"Punjab Chemicals & Crop Protection 1Q FY24 Conference Call"

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MODERATORS: MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING

Moderator: Ladies and gentlemen, good day and welcome to the Punjab Chemicals and Crop Protection 1Q FY24 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, please signal an operator by pressing '*' and 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, Darwin. On behalf of Antique Stock Broking, I would like to welcome all the participants on the call of Punjab Chemicals and Crop Protection. From the management, we have Mr. Shalil Shroff – Managing Director, Mr. Vinod Gupta – CEO and Mr. Ashish Nayak – CFO on the call. Without further ado, I would like to hand over the call to Mr. Shroff for opening remarks. Post which, we will open the floor for Q&A. Thank you and over to you, Mr. Shroff.

Shalil Shroff: Good afternoon to everybody. Vinod Gupta will give you a brief introduction, so I hand over to Vinod.

Vinod Gupta: Good afternoon, everybody and I welcome all of you for Q1 FY24 earning call. As I think already informed, Mr. Shalil Shroff, our Managing Director and Mr. Ashish Nayak, CFO are there on the call with me.

First of all, let's start with a brief overview of the sector. As all of you know, agrochemical industry has been facing lot of uncertainty over the last 6 months mainly due to high channel inventory at high cost and also that followed by an unprecedented price drop in some of the key active ingredients and this is also due to oversupply in the market, demand going down and adverse weather condition. On domestic front, the delay in monsoon and uneven rainfall distribution has affected the sowing pattern in the country and the demand of the agrochemical products. We, in Punjab Chemical, are keeping a close watch on this changing business dynamics and are taking decision based on prevailing and near future expectations, and we are tracking market condition both in global as well as domestic market.

As we talked in our last few calls, our strategic initiative for emphasizing on R&D for focusing on cost and yields has started yielding results. We are constantly working to improve our existing product portfolio based both in terms of efficiency, quality, capacity, significant emphasis on safety and also making our product more carbon friendly. On new product development, we are working on new chemistries and also identifying new molecules. As outlined in our presentation, we have an exciting pipeline of products under development. Some of these products we have given some commercial samples to our customers and they have been well received or there may be some delay because of current market condition in commercialization of these products, but we are in constant dialogue with our customer and as the market condition normalizes, we are very hopeful that these products will take off in a very nice manner and we are continuously working to reach agreements with our customers on these products. Our production facilities in Derabassi and Lalru are working fine. Our capacity utilization for Derabassi is healthy at 81%. Lalru is at 55% where we are working to improve our capacity. Our industrial chemical division continues to perform, have a very steady performance.

Now, along with this, now probably I'll come to the numbers. We have started the year on a healthy note. We have shown growth across our several key matrices. I'm happy to announce that we have begun this financial year 2024 on a strong note with a revenue of Rs. 281 crores. And also, we have achieved the highest ever EBITDA margin in our history in a quarter of Rs. 38 crores. Along with this, comes the challenges of the market and next few quarters are going to be challenging and we are working to enhance our strength in R&D, product portfolio, close monitoring of the market inventory and our cost to sustain this journey of success. Our efforts, which are directed towards strengthening our product portfolio and customer portfolio not only in India, but across various geographies, that efforts will continue.

I think with this, I will conclude my part of the conversation and I'll hand over the talk to our CFO, Mr. Ashish Nayak for detailed analysis of our financial numbers.

Ashish Nayak: Thanks, Shalilji and Vinodji. Hello everyone and thank you for joining us for our Q1 earnings call. I'll provide a brief overview of our financial performance for the quarter. On quarterly performance, revenue from operations for Q1 FY24 stood at INR 281 crores registering a healthy growth of 44% quarter-on-quarter and 3.4% year-on-year basis. The quarter also saw an improvement in both exports and domestic sales, which contributed to revenue growth. In Q1 FY24, the revenue share of the export market was 52%. The gross margins for the year for the quarter stood at 35.3%. There was a slight dip in the gross margins, which was attributable to the change in the product mix. We are very focused on factors in our control and our initiatives for cost optimization have led to significant improvement in the EBITDA.

