

Punjab Chemicals and Crop Protection Limited Q2 and H1 FY26 Post Results Conference Call

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MODERATOR: **MR. RIJU DALUI – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day and welcome to the Punjab Chemicals and Crop Protection Limited Q2 and H1 FY26 Post-Results 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Riju Dalui: Thank you, Sarthak. On behalf of Antique Stock Broking, I would like to welcome all the participants on the call of Punjab Chemicals and Crop Protection.

On the Management side, we have Mr. Shalil Shroff – Managing Director, Mr. Vinod Gupta – CEO on the call.

Without further delay, I would like to hand over the call to Mr. Gupta for his “Opening Remarks”, post which we will open the floor for Q&A. Thank you and over to you, sir.

Vinod Gupta: Thanks. Good afternoon, everyone, and thank you for joining the call today. It is my pleasure to extend a warm welcome to all the participants in this Q2 and H1 FY26 Earnings Conference Call. We sincerely value your time and continued interest in our Company's performance. I trust you have reviewed the financial results and investor presentation which is now available on the stock exchange. In the call with me today, we have Mr. Shalil Shroff – our Managing Director, and Mr. Bishan Singh, who is our Finance Head.

In our industry, overall, first I will begin with the industrial scenario:

The overall industry continues to show signs of recovery after a prolonged period of correction. Inventory levels across the key markets are normalizing and pricing trends have begun to stabilize, supported by gradual pickup in demand across each user segment. The global chemical industry has also witnessed improvement during the quarter, aided by easing supply chain pressure, stable raw material costs, and revival in industrial consumption.

I am pleased to share that Punjab Chemicals delivered a steady and positive performance this quarter. Revenue from operations stood at Rs. 255.2 crores, reflecting a 5.4% year-on-year growth. This performance was driven by consistent momentum across both domestic and export markets. Gross margins stood at 39.5% and EBITDA at 26.2 crores, representing 2.5% year-on-year growth. As all of you are aware, that Punjab was hit by heavy floods during the last quarter and our EBITDA margin took a hit of about 1% due to a sudden jump in fuel prices as the fuel became scarce and supply was short.

Our focus on operational excellence, product quality, and cost management continues to strengthen our competitiveness in an environment where supply capacities remain elevated. During the quarter, we continue to reinforce customer relationships, enhance research and development initiatives, and invest in technical capabilities to support long-term growth. We are in advanced stages of developing several molecules across both agro-performance chemicals and specialty segments, which are expected to be commercialised over the next few quarters. The new molecules introduced over the last few quarters are gaining strong traction both in domestic and international markets. Their contribution to overall revenue is steadily increasing and we expect their value addition to strengthen further in the coming quarters.

The CAPEX plan announced last quarter to build a new manufacturing block is progressing well. This investment will cater to a rising demand of existing products and support the new product pipeline and also enable faster commercialisation of upcoming molecules when operations commence. At the same time, we continue to invest in asset renewal. Our asset renewal exercise continues on a regular basis.

Last quarter, we had taken up a revamp of one production block, and in this quarter, we have taken up a revamp of two more production blocks. Additionally, we are evaluating a new site to support our medium to long-term growth trajectory. This will further diversify our manufacturing base, enhance supply resilience, and provide scale benefits as we ramp up the production of new products. Our business development team continues to pursue new opportunities through deeper customer engagement and strategic collaborations. The Company remains committed to advancing innovation and expanding its chemistry portfolio and capturing value in niche, high-growth segment of specialty chemicals. We remain confident in our strategic direction and continue to focus on delivering sustainable value to all our stakeholders. Our core principles of innovation, quality, and customer centricity remain integral to everything that we do.

Now, I move on to Q2 and H1 FY26 financials:

Starting with Quarterly Highlights:

For the quarter, revenue from operations stood at Rs.255.2 crores, representing a 5.4% year-on-year growth. The domestic market contributed to Rs.115 crores, while exports accounted for Rs.140 crore sale. Gross margin for the quarter stood at 39.5% while EBITDA came in at 26.2% reflecting a 2.5% growth year-on-year. EBITDA margins stood at 10.3% compared to 10.6% in the same period last year. As I mentioned earlier, there was a hit of about 1% because of the sudden fuel prices shock we saw in the last quarter. Profit after tax for the quarter was Rs.18.5 crores, with a PAT margin of 7.3%.

