Management Discussion

Abhishek Mehra - Investor Relations, TIL Advisors
Good morning, ladies and gentlemen, and thank you for joining this Q2 and H1 FY27 earnings conference call of Shree Ganesh Remedies Limited. The results and investor presentation have been uploaded on the stock exchange, and I hope you have had a chance to go through them. To discuss the performance, we have with us today Mr. Gunjan Kothia, promoter and head of business development and innovation, and Mr. Parth Kothia, Whole-Time Director and Chief Financial Officer. We'll begin the call with a brief overview of the performance, which will be followed by a Q&A session.

Before we begin, I would like to mention that some of the statements made on today's call may be forward-looking in nature. These statements are based on management's current expectations and involve risks and uncertainties that could cause actual results to differ from them. The company does not take any obligation to update these statements I request all participants to keep this in mind while evaluating the outlook shared on the call.

I would now like to hand over the call to Mr. Path Kothia for his opening remarks. Over to you, sir.

Parth Kothia - Whole Time Director and Chief Financial Officer, Shree Ganesh Remedies Limited
Thank you, Abhishek. Good morning everyone and thank you for joining us today. When we last spoke to you in May, we described FY26 as a year of consolidation. We expected FY27 to build on groundwork laid during the last year. As you know, the first quarter of this year turned out to be considerably more difficult than we had anticipated. European demand remained subdued, a number of customers deferred their orders amid geopolitical uncertainty, raw material markets were volatile. Our revenue for Q1 FY27 fell to INR14.36 crore.

When we announced those results in August, We were transparent about the situation and we moderated our early expectation of FY27 being a year of nonlinear growth. Over the past 3 months, we have worked steadily through these challenges. The 2nd quarter shows a clear improvement over the first. The recovery is not yet complete and we still have a lot to do. Let me first take you through the financial performance and then we will share the update. From business. For the second quarter of FY27, revenue from operations stood at INR23.29 crores.

This is an increase of 62.62% over the INR14.36 crores previous quarter, although it is 23% less than INR30.32 crores in quarter 2 FY26. EBITDA excluding other income and exceptional items stood at INR3.94 crores. This is 17% higher than INR3.35 crores in Q1 FY27, 59% lower than INR9.62 crores in same quarter last year. Our EBITDA margin for the quarter was 16.99% compared to 23.3% in previous quarter and 13-- 31.7% in Q2 FY26. Profit after tax for the quarter was INR1.63 crores, an increase of 46% over INR1.12 crores in Q1 FY27 and a decline of 67% from INR4.96 crores in Q2 FY26.

Earnings per share for the quarter stood at INR1.28. I would like to spend a moment on the margins since this is the area where the quarter was the weakest. 2 factors were at work. First, although the volumes over the first quarter, they are still below our earlier levels. A meaningful part of our cost is fixed, so when the volumes are lower, the margins come under pressure. And second, raw material prices rose significantly during the quarter and remained volatile throughout. Our operating expenses increased to INR19.36 crores from INR11.01 crores in Q1, a rise of 76%, while the revenue grew at 62%.

That difference explains why our margin declined even though as an absolute EBITDA improved. We

expect input costs to ease as geopolitical conditions stabilize, our margins to normalize as our sales return to earlier levels. Throughout this period, we remain focused on healthy profitability, and that includes the new products that we are developing. Despite a softer first half, our balance sheet remains strong. Our total borrowings came down to INR25.99 crore from INR30.67 crore at the end of March, mainly through the reduction in short-term borrowing, um, from INR9.42 crore to INR5.37 crore.

As a result of our finance cost for the half reduced to INR0.89 crores from INR1.95 crores in H1 FY26, our cash and bank balances together with the investments stood at INR28.74 crores, which is higher than our total borrowings. We generated INR14.64 crores of cash from operating activities during the first half compared with INR17.66 crores in H1 FY26. Trade receivables reduced to INR21.12 crores from INR32.57 crores at the end of March. The capital work in progress rose to INR16.6 crores from INR12.38 crores, reflecting our continued investment in Block 7B.

Now let me turn to the business. Much of the improvement in the 2nd quarter came from our core pharmaceutical intermediates business. To make up for the softer exports, we sharpened our focus on the domestic market, and this has helped us to restore volumes. Alongside this, we have begun to see improved traction from our European customers. This gives us confidence that the core business will recover to its earlier levels over the next few quarters. We have also broadened our portfolio during the quarter.

