“Punjab Chemicals and Crop Protection Limited

Q2 FY27 Post Results Conference Call”

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

Moderator: Ladies and gentlemen, good day, and welcome to the Punjab Chemicals and Crop Protection Limited Q2 FY27 Earnings Call hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after this presentation concludes.

Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. I now hand the conference over to Mr. Riju Dalui from Antique Stock Broking. Thank you, and over to you, sir.

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

Vinod Gupta: Thank you, Mr. Riju, and good afternoon to everybody. Welcome to Punjab Chemicals and Crop Protection Limited earning call for Q2 and H1 FY27. As already mentioned, we are joined by Mr. Shalil Shroff, our Managing Director; Mr. Devender Gupta, our CFO and other members of the management team. I trust you have had an opportunity to view the financial results and investor presentation, which have been uploaded on the stock exchanges and on our website.

I will begin with the business environment and developments across our key areas. Our diversified product portfolio across Agrochemicals, Specialty Chemicals, Pharmaceutical and Industrial Chemicals continues to provide a balanced business presence across different industry cycles. During first half of FY27, the Indian agrochemical market faced a challenging demand environment, primarily due to weak monsoon, delayed sowing and uneven rains across the country.

This affected agricultural activity and crop protection demand across several regions. Market also saw impact of overall geopolitical situation where supply chain disturbances impacted availability of some raw material or demand coming from various regions. Europe market was -- the Europe region was also unusually hot this year, which has impacted some sowing season in the current year. And that's where we have seen deferment of some demand to Q3, Q4. That's where we see generally a demand for high profit and high-margin products.

As far as our new product development is concerned, that exercise is going on very well. And we continue to expand our new product basket. And as we commercialize the product, we are into a learning phase and we are competitive that going forward, these products will add to handsome margins to our product portfolio going forward.

As far as the asset utilization is concerned, for Q1 and Q2, we have had healthy capacity utilization of more than 80% for all our factories, that is in Derabassi, Lalru and Pune. We continue to focus on product development, and we remain focused on moving projects through customer validation and then take it to a gradual commercial scale.

We continue to strengthen our capabilities for timely execution, product quality and building sustainable businesses with customers as a long-term partnership. The progress of individual product depends on customer approval and also registration approval and that's where we are seeing very good progress taking place. The new manufacturing block at Lalru is an important part of our capacity expansion, mainly focused on agrochemical and intermediates.

This facility is intended to support incremental business opportunities and provide capacity for products emerging from our developmental pipeline. We are also evaluating our long-term manufacturing requirement to support growth across Agrochemicals and Specialty Chemicals division.

And that's where our search for -- rather our shortlisting of new facility for a new manufacturing location is progressing very well. Overall, our priorities remain strengthening the product portfolio, improving manufacturing efficiencies, developing customer relationship and maintaining disciplined working capital arrangement.

We'll continue to pursue growth while remaining attentive to operating environment and quality of our business. With this, I will hand over to our CFO, Mr. Devender Gupta, who will take you through operational and financial performance. Over to you, Devender.

Devender Gupta: Thank you, Vinod ji. Good afternoon, everyone, and thank you for joining us on this call of Punjab Chemical and Crop Protection Limited for Q2 and H1 FY27 earnings. I'll now take you through the financial performance of the company for the quarter and half year ended September 30, 2026. Starting with the Q2 FY27 highlights. Our consolidated revenues from operations for Q2 FY27 stood at INR326.7 crores compared with INR255.2 crores in the previous year second quarter, registering a year-on-year growth of 28%.

The domestic revenue witnessed a strong growth of 60%, while exports revenue saw a marginal improvement of 1.3% during the quarter. The new products contributed 19% during Q2 FY27 and the growth in new products was phenomenal at 295%. Gross margins for the quarter stood at 34.1% as compared to 39.5% in the corresponding quarter of previous year.

The gross margins were lower because of the introduction of new products at competitive pricing. And also we faced certain material cost increment, which led to this -- which was pursuant to the ongoing geopolitical situation.

EBITDA for the quarter stood at INR29.6 crores compared with INR26.2 crores in Q2 FY26, representing an annual growth of 12.6%. EBITDA margin also stood at 9% for the quarter 2 FY27. Profit after tax for the quarter was INR13.5 crores. PAT margin stood at 4.1%. Now I'll walk you through the H1 FY27 highlights.

