

“Shree Pushkar Chemicals and Fertilisers Limited Q1 FY18 Earning Conference Call”

August 08, 2017

Moderator:

Ladies and gentlemen, good day and welcome to Shree Pushkar Chemicals and Fertilisers Limited Q1 FY18 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 participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. In case 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 - Managing Director, Shree Pushkar Chemicals and Fertilisers Limited. Thank you and over to you, sir.

Punit Makharia:

Good afternoon, ladies and gentlemen. A very warm welcome to the quarter ended Q1 FY18 earnings call of our company Shree Pushkar Chemicals and Fertilisers Limited. On the call, I am joined with Mr. Sengupta – our Associate Director; Mr. Ratan Jha – our CFO and SGA, our Investor Relations Advisor. Our results and presentations have been made available on the stock exchange and uploaded the same on our website also and I hope all you have had a chance to look at it. Gentlemen, let me take this opportunity to give you a brief overview about our Company's overall performance and its new developments, post which Mr. Sengupta will take you through our financial performance.

In the line with trend of our last few years, the first quarter generally has been muted but the business gathers momentum as the year progresses. Nonetheless, we are pleased with the growth we have been able to sustain in our Dyestuff segment. The Dyestuff segment continues to grow as we keep expanding our customer base. The Dyestuff has contributed to almost 20% of the revenue for Q1 FY18. Our additional capacity of 3000 metric tons of Dyestuff will be commissioned later this year. This will also drive growth in our business.

In the Dye Intermediates segment, our business saw an impact from muted demand and our volumes remained flat. We expect better performance from this segment in the coming quarters. However, our backward integration across our intermediates continues to offer a stable in terms of the input procurement and natural hedge for the price fluctuations. This has helped us in maintaining our margins even though we could not achieve high realizations. Our H-Acid plant which was commissioned in March this year and was under trial runs till Q1 2018. The commercial production for the same plant has begun for the first week of August 2017. We expect this to provide an additional boost to our volumes in our coming quarters.

Further, I am happy to state that we have begun test marketing our auxiliary textile chemical business and the response from our customers is good. In an industry where we generate higher level of waste like specialty chemicals we have been able to consistently recycle our waste to create diverse product offerings for our customers. We also continue to uphold our high standards of environmental and regulatory compliance. In Q1 FY18, the fertilizer division continued to perform steadily, contributing around 18% to sales. Fertilizer division saw an



overall growth of 35% compared with the same period last year. This was primarily driven by our newer product named SOP. The Acid division mainly supports our in-house acid requirement for our dyes and dyes intermediates division, only surplus acid is sold to the local market. This strategy keeps us hedged against any supply issues into the market. Our efforts to build a sizeable portfolio of value added products for our customers and grow our Dyestuff business are on track. We also hope to broaden our market reach through intensive marketing initiatives. We expect our foray into textile chemicals to cement to our position as a textile solutions provider.

Now, I would like to hand over the call to Mr. Sengupta to take you through the financial performance of the company. Mr. Sengupta?

S. N. Sengupta:

Thank you, Mr. Punit. Good afternoon everybody and thanks for joining on the call. Let me now take you through our results highlights.

The total revenue from operations grew by about 23.5% from 63.2 crores which was the first quarter of financial year 17 to now about 78 crores in Q1 FY18. Here, I would like to say that the revenues appear slightly depressed on account of the Indian accounting standards which have been made compulsory from this quarter. So obviously if at all we compare with the last year's figure, we will have roughly about 80 crores turnover which now because of the adjustment it is being reported at about 78 crores. In Q1 FY18, EBITDA grew by about 30.6% from 10.2 crores last year to 13.33 crores in this quarter while the margins were 17.1% against 16.1% last year. In Q1 FY18, total comprehensive income grew by about 16% at 7 crores from 6 crores Q1FY17. The total comprehensive income margin from Q1 2018 was 9% as against 9.6% in Q1 FY17.

As far as the segmental performance is concerned, Dyes accounted for around 20% of the total revenue in the first quarter in accordance with our vision for growth in this segment. Dye Intermediates which comprised of around 57.6% of revenues in Q1 FY18 saw flat volumes compared with the same period of last year. While in value term, the Dye Intermediate business degrew by 3%. Here I would like to clarify that a portion of our production of Dye Intermediates is being used captively for manufacture of dyes and as such our production of Intermediates has been more than Q1 FY17. & hence the overall position appears as whatever we have sold is what is being reported under Dye Intermediates head.

