# PI Industries Limited
## Q2 and H1 FY27 Earnings Conference Call Transcript
## November 05, 2026

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**Moderator:** Ladies and gentlemen, good day and welcome to the PI Industries Q2 and 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Siddharth from CDR India. Thank you and over to you, Siddharth.

**Siddharth Rangnekar:** Good afternoon and thank you for joining us on the PI Industries Q2 and H1 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 commence with key perspectives from Mr. Singhal, following which we will have Mr. Agarwal sharing 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 call could be forward-looking in nature. A disclaimer to this effect has been included in the investor presentation that is available on the stock exchange website and has been mailed to you separately earlier.

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

**Mayank Singhal:** Good afternoon, everybody and thank you for joining the call today. This has been a difficult quarter in a difficult year for the industry. The global crop protection cycle is at low points, and we are feeling like everyone in the business. What I want to do instead is to tell you what we are doing about it and why we believe PI comes out of this cycle stronger, more differentiated and more valuable.

PI has been through cycles before. In each one, we have made the same choice. Keep investing in the capabilities that matter, take the hard decisions earlier than later and come out the other side with a better business. This is exactly what we are doing now. We have a strong track record of identifying emerging opportunities early, investing ahead of the curve and translating differentiated capabilities into scalable businesses.

PI has always taken opportunistic and unique approaches to business. We start with innovative led agri-distribution, moved into CSM three decades ago and now I am proud to say, with our investment in R&D beginning 12 years ago, we are now India's first and only agchem innovator. With this long-term vision, we have consistently delivered stronger execution and value creation.

We see similar potential in the platforms we are building today across the pharma CRDMO, global biologicals and specialty & electronic chemical manufacturing driven by continued innovation, capability development and customer engagement. These platforms are in the build-out phase, and we are confident these investments will increasingly contribute to our growth in time to come.

PI's core is reflected in our innovation, manufacturing and marketing excellence through a decade of experience. We have been able to build the best-in-class assets, leveraging differentiated technologies and assess newer areas of the market. We talk a lot about innovation. We do so as the only Indian ag innovator. We continue to invest in deploying and building a moat around scientific talent, infrastructure, technology platform and product portfolios. These investments propel us into a differentiated category from molecules to markets deepening customer engagement and helping us build multi-engines for future growth.

Turning to the global crop protection market, channel stocks are back to normal levels, and that part of the correction is behind the industry. Uneven weather across the key geographies, rising input costs, tight channel credits meant growers bought late, bought less and bought cheaper. Generic pricing pressure compounded that.

None of this changes the structural picture. The world has to feed more people with less land, less water, tighter regulations on what can be used. That is the only

possibility with innovation in products and with supply chains that partner can trust. Those are the two things PI spent decades building.

In India, the season was defined by the weakest monsoon in over a decade with prolonged dry spells, delayed sowing and, as a result, lower pest pressure. Kharif acreage was flat and the season was lacklustre. Going into rabi, soil moisture and reservoir levels are below last year in several rain-fed belts, so we are planning for a cautious Rabi and will respond to how the season actually develops.

On the brighter side, prices of major commodities have firmed up from their lows, which, if sustained, points to better farm economics in the next season.

Now let me take you to the PI businesses. Let me address our export business.

The environment remains hard: subdued crop economics, elevated input costs, genericization arriving faster than the industry expected and pricing pressures across the board. Considering the global market situation, we took pragmatic pricing decisions in order to compete for a higher volume that comes with genericization.

Conversely, we have commercialized 20 plus molecules in the last three to five years in different parts of the life cycle, carrying differentiated process technology and innovator margins. Coupled with the ongoing diversification in our pipeline, they are the engines of the next leg of growth in the business. Customers increasingly see PI not just as a manufacturing partner but a trusted scientific partner who is capable and can help them to address their needs and compete. This is a position earned over decades, not something that can be taken away by short-term challenges.

Our domestic business continues to hold its ground with strong year-on-year growth of 19% despite the challenging market dynamics, supported by a portfolio of differentiated high-value crop protection solutions and strong market position across key brands. Our focus remains on expanding market share and capitalizing on the ever-changing market opportunity through robust agile go-to-market and brand strength, with flagship brands continue to maintain leadership positions.

Biologicals deserve a specific mention here. Our domestic portfolio has grown by 45% and our global portfolio has seen more than 250% growth this quarter as farmers continue to adopt sustainable solutions. We have been building this platform potentially for two decades. What began as India opportunity now is a global one, strengthened by our PREtec peptide technology. Globally, thousands of field demonstrations across crops, climate and geographies keep confirming what we

believed early: biologicals will sit alongside with chemistry at the center of the next generation of crop protection and PI intends to capture both.

Taking on to R&D, which brings me to a historic moment in Indian agriculture. Twelve years ago, we made a decision that was no Indian agrochemical companies ever made before: to invest in discovering our own molecules. It was expensive, it was slow and for most of that time it showed up only as a cost. This quarter showed up as something else.

