

# “Shree Pushkar Chemicals & Fertilizers Limited Q2 FY18 Earnings Conference Call”

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**Moderator:**

Ladies and gentlemen, good day and welcome to Shree Pushkar Chemicals & Fertilizers Limited Q2 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. Should you need assistance during the conference call, please signal an operator by pressing \* then 0 on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Punit Makharia, Chairman & Managing Director. Thank you and over to you, sir.

**Punit Makharia:**

Good afternoon, ladies and gentlemen. Very warm welcome to the quarter ended Q2 FY18 earnings call of our company, Shree Pushkar Chemicals & Fertilizers Limited. On this 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 exchanges and uploaded on our website and I hope all of you have had a chance to look at it.

Friends, 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.

The Dyestuff segment continues to grow as we keep expanding our customer base and we have achieved around 21.3% of our revenue growth in H1 FY18. Our additional capacity of the new Dyestuff plant with the capacity of 3000 tonnes has been commissioned and we have begun the production for the same. This will drive growth in our business in the coming quarters.

In Dye Intermediates segment, our business has been quite steady. The captive consumption of manufacturing of dyes has increased and the commissioning of additional plant of H-Acid which is expected to augment our production volumes enabling this trend to continue in going forward. Our backward integration across our intermediates offer stability in terms of input requirement on a natural hedge for the price fluctuation. This has helped us in maintaining our margins. Our new H-Acid plant which we have commissioned in March last financial year was under trial run up till Q1FY18 and the commercial production of the same plant began in the first week of August 2017. We expect this to provide an added boost to our volumes in the coming quarters.

In an industry like specialty chemicals, we generate high level of waste. We have been able to constantly recycle our waste to create divest product offerings for our customers. We also continue to uphold high standards of environmental and regulatory compliances. In the half year FY18, the fertilizer division has continued to perform steadily contributing around 11% of our sales. Fertilizer division saw an overall growth of 10% compared to the same period last

year. We have recently acquired 100% stake of a company called Kisan Phosphates Private Limited for 9 plus crores. Kisan is in similar line of business in a separate geographical region. Company is into manufacturing of single super phosphate and dye calcium phosphate and soil conditioners. We are in a process of setting up 100 tonnes per day sulphuric acid plant along with its captive power plant of 700 kilowatt. For FY17, company had an overall sale of 35.72 crores.

The acquisition of this new company will help Shree Pushkar to expand its reach to the new areas of the northern India like Haryana, Punjab, Rajasthan, Uttar Pradesh and Himachal Pradesh and with augmented sales network. In the fertilizer division, we are also in a process of expanding our SOP capacity. The result of which could be viewed in the next financial year. As far as our Acid division goes, it mainly supports our in-house acid requirement for our dyes and dyes intermediate division. Only the surplus acid is sold to the local market. In addition to the cost advantage, this strategy keeps us hedging against any supply issues in the market.

Friends, we are confident of building a sizable portfolio of value-added products for our customers and grow our dye stuff business. We also hope to broaden our market reach through intensive marketing initiatives. We expect our foray into the textile chemical to cement our position as a textile solution provider.

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

**S. N. Sengupta:**

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

The total revenue from operations grew by about 22.7% from 142.12 crores in H1 last year to Rs. 174.42 crores in FY18. In H1 FY18, EBITDA grew by about 20.5% to Rs. 30.74 crores from the earlier figure of Rs.25.52 crores for the similar period, while the EBITDA margin has been at 17.6%. In **H1FY18**, the PAT grew by about 15.6% to Rs. 17.39 crores from Rs. 15.05 crores last year. The PAT margin for H1FY18 is about 10%.

**H1FY18** segmental performance is that the Dyes accounted for about 21.3% of the total revenue which is in line with our estimated growth in this segment. Dye Intermediates which comprises around 55.8% of revenue in H1FY18 has been a steady business. The segment saw a 5% volume growth compared to the same period last year while in value terms, dye intermediates business de-grew by about 3%. Acid complex forms about 2.2% of revenue, which de-grew by 30% due to increase in the internal consumption on account of our increased dye intermediates and dyes production.

The Fertilizer segment contributed about 10.8% to sales and witnessed a volume degrowth of about 2% and revenue growth of about 10% in first half of FY18. Lastly the Cattle Feed,

which accounts for about 1.7% of our business, grew by 3.5% in volume terms and remained more or less flat in value terms for H1FY18.

With this, now I will open the floor for question and answers.

**Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin with the question and answer session. We take the first question from the line of Naushad Chaudhary from Systematix Shares & Stocks. Please go ahead.

**Naushad Chaudhary:** Just wanted to understand first thing, we have given around 4.5% of sales into other section. Is this textile trading division business and is this the part of our strategy to get into textile business, will you elaborate more on this, sir?

