"Punjab Chemicals and Crop Protection Q3 FY23 Earnings Conference Call"

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

Moderator: Ladies and gentlemen, good day, and welcome to the Punjab Chemicals and Crop Protection Q3 FY '23 Earnings Conference Call hosted by Antique Stock Broking.

As a reminder, all participant lines will be in the listen-only mode. 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. Manish Mahawar from Antique Stock Broking. Thank you, and over to you, sir.

Manish Mahawar: Thank you, Ryan. On behalf of Antique Stock Broking, I would like to welcome all the participants on the call of Punjab Chemicals and Crop Protection. We have Mr. Shalil Shroff - Managing Director, Mr. Vinod K Gupta - Chief Executive Officer, and Dr. S. Sriram - CFO from the management.

Without further delay, I would like to hand over the call to Mr. Shroff for opening remark. Post which, we will open the floor for Q&A. Thank you, and over to you, Mr. Shroff.

Shalil Shroff: Thank you, Manish. And thank you all for this Q3 call from Punjab Chemicals. The opening remarks will be made by Mr. Vinod Gupta - CEO. So, Vinod, over to you.

Vinod Gupta: Good afternoon everybody and wish you all a very Happy New Year for 2023. As you know from our side, we have Mr. Shroff and Dr. Sriram on the call.

Let me first begin with the macroeconomic outlook. And as you all know that there have been several global challenges with rising inflation. Energy prices are still high. Continued Ukraine and Russia war continues to put pressure on the global economy. And at the same time, there has been an adverse weather condition in Europe and Latin America. So, given all these situations, overall economic environment is not looking very conducive for supply chain.

We have been intensifying our efforts to get new products and new customer addition to our basket. Last few quarters, we have strengthened our technical and product capabilities, and this is shaping up very well.

During the quarter, we have had visits from several overseas and local customers to our plants, and we have had several discussions where we are working on new products with them which some of them will be a completely new product. Some of them will be substitute to existing supply chain for these customers.

We have also initiated discussion for next year's projections, and our initial discussion with our critical Indian and overseas customers are indicating that we are getting into a healthy position for next financial year.

However, as of now, currently, industry has taken a stalk of the situation. There is a change in COVID policy in China. So, we don't know how that will shape up after the Chinese New Year is over, and Industry is into a stock correction mode where a lot of high price inventory which is there now industry is trying to liquidate.

Given all these situations, despite all these challenges, I am happy to report that our top line has grown by 2.5% year-on-year as against Quarter 3 of FY '22. Our business is resilient. That's what we believe. And there is, however, there is short-term pressure on business.

Our gross margins have been affected, mainly due to high raw material costs, high-cost inventory and pricing pressure, which is coming from certain market and certain products. Because of lower margins also, we have an impact on our EBITDA margins, which is slightly lower though our EBITDA percentage margin is higher in this quarter, and mainly it is accounting for high power, high fuel and high credit cost.

This pressure is projected to continue in Q4 where we expect Q4 to remain flat or subdued due to unsold inventory at customer end. However, we strongly believe that this is a short-term blip, and our order book remains strong for robust pick up in the financial year of '24.

We continue to focus on improving our efficiencies and new product development. We are looking at a change in chemistries to improve our margin across all our products. All our contracts have been renewed. So, wherever we have our contracts, those contracts have been renewed and our new project developments is taking place very well. And also, our all our products registration wherever renewal was due, that has got renewed. So, none of our products are in that category.

We have a very strong and trusted relationship with our CRAMS partners. That's where we are adding more products to them. In some cases, we have supplied some new products during the last two quarters. These products have huge potentials. We have given some initial commercial samples to our customers, and we have built capabilities to deliver new business in future.

With this, I think with this business overview, I will hand over the call to Dr. Sriram to take you through the financial numbers and performance of the quarter.

