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Dear Sir/Madam,

Sub: Disclosure under Regulation 30 of the SEBI (listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the earnings conference call for the quarter and half year ended September 30, 2022.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose the transcript of Analyst and Investor Conference Call for Un-audited financial results for the quarter and half year ended September 30, 2022 held on Wednesday, November 09, 2022. The link to access the transcript of the earnings conference call is https://www.piindustries.com/Media/Documents/PI%20Industries%20-%20Q2%20FY23%20Concall%20Transcipt_Final.pdf.

This is for your information and records

Thanking you,

Yours faithfully,
For **PI Industries Limited**

VISWANATHNA
N MANIKANTAN

Manikantan Viswanathan
Chief Financial Officer

Encl: As above

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PI Industries Limited

Q2 & H1 FY23 Earnings Conference Call Transcript
November 9, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY23 earnings conference call of PI Industries Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. I now hand the conference over to Mr. Nishid Solanki from CDR India.

Nishid Solanki: Good afternoon, everyone, and thank you for joining us on PI Industries' Q2 FY23 earnings conference call. Today, we are joined by senior members of the management team, including:

- Mr. Mayank Singhal, Executive Vice Chairman and Managing Director
- Mr. Rajnish Sarna, Joint Managing Director
- Mr. Manikantan Viswanathan, Chief Financial Officer
- Mr. Prashant Hegde, CEO Domestic and
- Mr. Atul Gupta, CEO Exports.

We will begin to call with key perspectives from Mr. Singhal. After that, we will have Mr. Manikantan sharing his views on the financial performance of the Company. After that, 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 may be forward looking in nature.

And a disclaimer to this effect has been included in the investor presentation shared with you earlier and also available on Stock Exchange websites. I would now like to invite Mr. Singhal to share his perspectives with you. Thank you and over to you sir.

Mayank Singhal: Welcome, everyone and thank you for your participation today.

I'm happy to report that PI has built on the growth momentum sustained over the last few quarters and delivered a strong performance in Q2 FY23. We have achieved overall revenue growth of 31% on a high base of last year, EBITDA has grown by 49% and net profit has increased by 46% on a year-on-year basis.

There was strong demand for our crop protection products during the robust Kharif season. The agriculture sector is buoyant driven by higher price realization, normal monsoon and healthy reservoir levels. Our newly launched products are getting good traction and acceptance across all crops.

The outlook for Rabi season looks very promising, and we are expecting the domestic segment to achieve strong growth.

The opportunity in the agchem worldwide is apparent and PI with a differentiated model is in a position to create value with its unique strong technological capabilities that puts us in the lead. The challenge today, however, is to maintain a steady line of predictability on costs of raw materials, power & fuel and the various other costs, which are getting disrupted in the industry. Whereas we actively manage our products mix so that we could deliver sustained performance, the broader industry is lagging to absorb the higher costs. We also believe that India is well-poised to address this opportunity to emerge as a high-technology manufacturing base. India's approach to looking at the backward integration across all sectors will be a strong asset.

In CSM exports, there has been an uptick in order book position. We are proud to announce an order book of around $1.8 billion,. There is traction from the new inquiries, particularly for products in the non-agchem space. We're also enhancing our R&D and manufacturing infrastructure for non-agchem. We have already commercialized one new molecule in this space this year.

I'm pleased to report our S&P Global Corporate Sustainability Assessment ranking improved to 93 percentile, another great achievement by the PI team. We view sustainability as a source of competitive advantage and a key to our business continuity and our success and the way of life at PI.

On the domestic operations, we are poised to exceed the numbers of new product launches during this fiscal year to previous years. We have launched 5 new products so far and 2 more are planned in Q3. We're also expanding the depth of our offerings in addressing new market segments such as TAURUS a revolutionary nematicide and TOMATOUGH, a unique biological product.

We plan to continually introduce brands with a pipeline of over 17 more innovative products in different stages of development and registration. We are striving to deliver cutting-edge solutions to maximize farmer productivity for their crops. We already have a fleet of 300-plus advanced boom sprayers and also piloting drone application services.

Our performance is underpinned by the PI compass and our purpose of 'Reimagining a healthier planet'. In addition, we're implementing an integrated program to build our digital edge and people first capabilities. This is the multipronged program for building leadership pipeline to enhance performance with digital tools while growing and enhancing products with data sources. We want to provide the best platform and an opportunity for growth for individuals to lead by science and technology to create transformative solutions in the life science space.