As far as the Acid complex, it forms about 2.4% of the revenue. It de-grew by 24% due to increase in the internal consumptions. As the productions have gone up, the captive consumption of sulphuric acid and its derivative acids have also gone up substantially. And the result, the saleable acid which was available has diminished a little bit from last year.

The Fertilizer segment contributed about 17.5% to sales and witnessed a volume growth of about 46% and revenue growth of about 30% in Q1 FY18. Lastly the Cattle Feed, which accounts for about 2% of our business grew by about 11.4% in volume and about 11.9% in value terms as compared to the current year.



With this, I will now open the floor for question and answer session. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Kushal Khandwala, an Individual Investor. Please go ahead.

Kushal Khandwala: Yes, to start with, my first question is what would be the current capacity utilization for Dyestuff? Let's say, you have roughly 250 MT of capacity per month, so at what percent would be the capacity utilization?

Punit Makharia: Kushal, as far as particularly Dye is concerned, we have already reached up to a level of 75% to 80% levels of the production. **Kushal Khandwala:** Okay. And what portion of the total capacity goes into captive consumption. Let us say you have roughly 8,000 metric tonnes, 7,500 to 8,000 metric tonnes of intermediates per annum. So how much would go for captive consumption?

Punit Makharia: See, in that regard if you see Kushal let us take this product wise, suppose we have to make 200 tonnes of Dyes which we are currently producing also, generally speaking because ultimately the consumption depends on the various kind of products we produce because there is a total basket of 52 products which was earlier 26 products in Dyestuff. So that depends on basically the products to products, but generally it has been seen from our experience in the past that approximately from the quantities we produce, majority of the quantity is from the blacks, you know the black dyes we produce. To produce 1 kg of black, you require approximately 50%, let us say around 500 grams of Vinyl Sulphone and around 250 grams of K-Acid. So if it is 200 tonnes of black, then it is around 100 tonnes of Vinyl Sulphone and around 50 tonnes of H-Acid. As far as colors it becomes, then it is yellow, then we take accordingly this K-Acid for that also. That keeps around depending on, it is order to order position.

Kushal Khandwala: I mean, that equation I understood, but what I am saying is out of the total utilization, how much have gone into captive consumption and how much have you sold outside in terms of value?

Punit Makharia: You mean to say that in Q1 how much we have sold in local market and how much quantity we have consumed, like that way?

Kushal Khandwala: Yes.

Punit Makharia: Kushal, it would be around 1,300 to 1,400 tonnes of the intermediates we have sold in the market and apart from that, around 300 to 350 tonnes of intermediates has been used into the captive for manufacturing of textile dyes.

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



Srinath Sridhar: Firstly, would like to say that on the margin front we have done well, but however on Q-on-Q basis the revenues have dipped .So where do we see this fall from?

Punit Makharia: Good evening, Mr. Sridhar. First of all let me tell you, generally in the trend of our business for the last few years if you see, first quarter is always muted and we generally always account this 20% of our total business in the Q1. If you think as a thumb rule it should be around 25% because in the full year if you have to do around this 425 crores of business in that any laymen will think yes in Q1 they should do at least this 25%, let us say around 100 crores. But generally in our business and in our industry, in the last few years, not only the last year, not only last to last year, at least last 5-6-7 years performance if you see, Q1 is always in a range of 20% plus minus 1% or 2%. And this business keeps on growing in Q2, Q3 and Q4 is the highest amount of business. Thus Q-on-Q will not be a correct picture. For that purpose, if you want to compare it, you please compare it on Y-on-Y basis. You compare Q1 FY17 to Q1 FY18 because we need to understand the trend of the business and if you just compare that Q1 FY17 and Q1 FY18, there is a growth of almost 25%

Srinath Sridhar: Definitely that is there.

Punit Makharia: Yes because we cannot compare on the last Q4 FY17, that is not a correct analysis.

Srinath Sridhar: And sir because of this, in Q2, will there be any pent-up demand because of this GST, was there any lack of sales from Textile Company?

Punit Makharia: First of all let me tell you this GST is a blessing to the business. Before implementation, the thoughts were not clear on how the GST is going to impact the business, but after going through the process of GST and doing business for last 40 days into GST, I personally believe GST is really a fuel and a game changer for the business. We are getting very positive issues just because of the GST into the business. And let me give you a small feel. In the last 40 days of Q2, we have already done 50 crores plus business.

Srinath Sridhar: That is wonderful.

Punit Makharia: So you can see where we are heading towards. And this one thing is very important that from last Q1 FY17 to Q1 FY18, company has grown almost 25% and if you go little bit before than that also in last 3-4 years also if you will go, continuously your company has been growing at a pace of 30% or so, this growth in terms of topline as well as in terms of the bottom-line.