**Punit Makharia:** Basically, growth of 4.5% which has come into the company is not only because of textile chemicals. It is mixed growth because as you know that we are having a multipurpose, multiple vertical of the business. So we cannot say that this 4.5% is only out of the textile chemicals. Yes, textile chemicals is a very small part of this growth which is hardly Rs. 82 lakhs out of the total growth and the other balance growth would be the increase into the volumes and that is mainly due to the increased share of dye stuffs market. If you see in our earlier quarters, we were not able to penetrate that much in the dyes as we should have, but if you look at the last quarter of the dyes business, there is a fair improvement. So whatever the growth you see, is mainly visible out of this sales of dyestuffs.

**Naushad Chaudhary:** No, I am just asking what are the things included in this other 4.5% of our total revenue contribution, so other section we have given around 4.5% of the total business?

**Punit Makharia:** **The inputs** for this is a mixed bag of some hydrochloric acid which we are selling to a certain extent i.e whatever is not consumed by us, then there is some quantity of gypsum. The gypsum we generate are in two areas. One is in the manufacture of H-Acid and the other gypsum which we get from the DCP. Now, DCP is phospho gypsum that goes into soil conditioner whereas the other gypsum is generated from the H-Acid plant that is directly sold to cement plants. Then we have other chemicals also which are there like your textile auxiliaries which are taken into trading. These sort of things which happen and that contributes this 4.5%.

**Naushad Chaudhary:** Okay, got it. Can you share your quarterly volume numbers of dye stuff and dye intermediates sir? How much we did in this quarter?

**S. N. Sengupta:** The dyes we have sold are about 1,260 MTs. I am not talking about this quarter, I am talking about the half year figure that I have here. 1,261 tonnes of dyes we have done in H1 as against our capacity of about 1,500 tonnes which brings you roughly about 84%. As regards our dye intermediates, we have done 3,150 tonnes as against our capacity of 4,150 tonnes which brings you a capacity utilization of about 76%.

- Punit Makharia:** Naushad, to give you more clarity on your question, 4.5%, this is mainly because of the dyes business because we have achieved almost up till 84% of the capacity.
- Naushad Chaudhary:** Got it sir. Second thing sir in our other expenses, it was up by around 26%, just wanted to understand if there is any exceptional item there in other expenses or is it something very normal?
- Punit Makharia:** The presentation which we gave is talks in terms of the raw material, the sale and the staff salaries and all others, the production expenses as well as the other expenses of selling, general administrative, everything goes into the other expenses. That is the standard format which has been provided for reporting these. So that is how it works.
- Naushad Chaudhary:** Next thing sir, Punit in your opening remarks, you said you expanded your dyestuff customer base. So if you can talk more on this, any new customers we added in this quarter and the name of those customers if you can share?
- Punit Makharia:** Naushad, we will not like to put the name of any of the customer on this concall because in business, everything is secretive. So we would not like to put the name of any of the customers particularly, but yes we have added few customers in India. We are selling in India as well as we are doing good business of dyestuffs, also in international market.
- Naushad Chaudhary:** Lastly on the raw material side, sir any raw material cost pressure you saw in last quarter and in the 3Q also if you can say?
- Punit Makharia:** As far as raw material is concerned, Naushad, it was quite stable as far as the last quarter is concerned, but now in this quarter, we see that the raw material prices are going quite high and we see that the impact of the raw material prices will be seen in the finished product by the beginning of the fourth quarter.
- Naushad Chaudhary:** And any particular reason for this sir apart from crude going up?
- Punit Makharia:** I had told before also in my earlier discussions that crude has got no impact on our business. The major impact which we are seeing is only the China factor. What we have been talking and discussing and analyzing in the past few con-calls, we will see the real color and flavor of that probably in the next financial year 18-19.
- Moderator:** Thank you. We take the next question from the line of Ritesh Bafna from RB Securities. Please go ahead.
- Ritesh Bafna:** I have a question on the recent acquisition that we have made. I just wanted to understand the rationale behind the acquisition and can you just give us some details on this acquisition part. Also, some details about the target company like different financials, the synergies that you would be having and turnaround plans if any that we have for this acquisition target?

**Punit Makharia:** Basically, you would have seen Kisan Phosphates during the year 16-17, they have effected sales of Rs.35.5 crores. Now if at all you take the earlier year, it was slightly higher at Rs.45.8 Crs. Last year 16-17, the upliftment of fertilizer had been affected because of the monsoon factors. Now we have talked in terms of this because this is now a profit making company without the sulphuric acid plant. If at all you see that electrical power is being purchased from outside, further the sulphuric acid is being purchased from outside. Now if at all we put in a sulphuric acid plant which we are currently doing for meeting our requirements, then there would be a reduction in the cost of the sulphuric acid to the extent of about 40%. Along with that sulphuric acid if at all we are generating power of 700 kilowatts, then this we will reduce the power requirement by nearly about 70%.

