



“Shree Pushkar Chemicals & Fertilisers Limited Q4 FY-'16  
Earnings Conference Call”

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**Moderator:**

Ladies and Gentlemen, Good Day, and Welcome to Shree Pushkar Chemicals & Fertilisers Limited Q4 FY-'16 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. As a reminder, all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. If 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. Thank you and over to you sir.

**Punit Makharia:**

A Very Good Afternoon, Ladies and Gentlemen and A Very Warm Welcome to the Financial Year FY-'16 Earnings Call of Shree Pushkar Chemicals & Fertilisers Limited.

On the call I am joined with my team, Mr. Sengupta -- our Associate Director; Mr. Ratan Jha -- our Chief Financial Officer and the Representative of SGA, our Investor Relation Advisor.

Our Result and Presentation have been made available on the stock exchange and also uploaded on our website and I hope all have had a chance to look at it.

Friends, let me take this opportunity to give you a Brief Overview of our Company, post which Mr. Sengupta will take you through our Financial Performance.

During our IPO, we have said that our forward integration into Dyestuffs with a new Dyes plant would be operational by December 2015, unfortunately there was a slight delay and we have successfully commissioned the plant in January 2016 with a capacity of 3,000 MTs with a delay of 1-month. Delay of 1 month is not considered as a very much delay. Anyway, I am happy to add that from April 2016 till date we have had sales of approximately 187 tons from the Dyes segment.

Let me give you more insight of our Dyes segment, we started our plant in January 2016 so finally we get February to May that is around 4-months of the production, out of the 4-months production we have produced close to 550 tons of the Dyes which is approximately 55% achievement in the Dyes and till date in this financial year we have sold approximately 187 tons of Dyes.

H-Acid and Vinyl Sulphone being our key products required for manufacturing of Dyes, we decided to install the additional capacity. Here again, I am pleased to add that we have just commenced our new Vinyl Sulphone plant of 1000 MT p.a capacity and are on the schedule to start H-Acid plant by September of the current year.



Now an Update on the Existing Business -- Vertical Dyes Intermediates: Dyes Intermediates segment have achieved strong volume growth but fluctuation in the price mainly due to the global events our realization low this year. Further we expect prices to stabilize in near future. With our diversified portfolio, we are able to cater to 80% of the Dyes manufacturing industry requirement in India and this segment has grown by 10% CAGR over the past 5-years and currently forms 71% of our FY-'16 performance., We also are backward integrated across our Intermediates providing us a stable business model.

Zero Waste Chemical Company: Our efforts has been moving towards improving business model to be zero waste chemical company. I am happy to say that due to our efforts over the past few years we have experienced no shut down on ground of environmental regulations. To achieve this we have developed unique ways to convert the effluent generated into the marketable products such as Cattle Feed, Fertilisers and Power.

Cattle Feed: We developed Animal Feed Grade DCP, that is Di Calcium Phosphate in the year 2008 which is currently marketed under a tie-up with Shivam Chemicals and the products are sold to well reputed government dairies and private sector companies like Amul, then Nandini Dairy, Suguna Chickens, Godrej Agrovvet, etc.,

In Fertilisers, we have set up a Fertiliser plant in the year 2011 which is currently contributing to 20% of the sales. In the past few months we have increased our portfolio with two new products:

The first new one is NPK that is Nitrogen Phosphorus and Potassium with a capacity of 20,000 MT p.a. We have received a license to manufacture of Mixed Fertiliser NPK in the State of Maharashtra and are selling the product under the marketing tie-up with DCM Shriram under their brand Shriram Urja Mix.

Second product being Sulfate Of Potash which is expected to be commenced from June 2016 with the plant capacity of 10,000 MT.

To maintain our environmentally compliant status, we have also set up a Calcium Chloride plant of 7000 MTs p.a. to utilize Hydrochloric Acid generated while producing of Sulfate Of Potash. We are expecting improved performance from the fertiliser segment in coming quarters in anticipation of the good monsoon.

Then it is Acid Complex. The Acid division contributes to 7% of sales and also supports our in-house Acid requirement to our Dyes Intermediates business. This strategy keeps us hedging against any supply issue in the market. As a by-product of the Acid division we are able to generate low pressure steam to support our production requirement and generate 500 KW of power for captive consumption.

