

“Shree Pushkar Chemicals & Fertilisers Limited Q4 FY-19 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Shree Pushkar Chemicals & Fertilisers Limited Q4 FY19 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 date of this call. These statements are not the guarantees of future performance and involves risks 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 now hand the conference over to Mr. Punit Makharia – Chairman & Managing Director. Thank you and over to you, Mr. Makharia.

Punit Makharia: A very good afternoon to all the ladies and gentlemen. A very warm welcome to the quarter ended Q4 FY19 Earning Call of our company Shree Pushkar Chemicals & Fertilisers Limited. On the call I am joined with Mr. Sengupta – our Associate Director; Mr. Ratan Jha – our CFO and SGA, our Investor Relations Advisors.

First of all, we would like to thank Mr. Ratan Jha who has decided to move on for his better opportunities. We sincerely appreciate for his contribution to the company and wishing him best of luck for his future endeavors. I would also like to inform you that now the board has appointed Mr. Deepak Beriwal as the new CFO in place of Mr. Ratan Jha.

Friends, our results and presentations have been made available on the stock exchanges and uploaded on our website also and we believe that you had a chance to look at it. Financial year 2019 ended with a positive note. We recorded the highest ever performance, and net revenue crossed Rs. 450 crores mark and profit after tax also crossed Rs. 40 crores.

The revenue and PAT grew by 14% and 12% respectively. Our consistent improving performance was on the back of (a) that is price contribution from the dyestuff business, (b) high recognition of a brand called DYECOL™, (c) high penetration in the export market in which it grew almost by 190% compare to last year.

In order to reward our shareholders, the board has recommended a final dividend of 15% of the Face value of the company. During this year there has been few developments in the company. which I would like to highlight.

Friends, we have commenced the sulphuric acid plant with a capacity of 100 tons per day. It is a completely new plant in our subsidiary company that is in Haryana Hisar in the name of Kisan Phosphates Private Limited. With this we will be able to meet our captive requirement of acids. We have also installed 700 KW Power plant to capture the waste heat generated



during the sulphuric acid process which will lead to captive power generation. This is expected to reduce our power cost in the said unit by ~25% to 30%. The board has approved the proposal of revamping of the existing manufacturing units at unit 1 MIDC Lote Parshuram, Ratnagiri. This is the oldest plant with maximum number of plants in our plot, it is fully utilized resulting in congestion leaving no area of modification and expansions.

Till date we have not experienced any major difficulties. However we have been facing frequent breakdowns in some of our old dye intermediate plant which have been creating various operational difficulties for us. Keeping in view of the long-term sustainability of our product facilities adding with better quality control parameters the board has approved the revamp proposal. The revamp will take place in a phased manner with the additional CAPEX of Rs. 5 crores and it will be funded from the internal accruals.

This revamp is expected to be completed by the end of the current financial year FY20. This will strengthen our manufacturing capabilities yielding better quality and productivity with additional value-added products. Secondly, on the CAPEX front the total CAPEX planned is for Rs. 108 crores it includes Rs. 75 crores will be spent on our dye intermediates segment this expansion is at an advanced stage of obtaining EIA and MPCB clearances **The said** expansion is expected to be commenced by FY21.

On our acquisition of Madhya Bharat Phosphates Limited through NCLT process, the total CAPEX is Rs. 28 crores which includes refurbishment of the plant along with working capital margin. And our revamp of unit 1 will be around Rs. 5 crores. So, the total CAPEX comes out to be around Rs. 108 crores which will be entirely funded through the internal accruals.

Friends, there is a change in location of our expansion site. As per the original plan we were supposed to set up unit 5 on plot number B (29) that is an additional MIDC Lote Parshuram. A newly notified MIDC industrial area the set clause was also taken in possession by the company however recently the MIDC has changed the zone from earlier notified chemical zone to the non-chemical zone. In the view of MIDC had recently allotted us a new alternate plot in MIDC Lote.

In the meanwhile, we have also acquired a separate additional plot of land with infrastructure from Apex Breweries Limited. This resulted in delay in commencement of our expansion activities. However now the matter has stance resolved and we supposed to commence the construction shortly.

Now coming on to the business updates, the dye segment has been constantly growing every quarter. Volume sales went up by 7% translating in to revenue growth of approximately 8% as compared to FY18. However, realization in FY19 has been lower, we expect an improvement in the realizations as the increased price of dye intermediates gets passed on to the dyes customer in the subsequent quarters.



