And that is really the capability that we put at the front end, which ensures a pipe of attracting the customer to go to manufacturing, which is revenue driver. So, we believe we are very happy with what we have been able to build and show and demonstrate creating attraction. And we have the bandwidth to take two or three only more products so, having a two to three different opportunities which we are evaluating, and over time we should be able to lock this in, which gives us confidence for the longer term.

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

Mayank Singhal: Thank you very much for joining the call today. And I am happy to state that PI is in its stage of moving to the next dimension of its next orbit with sustainable solutions. Biologicals are the top of the agenda, initial shoots being shown in the domestic market, the global market showing positive trajectory, and the chemical industry expansions that we grow to the dynamics of the agrochemical industry. Look forward to your support and all the very best. Thank you.

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