"Punjab Chemicals and Crop Protection Limited

Q4FY25 Earnings Conference Call"

May 02, 2025

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. VIKASH KHANNA – CHIEF FINANCIAL OFFICER– PUNJAB CHEMICALS AND CROP PROTECTION LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to the Punjab Chemicals and Crop Protection Limited Q4 and FY '25 Earnings Conference Call 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 conference 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 Mr. Manish Mahawar from Antique Stock Broking Limited. Thank you, and over to you.

Manish Mahawar: 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 and Mr. Vikash Khanna, CFO, 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: Yes. Thanks, Manish for organizing the call. Good afternoon, everyone, and thank you for joining us today. It is my pleasure to extend a warm welcome to all the participants in this season's conference call. We genuinely value your time and appreciate your ongoing interest in our company's performance. I trust you have reviewed the financial results and investor presentation that we have uploaded on stock exchanges.

For today's call, I'm joined by our Managing Director, Mr. Shalil Shroff and our new CFO, Mr. Vikash Khanna. At the beginning, I'm pleased to announce the appointment of Mr. Vikash Khanna as the CFO for Punjab Chemicals. Mr. Vikash Khanna is a CA with 27 years of diverse experience across finance, accounts, audit and business processes. And he has worked with the reputed organizations like CESC, IndiGo, IB Group, Essel Group, etcetera. So on behalf of company, Vikash, I extend warm welcome to you to the team.

Vikash Khanna: Thank you very much, Vinod ji.

Vinod Gupta: The overall business environment continues to be challenging for Agrochemicals and Specialty Chemicals business. Changing market dynamics, aversion to going back to normal inventory levels, thus resulting into challenges in managing supply chain requires the change in business strategy. Price of the most of the products are down from 25% to 50% from their peak levels in 2022.

And accordingly, as all of you know, I think we have been talking about for the last couple of quarters raw material also have corrected. So market conditions remain volatile, shaped by lower demand and intensified competition. While raw materials have largely stabilized, overall export demand continues to face headwinds. Despite these challenges, our team has navigated this environment effectively by leveraging our core strength and focusing on our differentiated product portfolio.

In this challenging market situation, I'm happy to inform that in this current financial year, we have successfully commercialized four new products, which contributed to about 12% of our top line. These products are in Specialty Chemicals segment focused on India, Europe and Japan markets and these are expected to grow at a rate of 15% to 20% year-on-year. At the same time, further product pipeline of new products is looking healthy with sample approvals and trial sample and sample exercise at an -- is at an advanced stage of approvals.

During the last financial year, we have maintained our market share for most of our existing products, except for some cyclical changes in the product demand. Backed by all these efforts, we are pleased to report a strong performance this quarter, driven by sustained momentum across all business segments.

Revenue for the quarter grew by 2.9% year-on-year, while gross margin expanded by 500 basis points to 43.5%. For full year FY '25, gross margin improved by 160 basis points year-on-year. This growth was supported by higher sales volume, enhanced to operational efficiencies, new products and disciplined execution of our strategic initiatives. EBITDA for the quarter registered a robust growth of 93.3% year-on-year with margin improvement by 590 basis points.

This strong performance was driven by a favorable product mix in the last quarter, higher operating leverage and continued focus on cost effectiveness. Meanwhile, PAT grew by 196.2% with margins expanding by 230 basis points year-on-year to 3.5%. In view of the new product pipeline based on R&D -- based on our in-house R&D efforts and technical excellence and growing business interest, we have reinitiated exploring the establishment of new integrated production facility and expect to be operational by end of FY '27.

We are close to finalizing the new facility in the next couple of months. This expansion has potential to significantly scale up our revenue across all business divisions with the capacity to double our current contribution. In the meantime, we continue to invest in asset renewal, debottlenecking our new production block during this year to cater to and handle our complex chemistry in-house.

Our product pipeline remains robust with a positive market response to our recent molecule launches. We anticipate contribution from new products going up in coming years, supported by investment in operational infrastructure aimed at improving raw material and utility efficiencies. With strong fundamental and deeply committed team, we are confident in our ability to sustain growth and create long-term value for all our stakeholders.

With this, I conclude my remarks and I hand over our CFO, Mr. Vikash Khanna, who will provide detailed analysis of our financial performance to you. Thank you very much.

Vikash Khanna: Thank you, Vinod ji and a warm welcome to all shareholders and investors present today. Good afternoon, everyone and thank you for joining us for our Q4 and FY '25 earnings call. I'm pleased to provide a comprehensive summary of our financial performance for the quarter, Q4 FY '25 and full year FY '25. First, on quarterly performance. For the quarter, our revenue from operations reached INR202.3 crores.

Analyzing the geographical contribution, the domestic market accounted for INR121 crores, while the international market contributed INR81 crores to our total revenue. The gross margins for the quarter improved to 43.5% as compared to 38.5% same period last year, up by almost 500 basis points. EBITDA for the quarter reached INR25.5 crores, a strong growth of 93.3% year-on-year.