Consolidated revenues from operations for H1 FY27 stood at INR673.9 crores, registering an annual growth of 17.3% over last year H1. Domestic revenue grew by 20.4% and exports grew by 13.6% on YoY basis. New products contributed 17% during H1 FY27, growing by over 130%. Gross margins for H1 FY27 stood at 35.4% compared with 35.9% in H1 FY26.

EBITDA for H1 FY27 stood at INR72.3 crores compared with INR60.6 crores in H1 FY26, registering a growth of 19.3% over -- on YoY basis.

EBITDA margins also stood at 10.7%. Profit after tax for H1 FY27 was INR35.5 crores compared with INR39.2 crores in H1 FY26, registering a decline of 9.3%, mainly on account of absence of certain other incomes which were there in last year half -- first half, which are not there in current half. PAT margin also stood at 5.3%.

So while the company's operational performance continued to be strong, there were certain missing other incomes, which led to the decline in profit after tax. We are sure the coming quarters, Q3 and Q4, are going to be good quarters in terms of our performance, and we should be able to achieve our previous guidance. With this, I conclude my opening remarks and open the floor for the question and answers.

Moderator: Thank you, sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Mr. Jainam from Svan Investment.

Jainam: Sir, first question, as you indicated in your opening remarks that we operated all our capacity at 80% utilization. But when you look at the overall revenue, it has declined by almost INR20 crores on a sequential basis. And you also alluded there was some deferment in the shipment. So in case, can you quantify in terms of the amount, how much worth of shipment got deferred for the subsequent quarter?

Vinod Gupta: I think if you compare on sequential basis, the numbers generally don't make sense because of the product mix change, which happens from quarter-to-quarter. And the first quarter capacity utilization was about 3% to 4% higher than in second quarter, but it has remained above 80%. So that broadly explains the changes in the top line.

And the deferment in the shipment is around certain products, where the demand was deferred by customer from Q1, Q2 to Q3, Q4. I think at this moment, it's not the right thing to quantify because till the time we start shipping and getting the orders, then it may become a subjective assessment. But overall, we are confident that whatever volume we have lost or rather we have deferred in Q1, we'll be able to service in Q2 -- sorry, H2.

Jainam: Okay. And secondly, now if you look at the new product development or new product contribution, which has increased to 19% in second quarter as against 14% in the Q1. So if you look in second quarter, INR62 crores of the revenue has come from the new product development, which we believe has a better margin as compared to our core business. But on the overall versus, we have seen a substantial -- I mean, we have seen a decline in the margins both on year-on-year and Q-on-Q. So what explains that, sir?

Vinod Gupta: I think there are 2, 3 factors on this. First factor is we are also -- as we scale up our volume, we are also going through the learning curve to improve our efficiencies and yields because when we scale up, generally we don't get the best efficiencies right at the beginning. So that's one part that we are going through the learning curve, and that's where our R&D effort and efficiency improvement efforts continue to grow.

We are happy with the volume growth. And with time, we believe that we will improve the margins because the volume growth and the kind of cost competitiveness we are planning to offer will help us to be in the market.

Second factor is the raw material prices actually has shown substantial strengthening, whereas product prices did not move in line with the raw material prices increase, which actually resulted in compression of the margins on the new products. But overall, the kind of volume growth we are seeing and the product acceptance and the quality that we are seeing looks very promising to us.

Jainam: Okay. And last question, more on your capex front. If you look on first half, we have spent near about INR28 crores of the capex. But when you compare your September number with March number, the incremental gross block addition is only to INR16 crores. So the incremental difference of INR12 crores, which is more of a capital advances, it's pertaining to the debottlenecking at Lalru or are we looking at some greenfield facility as well?

Vinod Gupta: So let me split it into 2 parts. First is, this is around asset renewal. That's where gross block addition happened because we -- as we have been maintaining that our assets are close to 40-year old and every year, we continue to invest in asset upgradation. And obviously, we continue to look for a greenfield project. We are at an advanced stage of discussion with some plots that we have shortlisted. And as and when it gets finalized, we'll accordingly inform stock exchange and the investors.

Moderator: The next question is from the line of Mr. Raj Patel from RK Securities.

Raj Patel: I've got a few questions from my end. So my first one was with regards to the capex. So as we know that we are proposing a capex of around INR100 crores. So just wanted to know what will be the expected funding mix? And are we expected to take any additional debt to finance this?

Devender Gupta: So Raj, the funding mix will be the standard contribution of equity and debt. And we have already a sanction of additional debt in place and the same will be utilized as the project progresses.

Raj Patel: Sir, could you please help with the ratio for debt and equity?