Along with the fully backward and forward integrated business model, we also have our own fleet of logistics as we have all the facilities at one location in Lote Parshuram near Chiplun,



Maharashtra to maintain our integrated business model. We believe our new initiatives will provide us a new leg of growth in the near future. Our new products are in the pipeline and will be introduced soon.

Friends, now I would like to hand over the call to Mr. Sengupta to take you through our Financial Performance for the Financial Year 2016.

**S.N. Sengupta:**

Thank you, Mr. Punit. Good Afternoon Everybody and Thanks For Joining Us On This Call.

Let me now take you through our Financial '16 Results Highlights: The total revenue from operations has been at about Rs.251.24 crores which is a decline of about 5.8%, though there has been a strong volume growth in all segments. The main decline has been basically because of the stabilization of the H-Acid prices. As you might be aware that during '13-'14 and '14-'15 the prices of H-Acid and Vinyl Sulphone has zoomed up and this year has been a very stabilizing year wherein we have been in a position where we have been witnessing that the prices of H-acid has stabilized. So that was one of the reasons why there has been a decline in the top line though the performance in volume wise has been more.

Secondly, the EBITDA grew by about 9.61%, this year we have achieved a EBITDA Margin of about 14%, and profit after taxes has also grown to about 9% which is a growth of nearly about 19.5% as against what we achieved in '14-'15; the total PAT has been about Rs.22.29 crores.

Now as far as the Segmental Performances which I was trying to indicate to you earlier, there has been a volumetric growth to the extent of about 25% in our Dyes Intermediates which comprises nearly about 71% of our revenue. Acid Complex has been contributing about 7%, the revenue has grown by about 58% though the volume metric here has been slightly lower, basically because the Sulfuric Acid plant has been for our captive consumption, so with the increase in the production of our Dyes Intermediates, the captive consumption has been slightly higher, but then we have been in a position to realize better prices, not only that, we have been in a position to introduce some new products in our Acid plant like 99.8% which fetches a premium value. With all this we have been in a position to record a 58% growth in the revenues of our Acid plant.

As regards the Fertiliser segment, this has been contributing nearly about 20% of the sales. Now we have witnessed a volume growth of about 13%. As you might be aware that last 2-years that have been drought and we have not been in a position to achieve our 100% capacity though we have had a 1 lakh tons capacity p.a. The average utilization both the year has been in the range of about 48% to 50%. Lastly, now the Cattle Feed also grew by about 13% in volume and 12% in value terms.

So this Gentlemen, is a short summary of whatever we have achieved during '15-'16. Now I would throw open the floor for the Question-Answer Session. Thank you.



- Moderator:** Thank you very much. We will now begin the Question-and-Answer Session. The next question is from the line of Saket Bansal from Dinero Wealth. Please go ahead.
- Saket Bansal:** Sir, we have seen a fall in the gross margins in Q4. Any specific reason though you transfer the prices of the raw materials to the final customers, still you have seen a fall in the margins?
- S.N. Sengupta:** No, there has been average fall in the prices right from the beginning of the year till the last quarter, only the last 1-month there has been slightly improvement in the prices, otherwise that has been steadily coming down. Now this has been a stabilizing factor as I had told in my speech and therefore we see that whatever performance we have done is more or less okay.
- Saket Bansal:** So going forward what kind of margins do you look sir?
- S.N. Sengupta:** What happens is that our total sales in Q4 we have had a total sale of about 81.79 as against 71.31 in the last year quarter. So this has ultimately given operating profit of about 8.87 as against 8.09 in this quarter itself. So there has been an improvement and if at all you take the EBITDA for that year, it is about 12.5 for Q4 as against 11.5 which was last year. Now overall EBITDA of course has been about 14%.
- Saket Bansal:** No, I am talking about going forward what kind of EBITDA margins do you look?
- S.N. Sengupta:** Going forward the prices we feel are more or less on the stable side, as far as the Dyes Intermediates we are looking forward the average utilization has been to the extent of roughly about 70% in the current year, on an average if at all you see the Dyes Intermediates market, the average utilization globally also if at all you take is ranging between 70% to 74%. So there will be a slightly improvement in the Dyes Intermediate segment, but then we have our Dyes which has already started and that is going to contribute substantially into the EBITDA margins.
- Punit Makharia:** Saket, I would like to add one additional point into this subject is that as we started Dyes plant in the month of January is what we had just told, and if you see our earlier presentation we were planning to make only three kind of Dyes that was in a crude form, that was black, reds and yellows right. So these three products majorly consumes the H-Acid, Vinyl Sulphone, K-Acid and all other Intermediates what we produce. Now, I would like to inform all the investors is that apart from only the Crude products company has also developed a Special Dyes which is based on this standardization of these three Crude products. Apart from that, we have developed almost 16 new products also which are called as Special Dyes. Special Dyes will give better visibility to the company, and since we could not sell any of the Dyes in the last year though we have produced almost 550 tons of Dyes in last 4-months, that is the achievement of around 55% of the production capacity, we can say that plant is also stabilized. Now looking at the EBITDA margins of '16 or '15, let us be very straight forward; in 2016 whatever the new CAPEX are done by the company, were not reflected in financial performance for the '16. Now all the new financial performance will be captured in the financial year '16 and '17. If you look at the Results of '16 they were on the same basis of '15



