PI Industries Limited
Q4 & FY21 Earnings Conference Call
May 19, 2021

Moderator: Ladies and gentlemen, good day and welcome to the Q4 & FY21 Earnings Conference Call of PI Industries Ltd. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Nishid Solanki: Thank you. Good afternoon, everyone, and thank you for joining us on PI Industries Q4 & FY21 Earnings Conference Call. Today we are joined by senior members of the management team including Mr. Mayank Singhal – Executive Vice Chairman and Managing Director, Dr. Raman Ramachandran – Managing Director & CEO, Mr. Rajnish Sarna – Executive Director and Mr. Rajiv Batra – Chief Financial Officer.

We will begin the call with key perspectives from Mr. Singhal. Thereafter, we will have Mr. Batra 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 the conference call today 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 request Mr. Singhal to share his perspectives for us. Thank you and over to you, sir.

Mayank Singhal: Good Afternoon, everyone, and thank you for joining us on the PI's Annual Call. I hope all of you and your families are keeping safe and doing well during this pandemic. As you all can see, we are witnessing very challenging times with the onset of the COVID-19 second wave and our endeavor has been to maintain the momentum of the business in line with our objectives. We are doing our best to whatever measures and initiatives we can take to help those suffering and are in need.

I take pride in sharing that company has reported a robust set of numbers with consistency for FY2021. During Q4, the revenue has increased by 40%, EBITDA improved by 22% and the PAT reported gain of 62%. Now speaking of the full year, our revenue has risen by 36%, EBITDA has been enhanced by 41% and PAT has stood at 62% higher, relative to the previous year. I must compliment the entire PI team for their excellent efforts and it has also achieved new performance milestones despite the operational difficulties and challenges.

Agrochemicals have demonstrated demand momentum throughout the past few quarters, as these broadly get categorised into essential products the world over. And this has been borne out by the shipments from our CSM exports business as well. The broader specialty chemicals industry has reported attractive trends as large markets like China and the U.S. scale up economic activity across numerous end user industries, chiefly automobiles and construction.

Crop protection globally is evolving in line with changing cropping mix, existing and upcoming environmental regulations and expanding population that demands for more food across the world. Evolving economical ways to up the agricultural yield will be crucial. With the help of advanced research and nextgen technologies, the global agchem industry is gearing up to the challenge. PI stands apart with its commitment to putting IP first. With a vast experience in the science of agchem and international-scale manufacturing footprint, we too are engaged deeply to partner with innovators to meet their objectives. The market for crop protection chemicals in India is expected to expand at a compounded 8% to 10% between the years 2020 and 2025, and PI will consistently focus on developing exclusively in-licensed and high potential, brands in the domestic arena.

Within India, our branded agri-inputs business has benefited from consistent farm extension services of our teams, salient brands and extensive set-up for driving access in key cropping regions. Recent launches like Awkira have fared extremely well. Furthermore, both Shield (fungicide) and Londax Power (rice herbicide) that were launched in FY21 were successfully accepted in the market. A very dedicated effort goes into educating the farmer and inculcating the right usage technique. The experience and expertise of our field officers is employed to drive volumes. Our newly acquired Isagro which now called Jivagro has also done extremely well in fruits, vegetables and plantations segment, with a 25% growth it contributes well in our overall growth in the domestic markets.

In the exports domain, the past year has seen accelerated development of the pipeline of molecules by us. Having enhanced our Y-o-Y rate of commercialisation of new molecules, we are devoted to maintaining that momentum. In FY21, we commercialised 5 new molecules in CSM exports and another 5-6 molecules are at various stages of development and will be commercialised in the ensuing year. As shown by higher enquires and orders placed, we are in a position to report a healthy trajectory of performance in line with our present and planned capacities. The combined benefit of two MPPs inaugurated in FY21 will become apparent during the course of the present fiscal year. We expect another MPP to be added in the coming year, thus enhancing our capacities. Additionally, augmented capacity utilisation at the Isagro facility will allow us to pursue higher number of commercialisations. At the same time our run rate of shipments from the existing molecules is growing. The growth visibility remains robust, also we are very conscious about the ongoing COVID-19 challenges and potential risk and a little cautious.

