

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs1135	13.9	Accumulate	Rs1725	52%

*as on 06th May, 2026

About the Company:

Punjab Chemicals and Crop Protection Limited (PCCPL) was incorporated in 1975 and since then the company has grown by leaps and bounds. It caters to different industries via its verticals including Agrochemicals, Pharmaceuticals APIs and Intermediates, Industrial Chemicals and Specialty Chemicals. PCCPL is in the business of manufacturing of performance chemicals, technical grade chemicals, agrochemicals, specialty chemicals and other chemicals. The company has its presence in the overseas market owing to its high-quality products and price competitiveness. The company also has an arrangement with few MNCs for contract manufacturing and sale of its products. PCCPL has one subsidiary i.e. SD AG Chem located in Belgium, Europe which is a marketing company. Its clientele includes reputed organizations such as Coca-Cola India Pvt. Ltd., United Breweries Ltd., Cipla Ltd., Johnson & Johnson etc.

Results: Quick Glance:

- The net sales for the quarter under review reported a growth of 3.1% to Rs2086mn as compared to Rs2023mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 13.2% as against 12.6% in Q4FY25
- The net profit came in at Rs110mn as against Rs70mn in the comparative quarter last year
- The EPS for the quarter under review stood at Rs8.96 as compared to Rs5.75 in the corresponding period last year
- For FY26, the revenues came in at Rs10298mn as compared to Rs9005mn; growth of 14.4% while the PAT stood at Rs640mn as against Rs389mn. The EPS came in at Rs52.17 as against Rs31.75 in FY25
- The Board has recommended a dividend of Rs3 per equity share of FV of Rs10 each

Conference Call Highlights:

- During the quarter under review, the company has reported decent performance driven by **stable volumes** across all product categories and better capacity utilization in key divisions. On the domestic front, the company has reported a revenue growth of ~8.4% for the quarter under review, while exports declined by ~3.7% mainly due to **deferment of some shipments** to Q1FY27. The domestic sales in Q4FY26 stood at ~Rs1310mn as compared to ~Rs1210mn in Q4FY25. For FY26 the domestic sales stood at ~Rs5810mn as compared to ~Rs5530mn in FY25. The international sales in Q4FY26 stood at ~Rs780mn as compared to ~Rs810mn in Q4FY25. For FY26 the international sales stood at ~Rs4490mn as compared to ~Rs3480mn in FY25
- On a full year basis, the company has achieved its highest ever revenue reporting a growth of ~14.4% on a y-o-y basis. The company's **new products contributed ~14%** of total revenue in FY26 and grew ~16% on a y-o-y basis. The gross margins stood at ~49.4% in Q4FY26, driven by better product mix and efficiency improvements
- On the **export front**, the geopolitical situation has increased logistics costs, especially for Europe. However, there have been no order cancellations; only cost increases have been observed, which have largely been passed on to customers
- On the **segmental front**, since the company operates across agrochemicals, performance chemicals, and industrial chemicals which helps in managing volatility in the markets. Agrochemicals continue to be a key focus area with strong export demand. Performance chemicals are driven by specialty and contract manufacturing opportunities. **Industrial chemicals** have seen steady growth and are now also being exported to Southeast Asia, which is expected to further drive growth in the coming years. The revenue from this segment can double over the next two years, driven by both domestic demand and exports. In terms of **Metamitron** where PCCPL hold ~38-40% market share the volumes are anticipated to remain steady for FY27E
- The **capacity utilization** continues to remain healthy across segments. Agrochemical division operated at ~81% utilization. Performance chemicals division operated at ~65%. Industrial chemicals division operated at ~90%. The capacity utilization across the facilities continues to remain healthy with the Derabassi unit operating at ~81% and Lalru unit at ~65% in FY26 with production that stands at 24,575MT and 1520MT respectively. Going forward, the company continues to focus on improving asset utilization and operational efficiency across all plants
- Over the last 2-3 years, the company has introduced several new molecules and these are now gaining strong traction in the market, the company intends to launch **newer product in the next 2-3 quarters** in agrochemicals and specialty chemical segment. One of the earlier launched molecules has witnessed strong demand, and the company has already undertaken debottlenecking to expand its capacity. The company is now moving from a consolidation phase to a growth phase, as new product investments have now started to deliver results

Conference Call Highlights (contd.):

