“Punjab Chemicals and Crop Protection Limited Q1FY '25 Earnings Conference Call”

August 02, 2024

MANAGEMENT: **MR. SHALIL SHROFF – MANAGING DIRECTOR, PUNJAB CHEMICALS AND CROP PROTECTION LIMITED**
MR. VINOD GUPTA – CHIEF EXECUTIVE OFFICER, PUNJAB CHEMICALS AND CROP PROTECTION LIMITED
MR. ASHISH NAYAK – CHIEF FINANCIAL OFFICER, PUNJAB CHEMICALS AND CROP PROTECTION LIMITED

MODERATOR: **MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day and welcome to the Punjab Chemicals and Crop Protection Q1 and FY '25 Earnings Conference Call, hosted by Antique Stock Broking.

As a reminder, all participant lines will be in listen-only mode. And there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*", then "0" on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manish Mahawar. Thank you and over to you Sir.

Manish Mahawar: Thank you. On behalf of Antique Stock Broking. I would like to welcome all the participants on the Call of Punjab Chemical and Crop Protection. From the Management, we have Mr. Shalil Shroff – Managing Director; Mr. Vinod Gupta – CEO; and Mr. Ashish Nayak – CFO on the call.

Without further ado, I would like to hand over the call to Mr. Shroff for opening remarks. Post which we will open the floor for Q&A. Thank you, and over to you, Shalilji.

Shalil Shroff: Welcome everybody and good afternoon for Q1 F'25 Earnings Call.

With me I have Vinod Gupta – CEO; and Ashish Nayak – CFO. I hope you all had time to look at the Results and Investor Presentation.

We are pleased to report a steady quarter reflecting ongoing commitment to innovation, efficiency, customer satisfaction. Despite of volatile market conditions, our team has successfully navigated the complexities by focusing on our core strength and our products. Although the situation has improved over the earlier quarters, high inventory channel and price challenge continues. We as a company are closely monitoring and we anticipate the demand to recover in the next few quarters coming forward.

The Company's revenue stood at Rs. 242.2 crores, which was primarily lower on account of decline in price, although market conditions have been volatile with increased competition and price pressure. Despite of this, we are able to maintain our gross margin at 38.80. EBITDA for the quarter was a decent 11.4%.

We are continuously looking at positive strategy in improving our infrastructure, strengthening our workforce, and adding new technologies chemistry to our units. During the quarter, we have successfully commercialized two products, these are intermediates and specialty chemicals. Out of this, one product has already shipped out during the 1st Quarter, and we expect this business to grow. The other product is at pilot plant stage, and within the next couple of months we will be sending the samples for approval.

Our focus has been to identify new products, new chemistries, new customers, and I am happy to say that we have a strong pipeline in terms of new product launch within the next 12 to 24 months. We are continuously monitoring the situation and in touch with all our customers to ensure that the company has a steady growth. Our commitment to deliver value to our stakeholders remains positive.

With this, I will hand over the call to CFO – Ashish, to give you more details on the Quarter's Performance. Over to you, Ashish.

Ashish Nayak: Thank you, Shalil ji. And thanks to all the shareholders and investors who are on board. Good afternoon, everyone, and thank you for joining us for our Q1 FY '25 Earnings Con-Call. I will provide a summary of the financial performance for the quarter.

On the quarterly performance, revenue from operations stood at Rs. 242.2 crores. On the geographical split, domestic market contributed Rs. 135 crores and the international market contributed Rs. 107 crores to the revenue. So, while we have been able to maintain overall volumes and revenue on domestic front, on the export front there has been a marginal decline due to lower prices and marginally weak demand as channel destocking persists worldwide.

Gross margins for the quarter were 38.8%, up 350 bps year-on-year, mainly due to better raw material and utility efficiencies. EBITDA for the quarter stood at Rs. 27.5 crores at 11.4%, as compared to 13.4% during the same period last year. This was primarily due to some one-off expenses and higher freight cost. Profit after tax stood at Rs. 13.4 crores.

