Punjab Chemicals and Crop Protection Limited

Q1FY27 Earnings Conference Call

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MANAGEMENT:	**MR. SHALIL SHROFF – MANAGING DIRECTOR – PUNJAB CHEMICALS AND PROTECTION LIMITED** **MR. VINOD GUPTA – CHIEF EXECUTIVE OFFICER – PUNJAB CHEMICALS AND PROTECTION LIMITED** **MR. DEVENDER GUPTA – CHIEF FINANCIAL OFFICER – PUNJAB CHEMICALS AND PROTECTION LIMITED** **MR. BISHAN SINGH – HEAD FINANCE – PUNJAB CHEMICALS AND PROTECTION LIMITED**
MODERATOR:	**MR. RIJU DALUI – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Punjab Chemicals and Crop Protection Limited Q1 FY27 Earnings Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Riju Dalui: Thank you, Atharvaa. A warm welcome to all participants in today's call for Punjab Chemicals and Crop Protection. From the management side, we have Mr. Shalil Shroff, Managing Director; Mr. Vinod Gupta, CEO; Mr. Devender Gupta, CFO on the call.

Without further delay, I would like to hand over the call to Mr. Gupta for his opening remarks and post which we will open the floor for question-and-answers. Thank you and over to you, sir.

Vinod Gupta: Thanks Riju, and good afternoon to everybody and thanks for joining the call today to discuss our Q1 FY27 results. As mentioned by Mr. Riju, we have Mr. Shalil Shroff, Managing Director, and Mr. Devender Gupta, our CFO, and Mr. Bishan Singh and other team members on the call.

I trust that you have had an opportunity to go through our financial results investor presentation which has been uploaded on the stock exchanges as well as on our website. As some of you are -- maybe aware that FY26 marks 50 years since the company was established, and it is a good moment to build on that milestone as we begin FY27.

Our diversified product portfolio across agrichemical, specialty chemical, pharmaceutical, and industrial chemicals has helped us stay resilient through various industry cycles, and we carry the same approach into the new financial year. At a broader industry level, the Indian agrochemical space this year is seeing a weak demand environment, mainly because of delayed sowing and weak monsoon, and the pricing pressure in India market is clearly visible.

While the supply chain for India supplies was not materially disrupted, however, it remained fragile and sensitive to the cost with continuing volatility and raw material availability and logistics. At the same time, geopolitical tension in Middle East, which has increased the feedstock, energy, and freight expenses, resulting into margin compression across various sectors.

At the same time, dependence on China imports remain a key factor in influencing sourcing decision and pricing for API and other key intermediates. The weather conditions in Europe, which is our significant market, this year it has been very adverse and long and hot season in Europe. This is also delaying some of the buying decision.

As far as inventory levels are concerned, the inventory levels in the markets are normally -- largely normalized, and our book -- our order book for the year gives us a reasonable visibility on our existing businesses.

For Q1, Q2, and for the part of Q3, we have a clear visibility of attaining volumes as per our original predictions. Based on all these factors, I am happy to report that consolidated revenue from our operation for the quarter stood at INR347.2 crores, a growth of 8.7% year-on-year, with a gross margin at 36.6%. EBITDA of INR40.8 crores, reflecting growth of 18.8% year-on-year, and then EBITDA margin of 11.8%.

We expect our EBITDA margin to improve gradually as the year progresses. On our new product pipeline, one of the products where we had taken a shutdown in the last quarter to debottleneck our capacity of one of the intermediate for -- in agrochemical, that capacity increased project has got streamlined and we have achieved the design capacity.

And this year we expect this product to add significant to our top line and bottom line. Also, at the same time, we had signed three MoUs, as we had declared two quarters back. For these products, commercial lot supply has already been done for testing of the product in the market. And as and when we get approval, this will start scaling up in subsequent quarters. We are also working towards commercializing additional molecule for Latin America market which we expect to start contributing from Q3 onwards.

On capacity addition front, the work on our new manufacturing block at our Lalru plant is progressing well. Civil work has commenced, and now we will see more investment going into Q2 and Q3 for completion of the project in this financial year. Together with our existing site.