Now, moving to half-year highlights:

Revenue from operations in H1 FY26 reached Rs.574.7 crores, representing an 18.6% year-on-year growth. The domestic market contributed to Rs.313 crores, while exports accounted for

Rs.262 crores. Gross margin for the period stood at -35.9%, while EBITDA came in at Rs.60.6 crores, reflecting a 13.1% growth year-on-year. EBITDA margins stood at -10.5%, compared to -11.1% in the same period last year. Profit after tax for the quarter was Rs.39.2 crores with a PAT margin of 6.8%. Capacity utilization level remains healthy across all the sites. Our Derabassi Division's capacitive utilization was 77%, whereas Lalru Division's utilization was 62%, and Industrial Chemical Division at Pune continued to operate at the usual utilization level.

With this, I conclude my opening remarks and open the floor to question and answer session. Thank you once again for your time and continued support.

Moderator: We will now begin the question-and-answer session. Our first question is from the line of Rahul Jain from Credence Wealth.

Rahul Jain: My first question is with regards to the industry environment. We understand for last 3-4 quarters in general, the commentary from our side and also the industry has been, the export markets, the de-stocking is almost done, and volume growth has been visible. But on the pricing front there seems to be no change or the prices have become stable at the lower end. Just to understand on the pricing front, are you seeing any kind of changes in terms of the pricing part where probably some product sizes have started moving up, some of them are still stable? Anything on that side?

Vinod Gupta: At the moment, overall pricing remains stable except in some occasional cases where there are certain supply shocks or something. But mostly the prices are stable. So, for this year, we expect prices to be stable. And may be because there are from time to time, we see a possibility to increase prices for certain products, so maybe in a couple of quarters we will see improvement in the pricing in the margins for the industry as a whole and for our Company also.

Rahul Jain: My second question is with regards to our bifurcation of sales between exports and domestic. So, export has done exceptionally well for us for last two quarters. In fact, the current quarter exports are almost at a 10-quarter high. So, what are the drivers for this growth which we are seeing in exports and how sustainable do we look at this number of 140-150 crores? What kind of growth from here are we looking in exports?

Vinod Gupta: I think what you are seeing a revival in export demand is commensurate with the commentary that we are having that the global inventories that are at lower levels. Hence, whatever product that we sell mainly to Europe, US, and Japan markets, those demands are good and hence our sales have increased. There is one more variable which I think from time to time that comes in which we highlighted last quarter also, that in some cases, customer takes the material in India. That is why it gets counted as a domestic sale whereas actually the material is for export. So, overall, if you see from quarter-to-quarter, our export and domestic market share has been close to 50%-50% each. It is mainly because of the accounting or when the customer takes on the FOB basis, that gets accounted for domestic sales. But yes, overall, export demand is

healthy and all the products where which are based on export those plants are running full-scale, and we are seeing very good demand this year.

Rahul Jain: What kind of volume growth we have seen in this quarter, say year-on-year?

Vinod Gupta: Year-on-year we have already seen for export market about 10% growth, if I put all the products together.

Rahul Jain: What is the new product share in this, within this in the first year?

Vinod Gupta: I think last year we had closed at about 12% contribution, 12% revenue coming from new products. For the first half year, we are at about 16% and this share is increasing slowly.

Rahul Jain: The last question, on the domestic front this quarter is almost again at the lower end of last 5-6 quarters at Rs. 115 crores. So, how much of it is due to kind of seasonality, some sales which happened in Quarter 2 and are there any sales returns in this quarter? And how do we look at the domestic sales going ahead?

Vinod Gupta: Domestic sales market demand has been quite stable. We saw one particular product where there was a seasonality and that is where we saw a drop which is not a long-term phenomenon, it is a short-term phenomenon of one or two quarters. We see domestic demand being healthy. We are a B2B business. I mean, you just said about the sales return, we do not have sales return because we are into a technical market only. We are not into formulation where there are sales return. It is only some seasonal demand which sort of has gone down. And also, this year this excessive rain has impacted some of the product local material movement. Otherwise, long-term trend is healthy and growing.