**Ritesh Bafna:** 70% is a big number.

**Punit Makharia:** Yeah, 70% of the power cost because you see more or less we are currently having roughly about 1100 kilowatts of total connected load without the sulphuric acid plant. Now, there is going to be roughly about 700 kilowatts which is going to be generated inhouse and the balance only about 350-400 kilowatts which will be consumed from outside. if you take the rates at Rs. 7 a unit there and to that extent, there will be a reduction in the year. So overall if at all you see today, the EBITA which is the operational efficiency I think is roughly around 13.5%-14% which is likely once the sulphuric acid comes into production, it is likely to jump to about 18.5%-19%. So that is a great advantage. This is one factor of the operational performance. Second is that we are talking in terms of a market in Punjab, Uttar Pradesh, Himachal Pradesh, Haryana, Rajasthan. Now, these are all very rich agricultural segment and if at all you take the Haryana, this plant which we have taken is the only plant which is there in that region. UP also has roughly about 4 to 5 plants, but then they are still bringing in their requirement of SSP from outside. So there is a very good market potential for this product and that is the reason we thought that as we are expanding our dyes and dye intermediates division, if at all we have a little broad based fertilizer division from the point of view not only of the products, but also of the geographical reach, it will be a synergy for the company.

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

**Anshuman Mohata:** My question is that after this expansion of dye stuff of 3,000 tonnes, what is next in the kitty for us? What are we thinking ahead?

**Punit Makharia:** Obviously, Mr. Mohta if you look at the attitude of the company and the past performance of the company of the last 3, 4, 5 years, we have been continuously on the growth path. We are planning something in this year also as we did a new dyes plant. We are already doing a new SOP plant. We already acquired one new company in North as an inorganic business model to grow our business. Obviously, we will continue the same kind of a thought process, same kind of a growth pace in future also. We have certain plans, but as of now it is not correct on our part to discuss future growth strategy. So surely there is something on the drawing board, we

will surely be approaching and taking necessary approvals from the investors of the company for that also.

**Moderator:** Thank you. We take the next question from the line of Kritika Garg from Equitas Investments. Please go ahead.

**Kritika Garg:** So with the 3,000 tonnes expansion that we have done in the Dyestuff, FY18 what do we expect our capacity utilization to be in this segment?

**Punit Makharia:** As of now in dyes, we have already reached up till level of 80%-84% of the dyestuff and now the second expansion of dyestuff which we just recently started, we believe that in next coming quarters, I am not very much positive at least for the fourth quarter, but from the next financial year Q1 onwards we should be able to achieve slowly and gradually into this expanded capacity of dyestuffs also and gradually we will reach up till a level of 80%-85% of the dye production.

**Kritika Garg:** Okay. And sir, in the Kisan thing, what do we expect revenues this year to be?

**Punit Makharia:** This year revenue should be around 40 crores.

**Kritika Garg:** And sir when do we expect the sulphuric acid plant to come on stream by?

**Punit Makharia:** I think it should be within about 11 months.

**S. N. Sengupta:** 7 to 8 months is the construction period. We have already started off with this. We have already got the clearances from the pollution control department. We have already started the excavation work. Normal time for delivery of all these critical equipment is roughly about 4-6 months and another about say 2-3 months' time for the installation commissioning. So roughly about 9 to 10 months from now, we should be having the sulphuric acid plant into operation.

**Kritika Garg:** Okay. And what was the savings in the sulphuric acid plant there?

**Punit Makharia:** See, basically Kritika, the way we have been doing our business in the past is that we have been always trying to build a stable and sustainable business, by that way going into forward and backward integrated, right? The same kind of a business model we have implied into the Shree Pushkar also. The same kind of a business model we are trying to imply into the Kisan Phosphates also. Now, by acquiring Kisan Phosphate, we get a market share in other 5 major states of India which are the majority of all this agriculture dominant areas and apart from that, those states do not have their own sulphuric acid plant. And this sulphuric is a major raw material which we buy from a place almost 1,500 km distance from there which consists the majority of the transportation cost. Now by putting up a sulphuric acid plant, we are again going into the backward integration for having our own sulphuric and having our own power also. And additional supply of the sulphuric will also be sold into the market whereas in Punjab and Haryana, there are very few plants and majority of the requirement of the sulphuric

acid in that particular area is also fed from the distance of 1.500 km, so we will get better opportunity to enter into this acid sales market even in future.

**Kritika Garg:** Okay. So sir what potential revenues do we see, like maximum revenue achievable in Kisan?

**Punit Makharia:** See, once we complete this expansion, I believe that we should be somewhere around 45-50 crores. It will not generate much of the revenue in the topline. Surely at the bottom-line, there will be a substantial improvement because we will be saving lot of money by going into the raw material production, transportation, electricity, all these things. So basically we are not more focused for the topline increment. We are more focused on improving the bottom-line and to make the business more stable and sustainable.

