

“Shree Pushkar Chemicals & Fertilisers Limited Q3 FY-18 Earnings Conference Call”

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**MANAGEMENT: MR. S. N. SENGUPTA – ASSOCIATE DIRECTOR, SHREE
PUSHKAR CHEMICALS & FERTILISERS LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to the Shree Pushkar Chemicals & Fertilisers Limited Q3 FY18 Earnings Conference Call.

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

I now hand the conference over to Mr. Sengupta – Associate Director. Thank you and over to you, sir.

S. N. Sengupta: Thank you. Good evening, ladies and gentlemen. A warm welcome to the quarter ended Q3 FY18 earnings call of Shree Pushkar Chemicals & Fertilisers Limited.

I am Sengupta, Associate Director. I would like to make a small statement here that normally I am joined by my CMD – Mr. Punit Makharia and my CFO – Mr. Ratan Jha. Unfortunately today both of them are preoccupied, so they have not been able to make it today and I am there alone to take care of all the questions or queries whichever you have.

I am joined on this call by SGA- Our investor relations advisor. Thank you. Now getting back, our results and presentation have been made available on the stock exchange and uploaded on our website. And I hope all of you had a chance to look at it.

Let me take this opportunity to give you a brief overview of our company's overall performance and new developments post which I will take you through our financial performance.

We are pleased with the exponential rise in the dyestuff segments which has witnessed over the quarters. For Q3 FY18 the contribution of dyestuff segment was about 37% of the total revenue. Also the textile chemicals demand is slowly catching up. The dyestuff segment continues to grow as we keep expanding our customer base. Our additional capacity of 3,000 metric tons per annum of dyestuff which was commissioned in November 2017 has commenced production.

The growth in this segment is in line with our vision shared previously and we expect this trend to continue for the coming quarters. In dye intermediates segment our business has been steady. The captive consumption for manufacturing of dyes has increased and with commissioning of additional capacity we expect this trend to continue going forward.



Our backward integration across our intermediates offers stability in terms of input procurement and a natural hedge for price fluctuations. This has helped us maintain our margins. Our H-acid plant which was commissioned in March this year was under trial runs in Q1 FY18. The commercial production from this plant began in the first week of August 2017. This additional capacity has provided an added boost to our volumes during the quarter.

I am happy to state that we have started test marketing our auxiliary textile chemicals in the last quarter and the demand for the same is slowly catching up. In an industry like specialty chemicals with its high levels of waste we have been able to consistently recycle our waste to create diverse product offerings for our customers.

We also continue to uphold our high standard of environmental and regulatory compliances. In the nine months of financial year 2018 the fertilizer division has continued to perform steadily contributing about 14.4% in the sales. Fertilizer division saw an overall growth of about 13% as compared to the same period last year.

We had recently acquired 100% equity of Kisan Phosphate Private Limited for a little more than Rs. 9 crores. Kisan is in similar business segment in a separate geographical region. For financial year 2017 Kisan had an overall sale of Rs. 35.72 crores with a PAT of about Rs. 19 lakhs. However during the 2.5 months of operations post acquisition by Shree Pushkar, Kisan has had revenue of Rs. 6.94 crores with a PAT of about Rs. 33 lakhs.

This reorganization in the business was primarily a result of prepayment of high cost term loans of Rs. 8.33 crores and switching over of the bankers resulting in reduced cost of working capital funds by nearly 420 basis points. In addition to other cost benefits on non-fund base limits. We are also in the process of putting up a sulphuric acid plant of 100 TPD of which 50% would be captive consumption resulting in a raw material cost saving by nearly 12%.

We are also putting up a co-gen power plant of 700 kilowatts to cut down power cost. The above initiative will further boost the profitability of Kisan Phosphates.

Coming back to Shree Pushkar, in the fertilizer division we are also in the process of expanding our SOP capacity. The result of which would be visible in the next financial year.

As far as our acid division goes, it mainly supports our in-house acid requirements for our dyes and dye intermediates division. Only the surplus acid is sold to the local market. In addition to the cost advantage the strategy keeps us hedged against any supply issues in the market. As regards our core operational area namely Dyes & Dye intermediates we are confident of building a sizeable and sustainable profit portfolio of value added products for our customers and grow our dyestuff business.

