



SHREE PUSHKAR CHEMICALS & FERTILISERS LTD.  
(A GOVT. OF INDIA RECOGNIZED EXPORT HOUSE)

## “Shree Pushkar Chemicals & Fertilisers Limited Q3 FY 2017 Earnings Conference Call”

**February 13, 2017**



SHREE PUSHKAR CHEMICALS & FERTILISERS LTD.  
(A GOVT. OF INDIA RECOGNIZED EXPORT HOUSE)

**MANAGEMENT:** **MR. PUNIT MAKHARIA -- CHAIRMAN & MANAGING DIRECTOR**  
**MR. S. N. SENGUPTA -- ASSOCIATE DIRECTOR**  
**MR. RATAN JHA -- CHIEF FINANCIAL OFFICER**



**Moderator:** Ladies and gentlemen, good morning and welcome to Shree Pushkar Chemicals & Fertilisers Limited Q3 FY 2017 Earnings Conference Call. This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinions, 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 reminder, 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 phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Punit Makharia -- Chairman and Managing Director of Shree Pushkar Chemicals & Fertilisers. Thank you and over to you, sir!

**Punit Makharia:** Hello, Good Evening, Ladies and Gentlemen. A very warm welcome to the Q3 FY 2017 Earnings Call of our Company, Shree Pushkar Chemicals & Fertilisers Limited.

On the call, I am joined by Mr. S. N. Sengupta -- our Associate Director; Mr. Ratan Jha -- our Chief Financial Officer and SGA, our Investor Relation Advisor. Our results and presentation have been made available on the Stock Exchange and the same has been also uploaded on our website. I hope all of you had a chance to look at it.

Gentlemen, let me take this opportunity to give you a brief overview of the Company's overall performance and new developments, post which Mr. Sengupta will take you through the financial performance of the Company.

We are pleased with the growth we have achieved in our Dyestuff segment. We had begun to gain traction in Q2 FY 2017 and we have built on that by **intensifying** our market reach this quarter.

Apart from our Vinyl Sulphone, Dyes Intermediate prices were largely stable for our portfolio in this quarter. The Dyestuff segment continues to grow at a rapid pace owing to our extensive marketing efforts and tireless commitment to our customer satisfaction.

Dyestuff has been contributing to around 10% of the total revenue in nine months FY 2017, with an even higher contribution of about 15% in Q3 on a standalone basis. In Dyes Intermediate segment we have achieved strong volume and value growth; stabilizing prices and operational efficiencies have been our key market drivers. Our backward integration across our intermediates, offers stability in terms of input, procurement, and natural hedge for the price fluctuation. This has enabled us to build an effective business model over time.

Our vision has always been to improve our business model to be a zero-base chemical company. Due to our focused efforts to uphold this ideology for the past few years, we



continue to be a environment friendly organization and we have not experienced any regulatory issue because of environment concerns till now.

In view of this, we have set up a granular Calcium Chloride plant with a capacity of 6,500 metric tonnes per annum to utilize the Hydrochloric Acid generated at the Sulfate of Potash plant. Trial runs had already begun in November 2016 and now I am happy to state that commercial production has begun in this month.

In nine months FY 2017, the Fertilizer division continued to perform steadily contributing around 15% to the sales. We saw improved volume and revenue growth due to greater contribution from our newer offerings such as Sulfate of Potash and NPK.

The Acid division contributes to 4% of our sales and supports our in-house Acid requirement for our Dyes and Dyes Intermediate business. This strategy keeps hedging against any supply issue in the market. We also have 500 kilowatts of power for captive consumption and own fleet of logistics.

Dear friends we believe our initiative towards forward and backward integration while maintaining this status quo of being zero waste company will continue to usher in growth for the future.

Now, I will hand over the call to Mr. Sengupta who will take you through our financial performance of the company. Thank you.

**S. N. Sengupta:** Good afternoon, everybody. Mr. Makharia, thank you very much. Now, let me take you through our results. Initially I will tell you about the quarterly results.

Last year in Q3 we had a total revenue of about Rs. 50.61 crores and in the current year we have achieved a turnover of about Rs. 76.48 crores in Q3 which records a 51.1% growth in the top-line as compared to last year.

