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BSE Limited Corporate Relationship Deptt. PJ Towers, 25th Floor, Dalal Street, Mumbai – 400 001 **Code No.523642**	National Stock Exchange of India Ltd. Exchange Plaza, Plot No. C/1, G-Block Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 **Code No. PIIND**

Dear Sir,

Sub: Disclosure under Regulation 30 of the SEBI (listing Obligations and Disclosure Requirements) Regulations, 2015- Transcript of the earnings conference call for the quarter ended June 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 ended June 30, 2022 held on Thursday, August 04, 2022. The link to access the transcript of the earnings conference call is given below:

https://www.piindustries.com/Media/Documents/Transcript_Conference_Call_August_2022.pdf

This is for your information and records.

Thanking you,

Yours faithfully,
For **PI Industries Limited**

RAJNISH SARNA Digitally signed by RAJNISH SARNA
Date: 2022.08.11 13:32:22 +05'30'

Rajnish Sarna
Joint Managing Director

Encl: As above.

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PI Industries Limited
Q1 FY23 Earnings Conference Call Transcript
August 4, 2022

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY23 earnings conference call of PI Industries Limited. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you, and over to you, sir.

Nishid Solanki: Thank you. Good afternoon, everyone, and thank you for joining us on PI Industries' Q1 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 the call with key perspectives from Mr. Singhal. Thereafter, 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, certain statements that may be made on today's conference call could be forward-looking in nature, and a disclaimer to this effect has been included in the investor presentation, which has been 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. The macro environment continues to remain challenging, after resurgence of COVID-19 cases in many parts of the world, high inflation, sustained rise in input costs, uncertainties around availability of critical inputs, currencies fluctuations, etc.

The food security for a growing global population at affordable price continues to be under threat owing to climate change, impact of the ongoing war, particularly, when the arable land is also shrinking. Therefore, the need for assured yields and higher farm productivity per acre is only growing, making the role of agri-inputs and crop- protection very critical.

Against this backdrop of the operating environment, I'm happy to report that we have delivered yet another strong performance in Q1 FY23. The expansion came in despite the challenging environment and high base of last year in CSM exports. While the overall growth was mainly led by volume scale-up, the price correction on account of increased costs and favorable product mix, currencies, etc., have also contributed to the growth. I once again thank all the PI team members for their customer centricity and our business partners' continued support and trust in our relationships.

Traction in new inquiries in CSM exports continued with significant number coming from the non-AgChem space. There's a good buildup of rich pipeline of more than 40 products at different development stages out of which a substantial number are non-AgChem products. We're targeting to commercialize 7 new molecules during the current fiscal year and 1 has already been commercialised in Q1.

Delayed onset of the monsoon, late pickup in the sowing of the key crops is reflected in the growth of the domestic revenues which did not witness much of volume uptick, although, we benefited from favorable product mix. During the quarter, we successfully launched new herbicide, PROVIDE and an insecticide DINOACE for cotton and a combination fungicide SECTIN for horticulture. We are systematically rolling out crop solutions approach and already offer one of the most comprehensive portfolios for key crops.

We are now augmenting our portfolio in biologicals with a strong pipeline in place. We are excited about the whole slew of products coming shortly. BROFREYA, a new generation broad spectrum insecticide and ULTIMARE, a long duration insecticide in the JIVAGRO portfolio as part of our dual growth engine focusing on horticulture. In addition to crop solutions approach, we continue to leverage our deep market penetration and engagement with over 3 million farmers through digitization and farm application services. Our constant endeavor is to help farmers improve productivity through one-stop-shop eco-friendly solutions and services. We are building a greener and more sustainable tomorrow. We strive to develop transformative solutions by harnessing advanced technologies and chemistries.

Last but not least, we are investing to create digital growth platform through an integrated approach and programs. We are not just deploying state-of-the-art modules of ERP and analytical tools but aiming to create a long-term sustainable digital edge. The work we have undertaken to scale our presence in next generation technology and advanced chemistries will set us apart within the industry.

Our business outlook remains robust and we are confident of delivering 20% plus revenue growth in FY23 with continued improvement in margin and returns. Manufacturing activities remain impacted by inflationary trends, triggered by rising energy costs and supply chain interruptions. We have always aimed to optimize performance by way of improving product mix, better productivity and efficiencies.