**Kritika Garg:** Okay. Sir, China capacity being shut down for dye intermediates, sir how is that impacting us?

**Punit Makharia:** See, first of all I won't say that the China capacity is shutdown, rather I will like to put my views on this point that China is facing acute problems and difficulties in achieving their production levels because of their environment laws and audits and the like. So that the focus is shifting to countries like India and in India also, the companies who are more compliant in terms of the environment laws will be able to benefit and get larger share of that. You know, as I just mentioned in my earlier reply, that now there is a huge spike into the raw material prices, it is not one or two raw materials, we can see that many chemical products have gone very high. If I talk about sulphur, it is almost double, if I talk about caustic, it is almost even increased by 40%-45%, same way by caustic lye. You know many other products have gone up. Impact of those raw materials will be coming into the Q4 of this financial year also. I believe that 18-19 will be a very good year for the Indian chemical companies.

**Kritika Garg:** Exactly, so it will benefit us positively, right?

**Punit Makharia:** Obviously. Don't you think that it will benefit us, Kritika, why you are getting it reconfirmed from me, I think you are an analyst, you know better than me.

**Kritika Garg:** No, exactly it will help us better. So you have said that crude has no impact on the business, but there is an impact of China. So I was wondering that there is a positive impact from China.

**Punit Makharia:** 100%.

**Kritika Garg:** Okay and sir so we expect our margins to remain the same going forward?

**Punit Makharia:** Definitely, if you see the performance of the company in the last 2 years and you have this 8 quarters, it is continuously improving and increasing by a CAGR of almost 20%-25% every quarter by quarter. Same kind of a growth story we are trying to maintain and keep the same pace.

**Moderator:** Thank you. We take the next question from the line of Ankit Gor from Systematix. Please go ahead.

**Ankit Gor:** Just taking question forward asked by lady, as you rightly said sir, feedstock prices are going up be it Spent on acid or Ammonium prices, then what is the possibility of passing on that prices, for example in H-Acid case or Vinyl Sulphone case we see that prices are definitely going up for next 3-4 quarters and then would not be wise to manufacture rather than converting into dyestuff, I just need your view on that, sir.

**Punit Makharia:** No sir, I won't agree with this idea. Basically we are running an industry, we are having a manufacturing plant, we are having a customer base, we are having a forward integration. We cannot survive on just selling the raw materials and making money out of that, that is not our core activity. Our core activity is to run an industry because a number of people are working here and we are a very compliant company in terms of all the statutory compliances and the other parts also. But to address your question, let me be very clear is that nowadays, let us say last 2 weeks, we are looking at a good spark into the finished product pricing also. And let me tell you, it is a little bit more than the spark into the raw material prices, now we are looking at a good demand also because by the end of this Q3 in December, all the international companies across the globe, they generally control their inventories in the month of December and by the end of December, they start ordering the new order books of their products and they will be buying at a higher price because as of now the cheaper price is not available. So I personally see that in Q4, the performance of all such kind of chemical companies in India would be much better than the last 3 quarters.

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

**Suraj Shah:** Sir, I was saying that for Q2 FY18, the contributions from fertilizers have reduced to around 11%. So what are the reasons for the same and what will be the challenges faced in the future?

**Punit Makharia:** Basically what has happened is that, though this year we anticipated it would be a good season for the fertilizer but in the first half due to the heavy monsoon in most of the areas where we are marketing, there has been a little depression in the fertilizer takeoff. That was one of the major reasons for this, but then that was the Kharif crop. The Rabi crop is going to be a little better. And if at all you see the overall situation for about last 2 to 3 years, slowly the Rabi crops, fertilizer sales in the Rabi season is taking over that of Kharif, which was not earlier, the traditional way Kharif was higher. Now in this, what has happened is that in the first half, we have had a little bit of depression and then in the second half when we are talking about the Winter crops, it will be much better and that is what we are experiencing now. There is now in addition to SSP, we are having a basket of 4 products. NPK is one, that is a mixed fertilizer, we have SOP, we have SSP, we have soil conditioners and basically SOP or NPK and things like that they have a much better price realization. So overall though it appears like that,

volumetrically the sale of A has been slightly low basically because of SSP, which has the largest capacity, that is how it is.

**Suraj Shah:** So for the full year, what will be the contribution that you expect for fertilizers?

**S. N. Sengupta:** Fertilizer contribution, you are talking in terms of EBITDA margins should be around say about 13% to 14% roughly.