Diversification to adjacencies through an inorganic route remains our top agenda apart from technology scale-ups. We have inducted seasoned leadership and continue to expand the teams with a view to intensify our efforts in the pharma foray. We continue to actively to evaluate inorganic growth opportunities in pharma, both domestically and internationally in line with our pharma strategy.

The outlook for the year is encouraging. This is complemented by sustained improvements to the margins as our model further scales up. Through an enhanced product mix, better business productivity, and tighter control on volatility, we are set to contain the impact of inflationary tendencies in the input and energy costs across disruptions to supply chains.

Let me once again thank the stakeholders and to all the members of PI for their great contribution for this quarter.

I would like to hand over to our CFO, Mr. Manikantan to share key financial performance highlights.

Manikantan Viswanathan: Thank you, Mr. Singhal. Good afternoon, everyone, and thank you for joining us on the call today. I'll be summarizing the financial highlights of the Company for the second quarter ended 30th September, 2022.

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

During Q2 FY23, we reported a revenue of INR 17,700 million, a growth of 31% over the same period of the last year. This was driven by growth in exports revenue by 29% to INR 12,783 million and 36% increase in domestic revenue to INR 4,917 million. The export revenue growth of 29% was driven by volume growth of around 25%, coupled with favorable price and currency of around 4%. Domestic revenue growth of 36% was mainly driven by volume growth of approximately 31% and price increase of around 5%. New innovative Agri brands launched recently also contributed to this growth.

The trend in elevated input costs continued during this quarter and half year, although we achieved pass-through by increasing product prices, both in exports as well as in domestic markets. Our gross margin increased by 18 basis points to 45%, partially due to the cost pass-through and favorable product mix.

EBITDA increased by 49% to INR 4,331 million for the quarter, driven by efficient supply chain management, operational efficiencies and tight control on fixed overheads.

Profit after tax increased by 46% to INR 3,348 million attributable to EBITDA growth.

Net cash flow from operating activities during the first half year was INR 3,078 million.

Our balance sheet further strengthened during the quarter. The networth increased to INR 66,176 million. Total Capex for the half year stood at INR 1,204 million. Actual Capex is in line with the plan. For this year, we estimated a Capex of around INR 6,500 to INR 7,000 million.

On inventory levels have increased to INR 16,095 million, in line with our higher revenue as well as to avert supply chain disruption to meet customer supply schedules and continue the operations.

Trade working capital has gone up by 8 days in terms of days of sales from 103 days to 111 days during the first half year.

The company maintained its strong liquidity position with a surplus cash net of ECB of INR 23,211 million, including accretive proceeds.

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

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

Aditya Jhawar: It's good to hear that you have increased the Capex guidance to INR 700 crore from INR 650 crore in the last quarter. Is this increase sufficient to take care of the increase in the order book, which increased by almost 30% in this quarter? And also keep in mind that our asset turns on a trailing 12-month basis is already 2.4x, and in the first half of the year we have spent just about 20% of the annual Capex guidance, if you can dwell a little bit on this it would be great.

Mayank Singhal: Thanks Aditya for the question. As you know, we are a technologically focused organization. I think the company has done a great job in the first half of the year. We've been able to improve asset turns by increasing the productivity and efficiency. And that's where we believe we've been able to handle this growth. Going forward, the company is putting more efforts and experiences, more areas in this front to drive capacity announcements with low capital investments. And while we are pretty confident to do this in the right approach, we'll be able to deliver the growth plans that have set the company going into the future.

Aditya Jhawar: As you know, Mayank, it was very insightful, but if you can help us to understand little bit that in the first half, our Capex spend was only about 20%. And if you think about the acquisition that we have been talking about, a large part of the acquisition would be far marking about, say, 70%, 75% of the funds will be deployed. And earlier you had mentioned that it would be for non-agrochem. So, for agrochem growth, our Capex seems to be a little bit on a lower side, if you can help us understand why is that the case?

Mayank Singhal: So as mentioned, we're including the throughput efficiency. As you know, some of this capacity has been built much earlier. And if you've seen our commentary earlier, we have said, yes, we will be increasing the asset turn based on better asset utilization by improving efficiency. And those are the points to highlight, and that's a well-balanced equation that we have internally. And third intervention is coming through process technologies that we are putting into the game.