The target for Rice production this Kharif has been set higher at 104.3 mn tonnes relative to the previous year. Cotton and Soybean are expected to see increased acreages as farmers benefit from higher prices last year. We are looking at a very attractive launch schedule with a new slate of brands in the upcoming season. The target is to introduce 5 new products this year to strengthen rice, cotton and horticulture portfolio. In keeping our leadership in exclusive and advanced solutions, many products will open new vistas for productivities and higher yields. The integration and management of the specialist horticulture portfolio through Jivagro is underway and the subsequently we will see the result of these strategies. Efforts are in place also, to integrate digital and online technologies in augmenting the sales effort and managing customers.

PI continues to oversee an excellent in-house technology development effort. With dedicated teams to propagate new technologies and process chemistries, we are gearing well to build new platforms for growth. Given the forecast of a normal monsoon and resilience in the agri-economy, one can expect present healthy trends to continue in the coming quarter. The time-table for commercialisation of new molecules is attractive as well and should help sustain our performance momentum.

On our plans, the diversification through inorganic approaches while the pace of progress surely has got impacted over the last couple of months with this COVID-19 second wave surge but with we are progressing and are at advance stages of evaluating select pharma assets.

I would now like to conclude and you will hear next from our CFO, Mr. Rajiv Batra, who will share perspectives on the financial metrics and progress made. Thank you once again. Over to you, Rajiv. Thank you.

Rajiv Batra: Thank you, Mayank. Good afternoon and thank you everyone for joining the call today. I would share the financial performance for Q4 & FY21. All comparisons are on a year-on-year basis and on a consolidated basis.

For Q4 FY21, we reported encouraging performance with revenue growth of 40% at Rs. 1,197 crore driven by 47% gains in our CSM exports at Rs. 1,006 crore which has been led by healthy volume increments in our key molecules. This was supported by 11% expansion in our domestic business to Rs. 191 crore which was very much in line with our business plans. Isagro demonstrated robust revenue growth of 51% in this quarter.

Moving to profitability, EBITDA improved by 22% to Rs. 227 crore which is in line with the higher revenue run rate and margins stood at 19%. Moderation in EBITDA was on account of lower gross margins primarily due to two factors. One is a changed product mix in the quarter as well as reduction in the MEIS benefits which is the export benefits which the policy now changed. Profit after tax came in at Rs. 180 crore, higher by 62% benefitting from operationalization of the new SEZ and reduced effective tax rates.

Let me also cover the annual performance for FY21. Blended revenue enhanced by 36% supported by 35% gains in CSM exports and 39% improvement in the domestic business. EBITDA grew 41%, translating to margins at 22% higher by 90 bps**,** PAT higher by 62% at Rs. 738 crore.

Based on healthy operating performance during the year, our balance sheet has further strengthened. We have witnessed significant improvement in free cashflows to the tune of Rs. 303 crore**,** gross cash flows in excess of Rs. 900 crore and better working capital management clearly played a major role in this. Networth almost doubled over the last year due to higher operating profits and the fund which we raised via QIP. Inventory levels increased in line with our expected growth trends as well as some proactive safety stocks that we planned to ensure business continuity amid the COVID scenario.

Total CAPEX entailed in FY21 was Rs. 459 crore, order book position continues to stay strong at $1.5 billion with high visibility growth for the next couple of years.

Premised on stellar performance during this fiscal, the Board of Directors recommended final dividend of 200% which is Rs. 2 per share. This is in addition to interim dividend of Rs. 3 that was already declared in FY21, makes a total dividend of Rs. 5 per share.

This concludes my opening remarks. Now I request the moderator to open the forum for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aditya Jhawar from Investec Capital. Please go ahead.

Aditya Jhawar: Few things, when it will be possible to break the CSM revenues between molecules which are less than 2-years-old, between 2 years to 5 years and over 10 years. So, the question here is that your order book seems to give us clear indications on the growth trajectory if we are able to dissect the CSM revenues into different baskets according to the age, it will be quite helpful.

Rajnish Sarna: Thanks for this question, Aditya. So obviously this won't be possible on the call. But frankly I was also not very clear because you said breaking the current revenue as per the molecule life and linking it to the order book. So just to explain to you that this order book consists of many of the existing products but also includes some of the products which are in the launching process or which may also be launched in the near future. So, I am not sure how this analysis will help in that respect. But happy to do that discussion offline and understand more.

Aditya Jhawar: We are adding almost about 35% of existing molecules that are getting commercialized and in the last year also we added something and something we will add in FY22 as well, that essentially means that revenue momentum and the order book accretion should be meaningfully better unless and until we are replacing a large part with new molecules and in that the existing molecules are getting replaced. So, if you can help us understand this?

