



PI Industries Limited

Q4 & FY24 Earnings Conference Call Transcript

May 23, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY24 Earnings Conference Call of PI Industries Limited.

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

Nishid Solanki: Good afternoon, everyone, and thank you for joining us on PI Industries' Q4 FY24 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
- Mr. Atul Gupta, CEO of Exports and
- Mr. Anil Jain, MD, PI Health Sciences.

We will begin the call with key perspectives from Mr. Singhal. After that, we will have Mr. Manikantan sharing his views on the financial performance of the Company. Thereafter, the forum will be open for a question-and-answer session.

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

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

Mayank Singhal: Good afternoon and thank you for giving us your time today as we discuss the performance of PI Industries during Q4 and FY24. I will use my remarks to share the strategic and operational updates around the business. Q4 for the year has been another commendable performance from PI, yet again delivering broadly as per the guidance despite industry headwinds.

Q4 revenue grew by 11% Y-o-Y. For the year, we had a growth of 18% in revenue. The improvement in the profitability stands even better with PAT growth for Q4 and FY24 coming at 32%, 37% respectively. The global industry has seen a performance pressure in the past 3 to 4 quarters, and the situation is yet to recover fully. The inventory destocking cycle is seemingly incomplete, and any material improvement in the demand and pricing trends is projected to commence only in the later part of the current financial year. These trends chiefly impact generic products. PI has

consistently stood apart and delivered above those trends in the last several quarters. Going forward, as on the ground situation changes, we will continue to do well, benefiting from the enhanced dynamics of the industry. This has been possible due to differentiated business model and product portfolio of PI.

Our growth is mainly driven by commercialization of new products in the early stage of the life cycle. These products carry significant growth potential, as when the innovator progresses with their global execution, this gives us further upside. The cycle continues, as we commercialize more new age molecules from our pipeline. What continues to attract global innovators to PI is our demonstrated capability in process development and innovation, efficient scaleup of complex molecules, project execution capabilities and our ESG standards, above all our respect to IP.

On the export front, increasing trends of commercialization of new molecules will only intensify. During the year, more than 70% of the growth has come from new products. Our pipeline of new molecules also remains robust. And here, the share of non-agchem molecules in new enquiries stood at 50%. In the longer term, we anticipate up to 3rd of new molecule commercialization to come from non-agchem. As the technology and molecules mature, we will see strong contribution to our growth rates.

On the domestic side, we have seen subdued performance owing to erratic monsoon and the El Nino condition, which led to long dry spells impacting insecticide and herbicide sales in certain geographies. Our emphasis has always been and will be on driving high-quality revenue. Our domestic portfolio comprises in-licensed exclusive products and have significant growth potential.

Over the past few years, we have stepped up our presence in the biologicals area. I'm very happy to share that our brands are gaining traction with a 35% growth in Q4 and 29% in FY24. Our horticulture specialist brand, Jivagro, has also helped us in strengthening our position in this segments. And of the recently launched products, we have seen an enthusiastic response for insecticide CLARET in paddy; herbicide EKETSU, the first-time three-way combination of rice; fungicide KADETT for seed treatment in soyabean and groundnut; and bio-fungicide PILLIN for grapes and chili. Also, great response on CAMPANA insecticide for rice BPH and brinjal sucking pest.

We will continue getting new-age molecules into India. During FY24, we introduced 7 domestic agri brands, all of which have been received well. PI's range of brands always represents the most advanced solutions in crop protection for the farmer. The steady pace of the business introduction of such brands has contributed to an above-board performance from us. The development pipeline includes more than 20 products, including products in development and registration and underlines the visibility of growth for the business in forthcoming years.

I will turn my attention to the pharma side of the business. The process of building up an integrated CRDMO market offering is underway. Initiatives taken to upgrade the research and manufacturing infrastructure, strengthening business development and many other key business processes are progressing well. We have also augmented our talent base by hiring global industry experts to implement best practices and intensify business development. Our R&D pipeline of new enquiries and products is shaping up well and should help us achieve our aspirational growth in this segment.