As mentioned by Vinodji earlier, we are happy to announce a new milestone achievement with our highest ever quarterly EBITDA at INR 38 crores, delivering a robust growth of almost 78% quarter-on-quarter and **6.8%** year-on-year basis. EBITDA margins for the quarter stood at 13.4%, an increase of 260 basis points quarter-on-quarter and 40 basis points year-on-year basis. The net profit for the quarter stood at INR 22 crores as against INR 20 crores, same period last year, a growth of 7.7% year-on-year and registered a spectacular growth of 583% Q-on-Q. PAT margins for the quarter stood at 7.8%, up 40 basis points year-on-year and 620 basis points quarter-on-quarter.

* Note: During the call, EBITDA margin growth year on year basis was inadvertently said as 7.4%, please note that the same should be read as 6.8% as reported in the financial results.

With this, I now conclude my speech and open the floor for question and answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Jain with Credence Wealth. Please go ahead.

Rahul Jain: Sir, congratulations on a wonderful set of numbers and this is in an environment which is so tough and where most of the companies including the MNCs and overseas companies in our segment have been quite cautious or have been not posting that kind of numbers. So, just to understand, sir, what has helped us to deliver these kind of numbers both on the sales and the profitability part? And because I also see and correct me if my data is correct or not, with regards to the production, it looks like at Derabassi, our production is down by around 10% compared to the last year quarter one. And at Lalru, it is almost flattish. So, if you could just try to make us understand what has exactly helped us to deliver this kind of growth in an environment where prices of materials, products have been on the decline.

Vinod Gupta: Thanks, Mr. Rahul for the question. Broadly, I think you have very good observations around capacity utilizations. Let me start with that. But what we have tried to do is to be very conservative on our first of all the inventories and our cost controls. Second thing, what we are doing is as and when the product mix is coming or any opportunity that is coming in our end, we are just going aggressively after that and capturing that opportunity. Now, the market efforts in getting these business opportunities not losing any opportunity whatever comes our way is helping us to sort of keep the momentum going in terms of the revenues. Now coming to the capacity utilization, I think capacity utilization generally is in chance, but it does not reflect the value part. So, maybe we just got some high value product and that's where the capacity will look lower, but the numbers will look better. So, broadly, this has been our approach where we are keeping a close track on the market. We are not going very aggressive in our inventory. We are sort of trying to do just in time kind of a management for most of our raw materials to see that we are not adversely affected by any price hikes.

Rahul Jain: Sir, do I assume or do I understand the sales growth has been basically where the realizations have also gone up, it is due to a better product mix and if you could share some details. Maybe you name the product or not, but is it like some of the new products or the product mix has changed whereby the value of the products are much higher than what it was in the earlier mix?

Vinod Gupta: I think we don't generally discuss the product specific details, but I think your reading maybe is correct that I think we basically got the share of higher value product more this time and that's where you see better numbers. And then I think this coupled with our efforts, I think we have been telling that last 2 years, we have been investing in asset renewal efficiency improvement, yield improvement. Some of those initiatives have started paying off.

Rahul Jain: Could you share some new product contribution in this sale if that is possible to share?

Vinod Gupta: No, I think we generally avoid disclosing this kind of specific information, but all I can say is that we have exciting product pipeline available with us and going ahead our share of new product in the business will be more and more.

Rahul Jain: Last thing, sir, how do you see the environment? So, there is no one-off in the numbers which we see, is that correct, right?

Vinod Gupta: There is no one-off in these numbers, and I mean these are all normal routine business transactions just taking the call at the right time and focusing trying to deliver the product at the right cost to the customer. Yes, industry trend, everybody knows and we are closely tracking that industry trend.

Rahul Jain: So, last question, if I may squeeze in. So, how do we see the scenario going ahead in terms of what we have been hearing is that things continue to remain bad and prices are just not stabilizing. So, if you could share some details on the overall environment both on the domestic and the export side. More so on the agrochemical side post this quarter and going as we speak today and also going ahead, how do you feel the environment is shaping up? Are we through with the inventory destocking? Have the prices stabilized? Are they somewhere moving some of the products have the prices stabilized and have also started moving up? Some color on exactly what is happening on the ground, sir, both regards to demand and inventory and pricing?