We commenced commercial production of the 2 new pharmaceutical intermediates, one for anti-diabetic application and one for cardiovascular application. Both products have received enough encouraging response in the domestic market, and we plan to take them to the export market in coming quarters. While we work on this recovery, we continue to build businesses that will drive our next phase of growth. Our crimes business made a strong progress during the quarter. On our specialty chemicals projects, the Southeast Asia market, we have successfully completed the pilot trials and the batches are now undergoing the stability testing.

We expect the commercial supplies to begin from Q1 FY28. For the second specialty product, the same region has cleared laboratory trials and has now moved to the pilot stage. In Europe, we are making positive progress on 2 molecules, one for the pharmaceutical applications and one for the agrochemical applications. As in our previous calls, I would request participants to not ask names for the specific products of the customer as these engagements are covered by the confidentiality agreement. We will further share the details as and when we are able to.

To sum up, this year has brought its own challenge of silent onset of challenges, we have responded by strengthening our domestic presence, adding to our product portfolio, and advancing our claims pipeline. As we have said before, given the project-based nature of our business, the long lead times involved, our quarterly results can be uneven. However, the direction is clear. The core business is recovering, our new products are gaining traction, and our CRAMS projects are moving closer to the commercial supply.

New capacity is coming online. With a stronger balance sheet to support this, we look forward to a stronger performance in the period ahead. Thank you, and we'll be now happy to take your questions.

Questions & Answers

Operator
Thank you very much. We will now begin the question -and -answer session. [Operator Instructions] The first question is from Yug Jain, who is an individual investor. Please go ahead.

Yug Jain - Analyst, Individual Investor
Thanks for the opportunity, Gunjan sir. Am I audible?

Operator
Yes, yes.

Yug Jain - Analyst, Individual Investor
Yeah, on the last call you described SGRL as one of the second reliable Indian manufacturer partner for molecules that have only one or 2 source globally, typically in China or Japan. Could you help us understand how that pitch has played out with customers over last 6 months? Given the supply chain concerns, are you seeing more RFQs or technology transfer discussions coming your way? And how sticky do these relationships become once you are qualified as the second source? Do they typically lead to multi-year supply contracts?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Thank you for the question. I would answer it in 2 parts. So first thing, the projects that were under discussion, as Parth mentioned in the speech, So one of the projects, we have already completed the scale-up and we have submitted the samples, and the customer is doing stability studies at their end. So we expect the commercial order to start soon from next quarters. However, for the second part, the new inquiries, yes, we are certainly receiving new RFQs from these existing players to whom we have delivered either pilot samples or initial commercial batch samples.

So now we have already started engaging with these customers. We continuously receive the new RFQs. On the commercial part, I would say some projects has a multi-year forecast, not a contract, but an annual contract is signed. Like for this year we would be taking this volumes, for this year we would be taking this volumes. As such, with none of our customers we are discussing a multi-year contract, but it will be an annual forecast that we expect for the next 4 years we would be taking up this much volumes.

But they always sign a contract for yearly when they decide which manufacturer would get what volumes. But, uh, we are on a quite positive side because we have delivered some positive progress. We have delivered some samples We have delivered, uh, good data to them. We continuously receive new RFQs and we are continuously evaluating the new opportunities from this existing, uh, CRAMS projects or existing other customers.

Yug Jain - Analyst, Individual Investor
Okay, uh, so the company has broadly been in the 90 to 120 crore revenue range for the last few years and H1 has obviously been soft. So if you look beyond the near term, could you just walk us through the building blocks that take the business to its next leg of growth? And how should we think about the contribution from the recovery in the base pharma intermediates business, the 2 new products, uh, creams commercializations from Q1 FY28, and the Block 7 capacity? And what does this-- what does the revenue potential look like at optimum utilization of the Ankleshwar site before

the age comes into the picture?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
So to talk about the old business, the-- as you might have seen in our presentation, we-- or earnings call-- that we have ended up a distribution agreement with one of our European partners who used to handle our old traditional business, and which went down, which led to the downfall in the figures. But having said that, in the future we expect the top line to be more balanced by the new upcoming CRAMS projects or new projects that we launch in the domestic market. We would still like to retain the old business and we are trying our best to balance that out, but the future lies with our new projects for which we have already developed product in the R&D, or we have already scaled up in the pilot, or we have already done the commercial plant.

