

**“Shree Pushkar Chemicals & Fertilisers Limited Q4  
FY17 Earnings Conference Call”**

**May 19, 2017**

**Moderator:**

Ladies and gentlemen, good day and welcome to Shree Pushkar Chemicals & Fertilisers Limited Q4 FY17 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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 date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. I now hand the conference over to Mr. Punit Makharia. Thank you and over to you, sir.

**Punit Makharia:**

Good afternoon, ladies and gentlemen. Very warm welcome to the quarter-ended Q4 FY17 Earnings Call of our company, Shree Pushkar Chemicals and Fertilisers Limited. On the call, I am joined with Mr. Sengupta – our Associate Director and Mr. Ratan Jha – our Chief Financial Officer and SGA, which is our investor relation advisor. Our Results and Presentation have been made available on the stock exchange and the same has also been uploaded on our website and I hope all you have got a chance to look at it.

Friends, let me take an opportunity to give you a brief overview of our company's overall performance and then new developments, post which, Mr. Sengupta will take you through our financial performance. We are pleased with the growth we have achieved in our dyestuff segment over the year. We have broadened our market reach quarter-on-quarter and this is visible from revenue contributions from the dyestuff business. The dyestuff segment continues to grow at a rapid pace. As we keep expanding our customer base, dyestuff has contributed to about 13% of our revenue for the financial year 2017, with the even higher contribution of around 19% in quarter 4 on a standalone basis. In dyes and dyestuff chemical segment, we have achieved very steady volume and value growth. Stabilized prices and operational efficiencies have been our keen growth drivers.

Our backward integration across our intermediates offers stability in terms of input procurement with a natural hedge for the price fluctuations. We have implemented and improved our zero-waste ideology over the past few years and we have continued to recycle our waste to create products in other segments also. This has enabled us to build effective business model overtime, contributed by expansion and improvements in our product mix while remaining cost efficient and compliant with environmental regulations at the same time. In an industry like speciality chemicals, which generates high level of waste, companies like Shree Pushkar Chemicals which have a compliant status stands at a very advantageous position. Such companies stand to gain from China's gradually declining share in the global colouring industry.

In financial year 2017, the fertilizer division continued to perform steadily, contributing around 19% of the sales. The acids division which is mainly as a support to our in-house acid requirement for our dyes and dyestuff business as well as the fertilizer business, only the surplus acid is sold to the local market. This strategy keeps us hedging against the supply issues in the market. Friends, we will continue our efforts towards becoming preferred dyestuff supplier in the market. The aim is to build a sizeable portfolio of value added products for our customers. We are hoping to broaden our market reach through intensive marketing initiatives; this combined with our foray into textile chemicals very soon will position us as a complete textile solution provider company. Lastly, I am pleased to state that our board has recommended a final dividend of 15% that is Rs. 1.50 per share for the year ended 31<sup>st</sup> of March 2017.

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

**S. N. Sengupta:**

Thank you, Mr. Punit. Good afternoon ladies and gentlemen. Let me take you through our results highlights. The total revenue from operations grew by roughly about 17.4% from 79.3 crores in Q4FY16 to 93.1 crores in the Q4FY17. Revenue for financial year 2017 grew by about 25.4% and we have achieved net sales of Rs.315.1 crores which was about Rs.251.2 crores last year. This was mainly due to consistent improvement in the product mix with increased contribution from the dyestuff segment. In Q4FY17, EBITDA grew by about 51.1% to Rs. 14.77 crores which was earlier 9.8 crores in Q4 FY 2016, while the EBIDTA margins were about 15.96 % against 12.6% in Q4 FY16. The EBITDA in FY17 grew by 56% to Rs.54.5 Crs from Rs.34.9 Crs in FY16. The EBITDA margin has been 17.4% against 14.03 % last year.

In Q4, PAT grew by about 43.3% to Rs. 8.2 crores which was earlier about Rs.5.7 crores last year. The PAT margin for the Qrt was 8.8% as against 7.4% last year. In financial year 2017, PAT grew by 36.8 to Rs.30.5 crores in FY17 from Rs.22.3 crores in the FY16. The PAT margin for FY17 was 9.7% against 8.9% for FY 16.

As regards segmental performance, dyes accounted for around 13% of the total revenue in FY2017 in accordance with our vision for growth in this segment. Dye intermediates which comprises of around 63% of our revenue, saw a volume growth of about 21% from last year. While in value terms, the dye intermediates business grew by about 15%. Acid complex forming about 3% of revenue had a de-growth by 37% due to incremental internal consumptions.