Vinod Gupta: I think broadly industry trend is obviously as you said is very challenging and this will continue to be in this situation of uncertainty for next 2 quarters is what we envisage. Now, after this comes, obviously the inventories position and the specific product where we are in the market. Now obviously there are some products where prices are not stabilizing, prices are keep on going down or in some cases certainly shoot up also. This will all depend on the weather conditions over the next 8 to 10 weeks, both here in Europe. If the weather conditions become favorable, I think industry will be out of this challenging phase much faster than what everybody is thinking. So, we are all keeping a close watch. All I can say is that yes, market condition is challenging and we are taking all the right steps to make sure that our volumes keep on getting picked up and we don't take any unnecessary risk. Thank you.

Moderator: Thank you. The next question is from the line of Pujan Shah from Congruence Advisors. Please go ahead.

Pujan Shah: So, as per the presentation, we are witnessing the off patent till 2023. So, going off-patent some of the products, so might the market value would be eroded after the going off-patent? So, how we have been presented over that product specific and how we are growing because everyone has been stuck into pricing and inventory generalization, so I just wanted to know is there any benefit which we can take for this specific situation because we are in the prospect side of the industry?

Vinod Gupta: So, I think there is no specific response, but the general response is that yes, there are a lot of products which are going off-patent and as you rightly said, I think there is a fear of market getting overcrowded. However, that's where critical selection of the product will play a very important role. So, we are looking at a product where we can be competitive in long run where we will have a sustainable advantage over a long period. So, that's how we are looking at the products which are going off-patent and market access. So, we are doing a complete study on that part, so we're not running after every product. We are selecting the products very judiciously.

Pujan Shah: But sir, in this any specific product we have been working on like if we have done any specialty chemicals..?

Vinod Gupta: Mr. Shah, we don't disclose specific details because that's more of our own internal MIS.

Shalil Shroff: I think just to add to Vinod, what he said, the R&D as we have been talking for the last 2 or 3 calls, Punjab has put in a lot of effort to make the R&D very strong and today whatever products we are looking is within the chemistries which we know and the newer chemistries where we are very competitive. So, moving forward, the products which we are looking and which in the opening remarks which Vinod mentioned that product costing and efficiency is very important. So, that's where our focus is. And once again, my apology, but certain products we are under a secrecy agreement. So, it's very difficult to mention, but yes, the major is the agrochemical sector in which we are concentrating. That's what I can say.

Pujan Shah: And my second question would be on the capacity utilization. So, Lalru, as we have been witnessing 55% of capacity utilization, so do we think that once the demand comes up and the once the Lalru capacity increases, we will be directly getting the increase in the bottomline as you know that the fixed cost has already we have been maintaining in Lalru?

Vinod Gupta: Yes, I think, your assumption is right that as the market condition improves, the Lalru capacity utilization will improve and at the same time, we are also exploring some more products for Lalru specifically and we are confident that over the next 2-3 quarters, our capacity utilization will be significantly better.

Moderator: Thank you. We have the next question from the line of Jainam Ghelani with Svan Investments, please go ahead.

Jainam Ghelani: So, what is the CAPEX plan for the current year and the next year?

Ashish Nayak: For the current financial year, we have a budget of roughly around 40 crores, of which in the first quarter we had already incurred about 9-9.5 crores and the balance would be spent across the balance period of time. As far as the CAPEX plan for the next financial year is concerned, that's something which is under consideration depending upon the market conditions and how we expect the products and the new products to be rolled out, we will accordingly take a call.

Jainam Ghelani: Sir, what is your peak revenue that we can reach at the current capacity at Lalru and what is the optimum utilization that we can reach at both the plants sir?