Pioxaniliprole branded as Pioxazon, our first new chemical entity has received a registration in India and has been launched as Pioxazon: an insecticide that targets some of the most economically damaging pests in rice, corn and Bengal gram, while we continue to expand our labels for different crops. Regulatory filings are progressing in other geographies across the world, and we are preparing a path for global commercialization in the coming years.

A molecule is a product, but the more important fact is our ability to discover molecule is now a platform. That platform now exists, in India, inside PI. It covers discovery, chemistry, biology, formulation, toxicology, agronomy, process development, manufacturing, end-to-end capability. The first molecule proves the platform works. We are expecting to bring another two to three chemical and biological molecules in the global arena in the next few years, opening up a significant opportunity led by innovation to leverage global partnerships. That is what makes PI different from every other company in the sector. We are not manufacturers or marketeers of molecules, we are now an innovator for the growers, both Indian and global. We will continue to bring innovation from India to the world with our partner-centric model.

Taking you to our future growth engines. The same logic, invest early and build patiently, is behind our newer platforms. These are the businesses that make the future and we are building them with the same discipline as we built CSM for three decades and the brand business in India. Capability first, customers alongside, scale when the economics are proven.

In pharma, we are steadily shaping a differentiated CRDMO. The center of excellence to support drug discovery at Hyderabad is up, the new QC lab in Lodi commissioned and certified, and the kilo lab is completing by the end of the year. We are engaging with customers large and small and in several cases co-developing business models. This is how long-term CRDMO relationships get built.

In the electronic and specialty chemicals, customer engagements are deepening, commercialization is progressing, the kilo lab at Udaipur will be operational by the

end of the year. We have been deliberate about where we play, segments where our process chemistry capabilities and niche areas of application gives us real right to win. These will give PI three to four engines of growth from where we are today.

So, let me bring this all together. Our core business remains strong. We will plan conservatively, protect our cost positions, keep the balance sheet strong and keep investing in building our future moats.

A domestic franchise that takes shape in good seasons and bad. An export business that has reset when it has to and is rebuilding a younger, harder, better margin molecule. A biological platform that is now global. New platforms in pharma and electronic chemical coming to life. And for the first time, an innovation engine that has proved that it can take a molecule from an idea in Udaipur lab to the farmers in the field in India and going to the world.

These achievements strengthen our ambition to build a global innovation-led science company, creating original science and intellectual property from India for the world.

Cycles end. Capabilities compound. We have built the company on that belief for 80 years and our commitment remains strong to create value for all stakeholders.

With that, I hand it over to Sanjay to take it to the financial performance. Thank you. Sanjay, over to you.

**Sanjay Agarwal:** Thank you, Mr. Singhal. Good afternoon and a warm welcome to everyone.

I will summarize our financial performance for the second quarter and first half of FY27. As Mayank outlined, while the industry continues to navigate a challenging cycle, our focus remains on strengthening the long-term drivers of value creation. This quarter reflects strong growth in domestic brands and biologicals while sector headwinds impacted AgChem exports. We continue building future growth platforms across R&D, pharma, global biologicals and specialty chemicals for a well-diversified business portfolio.

In this backdrop, Q2 FY27 consolidated revenue stood at Rs. 17,018 million, declining 9% year-on-year and gross margins at 49% with EBITDA at 14%.

Moving on to the business performance, Ag Chem exports declined by 18% during the period. We remained focused on driving volume growth post-genericization through price optimization while cost escalation could not be passed through in this current market conditions.

Further, we are broadening the growth base through commercialization of new products. During the quarter, we added three new CSM molecules commercialization and continue to advance initiatives in differentiated technologies including electronic and Specialty Chemicals.

Moving to domestic Agri, the business delivered another strong quarter with 19% growth through crop reach and product portfolio. Our focused approach on biologicals delivered healthy growth of 45%, which accounts for 18% of the Agri domestic portfolio. Growth was driven by differentiated product portfolio with new product launches and focused GTM.

Moving on to our global biologicals platform, it continues to gain significant traction across key international markets. We are expanding our distribution network across Brazil, Mexico, Spain and the US, achieving 3x increase in distribution width. The revenue grew by 250%+ year-on-year, supported by registrations, commercial expansion and extensive field activities efforts across key geographies.

Our pharma business grew 20% year-on-year supported by deepening engagement with customers showing early shoots and building development & manufacturing capabilities.

As we are in the investment mode for these businesses, we expect once they reach scale, operating leverage will result in profitability.

Turning to a margin profile, the moderation in gross margins was primarily driven by higher input costs by 5% and pricing pressure due to El Nino and genericization. These are cyclical input cost headwinds rather than structural issues.

Our core overhead remains tightly controlled with continued investments in development of new businesses by 6% and R&D 2%, besides increase in energy cost by 3%.

