"Punjab Chemicals and Crop Protection Limited 3QFY25 Post Results Conference Call"

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 and 9-month FY '25 Post Results Conference Call of Punjab Chemicals and Crop Protection Limited, hosted by Antique Stock Broking Limited. 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking. Thank you, and over to you, sir.

Manish Mahawar: Yes, thank you. On behalf of Antique Stock Broking, I would like to welcome all the participants on the call of Punjab Chemicals and Crop Protection. From the management, we have Mr. Shalil Shroff, Managing Director; Mr. Vinod Gupta, CEO on the call. Without further ado, I would like to hand over the call to Mr. Gupta for opening remarks. Post which we will open the floor for Q&A. Thank you, and over to you, Mr. Gupta.

Vinod Gupta: Thank you, Manish. Good afternoon, everyone and thank you for joining us for today's con call to discuss our Q3 and 9 months business. I'm joined by our Managing Director, Mr. Shalil Shroff. We sincerely value your time and appreciate your continued interest in our company's performance. I trust you have had an opportunity to look at our financial results and investor presentation which are now available on the stock exchange and on our company's website.

To start with, I'll provide a brief overview of agrochemical industry. The sector continues to exhibit mixed signal regarding demand recovery. While prices are largely stabilized after witnessing a declining trend in previous quarters, export demand continues to be subdued due to price uncertainty, oversupply in the market and reduced margin.

Amid these challenging times, our focus remains on implementing strategic initiatives to maintain competitiveness, optimizing asset utilization, backward integration and capitalizing on emerging opportunities to sustain our momentum in an evolving and complex market environment.

As you would have seen from our numbers, in order to counter the softer demand from export market, we have added products for domestic supplies and our new products have been added for the domestic market in order to increase our product basket. For the quarter, revenue stood at INR213.9 crores, while for 9 months of FY '25, revenue is at INR698.2 crores reflecting a year-on-year decline of 5.3%.

The domestic market contributed to 50% to the quarterly revenues and 62% to the 9-month period. The slight decline in revenue is primarily attributed to softer pricing, although volumes and capacity utilization remains steady during the quarter. Market conditions have been volatile driven by heightened competition and pricing pressure in certain regions.

Despite these headwinds, our gross margins remained stable, expanding by 60 basis points for the 9 months of FY '25. However, EBITDA was impacted due to elevated freight costs and some operational costs and onetime FOREX related expenses. On a positive note, our proactive engagement with both existing and new customers has begun to yield results.

Many of our customers are increasingly looking at Punjab Chemicals as a reliable partner for sourcing critical products and materials. And next few quarters are looking exciting to increase -- for increase in our portfolio. During the quarter, our Industrial Chemicals division achieved a significant milestone, receding in principle approval from one of the largest beverage manufacturers to supply their entire phosphoric acid requirement for their upcoming new facility in Gujarat.

As a strategy, we continue to execute a forward-looking strategy centered on strengthening infrastructure, upgrading our talent pool and workforce, diversifying R&D capabilities and also new technology adoption. Over the past quarter, we enhanced our operational infrastructure to improve raw material and utility efficiencies.

Simultaneously, our R&D efforts have accelerated, resulting into several new molecules being developed. Our product pipeline remains robust with multiple new product launches planned over the next few months. These new offerings are expected to deliver higher margins in abolishing our financial performance going forward.

Let me look at -- talk about the financial highlights for the quarter and 9 months. Our revenue from operations stood at INR213.9 crores, analysing geographic contribution, domestic market accounted for INR150 crores sales, whereas international market contributed to INR60 crores to our total revenues.

Gross margins for the quarter stood at 40%. EBITDA for the quarter is INR19.3 crores, down year-on-year by 25.6%. Margins stood at 9%, down by 310 basis DPS year-on-year. Profit after tax for the quarter stood at INR6.1 crores, down by 45%. PAT margin for the quarter stood at 2.8% in quarter 3 of FY '25.

For the 9-month performance, revenue is INR698.2 crores. In geographic contribution, domestic market accounted for INR431 crores whereas international markets contributed to INR267 crores to our total revenues. Gross margin stood at 39.4%, up by 60 basis points year-on-year.