only because during '15 and '16 there are no new revenues generated from latest CAPEX in the company. As we have already said that there was delay in our Dyes plant. As far as I remember during our 'Road Show' we were just projecting that our Dyes plant will be started in the month of December, we started in the month of January, we were expecting few sales of Dyestuff in the financial year '16, but we could not do that.

**Saket Bansal:**

So there were no sales of Dyestuffs in '16?

**Punit Makharia:**

No sir, there are no sales of Textile Dyes in the financial year 2016, but yes, there is a production of Dyestuff in the financial year 2016, this in spite of capturing all the production cost of the Dyes in the financial year 2016 the company is able to achieve better than financial year of 2015. It is now, in 2016 and '17 we are going to have the actual business of Dyes.

**Moderator:**

Thank you. The next question is from the line of Saravanan Vishwanathan from Unifi Capital. Please go ahead.

**S Vishwanathan:**

I have two broad questions: One, the Textile Dye segment. So can you walk us through the kind of potential in this space? Also, we would like to know about the model that you will adopt going forward – is it only contract manufacturing or you will just make and sell and export/domestic market, will it be linked to the fortunes of Huntsman or we will have a diversified clientele?

**Punit Makharia:**

Saravanan, honestly very good question and I would like to take you through the entire business model. When we talk about a completely textile solution company means that your company should be producing all the textile solutions products which is required by textile industry which consist of the Dyestuffs, then the Dyes Intermediates then so on, all these are backward/forward integrated. Now as far as the textile market is concerned, as of now the focus of the entire globe is shifting from China to India. You must have seen through the various reports which are published on public domain that China is facing tough problems in terms of the environment and also some articles earlier there were details saying that 80% ground water of the China is polluted and not even fit for the drinking as well as this agriculture also. Because of all these concerns, entire business focus of this particular segment is shifting from China to India and India is going to have a major boost as far as this industry is concerned. Now on company's point of view forward-looking we see that we will be providing a complete textile solution to our customers. As far as customer is concerned, which was your second part of the question, earlier we had stated that we have NDA agreement with Huntsman in that regards sale to Huntsman is already started, quality has been accepted by them, and we have already started moving products to them. Apart from Huntsman we have also developed two another multi-national customers which is uploaded by our company on the website. Apart from this there are few more to come for our own branding. That part we will not be able to discuss much in the detail, but yes, one thing you can take it for sure is that that the company is going for the marketing of the Textile Dyes with few multi-nationals, not only Huntsman, with Huntsman, some other companies and through our individual network, branding of our products. Like this as of now if you see the kind of business model what we have conceived, is



completely Dyes and backward integrated, forward integrated, fully compliant because from all environment issues, and I do not think any such model anyone has as of now, you can check through your global sources or through the public domain, I do not think any other company has such kind of a business model. We are highly optimistic on long-term results of this company.

**S Vishwanathan:** During the IPO Meet, you had mentioned that 3,000 MT of Dye capacities on a per annum can have a revenue potential of Rs.120 crores.

**Punit Makharia:** It was approximately Rs.90 to 100 crores and Rs.120 crores includes the excise figure also, now we are talking about net of excise.

**S Vishwanathan:** Now, because of business moving from China to India, do you see this Rs.100 crores base going up or at this point this is the number that we have in mind?

