"Punjab Chemicals and Crop Protection Limited

Q4 FY '24 Earnings Conference Call"

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

Moderator: Ladies and gentlemen, good day and welcome to Punjab Chemicals and Crop Protection Limited Q4 FY '24 earnings conference call hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference 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 Ms. Darshita Shah from Antique Stock Broking. Thank you and over to you, ma'am.

Darshita Shah: Yes, hi. Thank you, Manav. Good afternoon, everyone on the call. On behalf of Antique Stock Broking, I would like to welcome all the participants to Punjab Chemicals and Crop Protection 4Q FY '24 earnings conference call. From the management side, we have with us Mr. Shalil Shroff, Managing Director, Mr. Vinod Gupta, CEO, and Mr. Ashish Nayak, CFO. Without any further ado, I would like to hand over the call to Mr. Vinod for his opening remarks. Thank you and over to you, sir.

Vinod Gupta: Okay. Good afternoon, everyone. I am Vinod Gupta. I welcome you all to this Q4 and FY '24 Earnings Call. On the call, as introduced, we have our Managing Director, Mr. Shalil Shroff, and our Chief Financial Officer, Mr. Ashish Nayak with me. I hope everyone has gone through our results and investor presentation, which has been uploaded on our website.

As all of you know, the year began with a strong start, where we maintained our growth momentum that the company has established over the last few years. However, in the last two quarters, there has been an overall correction in the industry due to inventory and price correction, resulting in muted demand for some of our products. Exports continue to remain impacted due to lower prices and muted demand as channel destocking continues across the world.

The price competition coming mainly from China is compelling companies to be cautious on the inventory levels, both at the distributor level as well as in their channel partners. However, we believe that this tough period is now getting over and we see a silver lining and we expect the demand to recover starting from the second half of this financial year.

Revenue for the current financial year stood at INR934 crores. We have seen a degrowth of 7.2% over the corresponding period last year. However, given the product prices correction, I think overall we have been able to maintain some of our volumes or margins. This is mainly due to obviously the lower product price realization.

Our gross margin realization during the year is at 38.7% as against 36.8% last year, which is a testament to our joint effort of our R&D and operations team and our ability to manage product mix for making sure that our margins are healthy. Despite an increase in freight costs due to ongoing war situation, we have been able to maintain our EBITDA margins. As all of you know, freight costs have gone 3x to 4x mainly for Europe and US markets.

In this challenging environment, we are actively reassessing and readjusting our strategies in a proactive manner. We have been continuously working to upgrade our infrastructure, enhancing technical manpower and improving technologies. We believe that these efforts will lead and turn around an improvement in our performance and get faster traction in the market in near future as the market demand recovers.

We are constantly working to improve our existing product portfolio and simultaneously working on new chemistries as well as identifying potential value chains. Our current product pipeline remains robust. Our new product pipeline introduction is healthy.

Some of our new product's molecules have reached commercialization stage and we have received commercial orders. Moving forward, we expect to add more molecules every year both in agrochemical, intermediate and specialty chemical space. Looking ahead, we remain cautiously optimistic about the future.

As market conditions remain turbulent, we are committed to staying agile and adaptable, monitor market conditions closely, track our inventories very closely and keep a control on our cost and we are continuously adjusting our strategy based on emerging market trends. Our focus on innovation, sustainability, new product introduction and operational excellence is positioning us to weather these challenging times in a very healthy manner.

In closing, I want to express my gratitude for Punjab Chemicals team and all our customers for their continuous support, hard work, and resilience during these challenging times in the industry.

Thank you for your continued trust and support. With this, I conclude my remarks and I hand over the call to our CFO, Mr. Ashish Nayak for detailed analysis of our financial performance. Over to you, Ashish.

Ashish Nayak: Thank you, Vinodji. Good afternoon, everyone and thank you for joining us for our Q4 and FY '24 Earnings con-call. I will provide a summary of the financial performance for the quarter and for the full year FY '24. First, starting with Q4 FY '24, on the quarterly performance, revenue from operations stood at INR196.5 crores which is up by 0.8% year-on-year. On geographical split, the domestic market contributed INR94.4 crores and international market contributed INR102.1 crores to the revenue.

Gross margins stood at 38.5%, almost at par with the same period last year. EBITDA for the quarter stood at INR13.2 crores as against INR21.2 crores, same period last year. EBITDA margin stood at 6.7%. PAT stood at INR2.4 crores and the PAT margin for the quarter stood at 1.2%. During Q4 FY '24, although we were able to match revenue and have maintained gross margin at the same level as last year, same period, EBITDA percentage was lower on account of the increase in freight cost as stated by Vinodji earlier. The freight costs have gone up in the last quarter by almost INR1.2 crores and there were some one-off expenses of roughly around INR2 crores and the CSR spend was also the highest in the fourth quarter.