The consolidated revenue contributed from the dye segment has been almost double in the last two years, it jumped to 24% of our business in FY19 from 13% in FY17. The increased contribution validates our branded products capabilities and easy acceptance to our customers.

Going ahead with the future increase in utilization of our capacity we will see higher contribution coming from the value-added segments. With this, operational leverage will start playing out and our fixed cost per unit will come down translating it into higher margin profits.

The dye intermediate segment contributes roughly 50% in our revenues in FY19. The sales volume during the same period declined by 2% with the revenue growth of 13%. We have witnessed a reduction in volumes as it was captively consumed to manufacture dyes. The dip in the volume was offset by increase in realization resulting in to revenue growth of 13%.

However, going ahead we expect to continue a similar trend of using the capacity of dye intermediates' to manufacture dyestuffs. And on the realization we expect to remain stable.

Acid segments – it mainly supports our in-house requirement of our dyes and dyes intermediates division if any surplus then only we sell in to the market.

Fertilizer segment – In FY19 the overall performance of fertilizer division has been contributed around 20% of our sales FY19. Fertilizer division saw an overall growth of around 30% compared to the same period last year. As a result of reorganization done in Kisan Phosphates post this acquisition the revenue of FY19 stood at Rs. 51.7 crores as compared to Rs. 25 crores with EBITDA margin of 16.6% and PAT margin of 6.6%.

Friends, just to sum up the company's strong business model of being completely integrated specialty chemical manufacturer with zero waste and initiative to take upgrade this manufacturing capabilities along with the plant capacity will enable the company to achieve long term sustainable growth.

Now I handover the call to Mr. Sengupta for giving update on our financial key highlights for FY19.

S. N. Sengupta:

Thank you, Mr. Punit. This is Sengupta here. Coming to our financial highlights for Q4 and financial year 2019 as a whole, the consolidated result includes that of financials of Kisan Phosphate as well. Total revenue de-grew by 2% to Rs. 117.6 crores in Q4 FY19 as compared to Rs. 120.1 crores in Q4FY18.

Adjusted EBITDA grew by 4% to Rs. 12.8 crores in Q4 FY19 as compared to 12.3% in Q4 FY18. The adjusted EBITDA margin for Q4 stood at 10.9%. Bad debts of Rs. 2.2 crores have been written off pertaining to the trade receivables of earlier years. PAT degrew by about 18% to Rs. 7.6 crores in Q4 FY19 as compared to Rs. 9.4 crores in Q4 FY18.



Coming to the consolidated performance for FY19. Total revenue from operation stood at Rs. 451.9 crores against Rs. 395.2 crores, a growth of about 14%. The adjusted EBITDA stood at Rs. 69.3 crores against Rs. 61.2 crores, a growth of about 13.3%. The adjusted EBITDA margin stood at 15.3%.

PAT stood at Rs. 40.8 crores with a margin of 9%. Our net debt to equity stood at 0.02 for the financial year 2019. Our working capital cycle has reduced from 120 days cycle to 100 days cycle on the back of improving inventory turnover days. Our consistency in performance on quarterly basis is a testimony of the strength of business model being a completely integrated manufacturer we are insulated from the volatility of the markets and are therefore being able to deliver a sustainable growth on consistent basis.

With this I now open the floor to the question answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session.

The first question is from the line of Kushal Khandwala from Lucky Investment Managers. Please go ahead.

Kushal Khandwala: Can you give a breakup of the volume growth figures for the quarter? The one that you have mentioned in the presentation are annual, right?

Punit Makharia: Yes.

Kushal Khandwala: Alright, can I have a quarterly breakup?

S. N. Sengupta: The fourth quarter Sales for the dye intermediates, the quantity was 1,668 tons, Revenue was Rs. 53.66 crores. Dyes was 907 tons, Revenue was Rs. 28.63 crores, fertilizers was 7,209 tons, Revenue Rs. 17.05 crores, cattle feed supplement was 523 tons, Revenue Rs. 1.61 crores, acid was 1,093 tons, Revenue Rs. 1.11 crores and others was 0.19 Crs. So, total about Rs. 102.24 crores. These quantity details are on a standalone basis. Consolidated another Kisan datas would be separate than these.

Kushal Khandwala: Could you please repeat the dyes number?