PI continues to drive a fully integrated research set-up in agchem, and our one-of-a-kind, single-site centre at Udaipur is crucial to our growth aspirations. This research centre can render every technological and process requirement, from bio-evaluations to chemical synthesis and product and process scale-up, under a single roof. Our R&D set-up is designed to global specifications and world class standards

and engages 700+ scientists, researchers, who have delivered 165+ patents so far. These teams work on developing technology platforms that will give us opportunities across existing and newer industry verticals.

On the sustainability front, which is close to the heart of PI, we continue to make great strides. At PI, this is seen as a cultural attribute of business. PI has improved its S&P Global Corporate Sustainability Assessment (CSA) ranking to 95th percentile as well as retained EcoVadis Gold medal in sustainability achievement with 98th percentile ranking. PI has also been featured in S&P's global sustainability yearbook for 2024, thereby giving us the distinction of ranking amongst the top ESG-rated companies globally. We have multiple programs around ESG outcomes that are integrated within business processes.

As shared earlier, PI continues to actively evaluate inorganic opportunities in line with our long term strategic direction and growth aspirations, backed by strong science and technological capabilities.

Our outlook for the current fiscal year remains positive. On the domestic front, we will focus on portfolio diversification with high quality revenue from newly introduced products, as well as technology-based approaches to steer performance in the CSM business. The pharma performance will also gradually improve as we fully implement our differentiated CRDMO offerings for global customers.

With this, I bring my remarks to an end, would invite Mr. Manikantan to take forward today's discussion. Thank you once again for being a part of our growth story and always being there to support us. With this, over to you Mani.

Manikantan V.:

Thank you, Mr. Singhal. Good afternoon, everyone on the call today. I will summarize the Company's financial highlights for the fourth quarter ended March 31, 2024. Please note that all comparisons are Y-o-Y and refer to the consolidated performance of the Company. As Mr. Singhal shared, our performance demonstrated a differentiated approach to doing business and a sharp focus on keeping operating parameters in line with our objectives.

To share the performance highlights, during Q4 FY24, we reported a revenue of Rs. 17,410 million, a growth of 11% over the same period last year. This was driven by 15% growth in exports revenue to Rs. 14,701 million and around 5% decline in domestic revenues to Rs. 2,709 million. Gross margin and EBITDA improved mainly due to favourable product mix and operating leverage. Profit after tax increased by 32% to Rs. 3,695 million.

Let me also cover the performance of FY24. Revenue was Rs. 76,658 million, a growth of 18% over the same period last year. This was driven by solid growth in export revenues by 25% to Rs. 62,970 million which offset 6% decline in domestic revenues to Rs. 13,688 million.

Profit after tax improved by 37% to Rs. 16,815 million. The effective tax rate for FY24 is 11.3%, with a one-off gain of around 3% in our pharma subsidiary PI Health Sciences. The ETR for FY25 is expected to increase up to 24% due to the tax exemption of our second SEZ unit at Jambusar reducing from 100% to 50%.

Cash flow from operating activities increased to Rs. 20,359 million. This was due to higher EBITDA and efficient working capital management. The trade working capital in terms of number of Days of Sales reduced to 59 days vis-a-vis 79 days as on March 31, 2023. The inventory levels also reduced in terms of Days of Sales to approximately 62 days to Rs. 13,012 million.

Our balance sheet further strengthened during the year. Net worth increased to Rs. 87,310 million. Capex stood at Rs. 10,823 million including Pharma acquired assets of Rs. 4,972 million.

Surplus cash net of debt is Rs. 38,825 million as of 31 March 2024. Our balance sheet and cash flows have been robust in line with clear financial strategy and disciplined execution thereby enabling a superlative performance.

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 Abhijit Akella from Kotak Securities. Please go ahead.

Abhijit Akella: Just a couple from my side. Just to clarify the tax rate guidance. So, you're now talking about 24% tax rate from FY25 onwards, so that would be a continuing tax rate beyond that. Is that correct?