The revenue for the nine months has gone up by about 29% and we have currently about Rs. 222.05 crores in the nine months of the current year as compared to Rs. 171.96 crores in the same period last year. There has been a consistent improvement in the product mix with increased contribution from the Dyestuff segment.

As you will be aware that we had introduced the Dyestuff, though the plant was commissioned earlier but the actual sales of Dyestuff started somewhere around May and steadily we have been improving upon the sales of Dyes. This year also we have had a substantial increase from the Dyes segment; though it is not totally stabilized but still we have had an improved situation over the last two to three quarters. There has been also a strong volume growth across all divisions.



Now, in Q3 FY 2017, the EBITDA grew by nearly 72.5% to Rs. 12.84 crores from the earlier years Rs. 7.44 crores which was achieved in Q3 FY 2016. While the margins were about 16.8% in nine months' financial year 2017; growth was about 57.9%.

Now, in Q3 FY 2017 the PAT has grown by about 21.4% to Rs. 7.23 crores from the earlier year's Q3 at Rs. 5.96 crores. Now as far as the segmental performance, the Dyes sale has accounted for nearly about 10% of the total revenue during the nine months of the current year. The Dyes Intermediates which comprises of around 69% of revenue in nine months of financial year 17 has grown by nearly about 37% .

Acid Complex has contributed about 4% by revenue and the Fertilizer segment also more or less is at par with last year. The Cattle Feed which accounts for about 2% of our business has had a little depression and has de-grown by about 9.8% in volume and 6.6% in value in terms for 9MFY17.

With this now, I would open the floor for the question-and-answers. Thank you.

**Moderator:** Thank you very much. We will now begin with the Question-and-Answer Session. We take our first question from the line of Naushad Chaudhary from Systematix Shares. Please go ahead.

**Naushad Chaudhary:** Just a data point initially, if you can share the volume number of Dyestuff division in 3Q FY 2017?

**Punit Makharia:** For this Q3 in comparison with Q2 you are talking Naushad as a total?

**Naushad Chaudhary:** Yes.

**Punit Makharia:** See, Naushad, let me give you a little bit brief on this subject. At least then this 150 tonne sale was achieved in the month of September 2016. Before that our sale was not that much as it was required to be. So, in Q2 we achieved 237 tonnes of the sale and whereas in Q3 we have achieved almost 607 tonnes of the sale of this Dyestuff. So, if you will see overall there is a quite improvement in to the Dyestuff sales in terms of the quantity. If you look at it like that, there would be a depression into the sale of Dyes Intermediates because whatever the Dyes Intermediates we have been producing like you know H-Acid for which our additional plant has not yet started. So, most of the quantities of H-Acid required for production of our Dyes has been met from our existing plant,. So, that way if you see you will not be able really recognize the substantial growth in the top-line mainly because of the reason that a substantial portion of the H-Acid we are producing in our existing plant, is being consumed in our Dyestuff business. As such we will be able to start our H-Acid plant by the end of Q4,. So, post Q4 that is Q-1 of financial year 2017-2018 a substantial growth in the sales of the overall company would be observed because by that time our H-Acid plant would have also been commissioned.



**Naushad Chaudhary:** Got it. Sir, this increase in utilization in the numbers in Dyestuff is coming from the existing client as repeat sales or the contribution is coming largely from the new clients.

**Punit Makharia:** See, basically Dyestuff and Intermediates these are two different segments and the Dyes Intermediates are basically used by the Dyestuff manufacturers. So, the customers are entirely different for both these segments.

**Naushad Chaudhary:** I am just trying to understand the Dyestuff business whether the growth is coming from the new clients we are adding or are they from the existing client  
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**Punit Makharia:** Naushad, that is what I am just keeping you updated that the Dyes Intermediates are used by the Dyestuff industry, so the same clientele is not possible because the companies to whom we are selling Dyes Intermediate they itself produce Dyes so, they will not be buying Dyes and we will not be interested in selling our Dyes to them. So, in that situation we need to develop and we have developed a new set of customers for the Dyes business. So, the customers are totally separate for those both the verticals.