Diversification into adjacencies through an inorganic route remain our top agenda apart from technology scale-ups. We are actively evaluating various opportunities both in India and globally to zero down on a few that could meet the objective to create sustainable and differentiated value proposition. We are proud of our industry and customer accolades. As announced earlier, PI was conferred Corporate Award 2022 for outstanding performance by Dun & Bradstreet. We also won the Golden Peacock Quality Award showing a commitment to excellence and high quality.

Let me now thank all the stakeholders for their contribution, and I would like to hand over to Manikantan to take you over the financial performance, and we look forward to a good year ahead. Thank you.

Manikantan Viswanathan: Thank you, Mr. Singhal. Good afternoon, everyone, and thank you all for joining us on the call today. I'll be summarizing the financial highlights for the Company for the first quarter ended 30 June, 2022. Please note that all these comparisons are on a year-on-year basis and refer to the consolidated performance.

During Q1 FY23, we recorded a revenue of INR 15,432 million, a growth of 29% over the same period of last year. This was driven by growth in exports revenue by 42% to INR 11,421 million and 4% increase in domestic revenue to INR 4,011 million.

The exports revenues growth of 42% was driven by volume growth of around 30%, coupled with favorable price and currency of around 12%. Domestic revenue growth was mainly driven by price.

The trend of elevated input cost continued during the quarter, although we effected partial pass-through by increasing product prices both in exports as well as in domestic.

Our gross margin increased by 8 basis points in Q1 to 44%, partially due to cost pass-through and favorable product mix which negated impact of rising input costs.

EBITDA increased by 39% to record INR 3,495 million for the quarter, driven by efficient supply chain management, operational efficiencies and tight control on fixed overheads.

Profit after tax increased by 40% to INR 2,624 million .

Net cash flow from operating activities during Q1 FY23 was INR 1,915 million.

Our balance sheet further strengthened during the quarter. Net worth increased to INR 63,497 million. Total capex for Q1 stood at INR 506 million. For this year, we estimate a capex of around INR 5,000 million.

Inventory levels increased by INR 1,523 million compared to previous quarter due to our supply chain disruption and to meet customer supply schedules and continued operations. Trade working capital in terms of days of sales has remained relatively flat at 102 days versus 103 days as on March 31, 2022.

The Company maintained a strong liquidity position with surplus cash net of ECB of INR 23,116 million, including QIP proceeds.

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

Moderator: The first question is from the line of Aditya Jhawar from Investec Capital.

Aditya Jhawar: Congrats on a great set of numbers. My first question is that, Mayank, your commentary was very upbeat on the growth prospects. So just if you can help us understand that, what are the factors that are driving this strong visibility. And what implication it has on our organic capex plans?

Rajnish Sarna: Thanks, Aditya. The key factors driving this growth are: one is the volume scale up of some of our existing CSM exports products. The other factor is, of course, that the pace of launching these new molecules has picked up during last couple of quarters. And obviously, these new products are also scaling up as demand is picking up in different geographies. In general, the demand upbeat is there from these global customers, which is certainly helping the uptick in the growth and demand of the CSM exports. This is certainly also kind of reflecting in our efforts in terms of capacity optimization as well as enhancement. On the optimization front, in last few quarters, we have been already updating the commentary that we are putting in lot of efforts in terms of increasing the throughput, efficiencies. Last year, we improved by close to 15% or so. This year, that effort has continued. So that is helping in terms of utilizations. In addition, given the significantly better visibility, we have already, in the recent Board meeting decided to increase our capex plan. And we are now considering close to INR 600 crore to INR 650-odd crore of investment in the current financial year.

Aditya Jhawar: Okay. Sir, my second question is on this acquisition that we have been talking about it. Any areas that you have shortlisted? And in the past, you have also indicated that the geographies can be overseas. So if you are looking for overseas, what kind of asset it could be, in the sense that, will it have a manufacturing base overseas? So any update on the acquisition area?

Rajnish Sarna: Yes. You can appreciate that in M&A these are lengthy processes. We have screened, evaluated several opportunities. And now we are zeroing down on certain opportunities, both in India as well as outside India and actively evaluating them. But yes, this process takes its own time, but we are very actively working in the direction that we have set for ourselves.

Aditya Jhawar: If it is the overseas, would it mean that it should have manufacturing facilities in overseas geographies?