Further, we continue to invest 3% to 4% of our revenue in R&D, which are fully charged to the P&L. Our decade long such investments have started showing results with Pioxazon being the first and few more in pipeline.

Moving on to the balance sheet, we maintained a disciplined focus on operational efficiency and capital allocation. Keeping business hygiene a priority, we reduce net working capital by 18 days, releasing Rs. 298 crores of cash as at quarter end.

Strong operating cash flow generation of Rs. 9.1 billion versus Rs. 2.3 billion year-on-year supported by focused working capital management continue to reinforce our

balance sheet strength. We ended the quarter with a healthy net cash position of Rs. 36 billion to support our strategic investments in multiple growth platforms while maintaining financial resilience.

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

**Moderator:** Thank you so much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. First question come from the line of Rohit Nagraj with 360 ONE Capital. Please go ahead.

**Rohit Nagraj:** Thanks for the opportunity. So, first question is during first half of this financial year, how much was the contribution from the newly commercialized products in the CSM portfolio in percentage? Thank you.

**Sanjay Agarwal:** All the new molecules which we have been commercializing, account for 16% to 18% of our Ag Chem exports business and it can vary on quarter to quarter basis, but on a yearly basis, it is around 16% to 18%.

**Rohit Nagraj:** Perfect. Second question referring to the Slide number 10, we have mentioned that next wave 2-3 molecules in advanced stages for chemical and bio segment. Can you just elaborate in terms of what is the market size for these molecules and what is the kind of market share that we are expecting once we commercialize these molecules and any timelines of commercialization? Thank you.

**Mayank Singhal:** I will answer that in reverse. In the next three to four years, we should have some of these markets showing the colours. Clearly, they are in pretty interesting segments, and it would be too early to comment on the market size and share, but they are sizable in terms of what we are looking at the opportunity given the investments that we will be making in this.

**Moderator:** Thank you. Next question come from the line of Abhijit Akella with Kotak Institutional Equities. Please go ahead.

**Abhijit Akella:** Good afternoon. Thank you so much for taking my questions. The first one is on within the 18% year-on-year decline in agrochemical exports, would be possible to breakout how much was volume and how much was pricing?

**Mayank Singhal:** Volume is about a lower single digit, about 3% to 4%, the other is being price and cost.

**Abhijit Akella:** Okay. So, 13-14% pricing and then 3% to 4% volumes, got that. Thank you. The second one was with regard to export revenue number that you have shared for the quarter. I presume this includes Rs. 12,277 million, right? Rs. 1,227 crore that you have shared on Slide 4. I presume this includes pharma as well as biologics as well as agrochemical CSM. Would be possible to just help us with the breakdown between these three buckets because we are not exactly able to back into the biologics number. Is it possible to just share the biologics number as well?

**Mayank Singhal:** Are you asking if the export number includes the biological presence internationally? Just to clarify?

**Sanjay Agarwal:** The global biologicals number is part of the export revenue is around Rs. 60 crores.

**Mayank Singhal:** Break down of pharma is how much in that?

**Sanjay Agarwal:** Pharma is around Rs. 75 crores and the PI global biologicals business is around Rs. 60 crores.

**Abhijit Akela:** Biologics is around Rs. 60 crores, just to clarify. Okay. Got that. Thank you. And then with regard to your comment about pressure on gross margins and the fact that it is happening you know maybe primarily due to higher input costs and therefore margins should come back eventually over a period of time. So, what is the normalized level of margins that we expect you know and yes, both on the gross margin side and the EBITDA margin side if you could just share your perspective there.

**Mayank Singhal:** The gross margin as we said is about today at 47%-48%. The normalization, looking at the way the market today, whether it is oil prices, looking at the dollar with the geopolitical issues, we are putting all pressure to make sure that we continue to manage these gross margins at the level that it is today.

**Abhijit Akela:** 48%-49%. Okay, that is the normalized level. Sure. And just one last thing for myself and I will get back in the queue. The development of new businesses, you have mentioned that contributed to about a 6% increase in costs overheads year-on-year. Is this primarily pharma and biologics, the increase in you know investment losses out there or is it something else and why such a sharp increase? What is, behind that?

**Mayank Singhal:** Yes, it is primarily pharma and biologicals. Biologicals as you would see that we have taken up to expand in 3 geographies, which is US, Brazil, Mexico and which are not cheap, and expanding the footprint to make sure that we create the platform for growing our business while we develop the products in the market and enabling

development and expansion of the reach requires huge investment both in people and spend and that is the primary driver which is linked to the long-term strategy of growth.

**Abhijit Akela:** Okay, got it. In case it is possible to share the loss amount at the biologics business, plant healthcare globally, that would be really helpful. Thank you so much.