Rajnish Sarna: So, there are 2-3 parts to this question. One is that you are right, that we have commercialized 4-5 products last year, this year also we are targeting to commercialize 4-5 products. Now first thing is that, not necessary that all these products we have created an asset or a new plant and therefore we have a long term, 5 year-7 year-10 year contract for each one of them, no, this is not correct because some of these products are fitting in our existing plants, white spaces and there the approach obviously, the desire is to have a longer term contract but then you need to make a tradeoff between long term contract and your flexibility on commercial terms and all. And therefore, the approach from our side always is that if we are putting steel on ground certainly, we would like to have a long-term contract, 5 year-7 year-10-year contract. But when we are not putting steel on ground and we are fitting some of these products in our existing plants in white spaces, there again, there is no general formula but we generally want to keep commercial flexibility, pricing flexibility with us so that we can try and fit those molecules according to our wish depending on what is coming out of pipeline next and whether and how those molecules maybe much more beneficial in long term and therefore not ending up submitting our capacity for long term.

So, in short, these 5-7-10 molecules in 2 years to 3 years doesn't mean that we have ended up or we have entered into 10 contracts for 5 years-7 years and therefore that should add to the order book position, that is not the right assumption at your end. There are couple of products where certainly we have got into long term contracts. But since we are also on the other side continuing more than 30%-35% growth and the order book is depleting with that growth; the addition of these few products and their contracts has not reflected that much increase in order book. But yes, there are additional contracts which are getting entered but obviously it has not reflected as such in the increase in order book. I hope this answers your question.

Aditya Jhawar: We understand that MEIS had possibly had an impact of about say 200 basis point on a Y-o-Y gross margin contraction, but you alluded to one point of unfavorable product mix. If you can help us understand what this unfavorable mix is about and is it, will the mix remain the way going ahead or you expect it to reverse, it would be helpful, sir.

Rajnish Sarna: Now on gross margin front for quarter if you are talking, there is some 4.7%-4.8% reduction. And you can imagine we have done this detailed assessment internally during our internal reviews and meetings. So, primarily this is coming from these 3-4 reasons. One primary reason is the product mix because as you can imagine that every quarter and this being a seasonal quarter particularly the domestic business is a seasonal business, every quarter or every season has its own product profile or product portfolio requirement and therefore close to 1%-1.25%-1.3% is coming from change in product mix where the product mix given the current crop and season and other dynamics is impacting. And you will also appreciate that with the consolidation of now Isagro business with PI, with Isagro product portfolio relatively lower margin because of their nature, this also is part of this impact that I am talking.

The second impact has come from MEIS which has been explained and yes, the MEIS in our industry is close to 2% but there was a truncated impact given the products, nature of products. So, I think close to 1.5%-1.6% is coming from there. Now this MEIS is something that everyone knows is Government policy change. I understand that they are working on finding or working out some other benefit for the exporters. But having said so, long term perspective on this from our side is that obviously as we will negotiate the new year contracts and new campaign pricing and everything, we would certainly want to pass on whatever impact on this account is there to our customers, but yes this is what the current situation is for this quarter.

The third, the other major impact is on account of couple of new products that we commercialized. We have also recently commissioned, not in this quarter but earlier this year, but yes, throughout this quarter there was impact of lower yields on this commissioning of new plant in the Jambusar area which we had done. So basically, the third reason is that initial hiccups and yields and lower yields and the commercialization of new products, whatever teething troubles that we face in initial couple of months or quarters that has also contributed to this higher cost and therefore lower gross margin. But this particular aspect has since been addressed particularly this new commissioning yield because now sitting in April and May we are seeing what is the new plant commissioning status and yield and with the efforts of our team plant site and other operational leaders, we have achieved our targeted yields. So that impact is not there now and will not be exercised in the quarter one. And on the commercialization of new molecules, again those processes and new processes and new products have now been streamlined and we do not expect them to contribute to higher cost in the next quarter. I hope this answers your question.

Moderator: Thank you. The next question is from the line of Vishnu Kumar from Spark Capital. Please go ahead.

Vishnu Kumar: I wanted an update on the inorganic acquisitions likely when we are expected to do something, first half, second half, any color on it?

