"Punjab Chemicals and Crop Protection Limited

Q2 FY '25 Earnings Conference Call"

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**MODERATOR:** **MS. DARSHITA SHAH – ANTIQUE STOCK BROKING**

**Moderator:** Ladies and gentlemen, good day and welcome to the Punjab Chemicals and Crop Protection Ltd Q2 FY '25 Earnings Conference Call hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Darshita Shah from Antique Stock Broking. Thank you, and over to you, ma'am.

**Darshita Shah:** Thank you. Good afternoon, everyone. On behalf of Antique Stock Broking, I would like to welcome all the participants on the second-quarter con-call of Punjab Chemicals and Crop Protection. From the management, we have Mr. Shalil Shroff, Managing Director; Mr. Vinod Gupta, CEO; and Mr. Ashish Nayak, CFO, with us today.

Without further ado, I would like to hand over the call to Mr. Gupta, post which we can open the floor for Q&A. Thank you, and over to you, Vinod Ji.

**Vinod Gupta:** Good afternoon, everybody. I welcome you all to our Q2 and H1 FY '25 earnings conference call. As mentioned earlier, I'm accompanied by our Managing Director, Mr. Shalil Shroff; and our CFO, Mr. Ashish Nayak. I hope everybody had a chance to go through the results and investor presentation, which is already uploaded on our website.

Let me first give you an overview of agrochemical sector. The agrochemical sector continues to give mixed signals about around demand recovery. While the elevated channel inventory has almost been liquidated, the industry remains cautious about building inventory again. We anticipate it will take a few more quarters for agrochemical market to return to normal levels.

On the raw material front, prices appears to have stabilized at the moment. Export market for the product remains a bit subdued mainly because there is a -- there is a slightly cautious approach in terms of rebuilding inventory. Amid these conditions, our primary focus has been strategic initiatives to maintain competitiveness, ensuring asset utilization, capturing opportunities, new credit -- new product addition to sustain our momentum in this complex market environment.

Our revenue for H1 FY '25 stood at INR484.4 crores, down by 7.5% year-on-year, whereas on quarter-on-quarter revenue remained flat. This decline was primarily on account of prices driven by decline in raw material prices. Market conditions have been volatile with pricing pressure in some of the regions. Despite these challenges, our gross margin was at -- is at 39.1% and EBITDA at 11.1%.

In these challenging times, we have strengthened our focus on consistent proactive engagement with our customers. Regular interaction enables us to closely monitor market dynamics, assess competitive position, and fine-tune our offering to meet evolving customer need. This proactive responsiveness not only reinforces customer relationship but also grants us some pricing leverage as we can swiftly address specific market demands.

Simultaneously, we have been proactively reassessing and refining our strategies to strengthen our overall operations. Significant investment in infrastructure upgrades, workforce enhancement, and technological advancement are underway to bolster our capabilities and competitiveness. We continue to expand and enrich our product portfolio, focusing on innovative chemistries and identifying promising new molecules. Our new product pipeline remains strong, and we are pleased with the market's positive response to all our recent new molecule launches.

Looking forward, we are cautiously optimistic aboutnext few quarters as we maintain our focus on long-term growth objective. Our unwavering commitment to delivering value to stakeholders remains at the core of our strategy and we believe that our carefully crafted initiatives will position us favorably for a sustainable success. We thank you for your continued confidence and support as we navigate this evolving landscape. I would like to wish everybody a Happy Dhanteras and good wishes for the festival season.

With this, now I hand over the call to our CFO, Mr. Ashish Nayak to give more details around financial performance for the quarter. Over to you, Ashish.

**Ashish Nayak:** Thank you, Vinod Ji. Good afternoon, everyone, and Happy Dhanteras to everyone. Thank you for joining us for our Q2 and H1 FY '25 earnings call. I'll provide a summary of the financial performance for the quarter and for the first half FY '25. On the quarterly performance, revenue from operations stood at INR242.1 crores, which was flat both quarter-on-quarter as well as year-on-year. On the geographical split, the domestic market contributed INR144 crores, and the international market contributed INR98 crores to the revenue.

Gross margin for the quarter stood at 39.3%, down by 130 basis points year-on-year, which was primarily on account of the change in the product mix. Employee expenses, increase on year-on-year basis was primarily on account of annual increments and provisioning for long-term benefits. Increase in other expenses both on Q-on-Q as well as Y-on-Y was primarily on account of freight cost and repairs. EBITDA for the quarter stood at INR25.6 crores as against INR27.5 crores in Q1 FY '25 and INR35.5 crores in Q2 FY '24.

The decline was on account of change in the product mix and also increase in the employee and other expenses. Profit after tax stood at INR12.4 crores for the quarter -- second-quarter. Now moving on to half-yearly performance. Revenues for H1 FY '25 stood at INR484 crores, down by 7.5%. This was primarily on account of decline in raw material price thereby having an impact on my selling price. Revenue from domestic market stood at INR279 crores and international market stood at INR205 crores in H1 FY '25.