**Naushad Chaudhary:** Okay. And how is the attraction there in NPK and SOP in Fertilizer division sir?

**Punit Makharia:** SOP is picking up Naushad and we have reached up to a level of almost 55% to 60% of the production efficiency in SOP business and most of the products we are exporting. But if you ask me honestly, we are not much interested in exports of the SOP because then we have to compete with the international market there we do not get this good price realization. We are mainly interested in selling our SOP to the domestic market where there is a good price realization. The quality and the plant of the SOP has been completely set. Now, coming to your NPK question, NPK is also doing well compared to the last year, last year we did hardly 3,000 tonnes of NPK in last financial year and up till Q3 this year, I believe we have done up till 8,161 tonnes.

**Naushad Chaudhary:** Okay. And I missed the last year number how much it was?

**Punit Makharia:** Last year it was close to 3,000 tonnes.

**Naushad Chaudhary:** Okay. And if you can share the percentage revenue from the export business and what are the product do we export?

**Punit Makharia:** Dyestuffs we do export and we export Intermediates as well and in these nine months we had exports of around Rs. 12 crores.

**Naushad Chaudhary:** Rs. 12 crores and the large contribution would be from the Dyestuff side?

**Punit Makharia:** Yes, largely it is from the Dyestuff side.



**Naushad Chaudhary:** Okay. And lastly, sir, on the tax part side, what should we expect the tax rate for FY 2017 and from FY 2015 onwards what should be the tax rate we should....

**Punit Makharia:** What would be the tax rate?

**S. N. Sengupta:** We are falling under MAT probably.

**Punit Makharia:** Probably we will fall under MAT Naushad, but it is difficult at this point of time to comment because we are in the capitalization of our new H-Acid plant also. So, once all this is done we will be able to get the correct picture on this point.

**S. N. Sengupta:** Let me add one more statement is that till now for the nine months we have been providing Tax at about 33% itself. Now, only thing is that since we are having a large amount of depreciation which will be also capitalized by the end of this quarter, we will be having a substantial amount of depreciation benefits and we will fall into MAT. So, whatever benefits we are going to have as far as the taxation is concerned will accrue majorly from the fourth quarter.

**Moderator:** Thank you. We take the next question from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

**Shashank Kanodia:** Sir, you have been initially guiding for Dyestuff plant we will end the year with 80% capacity utilization levels. So, do we still stick to this guidance?

**Punit Makharia:** I think no, Shashank.

**Shashank Kanodia:** So, sir what would be the probably utilization level that we end this year FY 2017?

**Punit Makharia:** See, till now Shashank we have achieved almost 850 tonnes we have already done up till Q3 and in Q4 we believe that we should be able to do another 700 tonnes because of the way we were going in December and January, we have done almost 250 tonnes. And we believe that the same pace will be continued. If you sum up the overall performance, I believe that we should be close to 1,600 tonnes of the total Dyestuff production whereas the actual acceleration has come in December and in Q4. So, in this financial year, we believe that the Dyestuff business would be around 50% to 55% of the overall installed capacity. Another way of putting it is that since in December and Q4 we were able to achieve 250 tonnes that is almost 100% of our capacity. So, post this Q4 for 2018 you can take that figure of minimum 80% achievement of our Dyestuff capacity and let me add one more thing here also Shashank as we have mentioned in our last earnings call that our expansion of Dyestuff from 250 tonnes to 500 tonnes is almost about to complete fully we will be announcing this trial production of our additional line of Dyestuff from 250 tonnes to 500 tonnes by the end of Q4.

**Shashank Kanodia:** Okay. So, next year we will have incremental 3,000 tonnes of capacity installed as well for us, right?



**Punit Makharia:** yes

**Shashank Kanodia:** Right. So, sir on a conservative basis so this quarter, I think Q4 will we be able to cross Rs. 100 crores of sales net sales in Q4 FY 2017?

**Punit Makharia:** Shashank Rs. 100 crores, if it goes to Rs. 101 crores then also it is Rs. 100 crores crossed and if it is Rs. 99 crores then also it is below Rs. 100 crores.

**Shashank Kanodia:** So, is it likely to indicate something realistically possible for the 4<sup>th</sup> Q...

**Punit Makharia:** Realistic you can consider it Rs. 100 crores.

**Shashank Kanodia:** Okay, so roughly we do Rs. 100 crores of...

**Punit Makharia:** Yes.

**Shashank Kanodia:** It should be done, right?

**Punit Makharia:** Yes, plus minus 5%.

**Shashank Kanodia:** Right, sir. And sir, there has been a delay in commissioning of H-Acid plant. So, what could be the reason for this because every quarter the commissioning date has been extended I think?