Rajnish Sarna: Sure, thanks Vishnu. Well, honestly on inorganic front things have been certainly the pace has certainly been impacted with this second wave and upsurge of COVID because of which you can imagine the overall logistics, travel evaluation, discussions, negotiations all these got impacted. We were expecting to move to a definitive stage by the end of March or April, but yes because of this last couple of month's situation things got delayed a bit. But yes, we are at a pretty advanced stage I would say in some of these evaluations and again hoping that everything streamlines on the COVID front and we have more flexibility in maybe a month or so. I hope we should be able to do our progress on this concretely within this quarter or early next quarter.

Vishnu Kumar: Sir, would this be a part of the investment or just trying to ask whether this entire couple of acquisitions which you are talking about what would be the outer timeline to do, in quarter 1, 2 or 3? When would be completing all of them, any outer timeline, sir?

Rajnish Sarna: Outer timeline we have already indicated. Almost 6 quarters that we had indicated. So, in that sense I would say by within this year we should be completing them.

Vishnu Kumar: And just on the guidance of 15%. Generally, we talk about 20%-25%. Wanted to understand, is it partly because of the... generally we are finding that the global agrochemical market is very buoyant now given the sound economics and also the massive trade that has been happening. Slightly there seems to be disconnect from that end where we are lowering guidance where many companies are highlighting strong growth. So, if you could just address that part?

Rajnish Sarna: So first of all, as you can imagine that we have grown very aggressively in FY21. We have been for last couple of years, we have been saying 20% plus kind of growth, but we have grown much faster. Secondly, even at this point in time given the kind of product pipeline that we are seeing in R&D and also the kind of outlook that we are hearing from our customers, the visibility is pretty strong. Growth projections are pretty strong even in domestic areas. This I was talking about exports, but even in domestic given our product pipeline that we are aiming to register in this year and next year, it is quite a number of products that we are kind of targeting to register. The only point that we are little cautious around this is the current COVID situation. For example, for last 3 months we have seen a significantly serious situation in Gujarat. More than 200 to 250 people even in PI were infected by COVID and I must compliment our team, our site teams, our leadership teams in operations who could still manage with so many proactive actions to deliver what we had aimed for in FY21 and even continuing to aim for the current year. I mean we are very conscious of the current situation and uncertainties related to it and potential risks related to it. There is certainly some impact while we have been able to manage our deliveries, we are able to manage our manufacturing and operations but on development side we are seeing some impact with these lockdowns and close downs in Rajasthan, in our R&D and many other marketing areas where we have to launch products and some sort of delays are happening there. So, while there is, I can say there is upside but we are really conscious about the current situation and as has been the practice we are little conservative in that guideline in that sense.

Mayank Singhal: Yes, so I think Rajnish has said most of that. But I think obviously you would like to take this while really looking at the COVID-19 scenario and it is a global scenario which we are seeing. And there are certain overflows over the past few years even for the large companies. So, taking all that into account we have taken a little, calibrated outlook. And we would like to stick to it for now.

Moderator: Thank you. The next question is from the line of Probal Sen from Centrum Broking. Please go ahead.

Probal Sen: Just staying on the question of margins, thank you for the detailed explanation of how the margin has actually come up. But just wanted one idea in terms of you said that obviously you covered the kind of problems that were related to the low yields, related to the new products and the new capacities. But barring the removal of MEIS incentives, is it fair to say that the rest of the impact would get alleviated over the rest of, over the next couple of quarters and we will get back to something like what we have achieved before. Again, taking out the 150-160 basis points impact of the export incentives. The rest of it can it come back over the next 6 months in your opinion?

Rajnish Sarna: Yes, you are absolutely right. And we have always guided to kind of maintain and manage that kind of margin profile. Even in MEIS as I was trying to explain that while on one side we are hopeful of given the ambitious target that this country has for growing exports, that the commerce ministry will come up with some alternative benefits to the exporters, we will certainly as the new campaigns and the new year contracts, all these are kind of discussed and negotiated, we would certainly want to kind of maintain our margin profile and pass on these things to the other side.

Probal Sen: So, going forward, sir, assuming of course as of now if there is an alternative scheme announced and some sort of alleviation happens on the government side, but barring that if I look at FY21 as a whole and then look at FY22, we should be working with maybe 120-130 basis points lower EBITDA margins, just as a benchmark. So, is that a fairway to look at it right now?

Rajnish Sarna: Well, my sense is that we would still want to guide for the similar kind of EBITDA margins that we have achieved in this year.