On the figures, I cannot comment at the moment because multiple things are ongoing, multiple projects are there with different values, but we would be able to comment on the figures better as we proceed towards the end of this financial year.

Yug Jain - Analyst, Individual Investor
Okay, sir. So just wanted to understand the end-user industry mix a bit better. You have spoken about projects across agrochemical, pharmaceuticals, and electronic applications. And this quarter you have mentioned a specialty chemicals project for Southeast Asian market. Over a 3 to 5 year horizon, which of these end-use markets do you see as the biggest growth driver for SGRL? And from a demand cyclical-- cyclical point, how do you plan to balance the portfolio so that a slowdown in one geography or one industry like the European slowdown we have seen this year does not impact the business to the same extent?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
So we are not going to focus on single geography. As you mentioned correctly, we are also now focusing on the Southeast Asian markets. And however, SGRL was originally a pharmaceutical intermediates manufacturer, but you can see that over a period of time, or particularly over last 5 years, SGRL has diversified quite a lot in chemistries. Which has helped them to grab the projects in the specialty chemicals, may it be a complex agrochemical intermediate or may it be a specialty chemicals in electronics or semiconductor field.

So in the future, most of our revenue would be from the CRAMs, either it be agrochemical or electronics or semiconductor. On the pharmaceutical, we are going a bit on a softer side, so majority of our revenue would be from agro and semiconductor. Followed by pharmaceutical as we move ahead.

Yug Jain - Analyst, Individual Investor
Okay, so just a last question on the new product development. This quarter you have commercialized 2 new pharma intermediates in the anti-diabetic and cardiovascular space. And in creams you have-- yeah, and in creams you have 1 product in stability testing, 1 at pilot stage, and 2 molecules progressing in Europe. Could you give us a sense of how deep the overall pipeline is today in terms of number of molecules at lab pilot and commercial trial stages? And how has the new pilot plant with automation and flow chemistry changed your development timelines and your ability to take on more complex chemistries?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
So at the moment, I would say we have more than 10 projects in the pipeline, summing up everything-- pilot or R&D and commercial scale-up. To talk about the new pilot plant, which was Plant 4. We have already started using that Plant 4 for some of our ongoing projects, but we are still yet to commercialize, or we are still yet to assemble and start the flow chemistry, which we are still discussing with the supplier, or we are discussing with the foreign universities. But I-- what I can say is we are currently working on 10+ different projects across R&D or in pilot which have a good potential.

But these projects only get to a final stage when we start discussing with customers, when they start getting samples, when they share more information. So it's on, I would say, on quite raw that we are working on 10+ projects. But yeah, at any point of time we at least work on 10+ projects across a year.

Yug Jain - Analyst, Individual Investor
Thank you, sir, for answering my questions and all the very best for the.

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Thank you.

Operator
Thank you. The next question is from Sajal Kapoor from Antifragile Thinking. Please go ahead.

Sajal Kapoor - Analyst, Antifragile Thinking
Yeah, thank you for taking my questions. I've got 3 questions in total. First is, how much utilization do you expect from the CRAN infrastructure once commercial production ramps up, and when do you expect that to happen? Um, because we, as we exit FY27, FY24 will firmly remain the best ever year for the performance. So when can we expect the new infrastructure, the CRAMS investments that we have taken, which is reflected in the depreciation, to meaningfully contribute to the revenues?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
So we are slowly building, building up the capacity, and we have already finished the construction of Plant 7A, which we have built for, uh, to cater to the CRAMS project. But, uh, I would say that the CRAMS projects would reach its peak commercial quantities in 3 years. And so as and when required, we are continuously putting up the infrastructure to cater to these projects and to cater to the volume. And when the projects will be at its peak, the plant will be utilized around 80% in total at SGR.

So we are slowly putting up the blocks to cater to this new projects as and when required. We have already commercialized, or we have already completed the water trials for Plant 7A. We will soon start using it for the commercial production. In the meantime, we have also planned for new commercial plant, uh, on the side of 7A. So as and when we have a clear forecast from the customers and the clear vision, we keep on expanding and putting up the infrastructure. And also, to talk about the available land parcel and land space, we have ample land space in Ankleshwar side.