Dr. S. Sriram: Thank you, Vinodji. Hi I am Dr. Sriram, and good evening everyone. I will briefly summarize the financial performance for the quarter. We continue to have a good growth in the revenue. As of Q3 FY '23, revenue has increased by over Rs.6 crores year-on-year to Rs.261 crores. The trend has been positive for the year so far for the nine months FY '23 revenue. We have touched close to Rs.811 crore, which is 20.2% higher as compared to nine months of FY '22.

As Vinod Ji mentioned, our gross margins are facing multiple challenges on raw material, energy costs and price pressure leading to a drop in gross margin, which currently stands at around 36.3% for the Quarter 3 and also in nine months.

The EBITDA has been relatively flat on the year, while our margins are lower. We have registered an EBITDA of around Rs.34.9 crore, which is 13.4% of sales in Q3. For nine months, the EBITDA stands at around Rs.101.4 crore, which is at 12.5% of sales.

PAT in Q3 is Rs.20.1 crores, and for the nine month, it is close to Rs.57.9 crore. And PAT margins are 7.7% and 7.1% respectively. While our profitability is slightly lower in the nine months, we continue to follow prudent financial practices to achieve our strategic growth objective and to meet our customer expectations.

With that now I look forward to an improved outlook in the next financial year, and I now throw open for any Q&A from your side. So, Manish, if you can, you know, start the Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask the question may press '*' & '1' on we have touched on telephone. If you wish to remove yourself you may press '*' & '2'. Participants are request to use handset while asking a question. Ladies and Gentlemen we will wait for a movement whiles the question Q assemble. Our first question comes from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: There is a continuous decline in gross margins that we have seen all through the year. Where are we now on the, you know, RM basket side and corresponding recoup of gross margin, when do you see it happening?

Vinod Gupta: I think we saw mostly through with the high price raw material and that we should see these margins recouping starting Q1 of FY '24. However, there is a demand and supply pressure which we are also tracking in the global market. So, high energy prices if they continue, probably they will, that offsetting we are trying to discuss with the customers and see whether we can recover on those margins also. But from Q1 of FY '24, you should see our gross margins recouping

Pritesh Chheda: Was there any specific business area or business vertical where there was a gross margin pressure? So, I am basically hinting at the supplies to coke for the product line. Was that the specific area or it was just across the board?

Vinod Gupta: So, I think there are, I mean, I won't say that this pressure has been on some of the Agro products, and these are very product specific. So, quarter-to-quarter, we are discussing each product, how is it moving in the market. And depending on that, we are taking a call. So, I think it has not been general pressure across the products. Some products have not been impacted at all. It is in some product depending on each quarter, we have taken certain strategy calls just to make sure that our volumes continue, we continue with our capacity utilization.

Pritesh Chheda: So, my second question is we have our incremental growth lot dependent on CRAMS, and there is a guideline which we have given for the past many quarters about the products and also about a certain revenue number next year and year after that. How are we progressing on the CRAMS side of the business? And are there any changes on revenue forecast that we have initially provided?

Vinod Gupta: I think we continue to maintain our revenue forecast. As far as this CRAMS contracts are concerned, the contracts which we had completed in last two years, those have picked up very well, and we have started crossing our original volume projections for some of the customers, especially with Japanese customers.

At the same time, in last say 12 months, we have delivered a commercial sample of three to four products, which have a potential. Each of these products have a potential of adding that top line anyway from Rs.60 crores to Rs.150 crores.

Now, obviously, as you know, these are all products which takes some time for registration, some time for approvals and all. But overall, I think, we are building that capability, and we are building that pipeline. Now some of these products are also new chemistries for us. So, in fact, we are building new chemistry capabilities also.

So, overall, I think, the product pipeline looks robust, and we are quite bullish about adding more and more products and also investing in new capacities. Maybe Shalil, if you want to add anything,. maybe you can also put some points.

Shalil Shroff: Just to add to what Vinod said that during the calls, we have always said that the business has been robust. The enquiries has been very, very good, not only with the existing customers like I mentioned, you know, with ADAMA, for example, we are doing a dollar, how we can make it to three to five to ten dollars. So, that is ongoing.