**Punit Makharia:** Saravanan, as of now we should take conservative figures and we should stick to the figure what we are talking as of now, because we cannot predict anything for future, as in the month of February, March whatever has happened with H-Acid prices and immediately everything goes haywire, so let us talk on the ground realities and looking at a conservative figure it should be I believe that this approximately Rs.100 crores. I would like to give one more information to my investors is that if you all remember that we have been always sharing that our Dyes plant has got a synthesis capacity of 500 tons, but the drying capacity is only 250 tons per month and we will be going for the increment into the production capacity by the addition of one more dryer shortly. I would like to inform that we have also ordered for the second dryer and its building is also completed, so we look forward to start the second stream of the Dyes before Diwali.

**S Vishwanathan:** So that means you can add another 3,000 MT of Dye capacity?

**Punit Makharia:** Let us hope so Saravanan, but first of all let us streamline our existing capacity of 3000 tons, otherwise if I say something, then in next meeting you will ask that sir what happened to that 3000 tons, so as of now please do not take additional 3000 tons, that would be as bonus news during Diwali.

**S Vishwanathan:** Moving to second important segment Sulfate of Potash as well as the NPK, so do you feel that it will continue to be seasonal or will the revenues be there in all the four quarters?

**Punit Makharia:** Let us talk about NPK, first of all we started NPK plant on 22<sup>nd</sup> of February and there is no capital investment what company has made in NPK business, right, now in the financial year 2016 we have hardly sold 1500 tons of NPK, now in this year we are projecting a good business of NPK, because just in 1-month if we are selling approximately 1500 tons of NPK, we look forward to sell at least 20,000 tons of NPK in this financial year, for the month of April and May we have closely sold around 2700 tons of NPK. So looking at this growth what we see is that the season is yet to come, in June we are expecting good growth in NPK



business, NPK plant is fully stabilized, we have already entered into a marketing agreement with DCM Shriram under this brand name Shriram Urja. As far as the SOP business is concerned, we have already soft launched the plant, plant is fully commissioned, fully erected, furnace has been already started firing on and it takes approximately 20-days to get the required temperature of the furnace, that too also at a slow pace and the furnace heating we have already started just around 10-days back, we are planning to start the trial production of Sulfate Of Potash close to 10<sup>th</sup> of June, it will take another 10-days for us to get the furnace heated because we cannot heat the furnace at a very fast temperature, we have to slowly and gradually increase the temperature of the furnace. We think that from the second quarter onwards we must start generating revenue from the SOP business. In fact we were planning for this SOP revenues from the 1<sup>st</sup> quarter itself. But yes, there is a delay of approximately 1.5-to2-months in SOP plant. But putting up a facility from a root level in this kind of processes generally delays are always there approximately 1 or 2-months, but from a future I will make it a point to have a sufficient time with me and then quote accordingly to the investors.

- S Vishwanathan:** Does that mean that SOP we will miss this year sales because of the monsoon...?
- Punit Makharia:** This is not miss, we have started the plant and will be selling the SOP from the 2<sup>nd</sup> quarter onwards.
- S.N. Sengupta:** Mr. Saravanan, let me clarify. The question is that in the SOP plant there has just been a soft launch, the material has to be charged. Now, whenever there is a furnace, the first time when the furnace is being heated up, it has to be steadily heated up, it is called a temperature annealing of the furnace so that has to be steady otherwise....
- S Vishwanathan:** My question was, whether we should have completed the yearly sales before the monsoon starts or ?
- S.N. Sengupta:** Before the monsoon starts, we should have the plant commissioned. So once the plant is commissioned we had both SOP as well as the NPK which is already launched. So this current year we will have additional revenues from SOP as well as NPK.
- S Vishwanathan:** SOP also would we be selling through DCM Shriram?
- Punit Makharia:** No, as of now we have no plans of selling SOPs through Shriram. We will be launching our own brand for SOP like we have Soil Conditioner; our marketing team will be selling SOP . Apart from that we are in a process of tying up with certain good fertiliser companies who are selling quite good number of SOP in India, as of now they are importing it, and they are repacking under their brand and then selling into the domestic market and we are in a process of tying up with them.
- Moderator:** Thank you. The next question is from the line of Abdul Karim from HDFC Securities. Please go ahead.