The fertilizer segment contributed about 19% to the sales and witnessed a volume growth of about 8% and revenue growth of about 18%. Lastly, the cattle feed which accounts for about 2% of our business degrew by about 2.6% in volume and 2.9% in value terms for financial year 2017. The total CAPEX incurred by us in financial year 2015 was about Rs.44.44 crores and our CAPEX for financial year 2018 that is projected will be roughly around Rs.15 crores.

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

- Moderator:** Thank you very much. Ladies and gentlemen, we will now begin with the question and answer session. We take the first question from the line of Srinath Sridhar from ICICI Securities. Please go ahead.
- Srinath Sridhar:** First would be on the dyestuff segment, what would be our sales for the year in metric tons?
- Punit Makharia:** In terms of FY16-17, Mr. Sridhar?
- Srinath Sridhar:** Yes, that is right.
- Punit Makharia:** We have sold almost 1,400 tons of dyestuff in comparison with our capacity of 3,000 tons. So, if you see that we have not performed even a 50%.
- Spinach Sridhar:** And sir, when will the new capacity be in line?
- Punit Makharia:** Mr. Sridhar, new capacity is under implementation and I understand that we should be completing by Q1 2017-2018. In fact, if you see we had actually started the marketing of dyestuff only in H2 of 2016-2017.
- Srinath Sridhar:** Sir, you said Q1 2018-2019 is it?
- Punit Makharia:** See, new capacities will be started in Q1 2017-2018. Now, I am taking you to a little before that. Our existing capacity of dyestuff of 3,000 tons we have started last year, we practically started marketing of dyestuff, post September 2016. So, if you will see this 1,400 tons of production what we have manufactured and sold in the last year, practically that was started after 6 months.
- Srinath Sridhar:** And sir, next year going forward what utilization rates are we expecting in dyestuff?
- Punit Makharia:** Obviously, we have already achieved till now a capacity utilisation of 80% on a month to month basis in dyestuffs.
- Srinath Sridhar:** So, this run rate should carry on right, next year?
- Punit Makharia:** Yes it should carry on.
- Srinath Sridhar:** And sir, what are the current realizations in dyestuff?
- Punit Makharia:** Basically, this depends on product to product, but as a ballpark figure you can take around Rs. 300 to Rs. 350 per kg basis.
- Srinath Sridhar:** And Vinyl Sulphone and H-Acid for this quarter, Q4?

**Punit Makharia:** In the last quarter we have, it should be average Vinyl Sulphone around Rs. 275 approximately similarly H-Acid also close to 400 some odd amount.

**Srinath Sridhar:** I thought this number it comes down like, is this will be average?

**Punit Makharia:** No, this is practically stable pricing Mr. Sridhar and we should look upon the future on the stable prices only, this is my personal belief because this kind of stability will give this business a long term standing in the market.

**Srinath Sridhar:** As per your view, this is going to be stable for the next one or two years?

**Punit Makharia:** No, this is not my view, this is my thought process it should be stable. But I also know that this will not be stable, this will still further go up now. My wish is that it should be stable to provide stability into the business.

**Srinath Sridhar:** Sir, we can comfortably achieve dye intermediate sales turnover of close to 188 crores to 200 crores going forward?

**Punit Makharia:** Yes, I think it should be, yes.

**Srinath Sridhar:** And sir, the other thing was why have loans and advances gone up considerably given that the CAPEX is not going to come up immediately, right?

**Punit Makharia:** These are the few new advances for the capital goods what we have given for the 2 CAPEXES a) for this additional capacity of creating of dyestuffs. b) additional capacity of SOP

**Srinath Sridhar:** Sir, that is 5 crores right?

**Punit Makharia:** See, total investment is around 15 crores in 2 more expansions which the company has already undertaken a) that is expansion of the dyestuff, b) that is expansion of the SOP plant.

**Srinath Sridhar:** So, 5 crores for dyestuff and the remaining for SOP right?

**Punit Makharia:** Yes.

**Srinath Sridhar:** And sir, any view on GST, how is GST going to affect us? What was the existing tax rate that you all are paying and what is going to be the rate going forward?

**Punit Makharia:** See, existing tax rates as of now is 12.5% excise and then it is 6% VAT or the 2% CST. I believe the new tax rates have not been published up till now. But we believe that it should be around in the same range or 1% or 2% higher. Secondly regarding the implementation of GST, we believe that it will be good for the industry then in that situation will be able to compete much better in terms of the interstate sales. Apart from that, if you look at it from a different view point, we are selling dyestuffs in the local market whereas for the textile companies which is the consumer for dyestuffs, in domestic market, for them excise which we charge is

not creditable to them. So, probably after implementation of GST, net impact will give a very positive outlook on this business.

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

**Pragya Vishwakarma:** I think my line has some problem when you are explaining about GST impact, if you can please repeat on that?