But even new customers we are adding to ensure that, you know, the growth path towards what we have projected, we should take it forward. It is just the correction which is in Q4 is happening because of the oversupply which is lying in the market. It's again related to the climate change, you know, which you all know, which has happened in Europe and Latin America. But having said that done, the business has been growing pretty, pretty good with the new customers and new contracts which are getting in place.

Pritesh Chheda: So, just one last request. We have made multiple requests for a plant visit. It would be very helpful if you could help us facilitate the same.

Shalil Shroff: Yes. So, we are working on it, and we should do it around, you know, February. Because see right now with the climatic conditions, you know, the fog is also pretty high, and we have some customer visits till the 20th of Feb. So, We will shortly come back to you alongwith.Sriram will get back to you with few dates somewhere after the 21st, 22nd Feb.

Pritesh Chheda: Thank you.

Moderator: Thank you. Our next question comes from the line of Arham Shah from Alpha Invesco. Please go ahead.

Arham Shah: Thank you for the opportunity. Sir, in Rallis' Con-call, they have mentioned that the inventory is stuck globally, and in domestic markets as well because of low price infestation, there is inventory stock. So, how are we placed there? And at the same time, how do we see any pressure for FY '24 because of this?

Vinod Gupta: I think, yes there is an inventory pressure as you said rightly that right now, and that's where inventory correction is happening, and that's why you see across the industry in Q3 of this year and Q4, there will be a volume pressure. However, we expect this inventory correction to get over by the end of Q4 and next financial year. We are at the moment whatever discussions we have had with our partners; they are projecting normalization of supplies and volume pick up. So, at the moment, we have, I mean, because currently, we are still in the process of consolidating all the requirement, but we believe that next year will be definitely the volume growth will be better than this year.

Arham Shah: So, my second question is regarding as you mentioned in the last call that in CRAMS business, 40% is the generic and the remaining is patented technology transfer. So, going forward with the new products getting commercialized and in 2023, a lot of products are going off patent, so how do we see the revenue mix in CRAMS for patented as well as generic going forward?

Shalil Shroff : So, Vinod, I will take that. Basically, you know, as you rightly said. Yes , a lot of products are getting off patent. So, as Punjab, we have also strengthened our R&D, and in various con calls we have mentioned to all of you. And Punjab is also working on two products, which are under patent. Please understand patented products, once they get out of patent, that doesn't mean that, you know, a company can start immediately. We need to look at the AI, not only the specification, but also from the formulation side. So, we are working on it on two products. And on the generic as we already mentioned that we have robust among new customers enquiries as well as from the existing business which we are growing on a year-to-year basis.

Arham Shah: Last question. As you mentioned before that this year we were going to commercialize two to three products, when we have already did. So, any update on the second one?

Shalil Shroff : Yes. So, the second product also we have already done the five batch and which is, you know, the initial to get into that registration process. So, we believe from Q3 of next financial year, we should be gradually growing the volumes, but the full volumes would come in the '24 - '25.

Arham Shah: Thank you, sir. This was really helpful.

Moderator: Thank you. Our next question comes from the line of Keshav from RakSan Investors. Please go ahead.

Keshav: Hi. Good afternoon. Sir, if you could firstly help understand that for the molecules we contract manufacturer, would there also be a certain percentage for that particular technical that would be procured by the innovator via RFQs? Or do they typically have this primary, secondary setup, and RFQs would be for the other generic formulators? So, sir, I mean, we are working with the innovator for late-stage CRAMS molecule. So, do they have a primary, secondary supplier setup? Or do they also quote RFQs? And I mean, how is their sourcing structured?

Vinod Gupta: I got your point. So, I think for most of our molecules for both innovator as well as the generic molecules, these arrangements are exclusive where our partners are buying only from us, and that's where this is more of an exclusive partnership. In some cases, or in a few cases where they are basically buying from more than one supplier, the only thing I can quote is that our volume share is going up year-on-year.

Keshav: And sir, secondly, if we look at our overall RM basket with the sort of macros we have seen in the last two, three years and China issues have been showing up since 2008, so what do you think is the maximum de-risking we can expect from the supply say in another three to five years exhausting all possibilities like backward integration, alternate supplies and so forth?