Srinath Sridhar: Definitely sir. That is operational and no doubt about that.

Punit Makharia: I personally do not see any such kind of an issue into the company.

Srinath Sridhar: Even I do not see any issue into the company.



- Punit Makharia:** Rather if you see, in this year we have achieved a turnover of 80 crores, right and net it is 79.9 crores but because of IND AS implementation in this financial year, because of that it has reduced 2 crores more. But ultimately the business is of 80 crores. And I am quite sure and quite positive on this point that in this financial year we will be surely touching somewhere close to 410-425 crores.
- Srinath Sridhar:** Sir, this is only with your existing business, not the textile auxiliary part, right, without that?
- Punit Makharia:** The textile auxiliary part we are still working on. We are getting very positive results, but as far as informing to all the stakeholders is concerned, we are trying to be very conservative.
- Srinath Sridhar:** So without that you are saying 410 crores you can again do?
- Punit Makharia:** Mr. Sengupta, would like to add something on this point.
- S. N. Sengupta:** Well, what I would like to suggest is that Dye is a new product for us. Initially we have to seed the market, for the market to develop and then takeoff, it takes a little amount of time. Actually if at all you see that from the last quarter we have really started off with the real sale of dyes. Till then, we have been seeding, we have been giving samples, getting the samples approved, pilot runs and things like that have been going on. Now this steadily is going to go up. So now in the first quarter whatever we have seen, there has been a substantial increase from the last quarter and now our second additional 3,000 tonnes per annum capacity expansion that is also going to go into stream within the next about a month and a half or so. So then we have not 3,000 but we have about 6,000 tonnes capacity available with us, which now from the current 200 tonnes per month, it is slightly going to go up. So that is how the situation is. Now another factor which is there is that, our H-Acid plant though it was commissioned in the end of March but actually because of trial runs, the commercial production has started only in August. Now, once that comes in then your intermediates whatever is being drawn from our captive production that will be augmented by the 750 tonnes of H-Acid which we are going to manufacture. That also is going to add up and therefore the intermediates whatever has taken a little bit of depression in the first quarter may not be to that extent.
- Punit Makharia:** Mr. Sridhar, one thing I would like to add here is that, as Mr. Sengupta told you, that the H-Acid plants we started by March. That was just a trial run and now the commercial production in this August. So there is a question for myself. Not for anybody else, for myself, that why it took four months to stabilize the plants, where in the past we have never taken such a long time for the plant stabilization. Let me put it to you very transparently and clearly is that, in this new H-Acid plant we have modified many processes, we have modified many SOPs into the plant. We have installed such equipments which provide the ease of operation to the production facility. Since those technologies were newly implemented by us because of that few processes, those kind of a technologies, it took us little bit longer time, otherwise we could have started this commercial production almost two months before. And in long term that will



definitely provide this sustainable production and proper yield and quality and that will provide a good ease of operation to the company.

Srinath Sridhar: Okay. So better operational efficiency basically?

Punit Makharia: Yes.

Srinath Sridhar: And sir the last question will be like, we are actually pleased to see realizations for both Intermediates and Dyestuff close to about 3,20,000 per tonne, which is good and just wanted to know if this will result in sustainable EBITDA margins to this level?

Punit Makharia: Regarding this I will tell you one thing that as of now the pricing in the Intermediates market has bottomed out. I would rather add one more thing, that, there is no room, I will calculate even in terms of percentage also, I would say that there is no room for the prices to go down further. Now if the prices change, this will be only changing towards increasing and you will see, if you analyze it, in this date even in the bottom out pricing, Company is able to perform better in comparison with the last year.

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

Pragya Vishwakarma: I have two questions on Fertilizer side, what was our capacity utilization for SOP?

Punit Makharia: It is around 33% Pragya in terms of the SOP only. But if you are asking in terms of the total vertical of the fertilizers, it is around 41% utilization.

Pragya Vishwakarma: And for NPK, it will be in the similar range, like SOP?

Punit Makharia: Yes, will be in a similar range.

Pragya Vishwakarma: So just wanted to understand any particular reason for low level of utilization in first quarter of 2018 and as the year goes by, does this improve or at what percentage would we close it?

Punit Makharia: Generally if you see Pragya over the last few yearsthat have been into the fertilizer business, the utilization levels are always in a range of 50%-60%. It has never crossed more than 55%-60% production levels because these depend on many other factors and nowadays there are more compliances put on the fertilizer business like DBT, POS machine and many more things and also because of the GST, earlier it was 18%, then we made certain representation to the ministry, then they were kind enough to look into the request and further GST on the fertilizer was reduced from 18% to 5%. So now due to all these hiccups it took little bit more of time to penetrate into the market, but now we believe that we are again back on track. We are quite hopeful that somewhere we will be achieving the production level of around 50%-60%.