Rajiv Batra: Yes, Rajnish. I think very much you stated it, the attempt will be between the new scheme which the government will be announcing, which I believe is only two weeks away and the fact that we would like to pass on; and to the extent possible give the differential back to our customer. The mix issue again, there will be some ups and downs, but the point is that so far, we have been on a path and we should be towards the guided margins. And the new plants startup which we talked about, we have already made the investment and therefore the efficiencies have now been achieved. So, I do not see a concern there. So basically, what we just stated is what I would reaffirm that we would try to come back to a margin at some point in the year.

Probal Sen: And sir, the second question was with respect to the CAPEX, leaving aside the QIP proceed deployment, this year would say that the CAPEX was perhaps lower than what you would have wanted because of COVID related disruptions, for FY22 as well?

Rajiv Batra: Our guidance would be, our main CAPEX cycles, the investments will not be at that pace that you have seen in the past, in the last 2 to 3 years we have been through a heavy CAPEX cycle as we created our capacities in newer facilities. That part is done and even in the last call we have said we would like to in fact move our fixed asset to revenue ratio with that turnover up. We made a little start on that journey this quarter and through a newer application of techniques we would continue on that journey. So, the biggest CAPEX we are seeing would be on the inorganic acquisitions which we talked about. Here we would like to in fact not sweat our assets.

Moderator: Thank you. The next question is from the line of Ritesh Gupta from Kotak Securities. Please go ahead.

Ritesh Gupta: I just want to check on the non-agro piece, revenue growth initiatives that we were taking. So, I think 2-3 quarters back or when you did your QIP you had said that I think you were looking at 20% sort of revenues to come from non-agro business, from pharma in next 3 years. So, is that guidance still intact? I think when you have identified the target and you are probably closer to the closure, I just want to check what kind of strategy you will have with this kind of acquisition in terms of what, will it be more like plug and play and would it be complementary to your existing organic efforts? And third on the non-agro and non-pharma side, any progress there, I could see some talk about fermentation technology etc. also over the annual report and all. So, could you just talk about some of the other initiatives there?

Rajnish Sarna: On pharma side, yes, you are absolutely right. We are, as part of our long-term strategy we are looking at something which can help us to scale up of pharma vertical that we are wanting to build. We have already over last few years, we have already enough developed certain technologies, we have already kind of build some set of I would say intermediates and therefore some set of customers already working on certain additional enquiries, product pipeline in-house. But in order to scale up this whole thing much faster than what we did in CSM space in Agchem, we are looking at this inorganic opportunity and we are looking at something which is plug and play which is also complementary to what we are building up and the kind of technologies which we believe will help us kind of create a differentiated position for ourselves. And these technologies, unique technologies are, I may not speak too much about it on the call, but we believe that we have certain technologies whereby by combining those technologies and the product portfolios and the access to the customers that we are expecting to get with the inorganic opportunity we will be able to create a differentiated position and we will be able to grow that business much faster than what it is doing today. So, that is on one side. Yes, our objective remains that in the next three to four years' time it should be a sizeable business for us, 20%-25% of overall company, that is the objective that we are working with and that remains intact. On the other non-pharma side, your question, so yes, we are also, even today we are actively evaluating few opportunities where again these are complementary technologies and we believe that we will be able to leverage both on Agri side as well as on pharma side if we combine these opportunities or technologies with what we have in-house. I hope this answers your question.

Ritesh Gupta: Just one clarification. When you talk about technologies and like it has been there over last 1 or 2 years. I mean how long it maybe in terms of monetizing it, because once you have the technology will we have to go to the clients, perhaps give them the proof of concept and get it, let us say get orders on the back of it and then try to do things?

Rajnish Sarna: So this is where the inorganic options comes into play, because this inorganic auction you certainly get set of products, set of customers which are already there. Now you go to the customer and put a completely different proposition on table by combining the existing product and the technology that we are working, you put up a completely different proposition to the existing customers and also you go to the new customers. So what I am saying that this inorganic option certainly helps us speed up the whole process and with the existing products and customers we believe that we can significantly speed up this process, but yes, the opportunity with new customers will take normal regulatory time which is required.

Moderator: Thank you. The next question is from the line of Pratik Rangnekar from Credit Suisse. Please go ahead.

Pratik Rangnekar: My first question is on the CAPEX part, in the earlier call you had guided for, we have entered with one plant being commissioned in Q4 and in this quarter we are highlighting that there will be one more we will be doing in H1. So has that Q4 plant commissioning happened and if you could just indicate what is the total CAPEX on these plants?