**Mayank Sighal:** It is about $10 plus million that we have lost there.

**Sanjay Agarwal:** For the full year.

**Abhijit Akela:** Sorry, $10 plus million is the loss for the full year expected from plant healthcare.

**Mayank Singhal:** Yes.

**Moderator:** Thank you. Next question come from the line of Ankur Periwal with Axis Capital. Please go ahead.

**Ankur Periwal:** Yes, hi sir. Thanks for the opportunity. Within the agrochemical CSM side, you did mention that you know revenue share from the newer molecules is standing at largely similar range as we saw historically. Is it more a macro phenomenon because of the environment El Nino that there has been slower growth or there is something more to it? Just looking at the ramp up of the let us say non-pyroxasulfone portfolio here, the other part of the business.

**Mayank Singhal:** Good Question, I think as you would understand the external pressures both in the consumption pattern and the pricing cost economics, the adaptability also gets slow for new products. So, I believe when that economics, the global scenarios change, that could show an acceleration, but the interesting factor is that we are having and holding those capabilities and we expect if the farm economics and global scenarios change, they could accelerate up to 100% of our everything.

**Ankur Periwal:** We have already started seeing you know uptick in global prices. How long do you think it will take for this transition to have it is more of you know maybe a quarter here or there or probably it will take slightly longer from a ramp up in terms of process?

**Mayank Singhal:** I see pressure in the next couple of quarters but I think by the end of the next financial year, I am already seeing certain green shoots with certain volume pickup in demand which we are seeing from our partners.

**Ankur Periwal:** Sure, that is helpful. A second question on the pricing bit. You did highlight the pragmatic call not to take price hike and probably impacting some bit of RM inflation. Both on the core, in the top product as well as other products. Is it more near-term

phenomenon or structurally our focus is more to ramp up on the volumes even at the cost of margins in the near term?

**Mayank Singhal:** As you see today, the external pressures are making sure the pricing pressure is becoming challenging for our partners. And I think given our long-term capabilities and gestation period that you work with a customer, we are continuing to hold the market share and as the market turn for better price, that should definitely give a positive impact to our margins.

**Ankur Periwal:** Sure, that is helpful. Just on the other products as well, the new launches. Is there incremental pressure that you are seeing on a, you know, let us say last quarter versus this quarter or is the continuation of the older ones?

**Mayank Singhal:** I think incremental pressure is now a question which today is incremental, tomorrow it is not incremental as you can see the swing in the dollar or the swing of the fuel prices. we have put a very agile structure to say and partnering and this is where our strategic partners are playing a role because in the long-term we want to hold the volume and we are cooperating to see how we can continue to do that and on a dynamic basis take calls and continue to hold the market.

**Ankur Periwal:** Yes. That is helpful. Just one last question on the electronics segment. We have been talking about it for a while and plus the new launches as well that that we highlighted earlier. By when do you see a ramp up in this coming in and maybe broadly if you have some number in mind, this could be x% of the revenue in terms of size and scale that should.

**Mayank Singhal:** So as I mentioned last time, there is a longer gestation, yes, we have already started to see early shoots for the ramp up. Next year we will see some good ramp up happening there. And in the period of 3-4 years, as we said, we try to target a $100 million business in this segment, the niche area.

**Moderator:** Thank you. Our next question comes from the line of Sumant Kumar with Motilal Oswal. Please go ahead.

**Sumant Kumar:** Hi, sir. So my question is for this export business and what we understand the key molecule got off-patented and we have a realization pressure. So this quarter we have a higher RM pressure. So do you think ease out in the RM price expected and we can see some margin recovery in the key core product in export segment?

**Mayank Singhal:** Yes, if the RM pressures do go away, yes, that could help us get a better margin profile for these products.

**Sumant Kumar:** Okay, can you talk on realization side? The off-patented key products realization has declined. Going forward, is it now normalized or we can expect further correction in the price?

**Mayank Singhal:** Looking at the market dynamics today, it will not be a straight answer for me to give, but yes, some are at that and they are also already swinging up and down depending on the market situation.

**Sumant Kumar:** Okay. So every year we are launching four, five molecule in the CSM side and we know that in the last five years everybody is talking about overall the impact on realization and also margin pressure going forward. And as a management team, what strategy we had at that time when we knew that this is going to a big risk for the company.

So what are the key steps? Do you think going forward the kind of decline we have seen in this quarter in the margin as well as top line in last four, five quarters? What are the key steps we have taken which has not fructified and going forward is going to fructify and we can see some growth in CSM?

**Mayank Singhal:** So that is again a good question. I think we are working on 3-4 different agendas. One is within these products, we are working on technologies and innovation, innovative ideas in corporate sites which have a longer gestation to increase. So we keep some good outcomes on that to be globally competitive. On the other hand, looking at this is always a normal cycle. So the company has taken the three to four of the initiatives, expanding in the near higher growth engines of biological and taking that to a global footprint, going to more value-added leverage capabilities with the CRDMO and further in the electronics segment that we are investing.