Gross margins stood at 39.1%, which grew by 140 basis points year-on-year. The improvement was on account of better efficiency. EBITDA margin in H1 FY '25 stood at INR53.6 crores as against INR73.1 crores same-period last year. As mentioned earlier, EBITDA was down due to change in the product mix and increase in employee costs and other expenses. Profit-after-tax stood at INR25.8 crores.

Our capacity utilization was higher for all the sites. Agrochemicals division at derabassi for H1 FY '25 was 77%, capacity utilization as compared to 68% for the full-year FY '24. Performance Chemicals division at Lalru was 59% in H1 FY '25 as compared to 47% for the full-year FY '24. Our debt-equity remained constant at 0.33 and overall borrowings remained constant at INR121 crores. Working capital days was 90 days as compared to 87 days as on March '24. In H1 FY '25, the total capex incurred was INR25.66 crores.

With this, I now end my speech and open the forum for Q&A session. Thanks to all.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. First question is from Jatin Damania from Svan Investments. Please go ahead.

**Jatin Damania:** Hi, good afternoon, sir. Thank you for the opportunity. Sir, just wanted to understand that if you look at our overall capacity utilization has improved sequentially as well as year-on-year. Does that mean that the entire benefit of the improvement in the volume has been weighed off by the decline in the realization of 17%?

**Vinod Gupta:** I think, yes, I mean, we are happy with the improved capacity utilization that indicates that we are able to maintain our market share and our product demand is good. Obviously, there is a pricing pressure, and from time to time, we keep on tracking market prices and make sure that our market share is not lost.

Also, there is also -- the margins are also a factor of the product mix, whether from quarter-to-quarter and year-to-year, depending on the time of season and demand coming from various sectors. Our product mix is also different. So, it's not directly proportional to saying that, okay, because I mean though the capacity utilization is better, volumes are better that does not mean that our volume -- our margins are lower. It may be just it is also a factor.

**Jatin Damania:** Sir, but when you say newer products may, so we have commercialized a couple of new products in the last quarter and there were a couple of products which was about to come in during this quarter also, which was the higher margin. So just wanted to understand the contribution of the new product into the overall mix and how shall we see the scale-up going ahead.

**Ashish Nayak:** So, for the first half FY '25, I would say my contribution from the newer molecules are was not more than 3% to 4% of my total top-line, okay. What has happened is there were some orders which are there in the second quarter, they will be executed in the third quarter. So, you will see a larger chunk of the newer molecules in the third quarter. So that's what has happened. So that's one of the reasons.

And also, as Vinod Ji has said, see what happens is at the end of the day, we need to ensure that our capacity utilization is maintained so that the overheads gets absorbed in a better way. If some products we may have missed because of delay in orders in the first half and we are sure that we'll be able to make up for those products in the second half. We needed to ensure that since it's a multi-product facility, some other products had to fit in, the margin structure may be different as a result of which the margins are slightly lower, but not a cause of concern.

At the end of the day, if not for these other products, which fit into those capacities, the overall gross margin would have been much lower and EBITDA margins would have been much lower. So, we have been able to maintain a capacity utilization. Yes, the margin structure for some products is lower. So, yes, as a result of which if you can see, although my gross margin has slightly improved, my EBITDA margins have come down to some extent.

**Jatin Damania:** I appreciate the detail remarks on the same thing. But if you look at the overall performance, now you said that the new product which will get commercialized or executed in the third quarter. So, can you help us understand the quantum in terms of the execution?

**Ashish Nayak:** Yes. So, see, I would not be in a position to comment on the numbers at this point of time, but I would -- I can definitely tell you that going ahead on a year-on-year basis, the contribution from these newer molecules would be much higher as compared to what it was earlier, okay.

**Vinod Gupta:** So, I will add one point here to this. So, when Ashish is mentioning that we are about 3% to 4% is from new molecules. These are the molecules that we are introducing in this year. But if I the molecules which have been introduced in last two to three years, around 15% to 20% of the top-line is coming from these molecules that we have introduced in last two to three years and their margin is definitely better but given overall agrochemical scenario, probably the margins are not as high as we were expecting. But the way our traction is, I think these products are long-term value addition product for us, both in terms of margin and the top line.

**Jatin Damania:** And sir, with the exit of the Q2, how do you see the raw material and the final product pricing moving?

**Vinod Gupta:** I think it's difficult to play at the moment because the market remains very, very cautious. And so, I don't see, I think broadly our views that raw material prices will remain subdued, and product prices will also remain at the same level, though we will make an attempt to improve our product pricing going forward, mainly because of our quality and delivery by business.

**Jatin Damania:** Sir, last question from my side before I jump back in the queue again. Sir, now with the improvement in the Lalru to 59% and Dera Bassi we are already operating at 70%-75%, what are the steps taken by the management to fuel the future growth plan in terms of driving the overall earnings and everything?