Rajnish Sarna: Yes. Okay, so in terms of what we are looking at, obviously, we are looking at a good set of products, regulatory-approved sites, portfolio of good set of customers. Obviously, I mean these are the things that we are looking at within each of these opportunities and, of course, the pipeline of products, and what kind of synergy and leveraging we can achieve by combining our organic efforts that we are already making inside PI and combining with these potential entities.

Moderator: The next question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: Congratulations for a good set of numbers. Continuing on the CSM side, you did allude towards elevated capex. And earlier in the call, we had mentioned the tech-led initiatives, which will increase our asset turns here. So are the full benefits behind us? Or there could be decent uptick further here over the next, let's say, 1 to 2 years?

Rajnish Sarna: We are still, I mean, working on many of these initiatives. Some are realised, some still in the process, which we are expecting to realize in the coming years, also in the second half of current year. So yes, and there are multiple initiatives we have taken in terms of increasing the throughput of our existing plants. And we are still to realise some of these benefits.

Ankur Periwal: Sure. And, secondly, in the PPT, we do mention around 7 products to be commercialized this financial year in the CSM space. If you could broadly highlight in terms of what could be the size, potential, whether these are existing customers that we are launching, against whom we are launching this or there is addition of newer customers or geographies as well?

Mayank Singhal: Yes, obviously, as we work with almost all the global innovators, so there will be some business from the existing customers. There are few in the non-AgChem space, but they are in the early stages. I believe they are interwoven with various opportunities as we introduce new generation of products, each of which will have its own plan and structure to emerge over the course of three to five years. But obviously, these are decent-sized opportunities which we're excited about. That's how I would like to put it for now.

Rajnish Sarna: Which is also, Ankur, even in the initial screening, all aspects are thoroughly assessed as to what is their future potential, what kind of size, what kind of scale that these products are projected to grow globally. And only then, once they meet our desired expectation, then we really take them forward in the next phase. So yes, I mean, these aspects are assessed during the initial screening itself.

Ankur Periwal: Sure. Just a follow-up here. So does that mean, our earlier guidance was around 20-odd percent growth on the CSM side and given the increase in capex and your positive commentary, any revised thoughts there?

Rajnish Sarna: Yes. So last time, we had indicated 18% to 20%. But I mean, given the current rate and also the visibility, we are certainly expecting to do better. It should be certainly 20% plus. But at the same time, I must also caution that, in fact, we all should be cautioned of the current global scenario that we have. Every day, we hear different news, whether it is about the war-related uncertainties or COVID-related uncertainties. So we always want to be very cautious in our commentary that while we see good opportunities of exceeding our guidelines, but we are cautious. And therefore, we are very cautiously indicating on 20%-plus kind of growth rate.

Moderator: The next question is from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: Congrats on a good set of numbers. First question is, we've been saying that we are building manufacturing capabilities for electronic chemicals. So where are we currently? And when do we expect any commercialization of products from this particular segment?

Rajnish Sarna: In fact, as we reported last time that we already commercialized a couple of products last year. This year also, we are scaling them up. In terms of building capacity, again, we are working on that project. Maybe I request Atul to briefly give some commentary on that.

Atul Gupta: Yes. We are expanding the capacity for electronic chemicals, the commercial scale as well as at the pilot scale and there are good amount of molecules in pipeline. And as Mr. Sarna said that, last year we did scale up the molecules towards commercial scale. And we do have plans for a couple of molecules to scale up in this year as well.

Rohit Nagraj: Any potential for the commercialized molecules in terms of size of the opportunity that we are targeting?

Rajnish Sarna: Well, we generally do not talk about size and values and volumes at product specific level.

Rohit Nagraj: Sure. Second question is, we've also mentioned that we have successfully developed and operationalized Azide chemistry. So is it for a particular user segment apart from the agro and pharma space?

Rajnish Sarna: So yes, I mean, like technologies, when we are talking, these are across multiple verticals. Some of them are engineering technology, some of them in chemistries and their usage and applications is across verticals. Like today, we are also getting a lot of traction in our specialty chemical segment like electronics and various other specialty chemical segments. So there also, we are able to use these technologies in the scale-up and achieving the desired efficiencies and all.

Moderator: The next question is from the line of Surya Patra from Phillip Capital.

Surya Patra: Congratulations for the great set of numbers. My first question is on the prevailing situation in the European market. There are indications from bigger agri players that there could be stoppage of production and all that because of the gas concern and all. So how should one really think that is an opportunity or is a risk for us?