We believe this expansion will support our incremental growth projections and also add capacity for the product that we are adding in our product pipeline. We also continue to evaluate a new manufacturing site to support our long-term growth across agro and specialty chemical, and we will share further details in -- as it progresses.

Our CDMO business continues to have gained traction with our active customer base steadily expanding year-on-year, and a few more relationships are under --currently under discussion. On performance chemicals, we continue to work towards gradually improving our segment margin over the next two to three years, supported by improved product mix, focus on R&D, and better engineering practices.

We remain a key supplier of food-grade phosphoric acid to the leading global beverage companies in India, and we have added some more customers in last two quarters, and we expect this business to scale up further as their capacity expansion progresses, opening up additional export opportunities over time.

Taken together, we remain confident in our medium-term growth trajectory and continue to target healthy revenue growth for FY27 with an ambition to meaningfully scaling up our business over next three years as these initiatives mature.

With this, I hand over the call to our CFO, Mr. Devender Gupta. He will give you the financial performance in greater details.

Devender Gupta: Thank you, Vinod Ji, and a warm welcome to all shareholders and investors present today on this call. For the quarter ended June 30, 2026, our consolidated revenue from operations stood at INR347.2 crores as compared to INR319.5 crores in the corresponding quarter of last financial year, representing a year-on-year growth of 8.7%.

The export revenue witnessed a strong growth of 27.7%, while the domestic revenues saw a marginal decline of 3.1% during the quarter. Gross margin for the quarter stood at 36.6%, up by 355 basis points on a yearly basis. EBITDA for the quarter stood at INR40.8 crores, a strong growth of 18.8% on year-on-year basis, with EBITDA margin at 11.8%.

Profit after tax for the quarter stood at INR22.1 crores reflecting a growth of 7% on Y-o-Y basis with a PAT margin of 6.4%. Our focus continues to be on balancing growth in revenue with an improvement in profitability.

Rather than optimizing for any single metric we continue to work towards steadily improving our margin over the next two to three years aided by our new product addition, including those from upcoming manufacturing sites. Our overall guidance and the assumptions underlying it remain broadly unchanged from our previous updates.

With this, we conclude our opening remarks and open the forum for question-and-answer. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We have the first question from the line of Jainam Ghelani from Svan Investments. Mr. Jainam, can you please unmute your line?

Jainam Ghelani: Since we've achieved 9% revenue growth in this quarter, how much would be attributable to volume and how much would be to realization increase?

Vinod Gupta: I think, so if we break up the EBITDA margin expansion, I will put this year 50% to the growth and 50% of incremental is because of better realization. So broadly, there is an equal split in the margin in the two parts.

Jainam Ghelani: Sir, I'm mainly talking in terms of revenue, not EBITDA?

Devender Gupta: Yes, so out of 9% revenue growth that we have seen, around 3% to 4% is on account of the price increase that we have had, and balance is coming from the volume side.

Jainam Ghelani: And sir, could you give us the utilization and volumes at Derabassi and Lalru as we used to give in our previous presentations?

Vinod Gupta: So roughly, our utilization at Derabassi in quarter one has always been healthy, and this year also we are at about 85%. And Lalru quarter one utilization is around 71% to 72%. And we expect this utilization to be better in Q2 and Q3 at both the locations.

Jainam Ghelani: Okay. And sir, since we mentioned that our order book is very strong from Q2 to Q4, how much would be from -- would it be possible to break up between new products and our legacy products?

Vinod Gupta: We continue to maintain our guideline on the contribution of revenue from new products, year-on-year increase. This year we are targeting, contribution from new product coming to roughly anywhere between 15% to 18% of our revenue in this year. That's what is the target for this year.

Jainam Ghelani: And sir, though you mentioned about the Greenfield capex, but are we having any timelines within like, do we want to opt for the Greenfield capex within FY27?

Vinod Gupta: Yes, I think we want to start the Greenfield capex in FY27. That's a clear goal that we have taken.

Moderator: The next question comes from the line of Disha Chamriya from Trinetra Asset Management.

Disha Chamriya: My first question was regarding the working capital. As working capital has increased from 62 to 71 days in FY26, what is the further target for FY27 and what is the improvement coming from? Would it be from receivables, inventory, or, payable side, sir?