Our capacity utilization was higher for all the sites, all the three sites for this quarter. Agrochemicals division was 79% as compared to 68% for the full year FY '24. Performance chemicals division, Lalru, was at 52% as compared to 47% full year FY '24.

During the quarter under review, there was a fixed asset addition of roughly around Rs. 2 crores, which was mainly towards maintenance CAPEX. Fixed asset turnover was maintained at 3.8x. Debt equity has further improved from 0.4 to 0.32. The net working capital was steady at 87 days.

With this, I now end my speech and open the forum to question-and-answer session. Thanks once again. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Congratulations, sir, for good numbers in a very tough environment. So, just to understand, first an industry question and then coming to the company. So, you did allude to challenges and some improvement, if you could understand more in terms of, one, the prices have they bottomed out? And as we speak today, the prices are lower by how much compared to year back? And in last three months, any movement on the price, either on the upside or downside is visible? That is my first question.

Shalil Shroff: Yes. So, your first question is, yes, as me and Ashish did mention that the inventory is still available in the market. And if you know, the inventory at that time were at higher price and now the prices have gone down. So, as we said that we believe by Q3, slowly the market should revive and the prices should get, not where they were but there should be a slight increase because the inventory should get, I would not say fully finished, but getting there so that the other products can come in.

As far as your question on pricing, I believe that the raw material prices by and large have started to go up, but not very significantly. And it will very much depend on the market situation, for which we are definitely monitoring on a, I would not say daily basis, but talking to our customers as well as other raw material suppliers to ensure that we buy the product timely, and the pricing is done according to the market situation.

Rahul Jain: Sure. And sir, on the gross margin, so in last five, six quarters when the times have been really tough, we have been able to keep a range between somewhere around on the lower side it was at around 35% and on the higher side it was around 41%, and in the current quarter also we have somewhere near 39%. So, going ahead, when the situation improves in terms of demand and in terms of prices, and also based on the product profile which we have, what are the kind of sustainable gross margins which our company can do as the times change?

Ashish Nayak: So, I mean, we have been ranging, as you said, between 35% and 40%. Once things normalize, obviously we expect it to be around 40% and higher. Also try and understand that we are also adding new products to our portfolio, and these new products which are being added are higher value products, there's a lot of value addition that goes on to the multiple stages. So, obviously, the margins profile for these products is also higher. It would not happen overnight, but yes, in the long term perspective, definitely we are looking at a better margin structure as compared to what we are doing today. And it has also something to do with the with the pricing part of it, because as the prices obviously go up, obviously the margin structure also starts improving to some extent.

Rahul Jain: Sir, we have been working on new products for quite some time now. So, just to understand, you may not name the product, but two parts to the product, as we go forward, currently this new products contribute to what kind of share to their revenue? And going ahead, FY '25 and FY '26, in the next few years what do we expect these new products to contribute as a proportion of our overall sales? And when we say higher margins, are these new products in the range of 45%, 50% gross margin?

Ashish Nayak: See, there are two things. Currently, the new molecules are contributing anywhere between 6% to 8% of my revenue. Going ahead, obviously, these molecules should start, I mean their contribution as a percentage of the total sales would obviously increase. But that typically takes time for any new molecule in terms of at least one and a half to two years before it starts reaching its peak. So, that's a journey. So, that's one.

On the profile front there are multiple products which are there, which are being explored at this point of time, which are there in the pipeline. Some of them are already being commercially marketed. So, every product has a different profile structure. But yes, we are looking at some of these molecules which are higher priced, somewhere between $100 plus. And these products also will be go through multiple stages, there's lot of value addition. And these are niche molecules, not much of competition. I mean, that's been our story as even in the past. So, obviously which means that the profile structure for these new molecules should be better. As to how much? I mean, it's a bit too early at this point of time. But yes, definitely going ahead, the profile structure would improve.

Vinod Gupta: Ashish, if I can add. I think overall in next two years we are targeting that 20% of our top line should be from the product that we are adding right now. And then, this is the kind of run rate that we want to maintain in the long run.

Rahul Jain: 20% you said sir, right?