Ashish Nayak: See optimum capacity, this is a multiproduct facility. Every product has a different product cycle and a different realization that price. Again, this price is dependent upon the markets. For some markets, the prices are much far better as compared to some of the other markets. So, it's a very complex calculation I would say. So, I will not be in a position to comment as to what is the peak revenue, because it depends upon the product mix at that point of time and the kind of markets that these products are being sold. So, that would be very hypothetical and it would not be fair for me to answer that question directly.

Vinod Gupta: And just to add what Ashish said, at Derabassi, we are at almost 80 plus; Lalru, because of the product we are at around 50-55 and we believe in the next 2-3 quarters, we should go to around 70% to 75%.

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

Deepak Poddar: Sir, you mentioned about the industry scenario remaining challenging, right? And you do expect uncertainty to continue for the next 2 quarters and so based on this background, do you do we expect any kind of changes in our outlook that we have given earlier in terms of 20%-25% revenue growth and 14%-15% EBITDA margin for this year?

Vinod Gupta: I think the current situation is anyway different. Did we ever give the revenue growth projections, but I mean 25% looks difficult, let us do this thing, but overall we are very optimistic of growth during the year.

Shalil Shroff: And I think as we said that there are some products which are already commercialized, samples have been approved, but because of the dynamics in the market, there has been a little delay. It is not that the business is gone. We have been constantly in touch with our customers and we are pretty hopeful that within the next between 8 to 12 weeks we should be in a position to re-start talking to them and take it forward. Also, please understand that when you talk of CAPEX, as Ashish said, that we do have multi-purpose facility, but we also have some dedicated facilities where we produce few of our products on a long-term basis. So, based on that, we also have some customers with whom we have already signed NDAs and we have gone ahead to ensure that this falls in place, but at the moment as again we reiterate the market, we are very confident and hopeful that within the next 1 or 2 quarters, the second and the third quarter will open, become more relaxed and we'll be able to get started with the new projects, which are already pipelined and commercialized.

Deepak Poddar: And what about margins?

Shalil Shroff: At the margin, at the moment what we have projected, we believe very strongly we should be somewhere where we are at Q1 or maybe a little slight improvement by 0.5% to 1%.

Deepak Poddar: To 13.5%-14.5% in that range?

Shalil Shroff: That's right.

Deepak Poddar: And how much revenue mix comes from industrial chemical for us?

Shalil Shroff: So, if you look at the breakup in our business, close to around 60% is agro and 40 is performance chemical. Out of that, close to around between 15%-18% is from the industrial division.

Deepak Poddar: Out of 40% performance chemical, how much is industry?

Shalil Shroff: 18%.

Deepak Poddar: 18% out of that 40%, right?

Shalil Shroff: Yes.

Moderator: Thank you. The next question is from the line of Chirag Shah from White Pine Investment Management. Please go ahead.

Chirag Shah: Just one question I had. Before this industry downcycle started, we had an aspiration of 1500 crores plus revenue and high teen margins. In your assessment, today, is there a permanent change and those margins cannot be done given the way the industry dynamics have changed. If not, then what all things for you to fall in place to again have those aspirational margins coming back on board?

Shalil Shroff: So, as we have already said that the market is under correcting mode and obviously the population all over the world is increasing. Food is a must and we as an agrochemical company or we or many agrochemical companies follow that pattern and as far as the projection which we have given 1500 crores, I think in my call on Q3 we have mentioned that we have tapered it down to around 1300. And again, as on today, look at the market just beginning of the year between January to now has changed very differently, but we are very confident that what we are looking at the future should be anywhere between 1,200 to 1,250 in terms of revenue.

Vinod Gupta: Chirag, just a moment, I think I'll add one more point. See, we don't see a structural shift happening in the industry. The product portfolio that we are developing has a long future and the technology that we are developing will compete in the market, so we are very optimistic that the product that we are targeting, there is no shift and there is enough market size for us to enter and expand.

Chirag Shah: So, let me rephrase it, so I'm not saying that on a particular year target, what I'm trying to understand is that if you need to get back to your aspirational numbers, what all things need to be following through because if I recollect, we were talking with a lot of clients like Nippon Soda or Syngenta for example I'm just giving some of the names. For new products, value-added products, it seems they have taken some backseat given the way the global cycle has played out, which is not in our hand, is that the right assessment that those things have to again come back on the board for you to again aim for those aspiration numbers?