Punit Makharia: 907 tons, and revenue Rs. 28.63 crores. We have an average price realization of about Rs. 3.16 lakhs per ton.

Moderator: Sir, the participant line got disconnected. We move to the next question that is from the line of Ayush B from Equitas Investments. Please go ahead.

Ayush B: Sir, I wanted to understand that during the quarter has there been any revenue loss due to revamp of the unit 1?

- Punit Makharia:** There was no such major loss reported due to the revamp. In fact we have decided to shut some particular plants and start the revamp in this quarter.
- Ayush B:** Okay so during the quarter there was no impact?
- Punit Makharia:** No, there was nothing major impact I would say rather like that.
- Ayush B:** So, our volumes have been flat during the quarter, year-on-year?
- S. N. Sengupta:** Yes, it was in the fourth quarter, actually Quarter 1 was very good, Quarter 2 also went up further Quarter 3 also more or less had a better yield. But Quarter 4 there has been a dip not only in dyes but in all other segments. As such dye intermediates we have had nearly about a 100% utilization of our capacity but all other segments there was a little bit of dip. But this probably we feel has been due to the economic situation where more or less all units had a bad situation in Q4.
- Punit Makharia:** See, Mr. Ayush if you see in the same financial year Q3 & Q2 has been good but Q4 if you ask us it was lower mainly because the whole system was slow. Nothing much on the part of revamp of that particular plant or something like that or some kind of issues in our factory or in our production plant but overall if we see that there was a little bit slow in Q4 of this financial year.
- Ayush B:** Okay so quarter-on-quarter have the raw material size has increased cost or raw material cost have gone up from 64.5% to almost 74%? Sir, quarter-on-quarter I am asking?
- S. N. Sengupta:** Raw material in the first quarter was 67.01%, in the second quarter it was about 67.52%, in the third quarter it was about 64.25% and in the fourth quarter it was about 73.33%.
- Ayush B:** Yes, so this increase basically I wanted to understand why is there such a significant increase in the fourth quarter?
- S. N. Sengupta:** Basically, the prices of FG which we got for the Qrt vis-à-vis that of RM has not been that remunerative.
- Ritika:** Hi, this is Ritika. So, have the realization gone down?
- Punit Makharia:** Overall Ritika if you see, there are few reasons which resulted into such kind of a result. if you see that in Quarter 4 the realization was down due to lower demand and certain raw materials were purchased was at a high price, since it was an old raw material. So this is basically a combination of few things altogether.
- Ritika:** Okay so what do we see for H1 of FY20?
- Punit Makharia:** Now we believe that the political stability is almost there. We think now this year Q1 and Q2 would be much better than the Q4 of FY18

- Ritika:** FY19 you mean?
- Punit Makharia:** Yes. FY19.
- Ritika:** And sir, about our Madhya Bharat Phosphate acquisition, the total we are incurring Rs. 28 crores, right?
- Punit Makharia:** Yes Rs. 28 crores.
- Ritika:** So, out of that how much will be for refurbishment because earlier we had mentioned Rs. 19 crores in our press release?
- S. N. Sengupta:** Our Takeover cost will be over Rs. 19.2 crores Our estimate is about Rs. 2 crores for refurbishment. We have also the working capital margin which is going to be roughly about Rs. 5.5 crores that is including all this the total amount would be Rs. 28.2 crores.
- Ritika:** Right, so what kind of revenues can this contribute?
- S. N. Sengupta:** the capacity of this plant is about 150,000 tons and in first full year of operation, we should be able to do roughly about say Rs. 85 crores to Rs. 90 crores.
- Punit Makharia:** Almost close to 1 lakh tons we should be able to achieve from this plant and apart from the SSP plant there is Lapsa plant also so I think in the first year of full operation we should be able to take around Rs. 90 crores (+/-10%) from this plant.
- Ritika:** And margins would be double-digit?
- Punit Makharia:** You can see that EBITDA margins of Kisan is presently working at almost 15%, 16% EBITDA margin.
- Ritika:** Right so similar margins you expect here also?
- Punit Makharia:** Yes.
- Ritika:** And about our write-off during the quarter of Rs. 2 crores so this was regarding what exactly, was it regarding the Huntsman case?
- Punit Makharia:** That is right.
- Ritika:** And also, we have totally you are supposed to receive Rs. 8 crores right?
- Punit Makharia:** See we are supposed to receive Rs. 7.97 crores from them and based upon our advice from our auditor and the Board recommendation and instruction, we have written off around 25% of this amount.