- Pragya Vishwakarma:** So just to take it further, is it by default that the plant runs at only these utilization 55-60 and it doesn't go beyond that?
- Punit Makharia:** You are correct
- S. N. Sengupta:** Let me give you one more view of this that is, if at all you see the first quarter starts from April up to June. Now normally if at all you see the last two years, the monsoons have been playing havoc. And therefore the fertilizer sale per se was not very good. Now in this year, the monsoons have been good. Now, what will happen is that the takeoff will start from June onwards. Earlier normally what happened is that, you have a preparatory part, it starts from May. But because of the last two years whatever the problems we had with monsoon this year there has been a slight delay on that part and therefore you will see that this takes off. Now once it takes off from the second quarter, you have the Kharif crop and then immediately in the winter you have the Rabi crop, so that goes on continuing. The first quarter is always low and then it goes on building up. It is basically because it requires monsoon to come at the right time with the right pace. That is very important .Am I clear?
- Pragya Vishwakarma:** Yes. Just the last part of my question, like how much is the maximum turnover we can do from SOP and NPK plant?
- Punit Makharia:** SOP, see as far as the first plant is concerned, we can achieve almost 25 crores from the SOP plant, as far as the only first furnace is concerned.
- Pragya Vishwakarma:** That is the capacity of 10,000, right?
- Punit Makharia:** Against the capacity of 10,000 tonnes. And as far as our second furnace is concerned, you know that expansion is also under process. Civil has been totally completed and by the end of August, shipments will be made from the turnkey plant supplier and we believe that by the end of Q3, this plant should be commissioned. So that business will further add on to the company.
- Pragya Vishwakarma:** I am sorry I missed in the maximum revenue we can achieve from NPK plant?
- Punit Makharia:** You are talking about SOP or NPK?
- Pragya Vishwakarma:** NPK. SOP you said you can do around 25 crores at 10,000 tonnes, so like if you can similarly state for NPK?
- Punit Makharia:** NPK generally we have been seeing that, almost you know 12,000 tonnes of business we have been generating in the past. Keeping the same kind of volumes if we have, then it should be around 15 crores business.
- Moderator:** Thank you. We have the next question from the line of Jinal Fofalia from AlphAccurate Advisors. Please go ahead.



- Jinal Fofalia:** Sir, is it possible to get the market share and the market size and the industry that you operate, like while the Dyestuffs solve the segment. Is it possible to get those numbers?
- Punit Makharia:** Jinal, Dyestuff market is very huge and as of now we are producing hardly 3,000 tonnes whereas we will be migrating to 6,000 tonnes. In any case, if we migrate to 6,000 tonnes, still our share is not very large. So there is still a huge scope for the company like backward, forward integrated company like us to go us in future. So as of now, 3000 existing production is not a sizeable business, very honestly speaking. There is a huge scope for this.
- Jinal Fofalia:** So what is your industry size about this?
- Punit Makharia:** Industry size is approximately 1 lakh tonne a year, inclusive of domestic as well as export business.
- Jinal Fofalia:** And sir what is our export business out of this?
- Punit Makharia:** Our Company's business?
- Jinal Fofalia:** Yes.
- Punit Makharia:** It is 10% of our total business.
- Jinal Fofalia:** 10% of our total business, that is including all the segments or only Dyes.
- Punit Makharia:** Including all the segments and this 10% totally comes from the Dyestuffs only.
- Jinal Fofalia:** Okay. And sir my second question is, could you guide us on EBITDA margins going forward or, I mean should we assume the same margin or it is going to increase going forward?
- Punit Makharia:** Let me reply the earlier question in a more detailed manner. As I said that this total 10% of the business we have in exports and that too also comes totally from the Dyestuff. So approximately 50% of our dyes has been exported and whatever the turnover of this export sales have been achieved it is totally from Dyes. So total out of 200 tonnes of Dyes we have sold almost 100 tonnes of dyes into the international market. Okay, now what was your next question, sorry?
- Jinal Fofalia:** Any guidance on EBITDA margins?
- Punit Makharia:** EBITDA margins have been continuously increasing, Mr. Jinal. If you see in Q1 last year, that was around 16% and in this financial year Q1 FY18 it is 17 %.
- Jinal Fofalia:** So can we expect the same margins going forward or it will increase from here as well?
- Punit Makharia:** Jinal, if you look at the previous trend, it has been continuously growing for the last 5 years. So same kind of trend will be maintained and since I just mentioned that the existing prices are



the rock bottom out pricing, we expect prices to improve also in Q2 and Q3, so obviously EBITDA margins will also go higher.