EBITDA margin for the quarter stood at 12.6% compared to 6.7% in the same period last year. PAT for the quarter stood at INR7.1 crores, up by 196.2%, a robust growth year-on-year. PAT margins stood at 3.5%, an uptick of approximately 230 basis points year-on-year. Now moving on to the full year performance. For the full year, total revenue stood at INR900.5 crores with the domestic market contributing INR553 crores and exports amounting to INR348 crores.

Gross margin reported at 40.3%, making a year-on-year improvement of 160 basis points. For the year, EBITDA stands at INR99.2 crores as opposed to INR113.4 crores in FY '24, a degrowth of 12.5% year-on-year. EBITDA margins stood at 11%. PAT stood at INR38.9 crores, down by 27.4% year-on-year, while PAT margins stood at 4.3%. Our total debt stood at INR157 crores as on FY '25 compared to INR120 crores in FY '24. Our average rate of interest stood at 9% in FY '25 against 9.25% in FY '24.

Capacity utilization across all the three sites demonstrated a positive trend in this quarter. Specifically, the Agrochemicals division in Derabassi achieved a utilization rate of 71%. The performance chemicals division in Lalru reported 64% for FY '25, while the industrial chemical division in Pune operated at full capacity utilization.

Gentlemen, with this, I now open the forum for question-and-answer session. Thank you all once again.

Moderator: Thank you very much, sir. We will now begin the question and answer session. We have our first question from the line of Jainam Ghelani from Svan Investments. Please go ahead.

Jainam Ghelani: Good afternoon, sir and thank you for the opportunity. So sir, just wanted to understand, I mean, after a long time, we have indicated about the capacity expansion, and we have seen an improvement in our gross margin after almost since 2022. So the new products that accounted for 10%, 12% of the overall revenue. So just wanted to understand because last year, the new product contribution stood at 7%.

So if you can help us understand the growth of the product that was launched in FY '24, how much did they contributed in FY '25? And how do we see a growth of all those products in coming 2 years?

Vinod Gupta: So I think the product that we introduced in FY '24, that is continue to grow at around 15% to 20%. That is the guideline, I think I mentioned in my opening remarks. So believe that growth continues this year also, and we are expecting similar growth for next 2 to 3 years because these are new launches and our fresh approvals are coming in place. And it's the kind of growth we are seeing.

And then this year, again, we launched 2 more products and that those two new products have added another 3% of -- to top line in this year, which again will grow at similar volumes of -- similar -- at a similar rate of 15% to 20%.

Jainam Ghelani: So is it fair to understand that the product that was launched in FY '24, which was five products and four products which launched in FY '25, 9 products, all these products in totality contribute to around 12% of the revenue?

Vinod Gupta: Yes, at the moment, yes.

Jainam Ghelani: Yes. And how do we see growth in our base product? Because if you look, the base product has degrown by almost 21% on a year-on-year basis. Definitely, one can understand that there was a pricing pressure. But if you can help us in terms of the volume and pricing from current year, how do we see the growth of the base business?

Vinod Gupta: So I think I'll split your question in two parts. First part is that whether we have maintained our market share or not, because overall demand has been low in last 2 years. So I'm happy to say that we have actually maintained our market share for all our products. So there is no loss of market share.

And in fact, we have gained some market in some new geographies in the last 2 years. Now majority of the degrowth has been on account of pricing. So if I have to give a rough split, it's not an exact split because it is product to product, 70% degrowth is because of pricing and 30% is because of the lower volume. Now this lower volume is because of overall demand being low, but we have maintained our market share.

So even in tough market situation, the positive sign from our side is that we have been able to market -- maintain our market share. including some market share acquisition in new markets also. So as the market is recovering, we are hopeful to regain the volumes and increase our volumes going forward in next -- over the next 2 to 3 years.

Jainam Ghelani: So taking current pricing into scenario and maintaining that assume the current prices prevail, how do we see the growth of the base business for '26-'27?

Vinod Gupta: And our assessment is we should be able to see a growth of around 20% in the range of -- yes, I think around 20% growth will be there in this financial year.

Jainam Ghelani: Okay. So 20% in the base business and 15% to 20% in the new product contribution?

Vinod Gupta: Right.

Jainam Ghelani: Third, I mean, just looking at your balance sheet size, I mean, if you look our revenue in second half has grown by -- we have reported almost INR400 crores of revenue, INR430 crores. But at the same time, our inventory, which was INR160 crores in the first half has jumped to almost INR220 crores. So what was the reason behind sharp increase in the inventory?

Vinod Gupta: So what we are doing is we are also aligning some of the product production cycle and asset utilization metrics. So say, for example, some products which are, say, in demand only, say, up to September, what we decided strategically is, okay, let's start our production a bit early rather than starting only in April and not cater to the market requirement. Now given the overall -- because all the companies do not want to carry inventory on their books, we decided to produce that material and take that as an inventory in our books. And now as the moment the new financial year has started, we have started liquidating that inventory.