**Punit Makharia:** Yes, it is a great concern Shashank, we do understand. Basically this entire commissioning was delayed because during the monsoon, we could not do things like the civil jobs and other things which were required to be done well in time by us and apart from that, certain delivery of equipments was also delayed by the machinery suppliers. So, to sum-up, this H-Acid plant commissioning is delayed and which we believe will not be delayed further, since the entire plant has been completed and all the heavy job has been done. Now the small things are going on, we believe that we should be able to announce the trial production of H-Acid plant by March.

**Shashank Kanodia:** And sir, for the quarter Q3 what will be the average H-Acid utilization for us and realizations for us?

**Punit Makharia:** In Q3 look H-Acid realization would be around approximately 375; Ratan correct me if I am wrong and Vinyl Sulphone I am just doing a guesswork you take it as 375.

**Shashank Kanodia:** Right. So, sir, now given the fact that in January I think Hubei Chuyuan has restarted production, so what are the prevailing prices of H-Acid and Vinyl Sulphone as we stand today in February sometime?

**Punit Makharia:** As of now H-Acid is around Rs. 350 on an average you can say whereas Vinyl Sulphone if you will take today's average would be around Rs. 275 or so. And now coming back to your earlier



question that would we be able to touch Rs. 100 crores, I said yes, plus minus 5% we should be able to do that, that figure which has come out from my mind is 100 plus minus 5% is keeping in mind the prevailing pricing of these Intermediates in the market.

**Shashank Kanodia:** Right. So, sir, what are the levels that it will be stabilized, will H-Acid would be around Rs. 350 odd a kg will stabilize at this levels and Vinyl Sulphone Rs. 275 or there is further for probably up-side and down-side?

**Punit Makharia:** I believe there is further scope of up-side Shashank.

**Shashank Kanodia:** Okay. And sir, what are the utilization levels at which Hubei Chuyuan running this plant right now?

**Punit Makharia:** **Hubei Chuyuan** is not in the market for selling of the Intermediate. Hubei Chuyuan has partly started plant of their Dyestuff and they have partly started their Intermediate plants also and whatever Intermediates they are producing is basically used for their Dyestuff plant. So, they are not into a market of selling of the Intermediates.

**Shashank Kanodia:** So, sir, then what will be the reason of dropping of Vinyl Sulphone price as in last quarter Rs. 375 and now Rs. 275 so, there might be some incremental supply, right?

**Punit Makharia:** Shashank, I have always been mentioning in my earlier conferences that price is not the barrier, this kind of fluctuation does not give a proper support and stabilization to our customer and our business. And believe that this price level of Rs. 275 is quite a good price and quite a good sustainable price including H-Acid should be Rs. 350 to Rs. 375; it is an excellent sustainable price for a backward forward integrated company like us.

**Shashank Kanodia:** Okay. And sir, lastly on margins, so last quarter our margins were 19.1% but I think initially guided a 16% to 17% is sustainable range for us. So, now what is your guidance on the EBITDA margin front, what is something that we clock on sustainable basis?

**Punit Makharia:** See, as far as you ask my personal opinion, I would still suggest and appeal to the investors that any sustainable business should have minimum 16% to 17% margin which we are doing. But in Q3 we have done better than that also. I believe that we have done 17.7% and in Q4 also we will be doing better than 17% because I look forward to Q4, which is a very good period because especially in Q3 we had a lot of issues in demonetization which impacted the Textile Industry and which impacted the Fertilizer business also. I believe that in Q4 all this will settle down and in Q4 we believe that in terms of price stabilization and other things like the demonetization; everything is going to be excellent and we believe this Q4 would be much better than Q3.

**Moderator:** Thank you. We take the next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.



**Prites Chheda:** Sir, can you tell us how much of in-house consumption of the Dye Intermediate do you do at this stage that is question one. Question two is regarding capacities of Dyestuff you are able to sell, what is the incremental gross contribution per tonne or per kg that one should look on selling of Dyestuff versus Dyes Intermediate?

**Punit Makharia:** Well, it is a really good question Prites. See, basically in Dyes like we produce 17, 18 different products and I will take you through few the score products because taking for each and every product is not possible on this con-call but I will take majority which we are doing in bulk volume. So, let us take for example, black. And black to produce 1 kg, we require almost 250 grams of H-Acid...