Vinod Gupta: Yes, right.

Rahul Jain: Sir, on the capacity and the CAPEX part, so the current net additions you have mentioned in our presentations about both the plants where of course at one plant we are at around 50% and Derabassi we are almost at around 79%, 80%, and at Lalru we are at around 50%. I understand our Derabassi plant is much larger. So, two parts, one is, typically the current infrastructure which we have can support what kind of revenues at peak utilization at today's prices and considering also the new products which we have talked about? And what is the kind of CAPEX planned for this year and next year to increase our capacity?

Ashish Nayak: So, as far as the CAPEX plan for this Financial Year would be somewhere in the range of around Rs. 35 crores to Rs. 40 crores, that's basically maintenance CAPEX. We are also looking at setting up a new manufacturing block. There are new molecules which are there in the offering which currently are being produced on campaign basis. Once we have clarity from the customers in terms of long-term projections and once we have these contracts signed up, then definitely once we have clarity we will definitely put money for newer manufacturing block, which would be somewhere in the range of an additional Rs. 45 crores to Rs. 50 crores. So, that's as far as the overall outlay is concerned, you can say anywhere in the range of around Rs. 40 crores without a manufacturing block, and actual manufacturing block would be around another Rs. 45 crores to Rs. 50 crores. So, within Rs. 100 crores for this financial year, I would say.

Rahul Jain: At peak capacity what kind of revenues we can do in the current infrastructure?

Ashish Nayak: So, with the current infrastructure, I mean, at the peak we have touched Rs. 1,000 crores in FY '23, FY '22 rather. FY '24 we did about Rs. 930 crores. So, with the existing manufacturing infrastructure that we have, without adding any additional manufacturing block, I would say comfortably somewhere in the range of around Rs. 1,400 crores, roughly in that range, Rs. 1,300 crores to Rs. 1,400 crores. Obviously once the raw material prices go up, obviously, that would also mean an additional few hundred crores because of the price movement.

Shalil Shroff: And also just to add what Ashish said that at our plant capacity at Lalru, we have around 6 acres of land which is available. And just to add that the intermediate specialty chemicals, as I said in my opening remarks, that one product we have already shipped, and by the time the customer gets it for him to look at right now, he's looking at maybe around 40% buying from us, 60% from somewhere else. And we are very confident the way our quality and pricing is, that this also will change. So, that will also add up. And all of takes time. And even on agro which is one of the product, registration. Please understand as always we have been saying, registration in different parts of the world take time. So, this is how we are looking at both the products to gain. And obviously, as Ashish mentioned that these product ranges are now anywhere between $50 to $300 a kilo. Obviously, when we are talking of $150 to $300 a kilo, but they are ranging anywhere between 40 tonnes to 80 tonnes on an annual basis.

Moderator: Thank you. The next question is from the line of Jainam Ghelani from Svan Investments. Please go ahead.

Jainam Ghelani: Sir, firstly on the new molecules. Now, if you recall that last year you indicated that the overall contribution from a new molecule which we launched in FY '24, it contributed near about 6% to 7% of the overall revenue. In the 1st Quarter, the contribution continues to remain at the 6% to 8%. So, going ahead, how shall one look at the ramp up of the revenue in terms of the new molecule for the full year?

Ashish Nayak: Keep in mind that, I mean, this is not the best of markets at this point of time when you are looking at new molecules. So, while, yes, we have been patient with our customers in terms of the responses. But typically the sentiments in the market are not currently that positive. Everybody is doing a wait and watch cautious kind of an approach. So, yes, while there are very positive indications as far as the future potential for these newer molecules are concerned, things are going a bit slow at this point of time. But yes, definitely as we have stated in the speech as well, we expect that in the next two to three quarters things should get better and the market should get normalized. That's about the time when we expect the volumes for these newer molecules also to start picking up.