Vinod Gupta: I think we are working on it continuously, and as I mean not only now, but Punjab as a company, we started working on this about three to four years back. Just happy to sort of say that at least two to three critical chemicals we have been able to source from either India or locations other than China in last one year itself. On another two to three, we are working either as a part of exclusive say sort of an agreement with a local Indian producer. We are asking them to develop, giving them cost targets, because finally we have to compete in the global market against China. So, that development is going on. So, I think overall in next three to five years, you should see quite a significant de-risking happening from China. It will not happen completely as all of you know, because China is much, much bigger. So, it is going to say not only three to five years, but maybe a decade or so of concerted effort. But we definitely will have significant de-risking taking place.

Keshav: Sure Sir, That's all from my side. Thank you.

Moderator: Thank you. Our next question is from the line of Darshil Pandya from Finterest Capital. Please go ahead.

Darshil Pandya: Hello, sir. Good afternoon. Sir, my first question is like, you know, you said that we are facing some issues with power and freight charges. So, are we taking any measures to cut down the charges?

Vinod Gupta: I think overall energy basket if you see has gone up. So, the goal is, I mean, that people used to move from other fuels to coal and then natural gas, and then we are on biomass. Now given the overall situation, the prices are getting linked. So, at the moment we are focusing upon improving our efficiencies, and we are focusing on energy conservation initiatives. And also, there are some new biofuel which is coming in the market. We are exploring that whether that helps us to reduce our cost, but current focus is mainly on energy conservation, reduce our consumption so that the impact of increase of fuel price is contained to a large extent.

Darshil Pandya: And sir, with respect to exports, you know, FY '22, we saw 52% split of exports. At nine months you see 58%. So, I just wanted to understand that where is the, you know, in domestically or internationally, where do we see, where do we get the more margin precisely in operating?

Dr. S. Sriram: So, actually, you know, they export, definitely, the margins are higher than domestic. But you know, it all depends on which product, and it's the product mix related thing. And overall, we don't look at it that way. But you know, our CRAMS, all the products are in a very high efficiency margins.

Darshil Pandya: And one final question, sir. Sir, can you please provide us the borrowings as on December '22 figures, borrowing mix?

Dr. S. Sriram: Our borrowing, is actually close, I mean ourtotal funded and non-funded, we are close to Rs. 100 crores, and we have utilized Rs.90 crores of the total borrowing. Roughly, we have, you know, Rs.50 crores of loan. Balance is all funded and non-funded for working capital.

Darshil Pandya: Ok all right. Thank you so much, this is all from my side.

Moderator: Thank you. Our next question is from the line of Anupam Agarwal from Lucky Investment Managers. Please go ahead.

Anupam Agarwal: Thank you for the opportunity. Good afternoon, sir. My question is, firstly, if you can help us understand, we have grown about 20% on a nine-month basis. What has been the volume growth and price growth?

Vinod Gupta: Your voice was not clear.. Can you repeat that question?

Anupam Agarwal: My question was in nine months; we have grown about 20%. What has been the split between volume and price growth?

Vinod Gupta: Yes. Volume has grown close to 8 to 10%.

Anupam Agarwal: All right. Also, sir, can you help us understand the capacity utilizations for nine months and particularly this quarter for both the different plants?

Vinod Gupta: So, I think for our Derabassi plant, our capacity utilization continues to be very good, and we are above 80%. At Lalru, we have had some challenges. We were wrapping here at about 60%. But we are working towards some products addition where we will further go up on the capacity utilization of both the facilities.

Shalil Shroff: And sorry, just to add to Vinod, that the Lalru capacity, we have one product, and in which we have now been getting our European registration very soon. So, you will see in the next financial year that capacity also going up.

Anupam Agarwal: Understood. So, should we expect about 75- 80% from Lalru coming year in FY '24?

Shalil Shroff: That's right.

Vinod Gupta: Yes. That's right.

Anupam Agarwal: Got it. Sir, lastly, if you can help us understand the mix of client concentration in top line, top customers would be accounting for how much?

