

“Shree Pushkar Chemicals & Fertilisers Limited Q2 FY 2017 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Shree Pushkar Chemicals & Fertilisers Limited Q2FY 2017 Earnings Conference Call. This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinion and expectation of the Company as on the date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a remainder, all participant lines will be in a listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Punit Makharia – Promoter and Managing Director. Thank you and over to you, Mr. Makharia.

Punit Makharia: Good morning, Ladies and Gentlemen. A very warm welcome to the quarter ended Q1 FY17 Earnings Call of our Company, Shree Pushkar Chemicals & Fertilisers Limited.

On the call, I am joined with me by Mr. S.N. Sengupta, our Associate Director; Mr. Ratan Jha, our Chief Financial Officer and SGA, our Investor Relation advisor. Our presentation and result have been available on the stock exchanges and we have uploaded the same on our website. I hope all of you had a chance to look at it.

Let me take this opportunity to give you a brief overview of the Company's overall performance and new product developments, post which Mr. Sengupta will take you through our financial performance. We are glad with the positive response from the market towards our Dyes offerings. We have gained transactions in Q2 FY17, which is what we have been serving towards. Prices of H-Acid have also largely stabilized with prices of Vinyl Sulphone being on the higher side, these intermediates are also an important raw material for the Dyes product. Stable prices have contributed to the consistent, non-volatile pricing of all the Dyes as well. We commenced the commercial production of our Sulphate of Potash plant in September 2016 and hope to see a positive contribution to revenues by the end of this year. Apart from SOP plant, we have started the trial production of our Calcium Chloride plant in this month. The same is to go into commercial production shortly. We shall keep you updated on the matter.

Now, an update about the existing business. The first vertical of the Company is Dyes and Dyes Intermediates. I am pleased to state that we have not diluted focus, but have in fact consistently improved performance in our core business which is the Dyes and Dyes Intermediate segment. We hope to continue this path to becoming a complete textile solution company. Our newest product offering, Dyes, has begun gaining momentum in the market in Q2 FY17. This is a result of our extensive marketing efforts; Dyes have contributed to around 10% of the revenue in Q2 FY17. In Dye Intermediates segment, we have achieved strong volumes and value growth, stabilizing pricing and operational efficiencies have been the driving force for this growth. Our backward integration across our intermediates provide us a stable business model. With our

diversified portfolio, we contribute to around 80% of dyes manufacturing industry requirements in India, and this segment contributes around 73% to our total revenue in H1 FY17.

A Zero Waste Chemical Company, our vision has always been to improve our business model to a Zero Waste Chemical Company. I am happy to say that due to our efforts over the past few years we have not experienced any regulatory issue because of environmental concerns. Keeping our zero waste status intact, we intend to utilize the HCL generated from our SOP plant to produce Granular Calcium Chloride. In view of the same, we have also set-up a Granular Calcium Chloride plant with a capacity of 6,500 metric tons per annum. Trial runs have begun and commercial production is slated to begin by the end of November 2016.

About the Cattle Feed business, we have developed animal feed Di- Calcium Phosphate in 2007 which is currently marketed under tie-up with Shivam Chemicals. Products are sold to well reputed companies, all the government dairies and private sector companies like Amul, Nandini, Suguna Chiken, etc. Fertilizer segment in H1 2017, the Fertilizer division contributed around 15% of the sale. We saw improved volumes growth due to enhanced production capabilities and capacities. We have just begun commercial production of SOP plant. We expect to see this contribution to revenue by the year end.

Acid Complex, the Acid division contributes to 4% of sales. Our acid plant is primarily to meet our captive requirement for our Dyes and Dyes Intermediate division. This strategy keeps us hedged against any supply issue in the market. We also have 500 kilowatt power for the captive consumption and we also have our own fleet of logistics. We believe our initiative towards forward and backward integration will provide us a new leg of future growth.

Now I would like to hand over the call to Mr. Sengupta to take you through our financial performance.

S. N. Sengupta:

Thank you, Mr. Punit. Good morning to all of you. Mr. Punit has already given you a brief of whatever the developments have occurred during the second quarter of the current financial year.

As far as sales are concerned, I would like to tell you that the H1 sales has been to the extent of Rs. 145.58 crores as against Rs. 121.35 crores which was achieved during the corresponding period last year. The overall growth on this count has been to the extent of about 20%.

As regards the revenue for the Q2, we have achieved about Rs. 81.15 crores as against Rs. 61.10 crores, which is a growth of nearly about 33%.

As regards the profitability, I would say that our EBITDA margins have gone up. We have achieved about Rs. 26.83 crores of EBITDA during the H1 as against Rs. 17.69 crores of last year, which is nearly about 52% growth in our EBITDA levels.

The interest cost also more or less remains the same. And now as regards the profitability we have the pretax profit at about Rs. 23.37 crores as against Rs. 15.12 crores for the corresponding

period of last year, which is again a gain of about 55%. After providing for the due income tax, we have a profit after tax at Rs. 15.08 crores for the H1, which is roughly about 42% more than what was achieved in the corresponding period last year at about Rs. 10.63 crores. This has increased our earnings per share figures now at about Rs. 4.99 as against Rs. 3.52 last year. This is as far as the H1 results are concerned.