Shalil Shroff: And also just to add by the time that the channel inventories which are lined with various customers, will also go down. So, as I said, one of these intermediate specialty chemicals we have shipped. We expect the product to reach, they used the product, they are very happy with it. And to go on, we also have to look at their channel inventories. So, as I said that we are pretty optimistic, by Q3 the channel inventories in both chemicals, I mean, in general chemicals, when I say chemicals it means agrochemical intermediate, speciality chemicals, should become much more better for the growth of the company to start shipping more goods starting ‘25.

Jainam Ghelani: Sir, as you indicated that the channel inventory will probably get restocked or probably will come to at a normal level in Q3 or starting Q3. So, currently when we compare it to FY ‘24, what would be the average inventory if you will probably, I mean, indicate in terms of the days or in terms of months which is still there in the system?

Shalil Shroff: It's a little difficult to say, but just to mention that, obviously, in ‘23 the inventory levels were high. So, if I compare it to ‘23 Q1 to ‘24 Q1, maybe the percentage is not changed, maybe it's only between 4% to 5%.

Jainam Ghelani: And from ‘24 to ‘25 it’s a substantial drop, right?

Shalil Shroff: It should. Because I think the inventory levels have been carried on. Please also understand the weather everywhere in the world has been a little different. By and large whatever we are talking to customers, customers in turn are talking to the main users. And whatever information we are getting, it's positiveness, that by Q3 things should get back into where we were. And I think starting, as I said, ’25, should be a good way to look at the numbers to fall in in terms of revenue and sales.

Jainam Ghelani: And sir, one more question now. The number of molecules, we introduced two molecules in Q1 and definitely we were planning for 15 molecules if you look in the FY ‘24 numbers that we had indicated. So, number of molecules that will be developed or launched in next nine months, can you give us the heads up on that?

Shalil Shroff: So, as we mentioned there are two products, one product we have already commercialized, production has started, the product one has already been done at pilot plant, and the samples will be going within the next three to four weeks. And there are another three, which are also at lab in pilot plant scale, and the pilot plant large scale samples are being approved. And we believe that in the next anywhere between four to six months these samples should get approved, because the quality the customers have visited us at our plant have seen it. And the revenues of this should follow basically in ’25, ’26.

Jainam Ghelani: And actually one question to you, in your opening remarks you indicated that though our gross margin was stable quarter on quarter, but because of a one-off expense and increase in the freight cost impacted our EBITDA margin. So, can you highlight what was the one-off pertaining to? And the total impact of that one-off and the increase in the freight cost during the quarter?

Ashish Nayak: So, you can see the expenses have gone up from almost Rs. 21 crores in Q1 FY '24 on account of employee expenses to 24.5, obviously which also includes the increments and the normal appraisals which happen. But there was some one-off expense of around Rs. 55 lakhs to Rs. 60 lakhs which was there as a one-off expense in employee expenses. And the freight costs have gone up by around almost Rs. 2.5 crores to Rs. 3 crores, so that's where you see the other expenses jump up from Rs. 40 crores to Rs. 42 crores. The freight costs have again started normalizing now. I mean, it is not near normal at this point of time, but it's getting in that direction. But the employee expenses are definitely one-off expenses.

Jainam Ghelani: So, there could be some benefit you can expect in the freight cost in the coming two quarters starting?

Ashish Nayak: Everything depends upon how the rate works.

Shalil Shroff: We pray with the geopolitical situation. But yes, I mean the freight cost which we used to pay anyway depending on the destination, between $800 to $2,500 had gone up from $3,000 to $6,000. But they have gone down by approximately anywhere between 7% to 12%. And whatever we have been discussing, we believe that it should be not normal, but would be further reduction of at least between 4% to 6%.

Moderator: Thank you. The next question is from the line of Bhavesh Chauhan from Aditya Birla Money. Please go ahead.

Bhavesh Chauhan: Sir, you talked about destocking of inventories, but can you through some light on the demand side? Is it stable or we also expect that demand should also improve in the next three quarters, alongside inventory destocking?

Shalil Shroff: Generally, the products which we are in are all good products. They are not in that red triangle or whatever you may call it. So, the product demand is definitely there. It's very optimistic. But because of the inventory channel, the customer who used to buy say for example 100 tonnes, who has some inventory he bought maybe 50 tonnes, 60 tonnes. So, as I did mention that we believe from '25 it should start improving substantially. The product demand is robust, there is no issue on the agro side or also on the intermediate speciality chemicals which we make at both the plants, including our phosphorus chemical division.