We also hope to broaden our market reach through intensive marketing initiatives. We expect our foray in to textile chemicals, to cement our position as a textile solutions provider.



Now I would like to take you through our financial performance. The total revenue from operations grew by 26.8% from Rs. 216.93 crores in nine months FY17 to Rs. 275.16 crores in FY18. In nine months 2018 EBITDA grew by 29.4% to Rs. 48.75 crores from Rs. 37.65 crores in the corresponding period of last year. In nine months PAT grew by 22.9% to Rs. 27.18 crores from Rs. 22.12 crores for the corresponding period last year. The PAT margins stood at 9.9%.

Dyes accounted for around 26.2% of the total revenue in nine months of financial year 2018 in accordance with our vision for growth in this segment. Dye intermediates which comprised of around 50.8% of revenue in nine months financial year 18 has been a steady state business. The segment saw 6% volume growth compared to the same period last year. However, higher captive utilization for production of dyes has brought down its revenue contribution.

Acid complex forming about 2.3% of revenue de-grew due to increased internal consumption. The fertilizer segment contributed about 15.8% to sales and witnessed a volume de-growth of about 6% and revenue growth of about 13% in the nine months of financial year 18. The sales of fertilizer segment also included contribution from Kisan Phosphates.

Lastly, the cattle feed which accounts for about 2.1% of our business, grew by 24.5% in volume and 36.8% in value terms for the nine months of financial year 18.

With this now I open the floor for the question answer session.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session.

We will take the first question from the line of Srinath Sridhar from ICICI Securities. Please go ahead.

Srinath Sridhar: In tonnage terms what are the sales of dyestuff and dye intermediates for the quarter?

S. N. Sengupta: For this quarter?

Srinath Sridhar: Yes and year-on-year?

S. N. Sengupta: I have the figures for the three quarters. In fact the dyes has been 2,500 tons, last quarter it was about if at all you take H1 results I think it is about 1,500 tons. So there has been a growth of 1,000 tons. Dye intermediate has been 6,428 tons, fertilizers has been roughly about 105,000 tons. cattle feed supplement 3,375 tons and acid sold was, I am sorry, dyes we have produced 2,354 tons. And the textile chemicals has been 129 tons.

Srinath Sridhar: No in dyes what are the outside sales during the quarter 2,300 tons you are saying?

S. N. Sengupta: Yes 2,354 tons.

Srinath Sridhar: For nine months?

- S. N. Sengupta:** You want a figure of nine month sales?
- Srinath Sridhar:** yes sales for this quarter if you have, dyestuff sales?
- S. N. Sengupta:** I do not have it here, I can give you later on if at all if you so desire.
- Srinath Sridhar:** I will move on to the next question. So one is about Kisan Phosphate which you just announced it about three-four months back. We were under the impression that it takes about six months for all approvals to come in place. And so are all approvals in place for it to be on a consolidated basis?
- S. N. Sengupta:** Yes, all the approvals are in place, basically this is a running unit and at Hisar what is very necessary is that you have to get a clearance from the Haryana Pollution Control Board. That we have already got for this sulphuric acid and it is a running unit so we have been in a position to obtain the same. The sulphuric acid plant will take its own time to get set. Normally we are anticipating that by December end during the last quarter we should be in a position to have trial runs on the sulphuric acid plant.
- Srinath Sridhar:** Sir, how much is the CAPEX on that with the co-gen power plant?
- S. N. Sengupta:** We have taken over the unit at a total cost of Rs. 9.02 crores. That is 100% equity we have taken over. And now we have a total outlay of nearly about Rs. 20 crores. The CAPEX is about Rs. 9.81 crores. And then of this we have also been sanctioned a term loan by Axis Bank to the tune of about Rs. 7 crores.
- Srinath Sridhar:** Rs. 7 crores, okay at what interest rate?
- S. N. Sengupta:** This is at 8.2%.
- Srinath Sridhar:** 8.2% and so total debt at this company is around Rs. 25 crores, right?
- S. N. Sengupta:** This company already had a secured loan Rs. 8.3 crores which we have repaid.
- Srinath Sridhar:** But apart from that how much debt you had? About Rs. 25 crores debt is apart from that, right?
- S. N. Sengupta:** Apart from that, we had roughly about Rs. 8 crores debt of which we are proposing to repay unsecured debts to the tune of about Rs. 4.06 crores which we have accounted in the expansion plan. And the balance Rs. 4.6 crores will continue.
- Srinath Sridhar:** Okay fine. And the margins are pretty high, like for the third quarter you have made about 20.3% margins, even at our base business at Shree Pushkar Chemicals. So, dyestuff we will make on a consolidated basis around 17.5% to 18% margins?