**Punit Makharia:** Pragya, my input on this subject was like that specially for our dyestuff business, the textile consumers are our customers. For textile consumers, excise is not Modvatable to them. So it basically adds to their cost and once the GST becomes applicable, in that situation hopefully the entire GST will be creditable to them. So as of now, the excise component of 12.5% which is adding to the cost of textile companies, you got my point?

**Pragya Vishwakarma:** Yes.

**Punit Makharia:** That amount will be fully creditable. Like this many more issues for selling our products interstate, for buying our raw materials interstate will be more competitive.

**Pragya Vishwakarma:** I was talking about your gross profit margin, so in the second quarter we were around 35% then ...

**S. N. Sengupta:** Are you talking about raw materials to sales?

**Pragya Vishwakarma:** Yes, I am talking about that, yes.

**S. N. Sengupta:** We do not have exactly breakup of each of these but then I will tell you. This year, the overall raw material cost has been roughly about 68%, 67.8% to be very precise. Now the raw material for other products, if at all you consider in terms of Di-Calcium Phosphate that is DCP or acid, the raw material costs are low whereas that is supplemented by the fertilizer where the raw material costs are a little high. Now, overall what we can say for dye intermediates, it will be roughly about say 60% to 65% as an average. It again depends upon the price fluctuations. Now if at all the prices of H-Acid or VS shot up as it did earlier, if that goes up then there is no question of having a direct relation. But normally we could say that roughly about 60% should be the raw material cost.

**Punit Makharia:** Pragya, if you look at the overall position, let me give you a very broad picture on this topic what you have raised and this is a very good subject what you have taken up. If you see that this pricing of the intermediates have been falling from the Q1 to Q4 in the last year, right and in that situation now the pricing have come to a very stable mode and here we are looking not at this volatile market, not at this volatile pricing, we are basically looking for a long term stable business pricing. In that situation, if you will see in comparison with the last year, company's raw material pricing has reduced by 3 and some odd percentage. Overall, the

volume utilization has been better. Definitely, the pricing of the finished products has gone down in comparison in all the different quarters starting from Q1 to Q4.

**Pragya Vishwakarma:** And how are the prices right now for Vinyl Sulphone and H-Acid?

**Punit Makharia:** As of now if you will take the Vinyl Sulphone pricing is somewhere around Rs. 275 and H-Acid ...

**Pragya Vishwakarma:** To the last caller you were saying that Vinyl Sulphone is around 275 and H-Acid is 400. So, what was the average price in the last quarter if you can give the numbers?

**Punit Makharia:** That we are not carrying Pragya precise data but definitely we can give the submission from our side, will note down your point Pragya, definitely will give you all the pricing trend in Q1, Q2, Q3 as well as Q4 also.

**Pragya Vishwakarma:** My last question is on the textile chemicals, the new venture for us. So in the last 2 concalls we have been talking a little bit about it. So, is this the right time you can talk more, you can give some light and some sense about our current work in that particular segment?

**Punit Makharia:** In textile chemicals?

**Pragya Vishwakarma:** Yes, textile chemicals.

**Punit Makharia:** See basically if you see textile chemicals; first of all let me tell you I have nothing much and more to tell you than what I have told last time, right. As of now, the entire process is ongoing. As regards the implementation of textile chemicals, I can only tell you that this is the thought process, what vision the company has with regard to the textile chemical business. What kind of vision we have Pragya is that basically to become a complete textile solutions company which is a completely backward, forward fully integrated segment. Now textile chemicals as well as dyes, they both have the application to the same kind of a business that is this textile industry. In the Textile industry, whosoever buys the textile dyestuffs they are also the customers for the textile chemicals. So, basically we want to convert ourselves to a complete textile solutions company. There is something much more excitement also going for textile chemical business which at this point of time we will not like to disclose much at this stage because right now we are working on that and certain things are on the drawing board. Probably somewhere at the time of our Q1 earning call, I will be able to give you more details about it.

**Pragya Vishwakarma:** And just a touch upon that like are we continuing with trading in textile chemicals right now?

**Punit Makharia:** As of now, yes.

**Pragya Vishwakarma:** And that is very insignificant portion of..

**Punit Makharia:** That is very insignificant. The idea of doing some kind of trading into textile chemicals is not to make money. It is basically to start penetrating ourselves in textile chemical business because down the line we are also coming with a manufacturing base of textile chemicals.

**Pragya Vishwakarma:** And last thing is for the full year I think we are at a tax rate of 33-34 in this last financial. So going ahead this is the tax rate we can expect?

**Punit Makharia:** Hopefully, yes.

**Moderator:** Thank you. We take the next question from the line of Kirti Mehta, an individual investor. Please go ahead.