Bhavesh Chauhan: Sir, is it fair to assume that in the next two or three quarters you might be running at a similar rate that we were doing in FY '24, like we did some Rs. 934 crores of sales. So, until that, that same kind of run rate we are expecting, and then FY '26 could be far better.

Ashish Nayak: So, in any case, FY '25 second half onwards we anticipate, especially the last quarter we anticipate things to get back to normal. FY '26 in any case should be a better year as compared to FY '24 or even FY '25. As to how we are going to cope up in the next upcoming quarters, that's something which we are keeping a very close eye on. We are in regular contact with our customers. Plus, the new molecules have also started to roll out. So, we are looking at we are positive in terms of how it's going to pan out. It's only a question of time. But we are positive that the things are moving better. It's better than what it was last year, for example. We have better clarity and a good order book at this point of time as far as for the next at least two to three quarters. So, we are very confident that we should be able to come out with reasonably good numbers. But yes, FY '26 should be a far better year, and all of us are keeping our fingers crossed and working in that direction.

Shalil Shroff: And just to answer your question here, so Q2, Q3 there will be definitely a rise in sales and revenue, because of new products which will be start flowing from Q2, Q3, Q4.

Bhavesh Chauhan: You are so talking about Q2, Q3 of FY '25, right?

Shalil Shroff: Yes, we are in Q1 of FY '25, so Q1 2024, so Q2, Q3 and then Q4 of '25.

Moderator: Thank you. The next question is from the line of Bhuvan from Tiger Assets. Please go ahead. Mr. Bhuvan, may I request you to unmute your line and speak?

Bhuvan MG: An industry wide question. In July month the data if you see, cumulatively on a yearly basis China has produced pesticides a lot, the number by 48%. And you are saying after couple of quarters inventory destocking situation should ease up. Do you think that because of this rise in Chinese manufacturing, this can hurt your market?

Shalil Shroff: I think geographically each country, like India various companies, and China with the various companies, they have different product portfolios. Definitely there are some products which we have internally competing. But by and large in the Punjab portfolio, as you know, 60% of our sales is we have contracts with multinationals. So, we do not expect any disturbance in that sales. But there are these one or two products which are, they are not making very significant impact on our sales. So, as far as Punjab is concerned, we believe we are in a safe zone. But again, please understand that right now because of the inventory channels, let this get a little bit diluted. And as I said that our product demand is robust.

Bhuvan MG: So, is it safe to assume that a major part of your portfolio is immune from Chinese rumble?

Shalil Shroff: I would say, yes, because as I said, every product, every chemistry has a different cycle. There are few products which are also produced by the Chinese. But we believe that with our customer relationships we still continue selling it, and we have still an upper hand against the Chinese competition.

Bhuvan MG: That's good to hear. And can you give any guidance on when you can reach your peak utilization level?

Shalil Shroff: As you already said that, I mean, we are working hard towards this. It's only the inventory channels which still the products are with the customers. And as I said that we are constantly in touch with them, they are in touch with their customers. And we believe January ‘25 things should start getting in flow, so the ‘26 should be where right now at Lalru we are at maybe between 70%, 75%, we could go to between 78%, 80%. Sorry Derabassi and Lalru where we are at right now around 50%, 52%. We believe this year we should be maybe around 60% to 65%. And Post ’25-‘26, we should be anywhere between the range of around 68% to 70%.

Ashish Nayak: Also keep in mind that this is a multi-product facility, so I mean to achieve 100% would not be possible, because for every product change there is a time involved in terms of cleaning up and other aspects. So, I mean, for a facility of this nature where there are multiple products which are being produced, having anything between 80% to 82% would be a peak capacity utilization. So, at Derabassi we are almost over there. We are working out ways and means in which we can further deep bottleneck the existing infrastructure and equipment to extract that much more production from the same without adding much in terms of CAPEX.