Rajnish Sarna: And just to add to this, Aditya, we have to also keep in mind the kind of investments in capacity expansion that we have made in the last couple of years. And this is where we have some headroom for growth. And plus, we are also making new investments. So, I mean we'll have to look at it in totality when we look at growth and the order book and the current capacity utilization together.

Mayank Singhal: So just to give you a little bit more comfort on that, we have an independent cell that constantly looks at this, and we would very much appreciate this business is not about today's demand and tomorrow's capacity, it is the long-term orders. So capacity planning and asset utilization all are integrated-processes including the technology interventions and the company has, over the last 20 years, constantly delivered on its expectations, both in terms of growth and customer requirements.

Aditya Jhawar: Absolutely. A final question is with this order book accretion of $400 million, what could be the share of non-agrochem and in our revenue also, what is the current share of non-agrochem?

Rajnish Sarna: Yes. It's not significant at this moment. The major increase in order book comes from some of our existing products, which we have been doing and which we have also launched in last few years. So, there is certainly a ramp up in the long-term demand of these products. The non-agchem products, as we have also guided in the past that they have been at a very initial stage of their commercialization at our end. So, some of these products are commercialized, say, in last couple of years, and many of them are still at R&D scale and pilot scale and getting to commercialization in the next few years. And in this kind of business model, the volumes and values of these non Agchem products at the initial stage are not very significant.

Moderator: We have our next question from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Continuing with the order book here. So earlier also we had highlighted our expansion into the electronic chemical space. And just now you commented that some of these products probably may, it will take some more time for them to ramp up in terms of volume or revenues. So, will it be fair to say that large part of this delta in order book is led by agchem products? Could be China plus 1 or maybe the benefits from Europe diversification coming in?

Rajnish Sarna: This is what exactly I said that the major contribution of this order book is coming from our existing products, products which we have been doing for some time and the products which we have commercialized in the last 3, 4 years' time. So, the increase is coming from there. Please appreciate that we are into agchem CSM space for almost now 25 years and there are many large scale strategic products in the portfolio. Whereas we have diversified into non-agchem space hardly for last 3, 4 years. The development cycle of these products from R&D to commercialization itself takes 1 to 1.5 years. So, keeping that in mind and these other verticals will have a meaningful contribution in order book or revenues maybe in next few years' time.

Ankur Periwal: Sure, sir. And the H1 growth in the CSM side, if you could break it up into maybe the newer products in the last 2, 3 years launched products, how big was the contribution coming from there? And what were the older products or the growth driving there?

Rajnish Sarna: The freshness index in our CSM exports is close to 16% to 18% on annual basis. The products which are commercialized in the last 3 years, they are contributing close to that.

Ankur Periwal: And if I'm not wrong, this number was around 20%, 25% last quarter?

Mayank Singhal: No.

Ankur Periwal: Okay. So, this is the broad range that is maintained, is it?

Rajnish Sarna: Yes. On an annual basis and not for a specific quarter,

Ankur Periwal: Fair enough. And sir, lastly, on the Capex front, you did allude towards technology-led initiatives, which should enhance the asset turn further. Are most of those benefits now already in? Or do you believe there is further scope for improvement here, which basically means that the intensity of

Capex will not improve further and probably there could be significant cash flow accretion there?

Mayank Singhal: No. There are a number of initiatives which we have identified. Many of them have already been implemented and reflected in the throughput and expansion and growth of the business disproportionate to the Capex that we have already discussed. But yes, there are still many such initiatives, which are in the process of fine-tuning execution and many of them will get executed and also reflecting in our next quarter's and year's growth as it comes.

Mayank Singhal: It's a continuous process at the end of the day, I think those are the unique capabilities the organization has techno commercial ability which makes PI a different from the other players in the business. And that's what I would call our internal USP and our trade secrets.

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

Vishnu Kumar: Sorry to go back on the Capex question again. Now we have experienced a superior volume growth of 25% plus. With our investments of INR 700 crore which you are talking about, I mean can we increase production or on a blended basis, our volume growth can sustain another maybe 30%, 40%? Or indirectly, I'm asking what the utilizations would be. So, just trying to get some sense at what point we need to step up on Capex again.