**Prites Chheda:** Sir, you can just give at the aggregate level what is the cost consumption today...

**Punit Makharia:** To reply you briefly of your question, we consumed almost 40 tonnes to 50 tonnes of H-Acid as of now in-house. And we consume almost 100 tonnes of Vinyl Sulphone in-house.

**Prites Chheda:** 100 tonne per?

**Punit Makharia:** Month.

**Prites Chheda:** Okay.

**Punit Makharia:** As regards Vinyl Sulphone we are consuming around 125 tonnes per month in-house and H-Acid we are consuming almost 55 tonnes per month in-house. **Prites Chheda:** And can you give the incremental gross contribution on selling of Dye Stuff versus Intermediates?

**Punit Makharia:** Grossly I can tell you Prites, that there is a additional value addition of approximately 10% in Dyes in comparison with Dyes Intermediate. **Prites Chheda:** Net value addition or this is gross value addition then you have to consider the cost?

**Punit Makharia:** No, net value addition, I am talking about.

**Prites Chheda:** Net value addition?

**Punit Makharia:** Yes.

**Prites Chheda:** Okay. And 6,000 tonnes of installed capacity for Dyestuff facility. when do you think you will reach 70%, 80% of its utilization?

**Punit Makharia:** See existingly we are taking only 3,000 tonnes because additional 3,000 tonnes will take 1.5 to 2 months to start and again it will take two to three months for getting it stabilized. For the first phase of 3,000 tonnes we have already established and we are achieving almost 80% to 100% as of now not on a year-to-year basis but as of now.



**Pritesh Chheda:** So, the next 3,000 when does it happen?

**Punit Makharia:** Should be Q4 FY 2017 or FY 2018.

**Pritesh Chheda:** Okay. And my last question is, this Calcium Chloride which you have got operational last quarter what is the incremental gross contribution there per tonne?

**Punit Makharia:** This will not contribute largely to the top-line and bottom-line of the company Pritesh. Basically, let us understand, the small chemistry behind this Calcium Chloride plant. Calcium Chloride's plant will not add too much incremental in your business's top-line and bottom-line. Then why have we gone into the Calcium Chloride plant. Let us understand that we generate Hydrochloric Acid in bulk from our Sulfate of Potash plant. Being in today's situation which we have been overseeing for the last couple of years may be three years to four years that Chlorine is a negative item; when we say negative item then we have to move it out by spending money on it, same time Hydrochloric Acid is also reactive. Some companies are paying almost Rs. 2,000 to Rs. 2,200 per tonne to the traders for lifting their Hydrochloric Acid. Instead of selling the product, these generators are giving money as well as the product also. Now, , in our case you will see, we will not be paying any such money for lifting the Hydrochloric Acid, whereas we are capping the value of the Hydrochloric Acid at zero and making Calcium Chloride out of that and in that sense if you will see the EBITDA level should be around 12% to 13% whereas we are taking Hydrochloric Acid pricing as a zero. If you take the Hydrochloric pricing on minus terms this 12% will go up and this being a very cheap product hardly Rs. 14 to Rs. 15 a kg and the production at 6,000 tonnes/ annum is not a huge valueHence, this is not going to add considerably on the top and bottom-lines.

**Pritesh Chheda:** Okay. Just one clarification from the last question that I asked, you said 40 tonnes per month H-Acid and 125...

**Punit Makharia:** 55 tonnes, I then corrected it to 55 tonnes.

**Pritesh Chheda:** That was at what, 250 tonnes per month of production of...

**Punit Makharia:** Yes.

**Pritesh Chheda:** Dyestuff, you are talking about current run rate?

**Punit Makharia:** Yes.

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

**Pragya Vishwakarma:** I was asking what are the EBITDA margins we make in the Fertilizer section and acid complex, these two I wanted to know.



**Punit Makharia:** Do we have that as of now?

**S. N. Sengupta:** As of now we do not have the exact figures but roughly I can give you an idea the Fertilizer segment normally the EBITDA margin will be somewhere around 10.5% to 11% and as far as the acid is concerned, we have a capacity of 40,000 tonnes of which nearly about 60% to 65% of the capacity is utilized for captive consumption. The balance production we sell, if at all you evaluate on the basis of the Sulphur prices for the entire we are in a position to get roughly about say 37% to 38% of EBITDA margin only for the Acid. This we have specifically not worked out the EBITDA on this basically because majority goes for captive consumption and the balance amount whatever is there is sold in the market and therefore, you see the contribution from Sulphonic Acid is much lower than what the capacity says.