**Suraj Shah:** Okay, and as a percentage of sales, what will be the contribution?

**S. N. Sengupta:** As a percentage of sales, it more or less remains about 20%-22% of the total gross sales of the company, basically what happens is that, if at all you are talking in terms of a growing market for the dyes and dyes intermediates, so the fertilizer more or less if at all it remains the same, there the larger part of the pie is taken over by the dye and dye intermediates with the result that the percentage wise to the sales contribution will be more or less, even if it is performing a little better. So basically you have to understand that when you are talking in terms of dyes and dye intermediates, the average price realization per tonne is anything between Rs. 3 lakhs to Rs. 3.5 lakhs a tonne. Whereas if at all you talk in terms of fertilizers, it is somewhere around say 7,600-10,000-15,000. So the price variation is very large. So the contribution to the topline will not be very high as far as the fertilizer. But because of these four products, we are more or less having about say last 4 quarters we have been seeing on an average about 20% is the contribution from the fertilizer division. And basically that fertilizer division is not our prime area of operation. Our prime area of operation is dye and dye intermediates. Fertilizers have been put up basically to take care of our effluents, which has to be kept in the back of our mind.

**Moderator:** Thank you. We take the next question from the line of Naushad Chaudhary from Systematix Shares. Please go ahead.

**Naushad Chaudhary:** Just one thing. Sir, if you want to share something on our SOP business, how has been the utilization and the volume growth in this quarter?

**S. N. Sengupta:** Naushad, SOP business we have reached up to a level of 60%-65%, am I correct?

**Naushad Chaudhary:** of 10,000 capacity, right?

**S. N. Sengupta:** Of 10,000 tonnes capacity and our new furnace which is already under implementation should be able to start trial production somewhere in February 2018. And as far as the marketing is concerned, we have captured a good stake, good market share in terms of the domestic market also. We have started supplying in our own brand also, we have started selling to the local big fertilizer companies also as well as we are doing export of this product also. I think that the second furnace will be operative in the Q4 and from the next year onwards, it will be a total double size of the plant.

- Naushad Chaudhary:** Okay. Any utilization guidance if you would like to give for FY19 for this particular product?
- S. N. Sengupta:** SOP?
- Naushad Chaudhary:** Yes.
- S. N. Sengupta:** We think that it should remain at the kind of a same level but with double furnace.
- Moderator:** Thank you. We will take the next question from the line of Aman Patel from Equirius Securities. Please go ahead.
- Manav:** This is Manav. Sir, I had one doubt. On page 6 of your slide, the capacity it shows, Kisan has like for example one lakh tonnes of SSP and 6,000 tonnes of soil conditioner and Lotte Parashuram has similar capacity. So your total capacity will be addition of these two?
- Punit Makharia:** Total capacity of which product?
- Manav:** SSP or in soil conditioner should be 2 lakhs, right?
- Punit Makharia:** See, now after taking over Kisan, the total installed capacity of Shree Pushkar is 2 lakhs tonnes of single super phosphate. That is in two different locations. One is in Maharashtra, that is at Lotte Parashuram, another is at Haryana, that is with Kisan Phosphates. However with Kisan, we have got 100% stakes and very shortly we will be doing the merger of Kisan with Pushkar also. We are not increasing any kind of a capacity in single super phosphate. In my earlier reply of the question, we were discussing about expanding the capacity of sulphate of potash, that was SOP.
- Manav:** No sir, the question was because on slide 10 again, I see the total capacity of SSP is like again one lakh tonnes. So I just had that doubt that you will have 2 lakhs tonnes capacity, right?
- Punit Makharia:** No, now the total capacity with Pushkar is 2 lakhs tonnes after taking over Kisan.
- Manav:** Okay, understood. And sir, we paid 9 crores for the equity of Kisan. So what will be the total debt on the Kisan balance sheet?
- Punit Makharia:** See, in Kisan we did a valuation and accordingly Pushkar acquires 100% stakes of Kisan at a value of 9 crores, this is point number one. Point number two, Pushkar has not paid even a single rupee in cash. I mean to say in cash in the sense, in terms of the liquidity.
- Manav:** No, I wanted to understand what is the EV that you valued at, like enterprise value for Kisan. Is there any debt on Kisan phosphate balance sheet?

**Punit Makharia:** There is a debt on the Kisan phosphate. There was a term loan on Kisan Phosphate. There was a working capital loan on Kisan Phosphate. So working capital loan still continues to be there and the fixed debt has been now made as a zero. There is no debt as of now on Kisan.

**Manav:** Okay. So the total amount you paid was 9 crores including debt and...

**Punit Makharia:** No, 9 crores was just payment, you know the value for the equity of the Kisan Phosphate.

**Manav:** And sir what was the debt then, debt payment?

**Punit Makharia:** 8 crores of the fixed debt on Kisan.

**Moderator:** Thank you. We will take the follow up question from the line of Suraj Shah, an Individual Investor. Please go ahead.

**Suraj Shah:** Sir, we have recently commissioned a new capacity for dyes. So what kind of order book are we looking for at in this segment?

**Punit Makharia:** Sooraj, we have already reached up to a level of 80% utilization of the dyestuff plant and we are having the orders for the Q4 also in the same direction.