So these were some of the reasons where despite of maintaining the revenues as well as the gross margins, EBITDA margins have come down a bit. Now coming on to FY '24 for the full year, on the P&L front, revenue from operations stood at INR934 crores as against INR1006 crores, same period last year. The decline has been primarily on account of decline in price.

Although the domestic revenue increased from INR425 crores to INR450 crores, contribution from the international market stood at INR484 crores as against INR581 crores last year. This is primarily on account of correction due to high channel inventory and also realigning of sales from exports to domestic for some of our existing customers.

There was a marked improvement in the gross margins from 36.8% in FY '23 to 38.7% in FY '24. This was primarily on account of improvement in efficiencies towards which my R&D team and operations team have been continuously working. Even as we speak, both R&D and operations teams are working to further improve efficiencies for the times ahead. Despite of the market conditions and despite of decline in revenues, our EBITDA margins at 12.1% for FY '24 was almost at par with FY '23.

The PAT margin percentage for FY '24 was 5.6% as against 6.1% in FY '23. On the balance sheet front, the total equity has increased from INR280 crores to INR330 crores. During the financial year, we have diversified our banking operations by adding Yes Bank and HDFC Bank.

Although the borrowing on non-current liabilities declined from INR61.6 crores to INR52.6 crores, borrowing from the current liabilities front increased from INR27.2 crores to INR68 crores. Even with this increase, my debt equity continues to be at 0.35. The increase in the working capital facilities was primarily used to fund increase in the receivables which have gone up from INR143 crores to INR197 crores. I want to state here that all the receivables are good, and the increase is temporary, and we expect the same to normalize.

We have been very closely monitoring the raw material prices and have been able to reduce our inventory levels from INR168 crores to INR132 crores. The production facilities at Derabassi and Lalru are functioning well, and capacity utilization stands at 68% for Derabassi and 47% for Lalru in FY '24. Remember, we have a multi-product facility, and each product has a different production cycle.

During the year, we have also added a few new products. New products in FY '24 have contributed almost 7% of the top line. We have incurred a capex of INR36 crores towards debottlenecking, further improving on the ESG front, increasing capacity and for improving efficiencies. The entire capex was funded from internal accruals. On the way ahead, we continue to scout for new sites and aim to time it to revival of the industry. On the capex front, we have an outlay of around INR50 crores towards capex at our existing site, which is primarily towards enhancing the capacity, improving efficiencies and also for setting up a new manufacturing block.

With this, I conclude my speech and open the forum for Q&A session. Thank you.

Moderator: Thank you very much. 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: Hi, sir. Thank you for this opportunity. So, sir, as per the presentation, we have commercialized two new products, one in AI and one in specialty. So, how big would be the market for these products and would we be selling them through contracts? And what kind of growth can we expect with the commercialization of these three new products?

Vinod Gupta: So, let me take that question. So, I think whatever we have actually commercialized, over a period of time, these have huge growth potential running into millions of dollars. Specific numbers is difficult for me to quantify. These are all again purely based on contract manufacturing and under exclusive.

Jainam Ghelani: Would you be able to give a rough estimate of the market size of these products by any chance?

Vinod Gupta: These are very big market size. I think globally the market size for one of the products is close to maybe more than 100 million and the other one is about 20 million-25 million.

Jainam Ghelani: Okay, sir. And in the last question, we had mentioned that we should be starting sales to Australia from quarter 4. So, has that commenced or would it be seeing that in the upcoming quarter?

Vinod Gupta: I think that will happen in the upcoming quarter. I think inventory issue in Australia still weak and also season seems to be not favourable. So, we are expecting another quarter or two for the inventory to get corrected and the prices to correct.

Jainam Ghelani: And sir, have we received registration for our products from EU and US?

Vinod Gupta: So, that is a work in progress. I think so, for one of the products we got registration, other products, we have filed our details. So, we will be getting in.

Jainam Ghelani: I just wanted to understand. Now, if you look at our revenue for the full year, we are down by 7% year-on-year basis. But when we assume that our production is equal to our sales, so even in terms of the overall volume, can you help us in understanding how does the volume in FY '24 and the drop in the realization that we have witnessed during the year?

Ashish Nayak: We have given the volumes for FY '24 for both the locations. So, if you look at slide number 15 of the presentation, we have mentioned the volumes over there. So, there is a marginal decline in the volumes for Derabassi, which has come down from 24,338 metric tons to 22,400-odd metric tons. And Lalru also there is a marginal decline, but also understand that this is a multiproduct facility, every product has a different price point, and every product has a different production cycle.

Jainam Ghelani: Yes. But sir, if you look on the blended realization, because if you look considering both the facility together on a consol basis, our volume is down by 8%. And so, the major impact that we probably seen during the quarter is largely due to a fall in the realization. Is it safe to assume that the realization has dropped by almost 8% to 10% on the blended basis for the full year?

Ashish Nayak: Roughly in that range and that is something which I have mentioned in my speeches.