Devender Gupta: So generally, it is 25%-75%. 25% is the equity contribution and 75% comes from the debt side. Since we have sufficient internal accruals or cash accruals, so we'll meet the equity contribution from internal accruals itself.

Raj Patel: Got it, sir. My next one was with regards to the trade receivable. So as we saw that in FY26, the trade -- I mean, FY26, the trade receivable was around INR203.5 crores, whereas in September '26, we see a jump of more than INR450 crores. So just wanted to know what was the key reason behind this.

Devender Gupta: So during the current financial year, we saw certain changes in the credit terms with the major international customers owing to the ongoing geopolitical situation. And in order to accommodate their request and also to sustain the business environment, we agreed for extended credit terms. And that's what it is getting reflected in the higher trade receivables as on 30th September '26. And we are quite sure in Q3, Q4, this number will, once again, start reducing. And by the time we end the year, it should be within the normal range.

Raj Patel: Got it, sir. My next question was with regards to the MoU product. So management do expect that the volume ramp-up will be there from the MoU part, but that will be going to commence from Q4 onwards. So what kind of revenue can we expect to generate potentially in near future, let's say, FY28?

Vinod Gupta: I think we have maintained that each of these products will contribute anywhere between INR30 crores to INR50 crores per year. But typically, the approval cycle with the overseas customers, especially in Japan and Europe market, is a very long cycle. So we have got a commercial approval of initial lots. And in FY28, we expect these products to contribute anywhere between INR15 crores to INR20 crores in FY28. And then gradual ramp-up will happen over the next 2 years.

Moderator: The next question is from the line of Kiran Gadge from Knightstone Capital.

Kiran Gadge: So could you please help me with the breakup of growth in volume realization, forex?

Devender Gupta: Sorry, could you please repeat the question?

Kiran Gadge: The revenue growth, could you split that into volume realization and forex?

Devender Gupta: So forex, there is not much change in terms of the dollar or euro versus INR. So it's largely the volume growth which is coming.

Kiran Gadge: Okay. Largely volume. Okay. And what sort of raw material price was hiked for Q2?

Vinod Gupta: So typically, the solvents have shown an increase of -- and I think it's like market knowledge where anywhere, depending on the type of solvent, have seen an increase of 10% to 40%. Raw material prices have generally seen an increase of -- depending on the raw material, anywhere between 5% to 15%. And so our numbers may not reflect it fully because in some cases, we improved our efficiencies and we did some yield improvement exercise. That's where we were able to absorb part of the impact of the raw material cost increase.

Kiran Gadge: And what led the growth of 60% in domestic revenue?

Vinod Gupta: This is mainly on account of the new product that we have seen because these products actually are -- though we are supplying it as an intermediate -- advanced intermediate to local customers, eventually these are either getting converted to the technical product or formulation and getting exported. So it's a completely India value chain that we are becoming part of.

Moderator: The next question is from the line of Ms. Vridhi Vora from SAS Capital.

Vridhi Vora: So my question is that like gross margin declined sharply from 39.5% in this quarter in Q2 FY26 to 34.1% in Q2 FY27. So was this primarily attributable to adverse product mix or raw material inflation or pricing pressure?

Vinod Gupta: I think both contributed. One is raw material prices, as I indicated to earlier participant that we have seen an increase of raw material price anywhere between 5% to 15%. So partly that contributed to a reduction in gross margin. And also product mix. I think in my opening remarks and later on, I responded that in some cases we are still going through the learning curve. And as we improve our efficiencies and become expert in these products, we are confident that we will be able to resume gross margin to normal levels.

Vridhi Vora: Okay. And we saw that employee expense also increased by approximately 23% YoY in H1 against the revenue, which is a growth of only 17%. Is this largely attributable to employee addition ahead of capacity expansion? Or should we expect a similar cost trajectory going forward?

Devender Gupta: So this is not entirely on account of the new employees. Part of it is on account of the annual revision in wages and salaries that we generally undertake, which accounts for around 10% to 12% on an average basis. And one particular impact was a onetime impact, which we had already undertaken in the quarter 1, which is not there in quarter 2.

Vridhi Vora: Okay. Okay. Got it. And now our domestic business grew approximately 60% YoY in Q2. So whereas international revenue remained almost flattish. So what is driving this significant divergence in growth between domestic and international markets?

Vinod Gupta: So I think for 2 factors. One is for international market, as I mentioned that some orders from these markets got deferred to Q3, Q4. And that's where we didn't see the kind of growth we would have seen from export market. And so that will get reflected in Q3 and Q4. And as far as domestic is concerned.