**Suraj Shah:** So any kind of color that you can provide for the future, for the next year and for the next two years?

**S. N. Sengupta:** You have to consider that this dyes was a new product in our basket. We have been steadily increasing the contribution from dyes, the sales has also been constantly increasing. We started with roughly about 15% in the initial quarter which has been increasing steadily over the last 6-7 quarters and now it has come to a stage where we are having about 86% of that 3,000 tonnes capacity utilization. This very much gives the feeling that we are in a position to stabilize our products in the market and with this, we are now also going ahead into say additional markets, so that is the reason why we have also put up the second additional plant. Gauging from the capacity utilization which we have roughly about 80%-85% and the way the graph has been moving, we anticipate that it is going to go up and therefore this second expansion has been done of 3,000 MT capacity and within next about 2-3 quarters, we should be able to achieve that sort of a capacity utilization for the additional capacity as well.

**Moderator:** Thank you. We take the next question from the line of Amod Joshi from SPA Securities. Please go ahead.

**Amod Joshi:** I have 3 questions actually. Sir previously we had a marketing tie-up with, currently also we have marketing tie-up with DCM Shriram and we sold fertilizers through them. So now with this new acquisition of Kisan Phosphate, will we be again coordinating with them or how will we distribute and market our fertilizers?

- Punit Makharia:** Kisan is already having existing market and tie up with DCM Shriram.
- Amod Joshi:** So it is already tied up with them.
- Punit Makharia:** Yes.
- Amod Joshi:** Sir, I just heard we are looking at newer customer basis in abroad export market as well. So can you give me what is the current revenue from exports at the total ...?
- Punit Makharia:** Are you talking about the dyestuffs?
- Amod Joshi:** Yes, dyestuff or total exports revenue?
- Punit Makharia:** Mr. Joshi, total export revenues are not very great of the company. It is around, how much?
- S. N. Sengupta:** Roughly about 12 Crs, that is about 6.93% of our sales. for H1 FY18.
- Punit Makharia:** Total exports in the H1FY18 is 12 crores, so that is around 7% some odd percentage of the total revenue.
- Amod Joshi:** So, as you said you are now trying for newer geographies and new customers. So is that export expected to be in double digit in this year or we expect it to be in FY19?
- Punit Makharia:** Yes sure, we are trying and working for the double digit growth of exports in this year.
- Amod Joshi:** Sir is there any difference between when we sell it in domestic market and when we export it, so do we get any price difference or they are almost the same?
- Punit Makharia:** No, Amod there is no price difference, honestly speaking the only issue is that there we get money in dollar and here we get money in rupee and rather in international market, there is more tough to get the pricing, very honestly speaking. And it is not like that there will be something on the name of the export Mr. Joshi. Basically we are here to increase our market share and to see that from a good customer wherever we can feed the plants at a good price level, we are doing that.
- Amod Joshi:** And sir, my last question is, as you said raw material prices for our dyes and dyestuff are increasing. So, further reaction to it is we increase the final product prices. So is there any lag between increase the pricing of final products. So, do we have to take a hit in margin in between for a quarter or so?
- Punit Makharia:** No, impact of that comes immediately Mr. Joshi. As of now we are saying that finished product pricing have also started going upwards and my concern is that in Q4, the dye intermediate prices will start going up and the financial year 2018-2019, I personally think that would be one of the best year in this industry.

- Amod Joshi:** What is the prices of SSP and Vinyl Sulphone
- Punit Makharia:** SSP depending on the customer to customer and Vinyl Sulphone should be around from 250 to 60.
- Amod Joshi:** And sir, final dye which we make black dye or ...
- Punit Makharia:** Again dye is not a commodity, it is a specialized product. The pricing of the dye depends on the strength and in that there are so many things included so it is not like commodity price that this has this rate or that has other rates. It depends on the various other aspects also. The pricing of the dye depends on other factors also.
- Amod Joshi:** If you can give a basic black dye.
- Punit Makharia:** It is like that you will get black Rs. 200 to Rs. 300 so what idea can I give you. I mean to say as much sugar you will put in your tea, it will be sweeter that much. As much crude product you will make, your pricing will be that much more.
- Moderator:** Thank you. We take the next question from the line of Naman Singh, an individual investor. Please go ahead.
- Naman Singh:** Just wanted to know a broader aspect of this specialty chemical. Is there any distinguishing feature for Shree Pushkar amongst many other players because there are so many specialty chemical companies. Sometime it is difficult to figure out who is doing what and are they different from others? So if you could give some light on that would be very helpful.
- Punit Makharia:** Mr. Naman, the question you have asked me is a very broad question and its answer is also very broad. I cannot give you answer within one or two minutes. First of all, what I am sharing with you is my own belief. I believe that let us not bank on the product. Let us bank on the business model. We are making certain products, we are into 4 different verticals that is now dyestuffs, dyes intermediates, acid business, power plant, logistic business, cattle feed business and fertilizer business. If you see all these verticals like cattle feed business and the fertilizer business have got no relation with the dyestuffs and dyes intermediates. Then to also we are into this business, then to also we say that yes, we are fully integrated backward and forward integrated because all these verticals have a relation with each other. This kind of a business model Mr. Naman, I have not seen in any of the competitors. Yes, there are many other competitors who are making a similar kind of a product. But like the kind and number of products what we are manufacturing, all at the same site, same location. There is no one other manufacturer who is making a same kind of a product at a single site and single location. The kind of business model we are producing is something unique, we are working on a zero waste business model. So the products are the same, so that is the main USP where we can differentiate ourselves from others. You come to my office one day and you please meet Mr. Sengupta. He will explain you and then you will be comfortable in knowing that what is the