Rajnish Sarna: Well, I mean, as far as our sourcing is concerned, I mean, we are not so much dependent on raw material sourcing from Europe. So to that extent, I mean, it's not any way impacting our productions and our operations. But many a times, it is very difficult to anticipate and also estimate the far-reaching impact of this. Yes, you are right that we also hear sometimes some commentaries around some of these large chemical companies' set ups getting impacted because of gas availability. Now these are very large chemical companies and set-ups they have. What kind of linkage to the downstream and upstream, material producers, raw material producers, it is very difficult to estimate. But directly, there is no kind of impact as such that some of the products that we are importing from Europe and that may get impacted, that is not the kind of scenario that we see. In terms of opportunities, while, yes, in general, there are certainly good opportunities for the other geographies, particularly in specialty chemicals. But as we have always commented that the kind of business model that we operate, we do not work on spot opportunities kind of a model. We engage with our customers in early-stage molecules and this whole process is a very time consuming couple of years process, and we identify opportunities, we screen them according to our principles and then we engage if we are able to add certain values. So these ad hoc opportunities, in any case, they generally do not fit in our scheme of things, to say it in short, but yes, in general, there are opportunities for the industry.

Surya Patra: Okay. So for example, for agro, let's say, we have been talking about even the electronic space or electronic chemicals or the fine chemical space, which we have already launched few products. And we are also seeing there is a kind of a rise in the customer inquiries. And the current trend is also talking about larger outsourcing opportunities for players in India. So given that, have you seen any meaningful change to your order book position from the non-agro base?

Rajnish Sarna: Well, non-agchem products, as we explained, I mean, obviously, there is good traction both in the R&D scale as well as at commercialization. In last few years, we have commercialized several products. But at commercialization, in the initial years, the volumes and values are not very significant. And in any case, in these verticals, we are kind of at the stage where we are building our rapport with these large global customers in the non-AgChem space and then getting into more strategic and larger products. And at some stage, then we will get into maybe a longer-term understanding for these strategic products. So in short, they do not have a meaningful representation in the order book today, but the way we are progressing, we are certainly expecting this to become a reasonable sized businesses and components in our overall order book in years to come.

Surya Patra: Sure, just one clarification. See, this quarter we have seen strong pricing scenario for our product segment and the industry pricing scenario is also like really robust. So 12% what we have indicated for us. So given that, and the outlook also indicates that most likely, this is a kind of a pricing scenario likely to prevail in the near future, given the elevated cost. So is it fair to believe that the guidance what we have given, let's say, 20%, considering the volume growth, what we have seen in the first quarter and this pricing scenario, which is likely to prevail, it is a very conservative number.

Rajnish Sarna: That's your perspective. And I think I already explained to the earlier participant that, yes, I mean, there is good visibility. We are also seeing good traction. And therefore, from 18% to 20%, we are already indicating 20% plus kind of growth. But at the same time, we all have to be mindful of the uncertainties that the world is facing. So I'll not say conservative, but yes, this is a very cautious guideline. And we are always, as a Company, we are happy to deliver better than what we guide.

Moderator: The next question is from the line of Bharat Shah from ASK Investment Managers.

Bharat Shah: The first question, if we look at our journey over last 3 to 5 years in terms of the customer relationships, depth of it, diversity of it, usually it is branches of chemistry, our strength there, new product introduction and deepening and widening the moats, and of course, people and R&D capabilities. So a number of important strides have been made. If you have to think about what PI would look like 5 years down the line on each of these parameters, and therefore, it will have implication on the growth of the firm. The customer centricity and the relationships and the depth and the width of it, products, technology, engineering, chemistry, various segments with pharmaceutical or specialty and, of course, agrochem, where do you think what PI would look like, not happening of it, will you be dissatisfied, and attaining which PI would feel justifiably proud of what it has done?

Mayank Singhal: I think that's a very good question. It is actually putting out together what is the purpose for which PI would exist 5 years from now. We as a leadership team, whatever we do, we have put ourselves this whole purpose of reimagining a healthier planet. Yes, reimagining a healthier planet means I think that's going to be the key, whether the environment helps and what are the key drivers that we see. And we really want to use the enabler as the science and technology to do it. And to enable to do that, we are looking at what we call the partnership model because in today's world, innovations in science and technology is going to take you to that level, look at any sector. And how we're going to do that is taking science at work and building partnerships to do that because we don't believe that's solo initiative, if you're alone, you don't do anything. You need to partner up. And could that be driven by the people first approach, that depends on the learning and growth capabilities, obviously supported with strong capability in digital backed by what we call the ESG framework, which is a way of life at PI. Now once you start moving in these directions, these become the anchor of the areas of our expertise, which have been leveraged in different categories and segments of the business, whether it's in the area of agri-chemistry, pharma, or fine chemicals, eventually becoming a smart life science industry, which is backed with strong creativity, with courageous capability to innovate with a curious mindset to deliver with a care to the climate and human beings. That's really how I would like to say that 5 years from now, we would see PI. And all these factors stack together to create an innovative-led organization. So clearly, we would like to see PI be re-coined as a Company known, P stand for Passion, I stand for Innovation.