S. N. Sengupta: Dyestuff and dye intermediaries will be slightly higher. Overall whatever we say is we have roughly raw material cost of about 68%. So roughly about 32% is our margins there. And you are talking about the EBITDA, of course this time we have achieved about 18%.

Srinath Sridhar: No, what I am trying to understand is usually the fertilizer division makes lower margins compared to the dyes and dye intermediates segment. Even at SPCL it is making lower, but at Kisan Phosphate during Q3 you have made a margin of 20.3% EBITDA margin. So I wanted to know what is the sustainable margin?

S. N. Sengupta: See basically, I will tell you what we have. The calculations which we have done while picking our unit was that there is a repayment interest to the extent of about Rs. 10 lakhs which gets saved. We have repaid the total term loan which was outstanding, so that is one point. Then secondly what we are talking in terms of the future that is once we put up the sulphuric acid plant, we shall be in a position to cut down the raw material cost as we have internal sulphuric acid to the tune of nearly about 11% to 12%.

We are putting up a co-gen power plant of 700 megawatts that will also bring down the power cost substantially. If I am not mistaken, it should come down by nearly say 30%. So in all, after sulphuric acid plant is commissioned we should be having somewhere around say 18.5% to 19% EBITDA.

Srinath Sridhar: Okay so you are saying that is sustainable?

S. N. Sengupta: That is sustainable yes because we will be having advantages. One is that we will be able to sell sulphuric acid. There is no local supplier there of sulphuric acid. Whatever comes it comes from Hindustan Zinc which is roughly about 200 odd kilometers away from Hisar. In that area there is a substantial consumption of sulphuric acid.

Also, we are putting up a 100 tons plant roughly around say 45% to 50% which will be internal consumption, the balance we can sell it there. So that will take up the top line by nearly about Rs. 8 crores to Rs. 10 crores.. So all this put together it is a profitable proposition.

Moderator: Thank you. We will move on to the next question that is from the line of Sanjay Sathpathy from Ampersand. Please go ahead.

Sanjay Sathpathy: I just noticed that your guidance for Quarter 4 is fairly impressive. Just want to know how much of it is seasonal and how much it is because of some new initiatives and at the same time also if you can give us some guidance about your revenue as well as margin for fiscal 2019, for next financial year?

S. N. Sengupta: See question is in this quarter I mean this year 2017-18 we have till date have a turnover of somewhere around Rs. 270 crores standalone and roughly about Rs. 275.16 crores on a consolidated basis. By the year end we anticipate that we should be going up to about Rs. 410 crores. Now next year what will happen is that our dye sales is likely to go up further because



we are now having 3,000 additional tons of dyes capacity which has been added and now commissioned. So that will contribute sizably. Because steadily our dyes market is growing and the growth is quite substantial over the last three quarters if you have observed.

So from that point of view, we should be in a position to add up anything at least around say Rs. 75 crores to Rs. 100 crores more than whatever we are doing in this current year. I will not be able to give you any right figure at this stage because there is a lot of other factors which have contributed to that. But this is what we anticipate that once the dyes take off and H-acid having been commissioned, so from that point of view we should be able to achieve.

And then by next year in our Kisan Phosphate the sulphuric acid also would have gone into stream then we should be having topline roughly around Rs. 55 crores or so. This is what we anticipate. Of course, this is a forward-looking statement, I do not want to make any further commitments on that but then this is what we have planned.