**Pragya Vishwakarma:** Okay. And any comment you want to give on how your internal team is taking ahead the sales and marketing for your Dyestuff plant and in the exports, which are the like big markets for us where we are supplying right now.

**Punit Makharia:** Pragya, we have been as we mentioned, we have produced 250 tonnes in the month of December as well as in January, so obviously, we are getting good result in terms of the sales of the Dyes in Q3 and Q4 also. The company has orders till March for the full 250 tonnes on monthly basis. And our team is really doing good and the markets we are capturing are the areas like Bangladesh, we have captured some parts of Switzerland and Pakistan, apart from that, the domestic market we are also doing in a good quantity.

**Pragya Vishwakarma:** Okay. And one last question I have - on the last con call you had given your initial comments on you going to foray into Textile Chemicals. So, anything we have as of now like if you want to update us on that?

**Punit Makharia:** Surely, that is going on Pragya. Building is almost completed we are in a process of receiving plant and machinery for that and hopefully, while doing next con call in which we will be declaring our whole year result, at that point of time we will be taking this point in a little more elaborate manner. But yes, we are definitely working on that base.

**Moderator:** Thank you. We take the next question from the line of Srinath Sridhar from ICICI Securities. Please go ahead.

**Srinath Sridhar:** Couple of questions. One is on page 22 of your presentation there is an increase in total capacity of Dyes Intermediate to 8,236 just wanted to know if there is something added there or?

**S. N. Sengupta:** See, the addition has been to the extent of about 1,000 tonnes in the Vinyl Sulphone which is there.

**Srinath Sridhar:** Okay. That is the captive...



**S. N. Sengupta:** That is the reason why it is, otherwise more or less it is same whatever capacity we had earlier the same thing only 1,000 tonnes of Vinyl Sulphone has been added.

**Punit Makharia:** Post Q4 you will again see some addition of H-Acid into that.

**S. N. Sengupta:** H-Acid about 750 tonnes will come by the end of the fourth quarter.

**Srinath Sridhar:** Okay, Yes, I am aware. Then apart from that who are your basic customers for Dyestuff any major names that you have?

**Punit Makharia:** Mr. Sridhar at this point of time on the con call we would not like to disclose any of our customers. For the overall business if you have any question you can please go ahead.

**Srinath Sridhar:** Okay. And what is the realizations for SOP?

**Punit Makharia:** In terms of local and exports market?

**Srinath Sridhar:** Yes.

**Punit Makharia:** In terms of consolidated business of SOP in domestic as well as global market we believe that we are easily generating 20% EBITDA margins on this product.

**Srinath Sridhar:** No, realizations on the product.

**Punit Makharia:** You are asking in per kg pricing?

**Srinath Sridhar:** Yes, per kg or per tonne.

**Punit Makharia:** Should be around Rs. 35 a kg.

**Srinath Sridhar:** Okay, thank you.

**Moderator:** Thank you. We take the next question from the line of Balwindar Singh from Canara HSBC Insurance. Please go ahead.

**Balwindar Singh:** Firstly, I missed your comments on the tax rate, I joined in late. Sorry, for that but if you can explain why was the tax rate so high and what is your outlook going forward on the tax rate?

**S. N. Sengupta:** Basically what we had explained to you was that till third quarter we have been providing above 33% at the current tax rate. Now, once all the capitalization is over we will come under MAT and therefore, the amount of taxation will come down drastically. But normally what happens is that the auditors also insist that till such time that you have not capitalized we will not permit you to provide for MAT, that is the whole reason.