So it's a strategic call taken to build the inventory so that we can start selling the product in Q1, Q2, one. And two, also, it helps us to balance out our asset utilization throughout the year. So these were the 2 reasons why we took a strategic call, and that's why you have seen inventory going up. And this will gradually, you will see inventory levels going down to normal levels by end of Q1 slowly. And by end of Q2, I think we'll be back to normal levels what we had in the past.

Vikash Khanna: And just to add to what Vinod ji is saying, if you see the inventory has gone up from INR132 crores to INR222 crores in FY '25, and one of the reasons would be about INR25 crores of inventory, which was lying in transit as on 31/3/25. So -- and as Vinod ji has rightly said that in order to honor our order book positions, we've created some amount of inventory, which will get diluted as we move forward in Q1 and Q2 FY '26.

Jainam Ghelani: Sure. So that is INR25 crores is the order deferment, probably which will be reflected in the Q1 numbers. And along with this, there could be some liquidation of the inventory. So definitely the coming quarters look much better as compared to the second half of FY '25 that what we reported?

Vinod Gupta: That's right.

Vikash Khanna: Yes.

Jainam Ghelani: Right, sir. And in terms of the new facility that probably you will be announcing in next couple of months, and we are expecting the new stream to come online by FY '27 or FY '26?

Vinod Gupta: No, it will be in line only by FY '27. And it will be -- it will be developed in phased manner. So this will be -- I think we have developed a 4- to 5-year plan around the product and the kind of chemistries and the capability that we'll have with the new facility. So we expect that to go on commercial production by end of FY '27 and then gradually add more capacities as we add more products to our portfolio.

Jainam Ghelani: And how much do we expect to spend for that?

Moderator: Sorry to interrupt, Mr .Jainam. Can we please request you to rejoin the queue?

Jainam Ghelani: Last question please.

Vinod Gupta: So I think overall capex layout for this new facility over a period of 4 years is going to be anywhere between INR250 crores to INR300 crores.

Jainam Ghelani: Sure, sir. I have a follow up questions. So I will come back in a queue. Thank you.

Moderator: Thank you. We have our next question from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Thanks for the opportunity. Sir, my first question is on the new capex that we are looking for the new Greenfield capex. So given how the industry has been over the past 2 to 2.5 years, tough times and most of the companies have stalled their capex plans or are not looking to go ahead with the capex. And in our case also, our capacity utilization, there's still some room available for capacity utilization, especially on our Derabassi plant, even Lalru, that's a smaller capacity, but on Derabassi, we do have some capacity available.

So what is the thought process behind management going ahead with this or looking for this capex? Do we have some firm orders in hand or we have some visibility of new products or existing products ramping up? So if you can give -- share your thought process behind the new greenfield capacity that we are looking for?

Vinod Gupta: So I think, first of all, let's look at our current capacity utilization. Now as all of you know that agrochemical product has a cycle. So peak demand starts from somewhere in March and gets over by September. So between March to December, our Derabassi unit utilization is more than 80%. Only in Q4 when the demand is low, the capacity utilization goes down, and that's why you see a lower capacity utilization for Derabassi.

Even for Lalru, if you see year-on-year, we have been able to improve the utilization. And overall yearly utilization is at 64% and Q4, our utilization was up more than 70%. So we are hitting a limit on our capacity being available for the peak demand because it is a cyclical demand. So that's the first reason why we want to look at the capacity expansion.

Second part is that we have -- I mean, if you have seen in the last 3, 4 years, we have mainly focused on debottlenecking and small improvements to cater to any new product and new demands. Now our product pipeline is looking healthy in terms of requiring a dedicated new facility. That's one.

And also, we are seeing good demand on Intermediate, Specialty Chemicals and also on our Phosphorus business. So across various businesses, we are seeing fresh demands coming in. And we believe by the time this facility becomes commercial, market would have recovered. I think pricing remains a challenge, and that's where our technical expertise and R&D capabilities is helping us to compete in the market and serve both domestic as well as exports market. So given this overall these dynamics and our new product addition, we believe that new -- investment in new capacity at this time is the right strategic step for us to take.

Ankit Gupta: Sure. And in the Phase 1 of this capex that we are looking to complete by end of FY '27, any tentative volume that we are looking to add from the Phase 1 of the capex?

Vinod Gupta: I think those details, I mean we'll probably keep it for a later date. I mean we have a 5-year plan developed for the new site. But at the moment, we'll probably not comment on this right now because once -- unless we have a final plan and confirmation with the customers, it's difficult for us to say. But yes, it's going to be a significant upside is what we can say.