EBITDA for the 9 months stood at INR73.7 crores, down 26%. Year-on-year margin stood at INR10.6 crores, down by 290 basis points. And profit after tax was INR31.9 crores, down by 37%. PAT margin for the quarter stood at 4 -- until the quarter stood at 4.6% for 9 months of FY '25.

Our capacity utilization for all the 3 sites demonstrated a positive trend. Agrochemical division capacity utilization is at 72%. Performance Chemicals division is at 52%, and Industrial Chemicals division is operating at full capacity.

In conclusion, while the broader market environment is challenging, we are confident that our initiatives, coupled with our strong product pipeline and strategic initiatives will drive long-term value creation for all our stakeholders. Thank you for your patience listening and continued trust and support.

Now we are now happy to take any of your questions.

Moderator: Thank you very much. We will now begin the take any of your questions. First question is from Jainam Ghelani from Svan Investments.

Jainam Ghelani: Sir, as you mentioned in your opening remarks that export market was a little bit subdued, and we were focusing more on the domestic market and launched a couple of new molecules. So, can you just help us understanding how does the volume grew quarter-on-quarter? And what was our market share in the domestic market and the contribution of the new molecules in the overall basket mix?

Vinod Gupta: So overall, the new molecule that we have introduced in the domestic market are for new products, which are intermediates and specialty chemicals. And this is an addition to our product portfolio. So, this is not a substitution kind of a thing. This is a permanent addition. So as and when the export market recovers, this momentum of domestic market will continue. And if you have to sort of talk about a rough number, I think this new product portfolio has contributed about 15% to -- of our revenues.

Jainam Ghelani: Sir, when you compare, the new product has contributed to 15% to our revenue and this product have a better margin as compared to our existing portfolio, but overall, our operating performance still look much bigger than the commentary that you are giving. So, are we missing something on that front?

Vinod Gupta: I think there are 2 aspects, I will say. One is, overall, the market is very, very competitive and challenging. Now in this market, we have been able to develop a product and deliver competitively. So that's the first step in terms of our achievement. That's what I'll say because we have and these are more or less, I think we will probably be at more than 50% market share as and when we sort of mature these products, okay?

And once the market recovers, these margins will improve significantly. So, we have achieved first milestone of being competitive on the new processes that we have developed. Now, further work on improving efficiencies and cost is going on, on all these new products that we have introduced.

Jainam Ghelani: So, in the last con call, I mean, you guys had mentioned that we had actually gained the market share in the domestic market, but looking at your Q3 numbers and the presentation that you uploaded on the exchanges, it seems that our volume sequentially has declined and there is hardly any contribution coming from the Lalru facility.

So, can you help me understand why Lalru didn't operate during the quarter, and there was a significant decline in the overall volume in the domestic front?

Moderator: We seem to have lost the line for the management. Please stay connected while we reconnect the management. Participants, thank you for patiently holding your lines. We have the line for the management reconnected. Over to you, sir.

Jainam Ghelani: Vinod Ji, can I repeat my question?

Vinod Gupta: Can you repeat your question because we got disconnected halfway through.

Jainam Ghelani: Sure. See in last con call, Mr. Shalil Shroff has mentioned that we have actually gained the market in the domestic market but looking at the current quarter numbers, there's a sequence sharp drop in the overall volume when you look at the Derabassi facility. And Lalru facility hardly operated during the quarter. So, was there any one-off that happened in the Lalru that we did operate in the capacity? And what is the status currently?

Shalil Shroff: Yes. So, I'll take that. Basically, because of the product mix and there was this one-off product, which was supposed to come in Q3 which has been postponed to almost end of Q4. So please understand, sometimes that the products which we make either is an intermediate, which is for the domestic market. It takes some time for the person to get it registered. Basically, if it's related to a specialty chemical as an intermediate.

So that's basically one-off. But when I did mention that the products which were related to the domestic market, as on date, we are at par in terms of the product launch.

Jainam Ghelani: No, sir. I agree on that part that we are on par on the product launch. But in terms of the -- our existing product portfolio, there's a sharp decline in the volume because if you look in the first half, Lalru operated at almost 50% utilization with 960,000 tons of the volume whereas in 9 months also, the volume continues to remain at the same level. So, did we take a maintenance shutdown for entire 3 months for the Lalru facility?