Sanjay Sathpathy: Just two more questions on that. You are essentially guiding to something like Rs. 130 crores to Rs. 140 crores turnover in fourth quarter which is significantly higher than Rs. 100 crores which you did in this Quarter 3?

S. N. Sengupta: See normally what happens in the fourth quarter you have larger sales not only in the dye intermediates but also in the fertilizer segment as well.

Sanjay Sathpathy: Okay so there is a seasonal element?

S. N. Sengupta: Yes, there is a seasonal element in the last quarter normally if at all you take any industry per se it is always a little more. Normally whenever we are doing our budgeting we say that the last quarter will have roughly about 30% of the annual sales. This is a very ballpark percentage. But this is what we have seen from the past trend that we should be in a position to make about 30% of whatever we have done in the whole year.

Sanjay Sathpathy: And sir, your EBITDA margin has already exceeded 18% and considering that you are giving a guidance that bulk of your incremental revenue in Fiscal 2019 will come from dyestuff and all that so which I assume have better margin. I think you said 30% or something like that. So should one assume that your margin will improve further in fiscal 2019?

S. N. Sengupta: See this is something which I do not want to make a statement at this point of time. If at all you see I have told you the areas where we are in a position to have incremental sales. Now the intermediates also, certain amount of consumption of intermediate will be there so that will have a slightly suppression on the top line but at the same time our dyes will go up, then fertilizers also in this fourth quarter we normally see that we have a little better turnover.

So from all that put together we should be in a position to do roughly whatever I told you now. So margins of course even if we can do whatever we have done till now I think that should be fine. I do not want to make any over statements.

- Sanjay Sathpathy:** If you can just confirm again this dyestuff if I have understood it clearly, it is 30% EBITDA margin right sir?
- S. N. Sengupta:** 30% EBITDA margin in dyes, no. Dyestuff is never like that.
- Sanjay Sathpathy:** Okay because I heard you saying something 30% EBITDA margin so I just wanted to clarify that?
- S. N. Sengupta:** No, 30% EBITDA margin I have not said. I was talking in terms of Gross margins, not EBITDA. The sales minus the raw material cost. Say about 67% to 68% is our overall margin I mean 32% or so that is the overall margin. Then there will be other costs as well, operational cost, manufacturing cost like, power, labor and all those sort of things. So on an average the EBITDA which we are getting, and which has been improving steadily and now this quarter we have done about 18%.
- Moderator:** Thank you. The next question is from the line of Pragya Vishwakarma from Edelweiss. Please go ahead.
- Pragya Vishwakarma:** I kind of missed your volume numbers. If you can please help for the third quarter and nine months dyestuff and dye intermediates volumes?
- S. N. Sengupta:** In third quarter dye intermediates we did a turnover of Rs.140.70 in the dye intermediates.
- Pragya Vishwakarma:** In terms of tonnages?
- S. N. Sengupta:** Okay tonnages you want. Tonnages production dye intermediates was about 4,439, dyes was 2,354 and textile chemicals were 129.
- Pragya Vishwakarma:** Okay can you give the same number for last year same quarter?
- S. N. Sengupta:** So last year the dye intermediates was 4,200 as against this year it is 4,439. The dyes were last year 747, this year it is 2,354. Last year there were no textile chemicals, this year we have 129 tons of textile chemicals.
- Pragya Vishwakarma:** Okay and when did we commission like the additional capacity for dyestuff?
- S. N. Sengupta:** We had gone into trial runs somewhere around November and we have recently started off commercial production in that.
- Pragya Vishwakarma:** Okay so this year end, what is the kind of utilization you think at 6,000 levels? What is the kind of utilization?
- S. N. Sengupta:** Basically you have roughly about 3,000 of the earlier and 750 of the additional quarter capacity. So the capacity is 3,750 we have had a average utilization of nearly about 92%

utilization in the first three quarters. This now once we have the 750 tons going up, this capacity utilization from 92 will come down. But then overall we are having a little more.