Mayank Singhal: So great, I'll address the question, which is a recurring question that I've been handling over the last decade, and that makes it even more interesting. And everybody seems to ask, but unfortunately, we are not in the commodity space, and we are not into 1 plus 1 is equal to 3. In the chemical business, it depends on the many moving parts and PI has many moving parts and Capex is dependent on those moving parts. One is technology. The other is efficiency and capacity enhancements. The third is process disruption and also dependent on product and chemistries, right.

So, all these factors have to be seen to really see what the Capex is. Point is that what we see for now is what we have said from the order book and what we vision for the next 2, 3 years. And based on this, the Capex is running at the rate it is. And you've seen that. I think it was interesting 2 years ago, people are seen putting a lot of Capex. So, you want to look at what, right. So, this is all looked at what comes in and how that has to be played out. And we were sitting with lower assets turns today we're seeing high turns. And so, this is the cycle of the game and is dependent on how you look at it. That's the way I want to answer it. So, I cannot say a specific answer. Yes, do you want to put that in your model and say, look at a steady rate and look at the percent of average that we'd invested in over a span of 2 to 3 years, that's the way to look at this.

Vishnu Kumar: Got it.

Rajnish Sarna: Just to add that given our current capacity utilization and our growth visibility, we are sitting in a comfortable position. As you know, we also have no constraint as far as putting more investment and ramping up this capacity as and when we will find it necessary.

Mayank Singhal: The world is a highly volatile place. And I think somebody asked earlier, is Europe moving here. I don't think that is happening. I would say, okay, China could be an opportunity. But close home supply chains are becoming the strategy for companies.

Vishnu Kumar: Got it, sir. And my second question was the intensity of inflation that you talked about passing through. But on the present day, there's only been a 4% or 5% price increase. I mean I do see that your margins have been held up. But I mean, when compared to peers, the price impact seems to be far lesser. So, is that our raw materials have a lower cost because you've kind of covered it or at least I'm just trying to understand on here the inflation side of it because it's just 4% to 5% is the price pass-through increase?

Mayank Singhal: So, what I say is that you cannot again look at the others and us because we have different business model/ approaches working with different companies. But at the end of the day, the main objective is to maintain the margins and handle the inputs cost challenges coming. And overall if you see, that's what we've been able to manage. That's what I would look at, not really benchmark it to others because companies are doing different classes of products where price inflation also varies.

Vishnu Kumar: Understood. And finally, the EBITDA margin guidance given you have done a good number? And also, the forex benefit that we'll get will get passed through just on these 2 points?

Mayank Singhal: Yes. The forex does pass through in certain instances for sure, as we've discussed over the past.

Vishnu Kumar: Got it. And the EBITDA margin guidance for this year and, let's say, if you're seeing better numbers next year?

Mayank Singhal: Yes. as we have guided, we see the opportunity of improving it by a few hundred basis points from the last year.

Vishnu Kumar: Okay. So, we did something like, I mean, 22%. So, I mean we've done 24%, but you're still saying only 100 basis points over the previous year?

Mayank Singhal: Yes. If you look at where the world is today and the way, we look outlook. We want to be conservative. Yes, there is huge amount of volatility and climatical impact and challenges. And given that, we would still like to stick to our guidance. Obviously, the company is constantly striving to do better.

Moderator: We have the next question from the line of Mohit Pandey from Citi. Please go ahead.

Mohit Pandey: Sir, my question is also on the order book increase. So, as I understood, the increase is largely driven by repeat orders. So just to understand it a bit better, so is this being driven by market share gains for you as in are you gaining share from European competitors? Or is it just that the end products, where your products are being used, they're seeing greater traction in the end markets? How should we read that, sir?

Mayank Singhal: Well, order book position is driven, and your scales are going up, opportunity is going up and all the commitments. So, I would not like to dwell to see European markets are moving here, but that's not really what it is.. But yes, order books are growing as the business size is growing. And PI, as I've mentioned earlier, we look at order book position based on the opportune risk and things that you are looking at, right. And it can go down and up. But the order book and the PI context should be looked at as a factor of creating comfort to the guidance. So, it is more about creating a little comfort, around $500 million here and there is not going to much change in the delivery in the performance of business. It is more of our risk management and customer commitment management, yes.

Mohit Pandey: Right. And sir, secondly, has there been any increase in the share of spot orders in your revenue contribution in the recent quarters?

Mayank Singhal: Well, it's a contracted order. So, I would not say spot. They may be not long-term contract, but there are mid-term commitments. That's how we work. So, I would not call them spot orders because we're not really doing spot business.