**Kirti Mehta:** Sir, 2 quarters or 3 quarters back there was some BSE site publication that some case was going on against us. Sir, any update against that, no updates has been put recently.

**Punit Makharia:** Sir, basically in that matter we have already, I think updated on the website whatever the company has done and let me tell you as far as this our hearing of summary suit is concerned which is pending in the Bombay high court, summary suit hearing has been already completed in the month of January, we are just awaiting a judgment from Honorable Judge Mr. Kathawala. So probably as of now the Mumbai High Court is on leave, so somewhere in June we must have the decision on that part and we have done our best in all those cases and we are doing the best in those cases, still the matter is pending for the hearing. No judgment has come up till now.

**Moderator:** Thank you. We take the next question from the line of Dhiral Shah from Asit C Mehta. Please go ahead.

**Dhiral Shah:** Sir, what is your outlook for FY18?

**Punit Makharia:** For 2017-2018, sir if you see, the company has been growing at a very steady pace of around 30% or so and we commit ourselves to maintain the same kind of a growth. Secondly, if you will see in last year company did hardly 1,400 tons of dyestuffs, at least in this financial year we will be doing roughly more than 3,000 tons plus of dyestuffs because our second phase of dyestuff business will be also started in Q1 this year, then our new H-Acid plant also we have started trial run and hopefully by the end of this month we will be starting commercial production also. Then by the end of quarter 2, we should be online with our production of new Sulphate of Potash plant also. So combining all this together, new capacity of H-Acid, new capacity of dyestuff, full utilization of the dyestuff which we were not able to do in the last year then additional capacity of Sulphate of Potash, all these things sum up together will at least get minimum 30% growth or may be more than this.

**Dhiral Shah:** You will do 100% growth in dyestuff right?

**Punit Makharia:** 100% sir or rather in my opinion if you say it will be more than 100%.



- Dhiral Shah:** Sir, by how much time you are increasing your capacity in dyestuff?
- Punit Makharia:** Simply put the dye-stuff capacity currently is 3000 tons and against 3000 tons I have sold 1400 tons of dyes and that too mostly during the last six months so for the full 12 months at least we can commit ourselves to sell 2,500 tons of dyes, then expansion of the dyes plant will be also started in Q1 that is also an expansion of almost 250 tons additional per month capacity. We think we should be able to sell minimum approximately 4,000 tons of dyes in next year.
- Dhiral Shah:** Sir, what about the margins then?
- Punit Makharia:** Margins continuously are improving, Mr. Dhiral. In last year, we did around 13% EBITDA. This year, we did around close to 18% EBITDA.
- Dhiral Shah:** So if your contribution from the dyestuff gets increasing, definitely your margins will also get increased or maybe we can see high 20s something like that?
- Punit Makharia:** Let us hope for the best.
- Moderator:** Thank you. We take the followup question from the line of Srinath Sridhar from ICICI Securities. Please go ahead.
- Srinath Sridhar:** Sir on the margins front, this quarter we saw slightly the raw material costs going up. Just wanted to know that why was this as gross margins contracting?
- Punit Makharia:** You are talking of which product?
- Srinath Sridhar:** So overall gross margins this quarter.
- Punit Makharia:** Basically, what has happened is that whenever we talk in terms of dyes, is the last quarter we have had really about 80%-85% utilization of the dyes. This trend will continue. Now what happens is that if at all you see, dyes we are talking in terms of blacks and colors, colors which have a better margin but then the volume contribution from the colored are little lower whereas blacks sell more. Now as this goes up, it will have more of blacks which are selling, but blacks constitute nearly about 70%-75% of the total dyes market. Remaining comes from yellow, red and things like that. Now if at all you take in black, the range is from say about Rs. 265 to roughly about Rs. 310 - Rs. 315.
- Srinath Sridhar:** That is the range?
- Punit Makharia:** Yes. That is the range whereas we talk in terms of colored, that goes up right from say 295-300 to roughly about 330-340. So now the question is that when you have an increase in volumes, now obviously the volumes are larger for the blacks. So this is apparent this depression in the prices. That is how the whole thing is.