Shalil Shroff: See all these customers who we do are confidential. But you know, we have Japanese. We have Indian. We have Israeli. We have European. So, it's from Corteva to HODOGAYA to Kureha to Nippon Kayaku to UPL to ADAMA. You know, just to give you a mix, Coca-Cola we work with Divi's, Mylan, just to name a few.

Anupam Agarwal: No, I mean, we do publish this in our annual reports every year. So, if you could just help us understand in nine months, how would that number be?

Shalil Shroff: In terms of customers?

Anupam Agarwal: No, no the customer concentration, top two customers would account for how much of top scale?

Shalil Shroff: So, I would put it that between UPL and Adama, we would be at around 30%. The Japanese would be around 20%. And we believe that going forward next year, these Japanese would grow to 25 to 30% in the next one to two years.

Anupam Agarwal: Understood. That's all from my side. If you could share like the CAPEX number for FY '24 and FY '25? That's it from my side.

Shalil Shroff: I think we have already spoken about it. I mean, you know, this ongoing CAPEX, but I think in the next one to two years, Vinod, you can correct me if I am wrong, but it will be anywhere between Rs.100 to Rs.150 crs additional.

Vinod Gupta: Our new facility that we are planning will actually, I think, will require that kind of an investment, and the kind of product pipeline that we are developing, look, I think we will need that kind of money.

Anupam Agarwal: So, this Rs.100 and Rs.150 crore would be just our share or together our share and the client's share?

Vinod Gupta: Ours. This will be depending on business with each client. Given our healthy financial performance, we will look at each opportunity independently. At the end of the day, when we get into CRAMS model, we basically capture all our costs which is investment, interest and everything. And on top of that, margin comes. So, I think it will be depending on product and a client. So, there is no specific answer to your question. It will be a mix of model depending on the customer and our discussions with them.

Anupam Agarwal: Perfect. That's it from my side. Thank you, and all the best.

Moderator: Thank you. Our next question is from the line of Darshita from Antique Broking. Please go ahead.

Darshita: Hi, hope all are well. My first question is regarding the 12% dip that you have seen in the domestic market. Could you please elaborate a little on that?

Shalil Shroff: I think your voice was a little bit cracking. Can you repeat the question?

Darshita: Is it better now?

Vinod Gupta: Yes, we can hear you, please go ahead.

Darshita: So, I wanted some clarity on the 12% dip that we have seen in the domestic market for the third quarter. So, if you give some idea as to what was the reason behind that?

Vinod Gupta: I think what happened in one particular product which obviously we were in the last two years or kind of an inventory built up, and there was a seasonal variation that took place which resulted in a dip that has happened in this quarter. And again, the season again starts somewhere in April. So, demand will pick up again for this particular product.

Darshita: Ok. Could you give some idea as for which crop do we use this particular product?

Vinod Gupta: I think we basically have products for various crops. And generally, we don't disclose because with that comes the customer's confidentiality and all.

Darshita: Right. Ok. My second question was regarding the, so in nine months, we have seen about 20% top line growth. How much would be attributable to the three new contracts that we have assigned, two with the Japanese MNCs and one with the Singapore client?

Vinod Gupta: I think what I earlier indicated that our volume growth in this year has been about 8 to 10% from this 20%. 10% is mainly because of prices. Our volume growth is 8 to 10% at an overall level. That's what I think we can comment. Specifically, against these three products, we would not like to make any declarations here.

Darshita: And all I was trying to understand is that from the existing set of clients that we have, what is the kind of incremental volume growth we are seeing or we have seen?

Vinod Gupta: Looking at the sales that out of the three contracts, two, in one contract, we are already crossing the original contract quantities, and we have started delivering more than what was contracted originally. So, within say 12 to 18 months of product introduction, we have been able to satisfy the customer. So, that is increasing our values. In order to I think in one product as Shalil said, we are basically going for this European registration, which is taking some time. So, it has not grown, gone as per expectation, but next year we hope to get that registration and volume pickup. Third one is going in line with expectation. I think that's the broad outline I will put it.