And so the construction will continue on the Ankleshwar site, and only if required, then it will be shifted to the Dahed site. But as such, we still have enough land parcel in Ankleshwar site to build up 3 to 4 more blocks.

Sajal Kapoor - Analyst, Antifragile Thinking
So the, the, the infrastructure that we are creating, just to better understand, is based on the signaling that we are receiving from the customers, and it's not, um, in anticipation or expectation of a demand where the orders are not visible to us. So in other words, we are only putting fresh capacity and we get the meaningful signal from the customer that there will be a demand pull.

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Correct, correct.

Sajal Kapoor - Analyst, Antifragile Thinking
Okay, okay, no, understood, understood. And, um, domestic is almost half of exports in Q2. Is it-- is this largely a stopgap for weaker exports, or is it much, much more structural? Is there a change in our thinking? Because previously We've always said that domestic margins are lower than the exports, but now we have got 50% of sales coming from domestic. So is this purely a tactical shift?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
No, um, some of the projects we realized that we can use our existing chemistry to leverage the products that India does import from China and where we can still make a decent margin. So this was a quite strategic move. To select few products from the domestic market to cater to the domestic pharmaceutical suppliers. And in future, having said this, of course we will continue to cater to this domestic pharma place, but we are also aiming to cater to the upcoming electronics and semiconductor industry in India. So we will continue to participate in the domestic products where we can make decent margin and where we can utilize our expertise.

Sajal Kapoor - Analyst, Antifragile Thinking
Sure. And finally, and if you see, the gross margins are still kind of, um, same or marginally better compared to the same period last year, but the EBITDA margins are lower, which means that the cost base has increased. Um, so in terms of the inventories, I can see we have got INR10.6 crores of additional inventory. How much of this this inventory is responsible to absorb some of the fixed cost. And if you can add some color into this inventory in terms of, you know, when do you expect this to be liquidated and converted to sales and cash, please.

Parth Kothia - Whole Time Director and Chief Financial Officer, Shree Ganesh Remedies Limited
I can take this one. Um, so basically the inventory of finished products which has piled up in this current H1 FY27 has been because of certain geopolitical situation as well where the customers has deferred to take on the-- so previously the customer used to procure the material for much longer visibility, and now as there is a volatility in raw material pricing as well as the pricing of finished product, uh, the stock keeping from the customer's end has decreased quite a bit. So eventually the inventory has piled up and some of the customers has also deferred from the European side.

So I think, uh, we, we see that in coming, uh, as, as the geopolitical situation and the volatility calms down, the inventory and the stock should come to the normal level again in next few quarters.

Sajal Kapoor - Analyst, Antifragile Thinking
Okay, okay, understood. Thank you, thank you. That's all.

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Thank you.

Operator
Thank you. Before we take the next question, a reminder to participants that you may press star and 1 to join the question queue. Ladies and gentlemen, to ask questions, please press star and 1. The next question is from Ravi Kumar Katori, who's an individual investor. Please go ahead.

Ravi Kumar Katori - Analyst, Individual Investor
Hey, thanks for the opportunity. Can you hear me?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Yeah, we can hear you. Thank you.

Ravi Kumar Katori - Analyst, Individual Investor
Thank you. Oh, hey, so hope you had a great festival season. So I think, uh, as you are working on the Southeast and European projects, I think they are making projects from pilot to commercial. I would like to understand the vision and roadmap for, let's say, next 5 years or 10 years. So obviously FY24, as Sajal said, is our peak revenue, and we have been seeing some lumpiness, and we understand that this business is lumpy, but what are the capacities and capabilities we are building so that apart from the existing projects that you guys are working on, we want to actually make sure that how do we get away with this lumpiness and then make the company future ready with the capabilities and capacities.

And also on the people side, like what kind of hiring we are doing to make sure that beyond 3 years, like, like as you mentioned, our capacity programs will be like 100% utilized in, 80% utilized in 3 years. But beyond that, like in a 5-year or a 10-year roadmap, how are you planning to see the, uh, company performing?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Uh, that's a good question. So I would answer it in like 3 parts. First thing, uh, what capabilities we are building. So to answer to that, over last 5 years or 6 years, we have been building up different chemistry base or different chemistry expertise. We have been building up pilot plants and R&D plants so we can show our strength and we can show our chemical capabilities or chemistry expertise to the potential customers that we would like to cater to. So I think we are at a level where we have achieved a good amount of chemistry expertise and manufacturing capabilities, and so we started approaching different customers to get the projects.