Manikantan V.: Yes, that will be the continuing tax rate for the FY25 and also FY26. As long as we see deductions are available, we will be in that range.

Abhijit Akella: And Mani sir, this will be for 5 years now and after 5 years probably the entire tax holiday at Jambusar goes away. Is that how it should be?

Manikantan V.: Yes. Currently, it looks like that, but there will be an opportunity to extend this period further through reinvestment.

Abhijit Akella: Just the other question I had was on the new product launches. You mentioned that about one-third of the new products are going to come from non-agro segments. If you could please just shed some colour on what end-use industry these might be whether it is electronic chemicals, semiconductors, etc. and then just one add on to this what percentage of sales come from biologics in the domestic business and if you could also possibly share the breakdown of the pharma sales between Archimica and Therachem if possible?

Rajnish Sarna: Thank you, Abhijit. We don't have a breakup right away, but there is substantial growth in this quarter to the tune of 35%, and if you look at the financial year, this growth is ~29% over last year on the biological side. Can you repeat your other question, please?

Abhijit Akella: Yes, non agrochem side sir which one would be the prominent ones we are looking at?

Rajnish Sarna: Yes, over one-third of the new products are coming from non-agchem space if we talk about new enquiries, R&D pipeline, etc. These non-agchem segments are like you mentioned, electronic chemicals, semiconductors, etc. Maybe Atul you can pitch in and briefly explain which are the other areas we are operating.

Atul Gupta: Yes. There are other areas with respect to performance chemicals, advanced polymers which are used for the various applications apart from electronics and semiconductors.

Abhijit Akella: The last question I just had was whether it's possible to get a breakdown of pharma between Archimica and the rest?

Rajnish Sarna: That is not available right now here, but we can provide it to you separately, Abhijit.

- Moderator:** The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.
- Rohit Nagraj:** First question is on the pharma business. So, the entire development spends, has it been completed in FY24 and given that we have done capex of Rs. 132-odd crore, what is the kind of growth that we are looking in FY25? And what kind of margins are we looking at and what could be the levers for the growth?
- Rajnish Sarna:** Well, this development phase will continue for the next 1-1.5 years although we will be growing more than 25% in the next financial year. In terms of margins, till the time we complete this development phase, it is difficult to clearly indicate the numbers but once we complete this development cycle in next 1.5 years or so, we expect to achieve normalized EBITDA margins.
- Rohit Nagraj:** Second question is on overall consolidated business. We have seen that there is a strong almost 450 bps expansion in gross margins during FY24 and that has led to further EBITDA margin expansion. So how are we looking at it when we move to FY25? What kind of EBITDA margins that are sustainable in FY25 onwards given that there could be some benefit from gross margins which may taper down in FY25?
- Rajnish Sarna:** We are expecting to maintain a gross margin of around 49%- 50% in FY25. The EBITDA margins will also sustain at this level as we are also making a lot of development spending in some of the new segments.
- Moderator:** The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.
- Ankur Periwal:** First question, on the working capital side. Commendable job in terms of reduction in inventory driving the working capital lower. How do you read this number going ahead, given where I'm coming from this domestic business had been through in this year as well? And going ahead, hopefully, FY25 onwards, things should improve. So, will we see some increase in working capital led by inventory going ahead or these numbers should sustain?
- Rajnish Sarna:** We will sustain the current levels. While there are some improvement opportunities, there are also going to be some contingencies, and hence, we believe we'll be able to sustain the current w/c levels we are operating at.
- Ankur Periwal:** Secondly, on the overall revenue growth guidance that you have mentioned 15%. Is this at the company level? And how do you see the agchem CSM part going here?
- Rajnish Sarna:** Yes, this 15% guidance is at the Company level. We all know that on the domestic side, a lot depends on how the overall season pans out. But going by the positive commentary we hear about the monsoon and the onset of it, etc., we believe that we'll be able to achieve this growth across domestic CSM exports as well as on the pharma side.
- Ankur Periwal:** Lastly, if I may, just on the cash that we are sitting on, plus the incremental operating cash flow generation. For the pharma business scale up, are we still looking at the inorganic part or probably organic capex can see a significant uptick?
- Rajnish Sarna:** Right now for pharma, we are focusing on completing the current investment cycle. However, we are actively evaluating several inorganic opportunities in other business areas..
- Moderator:** The next question is from the line of Vivek Rajamani from Morgan Stanley.