Or what are -- I mean, are we trying to do any R&D facility out at Lalru, so I want to understand on that front?

Shalil Shroff: So yes, basically, Lalru, we had a maintenance shutdown, but even that one product which we wanted was delayed due to market conditions.

Jainam Ghelani: So, there was no existing product manufactured at Lalru in Q3?

Shalil Shroff: I mean, I won't say that the plant was total shutdown. There was a maintenance shutdown for around 3 weeks. But after that, we did continue in terms of certain products, but the volume related to the 6 months and then taking the 3 months, obviously, there is a difference because that the other products will now get resumed somewhere by mid Feb.

Jainam Ghelani: But then sir, your presentation gives us a different picture because if you look first half, the Lalru facility production was 960. And in 9 months, it's only 980. So, there is only incremental 20,000 tons of the production. So, I mean, is there anything that we are missing or there's a change -- I mean updated presentation will need to be updated?

Vinod Gupta: I think there is an error in the number there. I think I just looked at the number, I think we have made that error, we'll correct the presentation.

Jainam Ghelani: Sure, and second...

Vinod Gupta: Yes, one product got deferred at term as Mr. Shroff has said, but overall, the performance capacity utilization has been -- otherwise, we wouldn't be presenting a 58% capacity utilization.

Jainam Ghelani: So that's what, I was asking because numbers were...

Vinod Gupta: There is an error in the presentation that we'll correct and upload the correct presentation.

Jainam Ghelani: Sure. And one more question to Mr. Shalil Shroff on the broader strategy. Now sir, when you indicate that the Europe is not doing good, domestically, we are launching a new product, and we are talking this in the last almost 4 to 5 quarters. And last year also, we launched a couple of new molecules. Last quarter, we launched a couple of them. But the traction, we haven't seen any significant improvement in our profitability.

So how do we see this ramping up in next coming quarters or so where we can actually expect registration and the order flow kicking in for our existing product as well as new molecules.

Shalil Shroff: So, as you know, that the market conditions for the last 1, 1.5 year almost from '24 -- '23 end to '24 has been challenging. And the customers with whom we are discussing certain products have been delayed due to their own internal discussion. That doesn't mean that, that business has gone up. That business is very much there, but it has been pushed by a couple of quarters.

And we -- with our interaction with the customer, we believe that by middle of this year, when I say middle of this year, which comes to them would be Q3, which should be up for around Q2, Q3, which will be Q4 for them. We should be in a position to add these products to our portfolio. Again, because of the inventory levels which were carried of other products.

The customers themselves decided to take a little bit of a breather and then go back into the system of launching of new products. But as I said that rhythm is very much on. We have been discussing with the customers. It is just because of this -- basically, because of this market trend and basically China pushing the prices down.

So, people are now getting the inventory out. The correction is happening. So, we believe in the next financial year by Q2, Q3, things should be in shape. And gradually, the new products will come in, which will add better margin towards our performance in the years to come.

Jainam Ghelani: Hope we deliver on that. Last question, I mean, Vinod Ji indicated the contract that we have entered with the beverage manufacturers to supply the phos molecules. So, do we expect that execution of the order to start from Q4 or that will also happen in FY '26 itself?

Shalil Shroff: It should go to FY '26.

Jainam Ghelani: So, nothing in Q4, nothing in Q4.

Shalil Shroff: No.

Moderator: Next question is from Rahul Jain from Credence Wealth.

Rahul Jain: So just to understand clearly, on the export side, you mentioned that it is still another 2-3 quarters for revival to happen. And just to understand, what we understand last time also you had mentioned the call that inventory situation is much more better or the destocking is almost done. So, on that front, now the prices have been stable for the last 3-4 months, or have they still fallen?

And also, with regards to demand, has the demand somewhere been similar as what it was 3-4 months back? Or is there some improvement?

Vinod Gupta: So, I think let me address the pricing front, as I mentioned in my opening remarks, now further decline is more or less arrested. So, there is no further decline on the prices. So, prices are stable. And as the demand picks up because I think we have been seeing that inventory is not there in the system. So as the demand picks up, we will see some uptrend on the pricing. Obviously, it will not run up immediately because there is enough supply available from various suppliers for all the products.