As regards the quarterly results, I would say that the sales have gone up from about Rs. 64.4crores to Rs. 81.15 crores The EBITDA, also I have told you, in this quarter we have achieved EBITDA level of about 19.1% as against 17% which was achieved last quarter. The profit after tax has been to the extent of about Rs.9.05 Crs as against Rs.6.03Crs which was achieved last quarter. As you will see that there has been a constant growth in all the financial levels during the second quarter.

As far as the product mix is concerned, we have also had a capacity utilization in the dye intermediates to the extent of about 73% during H1, where we have achieved sales of about 2,988 tons of dye intermediates. As regards dyes, it has just started, as you know, in the second half the major portion have started in the second quarter and there we have a capacity utilization of about 23%. And the plant is just new, we are in the process of market stabilization, this normally takes a little longer time. But still, we are confident that this figure is going to increase over the next third and fourth quarters. The total contribution from the dyes has been to the extent of about Rs. 10.46 crores.

As regards Fertilizers, we have more or less flat sales during the year. though the total production has gone up from 21,000 metric tons to 24,000 metric tons, this has been basically because of the NPK which has contributed substantially well, as compared to last year. The Cattle Feed production also more or less remains the same. The Acid sales, that is the external sales have come down As you are aware our Sulphuric Acid plant is basically for captive consumption and only whatever is left over, we sell it in the open market. So, since our production of the dye intermediates have gone up, the internal consumption of Sulphuric Acid and the other derivative acids have gone up proportionately, the sales of acid have thus gone down. But the overall, capacity utilization of the acid plant remains at about 90%.

That is what I have to say regarding the performances of our H1. Now I keep this forum open for any questions which you have. Thank you.

Moderator: Thank you. Ladies and Gentlemen, we will now begin with the question-and-answer session. We will take the first question from the line of Khushwal Khandwalal from KIFS. Please go ahead.

Khushwal Khandwalal: My question would be, what would be the further impact of the demonetization that the government has come up with on the Company performance?

- Punit Makharia:** Basically, in my opinion, Khushwal, what I believe is that our Company will have some impact, but what kind of impact, that is difficult for me to say at this point of time. However if I think generally, for our Fertilizer division, I believe it is going to take some hit because the farmer will be left out with no cash at the bottom level.
- Khushwal Khandwalal:** And what about the dyes section, dye intermediates and Dye stuff?
- Punit Makharia:** Dyes section, I do not think it is going to be very largely impacted, but yes surely considering the situation as a whole, some impact would be there, Khushwal. But I also believe that the impact will be for a short time, because this move whatever government has done is an excellent move and in the long-term; we foresee a very strong growth and for a strong economy. For the short-term prospective if there are any problems there is likelihood of a dip in the performance, however I do not think there should be any major concern to that.
- Khushwal Khandwalal:** And if you could just give me a breakup, you had a PAT of Rs. 9 crores, right?
- Punit Makharia:** Yes.
- Khushwal Khandwalal:** So if you could give me a breakup of this Rs. 9 crores, as to what came from where?
- S. N. Sengupta:** Segmental wise profitability we currently do not have. We should be able to do it only at the end of the year. We will note down your query, Khushwal, and surely we will come back to you with this.
- Khushwal Khandwalal:** And one last question, I had a word with Ruchi over this and she said that Dyestuff plant could be on a 50% utilization till now.
- Punit Makharia:** As of now, Khushwal, we have reached the utilization level of almost 65% or so in the current month. We have currently achieved a production level of around 150 ton to 165 ton or so. So looking at a 250 tons of plant capacity, we have achieved utilisation at almost 65% - 70% at this production level.
- Khushwal Khandwalal:** And what CAGR is expected, like for your future, what CAGR do you expect?
- S. N. Sengupta:** , basically what happens is since this is a plant which has been just started off, we have steadily increased the capacity over the months, whatever Mr. Punit has been telling you about the figure of 60% to 65% utilisation is on a monthly basis, 250 tons is our monthly capacity. And as we are progressing we are in a position to improve upon our sales on a month wise basis. So the figure I gave you about 23% was the gross figure for the entire H1.
- Khushwal Khandwalal:** So whatever you are producing you are able to sell right, there is no...?
- S. N. Sengupta:** Yes, for your information, we are having the dyes order till December.