Darshita: Ok, That was helpful. My third question is regarding the rice husk prices. I think that has been one of the increase in rice husk prices has been one of the major reasons for our EBITDA margins like, you know, with respect to the power and fuel cost. So, have the prices come off from its peak? I think it had peaked in some time in the second quarter have started to come off a little is what we understand. So, what is the status over there? And with the pricing, with the prices of rice husk coming down, do we see the EBITDA margin expansion continuing on sequential basis?

Vinod Gupta: So, currently, it is very difficult to predict rice husk prices because, you know, it did go down, and then suddenly it has started again picking up in last two weeks, and then again, it is expected to go down going forward in by say beginning of February. So, it is difficult to predict. But yes, overall, I think we are seeing a shift in the way rice husk is dealt by the farmers and sellers. So, we are also trying to assess the change in the dynamics that is taking place on the rice husk front, but overall, I think people are trying to map the rice husk price or the parity pricing with coal, and they are increasing their holding capacity. So, we are observing it closely. We are trying to get into some long-term contract with some people if possible. So, we are looking at several options. One may be trying to explore some alternate fuel also. So, all that exercise is going on, and we probably will be able to conclude something in next two to three quarters on this.

Darshita: Ok. And just, you know, broader idea on if the EBITDA margin on sequential basis would keep improving. So, I understand that first quarter onwards things should start to look up with respect to top line growth. All I was trying to, if not on YoY basis, is it expected to improve on sequential basis, you know, looking at the current demand and the cost structure?

Vinod Gupta: I think Q4 I will say will remain subdued, but in the next year Q1 onwards, I think we should see an improvement in EBITDA margins.

Darshita: And I just had one last question.

Vinod Gupta: It's our projection, but I think I have also put a caveat because most of the companies are in the process of finalizing their annual plan, and we will get one projection from our customers maybe by first week of February. That's where we will have more concrete ideas, but initial indications are looking good, and that's why sort of we are making an assessment that our EBITDA margin from Q1 should start looking better.

Darshita: Right Ok. And I just had one last question. In the second quarter Con-call, we had mentioned that the Rs.1,500 crore order book has started to inch up towards Rs.2,500 crore for the next three to four years. So, are we on track with that? Are we seeing any changes with that Rs. 2,500 number? And how do we plan on achieving it? Is there any change in the plans in terms of achieving the Rs.2,500 crore number?

Shalil Shroff: So, Vinod, I will take that. I mean, as I did mention and even on the opening remarks, Vinod said that the business has been robust, not only with the existing customers, but even with the new one. So, we are very confident, I would say, we are absolutely on the right path to achieve that.

Darshita: Thank you.

Moderator: Thank you. Our next question is from the line of Aman Madrecha from Augmenta Research Private Limited. Please go ahead.

Aman Madrecha: Thanks for the opportunity. Sir, could you please highlight what was the revenue contribution from our top two to three products for this quarter or for the first nine months?

Dr. S. Sriram: Sorry. I missed that question. Can you repeat it, please?

Aman Madrecha: Actually, I was asking what was the revenue composition for the first nine months from the top two to three products which you manufacture?

Dr. S. Sriram: As I said, we are manufacturing, I mean, the top products for us all herbicides. So, our volume from these products, we are in a high growth strategy, and the margins from these products are much above than overall average of the company.

Aman Madrecha: Sir, can you give the number on the total revenue, like how much the top products contributed for the first nine months?

Dr. S. Sriram: Yes. As Shalil said, you know, we have close to 30% of revenue coming from products of UPL, and from Japanese customers we are getting close to 20%.

Aman Madrecha: And sir, like, how should we read on to the resignation of the Company Secretary? Like what was the reason for the resignation of the Company Secretary?

Dr. S. Sriram: He wanted to pursue better alternatives than working with Punjab.

Shalil Shroff: Correct. I was just going to say that.

Moderator: Thank you. Our next question is from the line of Gokul Maheshwari from Awriga Capital. Please go ahead.