Shalil Shroff: And just to add to what Vinod said, when you asked regarding the new site, as you know, that there are a lot of products which are going off patent and Punjab has a very strong position with many companies abroad. And as in his statement, he did mention that we are working on certain projects where there are certain approvals happening. So that business plan is very robustic. And we -- to cater to that demand because there will be huge capacities where we will require this new site to acquire to get these capacities fulfilled as per the customer requirement.

Ankit Gupta: Sure. And sir, on the growth for next year and the margins, as you have indicated in the previous caller's question that the base business, you are looking at 20% kind of growth and the new products also will grow at 15%, 20% next year. So overall, on a company level, we should expect at least 18%, 20% kind of growth, given you'll also be launching some new products in FY '26 as well.

Vinod Gupta: I think you've done your math very well. So, yes.

Ankit Gupta: So first question on that. And what kind of margins can we look for next year?

Vinod Gupta: So our margins profile will continue to improve in the next year, mainly because of this new product addition. And even for existing products, we expect the margins to go up because of our in-house initiatives on tightening raw material procurement, the ability to -- and in some cases, backward integration. So our margin profile will improve in the coming years. We'll not give any specific guidance. But overall, we are seeing a positive upside -- uptrend on this.

Ankit Gupta: Sure. And growth is 18% to 20%? Just a follow-up, you didn't reply. Yes, on the growth front, on the revenue growth front, if you can -- I know you were saying something?

Vinod Gupta: I just said, Mr. Ankit, I think you've done your math very well. So we -- I think your numbers are right on the ballpark side, I think the numbers are correct, what you said.

Ankit Gupta: Sure. Okay. Thank you and wish you all the best.

Moderator: Thank you. We have our next question from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Sir, I couldn't catch the bridge that you gave. So when we see for the last 4 years from the peak of '22 or '23, the volumes are largely flat. So -- and the revenue was down 5%. So what happened to the base business volumes and how much these new line products added to the volume? I didn't catch that number?

Vinod Gupta: So I think what we -- okay, let me see the -- on the new product side, I think it has now reached to around 12% of the top line of the current year. And for our existing products, as I mentioned, I think we have maintained our market share.

Pritesh Chheda: Sir, that observation, I could -- sir, it's a very simple question. In a 25,000 ton volume that is there in the 4 years. So one is relative to the market, we understood that. But in the 25,000 ton volume, how much did the base business volume decline? And how much did the new line products volume was the contribution? We get some understanding on what happened to your base business and what -- how much did come from your new products?

Vinod Gupta: So I think these products because there are significant value differences, the tonnages generally don't make so much of a difference as against the top line and the bottom line.

Pritesh Chheda: So then at the revenue front, is it fair to assume that if 12% contribution came from your new product and you have a 5% decline overall in the company. So the base business declined by 20% and correspondingly, your revenue was flat. Is that a proper assessment?

Vinod Gupta: So I think last year also, we had about 7% from the new products. This year, which has grown to 12%. So the degrowth is not that high. Degrowth will be around 12% to 12% or so, mainly partly by volume and majorly by price.

Pritesh Chheda: Okay. Partly by volume, majorly by price?

Vinod Gupta: Yes.

Pritesh Chheda: Okay. Now from here on, so what happened in the last 4 years is an erosion in your pricing, which impacted your EBITDA. I'm also surprised that a 12% to 15% volume contribution coming from new business, wasn't it at a much higher margin than your existing because it was CRAMS, so it should have contributed to your margin. So is there any other play to the margin other than this whole transition whereby the margins came down?

Vinod Gupta: So I think the current products as we sort of entered the market, in some cases, we took a strategy. I think we have made this in earlier calls also that we took a strategic call to make sure that we maintain market share, because once we allow competition to enter the market and especially if it's a competition from China, then it becomes very difficult to enter again. So we have actually discussed with our customers where even in the contract manufacturing arrangement and have decided to split, take a hit on the margin on the existing products.

Now going forward from this year onwards, we see that cycle coming back to normal where we'll be able to restore our margins. So gradually, we expect our existing product margins to go back to normal levels. Also, we have put a lot of aggressive efforts on R&D for our efficiency improvement. So that is also helping -- will help us to improve our margins for existing products. So as an overall basket, our margins will improve going forward.

Pritesh Chheda: Just a clarification and last thing. So margins will improve for the pricing correction that you have taken or margins will improve for the cost correction that you are taking?

Vinod Gupta: I think cost correction is definitely helping us to stay put in the market. And we expect now pricing correction to start in this year, and product, we are already seeing some price correction. I mean it's a mixed bag because it's a product -- very product-specific market. I mean if I say that, okay, whole agrochemical industry market, prices are correcting, that is not the case. But we are seeing for our product, prices have stabilized and are seeing some improvement now.

Pritesh Chheda: Okay. Understood, sir.

Moderator: Thank you. We have our next question from the line of Viraj Mehta from Enigma Capital. Please go ahead.

Vinod Gupta: Just a moment, I think, Mr. Shalil Shroff lines got dropped. Can you check it, please?