Jainam Ghelani: So, in terms of the inventory, I mean, if you go over to a balance sheet, our inventory has also come down. So, is it that we have liquidated our inventory or is it that because of the closing price of the realization has come down, that values the inventory at the closing price of 31st March?

Ashish Nayak: No, no. All the inventories are valued at actual, at cost. And there has been not a single case where the inventories have had to be valued at lower because of the lower realization. Nothing on that front. The lower inventory is primarily on account of we have been very closely monitoring the inventory levels and we have been able to trim down our inventory levels to a great extent. That is the only reason.

Shalil Shroff: And just to add, also you should please understand that, right now with the still stock remains high with customers. So, we have been very cautious in terms of ensuring that our inventory levels are not at an exorbitant level, but to the point to ensure that we service the customer as and when they require.

Jainam Ghelani: So, last question from our end before we come back in a queue, it is largely on your interest expense. Now, if you look the interest expense for the full year stands at INR20 crores, as against our average warrants of near about INR129 crores for the full year. So, which looks more on the higher side. So, can you help us understand the breakup of the interest expenses?

Ashish Nayak: So, interest expenses primarily towards the term loan, which we have been repaying. There is an old term loan which has been there. We have been servicing that and part of it is towards the term loan. Some part of it is towards the cash credit or the working capital facilities that we have been having. I mentioned in my call as well that we have received sanctions from two other banks, besides the main primary bank that we had been banking with earlier. And we have had to increase our limits. And the utilization for working capital has also marginally gone up in this year. That is the reason for the increase in the finance cost.

Moderator: Thank you, sir. We have our next question from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Thanks for the opportunity. Sir, my first question is with regards to the sustainable gross margins. Because if you observe in last three, four quarters, the margins have moved from almost around in quarter one, which was around 35, moved up to 40, then moved up to 41, then again it is down to 38. And even if I observe for last three, four years, the observation is the from FY '20 to FY '22, we had almost 40% gross margins. In March '23, that came down to around 37 and currently we are at around 38.7.

Given that for last three, four quarters, we have been working continuously on process re-engineering and improved raw material efficiency. And also, we have been introducing new products. As stated initially, currently 7% of that sales is coming from the new products. And also this is expected to scale up further. So, sir, going ahead, based on today's scenario of crisis, both on the raw material and product side, what can be the expected gross margin going ahead?

Vinod Gupta: So, let me take that, Ashish. I think, see, if you look at our gross margin, even in this tough market condition, where it is very difficult to get orders and we are competing against Chinese pricing, we have been able to maintain our gross margins, which is a clear reflection of the effort that has been put by our R&D team and our operations team. As the market condition stabilizes, we see that this gross margin will recover to the earlier numbers that you mentioned and maybe we will cross these numbers.

At the same time, as our new product portfolio sort of matures, even that will help us improve our gross margin. I will not like to commit a number here. But given the work that we have done, we are happy with the progress that we are making on our efficiencies, yield improvement, asset renewal, because in this tough condition, maintaining market share and margins both is definitely difficult, and we have been able to do that.

Rahul Jain: Second question is about the product side. In the previous two calls, you have mentioned about new products total, about eight products to be done during last year, '24 second half and then the current year. One product we have received registration on the EU side. One product is expected to start in Australia and there was a pharma product where the registration we had got, and we were expecting commercial quantities to start from April.

So, sir, as we speak today, typically how many products have been introduced in last six months, the new ones? How many can be introduced in next six, eight months? And what can be the, because in the previous call, we had mentioned that the three products on the agro side out of which one had received registration and commercial has started, totally they could contribute around INR150 crores to the top line in a year's time frame?

Yes, I am done with the question. I am talking about, if you could share details on the products, I am not naming the product, but typically how many products we have already introduced in last three, four months, six months, which have got commercialized. And in next six months, what further product addition is expected to happen and how could they scale up?

Vinod Gupta: Our product introduction has been heavy and every six months we are introducing at least two to three new products. Some of them have very large potential going forward. I think the number you mentioned, we are on track to achieve those kinds of numbers from our new product portfolio. And similarly, in next six months also, we are looking at two to three products reaching commercial scales and starting delivery. And most of these are intermediates and most of these are specialty chemicals, which is the business that we are trying to build gradually.

Rahul Jain: Sir, in the previous call, you had mentioned that the current financial year FY25, you had guided that the existing products, the old ones should grow between 10% to 15% and the new products could contribute anywhere between INR200 to INR250 crores worth of additional revenues in the new products. This was what we had guided in the previous quarter. So, can we understand where do we stand with regards to that guidance?

Ashish Nayak: As far as the growth for the existing products are there, we continue to stand with what we have said earlier. These products would continue to grow at 8% to 10%. And the newer products which are there these two do have a potential to generate at least INR150 to INR200 crores. But saying that all of this would materialize in FY25 would be a bit too premature. Obviously, try and understand that any new product that is being launched typically takes about a couple of years to reach its peak 2 years to 3 years and that is the horizon that we are looking at when we are looking at these newer products.