**Abdul Karim:** Two key marketing tab you have made Cattle Feed and Soil Conditioner. Cattle Feed supplements contributes only 2% on the revenue. Just I wanted to know is there any major plan to increase the portfolio of Cattle Feed business going forward?

**Punit Makharia:** Abdul, basically for Cattle Feed we are having a marketing tie up with this Shivam Chemicals from 2008 onwards from the day we started it, and we as of now do not have any plans for increasing the Cattle Feed, we are into the Cattle Feed business just to take care our environment discharge, and Cattle Feed business is not our main course of business that business vertical is because of effluents what we generate from the intermediates plant and that is only to take care of those effluents and maintain our environmental compliance . So as of now we do not have any plans for increasing our Cattle Feed production. As far as Soil Conditioner is concerned, Soil Conditioner is being sold into the market through our own marketing team, company is having its Fertiliser marketing office in Pune, apart from Pune we have area sales offices in Sangli, Satara, Kolhapur, Ichalkaranji Nagar, Osmanabad, all these areas. Now in this season we are penetrating into the Karnataka also as far as our Fertiliser sales are concerned. Company has been received all the necessary departmental permissions as far as Karnataka sales is concerned. So definitely we look forward for a good volume growth in terms of Fertiliser business because of the Karnataka entry.

**Abdul Karim:** Recently, you launched Soil Conditioner brand, I think Dharti Ratna?

**Punit Makharia:** No, that is a very old brand Mr. Abdul, it is not recently launched, it has been launched almost 2-years before the IPO.

**Abdul Karim:** In Vinyl Sulphone, you have commissioned in May 2016 and Fertiliser plant NPK, you have commissioned in February 2016 and SOP of 1,000 MT capacity is likely to add your business, part of this calcium chloride to be commissioned in June 2016. How much additional revenue we are expecting in Q1FY'17?

**Punit Makharia:** As we have number of products it is difficult to give exact figures, but I believe that there should be approximately growth of minimum 25% in terms of the revenue, it may not come in Q1 of FY-'17, if I talk about Q1 of '17 there should be growth of approximately 10-12%, but in Q2 there should be growth of around 25% because from Q2 onwards we will have a season for the Fertiliser, we will have sales for the SOP and Dyes, yes, we have already started, like that way, I think Q1, Q2 should have a growth compared to the financial year '15-'16 quarter wise.

**Moderator:** Thank you. The next question is from the line of Kushal Khandwala from KIFS Trade Capital. Please go ahead.

**Kushal Khandwala:** Where do you see the prices of H-Acid going...do you see them being relatively stable or do you see like still a few flex up and down as long as what I believe the prices are somewhere between 400-450?



- Punit Makharia:** Kushal, as far as H-Acid is concerned, I have a different belief altogether; H-Acid has become something like highly ping pong ball business, we believe in a stable and sustainable business, and something like pricing structure of H-Acid is because the H-Acid has reacted like this, someone in China has been closed down, something else will happen, we do not this kind of a high volatile business strategy Kushal, honestly speaking, what we believe is that the company should have strong business model. Anyway, now coming back to your question, as far as the pricing of H-Acid is concerned, yes, it is almost stable, but let me tell you there is there is no possibility of going H-Acid pricing below down than this. Post Diwali we look almost a very fantastic growth into the pricing of H-Acid. Anyway, this is not concerned with our business model; this is only to give my individual thought as far as H-Acid pricing is concerned.
- Kushal Khandwala:** This I ask because I believe like at least 30-40% of your business comes from H-Acid?
- Punit Makharia:** Yes. You will see that in the financial year '16, there is a dip of around 6% in terms of top line, still we are able to maintain or have this better growth into the PAT levels, into the EBITDA margins in comparison with 2015, in spite of the dip into the pricing of H-Acid also, company has performed better in terms of the volume growth.
- Kushal Khandwala:** What was your strategy... how did you manage to budge the price fall, were you not sitting on enough inventory then?
- Punit Makharia:** No, not at all, when the prices go up we generally do not keep heavy inventories with us, we daily produce, daily sale, because this is completely volatile market, this is out of the control of anyone, no one knows what is going to happen, how it is going to react next day.
- Kushal Khandwala:** Tentatively, where do you see the China monopoly lasting, like the monopoly that we are getting because of the circumstances in China, how long will the company be able to avail its benefit?
- Punit Makharia:** Kushal, honestly speaking, I don't have that much exposure the Chinese economy, but as far as our segment and sector is concerned, I can share my personal thoughts with you, that is nowadays in China, situation is changing very drastically, the way it was changing in European countries almost 20-25-years back, the same kind of a situation is happening into this China also. Very giant plants in China are getting closed or they are facing lot of problems in achieving their production capacities because of the stringent environment norms. Looking at all this development and overall about there is awareness the local public. Because of the active media, everybody is aware about environment issues in China. Let me share with you on a very personal note is that in March I was in China, I was going through an article that 80% of the ground water in Shanghai is polluted, not fit for drinking as well as agriculture. These kind of news clearly gives an indication that in future the country like China may not have a very large focus on these kinds of segments.
- Kushal Khandwala:** As we know, India is also not very compliant about the levels...?