Moderator: Shalil, sir, are you there?

Shalil Shroff: Yes, sorry. I was -- I don't know what happened, it just disappeared. I'm back.

Moderator: Yes.

Vikash Khanna: Right.

Viraj Mehta: Can I go ahead.

Moderator: Yes, Viraj.

Viraj Mehta: Yes. Sir, my first question is regarding the capex. You announced a INR250 crores capex. A, in terms of when you think about the ROC or the asset turnover of this entire capex? What's the kind of asset turnover with the reduced prices that you think we can do on the whole -- your entire capex?

Vinod Gupta: So I think your question is a very valid question because I think if we had talked about the same question 3 years back, you were talking about an asset turnover of about 3x. But given the current market situation, we believe -- and we believe that this will turn in -- by the time we go on stream. But still we can consider about 2x to 2.2x of asset turnover from these new assets.

Vikash Khanna: So Viraj, ideally, 2.5x to 3x is what is ideal, but we are on a constant watch and we'll keep a very close eye as to proper utilization of our assets.

Viraj Mehta: Right. And sir, given that we can probably do 2x and the margins as the way they are, and I'm sure you expect that to -- you expect these margins to improve. But like when you took a strategic call or when you take -- think about investing so much capital for a company of our size, what's the kind of IRR the management and the Board thinks about before approving such a large capex?

Vinod Gupta: So, I think general threshold that we have kept is more than 20% for IRR. And I think for most of our products, this threshold crosses, then only we sort of decide to go ahead for our any further investments. Also, some of these new assets will have much more complex chemistries and multistep processes. So that's where -- it's not going to be simple 1 step, 2 step kind of a product for the new investment.

Most of this will be difficult to replicate kind of thing and product which will be scaled up for our in-house R&D efforts. And that's where we see the IRR probably will be minimum 20% or higher.

Vikash Khanna: So Viraj, just to add to what Vinod ji is saying, ideally situation would be anywhere between 18% to 20% IRR is that we're looking at. But as you know that this entire industry is so dynamic and especially with the current geopolitical scenario, we will be keeping a very close watch as to where we are heading and corrective actions would be taken as and when required. But yes, as a ballpark figure, we would look at anywhere between 18% to 20% IRR from our new investments.

Viraj Mehta: Right, sir. And my last question is, sir, you alluded to in one of the answers to an earlier participant saying that we will look at our customers when they give us the approval. So are we kind of looking at some kind of approvals from customers? I mean are we putting up this facility defined for a customer or we are putting products and then we'll have to go out and sell in the market?

Vinod Gupta: I think this is -- this facility will have a combination. For some of our existing products, we are already seeing increased demand and we don't have capacity if I make a forecast for 3 years. So that will be the first part which will get covered by this project. At the same time, some products that we have developed and which I think as Shalil just said, which have gone off patent and we have developed the process.

We have talked to our customers and samples have gone and it is under approval. The samples are under approval. So we'll need capacities for that also. So some products which will -- which are going off patent, and we believe we found a good competitive solution. Those will be the second part.

And third part, obviously, we are talking to our existing customer base and new customer base for fresh CDMO contracts, which are under discussion. And obviously, the geopolitical situation is changing continuously. Based on that, we believe there will be some opportunity coming our way for this new facility.

Viraj Mehta: Thank you so much, sir and best of luck.

Moderator: Thank you. We have our next question from the line of Rohan Patel from Turtle Capital. Please go ahead.

Rohan Patel: Yes. Most of my questions are already asked. I just have one question. Seeing that we have managed the -- on volumes level and most of the fall is due to the pricing, but still we have managed the margins really well at around 13%. So can we take this as a base margin level and see improvement from here on or you are still like a bit expecting margins to fall down from here?

Shalil Shroff: I think, Vinod, I'll take that.

Vinod Gupta: Sorry, Shalil. Go ahead.

Shalil Shroff: Yes. So as we did tell you that with the new product mix, especially and with the new chemistries which we are looking on, so it's definitely going to be more than what we are at the present. And as on many calls, we have -- did mention that we are also targeting that 18% where we need to be. And the product mix and the chemistries which we are looking at, we believe in the next 2 years, we will be there. So there's not going to be a fall, there is going to be a rise.

Rohan Patel: Okay. So we can take this Q4 margin as a base for next year as well and improvements from there on?

Shalil Shroff: Yes. So you will see that as we lock on. I mean, don't want to talk too much on this call. But as you see our Q1, Q2, you yourself will understand better.

Rohan Patel: Okay. And sir, when you say that we have managed our market share in products and the reason behind the fall in revenue was due to the subdued demand. But still we are telling -- giving guidance regarding growth of 20% in base business. So will that growth come due to increase in market share for us or you see the market going from like growing 20% over next year and we maintaining that market share?