Shalil Shroff: And also, please understand that geographically we also look at registrations. So, as you did mention that the pharma product for Europe, we have already got commercial orders and the shipments will start from June. This also within 1 years to 3 years we expect a good contribution towards both top line as well as on the profit. And that we have already - the shipments will start soon. As far as the two agro products are concerned as Vinod did mention that one of the registrations we have already got in EU.

But with todays with the inventory levels we expect that by Q3 that product also should start selling in. And for the US market it's ongoing. It typically takes anywhere between 1 years to 3 years with what we have been discussing with the customer. We are hopeful within by end of this year or beginning of next year, we should have the registration in place.

Rahul Jain: One last bit, sir, on the capex side, in initial remarks, Ashish did mention about the capex for Brownfield blocks is around INR50 crores. So, typically, in what time frame we are trying to execute this INR50 crores capex and what kind of capacity addition will come because of the Brownfield capex? And by when do we expect to finalize first Greenfield new site which you all are talking about for the last two, three quarters?

Ashish Nayak: I would want this to be corrected. I have said that the total capex outlay for FY25 will be around INR50 crores which is basically for our existing site. And it is primarily towards capacity enhancement, improving efficiency and setting up a new manufacturing block at the existing site. We continue to scout for a new site preferably a Brownfield, but we're keeping our options open for a Greenfield as well.

And we are basically aiming to time it with the revival of the industry. I mean, it would be a bit too premature to take a call at this point of time without having a good visibility as to when things are going to normalize. Although we do anticipate that as to FY25 things should get back to normal and we would ideally want to time it up as per that.

Rahul Jain: Thank you so much, sir. I wish you all the best.

Ashish Nayak: Thank you.

Moderator: Thank you, sir. We have our next question from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Please go ahead.

Bhavya Gandhi: Yes, thank you for the opportunity. So, just wanted to understand how typically our CRAMS agreements are on a broad high level, if you could just explain. Is it more to do with minimum volume offtake or is it like a cost-plus margin and are they exclusive in nature if you can throw some light on this?

Shalil Shroff: So, here there are two functions. One is where we have a technology transfer from the customer, and it is on an exclusive basis. And these contracts are for 5 years with a take-or-pay clause with a minimum guarantee of the volume which we agree with the customer. And as I've always mentioned that these are typical every quarter, we look at raw materials, which are auto checked, and the variable and the fixed margin is on a yearly basis. That also includes the freight because nowadays as you know that the freight are a little volatile.

So, maybe sometimes freight also, we go month-to-month basis. And the other are where they are generic products where we do with one or two customers. Please understand that Punjab always works with the customers who have the Annexure where they take our technical product, and it is registered into their dossier. So, such generic products are anywhere between one or two customers which we do, and these are, again, global players. And here also is typically the same thing as I mentioned is raw material auto-checked on a quarterly basis. Freight, as I mentioned on a monthly basis, sometimes quarterly basis.

In today's environment, it is more on a monthly basis and the variable, and the margin is on a yearly basis.

Bhavya Gandhi: Got it fair enough. So just wanted to understand if we were to track a company on chemistry basis what would be our needs, chemistry and I mean because we don't disclose the products and if we were to track what sort of growth can we, sort of focus. So, if you can tell us a few key chemistries and where we have our mode when you go to pick your product. Why would some company choose our product vis-a-vis others?

Vinod Gupta: Yes. So, I'll take that. See, if you look at in one of our slides, we have mentioned some of the chemistries that we do say our strong area is obviously say, for example, cyanation, chlorination with the cyanide chloride with the PCl3, PCl5. We have, we are very good in bromination. We are very good in nitration. Now, some of them, obviously, overall, if I say we do more than 30 types of chemistries and at the same time now we are adding new chemistries like Diazotization like hydrogenation, pressure reactions. These are new chemistries that we are adding, and this is a continuous journey.

So, depending on the product, depending on the market requirement, and also the new R&D capability that we are bringing in. People are coming with new chemistry strategies and that we are adding continuously. So, it is a whole lot of things, but I think 5-6 that I mentioned are our core strengths and we are adding more to our strengths on this.

Ashish Nayak: For further details, you can refer to slide number 16 of our Q1FY24 presentation.

Bhavya Gandhi: Got it, sir. And just one last thing on the new place that you are scouting, that would be the incremental capex, right? That won't be included in that INR50 crores capex. That's purely for improving efficiency.

Ashish Nayak: INR50 crores, that would be an incremental capex.

Bhavya Gandhi: Got it. Any rough amount if you would like to spell out?

Ashish Nayak: It's a bit too premature at this point of time, depends upon the kind of opportunity, the size of business that we are looking at. It could be different if it's a brownfield, it could be different if it's a greenfield. A whole lot of things need to be factored. We are scouting, we have got a few sites on mind, but nothing finalized yet.

Bhavya Gandhi: Fair enough, sir. Thank you. That's it from my end.