- Srinath Sridhar:** Thanks for that sir. And in the fertilizer segment, could you just throw a little light on what has been our sales for NPK, SSP and SOP separately?
- S. N. Sengupta:** We do not have the figures right away, but then on an average we have been doing roughly about 50% , SSP has been roughly about 47%-48%.
- Srinath Sridhar:** Utilization do you mean?
- S. N. Sengupta:** Yes about 45,000-47,000 tons was from SSP. For SOP, we have just had only two quarters of which significantly only one quarter of sales since we have just introduced the product. So that is not going to give us a very large margin at the moment, but then as the exports start growing up, things will improve.
- Punit Makharia:** Mr. Sridhar, one very important point which is to be noted here SOP plant got started in last 2 quarters. Dyes marketing started in last 2 quarters.
- Srinath Sridhar:** Which other one?
- Punit Makharia:** Dyes and SOP. Now this full year you will have the full operational time for the dyestuff as well as for the SOP. The new H-Acid plant will also come into commercial stream in this financial year as well as additional dyestuffs and SOP production will also come on stream in this year after second quarter onwards or maybe in the beginning of the third quarter.
- Srinath Sridhar:** You mean the expanded capacity?
- Punit Makharia:** Yes. So in the year 17-18, whatever the capacities we have started in the last year, we will have the full operational impact of those capacity in this current financial year.
- Srinath Sridhar:** On the margin front, what does this fertilizer segment, how much margins do you all make?
- Punit Makharia:** It is around 10%-12% Mr. Sridhar.
- S. N. Sengupta:** We are talking about net profit, right?
- Srinath Sridhar:** And sir last question is so what levels of utilizations you all going to expect in SSP, NPK and SOP separately?
- Punit Makharia:** The SSP should be in the same range.
- Srinath Sridhar:** It was 48 in FY16. This year, you said it was around 50 right?
- Punit Makharia:** We are trying our level best because fertilizer business depends on many other external factors also.
- Srinath Sridhar:** I think most fertilizers they operate at close to 60-65 only.

- Punit Makharia:** We are also targeting to at least reach up to level of 60%.
- Srinath Sridhar:** And in NPK with our capacity of 20,000, what utilization will be?
- Punit Makharia:** Around in the same level Mr. Sridhar.
- Srinath Sridhar:** And SOP now from Q2 we will have 20,000?
- Punit Makharia:** No, Q2 will take entire for putting up this new facility. So it should be operational in Q3.
- Srinath Sridhar:** So given average capacity of 15,000 tons for the full year, so what utilizations will be?
- Punit Makharia:** Around 70%.
- Srinath Sridhar:** 70% on 15,000.
- Punit Makharia:** Yes.
- Moderator:** Thank you. We take the next question from the line of Amod Joshi from SPA Securities Limited. Please go ahead.
- Amod Joshi:** My question is regarding the economic situation in China because last year we were hearing that the major dye-stuff plants like Hubei Chuyuan and others, they were shutting it down and the company was trying to shift it to some other parts of China. So how the situation of China is planning out if you could give us some idea regarding it?
- Punit Makharia:** Sir, that is a very exciting question and let me tell you, the answer is also exciting for me. I also keep on looking for the answer to these kinds of issues. Honestly, the situation is not at all clear in China. In fact, the Hubei Chuyuan which started and even that it started only for in-house consumption of intermediates and producing dyestuff from those intermediates. So let me tell you first of all Hubei Chuyuan is not into the market for selling of the intermediates. They are not able to start their capacities to the fullest level. Recently, I heard, please mind my words; I heard; that again Hubei Chuyuan faced some big problem and either they have shut again or they are going to be shut again. Sir basically my thought process is that, let us go on fundamentals, let us go into something which is completely based on fundamentals. It is not like that something has happened yesterday, or day after tomorrow this will be closed because this has happened. My thought process is that let us build a stable and sustainable business, right. Let us not work on this price fluctuation in the market. Let us build a stable company, let us build up a sustainable company and apart from that, a completely growth oriented company. The kind of model what we are working on is entirely different. Obviously when these kinds of issues happen in China, directly or indirectly we will be benefited, 100% correct. And let me tell you in China, the things are traveling from bad to worse slowly and gradually. The same thing has happened in Europe also, almost 20-25 years back that all the facilities of these kinds of products from Europe vanished. Same thing, same process, now China is going through. So

in the long term stability if you see that this kind of industry in which we are has a good future subject to us doing a compliant business. That is the whole issue. So there is a difference of ideology. There is a difference of thought process that what kind of business model we want to build.

**Amod Joshi:** Sir my second question is if I consider the exports as percentage of total revenue, barely in single digits if I remember correctly, it is around 7%-8% of our revenue comes from exports. So how does the export business will pan out in future if you could just give some idea?

**Punit Makharia:** Sir if you ask me very honestly I was not even expecting this kind of export volumes in this financial year.

**Amod Joshi:** Why sir?

**Punit Makharia:** The reason being is that earlier we had one multinational customer for whom we were exporting in large quantities. And now we are in legal battle against that customer. So, in spite of leaving that customer, still the company is able to maintain more or less the same kind of export growth what we used to do earlier. So I would like to congratulate my team for at least maintaining almost the same kind of export, but yes looking at your question, 7%-8% is not a very great export, but no issues, in this financial year since we have already started rolling the dice. Our export volumes will be much larger than the last year.