- Ritika:** But we were due to receive this right very soon in the month the last time we had spoken, I think?
- Punit Makharia:** Yes, currently we still into the litigation with the company.
- Ritika:** But then is there a chance that the entire amount gets written-off?
- Punit Makharia:** Ritika that is not practically possible and secondly this is a legal issue and because of the prudence we would not like to discuss this issue more in details at least on this platform.
- Moderator:** Thank you. The next question is from the line of Saravanan Viswanathan from Unifi Capital. Please go ahead.
- Saravanan Viswanathan:** So, the starting capacity of dyestuff for FY20 is about 6,000 tons, is that right?
- Punit Makharia:** No, that was 3,000 tons and later on we further expanded by 3,000 tons to 6,000 tons.
- Saravanan Viswanathan:** Yes, so as of now it is 6,000 or its still work in progress?
- Punit Makharia:** As of now it is installed capacity 6,000 tons.
- Saravanan Viswanathan:** On the current installed capacity what sort of utilization can we expect for FY20?
- S. N. Sengupta:** FY20 we should be better. You can see last year in 2018-19 we have done about 62% capacity utilization. Now here I would like to also stress that we are concentrating more on our branded products. So, that is why the price realization for dye intermediates per-se has increased. Earlier we were getting roughly about Rs 2.8 lakhs to Rs 2.85 lakhs /MT Now we are getting roughly about Rs 3.15 lakhs/MT, that was the fourth quarter that was how it was.
- So, now based on that we had the total installed capacity last year about 4,000 tons because we got one quarter of the expanded capacity. There we had roughly about 84% capacity utilization. Now for the entire 6,000 tons for 2018-19 we have got about 62% capacity utilization because our Q4 results, and in the coming years we feel it would be better and we should be able to do much better in that.
- Saravanan Viswanathan:** Okay. So, overall, we can expect a better volume growth in FY20?
- S. N. Sengupta:** Not only volume growth we also expect better price realization as well.
- Saravanan Viswanathan:** Okay. And the dye intermediates Rs. 75 crores CAPEX, what would be the capacity you are adding?
- Punit Makharia:** See in this Rs. 75 crores CAPEX we are doing in three, four different products and there would be Sulphur derivate chemistry, there would be more products from our existing verticals also.

Altogether we are doing this expansion for four new products, two of them are for our backward integration.

Saravanan Viswanathan: So, would this also include VS and H-Acid, or those capacities are still available?

Punit Makharia: Saravanan, at this point of time we are not disclosing anything of the products but for your satisfaction I can tell you yes, we are doing in a similar kind of product in the business we are in.

Saravanan Viswanathan: Okay so your DI capacities are sufficient to support your dye stuff expansion? You do not have to source it from outside, right, everything captively available?

Punit Makharia: Yes.

Saravanan Viswanathan: Okay and this power plant, you had said that it will result about 25% to 30% savings in your existing power cost? what is it for?

Punit Makharia: Its for Kisan Phosphates.

Moderator: Thank you. The next question is from the line of Bhagwan Chaudhary from Sunidhi Securities. Please go ahead.

Bhagwan Chaudhary: Sir, just once again on this dyestuff side. We are having 6,000 tons capacity and in the current year we did 3,500 tons. So, out of this you said that you are focusing more on the brand side. How much would be from the branded and how much you expect in FY19?

S. N. Sengupta: That is slowly going up. You see initially we had revenue from both brand and non-brand, now we are trying to promote our brand but brand recognition in the market takes its own time.

Punit Makharia: Mr. Chaudhary, as far as your question is concerned, out of 3,500 tons approximately the quantity in branded would be around 30% to 35% or so.

Bhagwan Chaudhary: How much would be the price realization difference between branded and non-branded?

Punit Makharia: There is a difference of 5% to 6%, Mr. Chaudhary.

Bhagwan Chaudhary: Secondly in the revamp you have mentioned that there would be the loss of Rs. 50 crores, Rs. 60 crores of the revenue from the dye intermediate side. So, how do you look the FY20 after this?

Punit Makharia: See if I put straight with you FY20 on a top-line would be similar as per FY19. You understand my point where I am coming from. See FY20 after this revamp would be in similar on topline as FY19, but in the profitability we believe that there will be a growth of approximately 9% to 10% Also closing down this unit which use to take a lot of the undue expenses I think in that situation the PAT level should further increase by another 1% or 2%.