Moderator: Thank you. We have the next question from the line of Shashank Kanodia from ICICI Securities, please go ahead.

Shashank Kanodia: Sir Can you help us with the average price for H-Acid and Vinyl Sulphone for this quarter?

Punit Makharia: See, if you are asking individually, H-Acid and Vinyl Sulphone. On an average, we have achieved sales price of around Rs. 365 which includes all intermediates produced by us. As far as H-Acid as of now is concerned, it is in the range of around Rs. 325- Rs. 345. As far as Vinyl Sulphone is concerned, it is in the range of Rs. 225 to Rs. 250 or so.

Shashank Kanodia: Okay. So sir what was the average variation in the last year the same quarter?

S. N. Sengupta: Mr. Kanodia, as of now we are not having that particular data with us, but let me tell you based upon my past experience and since I have been involved into the business activity day-yo-day, it was much higher than the present levels.

Shashank Kanodia: So sir now going forward, this prices should firm up, right, that is what your commentary is?

S. N. Sengupta: 100%.

Shashank Kanodia: Sir any color on the position in China, so what about Hubei Chuyuan, any other capacity we shutting down or anything else?

Punit Makharia: Let me very clearly tell you one thing that the capacity that got created is created, it is not going to go away, right? So if Hubei Chuyuan is already there into the business, he will be there into the business, he cannot go out. And I was in China just last week only. I returned yesterday morning. I visited couple of plants there, I met lot of people there. In China one more thing has also happened that the Central Government of China has appointed an audit committee and it is called as this CPA. Some Chinese pollution audit committee, something like that. Now what they are doing is that, they are doing an audit of each and every province and each and every plant of the province, which is putting the Chinese into deep issues. So before that few illegal plants of China was in the business, now slowly and gradually we are looking at the impact of the same. That is why I am saying is that, now there is no room for the prices to go down. We can only see the upward pricing now. **Shashank Kanodia:** And sir did we witness any slowdown in your textile segment because per se textile place have reported intermittent numbers and even the guidance is quite subdued. So any slowdown in the domestic textile sector?

Punit Makharia: Sir, as far as my limited knowledge and limited concern is that, earlier whatever the domestic players were buying of the Dyestuffs, they were not taking that excise portion into their MODVAT policy. Suppose the product is Rs. 100, then there was an excise of 12.5%, then the



total cost lands around Rs. 112.50. They were taking the cost of Rs. 112.50 into their costing. Now what has happened is that, 12.5% has gone from it and 18% fell on Rs. 100. So their costing has gone down from 112.15 to Rs. 100. Some portion of this reduction into their costing has been also shared with the Dye supply. So in long term if you see, I see a positive trend into the dye sales into the domestic market also and a better price realization also.

- Shashank Kanodia:** And sir lastly, so when can we expect the commissioning of phase II of Dyestuff?
- Punit Makharia:** Sir hopefully, the result will start coming from Q3. Plant is almost complete. Very honestly, I do not want to commit myself, but I can give you a projection, that somewhere in Q3, we should be able to give results of that expanded capacity also.
- Shashank Kanodia:** Okay. And sir lastly your presentation mentions we are setting up a plant for auxiliary textile chemicals, right? So what will be the CAPEX amount for that and what will be the quantum of seeds that we can realize and any plans from the plants you can share?
- Punit Makharia:** Mr. Kanodia as of now we are doing a trading business and just gaining experiencing into the textile chemicals business. Building is completely ready. Investment as far as the CAPEX is concerned, it is not very large into the textile chemicals. It is hardly within just 5 crores capex. So that means there is not going to be much. But as of now we are doing some kind of a job manufacturing and trading in terms of textile chemicals, trying to establish ourselves, trying to gain some more experiences.
- Moderator:** Thank you. We have the next question from the line of Arun Subrahmanyam from Ampersand Capital. Please go ahead.
- Arun Subrahmanyam:** Sir, for the ongoing litigation, how much contingent liability have you provided and what are the litigation expenses you are incurring now?
- Punit Makharia:** Arunji, which litigation you are talking about?
- Arun Subrahmanyam:** With the Huntsman issue.
- Punit Makharia:** What do you want to ask?
- Arun Subrahmanyam:** How much is the contingent liability in that and litigation...
- Punit Makharia:** Why should I provide contingent liability, first of all you make me understand why should I provide that?
- Arun Subrahmanyam:** Sir normally in such type of disputes, then there will be some contingent liability.
- Punit Makharia:** Sir Do you know what dispute is that?
- Arun Subrahmanyam:** No, if you can just explain us.