Vinod Gupta: Okay. I think what has happened, Mr. Rohan, that in last 2, 3 years, we have maintained market share, but the inventory levels were high. At the moment, now inventory for the -- for all our products is now taken care of. So there is no inventory in the channel. In fact, in some cases, inventory is completely dried up, even the customer has not stopped even the minimum inventory requirement.

So our hope around growing the volumes is mainly because people will have to buy -- build some inventories, and that's where we'll see growth in the volumes in coming years.

Rohan Patel: Okay. So in this business is due to the low base effect?

Vinod Gupta: Yes, right.

Rohan Patel: Okay. And considering that your guidance is a bit more optimistic. So can we see our working capital improving and coming back to lower than 70 days or around 70 days because we might be needing this like freed up cash to fund our capex?

Vinod Gupta: I think this is a continuous exercise. Vikash, I think you were saying something.

Vikash Khanna: Yes. So Rahul -- Rohan, so our working capital cycle any which ways in the region of about 70 to 85 days currently for the domestic. And with the kind of expansion that we are looking at and the kind of inventories which we've created, we are very hopeful that going forward, we would have a better working cycle looking forward.

And in terms of even our export market, we've got a very good working capital cycle, which is restricted within 60 days and are mostly secured by LPs. So I don't see any challenge in terms of our working capital cycle going forward. If that answers you?

Rohan Patel: Okay. Yes, it does. And just if you can…

Moderator: Sorry to interrupt, Mr. Rohan, may we please request you to rejoin the queue?

Rohan Patel: Sure. Yes.

Moderator: Thank you. We have our next question from the line of Rohit Ohri from Progressive Shares. Please go ahead.

Rohit Ohri: Two questions. First one on the Industrial Chemical side. We've seen that HCCB has transferred or they have given the projects to some independent bottlers like KGBPL. So do you think that these new guys will also continue the business which we have for high-grade phosphoric acid?

Vinod Gupta: Rohit, I didn't get your question. Can you repeat? Because I think -- can you repeat, please?

Rohit Ohri: HCCB has transferred some of the bottling business to independent bottlers like KGBPL. So do you think that?

Vinod Gupta: Okay. Now I understood this. So I think that business because finally, we have an approval at a corporate level. So that approval will continue. In fact, they basically have announced moving some of the facilities to Gujarat, and that's where we have already got an interest from them whether we can look at setting up something in Gujarat.

And this we are considering as a part of our integrated new production facility that we are planning to put up. So that business of high-grade phosphoric acid will continue. And also because I think there is a general direction taken by both the multinationals to reduce dependence on China. So we continue to get approvals for new geographies also for this high-grade phosphoric acid.

Rohit Ohri: So from this INR125 crores, INR130 crores...

Shalil Shroff: Just -- sorry, sorry. Just to add that the phosphoric acid, which we make is of a very high grade. So it also goes into the soft drink market, but also very good for the pharmaceutical -- they use it as a catalyst. So there also, we see an upswing in the market.

Rohit Ohri: Shalil bhai, you think that this INR125 crores, INR130 crores kind of business you can take it and scale it to maybe INR300 crores or something over the next 2 years or so?

Shalil Shroff: Yes, that is where we -- I think in one of the calls, I think somebody had asked me the question. And today, as Vinod just mentioned that reliability on China and now as you know, that the markets are opening up in Europe, U.S., especially in U.S. with this big antidumping. So the phosphorus chemistry has a fantastic scope.

The products which we are in have a very robust market in that geography and we are very confident to achieve because our quality, our product, everything was approved, but was the pricing. But as we have said that we have also gone back to the drawing board, we have done our homework and tried to see to get the best efficiency with the best cost and the best quality.

Rohit Ohri: So in the Phase 1 of the total expansion capex, which you mentioned, INR250 crores to INR300 crores, how much would you allocate for the phosphorus plant?

Shalil Shroff: So I think at the moment, the phosphorus business is around close to around INR120 crores. I think with the existing facility, we can go by another INR50 crores to INR60 crores, which we are pretty confident that during this financial year, we should be at least to that 60% to 70%. And when the new capacity, which will come in, that's where we will have a similar line of revenue to work on.

And as we get more into the different phosphorus, not only on the acid, but the other phosphorus derivatives, we believe the ballpark between that INR120 crores to INR140 crores we can easily take it to INR280 crores to INR300-plus crores in the next 2, 2.5 years.

Rohit Ohri: My second and last question is more on the strategy...

Moderator: Rohit to interrupt Mr. Rohit two questions are up. Can you please rejoin the queue? Thank you. We have our next question from the line of Rohit Nagraj from B&K Securities. Please go ahead.

Rohit Nagraj: Thanks for the opportunity. Sir, the first question is in terms of our raw material or some of the technical sourcing from outside and predominantly from China. So currently, what percentage of sourcing is from outside? And are there any plans for -- and possibilities of any backward integration of some of those raw materials?