- Balwindar Singh:** So, MAT rate will be close to around 20%, 21%?
- S. N. Sengupta:** 22%.
- Balwindar Singh:** 22, okay.
- S. N. Sengupta:** In the taxation we stand to gain, the moment the MAT comes in then it drops from 33% to 22%, so there is a clean gain of about 11%.
- Balwindar Singh:** So, that will happen from Q4?
- Punit Makharia:** Yes, Q4 once we book the entire thing then it will come in.
- Balwindar Singh:** Right. Secondly, sir if I were to understand, say over the next two years the expansion plans that we are doing, the trigger from here is basically our expansion into Dyestuff - the expansion of 3,000 will take you to 6,000 so that is one thing and the other any other expansion that we are doing?
- Punit Makharia:** See, Balvinder Ji, if we talk about 2017-2018 in comparison with 2016-2017, in 2016-17 we are completing the entire installation of H-Acid new facility that will give additional contribution to the business.
- Balwindar Singh:** That will contribute in terms of margins because we are...
- Punit Makharia:** Obviously in terms of margin, in terms of value growth and in terms of volume growth also. Then in this quarter we are completing our expansion of Dyestuff also and probably in Q1 2017- 2018 we will be completing our expansion of textile chemicals also. In consolidating all these things 2017-2018 would be much better period in comparison with 2016-2017. And let me give you one another idea here is that as the company have been growing on CAGR of almost 27%, 25% we believe that the same trend would be also continued and will be also visible in 2017- 2018.
- Balwindar Singh:** Right. So, around top-line growth of around 25%.
- Punit Makharia:** I expect a little bit better than this.
- Balwindar Singh:** Okay. Sir, just wanted to understand about H-Acid facility. This H-Acid we will be consuming captively, right, so how will it help in terms of incremental revenues?
- Punit Makharia:** See, when we believe as of now our new plant for H-Acid is under commissioning and we believe that it will be on trial runs in this Q4 and when it comes into commercial production at that much of quantity, we will get extra to sell into the domestic market or into the global market. So, once that quantity comes into the market for sales from the company it will add to obviously its top-line as well as value and volume growth both.



**Balwindar Singh:** That is 750 tonnes, right?

**Punit Makharia:** Yes.

**Moderator:** Thank you. We take the next question from the line of Kavita Thomas from First Global. Please go ahead.

**Kavita Thomas:** Sir, I just wanted to understand how are the prices overall for H-Acid and Vinyl Sulphone over the last three months and how is it in the current, I mean in January and February how have the prices panned out and how are the realizations in this segment?

**Punit Makharia:** Kavita, in fact we have addressed this question, just now on the con call about the pricing of H-Acid and Vinyl Sulphone. But again, to give you update as of now the prices are almost stabilized and we believe that as of now the H-Acid is around Rs. 350 a kg and Vinyl Sulphone is around Rs. 275 a kg.

**Kavita Thomas:** And how do you see is the overall demand for the Dyestuff and the Dyes Intermediate?

**Punit Makharia:** It is really good Kavita, it is really picking up, especially you know after this Christmas holiday, we really see the demand picking up to very good levels.

**Kavita Thomas:** And do we see any kind of concerns if ever how is the scenario in China and how have the players restarted their operation, how is the scenario there and how is it benefiting Indian companies like us?

**Punit Makharia:** See, in short-term if you see yes, two or three companies in China have already been started as one gentleman just mentioned about Hubei Chuyuan and let me tell you Kavita more manufacturers who have been closed earlier will also come back into the business. But here the question is not about what new manufacturer has started. Here, the question is that basically on a stable and sustainable business growth model, just by starting any plant is not really going to serve any kind of purpose. What I personally believe is that the company, any company whether it is a Chinese company or it is an Indian company it must have a sustainable business model. And these kinds of products are such where it is very difficult to have a sustainable business model. And as of now the situation in China which is going on a very tight basis and we see that focus of these products shifting from China to India in future times to come.

**Moderator:** Thank you. We take the last question from the line of Kamaljit Uppal, Individual Investor. Please go ahead.

**Kamaljit Uppal:** Sir, I had a small question on the dues of Huntsman have be any development are we getting that money?

**Punit Makharia:** Kamaljit Ji, if you will ask me this question after one month, I will give very nice, very positive answer on this question, you will be very entertained after listening to the answer.



**Kamaljit Uppal:** Thank you, sir, I will ask in next quarter. Sir, you just explained on the Calcium Chloride that it does not really have an impact on the top-line.

**Punit Makharia:** No, sir, I did not say that it does not have any impact on the top-line, I said it does not have a significant impact on the top-line.