Moderator: Thank you, sir. We have our next question from the line of Ritesh from Lucky Investments. Please go ahead.

Ritesh: Yes, sir. I wanted to know what is the volume growth in FY '24 and the pricing decline? If you can just comment on the overall revenue performance?

Ashish Nayak: So, you can have a look at the volume in slide number 15, is it? Just give me a second. Yes, slide number 15, we have mentioned the volumes. So, from FY '23, we did about 24,338 metric tons. It has, in FY '24, it is about 22,414 for Dera Bassi. For Lalru, it was 1,143 metric tons in FY '23, FY24, we did about 1,018. I have mentioned this as a part of my commentary as well, that yes, a major part of the decline in the top line from INR1,000 plus crores to INR930 odd crores is primarily on account of the price reduction.

Ritesh: And where do you see now the pricing scenario?

Vinod Gupta: I think, Ashish, let me just see the broadly what we are seeing now. I think before that, let me also add one more point to the capacity. These capacity or volumes, as Ashish has mentioned earlier, is also dependent on the product mix. Depending on the market scenario, we are adding new products. So, capacity for each product is different. So, this is a net volume. So, I think that is one more caveat here because overall volume degrowth is not, we have not seen a volume degrowth. It has been mainly a price correction. Now, as far as the pricing is concerned, I think we have seen that the prices have sort of bottomed out.

We do not see it going down further. And probably, it will remain like this for a quarter or so. And then we see an uptick in the prices going forward because the inventory liquidation would have happened. Fresh demand is expected to kick in. Yes, I think the buyer is going to be slightly cautious. But finally, the demand at the consumer end or at the farmer end is healthy. And we expect the demand volume and the prices to recover gradually. It will not happen all of a sudden, but gradually we expect that to recover.

Moderator: Thank you, sir. We have our next question from the line of Viraj Mahadevia from Moneygrow India. Please go ahead.

Viraj Mahadevia: Yes. Hi, sir. A question from my end. You mentioned your reduction of inventory from INR160-odd crores to INR130-odd crores if I recollect. How much of that was high-cost inventory? And then out of the 130 that remains, how much of it is high-cost inventory?

Vinod Gupta: Ashish. So, let me take. I think one good part is that we have always controlled our inventory very tightly. And as Ashish mentioned earlier, we have not taken any write-offs on account of inventory at any time during the financial year. So we continue to be very cautious on inventory building. So right now, given the market situation, we have further reduced on the inventory. And all our inventory is at current market price. So we have not taken any hit on the raw material pricing, and we do not expect any hit to come at any time on our business. Ashish, if you want to add something, you can add. Sorry, I skipped it.

Viraj Mahadevia: But sorry, sir. My understanding was that all chemical companies were saddled with high-cost inventory because of the channels being choked at the front-end markets. And that was causing pricing pressure at the front-end as well as a squeeze on high raw material costs. Is that not the case in your case?

Vinod Gupta: No. So, I think, please understand our business model. We are into contract manufacturing. And we supply the technical or intermediate to our supplier. Now, obviously, they formulate it and then build into distribution channel and then that goes to farmers. Now, the inventory in that channel was very high. We basically have controlled our inventory for just-in-time kind of a situation. So, we at no moment carried excess inventory. We were cautious. We were covering only inventory which is required in a very short period of time.

So, we were never sort of taking a call that okay, the prices may go down or up. We were just making sure that our operations are managed tightly with the inventory. So, that is where we are an exception. I will put it this way, that there was no speculative inventory with us in our system. Yes, our customers had that inventory because they have a long channel. So, they take our product to multiple geographies and distributors are there. So, our customers definitely have suffered on account of this. But as a Punjab chemical, because of our cautious approach and very tight control on the inventory, we were safe from this particular thing.

Viraj Mahadevia: I understand, sir. But isn't there a lag effect because of the channel inventory in the end customer, you have pricing pressure for your end product. Now, you bought some inventory at some stage and that needs to be worked out of the system before you start buying lower cost inventory. So, your margins can again start to normalize. So, have you all been through that journey of margin normalization or is it still playing out because your revenues are under pressure, but your costs are escalated because of legacy high-cost inventory is what I am trying to understand.

Vinod Gupta: Sir, I think that is what I am saying. We do not have any legacy high-cost inventory. Whatever we had, in fact, we did not have that pain at all because of the very tight control in the inventory and maybe the timing of the product mix that we handled. Now, there are two different points. I think one more point is on the top line and the margins.

Just margin pressure is there across the product cost mainly because there is a pricing pressure that is coming from Chinese players and other competitors. That is a common phenomenon across the industry and that is why we have to be cautious on our operating costs, our efficiencies, our raw material planning and basically, we have to make sure that our operations are run efficiently, and we manage our product mix judiciously. I think that is what I am trying to say.

Viraj Mahadevia: So, clarify the only hit or pressure you all have faced is on account of volumes and pricing pressure of end products?

Vinod Gupta: I agree. I think that is the right statement. Right.