**Vinod Gupta:** So, I think two, three things. One is, obviously, we are continuously looking at our asset improvement in existing assets and that's where we invest to debottleneck line capacities at both the locations, and I think we have not lost any opportunities so far on account of capacity not being available.

Second thing is, I think we have been looking at one more site for some time. We were just waiting for the right time is right opportunity. So, we have a few options in mind. But going forward, as and when the time is right, and if you think that will that will add value to the business, we'll go ahead with that.

**Jatin Damania:** Sure, I'll come back in the queue again. Thank you and wish you and your team a Happy Diwali and prosperous New Year. **Vinod Gupta:** Thank you. Thanks, Jatin.

**Ashish Nayak:** Thank you.

**Jatin Damania:** Thanks, sir. Thank you.

**Moderator:** The next question is from the line of Rohit from Ithought PMS. Please go ahead.

**Rohit:** Good afternoon, sir. So, sir, I just wanted to understand, I mean, obviously last few quarters have been very difficult for the industry, and you've been talking about improving your product mix and sort of new products, which will drive growth. You mentioned that not yet started to provide traction.

However, my question was, sir, I mean, in your previous interactions over the last maybe four, five quarters, you've also mentioned that the base business margin profile has also improved. However, we see we are still at that 11%, 12% kind of EBITDA. So I wanted to understand your comments on profitability at the base business, you had mentioned that we've done a lot of improvement in terms of utilities, yield improvement, etc. So maybe if you can just talk a bit about that and when will that profitability improvement be visible?

**Vinod Gupta:** Okay. Thanks, Mr. Rohit for this question. I know we have been talking about the improvement in profitability of base business mainly on account of our initiatives on asset renewal, efficiency improvement, and new technology adoption and I think we are on track as far as those initiatives are concerned.

But at the same time, as you will appreciate that market conditions are not static. So, market has been deteriorating over the last couple of quarters, mainly because of China supply is becoming desperate, there are a lot of idle capacities in China. So, in effect, actually, our initiatives -- initial initiatives to improve margins actually has helped us sustain our market share and still have some profitability on all our products.

This is a good sign in value for long term because as and when market recovers, we'll be in a position to be in a much stronger position to improve our margins and we are continuing this journey for improvement on our cost position, our efficiencies, etc. So broadly, I think some portion of that initiative and effort that we have taken has been absorbed by the current market dynamics.

**Rohit:** Okay. And sir, all these new products again you said that some of this have now modeled into the next quarter. So, I mean, for this year, how do you see this contribution of the new products? I mean, right now it's about less than 5% you mentioned. But for FY '25, do you see it having any significant contribution if so, if you can share some broader details?

**Vinod Gupta:** So, I think for the product that we will introduce this year will contribute to around 5% to 10%, the products which we are introducing this year only. But if I factor in the product that we have introduced in last two to three years, it will be around 20%.

**Rohit:** Okay.

**Shalil Shroff:** And just like to add on Vinod's point-of-view, please understand in agro, there are certain registrations we need to take place. And as you know that the market conditions are a little tight. So, in discussion with the customer, the business is robust, the order book position is strong. We have that business, but there is a little bit of delay. So we expect that during the next one to two years, there would be better products with better margins to improve our EBITDA.

**Rohit:** Sure, sir. And sir, just one more question on the finance cost. So, our debt position is around INR125 crores as on this balance sheet on September. On that 100 basis, the finance cost would be closer to INR20 crores, INR21 crores. So -- or close to INR20 crores. So optical, it looks a bit higher given that we don't have a lot of debt relative to our net worth. So just wanted to understand what is the reason for this and is there any indication for that this cost will come down in the coming quarters.

**Ashish Nayak:** Just wanted to understand what are you suggesting that the cost is low or are you suggesting that the cost is high?

**Rohit:** Sorry, it's high. I mean 10 -- so if I look at INR123 crores, I mean, let's take this number as last year also we closed at this number. We had a finance cost of close to INR21 crores. I think the number is also close to that number. So, this seems a bit higher is what I'm saying.

**Ashish Nayak:** So, if I compare apple-to-apple, my finance cost for H1 FY '24 was INR10.2 crores, which has come down to INR8.6 crores in H1 FY '25. So, effectively it has come down. So that is a factor of two things. One is INR121 crores is a static position as on a particular date. If I'm comparing 31st of March with 31st September, yes, I agree, the amount remains similar, okay. But if you look upon the movement during the first six months, our utilization of working capital has to some extent come down. That's point one.

Second, the interest rate, we were banking with a single bank in the last financial year, most part of it. Over the last six months to eight months, we have introduced two more banks, private sector banks, where the rates are much more competitive, okay. As a result of this, in fact, the interest cost has -- finance cost has come down, I would say. I don't understand if you're saying it's gone up. If you look at my finance.