Gokul Maheshwari: Thanks for the opportunity. Sir, very basic question. In terms of the products which you are supplying to your customers, would you have an assessment that you would be the lowest cost producer of those products? And if that's the case that is cost a driving factor for largely the customer buying the product from you?

Vinod Gupta: I think there are, let me answer your question in two parts. First part is there is, I mean, when you say lowest cost producer, this is a continuous exercise which happens in the market. And that is where as I said in my opening remarks, we have built our technical and R&D capabilities to make sure that our existing products' competitiveness continues to remain in the market. So, in some products, we did see pressure, pricing pressure, and we realized that we need to improve our technology and process, and efforts have started in that direction. So, the idea is that we would like to be the lowest cost producer for all our products. So, this is not to say that this pressure is across all the products, but on some products this pressure has come, and we have taken aggressive steps to correct our cost positions.

There are other set of products which are obviously part of technology transfer and has a very high level of skill or a typical type of chemistry that is involved. That's where we don't see any price pressure, and we don't see anybody coming close to it, because it's not only about cost, but it is also about the capability to handle those chemicals, those chemistries and all. So, two different kind of dynamics. We handle it both differently.

Gokul Maheshwari: And without going to the numbers, the second part of the products would be a larger part of our business.

Vinod Gupta: We are growing in that part right now. I think, currently, we are at 50-50 for both types of products.

Gokul Maheshwari: Thank you so much and All the best.

Moderator: Thank you. Our next question is from the line of Rajesh Jain from NB Investments. Please go ahead.

Rajesh Jain: Good afternoon. Congratulations on a good set of numbers. Sir, my first question is, in spite of pressure on the margins, our top line has been showing healthy growth during the year. Now my question is for the target that we have set for, you know, FY '24 of Rs. 1,500 crores, does it depend on any registrations or, you know, that have to be completed during this year or maybe some part of next year?

Shalil Shroff: So, Vinod, I will take that. I think as far as the moving forward, as we already said that, you know, there is a lot of correction in the market. So, Q4 is going to be a little flat. Moving forward, for our '24, which we are aiming at around 1,500, we believe we would need another year more to extend that because of the overall situation for the year '23-'24, worldwide if you see among geographical markets, everybody is looking at a little flat number. We believe we should be there, but at the moment, with what discussions we are having with the customers, and the way we are moving forward, we believe close to around 30 to 35% would be an increase. So, we will be a little short for the number which we have projected.

Rajesh Jain: Fair enough, sir. My second question is you have been mentioning about three big contracts that company, you know, had won and, you know, the registrations were in process, out of which now the Japanese customer you had mentioned that it is as per the estimate or whatever the contract. So, now only thing which is not happening is the one with the Singapore customer plus the domestic with the Pharma customers. So, these two supplies have held up due to registration. Is that understanding is correct?

Shalil Shroff: That's right. The European also we are working on the registration. Somehow it has taken a little bit of delay, and the same goes for the domestic. Yes.

Rajesh Jain: So, all these are delay in registration. Is there any problems in, you know, having the agreement in our company's favor?

Shalil Shroff: No, no. I think as far as the business-wise, the customers are absolutely at par, and that is nothing an issue. It's just a delay in terms of the registration and filing of the DMF etc.

Rajesh Jain: Fair enough. Sir, my last question is, we keep hearing since the, you know, last two quarters that a lot of new customers from Europe, Israel and are all visiting our plants and doing the due diligence and all that. So, can we expect some big order winning maybe this Q4 or maybe in Q1 of next financial year?

Shalil Shroff: Yes. So, as I just mentioned that, you know, the situation for the world market is a little flat moving forward, but as far as the contacts are going, and the customer demand is there, we are in discussion. I will not like to specify country because, you know, these are very confidential. And we believe moving forward, between one to three years, the new customers who we are discussing could be in the range of between 20 to $30 million.

Rajesh Jain: Fair enough. Thank you.