Second thing, the lumpiness that we saw recently was primarily due to our reliance, heavy reliance on European customers, which we already anticipated that we would need to broaden our base. And hence, for that reason, we have expanded to the whole Southeast Asia market, especially to the electronics industry where we can leverage our chemistry expertise. To gain more customers, to gain more products, to gain higher value, higher margin products. So we have already laid our path

where we would like to avoid this lumpiness in the future.

However, having said that, as you know, the innovator molecules or the specialty molecules where we would like to anticipate has a long approval period, has a long stability period. So that is consuming some time, or that is taking up some time to reflect in our balance sheet. But we have already laid our path, we have already diversified quite significantly to the other regions, so to make sure that we will not face this lumpiness. And third, to answer your question, like, how are we looking at 5 or 10 years plan?

So as I answered in the first, uh, Q&A that we build up the capacity as and when we get a meaningful signal from our potential customers or the customers under discussion. As you know, we have a quite big land parcel available within the hedge as well where we can expand significantly, uh, and rapidly. We already have sufficient or appropriate licenses in place. So as and when we would receive some meaningful signals or a meaningful forecast and contract. We will keep on building stage by stage with our available land parcels, but we would not like to plan too much in advance.

So we have good capabilities in hand, we have now good customers in hand, and we are just in the implementation phase. And we foresee SGR as a one of the trusted Indian specialty chemicals manufacturer going forward. So that's our vision.

Ravi Kumar Katori - Analyst, Individual Investor
Yeah, okay, great to hear. So my next question is basically, I think, on the short-term visibility. So we have been saying that we will double our revenue in 3 years' time frame where we have good visibility on our agro and, uh, the electronics and semiconductor side of projects. So are we still on track? Uh, I mean, we have been saying that we will double our revenue in like 3 years' time frame. So what is, what is the trend guidance? How is this looking at this point of time?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Sorry, can you please repeat the question?

Ravi Kumar Katori - Analyst, Individual Investor
Yeah, so the question is basically, so I think we have discussed about long-term strategy and making SGRL as a trusted partner, but my next question is based on our short-term guidance. Like, we have been guiding a doubling of our revenue in next 3 years with the visibility of our agrochemicals, electronics, and semiconductor products in Southeast Asia as well as Europe. So I would like to understand, are we on track for that? I know there is a delay on commercial supplies, but how are you thinking, when are we-- can we achieve that? Like based on FY27 exit revenue, when do you think we will be able to do a double of our revenue?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
I think certainly, because, uh, I would take a brief on the CRIMES project. Uh, because this product goes into the industry which requires very stringent specifications, there has been some delay. Delay as in the approvals from the customer's end has been taking longer time. And the same has been acknowledged as well due to the value chain of this product. So I think for the current quarter, we have seen some positive news from the customers where the pilot has been approved on their side. They are doing some kind of testing.

We will see clarity on the commercial supply, uh, by the end of March, it's like probably the quarter 4

of this year. And then on that February, March, we will get a clarity for the commercialization, which will eventually start in quarter 1 of next year. So again, there has been some delays, but, uh, again, due to this, the nature of industry is as such that the stringent requirements require some kind of a whole testing of value chain. Like the customer will also make the end product, they will do a testing with their customer.

So it requires multiple players to be involved in approval of just a single product where we make an approval, a product, and give it to the customers. Uh, this is also a positive aspect where the new entrants also-- the switching cost increases quite a bit, uh, because if the customer, our customer, finds an alternate vendor Uh, they will need to go through this whole chain, and so the switching will be much more difficult. I would say, I would say customer from-- yeah,

Ravi Kumar Katori - Analyst, Individual Investor
so I think that makes sense. Approvals and all are fine, but my question is that do we have-- still have the same visibility that our revenue can get doubled with existing products in next 3 years or 4 years? We have that definitely. So today

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Yes, uh, so I think, uh, the approve, uh, the direction is still clear, uh, the size and the volume of the project is still intact, and we see, uh, the visibility for this product, uh, once commercialized, the revenue can be like in, in the high range.