**Rohit:** No, sir, I'm saying, it's gone up. I'm saying basically if my cost or overall debt is INR123 crores, will -- we are paying close to INR20 crores as interest cost maybe INR18 crores this year as it -- as in the next couple of quarters. So that is what I'm saying, INR18 crores on INR123 crores seems a bit higher is what I'm saying. No, given that we don't have a lot of debt.

**Ashish Nayak:** These finance costs also includes some term loans from one of the earlier banks, Cooperative Bank, which was at a higher rate, okay. So, there are some debts which were at a higher rate earlier. We are we are replacing those debts with low-cost debt and over a period of time, we will see that the interest cost will come down.

**Rohit:** Got it. And sir, last question on capex, any thoughts we had been talking about it? So, anything, any change of -- any movement on that front.

**Ashish Nayak:** So, in H1 FY '25, the total capex that has been incurred is around INR25 crores -- INR25.5 crores, INR25.66 crores to be precise. We anticipate that -- and this is primarily in terms of debottlenecking & upgrades, and we expect that another INR10 crores to INR15 crores would be incurred over the balance second-half as well. So, on an average, we have been incurring somewhere between INR35 crores to INR40 crores and that's just about the run-rate that we'll be maintaining. This is primarily in terms of infrastructure upgrade. As we have stated earlier, we are also having capacity for having one more manufacturing block in Derabassi.

We have not started to work on that as yet. We are just waiting for the right market conditions and total capex investment as and when we take that call would be somewhere in the range of around INR55 crores to INR60 crores maybe and a new site is depends upon the size of the plot that we are looking at, okay? So that's still work in progress. It's still a bit too premature to discuss that. But yes, that's something, which is there on our radar.

We have a few sites that are shortlisted and working upon. So as and when that call is taken depending upon the size of the plot and the kind of capex that we are planning, that would be an additional cost, which will be incurred, but I don't see -- foresee that any new manufacturing block if at all would be in FY '26. I don't see that happening in FY '25.

We are -- I mean, if you look upon it, we are trying to time the new manufacturing block and any other new capex as near to the condition where we have confidence that, yes, we are seeing the market conditions improve. So, while there are all positive indications in that direction, we are waiting for the right signals from the market, and the moment that happens that will be -- we will be ready for that. And as we have stated earlier, any new manufacturing block because in our existing site can be within six months to nine months, we can keep -- we can make it ready. That's not a major challenge.

**Rohit:** Okay. Can I ask one more question?

**Ashish Nayak:** Yes, yes, please go ahead.

**Rohit:** Okay. So, sir, if you remove this, I mean this capex that we -- I mean the brownfield expansion in Dera Bassi. So just the existing facilities and at the current prices of all your products and also including your new products that you plan to introduce in the next few quarter Assuming that the demand sort of revives and there is no issue on that offtake. So, what is the peak utilization or peak revenue that we can achieve?

**Vinod Gupta:** Difficult to predict on all these things. I think it's -- so yes. All we can say is that we will make sure that the capacity utilization is as I have said is 85% and above, we'll take necessary steps so that the capacity availability does not become a constraint, which may include new block, debottlenecking, even outsourcing some of the simple operations and keeping more complex chemistry in-house.

So, we'll keep all those options open, and we'll not let any business opportunity go because of the capacity not being available. As you are aware, a lot of plants are idle right now in the industry and some people are approaching us in terms of tie-up. So even that option we have kept open. In case we see certain upside, there is an option available for us to service that market.

**Ashish Nayak:** Also, as we have stated this earlier, I mean it's a multi-product facility, every product is a different price point, and every -- every product has a different production cycle. So, it would be difficult to give us a judgment in terms of what are the numbers that we are looking at, okay. But definitely, as it's higher capacity utilization and with the new manufacturing block, we would definitely see to it that the revenue numbers as well as the margin structure should get better once the market normalizes.

**Rohit:** Okay. Okay. Thanks very much and all the best for the coming quarters.

**Vinod Gupta:** Thank you.

**Ashish Nayak:** Thank you.

**Moderator:** Thank you. Next question is from Rohit Nagraj from Centrum Broking. Please go ahead.

**Rohit Nagraj:** Yes. Thanks for the opportunity. Sir, my first question is on the industry and geographical how things are moving. So, what is your perception in terms of demand dynamics across different geographies, North America, Europe, Rest of the world, LATAM? And second, allied question to that, where have we seen the inventories normalizing and normal demand coming back in certain cases or certain areas? Thank you.

**Vinod Gupta:** So, I think overall industry, I think what I mentioned in my inaugural points that industry -- inventory levels sort of have become normal right now. When I say normal, there was a huge inventory situation about two, four quarters back. Now that inventory situation we don't see in the industry, but I think the industry is not going to back to the normal inventory levels what was there earlier.

So, from excess inventory right now, industry is in a very low inventory levels, probably the courage to build the inventory in the market will get resumed after two quarter to three quarters to four quarters when they see that the prices are not dropping any further. So globally, I think all the progress that we make are in demand and we see that this year also the total material movement has been healthy. Europe demand has been okay.