I responded earlier that all the new product addition, whatever we are doing as an intermediate, is mainly being supplied within India. And then these companies are finally converting it to end product and export into global markets. So that's where you have seen a very high growth in domestic market.

Vridhi Vora: Okay. Okay. And like given the company's increasing focus on a highly value intermediates, so what proportion of the existing revenue come from intermediates versus finished formulation and other products?

Devender Gupta: Sorry, could you please repeat the question?

Vridhi Vora: Sure, sure. So my question was that given the company's increasing focus, which is on high-value intermediates, so what proportion of the existing revenue comes from intermediates versus finished formulations and other products?

Vinod Gupta: So we are not into formulation products. We are mainly into technical and intermediates. And so in our new product that we are adding close to 60% of that comes from the intermediates and 40% comes from the technical products that we are adding.

Moderator: The next question is from the line of Mr. Raj Patel from RK Securities.

Raj Patel: So my next question was with regards to the R&D. So as we saw that the company is planning to double its R&D expenditure over the next couple of years. I just wanted to know the current annual R&D spending? And how should we assess the potential future earnings out of this?

Vinod Gupta: So our current R&D spend is close to 2% of our top line. And going forward, I think as we have already seen the new product addition coming from this, the effort that we are doing is already healthy, and we expect this pace to accelerate. We are adding new team members. And even in the last quarter, we added 1 PhD scientists and 3 post graduates to the team. And also, we have expanded R&D in Lalru where we have added more fume hoods, more experimental setup.

And at the moment, we are revamping our pilot plant for scale up. So all these activities are going on to make sure that our new product addition pipeline continues to remain healthy and also our scale-ups are successful.

Raj Patel: Got it, sir. That was really helpful. My next question was with regards to the domestic growth. So just wanted to understand or get a better picture that how this growth is being attributable, let's say, for example, the new product introduction versus increase in the volumes of existing product?

Vinod Gupta: So I think we have seen contribution coming from both the segments. Even the existing product also have grown. And of course, the new product have also added to the domestic growth.

Moderator: The next question is from the line of Ms. Pahal Sharma from DD Capital.

Pahal Sharma: I have some set of questions with me. So my first question will be like despite 17% of revenue growth in H1, declined 9% YoY. So like apart from gross margin compression, what other factors contributed to the decline in profitability?

Devender Gupta: So as I explained, the decline in profitability was attributable largely absence of the other incomes, which were there in last year half -- first half. If you notice, the last year first half had around INR9 crores of other income, which had certain foreign exchange fluctuation gains and also certain interest income getting booked on account of the income tax refund orders that we received last year.

This year, the dollar versus INR or euro versus INR remained more or less flattish. So we don't have the -- those exceptional gains. And also no such refund-related incomes are there. However, when you see the operational performance of the company, I think it is in the right direction.

Pahal Sharma: Understood, sir. Understood. Now sir, like the finance cost increased from INR7.7 crores to INR9.8 crores in H1. So like how much of this increase is attributable to higher working capital borrowings versus other debt?

Devender Gupta: So currently, it is entirely on account of higher working capital. The long-term debt increased only in the last month of the first half.

Pahal Sharma: Okay. And like could you provide the current revenue contribution from Agrochemicals, Specialty Chemicals, Pharmaceutical and Industrial Chemicals?

Devender Gupta: So we are following a single segment accounting policy, and we classify all our business under Performance Chemicals. If we mention the different segment-wise numbers, then we'll have to follow the segmental reporting as well.

Pahal Sharma: Okay. Okay, fine. And my last question is like what is the current capacity utilization across the manufacturing facilities? And like how much of headroom is available before further investment become necessary?

Devender Gupta: So a few minutes back, Vinod ji had answered this. Our current capacity utilization is over 80% across manufacturing sites. And I guess some of these facilities can go beyond 90% as well.

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

Vinod Gupta: Shalil ji, are you there?

Moderator: Sir, line for Shalil sir has dropped off.

Vinod Gupta: Okay. So I'll do that. So thanks to all the participants for your continued interest in the company. And from management side, we continue to remain optimistic and continue to work hard to deliver a sustainable performance and growth. And going forward, our asset addition and product addition pipeline is looking very healthy. And I'm sure that we will continue to deliver consistent performance in the current challenging business environment. Thanks, everybody, for your interest. And wish everybody a very happy Diwali and Happy New Year.

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

Devender Gupta: Thank you.