Vinod Gupta: So, we are in continuous dialogue with them. Yes, I think there is some wait and watch happening at the moment because most of these names or most of these companies are still struggling with the current challenge they are going through of the industry downtime, inventory correction numbers and all, but the dialogue is still on and our assessment is that wherever we have had dialogue, there is a long term optimism on the product that we are seeing.

Chirag Shah: Sir, lastly on phosphorus derivatives, we have been talking about it some time back. So, is it still on board or now that it doesn't appear to be that value accretive for an overall scheme of things? And hence we are not evaluating that and we….

Shalil Shroff: You are talking about the phosphorus chemistry?

Chirag Shah: Yes, I was just asking that in the past, we used to look at phosphorus derivatives to improve the value addition in that product basket. It was always small in overall scheme of things for us, so that focus still stays or how should one look at that part of the book?

Shalil Shroff: No, definitely the phosphorus chemistry is an important part of our business and we do continue to add value and even as only because of the China factor, a lot of the phosphorus compounds have been now started exporting, so you'll see over this financial year a better numbers in terms of the industrial chemical and also to add value on the phosphorus chain of derivatives.

Chirag Shah: That would be for us in our percentage wise phosphorus and its derivatives?

Shalil Shroff: As I mentioned earlier, a caller asked me, it's approximately 18%.

Chirag Shah: So, that is all phosphorus…

Shalil Shroff: Phosphorus and its compounds.

Chirag Shah: And its compound is 18%. And just one last if I can just squeeze in. And anything on that CRAMS side you would like to comment. That's the last question from my side.

Shalil Shroff: Therefore, as we did mention that we are already in dialogues with many customers as on date because of the inventory correction and a little slowdown, things have been a little bit delayed, but that doesn't mean that the project has gone off. It's absolutely on and as I did mention and I think Vinod also did mention that on the Q2-Q3, this should fall in place.

Chirag Shah: And over longer period of time, so what is the outlook over there? Is it as it was earlier this just a lag or delay or there are again changes happening over there in the approach that you have towards them. I'm more referring to the approach that you have?

Vinod Gupta: I think it is more of a delay rather than a fundamental shift in the business model and the decision.

Moderator: Thank you. The next question is from the line of Harsh Beria, an individual investor. Please go ahead.

Harsh Beria: I have a question about our loss of our major contract. So, in our annual report, we had mentioned that we had lost a major contract from a customer due to registration issues. Can you comment more about this molecule?

Shalil Shroff: No. So, as we mentioned, there was a product which needed registration in Australia and at that time there was the COVID wave going on. And at that time, that was the delay, but the contract is not locked.

Harsh Beria: So, this is not the one which the Singapore customer which was supposed to get registration in Europe this year?

Shalil Shroff: No. So, the same product one is that we have the registration in Australia which got delayed and the other one which we have applied for the same product in Europe. I'm happy to say that the registration as on date, which we have been talking to our consultants we should be getting it by early September, mid-October.

Harsh Beria: So, we would not be dispatching this product this year because I think that's the time when this product is used?

Shalil Shroff: No, so it won't happen in the 1st Q1-Q2, but in Q3-Q4, there will be a percentage of products being dispatched.

Harsh Beria: Thanks for that clarification. My next question is about reactor capacity. I see that in our presentation we have increased the reactor capacity to 2000 kiloliters, whereas in previous presentations, it was mentioned as 1300 kiloliters. So, have we done some expansion on reactor capacities?

Ashish Nayak: So, basically what has happened is some of the older reactors have been replaced, which has come as a part of my CAPEX and those have been commissioned in this quarter and that's the reason and when we have replaced it, we have replaced with higher capacity reactors and that's the reason increase has happened.

Harsh Beria: That makes sense and my final question was about, so earlier we were looking for some land parcels in Gujarat or Maharashtra for our future expansion plans. Are we still on for that or will we wait for the markets to get better before we go on for the expansion?