- Vivek Rajamani:** Two questions. You mentioned in the presentation that about 70% of the export growth has come from the new products. Would it be possible to share some colour in terms of what is the absolute share of these new products in your CSM portfolio today? And where do you see the scaling up, say, in the next couple of years?
- Rajnish Sarna:** These percentages or absolute numbers are not in front of us. But suffice it to say that we are diversifying the whole portfolio of CSM, which is also reflected in the growth numbers that we are seeing. A significant growth is coming from the new molecules that we have commercialised in the last 3 years. Secondly, the R&D pipeline consists of more than 30% of the molecules that will come from non-agchem based, basically diversifying the overall portfolio.
- Vivek Rajamani:** The second question was you've obviously mentioned that a third of the new molecules will be non-ag chem and they will also ramp-up. Just wondering if these products will still be operated out of your existing space of facilities and at what point in time do you think you'll have to invest in new or dedicated capacities to cater to these new non-ag chem opportunities?
- Rajnish Sarna:** Currently, these are being manufactured at our existing site and multi-purpose plants, white spaces. But as the volumes grow, we can certainly consider dedicated plants. By the way, one of the plants, which is in construction, is planned for some of these products.
- Moderator:** The next question from the line of Rohan Gupta from Nuvama Institutional Equities.
- Rohan Gupta:** First question is on the new products you have mentioned in the presentation, roughly six new products and a large part of the growth in exports have come from, 70% has come from the new products. I mean not immediately in the near term, I mean, not FY25, but I'm looking at over the next 3 years, how do you see that the revenue contribution coming in our export market from the new products in overall exposure and can you give some broader colour on that?
- Rajnish Sarna:** It would be quite significant contribution. If we see the next 3 years, I think more than 30%-35% of the contribution would be from new products commercialised in the last 3-4 years or so.
- Going forward, there is a lot of focus on commercializing new products and intensifying the development phase of many of these projects, which are in the R&D phase today.
- Rohan Gupta:** Sir, if you can give some sense on the pharma piece and where the margin profile is still, I mean, gross margin though is pretty decent at 65%. But at EBITDA level because of the overheads, if you can give some sense of how the revenue ramp up will be on the pharma part of the business. And if we can expand that because you have initially guided that your EBITDA margin in the pharma business also be aligned with the PI margin over the next 3 years. I think that almost 1.5 years already completed. So, are we looking at that margin profile of pharma realigning with the PIs and in what timeframe?
- Rajnish Sarna:** Yes. We have just completed one year of these acquisitions. As I mentioned to the earlier participant, the development/investment will continue for at least the next 1.5 years or so after which we expect to see the normalised EBITDA margins.
- Rohan Gupta:** We are still looking at in next 2 years, EBITDA margins in Pharma business is aligned to 22%-24% kind of numbers with the PI number. Is that fair assumption?
- Rajnish Sarna:** Yes, it will surely be a 20%-plus kind of level post 3 years development phase.

Rohan Gupta: Sir, after 1 year of acquisition of Pharma. Once again, going back to the history, when we were looking at that the Pharma piece should contribute roughly Rs. 1,500 crore kind of revenue over the next 3 years. So, are we still looking at those numbers intact from the Pharma part?

Rajnish Sarna: As explained earlier, we expect to complete this investment and development cycle in the next 1.5 years or so. Number two, revenue growth will continue during this period. Our original outlook of more than doubling the revenues of the acquired businesses over the next 3-4 years continues.

Rohan Gupta: I was saying that we are still giving a 15% revenue growth guidance. However, the 6 new products launched in export markets, where you see the significant ramp up along with the biologicals. So, in our view, the growth guidance should be higher unless we are expecting our top contributing product pyroxasulfone is seeing some de-growth. Are we reflecting any such possibility, while you are giving the guidance of 15%?