Devender Gupta: So while there was improvement in the last financial year towards the working capital, currently the working capital cycle is bit increasing going to certain market conditions, and we expect it will continue to be so during this financial year. It will again be back in the range in the last quarter of the financial year.

Disha Chamriya: Okay, sir. And do you target some, like, do you target any number around the working capital? Would it go again to the 70s or 80s range?

Vinod Gupta: So I think our business is a little bit of a cyclical in the sense that some of the business in Q1, Q2, some products is high. So this, we -- during the year we'll see an increase in working capital days, but towards the year end probably we'll be around the same level as last year.

So that is the cycle that we will have during the year as these products are seasonal products, and accordingly the working cycle will vary during the year. Overall, we see this is basically being managed as per the market conditions, and we really are monitoring it closely.

Disha Chamriya: Okay. And what is the R&D expenditure that is planned in the next few years? And because we have 25 of -- around 25 products in our pipeline, what is the expected cadence of commercialization? Like, how many products per year do you target per year? And what's the realistic timeline before this product gives a meaningful contribution to the top line?

Vinod Gupta: So I think our R&D facility, we have doubled in the size in last 2 years. So number of people and number of, say what is called as jio mode and the area that we have allotted to R&D has been going up continuously.

We are taking up a revamp of a pilot plant in this year where we'll increase the capacity of our pilot plant where we can do scale-up of multiple products at the same time. This we will target to complete somewhere in the month of September, October. And with the help of this, our product scale-up and number of products in R&D will increase.

As far as this product pipeline is concerned, these products are at various stages of commercialization. As you know that these products are in either specialty chemical space or in -- or in some products are in pharma, KSM. So these -- they have a slightly longer approval cycle. So in a year, we are seeing commercialization of four to five products.

Some of them are contributing to a revenue of, say, INR8 crores to INR10 crores, and some of them have potential for adding INR40 to INR50 crores over a period of three to four years. So that's the complete basket of product which we have and -- but year-on-year, we are commercializing four to five products every year. Hello?

Devender Gupta: Hello?

Disha Chamriya: Sorry, sir, I was on mute. So my next question was, the new products that have been launched over the past few years have been contributing around 12% of the revenue. Is that contribution still growing, and is there any specific products that are driving it?

Vinod Gupta: What we have said is over a period of time, gradually we'll look at 20%. So if you see from last year, year-on-year there is an increase. And this year, as I mentioned in the response to an earlier query, we will have a contribution from new products anywhere between 15% to 18% of our top line.

And, and whatever we have demonstrated so far, whatever we have delivered in the first two or three initial first one month was stabilization process. We are very confident that we'll hit this number easily this year, and next year probably we'll be more than 20%.

Disha Chamriya: Got it, sir. Just a last small question: what would be our top 5 to 10 customers would be contributing to the top line?

Vinod Gupta: Top five customers will be contributing about 60% to 65% of our top line. And if I take top 10 customers, probably it will be about 75%.

Moderator: The next question comes from the line of Neel from Valentis Advisors.

Neel: Yes, sir my question is regarding the high employee cost. Is there a one-off or an exceptional item over there?

Vinod Gupta: This high cost is mainly on account of long-term benefits and the appraisal so that we have just concluded this year. So it was around long-term benefit, and this is you can say, it is a one time kind of a phenomenon where management decided to reward 3 people on the performance of last 3-4 years.

Neel: So what would be the quantum? What is that additional number?

Devender Gupta: So like one time number would be around INR4 crores, INR4.5 crores.

Moderator: The next question comes from the line of Parth Kotak from Plus91 Asset Management.

Parth Kotak: Most of my questions have been answered. Just one slight color on the new products. We've seen exports go up in this quarter along with the new products. Is it a fair understanding that the new products are targeted towards exports markets and would have a higher margin, which would probably have given us a better margin this quarter, and we are seeing better margins for the years -- year to come?

Vinod Gupta: The growth in exports is mainly around the better planning we did. Some of our traditional products are seeing a consolidated demand during the first two quarter, and we had built certain inventories in the Q4, and that we were able to ship out. So that's where you see a growth in the export market with a slightly better margin.