Now, coming to the demand situation, I think we expect that in the next financial year, demand will resume to normal level because my inventories have more or less got exhausted. However, the demand flow will be not the continuous flow. I think earlier say, for example, we used to have a discussion in 9 months, 12 months to direct flat order, it will be a quarter-to-quarter discussion because people are still scared of building / rebuilding the inventory.

But I think as on date, our discussion for Q4, Q1 and Q2 are progressing, and the demand forecast is looking quite healthy.

Rahul Jain: Sure. So, with regards to capex, so looking around probably demand will gradually improve and we are still somewhere in next 2-3 quarters, the demand starts improving. So, are we planning capex for that now going ahead because we had planned it earlier and we are running almost at optimum capacity in one of our plants?

Vinod Gupta: So, I think we had deferred some of the decisions of investment that we had started relooking at it. At the same time, we are further looking at process improvement and debottlenecking so that whatever demand comes that we can cater to. And we are confident that whatever business that comes, we will be able to cater to that requirement in our existing infrastructure.

And in some cases, we have started looking at some steps or some operations being outsourced to nearby facilities so that all the upside on the demand is captured by us. So, we are taking care of all these things right now and working on various options.

Rahul Jain: But at current prices, assuming the prices remain the same, the existing infrastructure, including the subcontracting even in nearby plants, what kind of top line is possible?

Shalil Shroff: Unfortunately, with certain guidelines with SEBI and all, we are not -- we can't exactly give you the numbers, but definitely, there will be an improvement from what you -- what you have seen.

Rahul Jain: No, no. Sir, I'm not asking for a guidance. I'm not asking for a number for a particular year. I'm just saying that existing infrastructure can support what kind of revenues?

Shalil Shroff: So today, if you recall, we were at close to around 1,000 plus. For the last year, we were 900 this year also, we are right now at 700, we should close at around 935. So next year, we are looking at, at least a jump of anywhere between 12% to 14%.

Rahul Jain: And last thing, sir, on this phosphoric side. You have mentioned in your initial remarks with regards to new facility coming up with the guide. So, are we planning some capex over there? And currently, the phosphorus part typically contributes what kind of revenue to the overall sales. And with this new initiative, where do we think this particular segment can go?

Shalil Shroff: So, we have been discussing around 1.5 years back that we are looking at a new site in few, we were almost there. But because of some due diligence and our legal did not clear it, so we left it. And then the market was a little unstable. So, we have revised it. In fact, we are now on a fast track to get this site between Maharashtra and Gujarat.

Our existing industrial division is in Pimpri, Pune, which is quite saturated. So, with this new facility, which will come in for this part of the phosphorus chemistry would be at the new site. And at that time, an appropriate number, hopefully, by Q2 next year, we should come back and give you the exact number of capex, which we'll be spending towards that.

Moderator: The next question is from Bhavya Gandhi from Dalal & Broacha Stock Broking.

Bhavya Gandhi: Sir, my first question is regarding the other expenses. We have around INR43 crores of other expenses for the quarter. If you can just give a broad split, what are those expenses? The reason why I'm asking is because of the gross margin, we are at a good number, right? 40%, but EBITDA is the concerned, right? That has come in at around 9%, and that has been in the last 3-4 quarters and we are still struggling on the EBITDA front.

I understand that revenue and all that is one thing, but still. So, what is -- why we're not curtailing other expenses at least?

Shalil Shroff: So as far as the other expenses are concerned, could be broken up into 2 or 3 different things. One would be to reengineer in terms of capex upgrading of few equipment's, which is all onetime. Generally, over a year, in 12 months, there is 1 is a standard capex which goes on. But yes, close to around -- for that INR42 crores, close to around INR15 crores to INR18 crores is to upbuild the facility in terms of getting some new reactors and for better efficiencies, having a few columns for better recoveries.