Brazil, I think the season has been bad and the demand is not so good. US demand has been good this year. So overall, I think whatever changes are there because of weather conditions, those changes are there, but demand is normal and especially for the product that we have, I think we have not seen demand going down.

So, but it will take a couple of more quarters for people to rebuild the inventory and be confident about carrying that inventory and not being hit off the books. I think I think that's a broad outlook on the market.

**Rohit Nagraj:** So that's helpful. And second question on the same lines is, in terms of pricing of the products, what is your perception when we are talking to our customers, whether the prices will stay here for a little more while or we have seen some cases where the prices have started now reviving and increasing.

**Vinod Gupta:** I think there are foreign cases of prices reviving in some cases, but in most of the cases for this financial year, at the moment, I think there is enough capacity in the market and so we don't see prices moving up significantly. But I think early next year is when -- because industry will start moving towards building normal inventory. Capacity utilization in the market will become a challenge and we hope that prices recovery will start.

**Rohit Nagraj:** Sure. And my last question is in terms of the excess capacities which have come up in China. So, what is our understanding of the same? And based on the understanding, how are we tackling our strategy for the new set of products that we are developing, and the capex is that we have planned? Thank you.

**Vinod Gupta:** So, I think overall no clear picture from -- getting a clear picture from China is very difficult, but all we hear is there is a lot of surplus capacity and there are lot of plants which are idle, okay. But as far as we are concerned, our product portfolio is very good where none of all the products are running products and our competitive position is very strong and that basically gives us the confidence that in current market condition, we are maintaining our market-share and as the market recovers, because of our investment in technology, process efficiency, hiring efficiency, etc.

We see that our market -- market vision will be strong. In fact, our new product addition is also going very strong and obviously because of confidential reasons, we don't share the name of the product, but we have actually seen year-on-year growth of very healthy growth for these new products.

So overall, I think we are confident that our product portfolio, we will be able to survive all the tough times and come out stronger for existing products as well as new products.

**Rohit Nagraj:** This is helpful. Thanks a lot. All the best and Happy Diwali.

**Moderator:** Thank you. Next question is from Rohan Patel from Turtle Capital. Please go ahead.

**Rohan Patel:** Yes. So my question is regarding your guidance that you have given in last quarter about INR1,300 crores to INR1,400 crores that you can do with your current capacity. So, the question I have is that looking at Dera Bassi, which is operating at 75% to 77% capacity utilization, and it is already contributing around INR650 crores INR700 crores of sales. So, like at peak capacity utilization with current manufacturing block, like where could this 650 can go towards? And once we put a new block in FY '26, if it's possible, so with new block and with peak utilization, how much does Dera Bassi contribute that INR1,300 crores to INR1,400 crores of guidance? This was my first question.

**Ashish Nayak:** Okay. So as far as the capacity utilization is concerned, I stated this earlier that it's a multi-product facility wherein every product has a different revenue or selling price structure and different production cycle in terms of the time that is taken to churn out a product, okay. So, I mean, it would be difficult to just multiply it saying that at 70%, if I'm INR700 crores at 80%, it should be INR800 crores.

I mean, I wish it was simple, but it is not so. So, it's a multiple product. So whatever product is contributing in that particular quarter or in that particular period of time, depending upon the time that is taken to roll out those products and what is the price structure for those products, the revenue would be determined. That's point number one.

As far as the second part is concerned in terms of if I set up a new manufacturing block as and when I do that, what would be the kind of revenue addition that would be expected? I mean if you look at my asset turns, it's typically somewhere in the range of around 3 to 3.5 historically for the last two years to three years and that's why in the best of times, it would have been slightly higher, okay. But that's the run rate that we have been doing.

So if I'm looking at an capex of roughly around INR60 crores to INR70 crores, you can very well imagine on an average what is expected out of it. But at the end of it, again, everything depends upon what I'm going to produce from that manufacturing -- manufacturing block, okay. So, it's a tough question to answer. So, while all of us are working in that direction, as to what the number can be achieved by increasing the capacity if anybody guess at this point of time.

**Shalil Shroff:** I think I'd just like to add on Ashish to just clarify, I mean, as you know that see we are at 75%. Has still that one more block can come in? It depends on the product mix. So anyway, sales of between INR75 crores to INR100 crores can be definitely looked at it but please understand at our site in Lalru, we have almost five to six acres of land lying idle and that can really bring in that revenue. So, when we have discussed or talked in a couple of calls that we will be with the existing two sites in Puna, we would be at between 1,300 to 1350. So, this is where just to clarify on the two sites north and one site in Pune.

**Rohan Patel:** Okay. So currently as per FY '24, we stand at around INR934 crores. So, for the guidance of current capacity of INR1,300 crores to INR1,400 crores. So, the next INR400 crores to INR500 crores that we can add, how much would be coming from agrochem and how much that would be coming from Lalru, like?