- Punit Makharia:** What you said is perfect, Kushal, but now the people are learning and trying to adopt the practices. That is why what we say is that a company like Pushkar who are fully compliant, who are completely zero waste company and having a complete textile solution base... lets understand, , now, we are manufacturing Textile Dyes, which you are doubling your capacity post-Diwali, after that you are having complete set of Intermediates, then the backward, then the backward, then the backward. Most beauty is that there is no debt also on the company. Inventories have been well managed. Financial cost has gone down fantastically. Looking at this business model, now in the January your plant is fully stabilized, started the production of Dyes, so now '16-17 financial year we completely go through for you.
- Kushal Khandwala:** What would be your current market share in terms of Dyes and the Intermediates both separate?
- Punit Makharia:** In Dyes as of date it is very less because we have not sold, I cannot calculate what would be our share. But as far as Dyes Intermediates, yes we have a significant share, but in terms of percentage if you will ask me, honestly I do not have it, I do not want to give any such figure which just come to my mind.
- Kushal Khandwala:** Minimum threshold where do you see your EBITDA and turn over in the next financial year, let us say you must have made a projection, if it is at 251 this year?
- Punit Makharia:** I can give you the basic details and I think other calculations would be better for you to do it, as we said that in the financial year '16 we achieved a turnover of Rs.250-260 crores, we have started Dyes business, we have started NPK business in this financial year, we are going to get a full business, we are starting second quarter SOP business. As of now, we would not like to give any guidance about the future. We can tell you that yes, what we are doing, what we are performing, what would be the individual product revenue, and then you can add your own, Kushal.
- Kushal Khandwala:** But at least any insight in terms of percentage?
- Punit Makharia:** There should be good growth.
- Kushal Khandwala:** Right now, as you are not into distribution of Dyes as of yet on a very large scale, but when you start, where do you expect your margins on cost and margins on sales?
- Punit Makharia:** Existing margins will be improved than what it is, but if you are asking me any this particular figure it will be difficult for us to give, Kushal.
- Moderator:** Thank you. The next question is from the line of Anshuman Mohota from Nagarmal Saraf Securities. Please go ahead.
- Anshuman Mohota:** You mentioned that in Q4 of last year you were not able to generate any revenues from the Dyes, we started manufacturing in the month of February, so we had two months. Was that our competitors are strong enough we could not penetrate?