Pragya Vishwakarma: No, overall we added another 3,000 tons of capacity, right?

S. N. Sengupta: 3,000 tons of per annum capacity. So for quarter it will be 750 tons.

Pragya Vishwakarma: And if you can throw some light on how have the prices been for H-acid and vinyl Sulphone for the quarter and how do they look now?

S. N. Sengupta: Vinyl Sulphone has been good as yet 2,500, I mean Rs. 250,000 a ton,. The average price is between 2.45 to 2.5. H-acid has been roughly around Rs. 3.7 lakhs to Rs. 3.8 lakhs per ton.

Pragya Vishwakarma: Okay my last question was again on dyestuff. So for fiscal year 2019 for the full year you know you will be having capacity of 6,000 tons. So what do you think like how much can we sell for the year? How is the demand looking now?

S. N. Sengupta: Demand is good, in fact last to last year I had also explained this that whenever we are introducing a new product line altogether we are talking in terms of getting into new customers and then you see whenever you get in the new customers a long time is taken for them to give them samples, get the approval, going for pilot supplies then going for commercial supplies but this takes a longer time.

And steadily we are going up. Now we have also started doing a little bit of exports of dyes. In this year we have done export of dyes to the tune of about Rs. 17 crores which we expect it may go up. So from all this together, if at all you take that we have nearly reached about say 92% utilization in the last three quarters and if at all you talk about 2019 we should definitely be above 55% to 60% utilization on a very conservative basis.

Pragya Vishwakarma: On the textile chemicals front, how is it shaping up?

S. N. Sengupta: Textile chemical of course is just picking up and we feel that by next year around we should be having a substantial increase in the sales of textile chemicals.

Pragya Vishwakarma: So as of now we are doing only trading of it right, we are not manufacturing?

S. N. Sengupta: Yes, we are getting it manufactured from others, bottling in our name and selling it.

Pragya Vishwakarma: And this is more of a generic question from my end. Do you think there is enough and more demand still left for Indian players to put up further capacity in dyestuff because this China factor has been there for last one or two years now. So probably things have gotten stabilized and market is reaching that parity level in terms of demand and supply. So you still feel that there is more scope for putting up further capacity in dyestuff in India?



- S. N. Sengupta:** Well since you have put a very generic question, I will not be able to address it the way you want it. But then question is that you see, what happens is that the people who have been buying this material in the international market they have been outsourcing their dye intermediates from India or even China. China has gone down so the entire market is getting diverted slowly and steadily to India.
- Now if at all you say enjoying or adopting a policy of outsourcing your intermediates and doing the final stages at your end and now the Indian players also what they are doing is that instead of selling dye intermediates slowly and steadily they are coming down on that and they are converting it and selling dyes. So this trend if it continues, then probably you should be in a position to have a real good potential for dyes next few years to come.
- Pragya Vishwakarma:** What is the CAPEX we have done so far in nine months for fiscal 2018?
- S. N. Sengupta:** Nine months CAPEX? Nine months CAPEX is only from the point of view of commissioning our H-acid plant and we have also commissioned the additional capacity. I do not have the figure exactly here with me but then it should be around about Rs. 14 crores to Rs. 15 crores.
- Pragya Vishwakarma:** And for the next year what is the tentative number?
- S. N. Sengupta:** Next year what you mean?
- Pragya Vishwakarma:** CAPEX guidance for next year?
- S. N. Sengupta:** Now we do not have any typical CAPEX in Shree Pushkar. We have commissioned now all the plants which were pending. There is only one plant of SOP - Sulphate of Potash which is also going to be commissioned probably by the last quarter of this year. See if you remember we have a capacity of 10,000 tons of sulphate of potash.
- We are also putting up additional 10,000 tons which is likely to get commissioned by end of March. So in that case all the CAPEX whatever we had in the pipeline on the design board that has all been done in the current year itself. So next year we do not have any major CAPEX as such.
- Pragya Vishwakarma:** And similarly you were talking about CAPEX in Kisan Phosphate?
- S. N. Sengupta:** Yes, Kisan Phosphate there will be CAPEX because the sulphuric acid plant which we are talking about which also includes the power plant. We have a CAPEX of nearly Rs. 10 crores, Rs. 9.81 crores to be precise. This is our estimated figure. We have already ordered out for all the major equipments part, fabrication equipment's also we have started off. We have started off our civil constructions and in all probability by next December we should be having this commissioned. So once that gets commissioned the entire Rs. 9.81 crores will be capitalized.