Rajnish Sarna: No, it's not about the de-growth/growth prospects of a particular product. You see, we have a product portfolio where some products will provide stable growth; for a few late stages, the growth will taper down, while many new products early in their life cycle will drive the growth. In fact our business model is such that we will continuously build the product pipeline and keep commercialising these new products. So, at an overall level, we are confident of achieving around 15% growth, which I think is quite reasonable given the not-so-positive growth scenario/sentiment of the global industry.

Rohan Gupta: Last bit from my side if I'm allowed. On the capex front, you mentioned that roughly Rs. 1,100 crore kind of capex we have done last year and Rs. 500 crore is the acquisition out of that. So Rs. 600 crore kind of investment in existing business. However, I think you're guiding for roughly Rs. 800 crore investment for the current year. So, if you can share the capex number for next year? And is there any spill over capex we will be looking at next year in the current year?

Rajnish Sarna: We are looking at close to Rs.800 – Rs.900 crore capex in the current fiscal.

Rohan Gupta: Okay. So, there is no spill over impact like because I think last year, we were still short of close to Rs. 200 crore in terms of capex. So Rs. 800 crore is a maintained number for this year also in terms of capex. We are increasing the capex guidance to Rs. 1,000 crore.

Rajnish Sarna: We have a little higher plan but there's always some lag between budget and actual spend/capitalization, etc. Keeping that in mind, we are indicating iRs. 800 –900 crore.

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

Sumant Kumar: So, we see around 37% kind of degrowth for FY24 in Pharma business. Sir, can you talk about what is the key driving factor and how things are going to shape up in FY25? That should be the start.

Rajnish Sarna: This is mainly due to the deferment of supplies for some of the products.

Sumant Kumar: Okay. So, is there any realisation decline for the existing portfolio also?

Rajnish Sarna: There's no decline in the price realisation decline; only supply deferment.

Moderator: The next question is from the line of Ramesh Sankaranarayanan from Nirmal Bang Equities.

- S. Ramesh:** So, in the pharma business, the development expenditure, which you're talking about right now is routed through P&L. Can you give us some indication of what is the kind of development expenditure you would incur, say, over FY25-FY26? And will it continue through the P&L, or will you capitalise it after some time?
- Rajnish Sarna:** No, it will continue through P&L, and that is why we explained this in our presentation. We don't have the development spend figures for the next couple of years, but as I said earlier, this investment cycle will continue for at least one and a half years.
- S. Ramesh:** In terms of ramp-up in revenue from the post-Ind AS Rs. 300 crore, can we expect, say, Rs. 500 crore by FY26 and this performance EBITDA margin before development spend of 12%? Can that go to about 14%-15% in the next two years?
- Rajnish Sarna:** Yes, that's what we are expecting.
- S. Ramesh:** And in terms of the order book execution that you have right now, that is presumably the CSM exports excluding pharma, \$1.75 billion?
- Rajnish Sarna:** Yes.
- S. Ramesh:** You have the order book of \$1.75 billion, assuming that it doesn't include any pharma orders and that's pretty much in CSM. So, when you look at unwinding this order book in terms of your future revenue in CSM, would that be evenly spread out in terms of execution, say, over the next .3-4 years? Or will it be frontend loaded or backend loaded?
- Rajnish Sarna:** Yes., some products for two years, some products for four years, some products for five years. But on an average, we can say 3-4 years.
- In addition to the order book, where we have long-term agreements or contracts, there are several products where we have annual purchase orders. So, the annual revenue or growth number that we see basically comes from not only the order book but also from annual contracts or purchase orders. I hope this answers your question.
- S. Ramesh:** Understood. So just one last thought. If you look at the Chinese price index, there is a report which says pyroxasulfone prices have declined to about \$75, which is a steep decline. So how does it impact your current CSM arrangements for supply of this molecule?
- Rajnish Sarna:** Well, I do not have information about the price of Chinese suppliers and also not sure if any supply is happening from China for this molecule.
- Moderator:** We have the next question from the line of Yash Master from Unifi Capital.
- Yash Master:** Sir, my first question is, this year, we are targeting around 15% revenue growth. Previously, you were targeting 18% to 20% growth. So, I just wanted to understand that this reduction in guidance, is it just for like short term because this year our main product will face some pricing pressure. And in the short term, it may impact our revenue. But as you are scaling up new products and diversifying into pharma and also, we have heavy cash on balance sheet. And we have been looking for pharma acquisition for some time, and that can bring in significant growth. So, can we expect in long term that we can go back to achieving our 20% plus revenue growth?
- Rajnish Sarna:** Well, there were several questions in your one question. So let me try and answer one by one. Regarding your question around why 15% versus last year, 18%-20%. So, a few aspects. One is that the base has gone up. Now we have a new business as well. Secondly, as we were discussing earlier, the overall industry sentiment/demand scenario is not very positive for the next several quarters.