Bharat Shah: And what would you think is the later part of the question, what would you think, therefore, apart from the qualitative dimension of this journey, what it would mean for in quantitative terms for PI, say, 5 years down the line, achieving which, it will be a moment of pride and not being able to fulfill that would leave a tinge of regret.

Mayank Singhal: See, as history talks, we've continued to show growth and we do believe without growth, there is no life, but now it's also becoming important, as I made in the earlier part of my statement, we continue to grow that journey and to be always above the mark, if you have to achieve what we said. With qualitative initiatives, quantitative growth should be far above what we've been able to do. So based on these various attributes which I put out to you, so that when added together, should give us the exceptional growth compared to the competitive landscape. That's the way we look at it.

Bharat Shah: And second question, if you make a critical internal evaluation of all the things, customer relationships, product portfolio, technology, chemistry and other allied strength, various brand segments that we need to serve, our people portfolio, intellectual capital, research. If you were to make a critical evaluation as to the way that PI stands today, what will be your candid thoughts on that?

Mayank Singhal: So, let me answer that in a different way. If you look at the journey for the last decade and when we look at the journey going ahead, obviously, when you climb one peak, you always want to have the aspiration to scale the next higher peak. So the delta is something which we aspire to fill all the time. Each of these stacks have different stages, will have a different width and depth, which needs to be put together to anchor ourselves to the people. And what we do is constantly re-evaluating. And as a leadership team, we look at all these factors which you already mentioned to say, what we need to proactively invest, what we need to strengthen and what we need to change and constantly reinvent ourselves and be adaptable to reaching our objectives. So at different stages and different scales, we're hitting different shared maturity. If you were to talk to me 10 years ago, the innovation was not core idea. Today's innovation is becoming a culture at PI, tomorrow it will be led by innovation. So now for that, the skills, capability, organizational thinking, financial structuring too, delivery structures, to the kind of partners that we need to work with, would evolve. So that's really what I would like to take as an example to answer that question. I hope that answers your question.

Moderator: The next question is from the line of Sumant Kumar from Motilal Oswal.

Sumant Kumar: So can you talk about the recently commercialized products, say, for the last 3 years, its overall revenue mix and growth of these products?

Mayank Singhal: You're looking for revenue mix in the last 3-year products?

Sumant Kumar: Yes, in the CSM segment.

Mayank Singhal: Well, we don't have the numbers upfront, but typically, a freshness index over a 3-year scenario will be about 25% to 30% of the revenue.

Sumant Kumar: Okay. And the growth of this product?

Mayank Singhal: Growth rate, I mean, I don't know the exact growth rate right now. The growth rate is usually higher than what we see with the older products because these are typically new generation products, so they double every year or two.

Rajnish Sarna: And also, the base is small so obviously, in the initial year, their growth rate is higher.

Sumant Kumar: Okay. So let's say for 75% of your business in CSM, what would be the growth? So 75% of your business, where you're talking about 25% is newly commercialized projects in last 3 years. So 75% of the CSM is growing at what rate in last, say, 3-year CAGR or 5-year CAGR?

Rajnish Sarna: I mean, last year, we grew by close to, I think, 21%. Before that, we grew by 30%. And this year, again, we are talking about more than 20%. So yes, I mean, you can say 25%.

Sumant Kumar: Okay. And can you talk, what is the capex and tax rate for FY23?

Manikantan Viswanathan: Yes. Capex for the FY23 guidance is around INR 650 crore.

Sumant Kumar: And tax rate?

Manikantan Viswanathan: Tax rate is very dynamic based on business mix between domestic and CSM, ETR for the year will be 17.5%.

Sumant Kumar: Okay. And the last question for domestic business. Are we seeing recovery in domestic business in the current month?