Moderator: Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Just some simple questions. On the Kisan entity so how are we able to clock 20% EBITDA margins whereas our standalone entity does not clock such higher profitability neither any other listed players clocked. So what proposition does Kisan offer to the table?

S. N. Sengupta: No Kisan I said it will be roughly about 18%-19% because once we bring down the cost of power we add sulphuric acid sales, and we bring down the cost of raw materials.

Shashank Kanodia: Even in Q3 you're realized 20% EBITDA margins so which is in absence of any backward integration,

S. N. Sengupta: No what we have done is that the entire term loan of Rs. 8.33 crores we have repaid so in this two and a half months we have been in a position to save roughly about nearly Rs. 22 lakhs to Rs. 25 lakhs by way of that.

Shashank Kanodia: Interest cost is below EBITDA, right?

S. N. Sengupta: EBITDA of course, yes.

Shashank Kanodia: So we fail to understand in our base business we have raw material integration, we are using byproducts which are of no value still we are no able to clock 12% to 13% EBITDA margin, from the fertilizer business and in Kisan we were able to clock 18% to 20% margins. So what is the unique proposition with Kisan?

S. N. Sengupta: Kisan basically what will happen is that the cost of funds will be low, that is point number 1. We will be saving on the interest cost substantially. We are having additional turnover. If at all I will not be able to discuss in detail on that profitability at this stage but if at all you are interested you are most welcome you can come and discuss at our office the entire profitability.

Shashank Kanodia: Secondly on the China factor so how is the situation now sir in terms of preparation levels and plant?

S. N. Sengupta: China factor continues in the same way but basically the units which were there they are still facing those problems, they have effluent problems. See basically China has been working on a different policy that they have been talking in terms of higher size of the units, volume outputs. Now with that higher size of the units that was a mere disadvantage which they had and with the effluent becoming a major problem for them and the government having been very strict on this aspect.

Most of the units have started cutting down their operations, some have closed down not on a permanent basis, but periodically they have been closing down. Their capacity utilizations are

low so from that point of view those in India who are having a proper balanced effluent treatment system they are benefited.

Shashank Kanodia: So what is the utilization level at which Hubei Chuyuan is operating right now or they have restarted the operations, right?

S. N. Sengupta: Some of them are, some of them have not.

Shashank Kanodia: Okay and lastly at the start of the year we were guided of Rs. 400 crores of top line on a standalone basis. So now we are talking about Rs. 400 crores topline on the consolidated basis. So why such a digression?

S. N. Sengupta: No, there has been slightly compression in the prices of the finished products. So what we are talking about Rs. 400 odd crores this we anticipate that we should be able to touch somewhere around Rs. 385 crores to Rs. 390 crores. Now on a consolidated basis we should be having another roughly about Rs. 15 crores to Rs. 16 crores additional. So that will bring it down to roughly about Rs. 410 crores to Rs. 400 crores. This is a very conservative figure.

Shashank Kanodia: And sir lastly if you can share the average realization for H-acid and vinyl sulphone in this quarter, in this previous quarter year-on-year basis?

S. N. Sengupta: The previous quarter and this quarter also the H-acid prices are around Rs. 370 to Rs. 385.

Shashank Kanodia: So this was the situation last year as well in the same quarter?

S. N. Sengupta: Last year of course last year prior to that last two years it was extremely high. At one point of time it had even touched about Rs. 1400-Rs. 1500; Rs. 14 lakhs to Rs. 15 lakh a ton which has now steadily come down. It was a very inflated figure and last year also, it was about anything between Rs. 6 lakhs to Rs. 8 lakhs. This year it is roughly less than Rs. 4 lakhs per ton.