Rajiv Batra: It is capitalized, the plant that we are talking about and that will become fully effective sometimes in the second quarter. So that is the entity that we refer to and the capitalization for that has taken place this year. This year's capitalization we already told you is roughly about Rs.400 odd crore which includes this CAPEX.

Pratik Rangnekar: My next question is another part in the second question. When you talk about technology scale up on the green chemistry and new catalyst and enzyme so, if you could kindly provide some color on this, is this going towards more business wins, or is it more towards increasing your margins and is it on the Agchem side or on pharma? If you could just provide some more color on that?

Mayank Singhal : We are looking at these technologies as a part of our sustainability; to improve the efficiencies by focusing more on the greener side of the chemistries that we do, of the existing products, by focusing on their environmental waste loads and find safer ways to bring them. That is one, obviously this has to result in economic benefit. So that is the way we look at that and we are also looking at alternative process technologies which could be again aligned to the same point which I made earlier to make it more efficient and greener. So that is really, this is the platform that we are working on and this will run across the verticals. Not just into just one vertical.

Pratik Rangnekar: And if I could just squeeze in one more. On the first question, in the call today, you mentioned that not all of your newer commercialized products result into long term contracts, so couple of years ago you used to provide that ratio for the breakup of the revenue between long term contracts and otherwise that use to be I think 70:30 split. Is that proportion similar or how has that changed now?

Rajnish Sarna: Yes, broadly same. I mean maybe 65-68% or something, but yes, broadly the same percentage.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Sir, something like novel catalyst or green chemistry, these are relatively newer technologies as far as our business is concerned. So, it is like we will be using these technologies to enhance our overall productivity efficiency and are these applicable across the product segments or categories that we are working in. So that is what I have meant by in terms of scalable or are we getting a benefit?

Mayank Singhal : Each technology has its own different capabilities. Some could go across verticals; some would stay within the product range. So obviously the idea of creating those capabilities is to create more business opportunity not just to commercialize technology. So, commercialize internally to scale up.

Rohit Nagraj: The second question is in terms of customer profile. So if we look back maybe 5 years ago and we might have probably 15 plus minus kind of molecules, what were the number of customers and when currently we have maybe 26-27 number of molecules, what is the number of customers? Is it changed in terms of newer customer addition because some of the customer taking a back seat?

Mayank Singhal : No, the beauty is that PI has been able to enjoy the credibility that is intact today and since the beginning of the business we have not lost a single customer. We are only adding on to the customer base and that has expanded year-on-year. So, I am sure we have fairly satisfied customers today in the commercial space beyond the Agchem space we are also working with other new customers.

Moderator: Thank you. The next question is from the line of Deepak Chitroda from Phillip Capital. Please go ahead.

Deepak Chitroda: My first question is again on the inorganic growth opportunities which we have discussed. So just wanted to get some more clarity. So are we looking for, as we are saying about the pharma, are we looking for large asset on the domestic side maybe internationally also and are we also planning to take additional debt in order to finance the better assets?

Rajnish Sarna: Not really. At this point in time, we are not planning to raise debts. So that is one part of your question. The second part of your question, so yes, we are looking at currently evaluating few select options whereby we get asset based in India. But doing quite a significant part of their business is exports or supporting their global customers.

Deepak Chitroda: Sure, sir. And my second question regarding outlook for FY22, if we talk about on the domestic side, we are planning to launch almost about 5 molecules. So, all these products are I understand if you can try and give a breakup of like 9(3) or 9(4) products. And what is the size of the opportunities which we are launching for the new products and what is the growth prospect in the domestic side as well for FY22 you are looking at?

R. Ramachandran: We are planning to launch 5 new products. Three of them are insecticide. One of them is a new molecule, 9(3) molecules, the two others are mixtures. One for cotton and the other for rice and we expect two of these to come in towards the Q3-Q4 timeframe. In addition, we also have two fungicides that will be launched and one fungicide which we have already got the registration is probably one of the newest in its class. It is a bio fungicide which really gets with the requirements of farmers like grape growers and export markets. So that is the portfolio that we have. And in terms of what is the growth opportunity, as you have heard the crop segment and the category that we are launching are high growth segments. What I can tell you is that in the domestic business, we are always targeting about 30%-40% of our sales coming from products that have been launched in the last 3 to 4 years. So, we expect these products to be very significant growth driver over the next 2 to 3 years.