Moderator: Our next question comes from the line of Jainam Ghelani from Svan Investments.

Jainam Ghelani: As you mentioned in your opening remarks that you are evaluating a new site for further growth. So, what is the quantum of this CAPEX that we are planning and when can we expect this? Because I believe that over the last 4-5 Quarters, we have been looking for new opportunities for a Greenfield CAPEX, but that is not capitalized. So, when can we expect one, please?

Vinod Gupta: We have been looking. You are right that we have been sort of looking for a site for last 4-5 Quarters and we have consciously not concluded this because we were seeing signs, we were waiting for signs of revival for the industry demand, and we wanted to time it according to the demand revival. That is where you will see that we have announced a CAPEX for new production blocks because we believe that it will be rightly timed to the product commercialization that is happening for our product portfolio. And for this new site, we are already in discussion with a couple of potential candidates, and we hope to conclude this in the next two quarters, this whole deal. And over a period of three years, the site CAPEX will be about 350 crores.

- Jainam Ghelani:** In the presentation we mentioned that we signed three new MOUs. So, what could be the revenue potential from these three for the export-oriented products?
- Vinod Gupta:** I think that we mentioned last quarter, each of these products is about 50 crores once the product fully matures and stabilizes. We are expecting a sale of anywhere between 125 crores to 150 crores over a period. So, the cycle which is there for agrochemical products which starts with sample approval to five batch analysis to the product registration, so there is a slightly longer registration period, but once that happens, steady state sales will be anywhere between 125 crores to 150 crores from these three MOUs.
- Jainam Ghelani:** Last question from my side. Do we maintain the guidance that we had given in the last con-call that 1200 crores to 1400 crores revenue in FY27 and 16% to 18% margins?
- Vinod Gupta:** I think, what we had given for FY27, yes, around 1200 crores. What we have given a guidance was about 15% to 20% year-on-year growth. That is the first guidance we had given that we maintain. And second growth we had maintained that eventually over a period of time we are targeting an EBITDA margin of 16% to 18%. I think we did not mention specific to FY27. But in the long run, over a period of time, we are looking at increasing our EBITDA margin to 16% to 18%.
- Shalil Shroff:** Also, just to add, as Vinod said that some of these products have their own registration and which takes time. We are in close contact with our customers and we believe that once this come in, it will be a robust way forward in terms of revenue.
- Moderator:** Our next question comes from the line of Rudraksh Raheja from Ithought Financial Consulting.
- Rudraksh Raheja:** Can you give us an outlook on EBITDA margins for this year? Like 16% to 18% you said for the long term, we should expect. How should we end this year?
- Vinod Gupta:** So, I think for this year, we will maintain steady EBITDA margins of around 12%. It should be anywhere between 11.5% to 12.5% is what we will look at this year and then gradually improving from next year onwards.
- Rudraksh Raheja:** Could you throw more light on the levers we have for margin expansion? The bridge that is let's say from 13% to 16%, the incremental 3%-4%, what are the levers we have that will kick in and help us attain that level?
- Vinod Gupta:** There are 2-3 levers that we are focusing upon. One is obviously the new product introduction, which we believe will give us higher EBITDA margins and the share of these products gradually will improve. That will be the biggest contributor to improvement in our EBITDA margins. Second lever is our aggressive effort on making sure that either we improve our efficiency of processes, or we are also looking at some backward integration so that we can improve our competitiveness and margins. And lastly, obviously, this is more dependent on the

market, we are finally believing that maybe the worst period for the market is slowly getting over and over the next 1 or 2 years the market will go back to normal conditions. Hence, our ability to charge better prices or our normal prices, I would say, for most of our products will be much better. Starting with these 3 components, we believe that we should be able to reach that EBITDA margins of targeted EBITDA margins.

Rudraksh Raheja: When you say that we are looking a bit on the backward integration side also, would that come in with our new Greenfield CAPEX, or it would be separate from that?

Vinod Gupta: Basically, what we are trying to do is to map various assets. It's not very specific to whether it will be a part of a new Greenfield or the Brownfield expansion. It is more around looking strategically to certain key raw material and seeing whether we can make it in-house or we can develop a process where our cost is lower than what we procure from the market.