Vinod Gupta: So Mr. Rohit, I think we have been continuously putting efforts in this direction over the last few years. And we have reduced our dependence specifically from one country -- I mean, most of our products, raw material comes from multiple geographies, but we have reduced our dependency from China over the last 3 years from about 25% to 28% to right now about 18% to 19%. Now this includes two to three different initiatives.

One is, in some cases, we have done backward integration ourselves. And in some cases, we have worked with Indian companies and given them support in terms of initial sample trials and scale up. And I'm happy to say that whatever -- wherever we have worked, in most cases, we have been able to successfully develop a local supplier, and they are giving us competitive prices vis-a-vis China also.

So this is a continuous journey that we are taking so that we reduce dependence on single country. Another initiative that we have taken is wherever we were, say, suppose dependent only on China, and if India, nobody can develop, then we have gone to other markets like Korea or Europe, and we have found some very interesting sources from there also to supply us raw materials. So that's the kind of diversion we have done on the raw material supply chain risk side.

Rohit Nagraj: This is helpful. The second question is on the export side. So given that China is also equally active in the exports market, how has been our interaction with our clients or new prospects and the feedback from them given that they also might be approached by some of the Chinese players? So just a broader perspective would help to understand how our export strategy is likely to shape up?

Vinod Gupta: So I think broadly because most of the -- as you know, that most of our products are under exclusive or CRAMS kind of approach. So the customers have remained with us. Obviously, Chinese suppliers are approaching them. So I think because it's an open market and everybody knows has all the information, but our customers have remained with us. Yes, they keep on coming back to us with the offer or price being offered by China market.

And that's where it's a dynamic strategy that as I think I sort of mentioned earlier that we have taken to make sure that Punjab Chemicals as a producer and our customer as a supplier in the market does not lose market share. So yes, I think this is an ongoing exercise. And I mean, it's a continuous exercise that we are trying to make sure that the customer remains with us. And it has been a reasonably successful exercise where we have maintained our market share.

Shalil Shroff: And also just to add that maybe some of the products where there is a contract in which they have dual supplies, that is one is India and one is China. And that market share from China, they want to increase with India, Punjab Chemicals to an extent because of the problematic situation in China, basically with the tariffs and other parameters. So you will see in the next 2 years, people already are looking -- are already knocking our doors not only on the agro side, but also on the specialty and intermediate side.

Rohit Nagraj: Sure. This is helpful. Thanks a lot and all the best, sir.

Moderator: Thank you. We have our next question from the line of Agastya Dave from CAO Capital . Please go ahead.

Agastya Dave: Thank you very much for all the explanations that you have given. It has made everything much clearer. Still, sir, most of my questions have been answered, but I do have some clarifications. Sir, you gave us a very nice commentary on why the inventory levels have gone up, and you mentioned that they will be tapering down till by the end of Q2. Sir, if I were to look at it from a capital deployed angle, throughout the year, what is the number that we should take?

You mentioned 75 to 85 days, but that's what the reported number is, I'm assuming. But in the business, inherently, what kind of working capital do you actually need adjusted for the seasonal variations?

Vikash Khanna: You see on the key ratios, I mean, if you were to talk of our debt equity currently, we are at a very comfortable position of about 0.4 vis-a-vis what it was in FY '24. So just to answer your question on working capital requirement, I think we're very comfortably placed both in terms of our borrowings, which is not on a very, very high platform.

We are very comfortable with our borrowing, which is currently at about INR153 crores, out of which also we are looking at increasing our capex contribution going forward. As Vinod ji said, we'll be putting in about INR250 crores for our capex. So we don't see any major threat in terms of our working capital cycle.

Agastya Dave: Okay.

Shalil Shroff: And also just to add -- sorry, just to add what Vikash said that we are a supply strategic for our agrochemical technicals. So these are all which are under -- especially for the export market is 60 days, which are backed with LC or a nonrecourse discounting. And the domestic also the customers who we work where they are anywhere at around 90 days, which we may get it between 85 to 95 days.

These are also very reputed companies and with whom we are dealing for several years. So there is no any such problematic for us in terms of our working capital and the turnaround in terms of manufacturing and getting back the revenue.

Agastya Dave: Understood. Okay. Sir, you gave a range for what used to be the asset turnover ratio once upon a time during the hey-days. So that you said was around 3x. And then you gave a number and then it became a range. So can you give a more -- like can you repeat that answer again, what exactly would be for considering all the new launches that you are doing and the fresh capacity? For the fresh capacity, what kind of asset turnover are you expecting at the current prices?

Vinod Gupta: I think what we said is for the fresh capacity, asset turnover will be anywhere between 2x to 2.2x is what we are expecting for new facility. Existing facility, I think, I mean, partly, we have depreciated asset, but anyway we are investing a lot on I think our asset turnover is anyway reasonably high already.

Agastya Dave: Yes, sir. And final question, sir, you -- it seemed to me that you mentioned that the number 18% with respect to the margin. Did you -- did I hear it right, sir? No, no, just this, I'm done. These are just follow-ups. So did I hear that right, sir? Did you say 18%?