**Kamaljit Uppal:** Yes. Does it have an impact on the bottom-line?

**Punit Makharia:** Sir, see today 6,500 tonne plant which should give us 5,000 tonne capacity for sales; 5,000 tonnes of capacity means Rs. 6 to 6.5 crores sale. the Rs. 6 crores, to 6.5 crores or Rs. 7 crores sale annually is not a big impact on the top-line where we are talking about Rs. 400 crores. and where we are talking about 12%, 15% EBITDA then I do not think that Rs. 70 to 80 lakhs, will not be that big -- in a company of our size.

**Kamaljit Uppal:** Got it. Sir, why is the revenue lower for Q3 over Q2.

**Punit Makharia:** If you see in the last quarter then we were talking about H-Acid prices in the range of Rs. 375 and Rs. 400 and that of Vinyl Sulphone at around Rs. 450. In today's date prices have really come down, prices are on a stable mode, so basically there is an overall impact of that also plus some demonetization some pressure on the textile business, some pressure on the Fertilizer business, so it is a mixture of all these factors and secondly if today top-line is less by 4% then I do not think that it is too much of an impact rather we are looking for a better Q4 in this financial year. So, if today 4%, 5%, 3% if results are better or if results dip I do not think that this is something of very great concern.

**Kamaljit Uppal:** No, actually it is good thing, we are seeing that it is on rationalized prices of Vinyl Sulphone and stuff we are still maintaining our guidance it is a good achievement to be honest with you, that will be nice. And one lat question sir which is more of philosophical question. But do you see the shift happening sir for manufacturing in China to manufacturing in India for specialty chemicals as a dramatic shift?

**Punit Makharia:** Sir, this subject I have been addressing always since the past two years and still continue to do the same. Please do not take this reply on this platform of the company as I am sharing my views on a personal level. I believe that in coming one year, two years, three years, there is going to be a major change in India related to this industry, a big major shift globally not from even China from the other parts of the developed countries even also is shifting to India. And in years to come we will see a notifiable change in these sectors from India.

**Kamaljit Uppal:** Excellent, and we hope you are right at the top of the rung in that specialty chemical business.

**Moderator:** Thank you. Ladies and gentlemen, we take the last question. We take the question from the line of Amod Joshi from SPA Securities. Please go ahead.



**Amod Joshi:** As far as I saw in the Annual Report of FY 2016 we had exports of around 8% as percentage of revenue and as far as I can see right now again it is in the single-digit of around 7% to 8%. So, are we trying to increase this export percentage as percentage of revenue or will it continue in the single-digit?

**Punit Makharia:** Sir, I believe we will see a notifiable change in to this percentage level of single-digit at least in two digits from quarter four because as of now we are mainly focusing on our Dyestuff exports which we believe that in Q4 and post Q4 we will see a very significant improvement in the exports level of the company.

**Amod Joshi:** Okay. And sir, initially you said for the Dyestuff the basic revenue that you are looking is like around Rs. 3,50,000 per tonne and when you create...

**Punit Makharia:** No, sir, that has also dipped, when in today's date the prices of H-Acid and K-Acid have experienced a dip then the prices of Dyes are also going to dip.

**Amod Joshi:** Yes, at present how much is the sales of Dyestuff, sir in rupees per tonne?

**Punit Makharia:** According to guess Rs. 250 kg to Rs. 275 per kg you consider it.

**Amod Joshi:** Okay. Sir, how much EBITDA margin at full capacity we can expect from Dyestuff?

**S. N. Sengupta:** We do not have any specific, let me give you another angle to the whole issue is that since Dyes we have started off first time here we are exporting more of generic products, we are selling more of generic products typically in blacks and now as the days goes by once we stabilize and establish our position in the market then we will be also going in for other colored material other specialized products in Dyes which will add substantial amount of margins in this. So, at this point of time, if at all talk in terms of whatever Mr. Punit says at 2.75 or 2.80 and things like that that is only the base level. From here onwards we will always be improving because our product mix will be more of specialty products then we will be introducing our brands there the actual profitability lies.

**Moderator:** Thank you. ladies and gentlemen, as there are no further questions from the participants I would now like to hand the conference over to the management for closing comments.

**Punit Makharia:** Thank you all for joining the call. I hope we have been able to answer all of your questions. For any further queries, please get in touch with our Investor Relation Advisor, SGA. Thank you once again and have a good day. Thank you.

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