So in all I think it should be close to around 11% or so on the PAT levels. But on the top-line we should be in similar lines with FY19. Now if you go to FY20-21 about the next financial year there we believe that the top-line should be around Rs. 650 crores to Rs. 700 crores or so because see FY19 you are having Rs. 454 crores, FY20 you would be also in a similar range let us say Rs. 450 crores plus minus 5% approximately. But FY21 should be around Rs. 650 crores to Rs. 700 crores because see the reason is that we are doing a CAPEX of Rs. 108 crores, Rs. 75 crores plus Rs. 28 crores plus Rs. 5 crores and later on this unit 1 which is going under revamp that these particular plants will be also operational in FY20-21 plus new CAPEX of Rs. 75 crores that also will be operational in some part of the year FY20-21.

Resulting into all these things together FY20-21 should be around Rs. 650 crores to Rs. 750 crores that is including Madhya Bharat also. And this Rs. 108 crores what we are doing is from the internal accruals. So, as far as FY19-20 I believe would be flat on the top-line, with the improvement of around 10% to 11% in the bottom line from the existing levels.

Bhagwan Chaudhary: Okay and sir this Madhya Bharat revenue will come in FY21, not in FY20?

Punit Makharia: No, it would be last quarter of this financial year also.

Bhagwan Chaudhary: So, whatever losses you are expecting it should come from the dyestuffs side?

Punit Makharia: See whatever the losses of revenue we are expecting in this financial year because of the revamp we will be covering it from the two different segments (a) from the Madhya Bharat (b) from the new acid plant of Kisan Phosphates.

Bhagwan Chaudhary: And what about the dye stuff it will remain the same?

Punit Makharia: See, this I am giving very conservative figures Mr. Bhagwan. . We know what we are doing for the best right. I do not say that we will be increasing, but from conservative levels we are saying that it will remain on the same levels as existing.

Bhagwan Chaudhary: Got it and once again on the same line, this time actually you were sounding a bit conservative on the dye stuff side earlier?

Punit Makharia: That is what I told sounding conservative Mr. Bhagwan, I just know what made you to think like that.

S. N. Sengupta: We have roughly about 6,000 tons this year. Our dyestuff utilization 2018-19 was 62%. Definitely we will be improving upon that in the current financial year it will go up. Now since I told you that we are concentrating more on our branded products, so the increase will not be very substantial, very large but then a substantial amount of increase will be there.

Now as regards the dye intermediates, all those plants which are very, very old which are about 20, 21 years old, their structures have been corroded and all those sorts of things. We are trying



to revamp that, so while we are not going to close or shut down the plant for the whole year, but plant by plant we are going to dismantle them wherever necessary we will reinforce, wherever necessary we will improve the technology and all these sort of things are going to happen and the whole process is going to be spread over various plants, over a period of about 8 to 9 months. This is the basic idea of the revamp.

Moderator: Thank you. The next question is from the line of H.R Gala from Finvest Advisors. Please go ahead.

H.R. Gala: Just wanted to know in this loss of Rs. 50 crores you said that the profit margin will improve from 10% to 11% despite this Rs. 50 crores to Rs. 60 crores loss in revenue?

Punit Makharia: Absolutely. If you did not understand, I will make it clear. The reason for that is basically if we close any one particular plant for 8 to 10 months then the expenses for that plant will be automatically end. The product which we are making in that plant and which are running currently, we know what kind of margin we are making from the particular plant. Point number one. Point number two. This whole plant which we will revamp and we shall start production of new products that we are not discussing anything on this platform as of now. That will be much better, much value-added products in comparison with the existing product line.

H.R. Gala: So, existing products you may totally phase out of this revamp plan?

Punit Makharia: New products not the old products.

H.R. Gala: I am sorry old products. But is will be manufactured will be some new products?

Punit Makharia: There are some products where practically the EBITDA margin in today's date is almost nil and also existing manufacturing is very expensive for such products. . Whatever expenses we are making on that plant is expensive and also not sustainable.. So, it is better let us revamp it.

H.R. Gala: And as we go to FY21 when we expect Rs. 650 crores to Rs. 700 crores revenue, what kind of EBITDA margin and PAT margin you will be looking at?