- Moderator:** Thank you. We have the next question from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Sir, firstly if you can throw some light on the industry scenario in China. So, largely we have been benefitted because of the environmental clamp down as well as some plant shutdowns. So what exactly the situation right now and how do you foresee it going forward?
- Punit Makharia:** Shashank, presently the same trend continues. We are very positive about the same trend to continue for a longer time at least in this industry. Because the scenario is, China is leading from bad to worst and presently it takes a very longer time for all this concerns to be addressed. So I think the same concern will continue further globally. As such the entire focus has shifted from China to India, and slowly and gradually the companies like ours, that is more compliant companies in India will be benefitted in the long term.
- Shashank Kanodia:** And sir, off late there has been any plant shutdowns? Like one major plant shutdown happened in last quarter, so is that still continuing and when can it restart?
- Punit Makharia:** That is still continuing, that plant called **Hubei Chuan** is still closed.
- Shashank Kanodia:** And sir, when can it resume? And will it able to produce at the similar levels?
- Punit Makharia:** To my mind, Shashank, let's be very straight forward. If such a large facility is closed and not yet having any signs of starting shortly, and in case if starts also then too also it is practically difficult, or rather I would say it is practically impossible to come on the same earlier kind of production levels within a short span of time.
- Shashank Kanodia:** Sir coming to India, what will be the demand in India and have we started exporting to other countries because of shortage in supply?
- Punit Makharia:** We are already exporting to China, there are lot of shipments which are going from India to China. And apart from China also, all the Indian manufacturers are slowly and gradually taking the share into the global market also.
- Shashank Kanodia:** Now coming to dye stuff, so what was the capacity utilization level in just Q2, if you can just share?
- Punit Makharia:** That should be somewhere around 65%.
- Shashank Kanodia:** Because I think Rs. 8 crores of sales you mentioned right, from dye stuff in Q2? And what will be the average realization, sir?
- Punit Makharia:** Average realization will be around 310 to 320, or near about.
- Shashank Kanodia:** So roughly, Rs. 3 lakhs a ton largely, right?

- Punit Makharia:** Yes.
- Shashank Kanodia:** So roughly 55% utilization level for dye stuff?
- S. N. Sengupta:** At the end of Q2 we have achieved better sales volumes. Till July we were not up to that kind of level in sale of dyes, but post July we have been able to achieve almost 60% - 65% of the production levels in dye plant. As of now we are producing almost close to 150 tons to 160 tons of dye stuff monthly in the plant.
- Shashank Kanodia:** So sir, when do you expect to reach the peak capacity utilization levels for this plant?
- Punit Makharia:** I believe that should be very much possible by Q4.
- Shashank Kanodia:** And that would be like 80% is the maximum that we can achieve or even higher than that?
- Punit Makharia:** We are targeting for higher than that but we are very much hopeful that at least we will be able to achieve 80%.
- Shashank Kanodia:** So this plant eventually will have a revenue potential of largely something like Rs. 70-odd crores, right?
- Punit Makharia:** Annually you are talking about?
- Shashank Kanodia:** Yes.
- Punit Makharia:** A little bit more than that.
- Shashank Kanodia:** So then sir when will we start executing the Rs. 5 crores of CAPEX for additional 3,000 tons?
- Punit Makharia:** That would be, you can take into account for the FY 2017 - 2018 onwards.
- Shashank Kanodia:** And how much time will it take to commission that?
- Punit Makharia:** That should be commissioned by December.
- Shashank Kanodia:** December of?
- Punit Makharia:** 2016.
- Shashank Kanodia:** So have we already ordered...?
- Punit Makharia:** Yes, that building is completely ready and most of the equipment have already arrived at the site. the date of FY 16-17 is on a conservative basis. In fact, I could have told that yes some performance would be there in Q4 but we do not want to commit. Thus being on the conservative

side we are saying we can take around 2017 - 2018 as a the financial year for a full year operation of the additional capacity.

Shashank Kanodia: And sir, then what kind of additional revenue will it bring in 2017 - 2018? It will again be equal to Rs. 70-odd crores plus?

Punit Makharia: No, it may not be exactly double, but definitely it will be more than the existing levels. And we can take approximately 50% to 60% jump from the existing levels.

Shashank Kanodia: And sir, even the other industry participants are also expanding in dye stuff, so is there increasing competition or is there space for everyone to compete in the demand as well as supply?

Punit Makharia: See, looking at the volumes, as I mentioned before that the global focus is shifting from China to India. And if you look at the overall scenerio, there are only two countries in the world who significantly supply dye stuffs and specialty chemical to the entire world, one is India and other is China. As of now China is suffering and fighting with their own internal issues of EHS, that is environment health and safety. And this is not a one day job, it takes its own time. based on that, slowly and gradually the focus of the world is shifting towards India, so there is a scope for everyone.

Shashank Kanodia: Sir, secondly on the pricing front, what will be the current pricing of H-Acid and what were they in the Q2 of this fiscal year?

Punit Makharia: H-Acid has almost stabilized, Shashank. And as of now the pricing should be close to Rs. 350 to Rs. 370 a kg.

Shashank Kanodia: And sir, what would that be for Vinyl Sulphone?

Punit Makharia: During the last H1 we have averagely sold H-Acid at Rs. 425 a kg.

Shashank Kanodia: This was in?

Punit Makharia: H1.

Shashank Kanodia: Entirely H1 FY17?

Punit Makharia: Yes.

Shashank Kanodia: And sir, what are the prices of Vinyl Sulphone?

Punit Makharia: Vinyl Sulphone pricing as of now is above Rs. 400, but the average realization what we have got in the last H1 is around Rs. 350 because of some earlier orders also.