And also regarding HSE, health safety environment also, we have spent some money. So that is a onetime, which is very important for today's market moving forward. Now as far as EBITDA is concerned, yes, definitely, margins have been subdued. One way is where we have -- because Punjab, we are quite large, basically on the agro site, which is close around 40%, 45%, which is a B2B business, in which we have sat with the customer and taken that we should not lose the market share.

But let's try and see that we cut costs both ways, they take some haircut that is the buyer and we as seller also worked together in tandem to see that the market is not lost. But having said that, as we see that now that the market prices have stabilized, we have also done -- gone back to the drawing board and our teams are quite confident that there would be definitely process improvements. And as you see, when we fall in the next year by Q2-Q3, with a few more products added, we should get back to the numbers which we had projected.

Bhavya Gandhi: Actually, my question is your absolute other expenses not just for this quarter, if you compare it on a Y-o-Y basis also, because I believe the repairs and maintenance of the incremental capex that you were saying, the machine upgradation would be a part of the gross fixed asset and not be expensed off in P&L, right? Because in Q-o-Q also, if you compare other expenses were closer to INR45 crores. Y-o-Y also you compare it was INR41 crores because every quarter cannot have repairs and maintenance, I believe.

Shalil Shroff: No, no. There could be partly to the tune of newer assets, which we have got in. What we can do is that we'll just look into it. But practically, what we see on the surface of -- your question is that it's not recurring expenses, which would come in taking forward for the next financial year.

Bhavya Gandhi: Okay. Fair enough. And sir, just one last thing. On a longer term, would you like to give any margin guidance because I believe we are talking -- on one hand, we are talking about CRAMS, market share, new product launches and our margins don't replicate all that, right? Not at the moment, but what is your aspiration in terms of EBITDA margin because you look at any of the CRAMS players, they are closer to at least 20% sort of EBITDA margin, right? So, if you can throw some light on it.

Shalil Shroff: Yes. So basically, as I said, a few of our products, which are under CRAMS is because of the, I would say, the market conditions. We, as a seller and they as a buyer, we have to look at bringing down certain margins between us to take it forward so that we don't lose their market share because some of the products, which we were quite strong.

They have now gone off-patent. So that's where the little competition is coming in. But moving forward, in our basket, we have a couple of products, so at this stage, I will not comment that we will be like what the others are doing at 20%. I wish them the best. But we at the moment, which we are at single digit, we should gradually grow between 12% to 14% and then between 15% to 18%.

Moderator: Next question is from Ankit Gupta from Bamboo Capital.

Ankit Gupta: Am I audible?

Shalil Shroff: Yes, can you talk a little louder.

Ankit Gupta: Sure. Sir, I just wanted to understand how much was the FOREX loss this quarter. And you have mentioned that we have our margins have been impacted by the freight cost this quarter. But if we look at our exports, exports have fallen down significantly in this quarter. So, if you can talk about how much was the FOREX loss and this rate increase, which impacted our EBITDA margin this quarter?

Shalil Shroff: Yes. So, the total FOREX loss is close to around INR2.3 crore to INR2.4 crore for the quarter. We have now put treasury in place to ensure that moving forward, we will be a little more proactive to ensure that such things don't come in.

And as far as freights are concerned, I mean, gradually freights have gone down, but there are certain states basically going to Southeast Asia -- sorry, the Middle East because of the geopolitical that has been impacted. And again, here, generally when we talk on trade, we do discuss with the customers. But because of this situation in terms of ensuring that we have the market, and we don't lose the market share, there is certain freight costs we have absorbed, but moving forward, we don't feel that will flow in for the next financial year.

Ankit Gupta: Sir, now the -- in this financial year, we've seen that the domestic markets have now largely compensated for the -- they have compensated for the decline in the exports, how are the margins in the domestic side? Because if you look at our gross margins, we have been able to maintain our gross margins for 9 months, also. So, if you can talk about how are the margins on the domestic side compared to exports?

Shalil Shroff: So, as I said, exports still because of the channel supplies are still getting gradually liquidated and it is happening. So, moving forward, we believe that we ourselves during the year also have spent a lot of time to look at the process parameters and ensure if the price will also go down, we have a better efficiency in terms of product.