Rudraksh Raheja: You touched upon the industry trends with respect to prices coming back and all of that. How is the performance of our legacy molecules like Metamitron or Metconazole in the first half of FY26, both on pricing and volumes front.

Vinod Gupta: So, I think I will not comment product specific. Overall, I will say that demand is healthy and our volumes are steady. In fact, maybe higher than what we have done in last 2 years. On the pricing front, we have not seen much improvement in the pricing this year, but volumes are much better. So, that's where you will see a momentum picking up there. And as the market demand stabilizes and the capacities get full, we believe that over the next 2 years, our traditional molecule like Metconazole or Metamitron or Ethofumesate, our profitability will improve because we have worked very aggressively on these products to also improve our cost. So, once the market improves, our profitability will be quite healthy.

Moderator: Our next question comes from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: Harping back on the point of decline in revenues in the domestic market, over the past 6 quarters this has been our lowest revenue in domestic markets. And we have seen performance and commentary of some of the formulation players for Q2 where they have highlighted challenges in the market because of lower pest infestation and unseasonal rains. So, if you can comment on that and how do you see the domestic market playing out for the second half of this year given, we have seen some unseasonal rains in October month also in some of the geographies?

Vinod Gupta: I think overall in the domestic market, what you hear from the market is right that because of unseasonal rains all across India there has been an impact on the demand for this particular season. And that's where you have seen some impact, but we have been able to significantly make up for that from our export sales. Now, we expect the domestic demand to pick up, maybe not to the same level, not fully, but we are quite confident that we will make up for any shortfall in the domestic sales with an export sale. So, that's the overall product portfolio. That's how it is now shaping for us.

- Ankit Gupta:** Do you see this challenging scenario continuing in the second half also given the rains we have seen in October?
- Vinod Gupta:** Some spillover impact will definitely be there because finally if a season is not good, some impact will be there. And that's where we believe our export demand which is looking quite healthy will mostly compensate for it. And maybe even we will still be able to maintain our original projection of about 15% to 20% growth.
- Ankit Gupta:** Some of the formulation players have highlighted that October has seen a significant decline in the market and Rabi also has started on a very weak note. So, have you also observed that?
- Vinod Gupta:** I think we are in the same industry. So, finally, we will see the same impact. But again, I repeat that overall, our product mix right now is looking such that we have increased export sales and overall demand, if there is any shortfall of domestic, we will cope up for or more than make up for that from our export sales.
- Ankit Gupta:** The second question on the margins front. So, given higher proportion of export sales in the Quarter and despite that we haven't seen much improvement in our EBITDA margins. So, are the margins in the domestic and export market largely in line with each other or how does it work?
- Vinod Gupta:** I think I will not like to qualify based on the market. Overall basically, I will make 2-3 points. One, we saw a hit of about 1% to 1.2% in the last quarter on account of unseasonal rains and fuel. And along with fuel, because of the rains, there were a lot of power outages which also resulted into a lot of inefficiency in operation. So, that's one factor. And the second factor is mostly our traditional products margins have started improving, they have not reached the healthy levels, but new product margins are healthy. I think that's a broad comment I would like to make on this particular point.
- Moderator:** Our next question is from the line of Deepak Poddar from Sapphire Capital.
- Deepak Poddar:** First up, wanted to understand our tax rate. I mean, this quarter, our tax rate was very low. So, how should one look at tax rates going forward?
- Bishan Singh:** Our tax rate is, we have opted the lower rate that is 22%. But during this quarter, we had received the one order which is in favour of the Company from ITAT. And the excess provision of around Rs.2 crores was written back in the region.
- Deepak Poddar:** So, on an annual basis, we should look at 22%, right?
- Bishan Singh:** Yes. 22 is the base rate, but including the surcharge and all these things, the exact rate, the effective rate is 25.168%,