Moderator: Thank you. Our next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir, in your opening remarks, you mentioned about the demand and the pricing pressure, right, that we are currently facing. So, just wanted to understand any impact that we see on the medium term margins outlook that we have set for ourselves or any kind of impact on the sustainable margins that we have set for ourselves?

Vinod Gupta: I think, we actually don't see an impact as a long-term impact. It is a short-term impact is what I think what I said in opening remarks. Maybe next quarter the similar pressures will continue, but starting from Q1 onwards, we should see regrouping of margins and all again back to our, you know, original numbers. And at the same time we will see some probably addition of some more products. So, you should see recovery will start happening in Q1, and gradually it will improve.

Deepak Poddar: And so, what is the sustainable margin we are looking at? Is it 15% plus?

Vinod Gupta: I think that's a very difficult question, but yes, we will probably, at the moment, we have set ourselves a target of minimum 15% or higher.

Deepak Poddar: Or higher. And that one can achieve at a level of what Rs 1,500 crores of a top line level, right, moving forward?

Vinod Gupta: Sir, we are taking several steps to move in that direction. And yes, I think top line has one of the key components in that assumption, but at the same time, improvement in our efficiencies, improvement in our product mix, improvement in technology. So, there are several things that we are working upon so that we sustainably go to that level of margins.

Deepak Poddar: Fair enough. And you did mention about 30, 35% revenue growth for FY '24 is what we are looking at, right? Just wanted to clarify.

Vinod Gupta: Yes, I think that's what we are looking at right now, but as I told you that the final numbers from our customers and all will come only by mid of February. That's where we will have more responses, but this is the initial indication, which may be plus minus 5% here and there.

Deepak Poddar: Thank you.

Moderator: Thank you. Our next question comes from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: So, one clarification. Did you mention to any caller about a flat revenue for FY '24?

Shalil Shroff: No, no, when I said that the international markets, you know, if you see all over, it has been a little flat in terms of inventory corrections. So, I think he asked me the question that, you know, where the projection of Punjab works to be to touch 1,500? So, I said our target is there, but we will be a little short in terms of reaching there for the next financial year.

Pritesh Chheda: No, I couldn't comprehend. So, 1,500 is the next financial year's target, and you will be short of it. That's how we should see it?

Shalil Shroff: Correct. Because, you know, the moving forward, in terms of the inventory corrections, we believe that moving towards that number will be short by some, you know,

Pritesh Chheda: Okay. So, instead of a 30, 35% growth, the growth will be slightly lower.

Shalil Shroff: Yes. It would be maybe between 25.

Pritesh Chheda: This is for FY '24, right? Whatever conversation we are having is having for next financial year.

Shalil Shroff: Correct.

Pritesh Chheda: So, based on the, you know, customer interest as of now, what kind of volume growth at least do you see next year?

Shalil Shroff: So, the volume growth will be there, and I think one of the caller also did ask that, you know, the product registrations of that two product, and that is where we are, you know, short of our projection, you know, to have that registrations in place. We are pretty confident that we should, which we are supposed to have it for the Q4, but unfortunately, that registration has not come in place. So, we believe that by Q2 of next year, we should have that registration in place. So, by Q3, the sale should start.

Pritesh Chheda: These are for those two products where you have already started commercials this year? Or are these for two new products which you are targeting for FY '24?

Shalil Shroff: The one is new, and the other one is we did start a little bit, but then we had some delay in registration. So, that will again pick up volumes.

Pritesh Chheda: Does that from a past call, some total you have two products in FY '23 in CRAMS and two in FY '24, right?

Shalil Shroff: Correct.

Pritesh Chheda: Thank you

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Shalil Shroff for closing remarks.

Shalil Shroff: Thank you very much for your time regarding the Q3 of Punjab Chemicals. As already expressed by Vinod, Sriram and myself during the call, that we have robust business growth. Agrochemical is something. Food shortages in all over the world is happening. Land is getting shorter. So, the business outlook is very strong, robust, and not only for Punjab to look at the existing customers, but we are also looking with newer customers. And we hope to come out with more wonderful numbers. And once again, thank you so much for your call. Thanks to Manish for organizing it. Thank you.

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