- Punit Makharia:** Mr. Anshuman, basically it is not like we start the plant and immediately the production has come out and immediately it has been sold, immediately money comes in. It is an industry and we all are matured to understand that whenever a plant is started, it takes some time for the proper stabilization of the production and facing troubles, this quality establishment, sampling, and then giving the samples to the customers, then taking their feedback, taking their approval, all this kind of a thing. Because when a Dye is bought by a customer, the customer will test that dye on the fabric. All this process takes a little long time, and because of that since our plant got delayed by one month, all this pre-approvals, sampling, production, teething troubles took us some time. So unfortunately, we could not sell anything in the financial year '16 of Dyes.
- Anshuman Mohota:** No, what I have taken from the industry that whenever a person takes a new company's Dyes, like he is little reluctant in the beginning because the old establishment, old colors which is set, they generally do not change. How difficult would it be to penetrate into the old customers of different companies like Clariant, ColorChem which I have heard from the market?
- Punit Makharia:** I would not say that it is impossible or it is very easy, but it takes its own time, like as I explained you the process, that you have to submit the samples to the customers, you have to go and make a technical presentation to the customer, you have to give him a trial lot, first of all a sample, then a trial lot, then this trial lot run into the dying house, all this process takes time, but it is not impossible also and it is not very difficult also... and let me put it one more thing a to you that since we are very old in this industry breaking the barrier of the existing suppliers is not a big problem for us, as I told also before that we have certain tie-ups also with a few multinationals, names of the multinationals have been mentioned into the PPT, so we have existing business relations with them for the last few years also.
- Anshuman Mohota:** The quality standards which people expect, that is why I think so we are thinking for a new expansion in Diwali, somewhere around?
- Punit Makharia:** As far as the quality standards is concerned, we are trying to keep ourselves in a different league for the necessary registrations like OEKO-TEX., REACH, we have already applied for and these are certain high quality standards, we are not trying to keep ourselves with a few local suppliers.
- Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Is it possible for you to give the margin breakup between your segments as Dye Intermediates, Acid Complex, Cattle Feed and Fertilisers?
- Punit Makharia:** Honestly speaking, Shashank, the kind of industry model we have, that all the plants are interrelated, the waste of one plant is used as a raw material in another plant and we have common services for many of the products, we cannot give product wise break-up, but yes, we can give a vertical wise at a later stage.



- Shashank Kanodia:** Since we are going into forward integration and producing Dyestuffs, what kind of improvement in EBITDA margin can we expect let us say if this X business is running let us say 100 basis points, so out of this plus how much basis points can we earn from the Dyestuff business?
- Punit Makharia:** Honestly speaking, since we are fully backward/forward integrated and existing company is achieving EBITDA margins of (+14%) and when we come into business of Dyestuffs, which is a forward integration, existing EBITDA margins has to be better, it cannot be the same or lower than that.
- Shashank Kanodia:** So how much better can we expect the margins from the Dyestuff business give the Dye?
- Punit Makharia:** I said that yes, it will be better now it is up to you to think because giving on this platform a particular figure is not ethical for me, please understand.
- Shashank Kanodia:** In your Slide #4 you mentioned that the revenue growth for Acid Complex was robust despite volume de-growth whereas it was opposite in the Dye Intermediates segment, that implies there was a tremendous pricing improvement in Acid Complex and price erosion in Dye Intermediates?
- Punit Makharia:** What you said is 110% correct.
- Shashank Kanodia:** Given the fact that Acid Complex forms a majority of the raw materials for Dye Intermediates, so given that your raw materials cost were higher, how can the realization and decrease such drastically?
- S.N. Sengupta:** Sulphuric Acid is one of the ingredients which goes into manufacture of the Dye Intermediates. If at all your volume growth is there in Dye Intermediates, obviously the amount which is for captive consumption will increase and therefore the extra amount which is to be sold in the market that will decrease. Leading to decrease in the volume growth of Acids. Now, coming to the question of the revenue which have come from Acids, we have also introduced certain basic additional features into our Acid production like normally the acid which is available in the market is about 98%, we have been in a position to develop acid which is about 99.7% purity, that commands a premium price, then we have instead of selling Sulphuric Acid to that extent, our Oleum have gone up a little higher volume wise and therefore that has also contributed to this, therefore there is increase in the revenue of Acid Complex.
- Shashank Kanodia:** You explained that the revenue potential for Dyes is Rs.100-odd crores on a consecutive basis. So what is the revenue potential for NPK as well as Sulfate Of Potash?
- Punit Makharia:** NPK is a product price of Rs.15,000/ton and we are planning to sell around 20,000 tons of NPK in this financial year. SOP is approximately Rs.50/Kg and since we are just trying to get the sales from second quarter onwards and the plan capacity is 10,000. So accordingly, you can calculate. But mind it very clearly plant generally does not operate on 100% efficiency.