Shalil Shroff: Yes. So as I -- I think somebody asked that when we see 13% for this Q4. So I said definitely, as you see Q1, Q2 coming in for the next year, you'll see that thing growing. And our aim is that between the next 2 to 3 years, our target is with the product mix, with the new products, which are high value with a better contribution, we will be at around 18%.

Agastya Dave: Great, sir. Thank you very much for giving me the opportunity and hosting the call. All the best.

Moderator: Thank you. We have our next question from the line of Shaurya Punyani from Arjav Partners. Please go ahead.

Shaurya Punyani: Yes. Sir, could you give a revenue breakup of the three divisions like Agrochemicals, Specialty and Industrial, how much they contribute?

Vinod Gupta: I think though that revenue breakup generally is -- we don't give because I think these are all moving dynamics from quarter-to-quarter. But at an overall business level, what we can say is that all the three business verticals are seeing a turnaround and are seeing better prospectives in coming quarters and coming years.

Shaurya Punyani: And sir, another question on your capex. So this INR250 crores, INR300 crores capex you are saying, so this is for just Phase 1 or your entire 5-year plan and how it is going to be financed?

Vinod Gupta: So I think it is basically this project will be -- obviously, the project time line will be around 2 to 3 years for us to complete. And project financing will be a mix of internal accruals and some external financing. Vikash, maybe you can respond.

Vikash Khanna: Yes. So Shaurya, I mean, as it is very common with most of the organizations, when we're going for such kind of a capex, obviously, with the kind of current ecosystem that we have in the socio-political scenario that we're going through, it would be funded by external borrowing.

Now we are very closely monitoring our -- as we said, we brought down our cost of borrowing in the current year. And going forward, too, we are looking at the best case scenario where we could bring down our cost of borrowing. But yes, to answer your question straight away, it is going to be through an external borrowing. Now we've yet to decide whether it's going to be a domestic or a forex currency loan. But yes, it is going to be a loan on our -- debt on our books for the new expansion.

Shaurya Punyani: This is just a Phase 1, right? For further, we will incur more capex?

Vikash Khanna: So for the capex that we are saying is, as we said, it is going to be spread over the period of next 2 to 3 years. Yes.

Shalil Shroff: And just to add, so as and when our expansion happens because business talks, business discussion always happen on a year-to-year basis with the customers and new customers. So as and when it comes in, we will see best possibility to see what type of debt, what type of things we are looking into to ensure that our debt level does not increase and we are at what at the present we are working on to take it forward.

Shaurya Punyani: Okay, sir. Thank you so much.

Moderator: Okay, sir. So we have a follow-up question from the line of Jainam Ghelani from Svan Investments. Please go ahead.

Jainam Ghelani: You mentioned that we are expanding our R&D team from 30 to almost double. So sir, what was our R&D expense for FY '25? And how do you see that going forward?

Vikash Khanna: You see our R&D expenditure has been almost -- we've kind of done a reasonable amount of expenditure there, and it's been in the range of about 2% to 3% of our total cost has not been very high in terms of our total expenditure. But as we move forward, as we find new chemistries being rolled in, as we find new molecules being developed, of course, we will try and maintain the same levels of our R&D.

Shalil Shroff: And just to add, please understand that R&D is the backbone of any organization. And for us to -- with the way the world is moving and with China, people are looking more and more into India, where we need to invest a lot into R&D, into people. So that will be always a continuous process. And if you see our investor presentation, you can see, I think, one of the slides, which talks a little bit more about our R&D and what is the manpower and how we are looking at it.

Jainam Ghelani: Okay. And sir, at current pricing, what is the peak revenue that we can expect from our current facilities?

Shalil Shroff: So at the moment, our turnover -- because also please understand in the last 2 years in terms of revenue, the prices have also gone down. But having said that, where Punjab turned INR1,000 crores, I think, around 3 years back and then we went to INR936 crores, and we are at INR900 crores. And with product pricing, which Vinod did mention in his opening remarks and also, I think during some people who spoke about it.

So you should appreciate that the team has done a fantastic job in adding new products, maintaining that margin, and answering your question, the way we are looking at this -- the 2 facilities, including Pune, if everything goes well, with the revenues, what we are looking at should be around INR1,500 crores plus.

Jainam Ghelani: Okay, sir. That's it from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today. And I now hand the conference over to the management for closing comments. Over to you, sir.

Shalil Shroff: So thank you very much, everybody and I hope me, Vinod and Vikash were good enough to answer your questions. Please do understand there are certain confidentiality where I with folded hand say sorry, we are not -- certain product name, certain distribution among the products, we are not very clear. But as and when there is something, we can meet and satisfy all your questions.

And once again, thank you so much for all your time. Have a good afternoon and a good weekend ahead. Thank you, Antique, for hosting this call. Thank you once again, guys. Cheers.

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