Ravi Kumar Katori - Analyst, Individual Investor
Okay, great. Okay, so I have my last question basically. So, uh, as individual investors who would like to understand capabilities and chemistries. Is there a possibility that you can actually have a factory visit for individual investors? Uh, is that a possibility that you can, you can set up?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Yeah certainly. We will be happy to still affect the visit.

Ravi Kumar Katori - Analyst, Individual Investor
Sure. Thank you. Thank you so much. All the best.

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Thank you.

Operator
Thank you. The next question is from Premal Sanghvi from Vama Financial. Please go ahead.

Premal Sanghavi - Analyst, Vama Financial
Hi, can you hear me?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Yes, you're audible.

Premal Sanghavi - Analyst, Vama Financial
Yeah, uh, this is the first time attending this call, so it could be a basic question, but I just want to understand. I was reading an annual report recently where you're saying is you are investing ahead of the curve. So can you just dwell a little further that what type of investment other than your, you know, capacity addition, whatever investments have been done in R&D or capabilities in last 2 years and what you plan to do in next 2 years? And what gives you confidence that, uh, you know, you'll be able to get results what you want? Because I believe this is the first time what you are doing in the history of the company. That's my first question.

Parth Kothia - Whole Time Director and Chief Financial Officer, Shree Ganesh Remedies Limited
Sure. So I think, uh, yeah, Gunjan, you want to take it?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
No, no, please continue.

Parth Kothia - Whole Time Director and Chief Financial Officer, Shree Ganesh Remedies Limited
Um, when the theme was about investing ahead of the curve, uh, You are rightly pointed it out that we were more focused on the research side of that along with the manufacturing capabilities. So manufacturing capacity addition is a standard procedure. We have invested more and more on the commercialization, like the ramp-up or the technology upgradation on the commercial scale along with the, like, R&D scale. So the new pilot plant which was commissioned recently has been a critical aspect of our trial and error or some kind of a process development side, I would say, which has helped us for the internal understanding of the project.

So all this infrastructure ecosystem along with the R&D lab, the pilot plants, the pilot, the additional pilot plant. And we are able to do some kind of trial and errors in flow chemistry, in the green chemistry, where the value addition can be provided, uh, some kind of niche can be created with the customers. So again, it's a new aspect for us as well, but we have seen some positive internal outcomes in that.

Premal Sanghavi - Analyst, Vama Financial
Okay, just can you quantify like what type of R&D hiring have been done over last year and what you plan to want to do, or who's managing this R&D? Is the, is the, uh, the promoters are only involved in this R&D, or you're taking some external help? Or can you just help us please with that?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
So to talk about strengthening our R&D, promoters are involved, especially me, to strengthen some capabilities. But apart from building up in-house strength, we are also taking an external help of the universities worldwide to develop some of the niche capabilities. I would not be in a position to declare or disclose these universities' names, but what I can promise is that not only we are building up in-house strength by recruiting more chemists, but we also take external help wherever needed, wherever we feel we can get more value by working along with these universities or with this organization. We also take external help to build up our strength.

Premal Sanghavi - Analyst, Vama Financial
Great. And what confidence you, you get that, you know, you will able to reach the level in next 5

years? What, you know, what is, what is the, what is the thought process in that?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Uh, on the confidence, I would say the customers that we are currently working are one of the top customers worldwide. In their respective fields. And as you are being such a small player, although being such a small player, we are able to grab their attention, we are able to grab the opportunity from them. This itself indicates that we are quite confident, and the customer themselves are quite confident that SGRL can deliver this product. Because you know, this innovative companies or these top-tier companies, they don't entertain unless and until they think the manufacturer is capable to deliver this product.

Premal Sanghavi - Analyst, Vama Financial
Great, thank you very much and wish you all the best.

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Thank you.

Operator
Thank you. The next question is from Rishabh Tripathi from Multidimensional Thinking. Please go ahead.

Rishabh Tripathi - Analyst, Multidimensional Thinking
Hey, uh, hi sir, am I audible?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Yes, you're audible.