New products are mainly going for domestic market, and obviously the margins are better. But as you know that the products which are going off patent are also coming under pressure mainly from Chinese competitors very quickly, and that's where we continue to put effort to make sure that whatever product we develop, we continuously put efforts to be cost-competitive and also be seen in the market as a first mover.

So broadly, the growth in exports is on the existing products only because of better planning. And the domestic growth is because of the new product where the volumes have increased in this quarter. And then next few quarters, it is going to be even furthermore.

Moderator: The next question comes from the line of Nakul Doshi from Sankhala Family Office.

Nakul Doshi: Sir, my question was regarding, the earlier management had reiterated its target of reaching 15% EBITDA margin over the next two to three years. And after the Q1, does management continue to maintain this target? And which initiatives are likely to contribute the largest share of future margin expansion?

Vinod Gupta: I think we continue to maintain that guidance over the next 2 years to 3 years. Of course, the market conditions in the last quarter were not easy, where we saw a lot of fluctuations around -- wild fluctuations on the raw material spot prices depending on the supply chain conditions and the availability of solvents and various chemicals in the industry.

So we are taking both the initiatives. One, we are working further aggressively to improve our processes, and at the same time, any of the products where we are adopting some novel technologies and novel processes to see that those add higher margins to our bottom line. So there is a dual approach to achieving that target.

Nakul Doshi: Okay. And in terms of supply chain, are we seeing any better improvements happening over there, easing of any pressure over there?

Vinod Gupta: The situation is very dynamic, and what's happening in the global market every day. There is a new announcement. All I can say is that we have been able to make sure that our plant remain operational during the quarter. There was no outage because of any raw material not being available. And similar forecast is that we have for the Q2 also where we have been able to take calls where our capacity utilization continues to be healthy and we continue to supply the product to our customers.

So far we have been able to manage it, but I think overall in the market and I think probably all of us have to be very alert in terms of managing the situation. And that's where we put our heads together every day and see that our new product pipeline, our existing product volumes do not take a hit in the market, and we continue to supply products to our customers on a consistent basis.

Nakul Doshi: Got it. And you mentioned about the initiatives which we had taken, and one of them being increase in the number of product under development. And we had mentioned around 25 plus products plus three exclusive MoUs and increasing share of high-value intermediates. And we have continued the same messaging in our investor presentation as well. So can you provide any update on that, like number of products which are currently under customer validation?

Vinod Gupta: I think, as we said, every year four to five products will get commercialized. So at the moment, if you ask me specifically on the MoUs, out of the 3 MoUs, for 2 MoUs we have already supplied commercial lots, which generally is anywhere between 2 tons to 5 tons of material which has gone to the market and it is being tested by the customer and market under various applications.

These are all specialty chemical products that is already under progress, and these products are under commercial production already where the volumes are increasing this. And again, during the year, at the moment, we are planning to -- this year we are planning to commercialize at least three to four products over the next two-three quarters, which will then scale up in the next.

Nakul Doshi: Got it. And on the CDMO side, any color if you would like to share? In the next couple of years, what would be the expected revenue contribution on the CDMO side?

Vinod Gupta: We are actually expanding our customer base on CDMO side also, and we are in advanced stages of discussion with both Japanese and European - because of the more dynamic market conditions. At the moment, it's taking slightly longer what we had anticipated, but we are confident to add at least two to three more customers with multi-year contracts to be signed in the next 2 quarters to 3 quarters.

Nakul Doshi: Got it. And also, since you mentioned about the 2 MoU products which are expected to ramp up from Q4 and domestic launches are planned for H2, plus new capacities are also getting commissioned, so definitely we are expecting a much stronger H2 as compared to H1. Is my understanding right?

Vinod Gupta: I'll say H2 to H2 our performance would be much better. For our industry, H1 is generally very high, mainly because the demand is concentrated in H1. So I'd say that from H2 to H2, if we compare, the overall H2 will be much better.

Moderator: The next question comes from the line of Mohit Chugh from Subh Labh Research.

Mohit Chugh: Sir, hope I am audible.

Vinod Gupta: Yes, you are audible. Go ahead.