And more importantly, if you look at the Ag segment, the biggest bend around the curve we have taken is a global innovator play, which will completely differentiate this. Although the gestation period has been 12 years already but trust me another 5-6 years, we have created a very differentiated moat for us as a company. Because these cycles will come, but how do we mitigate and compress these cycles to outshine because of the initiatives we take.

**Sumant Kumar:** In the pharma side also 4-5 years ago we have acquired company, and we had a big plan. Still, we are seeing we are lagging and whatever we have a thought process in that segment, still we are lagging in that. So any thought process on the profitability side and scalability side in the pharma?

**Mayank Singhal:** So you are right. However, we are not lagging, I would say. This as we have been saying is a long gestation. Again, as you see, for the last 3-4 years, we have been investing, building capabilities. As said earlier, we built the capabilities both internally and externally, from customer intimacy to building apps and ways to service the customer. Some of these are coming to life. But I am happy to say that I see a couple of deals in the pipeline which could look at fructifying, maybe small steps for the bigger things, but that sets the ball rolling to the next step and that is really where we are today. So, yes, it is taking time because we are trying to do a differentiation by co-creating business models with partners, but we are moving in that direction in a positive way.

**Moderator:** Thank you. Our next question comes from the line of Tejas Pradhan with Citi. Please go ahead.

**Tejas Pradhan:** Yes. Hi, sir. Just one clarification. So earlier you mentioned gross margin level 48%-49% as the level that one would target. Is this assuming the current level of input prices sustain? And if we assume that the sort of inflation that we have seen so far that reverses, then that additional, say, 5% can increase from the gross margin level?

**Mayank Singhal:** As you would understand, the cycles that what we have today is already a plan for the next quarter and a quarter and a half. Building on that, I see this as a position, but as things swing, certain areas could swing positively, but it takes a lag of a couple of quarters to create the impact. Therefore, I would hold to that for now.

**Tejas Pradhan:** Okay, understood. And secondly on Slide Number 4 you have mentioned the impact of costs on new businesses and new molecule launch expenses, etcetera. Could you quantify this as absolute number of rupees crore that would be recorded in the current quarter?

**Mayank Singhal:**

**Sanjay Agarwal:** broadly if you see last year, Q2 was Rs. 530 crore, this year it is Rs. 609 crore. So, its Rs. 70 crore increment, if you take 6% percentage of that, Rs. 36 odd croreprimarily development of new businesses, accordingly energy cost and R&D.

**Tejas Pradhan:** Okay, so this percentage number mentioned is the YoY increase that is attributable to these particular heads. And just to sort of complete over there, how long would these expenses continue? When can we expect these to sort of roll over?

**Mayank Singhal:** So there is, as I always put it very straight, there is a startup cost. The startup cost in these businesses take about 2 to 3 years. And I believe that the most aggressive investments are happening in our global footprint of biologicals, which is already

showing some positive results with great products in the pipe. I believe in the next 2 to 3 years, we will be able to flatten these out before we start turning them positive. And also the similar is happening in the other businesses.

**Moderator:** Thank you. Our next question comes from the line of Tarang Agrawal with Old Bridge Asset Management. Please go ahead.

**Tarang Agrawal:** Hi, good afternoon. Couple of questions. So this 49% outlook that you have given, it seems more from the point of view of how you are looking at the next 2-3 quarters or is it something that, in your view, could last a little longer?

**Mayank Singhal:** Well, to be very honest, as we said, based on what was the exception last year, we had a guidance of 52%-53%. 49% is what I am seeing the 2-3 quarters in this today I believe that keeping that and trying to improve that should be our objective in the next 2-3 quarters, continue to improve that and I do see that happen.

**Tarang Agrawal:** Okay. And just to understand, one of the primary molecules that you have got in your exports business, if you were to do a cost benchmarking, because you have been the prime supplier of the molecule and even though it is gone generic now, there are certain steps that you have taken in your supply chain to sort of address it. So, just from purely from a cost competitive standpoint, where do you think you would be today?

**Mayank Singhal:** No, we have a competitive position at a global play and there is always, my friend, when genericization is indeed in lag on input cost vis-a-vis output cost. So I think the stabilization should take place in a couple of years, but what we are continuing to do is to hold the volumes, the market share and with that price point it is obvious to spread the volume to grow. That is really how we are addressing that, but we believe we are in a good position to play that up with our partners.

**Tarang Agrawal:** And just to get a context, what would be your global market share?

**Mayank Singhal;** I would not be in a position to answer because that is more for our customer who is dealing with it, but I think it is a substantial market share.

**Tarang Agrawal:** Got it. And just the last question on, when do you think the Plant Healthcare business sort of reaches an inflection point?