**Amod Joshi:** Any number if you can give sir?

**Punit Makharia:** Sir, it is difficult to give number because still we have almost 10 months with us. The numbers will be definitely more than the last year and more than the year before that. Hopefully, it will be in double digits because right now as you said it is single digit, hopefully we will be in double digits.

**Amod Joshi:** Even I hope, sir. Sir, last question from my side. Trade receivables in FY17 increased drastically, it was around 440 million and it is currently 620 million trade receivables.

**Punit Makharia:** If you will see, 43 crores has become 62 crores that is increase of 19 crores. Of that, Rs. 8 crores is of Huntsman against whom we have a summary suit, against whom a cheating case has been filed, a winding up petition has been filed, many steps have been taken. Thus from the 19 crores I have given you account of 8 crores. The rest of the trade receivables that is all normal trade receivable because volume of business has also gone up.

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

**Jigar Jani:** Just two-three quick questions. Split of your dye intermediates revenue which is 196 crores, can you give me the split between dyestuffs and actual dye intermediate sales?

- S. N. Sengupta:** Dye intermediates is Rs.196.44 Crs for 16-17 and our dyes is about Rs.40.16 Crs. So both together it comes to about Rs.236.6 Crs.
- Jigar Jani:** And what would be our utilization for the dye intermediates as a whole out of that 8,200 tons?
- Punit Makharia:** Dye intermediates have been roughly about 76%.
- Jigar Jani:** And this is inclusive of what we use inhouse for our dyes?
- Punit Makharia:** No, excluding. The sellable dyes we are talking about.
- Jigar Jani:** Sellable dye intermediate is 6,000 tons is what you have sold.
- Punit Makharia:** Yes.
- Jigar Jani:** So how much is the internally dye intermediates used for dyestuff?
- Punit Makharia:** We don't have that data immediately, we have to work that out.
- Jigar Jani:** Usually 1:3...
- Punit Makharia:** It depends on the product to product, means there is no such hard and fast rule, but since we have already developed 36 products in dyestuffs. So every product has got a different combination, different requirement of the raw materials. So to answer your question, we need to really pull out the data and then we can come back to you on giving you the exact numbers.
- Jigar Jani:** No worries. I just wanted to understand that do we have enough capacity to suffice for the 2800 tons we are targeting next year?
- Punit Makharia:** 100% for that also we have started our new plant of H-Acid also. So that is not going to be a problem. At least as far as majority of intermediate is concerned like H-Acid, Vinyl Sulphone and the K-Acid and Gamma Acid, we are having sufficient capacities to inhouse captively use those products for dyestuffs and let me tell you in the last year also whatever the intermediates we have consumed that much of topline in terms has also been impacted because that entire intermediates has gone into the dyestuff products.
- Jigar Jani:** Yes exactly. So I am assuming that dyestuff realizations are slightly better than what we get for dye intermediates.
- Punit Makharia:** Obviously.
- Jigar Jani:** So that would be around 20%-25% entire ballpark?
- Punit Makharia:** From intermediates to dyestuffs?

- Jigar Jani:** Yes.
- Punit Makharia:** You are talking about from converting intermediate to dyestuff or is it for blended?
- Jigar Jani:** No, intermediates to dyestuff.
- S. N. Sengupta:** When you talk in terms of intermediates to dyestuff, the raw material component is roughly about 78%-80%. When we are manufacturing dye intermediates ourselves, so overall cost will be roughly around 60%-62% from the basic chemicals to the final dyes. So, that way we are gaining roughly about 8%-10%.
- Punit Makharia:** Mr. Jani, basically let me give you small idea on this part. We do not want to sell intermediates in the market to our competitors. We want to convert entirely our intermediates into dyestuffs and make value addition on that. If you will ask from a backward-forward integrated model what we have, the total blended EBITDA will be in a range of 20%-21% in times to come.
- Moderator:** Thank you. We take the follow-up question from the line of Pragya Vishwakarma from Edelweiss. Please go ahead.
- Pragya Vishwakarma:** I wanted to know what is the total investment in SOP plant considering this increased capacity of 10,000 tons.
- Punit Makharia:** See, we will be adding capacity Pragya including building civil foundations, plants, utilities and everything and everything. It should be somewhere in the range of around 8 crores or so.
- Pragya Vishwakarma:** Sir this is the incremental investment you are saying, 8 crores for another 10,000 tons which we are adding.
- Punit Makharia:** That is right.
- Pragya Vishwakarma:** And earlier for the previous capacity which we already have that is 10,000, how much of investment did we..
- Punit Makharia:** That we did for 18.5 crores which includes SOP as well as calcium chloride also and the land also.
- Pragya Vishwakarma:** In the last concall you had given realizations for SOP that is around Rs. 35 per kg. So can you give similar number for NPK and SSP as well?
- Punit Makharia:** NPK, you can take on an average of around Rs. 14,000 to Rs. 14,500 a tons. And for SSP, you can take around Rs. 7,500 a tons including subsidy.
- Pragya Vishwakarma:** But we sell it to DCM and we have a tie-up with them right?
- Punit Makharia:** We have marketing tie-ups with DCM, they are our marketers.