**Shalil Shroff:** So, our product mix, as you rightly said, is agro and performance chemicals or intermediates, whatever you may call it. We dominate on the agro side. So if you're looking at around INR400 crores, we would say 60% would come from agro, 40% would come from the Performance Chemicals.

**Rohan Patel:** Okay. And there is no capacity constraint in Lalru, like we can still grow add more manufacturing blocks to get that trend.

**Shalil Shroff**: we have land-line idle. So which I think during the conversation both Ashish and Vinod did tell you that in case you need to put a block, which we were in, but looking at the market conditions, we are in discussions with the customer, please rest assured that the business is there, but it is just the timing.

And I think Vinod has once the price has mentioned that we have to be there when the timing is right and we are already there with the customers, samples have been approved. We're just waiting for the right time to ensure that once the production starts, we are in proper flow of materials.

**Rohan Patel**: Okay. And the next is like what are your plans like do you also plan to grow in your industrial chemical that is like?

**Shalil Shroff:** Yes. So as you mentioned, industrial chemical like we make phosphoric acid, now we are -- we make the higher acid, which is the food grade or which goes into the pharma industry and you know that this industry is growing.

And I wouldn't say thanks, but it is because of the US company, which is Coke, Pepsi has taken that they will not source all their materials from China, but they will source it from elsewhere and that's where Punjab pitches in because we are one of the certified producers.

So, moving forward with expansion capacity of Coke, Pepsi coming into India, we foresee that this business growth also to grow on a year-to-year basis between 10% to 15% and overall, in three years, maybe between 30% to 35%.

**Rohan Patel:** Okay. So over next three to four years?

**Moderator:** Rohan, I'm sorry to interrupt, but we request you rejoin the queue as there are several participants waiting.

**Rohan Patel:** Okay. Thank you.

**Moderator:** Thank you. The next question is from Rishikesh from RoboCapital. Please go ahead.

**Rishikesh:** Yes, thank you for the opportunity. Sir, my first question is that earlier, a couple of quarters back, you had indicated that in CRAMS, we are looking to do additional INR1,000 crores of revenue in two years to three years. So, are you still maintaining this target?

**Shalil Shroff:** Yes, definitely. As we were just talking to the other caller that within the existing site and we did mention that we are already looking at a new site, it's only because of the market conditions is taking time but hopefully, within a couple of quarters as and when decide, we will let you know. And still yet our business projections, our discussion with the customer is very robust, and definitely we will be there in terms of our revenue.

**Rishikesh:** Okay. And how much are we doing from CRAMS currently revenues?

**Shalil Shroff:** So within our existing business, we are approximately 40%, 45% is from CRAM and then is generic and then we have the Performance Chemicals.

**Rishikesh:** Okay. Thank you very much.

**Moderator:** Thank you. The next question is from Viraj Mahadevia from MoneyGrow Asset. Please go ahead.

**Viraj Mahadevia:** Hi, I had a quick question. Sorry, it may be a repetition of earlier. But between all your facilities based on the spare land available, if you were to add capacities, how much capacity would you be able to incrementally put in place?

**Shalil Shroff:** So, as we have mentioned that in, we are already at 70%, 75%. I think we can go; I did go up to maybe around 84% to 85%. But if you look at Lalru, we are at around 53%. So, we have a good amount of capacity to add there, so another maybe anywhere between 31% to 22%.

**Viraj Mahadevia:** No, I guess what I'm asking is, are these 55% of capacities are in-place or 55% at full utilization of land-based on capacities?

**Shalil Shroff:** Well, the capacity which is used.

**Vinod Gupta:** Yes, 55% of the capacity is in place, not the land which is available.

**Viraj Mahadevia:** We are so I'm -- so sorry, I'm asking on the latter. For the spare land that is available at all these sites, if we were to debottleneck and add capacities, how much would we be able to take our capacities up by, and approximately what would that exercise cost us across the site?

**Vinod Gupta:** I think on capacity front, we will probably not put a number because it all depends on the kind of product that we introduce. Suppose, I mean, recently, we introduced the product about two years back where we have seen some good progress is a 11-step process. As we have to do that process, I mean that's what.

**Viraj Mahadevia:** I understand. I appreciate that. But even as a range, is it in the range of 20% to 30%? I know in chemicals, it's very hard to predict given the number of steps of chemistry.

**Shalil Shroff:** Vinod, let me answer that. So, if you look at Lalru, we are at, say, 53% 50% odd percent. So moving forward, if you have to utilize the airline, we would go anywhere between depending on the product mix between 18% to 25%.

**Viraj Mahadevia:** Okay, 18% to 25%. Excellent. And how much would this cost you? How much would this cost across the sites if you were to utilize the spare land for capacities? And how much that expansion come on the product.

**Shalil Shroff:** On the product mix, but to give you a ballpark figure broad.

**Viraj Mahadevia:** Yes, broad figure.

**Shalil Shroff:** Just the block. So, for example, if looking at say between two to three blocks at the Lalru site, each block depending on the product can cost anywhere between INR30 crores to INR60 crores.