Moderator: Thank you. The next question is from the line of Kushal Khandwala from Lucky Investments. Please go ahead.

Kushal Khandwala: Can we have respective EBITDA break up on all your segments specifically dyes and the dye intermediates?

S. N. Sengupta: Dyes and dye intermediates breakup of EBITDA, we have still not worked out this. Because there are so many factors which are linked together. Now that if at all it comes to be a major, it will be coming out to be major yes, we will be working out that separately. We have not worked out that because you see ours is an integrated model where the raw material or the byproducts from one gets into the other. So those sorts of calculations we have not done critically.

- Kushal Khandwala:** And what kind of ratio do we see being contributed from dyes so we are almost at 40% as of today?
- S. N. Sengupta:** This should be roughly about totally we should be having dye and dye intermediates together if I can say it should be somewhere around say 82% to 85%.
- Kushal Khandwala:** And Dyestuffs?
- S. N. Sengupta:** Dye and dyestuff together I mean intermediates and dyestuffs together. So now steadily this has been going up and it is dyestuff contribution has been 26.2% in revenue and this is steadily going up for the year.
- Kushal Khandwala:** So going ahead what do we see the dyestuff contribution to the revenue?
- S. N. Sengupta:** Dyestuff contribution to the revenue?
- Kushal Khandwala:** Yes.
- S. N. Sengupta:** See in fact let me put it this way that normally whenever we are talking in terms of dye intermediates we talk in terms of a raw material component of about 67% to 68%. Whenever we talk in terms of dyes, the raw material component comes from nearly about 80%. Now when you are manufacturing your own dye intermediates then it is a synergy.
- See what I am trying to tell you is that if at all once you are manufacturing dye intermediates from the basic chemicals your raw material cost will be about 65%-66%. Whenever you are talking about dyes, your intermediate becomes your raw material. So 80% is your raw material cost. So when you are manufacturing dyes from the basic chemicals that is dye intermediates and then dyes then it is 0.65×0.8 , so that is the advantage we get.
- Kushal Khandwala:** I was just asking ratio of dyestuff contribution to sales?
- S. N. Sengupta:** This quarter we have roughly about 37% of the sales coming from dye sales. And in future year's quarters to come this is going to go up and it should be may be around 40%-45% minimum. I would not be able to tell you exactly this figure but then it has to go up.
- Kushal Khandwala:** And last question. What would be the realizable value on the auxiliary chemicals front?
- S. N. Sengupta:** Realizable value, you mean the selling price? There are some very large ranges. We are talking in terms of nearly about say 20 to 25 products which we sell at various ranges. But on an average we sell it anything between a Rs. 1 lakh to a Rs. 1.25 lakhs per ton.
- Kushal Khandwala:** So it is going to be a volume based product basically?
- S. N. Sengupta:** No, it is not going to be volume based because the margins here in the textile chemicals is quite large.

- Kushal Khandwala:** What would it be?
- S. N. Sengupta:** I will not be able to give you exact figures of that and I do not want to misquote anything.
- Moderator:** Thank you. We will take the next question from the line of Amod Joshi from SPA Securities. Please go ahead.
- Amod Joshi:** I have two questions. What is the capacity that we have for auxiliary chemicals?
- S. N. Sengupta:** We do not have any capacity. We are getting it made from others. Once we reach a reasonable capacity that is the time when we would like to put up a unit for manufacture of auxiliary chemicals.
- Amod Joshi:** We do not have anything yet, we plan to add the capacity when we have reached certain amount of sales?
- S. N. Sengupta:** Yes, basic amount of sales.
- Amod Joshi:** Sir, you gave us the H-acid realization is 370 to 380. What is this for vinyl sulphone?
- S. N. Sengupta:** Vinyl sulphone is about 250 now, between 245 to 250.
- Amod Joshi:** And how about basic dyestuff?
- S. N. Sengupta:** Dyestuffs we are selling at anything between if it is black, they are a little cheaper. they are Rs. 265 to Rs. 270 and colored will go up a little more if at all we go in for specialty dyes blacks then it will go beyond 300.
- Amod Joshi:** (+300)?
- S. N. Sengupta:** Yes.
- Amod Joshi:** So it starts from 265 to 270?
- S. N. Sengupta:** Yes, 265 to 270 rights it will go up to about say 325, 330.
- Amod Joshi:** Sir, now as we have already have 3,000 metric ton capacity at around 90% plus utilization, right?
- S. N. Sengupta:** Yes.
- Amod Joshi:** The additional 3,000 capacity which is currently on which just came online so how much time will it take for that capacity to reach 90% utilization?