Shalil Shroff: With the product portfolio we have in line, we are definitely looking at it and hopefully in the next maybe Q2 or Q3, we will get back with more news on this. But we are aggressively looking for it and we are hopeful that within Q2-Q3, we should finalize something.

Moderator: Thank you. The next question is from the line of Rohit Ohri from Progressive Shares. Please go ahead.

Rohit Ohri: Two or three questions. First one related to Shalil bhai talking about the R&D, sir my question is what sort of R&D spend as a percentage of turnover do we have currently and how much do you intend to take it to?

Ashish Nayak: So, currently if you look up on it, most of the efforts of the R&D teams have been in terms of lifecycle management of existing products, in terms of increasing the efficiencies, increasing the capabilities, improving the quality, reducing the impurities. So, as such, if you look upon it, it was somewhere in the range of around 0.3% to 0.4% of my revenue. But now, as Vinodji as well as Shalilji have pointed out, the R&D team is now working in two parts. One is managing the existing product lifecycle as well as in terms of newer molecules, the newer chemistry. So, now going ahead, definitely we expect that the R&D spend will definitely go up.

Rohit Ohri: Do we have any products or molecules which are under the R&D, maybe in the R&D which we intend to go forward and sell as a proprietary product from Punjab Chemicals?

Shalil Shroff: So, as we had mentioned that that is where we have strengthened our R&D. So, by and large Punjab, our main focus is supply chain, we work with many of these customers overseas as well as local developed with them. But within this year with the strengthening of the R&D, we are also looking within the next 1 to 2 years to come up with one or two newer products which will be made by us, but obviously we will look at partners to market it in the overseas markets.

Rohit Ohri: Ok Shalil bhai. The last question that I have is related to the raw material scenario. If you can just take us through what is the dependence on the imports of raw materials and especially related to the phosphorus chemistry with the prices that are fluctuating in China, so what is our dependence on the import of the raw materials?

Shalil Shroff: So, when you talk on phosphorus, as you know that the **Shroff** family used to make phosphorus, but because of China, Vietnam coming in. So, we don't foresee any problem with this phosphorus because not only with China, Vietnam, we also get material now from Russia. At the moment, yes, because of the war, there have been some hiccups in delays, but we are getting the product. As far as the other products, we always believe to be independent and we always work very hard to ensure that the raw material dependency goes away from where we are buying. So, earlier, if you see maybe between 3 to 4 years, we are at around 40% to 42%. We are now at around 30% and we believe in the next 2 years we will go down to between 20%-23%.

Rohit Ohri: Shalil bhai, any thoughts on making the company a debt free entity in the next 3 years or maybe 4 years down the line?

Ashish Nayak: You should comment to us because with the size of our turnover, our debt is very negligible. My debt equity currently is around 0.3 and if you look at the trajectory for the last 3 to 4 years, there has been a marked improvement on the debt equity front. So, while yes, I agree that as a management, we do keep a very close eye on the debt content and but at the same time, we would want to leverage to some extent at least, okay, to a minimal extent without having over exposure on the debt part of it. So, yes, so as far as our normal working capital requirements and CAPEX plans are concerned, most of them are currently being catered from internal accruals. Only on need basis in case there are some big projects which are lined up then yes, we may look at it, but again not in totality maybe to some extent, to the extent required I would say.

Moderator: Thank you. The next question is from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.

Rohit Sinha: So, I joined actually a bit late, so few things maybe someone asked about this question that in Q4 we have been talking about that 1,500 crores kind of additional order book to be expected. So, what is the update on that and we are looking to achieve the 2,500 crores topline. So, how we are seeing that number when currently the market is right now talking about some kind of this all-high inventory level and in fact most of the companies are on the lower side and still we are talking about 2-3 quarters, maybe 1 or 2 quarter will be another lackluster numbers?