**Viraj Mahadevia:** Understood. Somewhere between INR100 crores and INR150 crores. Okay.

**Shalil Shroff:** Correct.

**Viraj Mahadevia:** In totality. Okay, great. Thank you very much.

**Moderator:** Thank you. Next question is from Rohit Ohri from Progressive Shares. Please go ahead.

**Rohit Ohri:** Hi, team. One question, which was a remark from Vinoji, where you said that there are certain customers or some players in the market which are probably exploring opportunities with Punjab for some job work or some contract manufacturing. If you can take us through, one, which geography do they belong to, whether these are domestic players or international players? Two, are these focusing on agro or are they focusing on the pharma requirements?

**Vinod Gupta:** So, I think these are -- what I mentioned was around the capacity that is available. So, there is a lot of idle capacity and some of these small manufacturers, they are not able to compete in the market or they don't have product because the market conditions are tough, they basically have approached us that whether we want to do something at their facility.

So we have actually evaluated some of them close to our plants and some in Gujarat, where in case we need to outsource something, we'll definitely not outsource anything, which is highly proprietary in nature or complex in nature because that's what is our or rather that's what makes our strategic advantage, but some simple processes we can outsource so that we can utilize our assets for a better capacity utilization and higher margins.

So, this is an option which we have kept open right now so that we can actually take the decision of acquiring additional capacity at a -- for an appropriate time. So that's an option we have kept open right now and evaluated some of the people.

**Rohit Ohri:** You don't intend to acquire those small players that you're talking about.

**Vinod Gupta:** It doesn't make sense. I mean, there are people with two record land, poor record land. It doesn't make economical sense, but these people have some nice facility where they can do some reactions, they did some products in the past, looking at the rest of the times agro market or a pharma market, but then today in today's condition, they are finding it difficult to survive.

**Rohit Ohri:** So, these are not some long-term commitments or contracts. These are like very short-term in nature?

**Vinod Gupta:** I think these will be short-term opportunities because at the end of the day we are a contract manufacturing company, and we are a technology -- we want to become a technology-strong company. So most of the difficult operation we would like to keep it worked with us where that's where we drive our strategic advantage.

**Rohit Ohri:** And that won't alter our margin profiles, right?

**Vinod Gupta:** No, that won't alter our margin into that.

**Rohit Ohri:** Okay. Yes.

**Shalil Shroff:** Yes. Just to add what Vinod said. So, as you know that we are also counting for a unit between Maharashtra and Gujarat. So, this makes us understand these people when we do these small jobs with them, they do some job work for us. So that we get used to them, understanding the people, understanding the time skills.

So you -- as said, yes, definitely, it is right now for a short-term, but from our point of view, when we sit on the management table, yes, obviously, we look at that maybe in the future when we look at some complex chemistries and where we believe that we need to keep that with us where there we are strong at and maybe one or two processes which we need to outsource. Just to add on to that, yes.

**Rohit Ohri:** Thank you for answering my question. Thanks a lot.

**Moderator:** Thank you. Next question is from Ankit Gupta from Bamboo Capital. Please go ahead.

**Ankit Gupta:** Yes, thanks for the opportunity. Sir, if you can talk about how are our top two molecules, Metconazole and Metamitron doing currently and over the next two to three years, how do you see growth in these two molecules?

**Shalil Shroff:** So as we always say that our product portfolio in terms of market is very confidential. But just to add that in both the products, we are very much there with very cost-competitive. And as far as market share is concerned, we are there. We don't like to comment whether we are 100%, we are 80%, but our product has a good quality.

We have been in this business for more than in for more than 15 years to 18 years,Metconazole is a proprietary product of a Japanese and this also product is growing and we believe that market share with the competitiveness and the edge we have in terms of quality, we will be there in terms of gathering that market along with other Japanese customers.

**Ankit Gupta:** So have we seen some decline in prices of these molecules of late in the past you know, past quarter or so because this prices of this molecule have remained pretty stable in the -- have remained pretty stable in the past, but are we seeing some pressure on the prices for this molecule soft?

**Shalil Shroff:** So basically, yes, you know, post COVID, the prices have been -- have gone down because even the raw material prices have gone down. But as I said, with the innovation in terms of technology, innovation in terms of doing better in terms of production, so I think we are pretty cost-competitive. I did not like to comment on the prices, what it was and what is it today. I mean, it's a public domain, which I'm sure your research team can get it from wherever they want to.

**Ankit Gupta:** Sir, on -- in the last two years, FY '23 and FY '24, how many new products have we launched in the market, and you know, like what are the plans for FY '25 and FY'26?

**Shalil Shroff:** So, as we have said, the market conditions have been a little negative, but the business opportunity is very positive and robust. So, customers are discussing. There has been delays, it's just to answer that. But as far as products as did mentioned in the last two to three years, we have looked -- we have seen more than three to four products. We have even launched as far as the last year is concerned and we have shipped some products commercially out, which have already gone to the customer.