As far as Lalru is concerned, yes, we are looking at more interesting products over there, so that we are able to utilize the capacity over there better. Having said that, on the basis of the order book in hand at this point of time for Lalru, we anticipate that the capacity utilization would be better as compared to what we managed in last year. Last year full year it was around 49%, this year it would be somewhere in the range of around 60% to 65%, currently for the 1st Quarter it was around 52%, we expected that to go up.

Moderator: Thank you. The next question is from the line of Rohit from Ithoughts PMS. Please go ahead.

Rohit: Sir, I think one question was around, you mentioned about CAPEX this year around Rs. 35 odd crores for maintenance. I just wanted to understand, you had earlier also had guided about doing a Greenfield where you were looking for a new piece of land. So, if you can just maybe update us and where are you in that?

Ashish Nayak: Yes, So, what happens is typically we have got these new molecules which are now being produced on campaign basis in our existing facility. Once the market normalizes and the channel inventory gets further diluted, obviously we will get positive indications for these newer molecules from the customers. And that's when we need to have a capacity to manufacture these on commercial basis. So, at this point of time we are in touch with our customers and trying to get feelers from the customers in terms of what their anticipation is. So, yes, the market is there, and our products have been approved, they have passed the samples approval stage. But yes, because currently the sentiment in the market is a bit cautious, we are waiting for positive indications from the customers. And once that comes we get that, the site at Derabassi can squeeze in one more manufacturing block, Lalru we have sufficient space for at least two to three more manufacturing blocks.

Anything beyond that, when it comes to agrochemicals, we need to have additional site and that's where we are on the lookout for a new site acquisition. It may be a greenfield or kind of a brownfield. We are keeping all options open. As and when any development happens on that, we will definitely keep the stock exchanges informed so that all of us are aware of what is the new development. So, at the at this point of time it's work in progress.

Shalil Shroff: And it's definitely that we are definitely looking for a site. In fact, we have looked at two, but unfortunately the due diligence was not proper, so we had to leave it. But we would not like to name, but we have engaged professional people to look at it. And we expect very soon, and as Ashish said that as in when it comes in, we'll definitely keep everybody informed.

Rohit: And these new products, they will start next year or this year? These two new products that you had mentioned, the one where commercial supplies have started, and the other where the approvals are expected. So, the ramp up will happen in H2 of this year or it will be more in FY ’26?

Shalil Shroff: Yes. So, the two products, out of that one product we have already started commercial quantities, and we have the order book till the year end. As I said that this product, when I mentioned that if the guy is buying an X number, he still has the channel inventory. So, once the channel inventory gets over, the percentage of the revenue from Punjab will grow, but that would happen somewhere Q1 of next year.

Rohit: Sir, what is the debt right now on the books, both long term and short term working capital put together?

Ashish Nayak: The total working capital in terms of number of days currently is somewhere in the range of around 77 to 78 days.

Rohit: And what is the debt level?

Ashish Nayak: The debt level at this point of time, we are having a debt equity of around 0.32 at this point of time.

Rohit: So, could you kindly give the absolute numbers?

Ashish Nayak: So, in terms of working capital, the total of working capital at this point of time would be somewhere in the range of around Rs. 60 crores, in terms of utilization we have a sanction limit of around Rs. 100 crores plus, it's not being fully utilized.

Moderator: Thank you. The next question is from the line of Rohit from Progressive Share Brokers. Please go ahead.

Rohit: Hi, team. Two questions from my side. First one being, we have seen that the utilization levels have increased at both the plants. So, should we consider that you will be maintaining this momentum? Or are these regular consistent supplies or probably because of one-off maybe some impromptu orders that has come from the clients and they feel that their inventory was lower to some extent?

Shalil Shroff: No, I think as we did mention that Derabassi we are already there. I think Ashish just did mention to the earlier caller that Derabassi could go to around 78%, and I did mention that Lalru we are at around 52%. And I did mention during this year we will be anywhere between 64% to 68%. So, definitely these are not products which are one-offs, but they are products on a regular basis.