- Shashank Kanodia:** Both these Fertilisers are non-subsidized, right, there is no link into the subsidies released...
- Punit Makharia:** No, SOP is non-subsidized and NPK we get raw material subsidized from the local market, but we do not get any subsidy on NPK on sales.
- Moderator:** Thank you. The next question is from the line of Amit Kadam from LIC Mutual Fund. Please go ahead.
- Amit Kadam:** Sir, my question is again for this Dyestuff. We have commissioned this Dyestuff in Jan 2016, maybe 3-4-months back and immediately it has compelled us to come out with a doubling of the capacity by like another 3,000 MT. So is the growth prospect what we earlier anticipated in this thing has actually gone up, the market improved or maybe the China factor is really gone out, where we can actually take on more market share, so what is the part which made us like three or four months to double the capacity?
- Punit Makharia:** I appreciate this question, Amit and let me put a reply of this question in a different way altogether; as of now we have already started 250 tons though we have got a synthesis capacity of 500 tons, increasing from 250 tons to 500 tons, does not require a very huge capital investment, but it requires a time of 3-4-months. Now, we are on a time where from next month we are expecting monsoon. During monsoon, all the implementation works go quite slow. We are expecting that the implementation of the second Dryer normally would have taken around 4-months, would take us around 6-months because of the monsoon. We are looking forward that at least from next financial year we must have complete business of both the Dryers of the Dyes. That is why we are just trying to put ourselves in this financial year so the second Dryer is put up, commissioned and started. But let me be very loud and clear that we are not expecting any revenue from the second Dryer. Second Dryer we are putting in this financial year so that immediately from the next financial year we can start getting revenues. So please do not consider any sales revenue because of the second Dryer. Since the investment is not so large and company is enough capable and we have got good confidence level as far as marketing of Dyes is concerned, we are only preparing ourselves for the next financial year through the second Dryer.
- Amit Kadam:** Because we are targeting this particular segment aggressively and maybe because the growth prospect is there for us, so what would be the size as such vis-à-vis looking to add domestic capacities what we already have in the listed and non-listed space and how would be placing ourselves down the line two years when we complete this Dryer and the expansion stuff, maybe on a capacity wise our placement in this domestic market?
- Punit Makharia:** Down the line, two years, we are looking ourselves with our own marketing set up also in terms of the Dyes, like in Domestic also and as well as globally.
- Amit Kadam:** How much percentage would be like made domestic and export, roughly?



- Punit Makharia:** It is difficult to project anything, but I would like not to give any such information which I also do not know, because I do not know that how much quantities will be selling in domestic and how much in the international markets. But one thing I can assure is that selling of the Dyes of 400-500 tons, whether it is domestic or it is global, would not be a big issue.
- Amit Kadam:** But as of now, we will be starting selling through to our domestic partners, right?
- Punit Makharia:** No, domestic market we are pumping as of now except few multinationals and we are tapping this international market for Dyes as of now.
- Amit Kadam:** If I heard properly, the previous participant quoted almost like maybe Rs.100 crores against this particular Dyestuffs revenue of the segment. Is the number right?
- Punit Makharia:** Again, it is a very difficult question, yes, you can take 100 plus/minus 10-15%. Suppose in case if this H-Acid prices go haywire post Diwali or before Diwali, then it will be difficult to predict or project anything.
- Amit Kadam:** I am saying that we have almost annual capacity of 3,000.
- Punit Makharia:** That is plus/minus 10-15%, there will be no major variation and the percentage variation may depend upon the market volatility.
- Amit Kadam:** So with this current prices what we have in the market and almost like 85-90% capacity utilization for the entire year, Rs.100 crores plus/minus we can achieve it that is what we can?
- Punit Makharia:** Yes, at least we can take these figures forward.
- Amit Kadam:** We were planning to do this Labsa project for maybe some detergent-based companies.
- Punit Makharia:** No, as of now we have dropped Labsa, because at that time it was there on our fold, but as of now we are not focusing anything on the Labsa and Labsa what we understand is that is a very high volume and the turnover industry but as far as the margins are concerned it is very low and honestly speaking if we start Labsa then our EBITDA margins will be down.
- Moderator:** Thank you. Ladies and Gentlemen, due to time constraints, that was the last question. I would now like to hand the floor back to Mr. Punit Makharia for the closing comments. Thank you and over to you sir.
- Punit Makharia:** Thank you, everyone for joining on the call. I hope we have been able to answer all your queries. To sum up, we have been introducing new products also with a few more in pipelines, and in coming future we will be updating our investors and trying to keep everyone informed about the functioning of the company and now our focus is to market and achieve the full potential of the segments while still building environment-compliant zero waste chemical company. For any further questions, please get in touch with our investor relations advisor, SGA. Thanks once again my friends.



*Shree Pushkar Chemicals & Fertilisers Limited  
May 30, 2016*

**Moderator:**

Thank you very much. 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.