- The company has a strong pipeline of products, especially in molecules that are going off-patent, which provides long-term growth opportunities. There are ~7 products in the pipeline along with **3 MOUs** signed with global customers which can fetch ~Rs1400-1500mn. ~60% of these products are agrochemical active ingredients. Out of these, two are for **Japanese customers** and three are for **European customers**. The remaining products are specialty chemicals for both domestic and international markets including Europe and North America. The Management indicated that these are high-value products and will contribute meaningfully to margins in the coming years. These MOUs are expected to be commercialized in FY27E, although there could be minor delays depending on customer trials
- The company continues to focus on **strengthening its CDMO capabilities**. The R&D facility at Derabassi has expanded and the Lalru project has been initiated to further strengthen capabilities, currently ~25 products are at R&D and pilot stage and commercial production trial underway for 4 new products. The focus is on complex chemistry and differentiated products which provide better pricing power and margins, the company intends to double the expenditure on R&D over the next 2 years
- The company has been building inventory in order to avoid any sudden demand spot from April to October. Most of the inventory procured in last quarter is anticipated to be sold in Q1FY27. ~25% of raw materials are imported, including from China, while the remaining ~75% is sourced domestically. The company has been able to secure raw materials and suppliers have honored contracts with some cost increases. The company is also working on developing local suppliers for a molecule which is now available at a lower price in India which were earlier procured from China, this shift will enable to reduce dependency on imports and mitigate risks
- On **capex front**, the company continues to invest in both maintenance and growth capex. ~Rs250-300mn per year is spent on asset renewal to ensure safety and operational continuity. An additional ~Rs350-400mn is invested in capacity expansion, debottlenecking, and compliance-related improvements. These investments are expected to triple the company's ROCE. The company is also investing in new manufacturing blocks where currently the company has 6 acres of land available in Lalru where they intend to put one block and has the feasibility to add 2 more blocks
- With all this modernisation capex in place the company has been able to achieve raw material cost reduction of ~15-20% in some products. However, due to competitive market conditions, these benefits have been passed on to customers to **maintain market share**
- The company is also evaluating a greenfield expansion plan and has already evaluated a few options. The Management intends to finalize and announce greenfield project by Q2/Q3FY27. This will support long-term growth and capacity expansion
- The Management anticipates Ebitda margins to improve gradually from ~12% to ~15% over the next 2-3 years. Further improvement to ~17-18% in the CDMO business is expected over the medium term as new products scale up, pricing stabilizes, and efficiencies improve. Gross margins are expected to improve gradually with better product mix and higher contribution from specialty and export-oriented products
- The company continues to maintain its guidance of annual revenue growth of ~15-20% over the next few years. Based on current capacity and product pipeline, the company believes it can reach revenue levels of **~Rs14-15bn in the next 12-15 quarters**

Financials:

Performance (Q4&FY26)									
Q4&FY26 Result (Rs mn)	Mar-26	Mar-25	y-o-y	Dec-25	q-o-q	FY26	FY25	y-o-y	FY27E
Total Revenue	2086	2023	3.1%	2466	(15.4%)	10298	9005	14.4%	11641
EBITDA	276	255	8.0%	296	(6.8%)	1181	992	19.1%	1455
Other Income	23	4	-	20	16.5%	137	14	-	108
Interest	50	48	5.3%	41	22.5%	168	178	(5.7%)	183
Depreciation	87	65	33.2%	68	27.9%	286	250	14.4%	311
Exceptional Items	0	42	-	21	-	21	42	-	0
Tax	52	34	54.3%	48	7.7%	203	146	38.7%	268
Net Profit	110	70	56.2%	138	(20.3%)	640	389	64.3%	803

Outlook and Recommendations:

Despite the volatility in supply chains and pricing, the company has reported steady performance which is driven by stable volumes and better execution. The core business continues to remain strong and can improve as the conditions stabilise. The company has not witnessed any demand disruption, but rather short-term timing issues and cost fluctuations. PCCPL is clearly moving out of a **consolidation phase into a growth phase**. The biggest driver for this shift is the strong pipeline of new products. Many of the products launched in the last few years are now gaining good traction. As these products scale up, they will start contributing significantly to the overall revenue. At the same time, the upcoming product launches and ongoing customer trials provide clear visibility for future growth. The company is increasing its presence in more complex and high-value chemistry which can improve the pricing power over time. The focus on contract development and manufacturing is also strengthening. Going forward, as processes improve and efficiencies increase, margins will start improving. The company is already working on cost optimization and yield improvement. As the share of new and better-margin products increases, overall profitability can improve steadily. This improvement will be gradual and linked to execution rather than dependent on any one factor. PCCPL to some extent has managed the volatility in the raw material and intends to reduce dependency on imports by developing local supply chains to reduce associated risk and improve control over costs. The industrial chemicals segment is gaining good traction, with exports picking up in new regions this segment can perform well in the upcoming quarters. The planned investment in expanding and upgrading the existing facilities will further strengthen capacity and allow the company to take up larger opportunities. The current global situation may create short-term volatility in pricing and logistics, however, there seems to be no structural weakness in demand. As supply chains stabilize, the demand environment is anticipated to improve. The company is well placed to benefit from this recovery because of its diversified customer base and strong product pipeline. The company is now moving from a consolidation phase to a growth phase, as new product investments have now started to deliver results. Overall, the company is entering a strong growth phase propelled by a number of triggers including good product pipeline, debottlenecking of the plant, favourable product mix and shift towards better-quality complex molecules/products, and thus we continue to maintain our target price of Rs1725.

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