Ashish Nayak: And also let us understand, if you look upon the volumes quarter-on-quarter, although there has been a marginal dip in the revenue, but the volumes have almost remained the same. The product mix may have changed at the end of the day, but the volumes, if you look upon, it has remained more or less the same. So, there's nothing major as far as the volumes are concerned. And as Shalil bhai stated, I mean, at Derabassi it is a multi product facility. At peak we can reach maybe somewhere around 82% to 85%. We are currently at 79%, not much to catch up. As far as Lalru is concerned, yes, we do see a good order book and we should be able to reach higher capacity utilization, even as compared to Q1 FY ‘25.

Rohit: Sir, you seem to have added one new logo during the quarter, BASF as a customer, can you take us through the opportunities that you see over here? And what is the nature of the contract, is it short term in nature, or medium term, or a multi-year project? And what sort of discussions are taking place?

Shalil Shroff: Today, basically with all our customers are all long term basis, and company like BASF does not look at doing one product on a small campaign, basis because they look at Punjab who works with the Japanese who works with the European who work with the Israelis, so definitely this is on a long term basis. Unfortunately, with folded hands, I am sorry I cannot say much about it because it's under confidential, but as and when it folds in, we will definitely keep you informed.

Rohit: Shalil bhai, anything on the numbers or any number, maybe Rs. 80 crores or Rs. 100 crores or kind of a thing?

Shalil Shroff: I think I would be very happy to say, but right now we have started. And we will be there and we will definitely keep you posted. But please understand because it is a big company, same way we are also got a new Japanese customer to our fold. So, I will not like to throw a number, but as and when it is the appropriate time, we will definitely keep you posted. But this is absolutely a positive robustic and a very good achievement by Punjab and its team to add to its portfolio or to its feather to increase the business revenue profitability.

Rohit: Sir, we said that around 40% of the new inquiries are from non-active space, so if you can just take us through that, are these absolutely pharma based or some other specialty chemicals or maybe some advanced chemical areas? What exactly are we working for?

Shalil Shroff: So, today, as we have already said that 60% of our sales, I mean, the Shroff family has been agro, agro, agro, and that's where we are into agro intermediates and pharma. So, we are basically 40% we call it performance chemicals and that's where we see also good potential growth and that is where we are attacking and getting more customers to our feather.

Moderator: Thank you. The next follow up question is from the line of Jainam Ghelani from Svan Investments. Please go ahead.

Jainam Ghelani: Sir, n the year-on-year basis, our exports degrew by 29%. So, how much should be value proportion and how much would be volume proportion?

Ashish Nayak: Almost 90% of that would be in terms of value because of the declining raw material prices. There is a small part which would be on account of volume, but a major part is on account of prices.

Moderator: Thank you. The next question is from the line of Ayush Rathi from Aditya Birla Money. Please go ahead.

Ayush Rathi: Sir, a lot of my questions have been answered, I have just one question. So, a lot of chemical companies have already been guiding that by quarter three or quarter four there will be a revival coming in, in the market in this space, on the agro side or be it a specialty chemical side. I just wanted to understand, on the macro side, from the demand perspective, where are we seeing traction coming from? Is it from a specific geography or in general on the domestic side as well?

Shalil Shroff: I think domestic side, if you see many companies, they have shown the recovery, so domestic has already started. But geographical, Europe, US, Latin America is, as I have already mentioned, that from Q2 it should start improving.

Ayush Rathi: This is on the demand side, but on the pricing side also what gives us the confidence that by quarter two or quarter three we can see an uptick in pricing? Is there any particular thing or a general white line?

Shalil Shroff: So, basically, if the channel inventory gets out, which was at a higher price and the prices were lower, I think moving forward with the certain raw materials also price which had tapered down pretty low, are again on the rise. So, as I said, or as we as the company said that it's not that the prices will go where it was during maybe one and a half, two years back. But we believe that there should be a price correction during the next between 18 to 24 months, anywhere between 4% to 6%.

Ayush Rathi: So, basically gradually price increase will be there?