- Deepak Poddar:** What about the other income? I think last two Quarters; we are seeing some other income. So, can you throw some light on the nature of it and how sustainable are those other incomes?
- Vinod Gupta:** I think other income mainly is on account of foreign exchange gains. That is basically mark-to-market. So, that keeps on happening from quarter to quarter. As you have seen, Rupee has depreciated in the last six months, Euro has appreciated significantly. And that is where we have seen those other incomes, mainly on account of foreign exchange.
- Deepak Poddar:** So, our 40%+ exports right now. So, which country would dominate that? From which countries will we be getting majority of our exports?
- Vinod Gupta:** Mainly our exports are Europe, Japan, and US. These are the three geographies. Majority is contributed by Europe, but that does not mean that all the transactions are in Euro. Even if you sell it to Europe, transaction can be Dollar or Euro depending on the customer and our agreements with the customers.
- Deepak Poddar:** Any impact on the tariff?
- Vinod Gupta:** We have had some impact, but negligible so far, mainly because the customers in US have still continued to buy the material because it looks like the cost of any tariff will be borne by US customer. But long-term impact is yet to become very clear. At the moment, we have not seen any significant impact on our business.
- Deepak Poddar:** Any CAPEX figure we have for this year and next year, FY26, what sort of CAPEX we are planning?
- Vinod Gupta:** I think we have already announced. So, basically, year-on-year, we do about 20 crores to 25 crores on asset renewal. That number remains for this year and next year. And for the new blocks we have already announced that we will invest 60 crores in the new production blocks and the new site as in when it comes in phased manner, there will be a capital outlay for that project.
- Deepak Poddar:** I was just trying to understand the CAPEX plan for this year specific and next year separately.
- Vinod Gupta:** This year, I think we will end it for asset renewal, about 25 crores for the existing asset renewal, some CAPEX for some capacity expansion. So, total CAPEX may be about 35 crores to 40 crores for capacity expansion and for asset renewal. And maybe this year, another 10 crores to 15 crores for the new blocks the construction that we have started. Majority of capital outflow for the new blocks will happen in Q1, Q2 of next year.
- Deepak Poddar:** So, only 10 crores to 15 crores in the new site we expect to spend this year.
- Vinod Gupta:** Yes.

- Deepak Poddar:** One last thing, when you mentioned EBITDA margin of 11.5% to 12.5% for this year, this is excluding the other income, right? I mean, operationally, you're talking about that.
- Vinod Gupta:** All the numbers what we are talking about is excluding other incomes.
- Deepak Poddar:** The reason I am asking, first half your margin average is around 10.5%. So, second half you have to do 12.5%, 13% to have that average of 11.5% rate.
- Vinod Gupta:** I think our product pipeline, etc., looks such that we will be able to improve because product mix, most of these things are dependent on product mix and our second half product mix is better than first half. Also, we don't expect unexpected costs like flood and all, where we incurred a lot of expenditure in the first half.
- Moderator:** Our next question comes from the line of Rohit Nagraj from B&K Securities.
- Rohit Nagraj:** Good to see the exports performance improving. So, just one question again on the exports market. So, given that we have seen a quite strong growth on a YoY basis, is it that the Chinese supplies have been moderating and that is the precise reason generally it is being beneficial for the Indian counterparts? So, what is your observation? And based on your talks with your customers and the pipeline, do we see that in the next half also, the same export momentum will continue?
- Vinod Gupta:** I think overall what the market demands for most of our products has remained healthy in this year. And our efforts to improve our efficiency cost over the last 2-3 years has helped us to stay competitive in the market. And despite the Chinese supplies being available in abundance, we have been able to maintain and grow our market share and that is where you will see our export performance is slightly better. So, to answer your first question, Chinese supplies have not subdued or anything of that sort. It is mainly around market competitiveness and our ability to play in that market. I think that was your first question. Second question, whether we will be able to maintain that momentum? I think as I mentioned, rather than mentioning specific domestic or export market, we will continue to maintain our overall guidance of 15% to 20% revenue growth year-on-year for this year.
- Moderator:** Our next question comes from the line of Anupam Agarwal from Lucky Investment.
- Anupam Agarwal:** My first question is on your comment made in the last concall. You said five products will commercialize in FY26. Can you give some light on how many have been commercialized in the first half and what has been the feedback and traction on the ground?
- Vinod Gupta:** From one of the five products, two products we commercialized in the first half. Both products have been accepted very well in the market. And now we have started working on next year demand because these are all seasonal products. So, this year we started on a very strong note with a very good acceptance for these products. Other three products, we have now taken up

commercial trials for those products. I think those are also on track in terms of our plan to start commercial supplies in the second half.