There are these three products, and we are pretty hopeful within the financial year of this year or next year, this will bring in good business as far as percentage as far as volume, or in terms of value, I would not like to comment because these are very highly confidential products. But I would just like to add that these -- all products are double-digits. So, they are anywhere between $20 to $30 a kilo, yes and they range anywhere between 50 tons to 160 tons on a year-to-year basis.

**Ankit Gupta:** Sure. So last two years we have launched commercialized three modules. And how many are we planning to commercialize in FY '25 and '26?

**Shalil Shroff:** Yes. As I said, there are few products which are under registration and registration process takes time. So, I think close to Q3, we'll be able to answer you properly because I just don't want to just out of my mind, tell you that these two products will be commercialized. So, let's wait till we get the registration in hand and then move forward, yes.

**Ankit Gupta:** So, we do understand that in a registration product, sometimes the registration time takes much more than what we anticipated we would. And sir.

**Vinod Gupta:** On the Lalru side, I think at a high-level good is that I think this year we will introduce three new products, we'll send commercial supplies.

**Ankit Gupta:** And how many did you say?

**Vinod Gupta:** Getting commercialized. So on an average, our target is minimum three products, sometimes it will be more also.

**Ankit Gupta:** Sure, sir. And sir, on the Lalru, as you were saying, we have five to six acres of land available. So, will we also look to put up a block for agrochemicals in Lalru?

**Shalil Shroff:** So, as I said, if intermediate is agrochemicals, I mean that's where we would look at it and it depends on the product and the customer this thing. But as I did mention that per se Punjab, our strength is agro. Having said that, we have also lately looked at the performance chemicals and which also we are adding to our portfolio.

**Ankit Gupta:** Yes. So basically, agrochemicals will be -- remain at Steve only where we have a potential to add one more block worth INR50 crores to INR60 crores.

**Shalil Shroff:** Absolutely right.

**Ankit Gupta:** Okay. And sir, just one more question on like these are brownfield expansions that we might do in the future in and. So will that -- will this entail us approaching EC MOEA for EC approval as well or we already have some EC approval for that? And so, since we have MOA and EC approval for most of the things that we do and some approvals, if we have to make some changes, we can get it from local authorities also, so that we are taking care from time to time. So, it won't take much of the time. Is that you are saying over time.

**Vinod Gupta:** Because I think lot of some of these are at a local level.

**Ankit Gupta:** Okay. Thank you.

**Shalil Shroff:** Thank you. I think we can take one or two questions and then yes, we have one last question in queue.

**Moderator:** Next question is from Rishikesh from Robo Capital. Please go ahead.

**Rishikesh:** Yes, hi. Thank you for the opportunity. Just had a follow-up on the land question. You sir, you'll be doing a new capex for the facility. Just wanted to know how much capex will you need for the additional INR1,000 crores of revenues from and if you could share any broad timeline for the capex.

**Ashish Nayak:** See, I mean, I'm not sure where you get the number of INR1,000 crores. But yes, effectively, if you look upon it, my asset turns have typically been in the range of around 3% to 3.5% so you can very well calculate if I'm looking at a top-line of INR1,000 crores over a period of time and let's keep in mind that this -- this is -- it will not be in one year, obviously, okay, that will take some time, but and whatever capex is required, I mean, again, it would not be a single-product.

There would be multiple products, and every product would have a different kind of a capex requirement, okay. So yes, some of them may be dedicated facilities, some of them may be multiple multi-product facilities. Again, it depends, okay? So, everything depends on that. Yes. But traditionally, if you look it, my asset turns have been in the ratio -- in the range of around 3% to 3.5%.

**Rishikesh:** Okay. And for the new products, incremental revenues -- what will be the margins for the incremental revenue?

**Ashish Nayak:** It will be higher than what it is currently.

**Shalil Shroff:** Please understand my friend nowadays you know such discussions in terms of future business, future margin, future profitability is very difficult as a management so with folded hands, we apologize. But as and when the product has come in as and when as per the rules and regulations of the Company Act as and when it comes in, we will definitely share. So once again, our apologies, sometimes that there are some crucial questions in. We are sorry, we cannot reply.

**Rishikesh:** No problem. I totally understand. Thank you very much.

**Moderator:** Thank you thank you very much. That was the last question. I would now like to hand the conference back to the management team for any closing comments.

**Vinod Gupta:** Shalil bhai, would you like to take this?

**Shalil Shroff:** Yes. So once again, thank you so much and the confidence all of you have in Punjab Chemical. We as a team will try and continue to deliver better and better. We do understand that because of the market conditions. But looking at today's business environment, I personally believe as a company, we are there, and the future is very bright. The business book position is very bright, and we once again wish you a safe, Happy Diwali, Happy Dhanteras. Thank you very much.

**Moderator:** Thank you very much. On behalf of Antique Stock Broking, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect the line.