Moderator: Thank you. The next question is from the line of Madhav Marda from Fidelity Investment. Please go ahead.

Madhav Marda: I just had one question. I think during the QIP one of the process targets with the QIP funding was, we wanted to acquire assets outside of India to diversify or sort of provide a hedge against like geography risk if I heard sort of right. So, is that something which still remains on the table, to acquire like a CRAMS asset outside India to sort of hedge geographical?

Rajnish Sarna: You are absolutely right. This was also one of the longer-term strategic intent that we have. But unfortunately given this COVID situation and logistical restriction and challenges that we have faced over last, I would say more than a year now, this is certainly not a priority for us and right we are focusing on the objective of diversification into pharma and for that purpose we are currently focusing on evaluation of those opportunities in India. But at an appropriate time certainly we will once again take up that objective and focus on that.

Madhav Marda: And the pharma acquisitions that we are targeting, just wanted to check once again, will it be one asset that will take up all of the M&A or would it be diversified across maybe 2 or 3 sorts of targets?

Rajnish Sarna: So, we are looking at this point in time idea is to look at a reasonable size asset so that which can meet our overall objective of product portfolio, customer portfolio which also has potential to scale up and kind of fit in our scheme of things. PI scheme of things and plans that we have from our organic side for pharma. So, the objective is to look for and finalize with one such option. But apart from this we are also looking at some other interesting technological opportunities whereby as I was explaining earlier to the other participant whereby, we can combine them with these technologies that we have and leverage them both on Agchem side as well as on pharma side. So, in total there may be more than one opportunity that we will look for. But yes, on pharma side the idea would be to look at one opportunity which can meet our objective.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.

Rohan Gupta: Question is in the extension of the last question only, so now this acquisition which we are looking in India should we consider it as a time gap arrangement to fulfill our requirement for near term growth while our earlier ambition was to find some global good assets in pharma. Is it so and if that then are we looking a smaller size of this CAPEX or acquisition opportunities in pharma if you can just elaborate a little bit more on that?

Rajnish Sarna: So certainly not. In fact we strongly believe that the opportunity in pharma, in fact as we have also explained in earlier calls that we want to kind of take this sweet spot which is there in the domestic, intermediate and API manufacturing because most of these products are currently being imported in India and we want to kind of basically get into this space and with the technologies that I was explaining to the earlier participants, we want to create a differentiated position for ourselves. Therefore, the opportunity in India or manufacturing set up in India will certainly fulfill our long-term objective of creating a global position or leading position in this particular space. So, this is one part of the answer. The second part, the opportunity that we were looking at outside India if you recall the key drivers were kind of to de-risk our concentration of operations in Gujarat particularly in Agchem manufacturing or CSM space. Secondly, get near to the customer. Now, these customers when I am talking, I am talking more about the Agrochemical customers and their geography. So, get near them and get strategic advantage in their vicinity and all. So, in nutshell these are two different objectives and yes while we can get some pharma piece is some of those overseas opportunities but all said and done the manufacturing set up and opportunity in India will certainly give much better advantage to us particularly in pharma space. Does this answer your question?

Rohan Gupta: Valuations have gone up for all the pharma companies. So initially sir you have always mentioned that the company will be looking at the EPS accretive or similar kind of valuation return which the company has always been enjoying. Sir, would it be possible in the current inflated scenario that we will be able to buy the asset and will be able to enjoy the similar return ratios which we have been enjoying. That is it, sir.

Rajnish Sarna: We still remain confident while yes, we have seen the valuations getting inflated over last 6-month, one year or so. But the opportunities that we are evaluating, we have been able to kind of look at reasonable business case, we have been able to kind of look at opportunities whereby we can create value by combining our technologies and therefore we see a good value proposition for us getting into those opportunities. As I explained earlier Rohan, we are not so much so concerned about this outside in valuation, we are more concerned about that what we can create from these inorganic opportunities, what kind of value that we can create and then what are the resultant multiples**,** that is more important for us and we are absolutely on track on that.

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

Mayank Singhal: Thank you everybody for coming on this call today and we look forward for your support and wishing you all a very healthy and a safe time going ahead in these challenging times.

Moderator: Thank you. Ladies and gentlemen, on behalf of PI Industries Ltd. that concludes this conference. We thank you all for joining us and you may now disconnect your lines.