- Punit Makharia:** Sir I have already told you that this matter is not good enough to discuss in this platform, right? You are always welcome to my office where we can discuss one-to-one. This matter is subjudice and let me convey one thing very clearly to everyone, all the stakeholders, that first thing is this is not a disputed liability, right? If I have provided supply of products and you are denying giving my money and accept liability, so will you say this as a disputed liability? Disputed liability happens when the material has not been supplied, when there is any problem into the quality, when there is inferior into the quality, when there is a rejection into that, when there is any counter claims because of this material supplied to them. Then this is a disputed liability. Is this a disputed liability? No. So why I should provide a contingent liability? As far as the legal litigation is concerned, anything more about you want to know from me in this matter, you are always welcome to my office.
- Arun Subrahmanyam:** Actually sir, we were a little apprehensive because of the high profile lawyers who have been appointed.
- Punit Makharia:** Sir, I cannot do anything about your apprehension in this. Rest, let me tell you one thing very clearly, high profile lawyers have been appointed from their side or from my side?
- Arun Subrahmanyam:** Both sides.
- Punit Makharia:** How do you know whose lawyer is high profile, do you know anyone out of our company insider.
- Arun Subrahmanyam:** Sir, as you say that we can discuss this one on one...
- Punit Makharia:** Now that you have started, we will discuss in the platform itself, please carry on.
- Arun Subrahmanyam:** There are a lot of names floating around, so that is why I just thought I should clarify.
- Punit Makharia:** Arunji, sir, please tell me, what is that thing which I do not know and you know about it, let me understand a little bit. Sir kindly explain.
- Arun Subrahmanyam:** We have heard of names like Mr. Chidambaram and all that. That is why I was just asking.
- Punit Makharia:** Sir, let us not go in that part. If you want to know anything about this from me, you are always welcome to my office, but let me assure you very well and very clearly and very transparently, right? See, whatever the matter is going on, company is 110% or rather whatever that multiple percentage you can put it up. Paisa will not go anywhere. We have filed a damage of 250 crores on Huntsman, we have filed a winding up petition under insolvency and bankruptcy act, notice has been issued to Huntsman. We have filed a criminal case. FIR has been registered against Huntsman with 17 people of Huntsman, right? Anyway let us not discuss much about this Mr. Arun, you can always come down to my office and get to know the more details and go through the scrutiny papers also.

- Moderator:** Thank you. We have the next question from the line of Kavita Thomas from First Global. Please go ahead.
- Kavita Thomas:** Sir I had my questions related to our Dye Intermediate, sir could you just help me understand, since the prices are quite stable from a sequential perspective. So how is its value growth negative 3% and volume growth flattish is it because of captive consumption or could you just help me understand that sir?
- Punit Makharia:** It is basically out of the captive consumption Kavita. If you look at Q1 FY17 in that particular quarter, we have sold only 103 tonnes of Dyestuff, whereas in this Q1 FY18 it is above 500 tonnes of Dyestuff and most of the intermediates used in Dyestuff business has been produced in our own plant and that is why you see this kind of a dip.
- Kavita Thomas:** And sir this realization price fall of 3%, is it because the prices were higher in Q1 FY17?
- Punit Makharia:** Yes, Kavita.
- Kavita Thomas:** Okay. And sir why are the tax rate quite high in this quarter, 39%?
- S. N. Sengupta:** That includes the deferred tax.
- Punit Makharia:** Kavita, our CFO says that this includes the deferred tax component also.
- Kavita Thomas:** Sir that is just around 8 million, around 4 crores was the normal tax only, right, because the whole of last year our effective tax rate was around 34%, while in this first quarter itself including the deferred tax is around 39%. Is it because of GST that is what I just wanted to understand?
- S. N. Sengupta:** No, it is not including the GST. It is including the deferred tax component.
- Kavita Thomas:** What is the tax rate you would expect for the entire year?
- Punit Makharia:** Kavita, basically there is no impact of GST on the taxes. Basically this was provided by our statutory auditor and then too also if this answer is not satisfied, we will still take the input from our statutory auditor and then come back to you.
- Kavita Thomas:** Okay. And sir just lastly because of you know, obviously this new GST being implemented, was there an impact by any chance of around 10 days or 15 days of sales getting impacted because of this?
- Punit Makharia:** By the last 10 days of June, we saw that most of our customers stopped all the supplies from us.
- Kavita Thomas:** Sir what could have been the impact?