Shashank Kanodia: So sir, do you expect this price to stabilize at Rs. 400 or it will drop down to Rs. 350 again?

- Punit Makharia:** Why you do not say that it will go up above Rs. 400.
- Shashank Kanodia:** I mean, what is your sense on the pricing for Vinyl Sulphone?
- Punit Makharia:** See, that is what I am just trying to ask you, what makes you to say that this will go down to Rs. 350, why don't you think it can go towards upwards.
- Shashank Kanodia:** It can, it can.
- Punit Makharia:** So definitely there is all the possibilities.
- Shashank Kanodia:** And sir there was some press release regarding your litigation with Huntsman International, so if you can just throw some light what was the litigation and what are the counter claims and stuff being posed by both the parties?
- Punit Makharia:** Shashank, basically Huntsman had filed one case against the Company in the Delhi High Court, and that is a sub-judiced matter. We have informed in our last earnings call also as well as we have informed to the stock exchange also. And in that case I will not like to talk much because being a sub-judiced case. And secondly, let me tell you that we trust the entire judiciary system, we have got our faith in the law of the land. Apart from that we have filed four cases on Huntsman, A) we have filed a cheating complaint against Huntsman and their senior officials in EOW, i.e. Economic Offence Wing. And that case has been registered by EOW; they are investigating the matter against Huntsman and their senior officials. B) we have filed this damage claim against Huntsman for Rs. 250 crores, that is in Mumbai High Court. Third case we have filed against Huntsman that is a winding up petition, winding up of HIIPL. And fourthly, we have filed a summary suit on Huntsman in Bombay High Court for the recovery of our dues of approximately Rs. 8 crores, they have illegally and unethically held up the payment of our Company.
- Shashank Kanodia:** But sir, have there be any counter claims by Huntsman against our litigation, since we have put a defamation suit of Rs. 250 crores odd, so what is the response from Huntsman for that?
- Punit Makharia:** I would not like to discuss much on this subject. I think whatever is the preliminary information I have shared with you, Shashank. Being a sub-judiced matter, and being defensive of the company, I will not like to discuss on this public platform. In any case if you have any further queries about this subject, you can always visit Company's office.
- Shashank Kanodia:** And sir, we have just Rs. 8 crores of unpaid dues from Huntsman right?
- Punit Makharia:** Yes, they have not paid our payment up till now which they have held unethically without any reason.
- Shashank Kanodia:** So that would be visible in our trade receivables largely?

- Punit Makharia:** Yes, that is visible in the trade receivables for H1 2017.
- Moderator:** Thank you. We have the next question from the line of Siddharth Bhattacharya from Suyash Advisors. Please go ahead.
- Siddharth Bhattacharya:** Just one clarification, what would be the breakeven level for the dye stuff plant, have we attained profitability, can you give us some sense of the profitability compared to the Company average?
- Punit Makharia:** Siddharth, see basically we have achieved almost 60% - 65% of the production efficiency.
- S. N. Sengupta:** Roughly since some of the major raw materials are being manufactured at our end, the breakeven would come to around say 35% to 40%.
- Siddharth Bhattacharya:** So therefore the business is profitable now?
- Punit Makharia:** Yes, and as utilization improves that would also improve.
- S. N. Sengupta:** See Siddharth, basically let me tell you, since we are fully backward-forward integrated and our's is a completely integrated business model besides the fact that there is no interest and loan burden on the company, and further we being a conservative as also a high growth company where we have control on the overall expenses of our Company, you can feel the growth over last year during this year, you will observe the expenses have not gone up too high in comparison with this growth of sales and bottom-line. So looking at all the factors I believe that the breakeven would be quite low.
- Moderator:** Thank you. We have the next question from the line of Tushar Sarda from Athena Investments. Please go ahead.
- Tushar Sarda:** I want to know what will be the guidance going forward, will we maintain this current rate of profitability?
- Punit Makharia:** Tushar, if you see our last Q1 earnings call we had said very clearly and we had given a message very clearly, largely to the investors also that we are on a completely growth drive. And in comparison with last year and Q1 also we have achieved a better performance in this year, we expect to continue the same trend in the future. But our job is to give our best in a most ethical way and rest all the factors are not in our hand, but still we will not leave any single stone unturned for the betterment of this Company.
- Tushar Sarda:** And second question was, what will be the CAPEX this year and for next two years, what are the CAPEX plans?
- Punit Makharia:** In this year we will be completing three more CAPEX, Tushar. A) We are starting the commercial production of Calcium Chloride plant which we should be announcing by end November, which might be delayed by another two weeks or so. So maximum by the end of Q3

we will be announcing the starting of the commercial production of the Calcium Chloride plant. Secondly, we would be starting the H-Acid plant which we are hopeful to start by end of Q3, that is a part of the IPO and now that is the only project left out in the IPO. Thirdly, we are increasing the capacity of our dye stuff plant. These three CAPEX we will be doing in the current financial year 2016 - 2017. Then we are also completing the CAPEX of the textile specialty chemicals which we plan to do by Q4 or Q1 2017 - 2018.