Anupam Agarwal: Will all five be commercialized by FY26?

Vinod Gupta: We will commercialize all five in FY26. That is right. For each of these, obviously, for example, one product that we commercialized in the very first year, we were able to do a very healthy volume of about 35 to 40 tonnes. Whereas, for other products, the volume is depending on the market and customer's requirement for commercial trials and market acceptance test. So, all the five products will get commercialized. That's for sure.

Anupam Agarwal: What is the breakup in terms of the end application?

Vinod Gupta: Basically, two products are in agro sector. One is a pharma intermediate and two are in specialty chemical sector.

Anupam Agarwal: All these five products are for export market or any for domestic market?

Vinod Gupta: I think out of the five, three are for domestic and two are for export market.

Anupam Agarwal: My next question is just comparing the H1 over H1. Our gross margins have fallen by about 250 basis points. Can you give some driver as to why this has happened?

Vinod Gupta: I think, as we mentioned in Q1, what we had done this year that in order to align market demand with capacity utilization, we had done a lot of production in Q4 of last year. And for accounting practice, once you produce, most of the cost gets absorbed there. So, gross margin for Q1 were on lower side because that was more of a strategy call that we have taken so that we can capture the market in Q1. And that's how you see the gross margins are on lower side. But at an overall business level, the margins are around 39% to 41%. That's what we have been maintaining and that's what continues to be the case.

Anupam Agarwal: My third question on your CAPEX. So, I understood your CAPEX plan for the next 2-3 years. How are we planning to fund this?

Vinod Gupta: It will be partly from internal accruals, and we will take that depending on the timeline and the requirement of the project. That's the main idea right now. I think, if you want to add anything, that's a major thought.

Shalil Shroff: As far as the CAPEX part, we are also looking at various other aspects on raising these funds. So, at the moment, as Vinod said, yes, it will be through internal accrual and partly debt. And as and when we come up with the right solution, which we are already on it, we will definitely let you know.

- Anupam Agarwal:** Just one more, if I may. I remember your comment made earlier that existing gross block can give about 350 crores of revenue per Quarter. Any changes in that given the market dynamics or would that change?
- Shalil Shroff:** At the moment, we maintain the same thing. As I said, all these products go through, whether it's a pharma intermediate or an agro, it goes through various parts of registration. And as Vinod did mention that all our products out of the two which are commercialized and the remaining three will be commercialized. So, we maintain the same momentum at the moment.
- Moderator:** Our next follow-up question comes from the line of Rahul Jain from Credence Wealth.
- Rahul Jain:** One question with regards to the phosphoric acid. So, the existing unit, I understand, can give us about 160-180 crores of sales. And then we were planning some expansion in the phosphoric acid also. So, that will be a part of the new Greenfield project only or are we trying to put up a separate unit for that?
- Shalil Shroff:** As we mentioned and you're right that the existing business can give a revenue which we are right now at between 120 crores to 130 crores and an additional 50 crores to 70 crores can come in from the existing site. The new site, as you know that we are in discussion with our customers and it will be coming up in the new site. And as Vinod mentioned, in the next two Quarters we are almost in discussions and once it is finalized, we will let everybody know at the appropriate time.
- Rahul Jain:** So, this will be a part of the larger Greenfield CAPEX which you are talking about?
- Shalil Shroff:** Absolutely right.
- Rahul Jain:** With regards to gross margin, we are currently in this Quarter around 39%-39.5% gross margins with proportion of new products rising and with this new three contracts which we have signed for which we have some specialty chemicals also. So, in terms of gross margin, where do we see our gross margins going ahead in the next one to two years?
- Shalil Shroff:** As the new products come in and as we mentioned that these new products have a better capability in terms of the margins because there are not many players and these are more long-term contracts with good multinational companies with whom we are dealing with. So, in the next one to three years, at the moment, if we are at 38%-39%, we expect to go anywhere between 40% to 45% in the next two years.
- Rahul Jain:** With regards to the Brownfield block, it is expected to commission or commercialize by what time frame?
- Vinod Gupta:** We are targeting it to be commercially available in Q3 of next year.
- Moderator:** Our next question comes from the line of Richa Joshi from OM Associates.