Punit Makharia: Honestly, if you ask me in a practical manner, in June end, there has very much been an impact in almost 7-10 days sales because the customers were not ready to take the goods because in that case, since they need to file transfer forms; because of that dispatches were quite slow by the end of June.

Kavita Thomas: Sir could you just quantify roughly how much it will be, that obviously will add on to our 80 crores of revenues which was anyways impacted?

Punit Makharia: Kavita, I don't want to do that exercise because that exact figure is not with me. So giving any kind of a figure will be wrong on my part. Net-net according to your assessment in the last one week's sale how much it is.

Kavita Thomas: I will do that only.

Moderator: Thank you. We have the next question from the line of Uttam Srimal from Fortune Financial. Please go ahead.

Uttam Srimal: Sir my basic question is what would be the biggest catalyst for your business going forward?

Punit Makharia: Biggest catalyst for us in our company is that to become ourselves a completely textile solution provider company which includes the product of a higher standard of quality and all kinds of technical support to the customer. We have recently signed a bluesign partnership agreement also; having a bluesign partnership quantifies and certifies you that, your company is perfectly number one in terms of the quality and we are maintaining all the SOPs and all the high standard EHS models. So that is our whole concern to slowly and gradually increase our market share into the textile solution segment which includes Dyestuffs as well as textile chemicals also. And one more thing, here the producing of the Dyes and Chemicals is not the only part. Maintaining the completely integrated business model with having the high standard of EHS formulative is also equally important. **Uttam Srimal:** Second question sir, you said that, right now you are getting 10% of a turnover from export?

Punit Makharia: Only in the Dyes business.

Uttam Srimal: Okay. So can you just elaborate on export margin, whether it is higher than domestic or lesser than domestic?

Punit Makharia: Every time it is not the same story Mr. Uttam. It depends on the product to product and the customer to customer and the pocket where we are penetrating. So it will be difficult to give any kind of statement into that. We need to understand, we need to penetrate everywhere, we need to grab the market share everywhere, sometimes we make some lesser amount of money, sometimes we make good amount of money, but to give me any such kind of a statement to you will not be a correct picture.

Uttam Srimal: So sir there is any plans to have increased export business in future?



Punit Makharia: Definitely because as and when we are going for increasing of Dyestuff production from 3,000 to 6,000 tonnes, obviously we are increasing continuously our thrust for the export markets.

Uttam Srimal: What would be the composition in future, export and domestic?

Punit Makharia: Majorly, we will be trying to focus on exports, Uttam.

Uttam Srimal: Sir, any composition percentage wise, 20-30-40 in future coming years?

Punit Makharia: Sir, at least especially the Dyestuff is concerned, it will be above 60%.

Uttam Srimal: And in your presentation you have mentioned your client profile, so this Atul Limited, Vinati Organic and Meghmani Dyes which are also in chemicals. So I just want to know what they buy from you basically?

Punit Makharia: Dyes Intermediates. Atul buys Dyes Intermediates, Meghmani buys Dyes Intermediates, Vinati buys Acids from us. See, basically we are a completely integrated production facility Mr. Uttam. We produce acids, intermediates, dyes and all kinds of products we produce.

Moderator: Thank you. We have the next question from the line of Abhishek G from Vision Capital. Please go ahead.

Abhishek G: I just want you to elaborate on previously explanation which you had given. You spoke that you recently visit China and those people are implementing something called as pollution control board or something where they go and visit each and every facility and then they on each observation basis they just put the further restrictions or they are just doing the audit for the sake of it and again they are letting go the Chinese companies the way they were running and polluting the environment?

Punit Makharia: See, Mr. Abhishek, basically we need to understand the concept broadly. If you go little bit in the concept, what I have understood I can share my thought processes with you and this could be different from person to person. But if you look at China 2 years back, 3 years back, it is not the same China as of now. Chinese thought process is slowly and gradually completely changing. I mean they were all into the commodity products and all kind of this noncompliance was acceptable. In 2015 or 2016 what I have been noticing very closely is that, Chinese government and Chinese authorities are slowly and gradually becoming very stringent and very strict and adamant as far as the environment and safety rules are concerned. Because of that, slowly and gradually they are auditing, they are checking and putting up various strict norms and rules for the discharge of the liquid as well as solid effluents. These companies in China have got a huge production facility but at the bottom-line if you see, the system and the facility for handling their discharges, solid and liquid both are not sufficient. I have visited many plants in China. I have seen that the kind of facilities for the treatment they should have for the size of their plants is not adequate in terms of what they are have. Nowadays since the government has started releasing all kind of orders, and the way the Chinese government is



going even on their NPAs of their banks also, the kind of rules they have put up for recovering NPAs of their banks, the kind of stringent rule they have put up and strict rules they have put up even for defaulters in terms of the environment also, they are extremely strict. Looking and going through all these things, though our Company may have a huge potential capacity, but they are not able to achieve that much levels of production.