**Mayank Singhal:** As I said, in the next 2-3 years, we should be well in the inflection point.

**Tarang Agrawal:** And when you call out inflection, what is your definition?

**Mayank Singhal:** One, we give an EBITDA positive and the growth numbers come to a stable state and what more we can do with that platform.

**Moderator:** Thank you. Our next question comes from the line of Charul Agrawal with Bank of America Securities. Please go ahead.

**Charul Agrawal:** Thank you for taking my question. Sir, my first question is if you could share the order book number?

**Atul Gupta:** Order book position is around USD 1.25 billion.

**Charul Agrawal:** Got it. Sir, my second question is on the pharma CDMO business. Last quarter, we had mentioned that there is going to be some slippage of a contract. So, the Q2 increase that we see, does that fully reflect that slippage? Going ahead, how do we see the pharma CDMO growth, given that we were earlier expecting that over the next 2-3 years, we would reach Rs. 500 crore to Rs. 600 crore and an EBITDA breakeven? Do we still remain on track for that?

**Mayank Singhal:** Yes, that is our target. We still continue to work on that.

**Moderator:** Thank you. Next question comes from the line of Dhruv Muchhal with HDFC AMC. Please go ahead.

**Dhruv Muchhal:** Yes, sir. Thank you so much. Sir you mentioned about the input price pressure and as we understand the CDMO model, agri-CDMO model, it is largely a pass-through model. But here do you expect this input price pressure to continue for the next 2-3 quarters? So I am just trying to understand, has the structure changed or is the input price pressure linked to that specific molecule?

**Mayank Singhal:** So what the price pressure pass-through is, yes, is this fundamental principle understanding, but given today, there is a limit to which a customer can take. And the economics change. So having taken that with our global partners, we have come together to take certain calls to continue to keep the market share so that we do not lose that opportunity, which is more difficult to develop. . So I think that is what we are focusing and doing.

**Dhruv Muchhal:** Got it. So this is not linked to a specific molecule, but broadly across your portfolio?

**Mayank Singhal:** Yes, it is a broader phenomenon, but we are maximizing and optimizing volume, and the focus on volume growth and through price optimization. That is the approach we are taking.

**Dhruv Muchhal:** Got it. And the revenue decline of about 18% in the Agchem exports business, probably this was answered earlier, but I did not get it. Is it also across broader portfolio, or it is linked to the specific molecule? So the point is the remaining portfolio largely flattish or growing, or that way?

**Mayank Singhal:** It is across the portfolio. As I said, we continue to maintain the market share because the problem is the whole industry is in that place.

**Dhruv Muchhal:** Got it. And the last question is, the pricing actions on the generic molecule, the largest molecule. Based on your assessment as of now, do you think, probably based on the spot pricing of the alternates, do you think the current levels are the level that you have to achieve, or unless probably the alternates reduce further, or this is the max you have to go?

**Mayank Singhal:** I think the base pricing will be, again, market situational-led and opportunity-led. The pricing will play accordingly. As we are in that phase, and we continue to play along with that phase with a competitive edge.

**Dhruv Muchhal:** No, I mean, at the current level, just to get an intermediate sense of the situation. At the current levels are they, I mean, is the pricing action max that you had to do, or you will have to take more actions?

**Mayank Singhal:** It is the best what we see for today. It would be too much of competitive information to disclose. But I believe we are in a good position and place to take this one.

**Moderator:** Thank you. Next question comes from the line of Ram Arvind with iThought PMS. Please go ahead.

**Ram Arvind:** Hi, thank you. So my first question is on the electronic chemicals that we have. So, if I am not wrong, there is about two or three which is going into the Kilo lab soon. And so, can you give us some sort of number or some sort of indication on how you see the electronic chemicals playing out in the next 2-3 years? And since your investor presentation also talks of the increase in new inquiries, about 75% is coming from the non-agchem side. So is this coming from the pharma side, or do we see more traction towards the electronic chemicals? That will be my first question.

**Mayank Singhal:** Pharma is separate, but besides pharma, the non-agchem side, and the electronic chemicals that we have stated, we are targeting about USD 100 billion business in 3-4 year's time, and we are seeing the trajectory of that right now.

**Ram Arvind:** Right. So, and the second question will be on the contract assets. So, currently, over the last six months, if we see, the contract assets have only risen about Rs. 30 crore

roughly. How do we look at this contract assets exactly? Like, what is the implication of this? Is the slow rise in contract assets because some of our customers are probably ordering much less ahead of their needs, or has the mix kind of shifted away from our main molecule to other molecules such that the contract assets are not growing? And also, am I right in assuming that if the contract assets were to not grow, that would mean that volumes are actually being shipped out?

**Sanjay Agarwal:** Yes, that is right. These level of contract assets, as you have seen in the last few quarters and this quarter and next few quarters, we expect it to be in the same level. And, so they are comparable, and as you know, these are committed purchase orders and for the patented innovator product. So yes, they continue at the same level for a few quarters now.