Mohit Chugh: Sir, my first question is, in general, what percentage of company's export revenue is derived from Europe? If you can tell a ballpark percentage?

Vinod Gupta: Sorry, can you repeat your question?

Mohit Chugh: Sir, what percentage of Company's export revenue is derived from Europe?

Vinod Gupta: What percentage of it? I think it's from Europe, it's about 70% is coming from Europe and remaining is from U.S. and Latin America and Japan.

Mohit Chugh: Okay, sir. Okay. And so since now we are about one month into quarter two, how is demand from Europe shaping up? Are you seeing any improvement or change in distribution patterns due to weather? Like you told earlier, there was some problem with the weather conditions?

Vinod Gupta: So far signals are on the price pressure, not on the volume side. Looks like the market is expecting some drop in demand, but we don't see it to be, say, significantly lower, maybe 5% to 8% demand reduction. But we have taken -- we have taken steps to make sure that we maintain our market share and the volumes.

So we are already taking proactive steps to either sign up the contracts or been -- engage the customer to make sure that there is a dynamic pricing is in place. So at least we make sure that our capacity utilization and the volume is protected.

Mohit Chugh: Okay, sir, got it. Sir I was, sorry to point on this again. I was asking because I also attended the two other players who are major exporters of agrochem. They were saying that their export volumes have declined, but ours has not. We have shown a growth in export volumes.

Vinod Gupta: So this was I think, as I told you, it was because of the better planning, because we had planned some inventory to be carried in Q4 because we wanted to capture maximum possible market share when the demand is at the peak. That's where we have seen increase in the -- it is on account of better planning, which actually, if you see, our inventory levels in the Q4 were higher, where the inventory levels have dropped now. So that was a call which was taken in the month of January. And that's it.

Moderator: The next question comes from the line of Suhani Singh from ROS Capital.

Suhani Singh: I had a couple of questions. Last quarter, the management indicated confidence of achieving the upper end of 15% to 20% revenue growth, 15% to 20%. So is management still confident of achieving the upper end?

Vinod Gupta: Yes, they are confident of achieving between 15% to 20%. As I explained, that Q1 capacity utilization has always been healthy, so Q1 is slightly difficult. So it's always the best quarter, but it's always difficult to get an extra growth in Q1. So this year we have got a growth on account of the better planning, as I explained earlier. But we are basically planning to have a much better H2, which will give us a growth of at least 15% to 20%. That's the guideline guidance we had given, and we maintain that guideline even now.

Suhani Singh: Okay, that helps, sir. So particularly, which business segment will drive the remaining growth during H2?

Vinod Gupta: It will be a mix of products. So we are making certain intermediates both for agrochemicals and pharmaceuticals, and that's where we will see growth coming in H2.

Suhani Singh: Sir, can you give me a breakdown on how much of the Q1 gross margin improvement came from better pricing, better mix, and manufacturing efficiencies? And which of these is sustainable?

Vinod Gupta: It's a slightly difficult question because the overall numbers because of the pricing of the raw material and the product, everything was -- is difficult to achieve. But all I can say is that we had taken certain targets for efficiency improvements in this year, and those targets are in place, and we have achieved most of those improvement targets, which are sustainable.

Pricing is market-driven. So say, for example, we got some advantage in pricing in Q1, that may not be sustainable because we have to adjust to the market conditions. So, that's all I think I can say, rather than giving up other breakup.

Moderator: The next question comes from the line of Rajive Jain from Arcane Investment.

Rajive Jain: So firstly, in the previous call you had guided that all three MoU products would be commercialized during FY27, but now you have mentioned that commercial lots have been supplied for two products and volume ramp-up is expected only from Q4 FY27. So has the commercialization timeline shifted or what is the delay in the revenue ramp-up despite successful commercial launch?

Vinod Gupta: I think I'll probably interpret it like this, that we expected a commercial launch to get supplied this year, and then after that customer will take time to test this material, which is -- because these are all very highly specialized specialty chemical segment where customer -- commercial lot testing cycle is also between three to six months.

So when we indicated it was more around seeing that from earlier we had given laboratory sample, then we gave pilot sample, all those were clear. In Q1, we have supplied the commercial lot. So that was the intent, and we have been able to achieve the quality required by them and the cost that was indicated to them. And once the approval happen, the ramp-up will take place gradually in coming quarters.