- S. N. Sengupta:** Basically, I will not put it that way. What happens is that we are steadily growing up. We are if at all you see the quarter wise. In fact right from the first quarter was about 20.5%. Next quarter was 22%. Third quarter was 37%. I mean of the total sales. In this fashion if at all we go on what we should be able to do as I said was roughly dye intermediates and dyes should be in a position to contribute at least about 80%-82%.
- Amod Joshi:** But that is you are talking about of total sales?
- S. N. Sengupta:** Of the total sales, yes. Now 6,000 when we talk about this year this nine months we have done roughly about I said 2,000 some odd again. Dyes we have done 2,354 tons of dyes in the first three quarters. And if at all you see we should be on an average to touch about overall capacity utilization of around 60% in the next year.
- Amod Joshi:** Of total 6,000 metric tons of dyes?
- S. N. Sengupta:** Yes. That is the average conservative figure. That is what we see.
- Amod Joshi:** Yes, that is very conservative.
- S. N. Sengupta:** Yes, so it has to go up on a steady basis.
- Amod Joshi:** I guess you gave very conservative figure?
- S. N. Sengupta:** Yes, because difficult you see there is a huge market there out in say places like Bangladesh. Now penetration of those markets takes a little time. So initial periods of next year we anticipate that it will go on. We have started off we have done roughly about Rs. 17 crores-Rs. 18 crores of sales of dyes in those areas. And this is going to go up.
- Amod Joshi:** I have two questions regarding the operating cost. If I see raw material cost as a percentage of sales, if we take sales as 100 and raw material cost then raw material cost has increased around 82% of sales. Previous quarter I can see it between the range of 65% to 75%?
- S. N. Sengupta:** 82% of sales you know.
- Amod Joshi:** Yes, sir. The cost of services and raw material I am taking the crude figure?
- S. N. Sengupta:** We are talking about see raw materials consumed for the nine months whatever we are talking is about 67.74% nine months.
- Amod Joshi:** In nine months I was talking about this quarter?
- S. N. Sengupta:** This quarter also is 67.6%. See this quarter the total sale has been 94.13 including other operational income of which the raw material consumption is about 63.65%.



- Amod Joshi:** No, if you are considering changes in inventory as well. I am just talking about cost of raw material consumed which is around Rs. 77 crores. Cost of raw material consumed is Rs. 76.86 crores and the total net sale is around Rs. 94 crores. So it comes out to be 82% of sales. That is why I was referring to.
- S. N. Sengupta:** No, in fact it will be inventory.
- Amod Joshi:** No, if I just remove inventory part because that is a balance sheet item where inventories coming and going out. The cost of raw material consumed is Rs. 77 crores and your sales is Rs. 94 crores?
- S. N. Sengupta:** No, Rs. 63.65 crores. See adjustment of inventory has to be taken into consideration. So for this quarter the raw material cost has been 63.65% which is about 67.6% of the sales.
- Amod Joshi:** And sir, even your employee cost is a bit on the higher side. It was around 4% now it is around 5.5%?
- S. N. Sengupta:** 5.6%, yes. That is still bound to go up because these employment cost what we talk about on our payroll is small but then we have a lot of contract laborers. So as the production goes up the contract labor cost also goes up.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Sengupta for his closing comments.
- S. N. Sengupta:** Thank you all for joining us on this call. I hope we have been able to answer all your queries. For any other further queries if at all you need any further clarification, you can get in touch with us or our investor relations advisors and we thank you once again.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Shree Pushkar Chemicals & Fertilisers Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.