- Tushar Sarda:** What will be the amount there to be spent?
- Punit Makharia:** For textile chemical plant?
- Tushar Sarda:** Yes.
- Punit Makharia:** It would be around Rs. 5 crores to Rs. 6 crores, that will be through internal accruals
- Tushar Sarda:** So, you do not see big CAPEX next year, total CAPEX would be how much next year 2017 - 2018?
- S. N. Sengupta:** 2017 - 2018 will be only for our new textile auxiliary plant. And apart from that, this Company has also taken an additional plot of 40,000 square meter in the same industrial area, that is for the future expansion. But as of now those plans are under consideration.
- Punit Makharia:** See, Tushar, if you look at our performance of the past few years, Company has been always adding new capacities. So that is an attitude what the Company has. And I believe that the same attitude we will keep on maintaining in near future.
- Moderator:** Thank you. We have the next question from the line of Manish Shah from Wajani Securities. Please go ahead.
- Manish Shah:** I have some questions which are more supplementary to what you have already answered. Regarding this forward integration you have already mentioned that the new 3,000 ton plant will give you a revenue of Rs. 50 crores for the next year, FY 2017 -2018, that is reactive dyes. And the current plant that is there, current capacity of 3,000 ton is giving you a revenue of around Rs. 80 crores. So that Rs. 50 crores will be incremental in the next year, right?
- Punit Makharia:** Yes.
- Manish Shah:** So that is one. And then the other plants which are there, which you mentioned in your slide 7, this is about captive consumption of H-Acid and Vinyl Sulphone, so that 750 metric ton plant and 1,000 metric ton plant, they have both been commissioned?
- Punit Makharia:** No, see Vinyl Sulphone plant has been commissioned and H-Acid will be commissioned in Q3.
- Manish Shah:** So what will be their contribution next year full year, they will be all captive consumption, right?

- Punit Makharia:** They will be all captive consumption, Manish.
- Manish Shah:** So there will be no contribution to revenue, they will just contribute to margins?
- Punit Makharia:** No, ultimately if you see that will be contributing to the revenue also as well as to the margin also, because I will tell you how. As of now the dyes what we are producing for the production of that dyes we are consuming the existing production of H-Acid and Vinyl Sulphone into the dyes. So that H-Acid and Vinyl Sulphone is not only contributing to the revenue, but it is contributing to the margins.
- Manish Shah:** So that is what I said, so it will contribute more to the margins only, right?
- Punit Makharia:** Margins also as well as the revenues also, because once we start our H-Acid plant in Q3, in that situation we will be having some quantity of H-Acid to be sold in the open general market also which will contribute to the revenue.
- Manish Shah:** But you cannot predict that because that all depends upon how much we consume for dyes and how much is available?
- Punit Makharia:** Yes, this coming back and calculating all those numbers is difficult at this point of time.
- Manish Shah:** Right, I agree with that. So it is difficult but by and large either you margins should improve if you consume completely, that would be my assumption?
- Punit Makharia:** I personally assume that the margins as well as the revenues both will increase in 2017 - 2018. Because once we start the H-Acid plant by Q3, let me tell you very clearly that it may not start in Q3, it may be somewhere in January 2017 also because it is a large size plant. And if we take some time for the stabilization phase also, so probably as a result of that new H-Acid plant will be totally visible in 2017 - 2018.
- Manish Shah:** Now the last plant which is there as per the slide is the granular calcium chloride plant, so that is a 6,500 metric tons and that is going to be commissioned, you said now it will be commissioned in December, so some two weeks from now you said that would be commissioned. So that is sale or that is also internal consumption?
- Punit Makharia:** That is for the sales.
- Manish Shah:** So what would be the sales for that full year, roughly for FY2017 - 2018?
- Punit Makharia:** See, basically Calcium Chloride is not the main product, Calcium Chloride we are starting just out of the waste what we generate from the Sulphate of Potash plant. And if you look at the strategy and policy of the Company is that we have been always going on a zero waste and making wealth out of the waste. As far as coming back to the sales price and revenue in Calcium

Chloride, that may not be very large because Calcium Chloride is a very cheap product, it is hardly Rs. 10 - Rs. 11 a kg. So that is as much revenue on that part.

Manish Shah: So now, what is left out if the textile chemical plant which you just mentioned, Rs. 5 crores - Rs. 6 crores cost which we do in the first half of last quarter, and that is not mentioned in the slide, so that is additional to all this?

Punit Makharia: Yes, that is additional to all this.

Manish Shah: And that is something which you will be selling in the market, right?

Punit Makharia: Definitely.

Manish Shah: So what would be the revenue expectation from that?

Punit Makharia: I think let us come first of all, that we will discuss in this Q4 results, Manish. As of now that is at a very premature stage.

Moderator: Thank you. We have the next question from the line of Ankit Gor from Systematix Shares. Please go ahead.

Ankit Gor: Just want to understand the overall market size for dyes and dyes pigment in India in tonnage wise. And how much India produces and how much we used to import from China a year back and what is the status now, if you can give some numbers there? Thanks.