Punit Makharia: Sir, we will be working and looking at the similar kind of margins which we have been delivering for the past few years. It should be in the range of 10% to 11% post revamp and post coming all that new plants in operation.

H.R. Gala: Okay. But do you not see any improvement because you will have more of branded stuff, you will have more of new products with higher margin, etc.?

Punit Makharia: Obviously Gala sir, those all things would be there and we have been constantly working towards the same direction. But as just now Ritika who had asked and also Mr. Bhagwan Choudhary had asked, we want to be very cautious in giving some kind of statements over this.

- H.R. Gala:** That is fine. We just wanted to know directionally the margin expansion should be there?
- Punit Makharia:** Sir, definitely margin expansion will be there and I want to tell you one thing that as of today any mid-sized company like Pushkar, who is doing CAPEX of Rs. 108 crores that through from internal accrual, without any debt risk and equity dilution, Also there is cash surplus in the company above Rs. 50 crores as of today. With all these results, it will come in the forefront, right.
- . Let us say there will be no full year operation in 2019 or 2020. But it has to come in 2020 or 2021, right? And as of today, last three to four years, you take the average of PAT margins and EBITDA level, so on the conservative side it has to come to that level which we are delivering in the past four to five years Let us hope for the best in future also but at least we believe that we will be able to deliver what we have been delivering at least for the last three consecutive years.
- H.R. Gala:** Sir, how much was CAPEX in FY19?
- Punit Makharia:** There is no CAPEX in FY19. CWIP is definitely there.
- H.R. Gala:** CAPEX will be there because the value of the fixed assets has raised? I think you might have spent something around Rs. 25 crores, Rs. 26 crores including capital work in progress?
- Punit Makharia:** See the work of unit 5 has been started. So, under unit 5 we are making investment. So, that plant by the end of this year or by last Q4 should be ready. Plus in Kisan we have installed the Sulphuric acid plant for which we capitalised that the same.
- H.R. Gala:** How much was that?
- Punit Makharia:** It was, about Rs. 12 crores to Rs. 13 crores has gone in to Kisan's CAPEX that sulphuric plant has started. Plus, the unit 5 we have around Rs. 19 crores to Rs. 20 crores that has gone in to CWIP. These are the things.
- Plus, we have bought a new additional land because as I explained in my speech and the plot which we took earlier in Lote Parshuram, that plot is vacant. We have invested around Rs. 4 crores to Rs. 4.5 crores. In addition, we have bought another plot, that we bought from Apex Breweries. And the reason why we bought from Apex Breweries is that there is already some infrastructure ready with Apex Breweries that exists in MIDC. It is hardly 300 meters away from our existing units. But all will take its own shape in next financial year.
- H.R. Gala:** Now sir just last question from my side, this Madhya Bharat Company which we are acquiring, have we spent any money in FY19?
- Punit Makharia:** We have given Rs. 2 crores as a security money.

- H.R. Gala:** And are we going to assume any debt or we will be just paying off cash to the?
- Punit Makharia:** No, we are paying total cash. No debt for takeover for this unit.
- S. N. Sengupta:** Running also.
- Punit Makharia:** In Madhya Bharat total we are investing around Rs. 28 crores. In this Rs. 28 crores around Rs. 19 crores will go to COC, which is the Madhya Bharat COC Committee. Further some amount will be for revamping around Rs. 3 crores balance Rs. 4 crores to Rs. 5 crores is working capital margin. All put together Rs. 28 crores is there. Madhya Bharat will be 100% owned subsidiary of Pushkar. The full money will be invested from internal accrual of Pushkar.
- H.R. Gala:** So, what would be the payback period for this Rs. 28 crores? The money will come in 2 years?
- Punit Makharia:** Around Rs. 80 crores to Rs. 90 crores topline. If we see the EBITDA of Kisan it will be around 15%, 16% there is no interest concept, Other maths you do Mr. Gala.
- Moderator:** Thank you very much. The next question is from the line of Anshuman Mohata, an individual investor. Please go ahead.
- Anshuman Mohata:** My question was that after this Capex we are having one more extra plot allotted to us. That is an extra part of your future expansion?
- Punit Makharia:** That is for some future expansion and Phase-2 of our expansion because currently we have invested for Phase-1 which is ~ Rs. 75 crores. There will be another round of capex which will come in Phase-2. So, that plot will be utilized for that expansion.
- Anshuman Mohata:** Yes, you had mentioned that. And one more thing when does this unit 5 begin its operation, last quarter of this year or the next financial year?
- Punit Makharia:** Sir, maybe Q1 next financial year.
- Anshuman Mohata:** Q1 next year, This year we will not see anything from it?
- Punit Makharia:** No, because see Mr. Anshuman to be very frank, this project has delayed a bit and that was due to unavoidable circumstances. MIDC zone has changed so we have to shift the entire site. Then the MIDC allotted us another plot in a different MIDC in the same particular area, but during this process we got an opportunity of acquiring this plot from Apex Brewery which we did so. So, you know all this process it was a bit delayed.
- Anshuman Mohata:** You had mentioned this, that Apex is having such an infrastructure ready for use. So, would this speed up the time which is lost would this speed up this procedure?