So, we believe for the export front moving forward by Q2-Q3, we should be back to where we were. As far as the domestic market, as Vinod said, the products have just been launched. And at that time, we have not -- I mean, we have discussed with the customers in terms of taking it gradually to ensure that we do not sell those products because we believe these should be the 1 or 2 or 3 people in the market so that the competition does not increase, but as we gain market share as we have the confidence as we get those registrations, gradually there also, we believe that the margin should improve in a good way.

Ankit Gupta: Currently, we can assume that the margins on the domestic side are comparatively lower compared to export markets?

Vinod Gupta: No, in current market conditions, they are higher than exports. What Mr. Shroff is saying that this new product addition, gross margin is higher than exports as on date. But as the exports market recovers, those margins will also improve, and overall portfolio margin will be in what we are seeing. As a mix, it will be much higher.

Ankit Gupta: Sir, one thing we have witnessed across all the large agrochemical technical manufacturers, is that given the pressure on the export market, they have been largely focusing on the domestic market. So, does that mean that all the competition in domestic will also increase and that can impact margins for the domestic market as well?

Shalil Shroff: I think it depends on players. I mean, definitely, you could say that what you're saying could be right. But it depends on the product portfolio and the product which you launch. So that's where I said that we don't want to talk a little bit more loud on the domestic side, but we have a couple of good products, which we believe should contribute a good percentage towards the product mix and the margin. And your question is as far as the people, because of the export -- then they are looking at the domestic market that depends on the company to company, how are they placing themselves in terms of the domestic portfolio.

Ankit Gupta: And just one last question on the -- on our performance for the top 3 molecules that we have. So, the impact on the exports that we have seen, is it more product specific or across the board, we have seen a decline in the export demands.

Shalil Shroff: So, among the 3 products, if we say that, yes, it's been because of the supply and the market conditions. And right, as Vinod also pointed out and I also told you that right now, the supply chain is getting back into normalization. And we believe the -- starting with Q2-Q3, we should be back at close to around where we were at between 80%-85% of the product percentage.

Moderator: Next question is from Viraj Mahadevia from Money Grow India.

Viraj Mahadevia: Apologies if this question has already been asked. I noticed this quarter, the tilt towards international has reduced versus domestic. Given the new molecules we are entering into with some of the clients overseas, when do you see this to move in favour of international markets and better margins?

Shalil Shroff: So basically, you please understand that Q3 generally post mid-December, things get very quiet because of New Year, Christmas and other aspects. So -- and also, as I was -- they were talking about some capacity on Lalru, where we had certain orders but that was deferred. So again, please rest assure that the business is there, but it's just been deferred. And especially on the export side because of this Christmas, New Year coming in and because of still some products in pipeline, the shipments have been deferred to Q4 and partly to Q1 of next year.

Viraj Mahadevia: And sir, this is your new products that you are starting commercial supplies after pilot supplies last year?

Shalil Shroff: Correct.

Moderator: The next question is from Jainam Ghelani from Svan Investments.

Jainam Ghelani: I just have one question. Could you please quantify the one-off expenses for the quarter 3 as well as 9 months?

Shalil Shroff: Sorry, one-off expenses, you're talking about the foreign exchange?

Vinod Gupta: Yes, there is one-off expense in this foreign exchange, which I think Mr. Shroff said, that was the one that we talked about.

Jainam Ghelani: And so, you had also -- to the previous participants answer, you had given that almost INR15 crores to INR18 crores for repairs and maintenance was a one-off expense. So that was for the 9 months? Or was it for a certain quarter?

Vinod Gupta: No, no. I think that INR15 crores to INR18 crores had 2 components, one which basically we are doing for asset renewal and some asset additions. So obviously, asset addition will become part of our balance sheet. But because of asset upgradation etc, there are expenses which are taking place that those are -- some of them are onetime exposes.

Jainam Ghelani: Sir, could you please quantify this in terms of value?

Vinod Gupta: I think total -- I mean, exactly, yes, it's around INR10 crores with that we have incurred expenses around INR10 crores is what we have incurred as onetime expense on repair and maintenance part.

Jainam Ghelani: And this would be over 9 months or Q3 itself?

Vinod Gupta: This will be major a lot -- a significant amount in Q3, but it's a total for 9 months, but significant amount in Q3.