- Pragya Vishwakarma:** You said 7,500 per tons, right.
- Punit Makharia:** Including subsidy.
- Pragya Vishwakarma:** And in the calcium chloride, how much is the investment we have done and what are the realizations?
- Pragya Vishwakarma:** And realizations for this product?
- Punit Makharia:** Calcium chloride?
- Pragya Vishwakarma:** Yes.
- Punit Makharia:** Let me tell you calcium chloride is not earning sector for this company. The reason why we have gone into the calcium chloride is mainly because we generate hydrochloric acid in huge quantity and as of now, hydrochloric is a negative product item. Negative product item in a sense is that to lift hydrochloric acid, company has to pay additional money to some trader and then he will take away hydrochloric acid from your site. So basically that is the negative business for the company. Basically to convert, to block negative business, we have put up the calcium chloride business, that is not a very profitable business or some value-addition generator for this company. It is basically to make business model completely sustainable so that because of hydrochloric acid, our production of SOP should not suffer.
- Pragya Vishwakarma:** And my last question is on dyestuffs again. So if we consider realization of around 350 per kg, we can do around 200 crores on the total installed capacity, am I right to say that, that is 6000 tonnes.
- Punit Makharia:** No, we never said that we will be doing 6000 tonnes in 17-18.
- Pragya Vishwakarma:** I think installed capacity because second half of this year we will be adding another 3000 tonnes right. So I think the installed capacity should be 6000 tonnes when we end financial year 18.
- Punit Makharia:** Yes.
- Pragya Vishwakarma:** And we target to sell around 4,500 tonnes right?
- Punit Makharia:** We said 4000 tonnes.
- Pragya Vishwakarma:** So next year what kind of revenue are you expecting, it should be in the range of 120-140 crores?
- Punit Makharia:** For 17-18 you are talking about?
- Pragya Vishwakarma:** Yes, 17-18.

- Punit Makharia:** Yes, it should be around 125 crores or so.
- Moderator:** Thank you. We take the followup question from the line of Kirti Mehta, an individual investor. Please go ahead.
- Kirti Mehta:** Just wanted to ask one more thing that we said that we are going to start a 250 metric tonnes per month dyestuff plant that will be from Q2 or Q3? I remember that next Diwali onwards we are planning in the last con-call.
- Punit Makharia:** First of all, welcome back. And secondly, this new dyestuff plant should be operational in Q1 and I take Q2 for the proper stabilization and on a very conservative note, I would like to inform that we must take its performance from Q3 onwards.
- Kirti Mehta:** And sir we are having any plans to export the dyestuff also?
- Punit Makharia:** Yes sir, 100%. Let me tell you we have started marketing our products for export also, in domestic also and whatever the export volumes you see of 16-17 of the company in this year which is close to 19 crores. See now please understand there is one very important point into this, last year 15-16, the entire export turnover was achieved for selling dye intermediates. Now in 16-17, whatever the export business we did is for selling of the dyestuffs and in the coming time, there is a huge scope for us for selling our dyestuffs in the international market. We have penetrated in foreign countries like Turkey, Bangladesh, Pakistan, South East Asia Pacific, all these regions. We have penetrated some good customers in domestic also and being a fully backward-forward integrated stable and sustainable business model, we are very competitive in the pricing also.
- Kirti Mehta:** Sir this means that we have a dyestuff which is the new plant, a small baby is accepted well internationally as well as nationally.
- Punit Makharia:** This is a six months old story. That is all done. We have already arrived at 200 tonnes capacity. Let me tell you one more thing that we are also in the process of, let me tell you we are at a very advanced stage of taking this blue sign accreditation. Blue sign accreditation is a very high quality standard accreditation given by a company based in Switzerland that is highly respectable accreditation and because of this accreditation; we are going to get boost in our international marketing for the dyestuff.
- Kirti Mehta:** Means this accreditation has been already procured by us?
- Punit Makharia:** We are in the last stage of finalization because for this blue sign also, there are many audits which are done in terms of environment, health, safety, SOPs, SOPs means Standard Operating Procedure, quality, raw material inventory, quality of inventory, processing, there are various stages for that. So it takes almost 6 to 8 months to get this accreditation.