Thirdly, the domestic market will depend heavily on the monsoon onset and rainfall distribution. So, we are cautiously guiding this growth, considering those contingencies and situations.

Moderator: We have the next question from the line of Krishan Parwani from JM Financial. Please go ahead.

Krishan Parwani: Firstly, on this Pioxaniliprole. So, when can we expect first launch? Will it be 3-4 years down the line? And also, any number on peak sales from this product, if you can give.

Mayank Singhal: Well, yes, it typically should start 3-4 years plus, although it is too early to comment given that this product is still in the development phase.

Krishan Parwani: And secondly, on this rest of the QIP money. Do you have any more inorganic acquisition plans?

Rajnish Sarna: Yes. We are very actively evaluating a few options.

Krishan Parwani: Understood. And lastly, if I may, just some small clarification. On this Rs. 800 – Rs. 900 crore capex that you're going to do in the current fiscal, so like could you give a breakup in terms of what could be the non-ag chem capex?

Rajnish Sarna: It would be very difficult. Atul, maybe you can come in if you have any such breakup.

Atul Gupta: Not really, sir.

Rajnish Sarna: We don't have such a breakup. As you may know, these are multiproduct plants and not for a very specific molecule.

Krishan Parwani: Understood, sir. I was just more of asking because in the agchem, since you have the technicals, so those would be different. But in any case, no worries. I wish you all the best for the coming year, sir.

Moderator: The next question is from the line of Yash Master from Unifi Capital. Please go ahead.

Yash Master: I just had one more question. I wanted to understand on the pyroxasulfone side, the technical that we are supplying to the innovator is going off patent this year in the U.S., but the formulation is still patented for some years. So, the final product could see less price erosion, but our technical is going generic. So other suppliers could make it. So how much price erosion are we expecting on the technical side?

Rajnish Sarna: Well, we don't really expect a major impact of this product going off patent in the U.S. in the current fiscal because it will take a few years before another player registers and comes in. Secondly, the final formulations/combinations have longer patent protection, we don't expect a significant impact in such developed markets.

Yash Master: Can you just provide something on domestic outlook, like how is it looking right now? And when can we expect growth to pick up in that segment?

Rajnish Sarna: Prashant, you may comment.

Prashant Hegde: Yes, last one year, we all know has been a challenging year for domestic because of extreme weather condition. However, given the IMD forecast and climate forecast on rains, so we are definitely optimistic for the first quarter.

Yash Master: Okay. So maybe we can see growth from first quarter itself?

Prashant Hegde: The first quarter is more of a placement quarter. Otherwise, if you look at the consumption, it starts by second half of June and basically second quarter is at the major consumption. Having said that, the industry has a higher inventory in the marketplace. So, we also need to have a close watch in case there is a little bit of delay in rain that may have impact. Otherwise, as of now, going by the forecast, we are positive.

Yash Master: On a Q-o-Q basis, it may defer, but on an annual basis, there will be a growth in domestic revenue. Am I right?

Prashant Hegde: Yes, definitely.

Moderator: The next question is from the line of Lavanya Tottala from UBS. Please go ahead.