Rajnish Sarna: If you look at our business model, we do synthesis and then we get into long-term supply agreements and long-term understanding, not for spot basis that. Therefore, if there is some shortage in some geography or some products, and fill that gap and put that product in plant or something, that doesn't work in our business model. So, all the businesses, are on a long-term basis. And there's no such room for spot business, given the kind of capacities that we work and the kind of processes that we work.

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

Abhijit Akella: First, just on the growth guidance for the full year. So, in the first half, I believe we've done about 31% revenue growth year-on-year. So, in that context, would you be comfortable increasing the full year revenue growth guidance from the 20% first that's been indicated?

Mayank Singhal: Well, let me tell you that we have given the initial yearly growth guidance given the volatility, the challenges that we see in the world. And we would still like to continue with our earlier guidance. But yes, there could be certain positive swings, which could really up this, but it would be too early to take a call. It's only half year down the road.

Rajnish Sarna: And just to add to this, if you recall, our initial guideline was 18% to 20%,. And then, seeing some uptick in demand, we have already up this to 20% plus in the last quarter. Our guidance also factors in supply schedules of exports and contingencies of Rabi Season.

Abhijit Akella: Okay. I understood. And the second question I just had was on the tax rate. I understand that it's been on the lower side because of the ramp-up in ours SEZ operations. But if you could please help us understand for how many more years do we expect it to stay around this trajectory? And where does that eventually end up, let's say, a few years from now?

Manikantan Viswanathan: Yes. Thanks for that. As far as SEZ are concerned, we have 2 SEZ units where we have 5 years or 10 years. Looking at that, we comfortably have left 5 more years to get SEZ benefits will continue.

Abhijit Akella: So, we should expect the tax rate to remain around this 16%, 17% for the next 5 years at least? Is that how I should read it?

Mayank Singhal: In fact, if this is the only business, yes but we are also looking for inorganic moves.

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

Vivek Rajamani: Sir, my question has been addressed, so I'll just get back to the queue, sir. Congratulations on a great set of numbers.

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

S. Ramesh: So, Mayank mentioned the linkage of the order book with visibility and this mitigation. So, can you give us some sense in terms of what will be the majority of this order book in terms of number of years?

Mayank Singhal: Well, I didn't get the question. What do you mean majority of it in terms of number of years, if you can please explain?

S. Ramesh: So, in terms of the number of years of revenue that you expect based on this order book or in terms of the booking cycle.

Mayank Singhal: Yes. So, these are spread over a span of 3 to 4 years; some are 4, some are 3, some are 2.

S. Ramesh: Okay. And in terms of the domestic business, you have obviously done very well in the second quarter based on the momentum in Kharif and you actually are much better in terms of overall growth. So, is it possible to give us some sense in terms of how the margins are moving in the domestic business? And how you see the overall top line growth in the domestic business here over the next 2 years compared to what you have done this year?

Mayank Singhal: These are not two business but an integrated business model and we don't discuss separate margins. But yes, we are looking at a higher level of contribution coming from the domestic business with the changed focus and strategy with the introduction of new products. It is creating a differentiated trajectory into the market where we are bringing new innovation, higher growth rates with better and stable contributions and putting PI in a pole position to continue for this for the next 4 to 5 years given that these products have just started their journey into the markets, and we have another set of 17 products coming through over the next 3 to 4 years, which are in the various stages of regulatory approvals.

S. Ramesh: So, I guess one last doubt in terms of the global macros. If there is a slowdown or recession in Europe or rest of the world where you do business, is there any risk for you have to reschedule some of your commitments? And will that have some downside to the expectations on the CSM business?

Mayank Singhal: Well, so far we've not heard any cues, which are leading that way. Food is one commodity which given the climatical challenges and low productivity is still moving at a higher trajectory of demand and prices. So, , I would say we are seeing a pretty stable, if not more upside, kind of an opportunity that may be clearly coming to the sector.

Moderator: We have our next question from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: Clearly, this is one more gratifying gain satisfying performance over a period. Beyond the clearly apparent strength of the numbers and the order book, are there any other qualitative insights or any other aspects that you may want to highlight, which are not visible in the numbers, which can give us a better understanding of where things are headed?