Viraj Mahadevia: Okay. Helpful. Thank you. All the very best.

Moderator: Thank you. Thank you. We have our next question from the line of Tanish Mehta from Ithought. Please go ahead.

Tanish Mehta: Hello. So, I have a question with regards to the receivables. So, our receivables have actually increased from INR143 crores to INR197 crores on a year-on-year basis. I mean, you have said that all the receivables are good but please help me in understanding as to what has led to this increase?

Ashish Nayak: Can you repeat that question? You are a bit not audible.

Tanish Mehta: Yes, sure. So, my question was with regards to the receivables. So, our receivables have increased to INR197 crores from prior INR143 crores in the previous year. You have mentioned that these receivables are good. But I just wanted an understanding as to what has actually led to an increase in our receivables?

Ashish Nayak: Well, if you look upon it, the domestic receivables have been stretched a bit. The normal terms are around 90 to 100 days. At times, it has gone to about 120 to 130 days. But we have been realizing those within the time frame of around 120 to 130 days. So, they have been stretched a bit because of the current market scenario. But as we talk in May, things have been brought back to some extent, I would say. And we expect that over the period of this financial year, we expect things to be normalized.

Tanish Mehta: Okay. Thank you so much.

Moderator: Thank you, sir. We have our next question from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Yes. Sir, thanks for the opportunity. First question is on the domestic and export mix. So, as I look at the numbers, the domestic revenues have gone up from INR425 to INR450 crores during FY '24. However, the export revenues have declined. So, in terms of volumes, was there a major effect on the exports part or domestic part, if you can just give us a broader understanding? Thank you.

Ashish Nayak: Well, the decline is partially on the part of two things as far as the exports are concerned. It is primarily on the part of the price reduction, which I have stated earlier. As far as the increase in the domestic numbers from INR425 crores to INR450 crores, there were some shipments which were earlier aligned for exports, which have been realigned to domestic. And that's one of the reasons why that domestic has gone up. So, the decline in the international is primarily on account of the inventory correction and because of the decline in the price reduction.

Rohit Nagraj: Sure, that's helpful. The second question is again on the industry front. So, Shalil sir, you also mentioned that in terms of the global inventory, these are still alleviating and in a mode of getting consumed. So, from your perspective, do we see that the entire, next three quarters of 2024, the inventory absorption will continue and then only probably the fresh demand will start coming up? And only when the demand starts coming up, there will be a pricing improvement across the products.

So, your thought process on both in terms of the domestic market. So, given that there has been positivity regarding the normal monsoon, but it may not reflect in numbers given that on a year-on-year basis, volumes may grow, but pricing has come down quite drastically. So, your perspective on both domestic and global market over the next few quarters?

Shalil Shroff: So, as far as the global market, yes, definitely the supply has been, the inventory levels have been high. And that's where you have seen not only with Punjab Chemical, but across board, the companies have not been able to deliver what they promised. Moving forward, we believe, as I did mention that we thought that maybe by the last, that is Q4 of '25, things will become normal. But it looks like that maybe another two quarters, we will still have that pain.

We have been constantly discussing with our customers and the uptake of the products are almost too normal. I wouldn't say absolutely normal, but almost normal. And we believe by Q3, things should become much, much clearer. Please also understand that the climate all over the world also plays a very important role when we talk on agrochemicals. But we are in touch with the customers and what we see in the next few quarters, we have been discussing regularly. Me and Vinod were in Japan, we spoke to the Japanese, we were in Europe.

So, we believe that the demand is strong. And at the moment, our order book position is very, very strong. Only which is very, very important is to be in touch with the customer and where we are doing that. As far as the domestic front is concerned, yes, the inventories were high, but which we believe that this year, anyway, the predictions are that the monsoon and everything should go well. So, we believe that this also should stabilize maybe by quarter two.

Rohit Nagraj: Sure, sir. If I can just squeeze in last one, in terms of Chinese generic ingress, we saw that last year it was substantial. What is your assessment during the last four months of this calendar year? Thank you.

Shalil Shroff: So, as far as Chinese are concerned it is very difficult to predict what they really plan to do. But whoever we have discussed where we may have some common products, or we buy some raw materials at these prices they all are saying that they are bleeding. But it is not right for me to comment on how Chinese grew their numbers in terms of their profitability or in terms of how they want to capture the market.

But I personally believe that this also has it is at a brim now. And we see, even we see now that the raw material prices which were at rock bottom gradually are on the increase. So, I am sure that the finished goods also should happen. But to see my perception I believe from the Q3 things should generally stabilize.

Rohit Nagraj: Thanks for all the answers and all the best.

Moderator: Thank you, sir. We have our next question from the line of Rohit from iThought PMS. Please go ahead.

Rohit: Good afternoon, everybody. Sir, just a few questions. So one, you mentioned that this quarter, sorry, this year new products continue to 7% in terms of FY24. So, can you give this for the quarter 4 as well? I mean, just want to get the exit rate just to get an idea. In this quarter, how much will the new product sales?