Punit Makharia: Ankit, basically dye stuff and dye intermediates industry is too large, and coming in to the dye stuff also there are various kind of dyes like reactive, disperse, acid, wet, direct, all these kinds of segments are there. And we are mainly into the reactive dye stuffs, other segments we are not that like the basic and pigments an disperse and acid dyes. And asking the figures from me, honestly it is a huge large market. I do not have the figures with me presently, very honestly speaking. I do not want to give you any such figures which has got no relevance and the figures which I have got no confidence. Give me some time, I have noted down your question, we will surely come back to you with the data and figures, we have also search our own. Because I am not here fully prepared to get all the figures with me, so I will definitely come back to you on this question.

Ankit Gor: Sir my next question with respect to in FY2016 I have seen that revenue from Dyes segment have declined by 15% in FY16, what was the basic reason?

Punit Makharia: Can you point out which slide you are saying there is revenue decline.

Ankit Gor: I am looking from a presentation of May 2016 which at the end you give this chart.

Punit Makharia: Are you talking about the Q1 presentation?

- Ankit Gor:** No, I am talking about FY2016 presentation, March one where segments dye intermediates.
- Punit Makharia:** We are opening that presentation, Ankit.
- Ankit Gor:** In that case, my next question is, how do you see our overall product mix to change over next two to three years? So are we focusing more on dye intermediates, dye stuff or some other businesses, so the product mix and contribution from different products will remain more or less same or how it will pan out three years down the line?
- Punit Makharia:** See basically, Ankit, what we are going on and what we have conceived is that not to become a dye manufacturer. And see basically there are different visions of any company, and in that everyone has their own vision, someone says that I want to become the largest manufacturer of xyz product and we want to be the largest in India, Asia, in world and globe, whatever it may be. We do not have that kind of a vision, Ankit, to be very straightforward. We have a vision to make it a completely integrated textile solution company, then we are de-risking ourselves from any such kind of a threat where as we become the largest manufacturer of a single product in the globe. Now the kind of business model we have made in this Company is that we are in to all kind of segments, like dye stuffs, intermediates, all textile and specialty chemicals, acid complex having its own power plant, own logistic business, cattle feed business, fertilizer business. If you look at the overall scenerio of the Company, we are having the customer level from a poor farmer to the largest multinational of the globe. And we are catering to many customers, many consumers across various industries. So we are de-risking ourselves from any such kind of a issue also. Whereas at the same time as we are zero waste chemical company we are de-risking ourselves from environment threat also. At the same time, by having this kind of a business model where we collect all the waste from all our respective product verticals and we convert them into value addition products. So in the same direction we would like to grow, like after completion of the IPO we declare that yes we are increasing the capacity of dye stuff, then we went into SOP, now Calcium Chloride, now going into textile chemicals. Further, I also mentioned that the Company has also purchased a new plot of approximately 40,000 squaremeters. So obviously we have further plans also to grow and this capitalization also. But as of this time it is difficult for us to come with the plans in detail.
- S. N. Sengupta:** Mr. Gor, you had made a statement that in financial year 2016 our dye intermediates contribution had come down.
- Ankit Gor:** Yes, Rs. 170 crores if I am not wrong.
- S. N. Sengupta:** If I remember correctly, , there was a growth in the volume to the extent of about 25%and the realizations were low. If you remember in 2014-2015 there was a boom in the prices of the H-Acid and VS, so that was the reason why there was a tremendous amount of boom in the total sales realization in t5hat year. But if at all you see the volumetric production, in Q1 2016 it was roughly about 25% to 27%, more than what it was the earlier year.

- Punit Makharia:** Ankit, if you will remember, during 15-16 the pricing of H-Acid had crashed.
- Ankit Gor:** Yes, I got that point. And sir, textile chemicals if we see, in that case who will be our competitor apart from BASF and Huntsman, will be that a competitor or not, if you can give us some...?
- Punit Makharia:** Ankit, basically I personally believe it is not a matter of competitiveness. If you see the producers, there are many producers in India who are producing textile chemicals. And we are not comparing ourselves in the generalized category of producer of textile chemicals, we are going on a branding, Ankit.
- Ankit Gor:** And sir, how difficult it is for us to get to the textile clients like Vardhaman, Raymond and Arvind, so is it difficult to....
- Punit Makharia:** It is not at all difficult, Ankit. It is not difficult because we have made up our own sales team, we have made our own technical team. Like what we have started is that we are taking trails with different customers like the names what you have mentioned just now, few of them we have already taken trials. Post sales also if there are any kind of technical problems, our team is always there to attend to those problems. So we are basically going for branding ourselves. See please understand, we are not going for sale of textile chemicals, Ankit. It is not the question of selling of your goods, it is a question of branding of your goods. Once you go for branding of your goods, I believe the sales and other things automatically come after you. Ankit, if you want to sell you can sell anything, you can even sell sand, but let us not sell like sand, that is the whole concept we have conceived.
- Ankit Gor:** Sir, I have heard a lot of name of Archroma into textile chemical and in this case how they have been aggressive enough because Clarinet recently sold Archroma and how is the competitive scenario, just want to understand that only.
- Punit Makharia:** Scenario is definitely competitive, I do not say that there is a huge space in the market. You have to make your space. And space can be made easily. If you go back to our history of 2001 when we started our first product of Gama Acid, after that we are manufacturing 10 products in intermediates, then fertilizers, then acid, then cattle feed, then more production fertilizers, now dyes, now textile chemicals. So making a space, see no one gives you the space, you have to create your space.
- Ankit Gor:** Sir, but don't you think that diversification to so many product portfolios will require higher intensity in terms of operational efficiency and rather than concentrating on four main products. It is just my understanding sir, correct me if my understanding is wrong anywhere.
- Punit Makharia:** No, I do not say that your understanding is wrong, it is only a thought process. And the thought process differs from individual to individual and from person to person. I do not personally think that we can de-focus. Like if you see our existing infrastructure also, there is a requisite team into the fertilizer and there are 18 - 19 people into the marketing team. Same way, there is a