differentiation in our business model and others business model and in this commodity business and the specialty model business.

**Naman Singh:** The process excellence and capacity building is what your focus is.

**Punit Makharia:** That is right, Mr. Naman.

**Moderator:** Thank you. We take the next question from the line of Naushad Chaudhary from Systematic shares. Please go ahead.

**Naushad Chaudhary:** Just wanted to understand at the trade terms difference between our intermediate and dyestuff business. If you can help us understand that.

**Punit Makharia:** Chaudhary saab you have come with a lot of questions it is like that in dyestuffs and intermediates. Basically the pricing and the payment terms depend on customer to customer and pricing to pricing. There is no such policy that this is 30 days or 60 days or 90 days.

**Naushad Chaudhary:** Let me put it this way, sir. Do you see any working capital pressure if you are increasing your dyestuff business?

**Punit Makharia:** In this financial year, we are looking somewhere to close around 400 crores as of now MPBF and everything you calculate how much working capital company requires that you would be knowing much better than me because I am not a finance guy. As of now result of H1FY18 how much working capital has been utilized that is also in front of you so do you think there is any pressure on working capital of the company?

**Naushad Chaudhary:** No.

**Punit Makharia:** Except that company's FD is there. Do you see any kind of a pressure company is going through towards the working capital cycle or the system sir?

**Naushad Chaudhary:** Why I am asking is because talking to other guys in this industry and what that the pressure on working capital if you are into dyestuff business where you have compared to DI, so just want to clarify ...

**Punit Makharia:** I cannot comment on others

**Naushad Chaudhary:** Anything on the margin in second half of FY18 as you said there is a pressure on the raw material cost.

**Punit Makharia:** One second I will not comment on others. As far as our business model is concerned as we are explained to earlier in this concall only to Mr. Naman, the kind of a business model we have something different. We are not banking or we are not talking something about the product. First of all Mr. Chaudhary, let us understand a basic concept. We are not talking about any



product or pricing, we are talking about a business model through which we are trying to make stable and sustainable business in future. Today this has happened, tomorrow in SSP this will happen day after tomorrow this will happen in other product segments, so because of that this will happen. Let us not work on that kind of a business model that is a very clear cut and very straight forward strategy what we have in our mind is that let us build a such kind of a business model, right, which gives the complete stability for us ever in future and we keep on growing at the kind of a pace what we have been doing before that is the basic mantra and fundamental what we are working upon. We are not working upon any kind of market volatility. We are not working upon what your competitors is doing and what they are not doing that is all different thing.

**Naushad Chaudhary:** Just last one sir, anything on the second half of FY18 margin as you are witnessing a raw material cost price pressure. So anything on the margin if you want to comment.

**Punit Makharia:** Sir at this point of time it is not correct from my part to comment anything. Because but as overall if you see, I see a better performance of all these kind of companies in the next financial year.

**Moderator:** Thank you. We take the next question from the line of Amit Kadam from LIC Mutual fund. Please go ahead.

**Amit Kadam:** Sir, my first question is on this at textile chemical division where like is there any increase in the enquiries after we had got this Bluesign certification. Just want to understand that particular piece?

**Punit Makharia:** Mr. Kadam, first of all the Bluesign certification is not for the textile chemical. That is for about this dyestuff business and we are the second or third local company who has got the certification which gives the certification to us that we are maintaining proper SOPs like system of operating, environment, health, safety and other this quality control parameters. This kind of certification gives us more edge in pushing our sale to the international market for big reputed brands. Certain big customers like big brands, they have got a pre-determined condition to this raw material supply is that the dyestuff used in just dyeing of their fabric should be supplied by a Bluesign system partners. So that kind of entire business model is that. Textile chemical has got nothing to do with the Bluesign. That is mainly for the dyestuffs. Now coming back to your original question about the textile dyes business, we are slowly and gradually getting a hold on this business. But if you ask me personally that Punit bhai are you really satisfied the kind of a textile business is going on, honestly, we are still working on that and there is lot of work to be done from our side on the growth of textile chemicals business.