Lavanya Tottala: I'm asking on the new product revenue share. So last year, our revenue share was somewhere around 17%-18%. Considering 17% of growth in this segment, our revenue share from new products should have been somewhere around 23% to 25% in FY24. Is that the right understanding?

Rajnish Sarna: Yes, you're right.

Lavanya Tottala: Okay. So, this, we are expecting to grow to about 30%-35% the next 3 years?

Rajnish Sarna: Yes, at least 30%.

Lavanya Tottala: Also, I wanted to understand a bit more on the deferment of innovative products, which you mentioned. I just missed a bit there. Is it on the Pharma space which you are speaking about?

Rajnish Sarna: Yes, that was for Pharma because the question was for Pharma.

Lavanya Tottala: Do we expect these orders to come back this year or it will take longer?

Rajnish Sarna: Yes, the discussions are going on with the customer and we are expecting this supply to happen in the coming financial year or a little later.

Moderator: We have the next question from the line of Naushad Chaudhary from Aditya Birla Sunlife AMC. Please go ahead.

Naushad Chaudhary: Sir, a follow-up on the previous participant question. We appreciate your guidance of 15% growth despite global headwind. But post FY25, do you see we have product pipeline ready that can help us to go back to our 18%-20% growth for 2-3 years post FY25?

Rajnish Sarna: Yes, as the overall industry cycle returns to normal, there will be opportunities for us to return to our 18%- 20% levels.

Naushad Chaudhary: Without compromising on the margin?

Rajnish Sarna: Yes, of course. The option to increase growth by sacrificing margins always remains. But as you may know, our business philosophy has always been to manage business in a sustainable and differentiated manner without compromising on the quality of the business.

Naushad Chaudhary: We appreciate it, sir. Lastly, on the US market. Not from your product point of view, but in general, if product goes off patent, how much time does it take for a generic player to register in that market and to have a real impact on the patented product once it goes off patent?

Rajnish Sarna: It varies from product to product, so difficult to generalise. Broadly, it takes anywhere between 1.5-2 years. However, if formulations are also patent-protected, then it's a completely different scenario.

Moderator: The next question is from the line of Meet Vora from Emkay Global. Please go ahead.

Meet Vora: My question was regarding the capex that we have done over the last two years, so roughly Rs. 800 – Rs. 900 crore last year, and we are planning to do this year. So, can you just give a broad sense of what is the capex that we have done? We have installed 1 dedicated plant is what you mentioned, and others will be all MPPs. As in how many plants we have put up.

Rajnish Sarna: Atul, maybe you can come in and briefly explain.

Atul Gupta: The capex, what we are talking about is for a dedicated plant, one dedicated plant and also a multiproduct plant in further new molecules, one which we have been working. And this continues for this year as well, it's in the 2025 forecast what we have given.

Meet Vora: So, in total, we'll be putting up 2 dedicated and 2 MPPs?

Atul Gupta: Yes.

Meet Vora: Sir, second question was on margin front. So, while we are mentioning that our gross margin has improved because of that overall favourable product mix, is it because that contribution from a higher-margin product is more? Or is it because that new products that we have commissioned are having higher margins?

Rajnish Sarna: I'm not sure what you meant. But let me clarify that gross margin improvement is due to several factors. The product mix is one aspect, but also the business mix. The addition of the Pharma business where the gross margins are higher, increase in CSM exports' share in the overall revenues, etc., have made the overall business mix favourable. Besides, the product mix has also been favourable.

Meet Vora: And just one last bit if I may. If I look at the US geography, I just wanted to understand that even if pyroxasulfone, for example, is patented, can someone import pyroxasulfone from some other country or some other supplier and sell it in US? Or whether there is an application patent or there is only a process or a technical patent?

Rajnish Sarna: So long the finished product is patented in the importing country, it would be difficult for anyone to import pyroxasulfone because they will ultimately be required to use/sell the technical material for the formulation product.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Management: Once again, thank you for being a part of this conference today. And I wish all the very best and we will look forward to seeing you soon.

Thank you so much.

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