Shalil Shroff: Correct.

Moderator: Thank you. The next question is from the line of Neil Veera from Valentine Advisors. Please go ahead.

Neil Veera: Sir my question is regarding ADAMA, which is one of our clients. So, the Middle East war seems to continue and most likely to be more intense. So, what will be the impact on sales?

Shalil Shroff: Sorry, you said ADAMA, I heard ADAMA and then you went a little blank.

Neil Veera: So, the Middle East war seems to continue and most likely it is going to be more intense. So, what will be the impact on sales? Are they giving us orders, or they have stopped completely?

Shalil Shroff: As far as now we are concerned, we are still shipping out goods. I mean, geopolitical, there is always a problem. But please understand that ADAMA is an international company. So, obviously their main basis is Israel, but they also have formulation plants in Europe, Latin America and US. So, even during these times we have also exported their products which were meant for Israel, but because of the situation problem we send it to the other sites where they have their presence. So, to us, ADAMA is no problem. I think their order book is strong. And because it's a multinational company, it's not that they are only based in Israel.

Moderator: Thank you. The next question is from the line of Harsh Beria, who is an Individual Investor. Please go ahead.

Harsh Beria: Congrats for the recent state of results in a difficult industry environment. In the recent quarters, we have been adding a lot of new chemistries. Even in this presentation, I see at least three new chemistries added through our presentation. Can you talk a little bit more about our capabilities that we are investing in during this downturn?

Shalil Shroff: Vinod, are you there? Would you like to take that?

Vinod Gupta: See, I think we have been continuously telling for last couple of quarters that we are strengthening our R&D capabilities, and we are hiring professionals from leading companies who understand this chemistry. So, both in R&D front as well as on the operation and technical teams. Now, based on that we have actually started approaching our customers. And customers are liking the new capability that we are adding. And based on that we are getting inquiry and we have submitted samples, in some cases commercial trials are happening. So, I believe this particular pipeline of addition of new chemistry is looking very good. And in order to further strengthen this, we are expanding our R&D facilities also. So, we are adding new reactors, new areas and new people. So, broadly, yes, I think our focus on getting new chemistries is increasing. And this is also helping us to increase our complexity in the sense that rather than just running two steps, we are now doing five steps or 10 steps, so complex processes we are able to do.

Harsh Beria: And in terms of capabilities, we are investing in both our business divisions, the agrochemical and specialty chemicals, right?

Shalil Shroff: Yes.

Vinod Gupta: Yes, we are investing both in agrochemical and specialty chemical. And obviously our focus is more on specialty chemicals and intermediates, because that's where we see lot of value coming to India.

Harsh Beria: And finally, our Pune unit where we do manufacture of industrial chemicals. Can you give a little bit of a demand outlook there? I think we are already running at full capacity; any expansion plans there?

Vinod Gupta: I think I have already mentioned in detail in the earlier question our plans, I think broadly we will continue to invest in our existing methods. Then we will probably add one block in existing plant. And as the demand picks up, new site or some more blocks in one of the plants. So, I think Ashish gave a detailed response to this question.

Harsh Beria: I was talking about Pune unit, not the Lalru unit, to which there was a detailed response.

Shalil Shroff: Yes. So, as far as the Pune unit is concerned, definitely our business on the food grade acid is increasing, and we are already in talks with the customer where they are expanding their capacity somewhere in Gujarat. So, as we already mentioned that we are already scouting for a site. And as and when it comes in, we will definitely keep you informed. But at the existing site, right now the capacity is good enough to cater to the existing customer base.

Shalil Shroff: Thank you. I think we can take one or two questions, it's already late.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Ashish Nayak: Yes, thanks to all the investors for joining on board. As we have stated earlier, it has been a challenging market. But despite of that, we have managed to sail through with really, really good numbers. We are looking at better times ahead going ahead. Thanks to all of you for patiently hearing us out and posing all your questions and showing your interest in Punjab Chemicals. Thanks for that. Thanks again.

Shalil Shroff: And thank you and have a good weekend. Bye, bye.

Moderator: On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.