Vinod Gupta: I think this is sort of a repeat question but let me still answer this. First thing, yes, I think industry inventory correction is going to be there for the next 2 quarters and it's going to be challenging. I think we all know that very well. At the same time, fundamentals of industries have not changed in the sense that the products are still required, market is still there. And that's where some of the product addition and the growth projection, we have some delay, but broadly we are on track in terms of our existing product, market share still intact. In fact, we are confident of growing that market share and addition of new products will be slightly delayed, but they are there because our discussion with our customer is still very positive and as and when market conditions take place, those things will start getting commercialized. So, I think that's a broad outlook that we can see.

Rohit Sinha: And what sort of CAPEX we are looking for in FY24 and 25?

Ashish Nayak: I will again answer this question. This was raised earlier. For this financial year FY24, we are looking at a total outlay of around 40 crores, of which we have already incurred around 9 crores and the balance amount would be spread across the balance 3 quarters. For the next financial years, we are in the process of shortlisting the products depending upon the market conditions and as and when we have better visibility, then definitely we'll start out a plan for FY25 as such.

Rohit Sinha: And one last question, just that UPL is one of our big customers and UPL right now is lowering their guidance and they are also expecting some volume from second half, probably there's some kind of recovery. So, any volume contraction we are expecting because of this or it would be more or less in line with earlier numbers?

Shalil Shroff: So, I think every company has their own way of looking at it, but UPL we have seen a good partner with Punjab in terms of supply chain. We believe that moving forward it would be flat and again it is again the inventory correction which will happen and the confidence level is that definitely as I did mention that land is getting smaller, population increasing, food, even you see climatic conditions are different. So, I would say that moving forward should be a flat but moving in the future, there is a tremendous scope towards the business in terms of manufacturing various chemicals.

Rohit Sinha: Why I'm asking is that even although UPL is guiding 1% to 5% kind of topline for full year and we are already seeing good decline in this quarter and probably in next quarter also there would be significant decline. So, the second half should have been more than I would say 15%-20% kind of growth for them to be those kind of number. So, that means there would be a significant kind of volume should be expected in the second half. So, that is why I was asking to maybe we will have better volumes in the second half or it could be in similar kind of a range?

Vinod Gupta: I think we are keeping a close watch. I mean at the moment as everybody knows that there is an inventory correction. So, but we are keeping a close watch. There is a constant tracking happening in the market for both demand and competition. And appropriate calls are being taken between our customer, be it UPL, be it any other customer to see that our volumes move in the market. I mean this second half just is expected to be better by the industry, mainly because there is a hope that with all the inventory liquidation and high price inventory will get liquidated in first half and the second half movement will be better. We are also hoping for the same, but I think we have to just keep a close watch on the market.

Moderator: Thank you. The next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: Just two clarifications. So, in the past, you have mentioned about a Israeli customer next one for whom we were making some intermediate fermentation product. So, what is the development on that, can you talk a bit more on that?

Shalil Shroff: As we mentioned that, the intermediate is more of the pharma and that the pharma industry is also going through a little bit of correction. As on date everything is on track, but there will be a slight delay.

Yogansh Jeswani: So, can we expect that this gets pushed to next financial year and nothing would come into this financial year?

Shalil Shroff: That would be correct.

Yogansh Jeswani: And sir, next would be on the Prosulfocarb so we have been putting a lot of effort in this and this seems to be a promising product. So, where are we exactly in this? I understand that the registrations are a bit delayed, but in terms of technology, in terms of the batches that we have produced, where do we stand? Are we confident on the yield and the efficiency that we are getting or is there some challenge or delay even at that level?

Shalil Shroff: I think product, I mean, we don't comment on a product like Prosulfocarb something on calls like this. But whenever we look at the product at a commercial level or at a lab level, we always ensure that the efficiency is good and that's where we commercialize this. Otherwise, we don't. So, as far as we are concerned with the product range we have in pipeline, we are absolutely as per the industrial standard and that's where we have tried to prove what we did in Q1 in terms of efficiencies, in terms of product quality and ensuring that the supply chain is not disturbed.