Ashish Nayak: You mean in Q4?

Rohit: Yes, in Q4, sir. Just want to get the exit rate?

Vinod Gupta: I think we have given that yearly number. I think it is difficult to split quarter by quarter. Directionally, I think what we are saying is that our proposition or portion of new product portfolio is growing, and it will continue to grow.

Rohit: So, any sense you want to give for next year this number should like at what rate will it grow?

Vinod Gupta: I think it will grow and I think it will grow at a healthy rate. It is difficult to be specific right now because a lot of commercialization will happen. We are also looking at very dynamic market situation as all of you know, life is not easy market is very, very challenging, but our interactions with customers is very healthy. Our product quality is good. Our cost position is looking healthy. So, I think we will be -- we are very confident that this will grow at a healthy pace.

Rohit: Sir, the other question I had is so one of our major products I think metconazole there are new players entering that space. So, have you seen any kind of price decline or market share kind of erosion, or do you anticipate anything of that sort to happen for us in the coming quarters?

Vinod Gupta: So, sorry, I did not get your question. Can you repeat?

Rohit: Sorry. So, I was saying, sir, in one of the products which is a decently sized product for us metconazole we were reading that there are other Indian players also getting into that product. So, just wanting to understand that are we seeing any kind of erosion in terms of pricing or market share, if you can just share that?

Vinod Gupta: I think for some of the products see it is not overnight nothing can happen mainly because I think our partners have a very strong registration base and market share. And in fact what we are anticipating going forward that this product will find more applications. So, in fact, it will go into more formulation.

So, we expect the product to grow only. There may be some corrections from time to time depending on supply demand situation or weather conditions. But this product is very strong, and I think we do not see any pressure on the price or the volume from long-term perspective.

Shalil Shroff: And just to add to that the technology which we have from the Japanese is a very strong and a very effective in terms of the cost. So, for any new player to get in, to get registrations and all, it is going to take a long, long time. And as our partners, that is the Japanese they already have a strong presence in this product for several, several years.

And as Vinod said that they are adding more formulations so which will definitely boost up the revenue towards this product. So, from the competition point of view, we are not worried at all, because we have a very strong cost competitiveness.

Rohit: So, the other question that I had was that we are talking about, I mean in terms of capex, so we are talking about this INR50 crores, but we have been talking about the new field which you can't, either in MIDC or GIDC. But I think in the con call you mentioned that you want to time it properly. So, typically it takes at least 12 months to 18 months for a new plan to come with all the approvals etc.

So, I mean, do we rather risk that the market may revive, and we will be out of capacity, and we will not be able to recover, I mean, we will not be able to capture the growth in the market. So, just wanted to hear your perspective?

Vinod Gupta: So, I think I will take that. See, when we are saying time, time means in the sense that I think, yes, we are talking about a new site for I think now four quarters. But at the same time I think we saw the signs of industry slow down a bit early and we didn't go very aggressive on it.

Now, we are taking a two-pronged approach. One, we are trying to add a block in our existing site during this year that will take care of any immediate upside and we are trying to make it a multipurpose block. So, as you know any commercialization of any product goes through phases. So, initially the volumes are less and as the product acceptance increases then only the market share grows.

We will end parallelly and we are looking at a new site and we are hopeful to conclude this very quickly because I think it’s not that we don’t want to delay too long your point is valid that any new site by the time we take it onboard and by the time we make it operational it’s 12 months to 18 months. So that factor is very much in our mind, and we are trying to work on this accordingly.

Moderator: Thank you. We have our next question from the line of Madhav from SG Investments. Please go ahead.

Madhav: Thank you for taking my questions. I just wanted to understand is you could give us some breakup of sales by product category for the full year FY24 versus the last year as well?

Ashish Nayak: Well we do not comment on the product categories. I can give you by location and that itself gives you an indication. Derabassiwhich is my agro chemicals division contributed to roughly around 70% of the top line. The pharma or the API intermediate vision which is at land roof contributed about 15% to 18% and the last 10% to 12% came in from Pune which is into industry chemicals.

Madhav: And sir how would that compares versus last year?

Ashish Nayak: Almost on similar lines, I would say.

Madhav: Okay. Thank you so much for that, sir. That is all from my side.

Moderator: Thank you, sir. We have our next question from the line of Darshita Shah from Antique Stock Broking. Please go ahead.

Darshita Shah: Yes. Thank you for the opportunity. Hope I am audible. I just have one question. In the PPT, we have mentioned that long-term contracts are being discussed. I understand that probably it is difficult to comment as to when they might take place in the next six months or eight months. But if any number that you guys are looking at with respect to contracts, with respect to the order book, if you can share, that would be really helpful.

Shalil Shroff: You know, as we have said that there are a few contracts which we have signed, the few which we'll be signing. Now, we cannot quantify it because that's not right on the company side to talk on such calls. But as and when it materializes, we sign it, we'll definitely give a visibility of between one to three years what these contracts would do. But on a broader look, we are looking at anywhere between INR1,000 crores to INR1,200 crores between one to two years. One to three years, sorry.