requisite team into the textile dyes and there is a post application team into the dyes also. Same in intermediates, same in cattle feed. We have organized our entire structure like that way. And there are experienced technical people from that particular field who are taking this job very well, better than me.

Moderator: Thank you. We have the next question from the line of Khushwal Khandwalal from KIFS. Please go ahead.

Khushwal Khandwalal: I just had one last question, I was reading a few blogs and I do not know if it is true or not, but what they were mentioning that Dolly Khanna had picked up stake in the Company, is that true?

Punit Makharia : Honestly, I have not seen the shareholder list, Khushwal. And I do not know who is Dolly Khanna and I do not know if anybody has picked up stocks or not. I have also seen few blogs on Money control, but anything about the shareholding is not my concern, Khushwal.

Khushwal Khandwalal: Is it possible for you to disclose the shareholders' list?

S. N. Sengupta: You can come to the office and you can very well check the shareholder list, that is not a problem.

Punit Makharia: It can be shared with you, that is not a problem, Khushwal.

Moderator: Thank you. We have the next question from the line of Pragya Vishwakarma from Edelweiss. Please go ahead.

Pragya Vishwakarma: I just have one question. Any particular reason for decline in your debtor and payable days for this particular quarter?

S. N. Sengupta: Any decline in debtor?

Pragya Vishwakarma: Days I am talking about.

S. N. Sengupta: Number of days?

Pragya Vishwakarma: Yes.

Punit Makharia: You mean to say that the Company is recovering money fast?

Pragya Vishwakarma: Yes.

Punit Makharia: Then that is good, Pragya, it is your concern?

Pragya Vishwakarma: No, I just want to know the reason, I mean like if there is a particular contract term that has been changed? I know it is good for the Company but I just wanted to know the rationale behind it.

- S. N. Sengupta:** Yes, there has been a slight decline. In fact in the last year it was to the tune of about say 60 and a year before last is about 40, this year it has come down to about 30. But this is a normal trade, we have not changed our target.
- Punit Makharia:** But then we have new products coming into the market and based on that initially we are going to weigh out the customers and then decide on the trade policy. There is no such hard and fast rule, Pragya. And these are completely dependent on the market dynamics and demand and supply. Sometimes when the market is good there we can dominate our conditions and our terms. And when it is little bit slow then we have to accept the customer's condition also, like if we look at existing products like Vinyl Sulphone and other Intermediates, where we can dominate a little bit on our pricing terms and payment terms. So nothing so great, it is an overall mixture of the market dynamics.
- Pragya Vishwakarma:** So it is not a deliberate action, but it depends on demand and supply?
- Punit Makharia:** No, honestly speaking it is nothing deliberate, let me tell you this is a surprise for me also that our debtors have gone down. I have not looked into it so deeply.
- Moderator:** Thank you. We have the next question from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Sir, can you please throw some more light about what is this textile specialty chemical that you intend to manufacture?
- Punit Makharia:** Shashank, basically we are going on a vision of making this Company as a complete textile solutions company. Now when we talk about textile solution, any textile industry requires dyes as well as the textile chemicals also for processing of their products like cloth. So dyes is not the only product which they consume, there is another segment also which is called as textile chemicals that they buy. So the customer would be the same and technical team which will be providing solutions, presales and post sales also will be the same.
- Shashank Kanodia:** So will it utilize the other things as raw material or this would be a separate process altogether?
- Punit Makharia:** It will be a separate plant and separate process altogether.
- Shashank Kanodia:** And sir on the NPK fertilizer, what were the utilization levels in H1? Like you had a capacity of 20,000 tons, right, so what were the production and sales level in H1 and what is the product guidance for full year FY2017?
- Punit Makharia:** I think it should be around 55% to 60%.
- S. N. Sengupta:** Our capacity has been 10,000 tons in NPK for the first half and we have produced about 5,967 tons, roughly about 60%.