**Amit Kadam:** And second thing, just wanted to understand like our business model has been more like an integrated one where we and things which started at our Lotte Parshuram fertilizer part is because on the effluent what we discharge and then rework on that particular, then produce a commercial product out of it. But in this Kisan Phosphate, so it is more like a direct entry into

a fertilizer segment where the backward integration is missing. But then looking from our business, the thing what you talk about as a business model point of view. So we will do in future, we will have that similar integration, backward integration into that particular plant also?

**Punit Makharia:** No, manufacturing of SSP, Amit there is no generation of the Spent acid, please understand. Spent is not generated from each and every product. It has got a particular industry where we generate the Spent but in Single Super Phosphate, there is no generation of the Spent.

**Amit Kadam:** No generation, but we were utilizing some Spent of the previous like things like that is why we have this fertilizer segment along with us.

**S. N. Sengupta:** No Kadam, what happens is that you see the strategy what we have been adopting here in our Lotte Parshuram plant is not necessarily there in our Hisar plant. Hisar plant when we have taken over the other basic consideration was that in that entire area, there are hardly any units of manufacturing of SSP, point number one. Point number two is that there is no other unit manufacturing sulfuric acid who are there into manufacturing of SSP. So this becomes a positive point for us and once we talk in terms of a power plant along with the SSP plant alone, then the synergy is a little different from whatever we are having it here and therefore the EBITDA margins in our Hisar plant will be much higher than what we realize here. This is the basic thing. The same strategy does not apply there and there we have entered into Hisar basically because there is a very good market potential because if at all you see the agriculturally rich areas Punjab, Uttar Pradesh, Haryana, Himachal Pradesh, all are extremely rich. We are having a very good market potential, earlier there was hardly any sale of SSP there but slowly and steadily the demand for SSP has been increasing. We are in a position to get a better market and that is the reason why we have entered into that field saying that in case if at all we have an integrated model as we have it here, then probably we will be having very good margins there, that was the basic idea.

**Amit Kadam:** But sir, the SSP capacity of 100,000 tonnes was already there right, which is coming along with that Kisan Phosphate.

**S. N. Sengupta:** Yes.

**Amit Kadam:** Yes, that means that what was the case with that earlier promoter or the company which they were not able to cater to that kind of a good demand around that thing, was it because like the power and the things they did not have money or capital to do that little bit of backward integration. What was the reason, why they exited?

**Punit Makharia:** What is the question Amit, I have not understood your question completely, can you please come again?

**Amit Kadam:** No, I am saying that if there is a good demand, what sir is also saying and that is why we are entering into that particular geography, why the earlier promoter or the company was not able to cater to that demand and why they chose to sell that particular plant to us?

**Punit Makharia:** No, first of all earlier promoter could not do we have never shared that number 1 reason. Number 2 reason, that company that this Kisan Phosphate was earlier, I was one of the promoters into that. First of all let me tell you and this thing we have declared everywhere public domain also. It could not happen earlier so we doubt on that that is not the concern.

**Amit Kadam:** Not at all doubting sir. I am just understanding because if it is just breaking even in terms of profitability ...

**Punit Makharia:** Basically everything happens on time gradually. This Kisan Phosphate has started just 2.5 years before. Immediately after starting when we understand the market, when we understand the area because that is the new area where we have done that and rather it is better for Shree Pushkar that Shree Pushkar has a better opportunity and secondly I will tell you one more as of today Pushkar got this company at what amount. Second question what money has been paid by Pushkar in cash? All those issues are there. Rather, we personally believe that it is a very good deal for the Pushkar and I being as one of the promoters of the Kisan and I being this interested party in Shree Pushkar also, we try to bring our all the businesses under one umbrella so that we get a better result and better visibility and better performance in Shree Pushkar and the same can be shared with the number of other shareholders with us.

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

**Sumantho Kundu:** I wanted to know that where do you see yourself in 10 years?

**Punit Makharia:** Kundu saab, I don't know about 10 years from now. If you know you can tell me, I don't know.

**Sumantho Kundu:** No, actually individual investor so we think about long-term.

**Punit Makharia:** No saab, just for sake of giving you answer I say anything there is not workable Mr. Kundu. Who knows about 10 years down the line if I say anything but my reply depends on many other external factors also which are not under my control. But I can tell you one thing is that the way we have been working, the way we have been just trying to put our best efforts into the company, the way we have been doing everything for the last few years, I can assure you that the same kind of a growth pace will continue forever in future also. But if you were asking me any such kind of target what will happen in next 10 years I don't have any particular answer.

**Sumantho Kundu:** No, that is fine. I am thinking about investing for about 5 to 10 years .

**Punit Makharia:** I don't know about 10 years down the line.

**Sumantho Kundu:** I understand.

**Moderator:** Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the conference over to Mr. Punit Makharia for closing comments.

**Punit Makharia:** Friends, thank you for all 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. Thanks once again, bye take care and have a good day.

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