Mayank Singhal: So, thank you very much for that question. I think this is really what we call about sustainability parts of the play that PI is constantly focusing on. So, if I look at the qualitative part, we look at 3, 4 key pillars. And I think we are on a very aggressive note at the back working for the long-term future of this organization. And the greatest success to share that has been on the ESG for S&P doing the 93 percentile tells us that both on that front PI is moving ahead at certain aggressive targets. The other aspects on the technology front, our IP index has gone up, our IP creation has gone up. Our research capabilities are going into the next phase. We're expanding our capabilities and offerings in this area.

Third, on the other area, we have started looking at building in more complex areas in the chemistry. Flow chemistry technology is getting upgraded and our innovation spends are moving up. The third area of a pharma strategy is an aggressive pace where we're coming out with some innovative business models where we build the human capability.

On the people side, this all leads to a very aggressive work plan. So, we've taken very aggressive agenda where we work with the external consultants and internal leadership teams to develop a strategic move on the culture shift to go to the next organizational level where we are actually identifying, developing talent to interventions and also accumulating and enhance care capability and a cultural shift to globalize the organization with strong interventions through the digital platforms to create more process orientation, simplification and learning. And so that the scalability as we look to the next phase of our journey is a comfortable and a challenging one, but putting a culture of high price of high performance, expectations are high, plays has to be high and efforts have to be high, and that's the DNA of PI. So that's really where we are.

Bharat Shah: Wonderful Mayank, delighted to hear this. The second, when we look at the way things are going in many parts of the Western world, especially more so in Europe and to a fair extent in America as well, generally Europe seems to be bumbling around rate, very legacy, regression kind of a mindset and behavior. The energy crisis that they are facing is just one of them, but not confined to that. And in general, the quality and the strength of the public policy formulation in Europe and America seems to be in a state of disarray. In China, we are seeing the muddle around supply chain disruptions and frequent lockdowns and many other things that you would think that doesn't make our plan change. So, given the fact that a good part of our business is in some of these territories and some part of sourcing is from these territories, are there any near-term and longer-term implications from the business and the business model that we need to be mindful about?

Mayank Singhal: Thanks for that question. And I think that's a question that everybody is dabbling from managements to country leaders to company leaders to citizens, which way the world is going. But I think it depends how you look at it. You can look at it in both ways. These are challenges and yet opportunities.

Now I think the key thing here is that somebody say things will move into Europe, I believe, yes, things would move into Europe, and their home supply chains could become the next play. Certain things can't move out. So, what is that opportunity. Somebody will say, Oh, that's a high risk, there are quite challenges. With this volatility, I think the key capability has to be to constantly able to see who manage, watch and have a little opportunistic mindset, either to invest, divest or create, whether it's in products, inventories or assets. So constantly keeping a watch on that is going to drive the performance and really what I call now this is a real world. So, the key challenge which I put to the team, to the people and to all the stakeholders, be agile, be fragile and yet be strong. And that's really where we're going to be headed as a world.

And I think finding that path, there's no one answer, but there could be an answer to look at how to really define it for your organizational DNA to deal with it. I say some things you can change, some things you can manage, but today we're in a situation both don't apply. It's something we have to be watched and have the ability to deal with it. So, building capability is going to be the challenge here.

Bharat Shah: But on balance, does this sound more like a concern or more like an opportunity?

Mayank Singhal: I look at every concern as an opportunity. So maybe that's where PI has been. This was a concern if I look back in '96 of outsourcing cost structure to China that PI pioneered and got the manufacturing business. I look at the concern of agriculture where technological innovation was not coming, and that was an opportunity. And somebody said high-cost imports, supplying new technologies would be a challenge. This is also an opportunity, as we understand this thing bit better. And therefore, we are leveraging our capabilities and looking at how we carve our opportunities, whether within or outside the geographies, to answer these challenges. And there could be an answer at a higher level which may look and not so sensible, but at a detailed level, it could be strategically correct.

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

Rohit Nagraj: Sir, we have said that in CSM in second half will be commercializing 6 new products, out of which how many would be agrochem and non-agrochem?

Mayank Singhal: Atul, maybe you want to.

Atul Gupta: Yes. So, we are expecting some 3 to 4 molecules in agchem and 1 molecule in the non-agchem segment to be commercialized in the next half, H2.