Moderator: Next question is from Harsh Beria from Professional Investors.

Harsh Beria: I have a question about the domestic business contribution. So, with higher domestic business contribution, how has our working capital evolved? And what is our current working capital cycle?

Vinod Gupta: I think current working capital cycle is part of our presentation that you can see in the presentation.

Shalil Shroff: But I can tell you, by and large, generally, domestic is anywhere between 60 to 90 days. But generally, it is 90 days. And we give -- I mean, because the customers we have been working with them for many, many years, they are like DVs, Laurus, Coca-Cola, Pepsi. So, all these just to name a few. They have been -- they are strong companies. So sometimes the payment comes within 90 days or there is generally an overflow of around 10 to 15 days.

Harsh Beria: And what's the number for exports?

Shalil Shroff: Exports, generally, partly any all are between under 60 days.

Harsh Beria: Got it. And the next question is about the new order for our Industrial Chemicals business. So, given that we have been running at full capacity for the last few years in Pune, how can we service the demand because the new greenfield will also take at least 2-3 years to commercialize? So how will we service the new demand that we have got from a new customer?

Vinod Gupta: What I think we see this is a new facility even that a customer is putting, and we are basically jointly getting an in-principle approval and an agreement where we'll also invest parallelly as they invest in the new facility. So that's the kind of arrangement we are looking at.

Harsh Beria: And what's the timeline for commercialization?

Vinod Gupta: It's, I think, as we indicated, it will be the later part of FY '26 or early of FY '27, but this is a very positive development, mainly because some of these companies have decided that they will buy not from China, but from India, and that's where they are expanding capacities in India.

Harsh Beria: Got it. And I think this was also mentioned like a few years back during COVID, that they were looking for alternate suppliers. Last question on this is our -- I think, our scale of operations in this division is maybe INR100 crores, INR150 crores. So, what kind of scale-up can we see once these, the new facility gets commercialized?

Vinod Gupta: I think we probably are looking at doubling our revenue from Industrial Chemicals business. With this initiative and a lot more other initiatives on some more product introduction on the Industrial Chemicals side.

Moderator: The next question is from Riju Dalui from Antique Stock Broking.

Riju Dalui: My question in regard to the CRAMS division that you have. So, in the CRAMS division, like do you have mostly in Agrochem or it's a mix of pharma and Agrochem?

Moderator: We seem to have lost the management once again. Please stay connected, while we reconnect the management line. We have the management line reconnected. Over to you, sir.

Shalil Shroff: Sorry for the -- apology because near our office, there's some major work happening, and there is getting this disconnection. But please go ahead.

Riju Dalui: So, my question was regarding the CRAMS division. So, it is mostly Agrochem intermediates that we are making or like it's a mix of pharma and Agrochem.

Shalil Shroff: So, in the CRAMS business is basically out of the Agro business, which is 60%, 32% is AI, active ingredients, which we make, 20% would be ongoing products, which were made by Punjab, and around 10% are intermediates, which on a gradual level will increase on a year-to-year basis.

Riju Dalui: Okay. So, in chems division, so mostly we are into Agrochem and Agrochem Intermediates side?

Shalil Shroff: Now, what also happens is that certain Agro Intermediates also go both in Agro as well as Pharma, so we don't want to drop the gun, but there is one intermediate, which we make, which goes into Agro has a very good application in a specialized product? We don't want to name that product nor want to tell which industry it goes in, but it's a very promising product for the future for the company.

Riju Dalui: Understood. And your crams division, so we are mostly making products for the innovator, right? So, like if we're making some intermediates or some AI products for the innovator. So, if you could roughly tell us around the -- like in which stages product that we are making for the innovator, so there might be in number of stages from the innovative perspective. So are you in the early stage or mid-stage. So where are we positioned as a contract manufacturer?

Shalil Shroff: So basically, 2 products, which we make for innovators is already ongoing for many, many years. There is another product which we are under discussion, which is going to happen. And generally, on the AI is we make the final active ingredient.

Riju Dalui: Okay. So, it's the final active -- final AI you are making, and that will close to innovator. Sorry, sir, I could not get your point.

Shalil Shroff: That's right. Technical problem.