Rajive Jain: Understood, sir, understood. Also, secondly, new products contributed almost about 14% of the revenue in Q1, while growing 40% year-on-year. So compared to earlier expectation of significantly increasing their contributions, can you quantify central annualized revenue from new products and target contribution over FY27 and '28?

Vinod Gupta: I think at the -- at a high level, we have been making -- we are targeting new product to contribute to anywhere between 15% to 18% of our top line, and we continue to maintain that top line, that guidance. As far as contribution is concerned, we will not like to give that breakup at the moment. Let the things mature and over a period of time, because these are all dynamic situation.

As I said, products are going off patent, there is a continuous competition from China, and the technology development part also plays a very important part. Only thing I can say that we are very confident that the process and the technology that we had -- we have developed, and further work that is going on is we are adding a long-term sustainable product portfolio to -- product to our portfolio.

Rajive Jain: Understood, sir, understood. Also, just one more thing, if I have missed, so whether the earlier guidance of INR120 crores, INR150 crores. incremental revenue over 2 years, 3 years remains unchanged or is there any change to it?

Vinod Gupta: If you look at our revenue top line, last year was INR1,030 crores and this year suppose we are looking at 15%-18% growth, so we'll be at around INR1,200 crores. I'm just doing some math with an open mind. And if we get a 15% on this, which is our lower number, it automatically translates to that number what you're seeing.

Rajive Jain: Understood, understood. And just one last thing. As we have guided for herbicide intermediates during Q3, Q4, so could you elaborate on that, like maybe addressable market and customer profiles, expected commercialization timelines, and maybe the revenue potential for next 2 years, 3 years visibility?

Vinod Gupta: So these are all basically -- sorry, I think you're talking about from -- this point from our investor presentation, right?

Rajive Jain: Yes.

Vinod Gupta: Okay, so these two products, I think they have a potential, at the peak, once we reach, which is going to take 2 years to 3 years to contribute anywhere INR40 crores-INR50 crores per annum. We are going to launch this year. This year probably each of them will contribute maybe around INR10 crores to INR20 crores. This is, this is going to be first year of launch, so we'll be testing our markets. In long run, probably each of these products will contribute anywhere between INR40 crores to INR50 crores in 3 years to 4 years.

Moderator: The next question comes from the line of Pahel Sharma from VG Capital.

Pahel Sharma: I just wanted to ask about like, is management seeing any meaningful increase in customer requests like for China plus dual sourcing. And also, has this begun translating into long-term contracts rather than spot orders?

Vinod Gupta: I think that interest has been there, and that's where a lot -- we are having several interactions with the customers, mainly from Europe and Japan, around sourcing from India. And also within India, there is an interest that if we can be competent -- competitive, a lot of people are also approaching us, if we can be competitive, then they want to source material within India itself.

So there is an increased interest, and that's where we are expanding our R&D efforts and the infrastructure so that we can cater to this demand. Typically, these conversations, especially if you deal with Japan, takes a slightly longer time because the Japanese companies are slightly conservative. But once they are on board, it's a multi-year contract that they sign. We are having several conversations with several partners on this.

Pahel Sharma: Understood, sir. Great, great. And one more question I have with me is that, with the increasing share of high-value intermediates, like, so where do you see the optimal long-term business mix between like CDMO, catalog products, industrial chemicals, or we can say agrochemicals?

Vinod Gupta: So I think between CDMO and catalog product, we'll continue to have the similar mix going forward. We are at about 50:50 now, so we'll continue to have similar projections. As what I say, our product portfolio is dominated by agrochemicals, which is around 65% to 70%, and that ratio will remain. So even if the new products are getting added across all the categories, but agrochemical will continue to dominate because that's the market we know very well, and that's where our new product pipeline is also very healthy.

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

Shalil Shroff: Okay. So thank you so much. As you have seen that our Q1 was pretty robustic, and we feel moving forward for Q2 as well as Q3, the order position is pretty strong. And whatever we have said, I hope we have -- the management and myself have answered most of your questions. And thank you very much for your attention. See you again during the Q2 call. Thank you.

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