- Richa Joshi:** My question is, how are the demand and pricing trends in key export markets like Europe, Japan and Latin America evolving compared to like Q1?
- Vinod Gupta:** As mentioned earlier, pricing scenario has not changed significantly over the last quarter. So, they continue to remain stable at lower level for all the markets. However, demand is rising. So, the good part is that demand has revived, and we expect that with the demand revival over the next couple of quarters we will also see pricing revival. That is one for our existing regular products. And for new products, obviously, pricing and profitability is better than our current set of products.
- Richa Joshi:** Given the increased exports how are you managing the credit terms with customers?
- Vinod Gupta:** We have a very well-defined credit policy and credit terms with most of our customers. And a lot of these sales are backed by LC or some discounting. So, those are the payment terms which varies from customer to customer and it's quite healthy. Our payment terms with most of our customers is very healthy.
- Richa Joshi:** My last question would be like with increasing CDMO exposure, what share of total revenue now comes from CDMO versus your own product?
- Vinod Gupta:** Close to 55% to 60% is CDMO and balance is our own products.
- Moderator:** Our next question comes from the line of Anupam Agarwal from Lucky Investment.
- Anupam Agarwal:** Extending to last participant's question, what was this CDMO mix, let's say, three years back? How has that portion of the portfolio grown?
- Vinod Gupta:** Over a period of time, I think we have grown, I don't have the exact number, but maybe from about 45%-48% to 55%-60%.
- Anupam Agarwal:** And any colour that you can give us in terms of the difference in gross margin between own products and CDMO products?
- Vinod Gupta:** I think we will not like to, we generally don't give that kind of a breakup. It will be difficult for us to give that kind of a breakup.
- Shalil Shroff:** I will just add that certain things are confidential, but definitely the margins from newer product will be much better than the existing one.
- Moderator:** Our next question comes from the line of Rohit from iThought Portfolio Management Services.
- Rohit:** One question, clarification on your gross margin comment. You mentioned that the first quarter, I think you alluded to in the last call also the reason, so, do you see as the inventory

that you would have stocked up as it gets like sold in the next couple of quarters, how the gross margins have normalized to your historical levels and normalized to those levels in the coming quarters as well, and at an overall level, it will be like a normalized gross margin. Is that how we should look at it?

Vinod Gupta: I think you are right. If you look at our net working capital movement in the quarter-to-quarter, we are back to a normal cycle of about 60 days. So, whatever inventory that we built in Q4 of last year, we have been able to sell and liquidate because that was a strategic call that the demand will come in Q1, Q2 and we will be able to liquidate that inventory. So, on a consistent basis, if you look at an overall yearly basis, our gross margins will remain in the range of 38.5% to 40.5%, 41%.

Rohit: In terms of the five new product that you mentioned. In FY27 all of them will get commercialized. Sorry, I missed that actually.

Vinod Gupta: I think the question was that we had basically made a prediction or rather we had planned to commercialize five products in this financial year. Are we on track with this or not? So, we are on track with this. I think that was the first question, response to your question. And all these products will see another campaign in the next year. And as the market acceptance, formulations, etc., grow based on our products, slowly and gradually, the demand will keep on growing year-on-year.

Rohit: For these new products, we will have enough capacity in the existing two plants that we have, and they will be enough. I mean, you will have to do some de-bottlenecking. I think you mentioned some Brownfield investment you had mentioned. So, these will cater to them, right? You do not have to do separate.

Vinod Gupta: We are doing it in two parts. One, whatever demand we are forecasting for now and next year, will be taken care of by de-bottlenecking and product rationalization in existing facility. And till the time the product demand reaches a level where it will require a dedicated plant, our new blocks will be ready. So, that is how we are planning.

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

Shalil Shroff: I would thank everyone for your precious time and I hope me, Vinod and Bishan have satisfactorily replied to all your queries. Sometimes, please understand that few things like margins, etc., product mix product names are confidential, so we cannot share. And we once again, thank you for your support and your interest in our Company and all the very best and talk to you again back during the next concall. Thank you so much and have a wonderful day.

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