Prashant Hegde: Look, our growth this year is driven by new products. And the first quarter usually is more of a generic products because it's a placement for 3 months and new product sales will start from second quarter onwards because new products usually we don't place in advance. It is closer to the season and almost 6 new products we are launching in FY23. So the growth will pick up from quarter 2. That is what I can say.

Moderator: The next question is from the line of Vishnu Kumar from Spark Capital.

Vishnu Kumar: In the past, we have spoken about the agchem CRAMS as an opportunity not being very big in terms of $8 billion to $10 billion, and there could be a time or a point where it could kind of stall. Given this backdrop, I mean, since you are also talking about a lot of new molecules that are coming in, can we double our agrochem exports or within the CRAMS subset, we think still there's a lot more scope for us to double? Is that a right understanding? Is it possible?

Mayank Singhal: What is the horizon that you think double or triple, I mean, the question is number one, that. And obviously, as you can see, there are 3 headwinds which are becoming headwinds becoming tailwinds. I think you look at the China Plus One factor, you look at the global challenges in manufacturing in the European segments. And we look at the cost at which innovation is happening, leading to looking at return on capital coming from outsourcing. Because of these opportunities, I don't see that challenge, we're looking at a 20% CAGR, we see ourselves over the next 3 years, which is visible. Doubling should not be a challenge over the next 3 to 5 years. Looking at that scenario with new innovation and ideas, it is this opportunity that our pipeline plans can most likely grow at twice the rate of the industry levels.. While the front end is only growing at single-digit, as you would say, the agrochemical industry, but the value chain, which is manufacturing outsourcing has probably gone up at twice the rate.

Rajnish Sarna: And in any case, our size, vis-a-vis the global opportunity is not that big today. So yes, there is certainly scope for growing at a much higher pace. Also the overall market is also growing because of these challenges that we discussed. The share of India as a country is also growing. Besides this, as a Company, as we explained earlier, we are also continuously working on diversification beyond agrochemicals. That is another initiative, keeping in mind, 3 to 5-year scenario ahead of us, that we are working in different areas of specialty chemicals both at R&D and also commercial scale.

Vishnu Kumar: Got it, on the pharma bit, while we are making our best efforts for closing any deal, we understand that, but is there a plan B at some point where you think that there are no suitable suitors for you, so would you probably start considering direct investments where you start things from scratch? Is that a possibility? Or any thoughts on that?

Rajnish Sarna: Well, by the way, that we are already doing for last year, 1.5 years, we are already working organically what we intended in terms of working on certain intermediates in our R&D, certain scale-ups in our pilots. In fact, we commercialized couple of products and supplies last year as well.

Mayank Singhal: Yes. So we have actually started investing in our infrastructure R&D, building team and capabilities, I wish we planned A, B, C. And question is very clear that we need to get into it, finding the right mix while we're developing our own strategies. So yes, but we are looking at this inorganic approach to really bolt up this to a different level. As you would appreciate the buildup and time line, which come in the organic phase, but not with that investment. We are fully conversant with that, and we are still continuing to do that, but priority will build by the inorganic approach and that we are very much on that right now.

Vishnu Kumar: Got it. And one final question. If you could just help us understand what percentage of our revenues would be from, say, pharma, if you can, and non-pharma, non-agrochemical, anything on the other specialty chemicals as a bucket, if you could give us that split, at least a rough sense?

Mayank Singhal: I would say that's negligible in terms of bigger scale right now. But as we mentioned that we are now putting this full throttle investment, and that could probably be looked at differently, and as another step to this area, we've already put a leadership in place only last month, Mr. Anil Jain has joined in as the Managing Director of PI Health Sciences, where he will be leading this whole initiative with his vast experience from operations to leading the API business, last assignment as the CEO of Sun Pharma API business at a global level. We are clearly looking at various optional structures to integrate a synergistic and differentiated solution across the value chain again in the pharma play.

Moderator: The next question is from the line of Abhijit Akella from Kotak Securities.

Abhijit Akella: Just a couple of clarifications, minor ones. One is on the tax rate. I'm sorry, I couldn't quite understand the guidance for FY23. Also I just wanted to check that in the past few quarters, the tax rate has been rather on the lower side, 17% to 18% or so. So what is driving this? And sort of what do we see as a more sustainable number over the medium term?