**Kirti Mehta:** Sir just to summarize one thing like we are starting every quarter or every half yearly something new or the other, just one thing I wanted to summarize that in this year we are starting 3 new plants, one is the dyestuff plant, second is the H-Acid plant, third is the SOP plant, is there something more than that?

**Punit Makharia:** First thing I would like to tell you that the growth is very important. Last year we have done something, this year we are going to do something, and next year also we will be doing something. This thing is not going to be stopping ever. Something or other will keep going. Last year we have done H-Acid. And in this year new SOP plant and new dye-stuff plant and a new textile chemical plant. And one more thing I would like to tell you hopefully after Q2 Earnings Call or perhaps Q3 Earnings Call, we will be coming with something new also which will be our plan for the financial year 18-19. We are preparing ourselves for 19-20. Hopefully in Q3, we will talk something new which will be an exciting to everyone.

**Kirti Mehta:** And sir textile chemical, which chemical are you planning like, specialty chemicals?

**Punit Makharia:** There are list of 20-25 different products like all kind of auxiliaries, soaping agent and various products.

**Kirti Mehta:** And these are high margin products I guess.

**Punit Makharia:** Obviously, yes.

**Moderator:** Thank you. We take the followup question from the line of Dhiral Shah from Asit C Mehta. Please go ahead.

**Dhiral Shah:** Your textile chemical in that the customers will be the same?

**Punit Makharia:** Yes they will be same.

**Dhiral Shah:** To whom we will sell the dye-stuff, we will sell the textile chemicals to them only?

**Punit Makharia:** See what happens Mr. Shah, dye-stuff application is on cloth It is not only because of the dye-stuff that the quality of the cloth improves. Simple thing is that today a small baby he takes cloth in the mouth various chemicals bleed from that and it goes in child's stomach. The Cloth we wear it touches our body then it can affect our skin in anyway. So to give it a proper quality and fineness on the textile cloth, the textile chemicals are also used. Any such company which buys these chemicals, as a ballpark, 60% they buy dyes, 40% they buy textile chemicals in terms of the value. So that is also a good business in this sector since the customers are going to be the same. Our sales team is going to be the same so why not sell this also.

**Dhiral Shah:** Understood sir. And in this dyestuff, is there any short-term agreement or long-term?

**Punit Makharia:** No long-term or short-term works, let us be practical. Costumer is not loyal to anyone. I am talking very practically.

- Dhiral Shah:** It is all order-based.
- Punit Makharia:** It is total relationship based, total price based and total quality based. Are you going to the long-term customers for Vodafone or whatever the mobile you are using Mr. Shah, I am sorry to ask you.
- Dhiral Shah:** It was long term but now Jio has come...
- Punit Makharia:** You have changed. Customer is not loyal to anyone.
- Dhiral Shah:** Also the textile chemicals, what will be the capacity?
- Punit Makharia:** That should be around 3000 tonnes a year.
- Dhiral Shah:** For the same plant?
- Punit Makharia:** No, for different facility.
- Moderator:** Thank you. We take the next question from the line of Srinath Sridhar from ICICI Securities. Please go ahead.
- Srinath Sridhar:** Congrats on accreditation from the swiss company, what was the name?
- Punit Makharia:** Blue Sign.
- Srinath Sridhar:** And sir what is your take on DBT in fertilizer?
- Punit Makharia:** In this a lot of things are not very clear. Though the Department of Fertilizer has done the invoicing from 16<sup>th</sup> of this month. Let me tell you practically there is no clarity on the same. Though there are so many points where DOF itself has not got any clarity. Though the government has applied DBT ,actually not applied but imposed. It will take still some more time to get ourselves fully acquainted with this. We are trying to get some more information from DOS on the agricultural department also on what will be the processes, release order, and then POS machines. So still it will take some maybe 2-3 weeks more that ourselves fully aware of those processes.
- Srinath Sridhar:** Sir as far as we understand, in this basically it will get clear in every seven days?
- Punit Makharia:** You come to me one day I will explain you the practical process.
- Srinath Sridhar:** And we will be able to sustain EBITDA margins at 17%-18% right?
- Punit Makharia:** As per the earlier performance of the company, the way company has been growing. Why do not you take your own confidence call?

**Srinath Sridhar:** Okay.

**S. N. Sengupta:** Let me tell you that we have on an average about 42% compounded annual growth rate in terms of our bottom line for the last 5 years. So that itself speaks.

**Moderator:** Thank you. 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 on the call, friends. I hope we have been able to answer all of your queries. For any further queries, please get in touch with us or our investor relation advisor, SGA. Thank you once again and see you soon at our Q1 earnings call. 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.