**Ram Arvind:** Right. So do you have some sort of guidance towards the contract assets particularly?

**Sanjay Agarwal:** Yes. we are currently around Rs. 700 odd crore, and we expect to be in the same range.

**Ram Arvind:** All right, thank you. The next question will be on the Pioxaniliprole. So how do you assess the market for this molecule? Do you think you will expand your labels beyond rice, maize, and Bengal gram? Secondly, like, what sort of revenues do you see coming from this molecule for the next 2-3 years?

**Mayank Singhal:** Well, yes, we are looking to expand beyond these 3 crops. Clearly, as you would see, we have done a lot of effort of developing this product. We are going to be putting it out into the market in this month. The usual in a typical new product launch, it is first putting it in the market, taking it to the farmer in the one season, and getting a sense of its adaptability, understanding the value proposition at a larger scale. And once we have the right understanding, which we believe we have with the product here, we will be taking up to get a better assessment as to how we want to scale and put in the market. And that would probably happen by the end of this year. At that point, we are in a better position to answer what numbers and scales are we looking to achieve here.

**Ram Arvind:** Right. So right now, you do not want to commit to a particular number, is it?

**Mayank Singhal:** Yes. Because we want to be evaluating it at the ground level of the first step of commercialization. Typically, that is always done in the Ag business for generations that we have been doing. Take a product, take it to the market, get a sense then start setting your targets and committing to that.

**Moderator:** Thank you. Our next question comes from the line of Darshita Shah with DSP Asset Managers. Please go ahead.

**Darshita Shah:** Yes, hi. There are roughly about 13%-14% odd of pricing led decline that we have seen in Ag this quarter. Is this specifically for one product, or it is such a large quantum across all products?

**Mayank Singhal:** Well, the pricing discounting is across the crop portfolio, including domestic and global, given the present situation, as I mentioned.

**Darshita Shah:** All right. Secondly, just on the 20+ molecules, as you mentioned, that you have commercialized over the last 3-5 years. You have added some new molecules this quarter around. If you could just give us a certain number as to how should we be thinking about it with respect, say the situation were to improve, and you said you are seeing some green shoots Q4 onwards. What kind of an upside should we think from here on? What is the peak potential of these products? How many of these are intermediates? How many are these technicals? Are these contracted to a certain extent? Are these registered products? Some sense on these products, please.

**Mayank Singhal:** So, most of them, they are contracted because they are contract manufacturing business. Clearly, as we said, 17%-18% is already the revenue share of these. But clearly, given the market dynamics, new products always grow at accelerated pace. We expect this to take a larger share of our revenue with that once the market dynamics change.

**Darshita Shah:** Any peak potential that you would have in mind, USD300 million - USD400 million, something like that you can share, I mean, for all the products put together?

**Mayank Singhal:** It would be difficult for me to put that on table today, because as you see again, we are developing new products, and they are well tightly-tied with our partners as innovators. But potentially, we have an estimated idea, but I would not throw that out today. But yes, it could be in that range in 3-5 years.

**Darshita Shah:** Got you. USD300 million - USD400 million over the next 3-4 years.

**Mayank Singhal:** I would not hold myself to that number, as I said it is difficult to put that down.

**Moderator:** Thank you. Next question comes from the line of Bhavya Gandhi with Bajaj Alternate Investment Management Limited. Please go ahead.

**Bhavya Gandhi:** Yes. Hi, thanks for the opportunity. Just wanted some clarity on gross margin again. Let us assume Rs. 100 is the raw material price. You are going to price it at plus

percentage, certain percentage, and let us assume it is 52% in your case or 53%. Keeping the RM inflation aside, can we assume that percentage margin number that you are going to price your product on is structurally getting down, seeing a downtrend? Is that the right assumption, keeping RM inflation aside?

**Mayank Singhal:** So one, majority of the business is B2B business. And again, the pricing front is also a high variable front driven by external factors, as I said, crop economics, environmental conditions. So, if you see we in the middle of the track. Back end is the inputs and the geopolitical challenges, the front end is the crop economics, environment, and consumption patterns, keeping an competitive landscaping from the genericization pressures. And looking into that, we look at optimizing and trying to continue to maintain that.

**Bhavya Gandhi:** Sir, if you can provide some more clarity on this. Is it, suppose, structurally trending downwards because it is difficult to fathom exactly? Because there are a lot of other elements also, variables, like the RM inflation and all those. Keeping those asides.

**Mayank Singhal:** I mean, I am not very clear why would. Because this is not a cost-plus business model only. It is a combination of a few. So I am also not very clear on your question. So, if you can just further clarify.

**Bhavya Gandhi:** Okay. So basically, it is not just cost-plus certain percentage. You are saying there are other variables to it as well.

**Mayank Singhal:** Yes.

**Bhavya Gandhi:** Yes. And structurally, will it be assuming the RM inflation eases out maybe Q4 onwards, will we get back to the original percentage margin that we were at?