Rohit Nagraj: Okay. Sir, second question is we have also mentioned that we are working organically on the scale-up of pharma intermediates and R&D pilot scale. So, does this mean that we will be able to supply at least some commercial quantities on the pharma side to our customers? And how do we look at it in terms of scaling up this particular portion till our inorganic doesn't fructify?

Mayank Singhal: Sorry, I didn't do the last part.

Rohit Nagraj: So, till the time our inorganic initiative in terms of acquisition, till that time it doesn't get fructify, how the scale-up would really work in favor of us?

Mayank Singhal: Obviously, these have a time dimension of 2 to 3 years, and we started initially, as I mentioned, in the R&D capabilities and developing that into the next phase. And obviously, as you know, the pharma world takes a bit longer to look at approvals in time cycle. So, I see them fructify in 2 to 3 years. But this could also be complementary or could also be an additive to what we may be doing in the inorganic way.

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

Nitin Agarwal: Sir, you mentioned in the presentation that 11 of our plants are MPP plants. So how many are dedicated plants of these in the CSM business?

Mayank Singhal: All these plants are fungible by design concept and multiproduct plants. But right now, 4 plants are running at full capacity for single products. So, you may want to call them as dedicated.

Nitin Agarwal: Sorry, so you said there are 4 of these 11 plants which are running on dedicated basis?

Mayank Singhal: Yes, all our plants are multiproduct plants. Right now, maybe 4 plants are running a single product, so they may be looked at dedicated plants.

Nitin Agarwal: I got it. So, 4 of these plants are running a single product right now?

Mayank Singhal: Yes.

Nitin Agarwal: Okay. And secondly when we look at the domestic market, we've had a very, very strong Q2. Now Rabi last year was a reasonably good year. How should we look at the second half of the domestic year market?

Mayank Singhal: Prashant, would you like to give a comment there?

Prashant Hegde: So, thanks, it's a good question. Look, we have a very strong desire to grow. However, we also must keep in mind it is a seasonal business. And we have to keep in mind how crop economics work, and we are optimistic. And our portfolio earlier, it was skewed more on rice and cotton. Now we are expanding into horticulture, wheat and few more crops as well. So, we are optimistic, that is how I can put it.

Moderator: We have our next question from the line of Dhavan Shah from AlfAccurate Advisors. Please go ahead.

Dhavan Shah: Yes. Most of my questions have been answered. Just one on the domestic business front. So, we have seen the strong volume growth during this quarter. So, can you please shed more thought on this? I mean, which brand did contribute to the overall numbers for this quarter?

Mayank Singhal: To be very honest, we can't go to product-wise information as there is competitive intelligence. But I would say it at a higher level. It has come from the many of the new product launches, and scale up of some of our leading brands.

Dhavan Shah: Okay. And sir, in this quarter, the herbicide contribution would not be there, right, the Awkira contribution?

Mayank Singhal: There is some contribution. Yes.

Dhavan Shah: There is some contribution. Okay. But largely, it is driven by the existing and the new products which we have launched for the Kharif?

Mayank Singhal: That's a mix of all the new product launches that we've done over the last couple of years this year, yes.

Moderator: We have a next question from the line of Archit Joshi from Batlivala & Karani Securities India Private Limited. Please go ahead.

Archit Joshi: Sir, you've mentioned our plans on diversification. Other than the inorganic plans that we have, we have also seen quite a bit of traction happening on the non-agchem side with respect to order inquiries. I was just curious if you can elaborate this with respect to if there's any specific platform or chemistry or application where we are seeing this traction just to understand where the company is headed to with respect to its growth in the non-agchem side?

Mayank Singhal: I can give you a larger perspective here. I cannot get into the details of the technology part because of various reasons which you would appreciate. But obviously, looking at PI's competence and capability of having complex chemistry technologies, that's the area we are focusing in certain niche non agchem application areas, which would be a little more value accretive.. This is where we are sowing seed to build up market credibility so that it could be a third engine of growth for future.

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

Rohan Gupta: Really fantastic performance, congratulations. Sir, a couple of questions. First is on the Europe opportunity, sir, which you mentioned that right now you are not witnessing any significant opportunities coming out of Europe despite the Europe facing such a large disruption, especially in Agchem, while many companies have spoken about it that they're seeing increased order or they are seeing increased inquiries. So, sir, when we are supplying a lot many intermediates to our German partners and those partners are I mean, looking at increase in energy cost and not able to operate the plant, aren't we seeing that there is an opportunity for a player like PI? Actually, it should be a very solid opportunity going ahead over the next 1.5 years to 2 years. So, I just wanted to get some more clarification on that, the disconnect between the industry and the PI.