- Shashank Kanodia:** So sir, will this end the season or we will continue producing in the Rabi crop also?
- Punit Makharia:** No, now the November season is going on, that has started again.
- S. N. Sengupta:** See we have Rabi as well as Kharif crops, so for both the crops it will be there. It will definitely continue for the Rabi.
- Shashank Kanodia:** So the full season we expect 60% utilization levels or it can even go higher than this?
- Punit Makharia:** Do not expect much higher than this, Shashank.
- Shashank Kanodia:** And the pricing will be around Rs. 15 a kg, right?
- Punit Makharia:** No, that is a small dip as of now, because if you see two months back government had reduced prices of MOP also. So looking at that there is a little dip in pricing of MOP the same dip is reflected in NPK prices also. But it is not a very large dip.
- Shashank Kanodia:** And sir about SOP, so what will be the utilization levels you are targeting for H2, since you just commissioned the plant?
- Punit Makharia:** We should be able to achieve around 65% of the capacity.
- Shashank Kanodia:** And the realizations for this would be around Rs. 50 a kg?
- Punit Makharia:** No, not Rs. 50 because as of now SOP we are largely selling into exports, not in the domestic market. Domestic market we have a better pricing than exports.
- Shashank Kanodia:** So sir, given this entire gamut of things, so we should be easily doing around Rs. 100 crores of top-line for next quarter each, right, two quarters?
- Punit Makharia:** You are talking about current year or next year?
- Shashank Kanodia:** This fiscal year.
- Punit Makharia:** Yes, hopefully.
- Shashank Kanodia:** So we will end this year with top-line of roughly around Rs. 350-odd crores, right, reasonably possible for us?
- Punit Makharia:** See, just to say I can tell you yes as well, definitely we are trying more than the figure what you said. But then we need to provide some contingencies of approximately 5% - 7% into this. It should be somewhere between Rs. 325 crores to Rs. 350 crores.

- Shashank Kanodia:** And sir for next year then what will be your target, given that we have a new capacity of dye stuff will be coming into the play and surplus capacity of dyes...?
- Punit Makharia:** According to you how much it should be, Shashank?
- Shashank Kanodia:** It should cross Rs. 450 crores odd, or...?
- Punit Makharia:** Definitely, that is how it is.
- S. N. Sengupta:** Addition of about Rs. 100 crores.
- Shashank Kanodia:** Sir, we have done 19% EBITDA margins in this quarter, right, so given that there would be increasing share of dye stuff, so what kind of margin improvement can we witness further?
- Punit Makharia:** Sir, last year also we had said that last time it was around 16% or so. So in our last concall also we had said that it would be minimum 15% - 16% and it is supposed to go up. Now in this quarter we have seen 19%. Still we are trying ourselves to achieve better than that. But definitely let's see how the best we perform.
- Shashank Kanodia:** But sir, 20% plus is realizable for us, given the increasing share of dye stuff we should be able to...?
- Punit Makharia:** It is not something impossible.
- S. N. Sengupta:** Mr. Shashank, let me give you a small word. Whatever we sold was part of the Q2 result where the EBITDA was about 19.1%. Now if at all you take H1 as a whole, then the EBITDA levels is about 17.7%. So basically what happens is that depending upon the price fluctuations which happen in the dye intermediates and also the dyes, this will go on fluctuating to a certain extent. And we anticipate that whatever we have achieved in Q2 should be a fairly good achievement and we should be able to maintain that.
- Shashank Kanodia:** Is there any range that you are guiding us, like 18% to 20% is doable for us easily?
- S. N. Sengupta:** Yes, that should be.
- Shashank Kanodia:** And sir lastly, what about we developing our own brands? So what all initiatives have we taken and how is the acceptability in the market?
- Punit Makharia:** This is already under process, Shashank, and probably in next financial year we will be launching the brand.
- Shashank Kanodia:** So this will be largely in domestic market?
- Punit Makharia:** Domestic as well as international market.

Shashank Kanodia: And sir, how will be the pricing, it will be premium to the regular B2B supply and what percentage premium?

Punit Makharia: See, we will be trying to keep our brands in equivalent levels of the existing brands, like Chroma and other companies are there, we would like to make in comparison with them. Whereas our whole focus will be providing them a stable and sustainable business model which includes this good quality product and good sales service, pre-sales as well as post-sales at a much competitive price.

Shashank Kanodia: And sir, if one has to track the H-Acid and Vinyl Sulphone prices, where can we track it? Because these prices are not available on any paid source nor Google or Bloomberg stuff, so...

Punit Makharia: See, you cannot track domestic pricing from anywhere. Whereas import and export pricing you can definitely try from Zuaba.com or from the custom data.

Moderator: Thank you. Since that was the last question, I now hand the conference over to the management for their closing comments.

Punit Makharia: Dear friends, thank you very much for all joining on the call. I hope we have been able to answer all of your queries. To sum up, we have been constantly performing and introducing new products to make use of waste effluents. And now our focus is to market and achieve the full potential in all our segments, while with the building of an environmentally complete zero waste chemical company. In case if you have any further query, please get in touch with our Investor Relation Advisor, SGA. Thank you very much.

Moderator: Thank you. On behalf of Shree Pushkar Chemicals & Fertilisers Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.