Yogansh Jeswani: I think the point about asking the question was not to get any specific details in terms of what kind of yields or efficiency we are getting out of it. Just a broad sense, suppose if the registrations come through, then we will be able to scale up this product sale and we won't face any challenges as such. Just a bit of…

Vinod Gupta: I think broadly at a high level, we can say that both quality and cost, we are competitive in the market for the products that we are developing. It is specific, not for all the products. And that is what we try to do and that's where our R&D efforts has been and that's what most of our new R&D team is focused upon.

Yogansh Jeswani: And just if you're comfortable sharing Prosulfocarb from what level are we producing this? If you're comfortable sharing that in terms of….

Vinod Gupta: I don't think we can give any specific details on a particular product because each of these are different market conditions, dynamics and all those things. So, we don't comment on any specific product.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Sir, my first question is on the product pipeline that we have mentioned in our presentation. So, from both agro and specialty chemical, what is the kind of potential revenues that we are seeking once these products are commercialized maybe over the next 1-2 years?

Shalil Shroff: So, as we have been always mentioning that right now there is a correction in the market. Few of our products which we have commercialized, samples have been approved. Generally on calls like this, we don't talk on revenue, but we would say that the pipeline is pretty robust and we believe and very confident with the customers who we are discussing that these products will be commercialized.

Rohit Nagraj: Just one clarification on this. When we say that under the business model that these are CRAMS, exactly how are we, I mean, is it similar to the other competitors who are doing for the global innovators or is there something different that we are doing?

Shalil Shroff: So, as far as the CRAMS business, every company has their different models in terms of and even every customer has the different models in how we operate. But it is absolutely by and large it is as per the industrial standards.

Rohit Nagraj: And just one last clarification on the same, here in terms of incremental focus, is our focus equally divided between agro and specialty or is it more focused on maybe specialty and lesser focused on agro?

Shalil Shroff: So, I think our focus is on agro which would be on a higher side, but having said that, we are also looking at the specialties. So, moving forward, agro would be a precursor for us on the growth side and within the next 2 years on the intermediate or the performance chemical also, we have products on pipeline. And as and when it falls in place, we will be informing on our various calls.

Moderator: Thank you. The next question is from the line of Faisal Zubair Hawa from HG Hawa & Co. Please go ahead.

Faisal Zubair Hawa: So, sir, with this kind of performance that we have given in this quarter, in which there's also a quarter-on-quarter growth. Would we be very optimistic for a very good year, say FY25, one year ahead and where you could be very confident of then giving this kind of quarter almost every quarter?

Shalil Shroff: As we have already told you that right now we are watching the market very carefully, continuous dialogue is happening with all our customers to see that the growth pattern we can grow. But as we said that after Q2-Q3, we'll have more clarity. As we already mentioned that a few of our product samples have already been approved. Things are in process. So, we'll be more better in looking at the market conditions and commenting a little bit once Q2-Q3 and proper correction has happened in the market.

Faisal Zubair Hawa: And sir, would we be having any kind of thought process to spend more on R&D or increase it as a percentage of sales to look at company in a more long-term phase?

Shalil Shroff: I think this was asked and Ashish had already replied that yes, R&D is our major focus and as three of us did mention that the R&D is in fact the backbone of any organization, so our efforts towards this is more and we believe in the next one or….

Faisal Zubair Hawa: My specific question is whether we will increase it as a percentage of sales and how much will we want to increase it? It is more like a mathematical answer.

Shalil Shroff: We wouldn't like to quantify on the numbers, but yes, the R&D expenditure, the R&D project, the new products, we'll be definitely concentrating and we'll be putting more emphasis on it.

Moderator: Thank you. I now hand the conference over to Mr. Sumeet Khaitan from Orient Capital for closing comments. Over to you, sir.

Sumeet Khaitan: Thank you so much for joining this call. We are Orient Capital, Investor Relation Advisor to Punjab Chem. For any queries, please feel free to reach out to us and now hand over to management for their closing remarks. Thank you.

Shalil Shroff: So, I thank everybody for taking your time and spending on this call and we hope we have satisfied your query and if there are any more queries, you're free to please contact the CFO of the company anytime you like. Thank you once again and have a good weekend.

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