**Mayank Singhal:** Well, our original percentage margin depends what are you looking at original. Because we have given a 50%-52% margin. Yes, that will be the target obviously to get there, but not what the last two years an exception here as everybody well knows that was again by the great initiative that the company took in optimizing and maximizing its technology to play. But our guidance has been between 50%-52% odd margin there.

**Bhavya Gandhi:** Fair enough. And second question is regarding the order book. How do we calculate the order book? Is it at current realization of the product that we decide the entire order book number USD 1.25 billion and does it change over time if the realization drops?

**Mayank Singhal:** Well, that is the order based on a contract value. So that is what is called the book. Now, during the contract, things can swing and change. There have been times when costs have gone up. There are times when the market is challenged, we are discounting, but that is the guideline where the order book sticks. So precise number to the point delta would be very difficult to answer today.

**Bhavya Gandhi:** Okay. And in your last call, you had mentioned about low single digit growth for FY27 and with the commercialization starting for electronics in H2, can we assume that number holds?

**Mayank Singhal:** Yes, I would say we have said we look at a flattish approach given the external dynamics and as you can see the whole industry trend and we are still trying to see that we are around the flattish area given the situation that we see internally today and you can also best judge that from the competitive environment.

**Moderator:** Thank you. Next question comes from the line of Bharat Sheth with Quest Investment Managers Private Limited. Please go ahead.

**Bharat Sheth:** Hi sir. Thanks for the opportunity and congratulation on the launch of innovation with new product. Sir, what is our philosophy or strategy for taking this innovative product to global market and what will be our marketing strategy for the same, whenever we start getting the registration?

**Mayank Singhal:** As I said, PI has this unique position, we have a platform being built to develop products in the developing economy, Brazil, Mexico, and America and partnerships. Added to that, we would be taking these products through our strong partnerships which we have had for decades to support to take these products to the market. That is the approach we are taking.

**Bharat Sheth:** Okay. It will be in the partner brand or our brand, or we do not have to invest at front end. Is that fair understanding?

**Mayank Singhal:** Well, all this will be based on the best techno-commercial opportunity the company sees and will contract differently with different partners and different markets.

**Bharat Sheth:** Any timeline that you have in mind, I mean, approximately when do we start that whole process?

**Mayank Singhal:** Some of them we should be hopefully filing the regulatory piece in the next year or two and I think next 2-3 years we may see some of them fortified for going into the market.

**Moderator:** Ladies and gentlemen, we will take the last question from Surya Narayan Patra with Phillip Capital India Private Limited. Thank you.

**Surya Patra:** Sir, you just mentioned that there is a price inflation that is visible across the portfolio. So, is it fair to believe now that even the patented molecules are also kind of facing pricing pressure, which was not the case earlier, which was only restricted to generic products?

**Mayank Singhal:** Yes,You see the farmer economics are determined what money he makes from the crop., the economics were large and there is a certain price he can put a solution in force.

Now, because of cost structure, the price goes, the economics changes for the farmer, the demand comes down. So, if we can continue to maintain a certain price to develop them, that is what is called the pricing pressure on the product, even on innovation spaces, because innovation in Ag needs to come out with a value proposition. When the farmer is having a challenge of the value proposition in the present economics, that becomes the next priority. But as the economics improve, they also improve.

**Surya Patra:** Okay. My second point is about the scope of any inorganic growth. If we are likely to see a kind of a meaningful dent because of a larger dependency on a bigger product. So, can that be compensated with any inorganic growth scope? Because we are having a very strong balance sheet also.

**Mayank Singhal:** Yes, so the company is continually evaluating what we can do in that space. And as and when we come up with some opportunities, we will be definitely looking at those ideas.

**Surya Patra:** Okay. That would be in the Agri side or beyond Agri given the challenges that is in the agribusiness?

**Mayank Singhal:** As you see, we have both the platforms, the agri, the pharma and the specialty, so we are evaluating across the sectors so that we can propel some growth in those areas. Agri-biologicals could be a big opportunity too.

**Surya Patra:** Sir, the last point on the capacity, capacity is what we have already created and our capex investment plan. So, after we are facing kind of dent to the overall volume visibility of course the leading product. So, what utilization that we would be at currently and what would be our capex plan going ahead and in which areas?

**Mayank Singhal:** So, if I was to say we are not facing a dent, structurally on the volume, the volumes are looking okay, they are a little depressed, but they look positive. On the other hand, we have enough capacity to address what we need because of which we have built as it is a cyclical play. So, I believe the investments have come to a saturation capacity to take care for the next 2-3 years in the agchem sector. We are now building capacities in the other new engines of growth that we are adding to the point and that is where the capex will go.

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

**Mayank Singhal:** Once again, thank you all for joining us all today. We look forward to catching up in the next one. and a Happy Diwali to all of you and your family.

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