Riju Dalui: Okay. Okay. Okay. Understood. Yes. So currently, like we are having mostly Agrochem Intermediates and technicals and by, like, maybe by next couple of years, so we might look at some opportunity for the Pharma Intermediates as well. That is correct understanding?

Shalil Shroff: Yes. So, as I said, 40% of our business is Performance Chemicals, which is divided into the industrial, which is the phosphorus chemistry and the balance is into specialty or intermediates, which is ongoing. And we are already in discussions with many of the companies. Fortunately, things have now become much better.

So, things are getting a little bit on fast track. And that is where to fill those capacities where we have a vision between a long term between 1 to 3 to 5 years, that's where we are looking at a new site to ensure that all these products, when we are discussing because please understand any Pharma Intermediates by the time we do it in the last 2, we go commercial is anywhere between 12-14 months in terms of the cycle for them to even get approved.

Riju Dalui: Understood. And the -- like the supply that you have talked about earlier for the industry Chemical segment that phos chemistry, so for a beverage company. So how much is the peak revenue potential in that agreement or supply agreement?

Shalil Shroff: So, the total business of our -- the Industrial division, we call it the phosphoric acid -- the phosphorus division is around INR130 crore. And as Vinod just mentioned, that moving forward in the next 2 years, we should look at doubling a little bit more going to around, maybe around INR300 crores in terms of the different phosphorus compounds, which we make.

Riju Dalui: Yes. So that is one thing. But my question was that like you have signed an agreement with a beverage company in Gujarat, you will be supplying this phos chemistry. So how much is the peak revenue potential from that business like from that agreement with the beverage company?

Vinod Gupta: We are not going to -- we don't want to project any specific number on any specific agreement. We are looking at the phosphorus business holistically, and that's the projection that we are making for us that we want to more than double our revenue from where they are today.

Riju Dalui: Understood. So mostly, we would like to double our revenue, maybe in the next 2 to 3 years in this division. So how much will be the -- how much the normalized margin you can expect from the business?

Shalil Shroff: For the phosphoric acid business, which we do the product mix, the margin at the EBITDA is anywhere between 18% to 20%.

Moderator: Next question is from Rohit Ohri from Progressive Shares PMS.

Rohit Ohri: I just want to know about this new talent addition, which is there in performance to Shukla as factory manager, what will be the role that you will be playing and which of the plants will be under him?

Vinod Gupta: So Mr. Shukla has joined us, and he is now heading the Lalru plant, and his responsibility will be to further look at the new products because you've seen that our capacity utilization at Lalru has been low. And we have actually identified a lot of products and R&D work, and customer approval is already in place. So, he will take care of scaling up of those products and increasing the capacity utilization.

Rohit Ohri: Because if you look at his experience, he has got a big brand with him, which are more focused towards the Pharma, maybe Hikal, DRL and Glenmark, Lupin and others. So, are you focusing -- or do you intend to make a little bit of a tilt or shift in the product mix in terms of Agrochem as well as Pharma? Should we see a shift in the pie?

Vinod Gupta: So, I think his expertise, I mean, he has worked with these pharma names, but the expertise is around operations in the chemistry part and the safety and reliability. Now that's common for Agro and Pharma with some additional requirement for Pharma coming in from a regulatory standpoint. So, what he brings on table is an excellent experience around operational excellence around product scale-up and for technology transfer. So that's what basically he brings on table for our Lalru unit.

Rohit Ohri: And anything on the replacement for Ashish, if you could share that?

Vinod Gupta: We have started looking for the replacement. And as and when we finalize, I think we'll inform the stock exchanges, and then you will come to know about it.

Shalil Shroff: Maybe we can take 1 or 2 and then.

Moderator: Actually, that was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Shalil Shroff: So, I would like to thank everybody for the time, and I hope me and Vinod did satisfy all your replies. But rest assured, Punjab, we have a very strong product portfolio, which is ready. And as far as the chemistry is concerned, products are concerned. And over the years, you will see that the EBITDA margin is improving gradually, robustically, and thank you once again for your support and your time. Thank you. Bye-bye.

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 your lines.

Vinod Gupta: Okay. Thank you.