Manikantan Viswanathan: On the tax side, this is driven by the eligibility and the revenues are growing, which you might have seen and our exports are growing. This is where the trigger for getting an efficient or better tax rate. As we look at the other things, we are looking at around 17.5% to be the effective tax rate during this fiscal. Depends upon the business mix between domestic and exports. This is the first quarter, difficult to adjust but this is where we are.

Abhijit Akella: Okay. Understood. And the other one I just had was on the acquisition. I mean, any rough time lines you could share with us, by when you might expect to get closer to completion of that process?

Rajnish Sarna: Well, we are actively evaluating. And I think you can imagine that it is very difficult to put a time line. But yes, we are very actively evaluating certain shortlisted opportunities.

Moderator: The next question is from the line of Rohan Gupta from Edelweiss.

Rohan Gupta: A couple of questions. First is on our gross block to asset turnover. You have mentioned that the endeavor of the Company will be to achieve close to 2.2x plus in future. What we want to understand, definitely it must have some lag of close to 2 years to 2.5 years to fully utilize that potential. With your current run rate and you have committed roughly INR 600 crore to INR 650 crore kind of capex for the current year, it means that even at the full potential, it can add close to INR 1,200 crore to INR 1,300 crore in terms of revenues. Just the concern is that going forward, I mean, over the next 2 to 3 years, if we are not able to seal any deal right now or there is some further delays, aren't we future ready? Or isn't there going to be gaps in terms of future growth if we are not fully investing in a capex or greenfield capacities are not being created for the future growth?

Rajnish Sarna: Yes. So good question, Rohan. But we need to actually combine a few answers to get the complete answer, and we are also talking about improving the throughput and efficiencies of our existing plants, as we discussed earlier with the earlier participant. And there are good opportunities there and good scope there that we are working towards. The second is this investment that we are talking, which we have decided around, say, INR 650-odd crore of investment in capacities and expansions. And if you look at the previous 2 years, we've done very aggressive investments, which is also available to pick up the capacities. Yes. And thirdly, that as we are moving forward and the kind of tractions that we are seeing, we can always review this situation on investments in the coming quarters as well.

So therefore, there is no question of staying behind the cycle in terms of investment and miss out on opportunities and all. As a Company, we have always invested ahead of time. And that's what we have seen over, say, last 5 to 10 years, that we have always invested ahead of time, and that's the reason we have been always been able to also catch up the cycle. And this is what we are doing today, if you see our growth rate for last 3, 4 years.

Rohan Gupta: Only because when we compare our capex plans compared to some other industry players, they are making an investment up to the tune of close to INR 2,000 crore, so we're still much lower in terms of investment. While we are definitely sitting on a huge pile of cash, still our investment compared to other companies remains muted. So that was a concern that, aren't we going slow on the capex, though, you always mentioned that there is a potential improvement in asset turnover, but that can definitely have some limitations. So that concern was definitely compared to the industry over next 3 years, can we be behind in terms of growth?

Second, in your presentation earlier, you mentioned that there is a surge in new inquiries and product scale-up driving the growth of CSM exports. This is something incremental you are seeing in last 1 year you're experiencing it or it is the old thing which has been going on, and that is driving the growth for the CSM exports?

Rajnish Sarna: Before this, let me also reflect on your earlier point. So when we say INR 650-odd crore CAPEX, this is the investment in organic business and core business. I'm not adding here any kind of close to whatever INR 2,000 crore that we are, in any case, targeting towards this inorganic opportunities and our initiatives in the pharma. So if you sum it up, then it will be more than INR 2,000 crore, isn't it? Now coming to your point on inquiries, yes, there is certainly a surge in inquiries, I would say, last couple of years. This year also that trend has continued. Maybe Atul, you can put some light on it.

Atul Gupta: Yes. So in terms of the enquiries, the trend in the enquiries are showing a very positive trend. And this quarter, we have received good amount of enquiries from both AgChem and non-agchem space. And there is a good visibility about these inquiries turning in to be good opportunity for us.

Moderator: The next question is from the line of S. Ramesh from Nirmal Bang Securities.

S Ramesh: So, in terms of the CSM growth, in the last couple of calls, we were given to understand that you're not laying as much weightage on the order book and the capacity realization as you were before. So in terms of the growth you have achieved this quarter, can you give us some color on how much of that was from the order book? How much of that was from the merchant business for the year? And how much of the new MPP capacity has already been monetized in the current quarter's growth?