Darshita Shah: INR1,000 crores to INR1,200 crores additional revenue coming in the next one to three years.

Ashish Nayak: Correct.

Darshita Shah: Got it, got it. Thank you.

Moderator: Thank you. We have our next question from the line of Tushar Vasuja from Yogya Capital. Please go ahead.

Tushar Vasuja: Thank you, sir. So, I'm a bit new to your company. So, can you talk a bit about the raw material aspects of the business, as in what material you guys require and how do you procure them?

Shalil Shroff: See, as we have a big product basket it's a mix. So, we are basically intermediates which we buy within India. We buy phosphorus from Vietnam. There are certain raw materials like hydrazine hydrate and all coming from Europe, Japan. So, it's versatile. We buy ethanol chloride. We buy aluminium chloride from Indian producers. So, overall, the strength of Punjab has been that we do piggy bank initially when we launch a product to get the product, basically the raw materials from outside. But eventually, we have it domestically produced on a long-term contract with our subcontractors and that's what we do. In terms of raw materials, we use more than maybe 80-90 different types of raw materials. So, just to give you a little bit brief on it, what we do in terms of locally and internationally.

Tushar Vasuja: Thank you, sir. And one more question, can you provide the geographical split for revenue for this year?

Ashish Nayak: Well, I've given a broad geographical split in terms of exports and domestic. Obviously, the key markets for us continue to be Europe, LATAM, US. These are the key markets which are there. As far as the split between these markets, I don't normally give it in the presentation or as part of this call.

Tushar Vasuja: Fair enough, sir. Thank you.

Shalil Shroff: Thank you, sir. I think we can take one or two questions over the 3.30, yes?

Moderator: Okay, sir. We have a follow-up question from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Sir, just to clarify, you just mentioned that from CRAMS, we can do an additional sales of INR1,000 crores to INR1,200 crores in 2 to 3 years?

Shalil Shroff: Between 1 to 3 years. I did rectify. I said 1 to 2 and then I said, I'm sorry, 1 to 3 years.

Rahul Jain: 1 to 3 years. But, sir, then that will require some good amount of apex for a new facility, new plant because existing space, how will we generate that kind of sales?

Shalil Shroff: Yes. So, in our existing site in Lalru, we do have space. So, this is what we will do. We'll be announcing between the product existing would be between 10% to 15% and close to around 80% will be new products. And that could be easily manageable within the three sites we have. There would be obviously, as we have already said that the third site or the fourth site which we are looking at, but as on which we have already explained to you with today's market condition, we are looking at a little bit more vigilantly and seeing how the situation improves.

But definitely we have some proposals in our portfolio and maybe at an appropriate time, we'll definitely take a call on it.

Rahul Jain: So, sir, what will be the additional amount of capex required to generate this kind of revenues? **Ashish Nayak:** Typically, if you look upon it, I do an asset turn of about three and up to four. So, that gives you an indication.

Rahul Jain: So, additionally, around INR200 crores of capex would surely be required to do this.

Ashish Nayak: Yes, that's an indicative number. That's an indicator.

Rahul Jain: And that can happen through the existing facilities, Brownfield, additional blocks, and the existing premises. Is that correct to understand?

Ashish Nayak: That's right.

Rahul Jain: Sure. Thank you, sir. Thank you.

Moderator: Thank you, sir. We take the last question from the line of Madhav from SG Investments. Please go ahead.

Madhav: Hi, sir. Thank you for giving the opportunity again. Just a follow up on the category mix that you provided. Do we see a change in the percentages going forward? Is the focus shifting more towards pharma or are we seeing a similar trend?

Shalil Shroff: So, our major domain is agro chemicals which we dominate. So, that will always be there. But we are also looking at intermediate. So, by and large, you will see that between export and domestic, we are anywhere between 60% export or 55% export, 45% local market. But moving forward in the next one to two years, we should be 50-50. And obviously, the domain will be higher on agro, but also there are certain key customers in Europe who do look at also intermediates, which we are already discussing with them. And we ensure that the journey towards this will go as per our planning.

Madhav: Right, sir. Thank you so much.

Moderator: Thank you, sir. And that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Ashish Nayak: Well, all said and done, thanks to all of you for attending this call. I would want to reiterate that it has been a tough year as far as the industry is concerned. And in these turbulent times, with all the turmoil around us, we have been able to sail the ship and come up with relatively and reasonably good numbers, I would say.

The numbers, the top line, although there has been a marginal, it has shrunk a bit. But if you look at the EBITDA margins and the rest of the margins, we have been able to maintain them. And in fact, the gross margins have improved as well. So yes, so overall, I would say, as far as Punjab Chemicals team is concerned, we thank you all for being there and for supporting us through all these tough times. Thanks for that.

Shalil Shroff: Thank you.

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.