Abhishek G: So actually you see the trends continuing, right? Like from past 2-3 years India is getting a substantial business whereas China was getting because of all this pollution reason and also the way the hikes over there. So you are being a trend to continue.

Punit Makharia: Yes and you know what further I am looking forward to slowly and gradually this lower share of the China will be slowly and gradually taken over by the countries where complaint companies are situated.

Abhishek G: And you believe that all company stand to benefit from this and because even I want to throw some light on this particular thing and with respect to even some companies in Gujarat I heard that they also pay some fines since the pollution control board has put some restrictions on them in India as well. So these kind of trend is also slowly and gradually catching up in India as well?

Punit Makharia: 100%. Nowadays even in Gujarat also what the system is there, the moment you are caught and the moment you have issued a show cause notice, right from the disconnection of electricity and power and believe me, your production is suspended for the next 45-60 days at least. And even your bank guarantees involved, you will not be permitted to restart the production less than 40 days. See, government is basically discouraging all kind of noncompliance. That is a very positive attitude for the companies like us which is a completely zero waste. And one more thing, Abhishek, benefit of these things will not be visible in very short time. But in the long term if you are into the business, definitely you can have visible benefits. What I personally believe is that, that any wrong decision taken by you in your company, any accident in your company can keep you out of the business, if that is a mantra, that is a policy if you have in your mind and you do the business in a compliant manner at the most possible compliant manner, at least you can run 365 days in a year. If you are a noncompliant company, you might run lesser than these days in a year and that definitely impacts on the financial performance and the productivity of your Company.

Abhishek G: Okay, got it. So you are saying that, whatever the capacity expansion we are doing right now, I think the future obviously those will be zero solid and liquid discharge, but they will not give away the wastage, right, like the zero percent effluent do that, yes?

Punit Makharia: Yes.

Abhishek G: Actually Vinati, if you see they are into Specialty chemicals and they have knack producing very niche and very specialty kind of chemicals, so..?



- Punit Makharia:** Abhishek, our business vertical and Vinati's business vertical is entirely different, right? Vinati is our customer for one of the product what we produce in our company that is called as Sulphuric acid. Vinati is not our customer for the Dyes Intermediates and other things, so they are one of our customers for the Acid business and their vertical and our business vertical is entirely different.
- Abhishek G:** Okay. So we are not trying to foray into specialty chemical business where you know the return ratios can be greater than whatever we are achieving right now?
- Punit Makharia:** Abhishek, you know specialty chemicals is basically a generic name. There is no product called as specialty chemicals. It is a generic definition which each and every industry, each and every vertical has separate products. For you there could be some specialty chemical product, for Vinati there could be some other specialty chemical products. As I mentioned earlier that our both business and verticals are totally different.
- Moderator:** Thank you. We have the next question from the line of Anshuman Mohta from Nagarmal Saraf Securities. Please go ahead.
- Ashuman Mohta:** I wanted to ask that after this expansion of Dyestuff after H1, what would be the percentage of revenues from Dyestuff and what would be the percentage from the intermediate part?
- Punit Makharia:** See, as of now if we complete the expansion of second phase of Dyestuff, then it will be 6000 tonnes, you take a general average utilization of 75%-80% of the production level. In that scenario, if you say then we should be able to produce close to 4,500 to 5,000 tonnes of Dyestuff in a year. And you multiply it around Rs. 300 per kg on an average, this is an approximate idea I am giving it to you, so for the Dyestuff business we should be able to have almost 150-175 crores of business. So in case if you are saying that, in this financial year we will be touching, we will be crossing 410-425, whereas in this performance year also we are not getting full year production of the expanded capacity of dyes, right?
- Ashuman Mohta:** Yes, correct.
- Punit Makharia:** So accordingly you do your maths.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints that was the last question. I now hand the conference over to Mr. Punit Makharia for closing comments. Thank you and over to you sir.
- Punit Makharia:** Thank you all for joining on the call. I hope we have been able to answer all of your queries. For any further queries, please get in touch with our Investor Relation Advisor, SGA. Thank you once again. In case if any other further query is there, you can also get in touch with Mr. Sengupta and that particular query of that Huntsman related matter which we are not able to answer here, we are very open and very free to discuss that also on a one-to-one basis. Thank you very much.



Moderator:

Thank you very much. Ladies and gentlemen, on behalf of Shree Pushkar Chemicals and Fertilisers Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.