Rishabh Tripathi - Analyst, Multidimensional Thinking
Okay, so my first question is regarding once, uh, as we discussed Uh, in the previous questions, uh, over next 3 years we look towards the peak utilization. So what sort of, uh, gross block turnover, uh, we are like anticipating once we reach the optimum utilization? And what sort of internal, uh, ROCE benchmark we have set for ourselves? That would be my first question. Thank you.

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
So the ideal asset turnover which we anticipate is around 2 times. So any amount of investment that we do, uh, we foresee that it will be a 2-time asset turnover. And also in terms of return from that asset, we anticipate around 3.5 to 4 years. So in the range of 3 to 4 years, uh, we should be getting the payback for that once the commercialization for the particular product or that project has started.

Rishabh Tripathi - Analyst, Multidimensional Thinking
Got it, got it. Somewhere around 20 to 25%, uh,

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd

Correct.

Rishabh Tripathi - Analyst, Multidimensional Thinking
And my second question would be regarding, uh, in terms of, uh, since we will be moving towards commercialization, expected commercialization in FY28, uh, so what sort of impact it will have on our working capital? Uh, secondly, uh, not only working capital, uh, as we progress, as we plan, we have land and everything, so Is our understanding correct that most of the investment and working capital management would be done by internal accruals, or we would have to look for raising new capital, uh, raising equity capital going ahead? Uh, that's my question number 10.

Parth Kothia - Whole Time Director and Chief Financial Officer, Shree Ganesh Remedies Limited
So I think that's a good question. Thank you. Uh, we have kept that option open. So the raising of capital as and when, if required, if we foresee the project, uh expansion is needed on the multiple sites, then we will be able to-- we will explore that option. But as of now, I think the current expansion is done from the internal approach, and, uh, that has been enough from our side. Like, the capital available at our hand has been sufficient as of now. Yep.

Rishabh Tripathi - Analyst, Multidimensional Thinking
Okay, thank you.

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Thank you.

Operator
Thank you. Next question is from Surendra Kev, who's an individual investor. Please go ahead.

Unidentified Participant
Hi. Hello.

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
I think your voice is a little muffled.

Unidentified Participant
Hello.

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Yes, now you're audible much better.

Unidentified Participant
Am I audible? Yes, thank you for the opportunity. Uh, this is regarding the, uh, shift, uh, like product shift. As they said correctly in the pre-- on the opening comments, you are moving more towards, uh, electronic and agrochemicals. Rather than pharma. Is there any specific reason for that? And, uh, what is the product shift, like, uh, mix? Like, uh, can-- if you can share, what is the possibility of product mix from pharma currently? I think it is around 60%. What is your target in the next 2-3 years, if you can? That's my Okay, thank you.

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
So we cannot comment on what product mix we would like to maintain, but, uh, however, we expect that we would be inclined more towards the SpecChem and, uh, CRAMS project. May it be a pharma, may it be electronics, may it be agrochemicals, we will purely select the products based on the chemistry, chemistry expertise that we have developed.

Unidentified Participant
Okay, uh, thank you. Uh, and the second question is on the regulatory approvals. As of, uh, my reading in the annual report, we have more on European and Japan side, and maybe domestic we already have this. Uh, is there any possibility we are looking at more stringent, uh, US FDA regulation towards plants or anything else? In the future, near future, maybe Korea where semiconductors are planned?

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
No, no, we are just planning to get up to WHO GMP, which is in pipeline. We are not going to get any US FDA or Korean FDA because we will not be participating into very advanced N-1 intermediates. Our focus is more on hard-to-make chemistry-driven projects.

Unidentified Participant
Okay, thank you, thank you. That's very interesting. Thank you for the opportunity.

Gunjan Kothia - Promoter and Head of Business Development and Innovation, Shree Ganesh Remedies Ltd
Thank you,

Operator
Thank you. [Operator Instructions] As there are no further questions, I would now like to hand the conference over to Mr. Parth Kothia for closing comments.

Parth Kothia - Whole Time Director and Chief Financial Officer, Shree Ganesh Remedies Limited
Uh, thank you everyone for the questions, uh, and joining us today. The first half of this year has been challenging, but with the core business recovering, 2 new products gaining traction, and our trans projects moving closer to the commercial supply, we are confident of a stronger performance in the years ahead. If any of your questions remains unanswered, please reach out to our investor relations teams at TIL and we will We wish you all a pleasant evening. Thank you.

Operator
[Operator Closing Remarks]