Rajnish Sarna: Well, to be honest, we will not have these numbers in front of us. But yes, significant portion of this business is from the order book, okay, which also will tell you that the fill-up of order book is also continuing. If we are delivering at this pace, 40% growth and delivering this kind of business in a quarter, and it's still maintaining around $1.4 billion of order book, this tells you that the order filling is also continuing at the same pace. In terms of MPP utilization, can you please repeat your question?

S Ramesh: So, the 2 MPPs you had commissioned in the second quarter, has it been fully utilized? How much of that is utilized and what is the kind of headroom you have in terms of either volumes or the synthesis that you can do with those 2 new facilities?

Rajnish Sarna: Yes. So currently, they are utilized close to 55%, 60%. But as the volumes of these molecules will scale up, I mean, obviously, we will surely be seeing more than 85%, 90% utilization in 1.5 years.

S Ramesh: The second thought is on the domestic business. So you saw a lot of traction in the fourth quarter possibly because of the AWKIRA brand as well as the Rabi contribution. So how do we read the potential for growth? Is it because you have launched a lot of products last year? And is there going to be some kind of back-ended growth in Rabi because your horticulture portfolio is perhaps skewed towards fruits and vegetables? So is there a seasonality there? And do we see the traction we see in the industry overall based on the pickup in monsoon and the sowing pattern improving from the second quarter onwards?

Prashant Hegde: Yes. So good question. As I said earlier, we have launched new products, including the one which you mentioned, AWKIRA, around 3 years back. All these products are having a good traction. As I said earlier, most of these products are basically, the season is starting from Q2, and we are tracking as per the plan in all these products, that is what I can say. So yes, we are optimistic, and we are tracking as per the plan.

S Ramesh: Okay. If I may just squeeze in one last thought. In terms of the global environment for your potential customers in agrochemicals and other areas to give business for CSM companies like, what is the kind of expectation we have on the budget, say, over the next 2, 3 years, given that everybody is facing headwinds, but at the same time, this year, we are seeing a lot of positive tailwinds for growth? So do you see the inquiries on the flow of business continuing unless we have some major setback? So do you see some continuity in terms of the momentum over the, say, next 2 to 3 years for order flows for CSM and for your Company?

Rajnish Sarna: Yes, I mean, we are seeing very positive commentary from all these large global customers of ours. As and when we are meeting them, we are hearing very positive commentary. Obviously, this is also driven from commodity prices in general, but also the new launches that have been made by these companies. And the good part is that if we look at our product portfolio, we are participating in many of these very interesting new launches and some of the big blockbusters out there, either through AI or intermediate. So yes, I mean, we are getting very positive commentary and if you track commentary of these global companies, you'll also kind of note that most of them are giving a very positive commentary, not only for this year but next few years.

Moderator: We'll take one last question, which is from the line of Isha Agarwal from VT Capital.

Isha Agarwal: Just one question from my side. Like, as you see the CSM outlook to be very strong and we have strong order pipelines, inquiries in our CSM, so do we see the order book improving, like will it add directly to the order book?

Rajnish Sarna: Yes. So we certainly expect this to reflect in order book expansion in coming quarters. Although, as I said, maybe in the last call or previous quarter call, that given the current uncertain environment, both the customer as well as the suppliers always kind of want a normalization of scenario before we get into a very long-term kind of contract and understanding. But yes, having said so, I mean, given the kind of pipeline that we have and the way it is progressing towards commercialization, we expect this to reflect in the order book position as well.

Isha Agarwal: Yes. So I just wanted to confirm that as you mentioned that, yes, we see the present inquiries adding it to our order book, so from the recent levels of $1.4 billion, we see it to the last year levels of $1.5 billion or it should be at the present levels only?

Rajnish Sarna: No, so it would certainly improve from this present level. Now whether it will become $1.5 billion or $1.75 billion or $2 billion, it is difficult to comment right now because we would imagine that when these products progress from R&D scales to the commercial scales, during this period, a lot of volume estimates are made by the customers and then commercial negotiations and discussions happen on price and all. So basis those finalized terms, both volumes and on pricing at certain point, we will be able to quantify that, okay. And if 10 out of 20, 30 inquiries are progressing and moving towards commercialization, what is the total value of these products and so on. So it is difficult to quantify at this point. But what I can tell you is that it will surely reflect in improvement of order book where we are today.

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

Rajnish Sarna: Thank you to all our friends who were there on this call for your continued interest in PI and also your all-good wishes and blessings. Thank you so much, and have a good day.