Mayank Singhal: I don't think I mentioned that we're not getting an opportunity from that. So maybe there is some misunderstanding. We're getting opportunities from the Europe. But it's not that Europe manufacturing base is completely shutting down.

Rohan Gupta: Okay. Sir, definitely, I mean, such a short amount of time, we can't also expect things to move.

Mayank Singhal: Exactly. Gap filling will take place for sure. We're getting operates right across the world and you would appreciate the largest 3 innovators in the world are European. So obviously, if the products are going to Europe market is a separate question, vis-a-vis being shifting from Europe is a separate question.

Rajnish Sarna: Just to add to this, Rohan, I think the key point that we were trying to highlight earlier also is that the kind of business model that we are operating, the kind of product portfolio that we have, there's not much scope for spot business opportunity. So yes, there is certainly some opportunity in terms of gaining more market share of some of the products that we are already doing in view of the current scenario. But the major contribution is coming from the products where there is some long-term/unique strength which is there in the offering of PI. Now be it in terms of technology, or competitiveness, or our relationship with these global players. So, the bigger chunk of this growth is coming mainly on account of these factors and not so much so because of this temporary phenomenon of China plus or Europe plus.

Rohan Gupta: Fine. Sir, second question is, I mean, exciting opportunity, which we are seeing in terms of revenue growth, but that also worries me a lot because given our business model, we generally work on per kg margin kind of thing. Sir, it's a bit confusing that in an inflationary environment, which is driven by the raw material, top line growth is largely driven by the price increase. But even our EBITDA growth I mean, in the inflationary environment also, we are seeing EBITDA margin expansion. And that's why even EBITDA growth is even higher than the top line growth while you should be chasing more of the volume growth.

So, what worries me that when tomorrow we see that the price erosion, raw material prices definitely will soften and will come down to average level, at that time will we see that our EBITDA, the growth will happen because of the price-led growth won't be there and the prices will start declining? So, I mean that is the reason for worry because we are seeing too much EBITDA growth and EBITDA margin expansion in an inflationary environment. So, I'm not able to understand how and why it should be happening. So, if you can give some clarity. We obviously just completely driven by the product mix change or the operating leverage because this trend is across the industry.

Rajnish Sarna: Yes. This is precisely the point we have tried to explain that the EBITDA growth is majorly coming from operating leverage benefits. As we are growing at 30%, and we are able to efficiently manage our fixed costs and other things. 2ndly, the favourable product mix has also helped.

Therefore the EBITDA growth is not flowing from purely from price rise or some opportunistic price increase, absolutely not. In fact, as we have guided in past also that we have also not been able to pass through 100% cost in many cases. There is always a lead and a lag in the cost pass through. .

Rohan Gupta: So sir, we are confident enough, when the next year suppose the raw material price drops by 20% and because of the softening raw material prices and our top line will decline by 20% because of the pricing decline, we won't see our EBITDA declining by 20%, in line with the price decline. So, it will still grow with the volume growth?

Rajnish Sarna: In fact, if you just simply go mathematically, that scenario should improve the EBITDA margin..

Moderator: We have a last question from the line of Sumant Kumar from Motilal Oswal Financial Services. Please go ahead.

Sumant Kumar: Yes. Sir, can you talk about the key product performance in the domestic market? We are talking about the new products that has driven the domestic business growth. So, what is the key product which has given the growth?

Mayank Singhal: Prashant you may want to answer to these products, which you launched in overall general.

Prashant Hegde: Yes. So rather than getting into a very product-specific response because some are restricted information. I'll say, look, we are expanding into horticulture crops, into wheat and our existing portfolio led by Nominee Gold is also doing well. We have launched 5 new products and mainly in horticulture there are 2 products, and we have launched, we have scaled up our service side in wheat. And we also launched a couple of products which are suitable for one for cotton and one for soybeans as well. So, these are all definitely helping us in terms of gearing up domestic revenues.

Moderator: Thank you. I now hand over the conference to management for closing comments. Over to you, sir.

Mayank Singhal: So, thank you, everybody, for coming on the call today, and thank you to all the stakeholders and want to congratulate the PI team for being a part of this journey, and continued success. . Thank you, everyone.