- Punit Makharia:** Definitely we will use the infrastructure there and also some time left on that. But to exactly quantify that will not be a correct part to comment on that. But definitely we will be saving some cost, we will be saving some time out of that.
- Anshuman Mohata:** Okay and one more last thing, what top-line would we expect from this unit 5 after everything is some paper work?
- Punit Makharia:** After finishing this Rs. 75 crores CAPEX we believe that the top-line should be around Rs. 150crores to Rs. 175 crores.
- Anshuman Mohata:** I want to know like Rs. 28 crores is giving us Rs. 90 crores in this MB it is around?
- Punit Makharia:** This Rs. 28 crores which you are mentioning that company we have taken from NCLT and let me put it very clearly to you if you go ahead and put up a new plant like Madhya Bharat of a similar capacity, it will cost you somewhere around Rs. 45 crores to Rs. 50 crores. since you are buying it from NCLT, that is why this price is cheaper.
- Anshuman Mohata:** Net-net what expansion you are doing, the amount to Rs. 75 crores because give us 2-2.5x.
- Anshuman Mohata:** 2-2.5x of the top-line?
- Punit Makharia:** Yes.
- S. N. Sengupta:** We save on the time for the construction that is one. Locating a proper plot then getting the permission from the Ministry of Agriculture all these sorts of things are involved is it not. So, that also takes roughly about 1, 1.5 years' time for a grass route unit.
- Punit Makharia:** Now if you are looking at Madhya Bharat is almost ready to start plant, it just requires hardly 3, 4 months. Once the whole legal formalities are completed from NCLT, Ahmadabad.
- Anshuman Mohata:** This was a good acquisition from our side?
- Punit Makharia:** Yes. Let us hope for the best.
- Moderator:** Thank you. We move to the next question. That is from the line of Kushal Khandwala from Lucky Investment Managers. Please go ahead.
- Kushal Khandwala:** Could you please repeat the dyestuff numbers, 907 tons and value?
- S. N. Sengupta:** Total dyestuff was 3,672 tons for the full year.
- Kushal Khandwala:** Okay and for Q4?
- S. N. Sengupta:** Q4 it was 907 tons.

- Kushal Khandwala:** Okay and value?
- S. N. Sengupta:** Value was Rs. 28.63 crores. Average realization during Q4 was Rs. 3.16 lakhs per ton.
- Kushal Khandwala:** Alright and regarding the doubtful debts do you have any provision for any more of that amount so for example you provisioned for Rs. 2 crores out of the Rs. 8 crores, do you see any further Rs. 2 crores coming in next year?
- Punit Makharia:** Mr. Kushal, , I was personally and mentally not ready to even provide this also as a bad debt. Mainly because of the Board, mainly because of the auditor I had to do it. Otherwise if you ask me personally, I am not ready to even consider Rs. 1 as a bad debt.
- Kushal Khandwala:** And lastly where are we on the auxiliary chemical front?
- S. N. Sengupta:** Auxiliary chemical front, we have kept it little bit in abeyance, basically because unless we are in a position to sell our branded products till then, selling off textile auxiliary chemicals would be rather difficult. Basically, what happens is that the volumes are low at the moment. When we started off the trial marketing volumes are low.
- Now for that we cannot have a manufacturing facility established, so once our dyes gets established then we are in a position to sell these textile auxiliary chemicals through the same channels. That is the basic idea. So, we have kept that into a backbench.
- Punit Makharia:** Mr. Kushal, to give you more detailed clarity on this subject we have got much better things and many other things than textile auxiliaries. So, we have kept in deep freezer.
- Moderator:** Thank you. The next question is from the line of Ayush B from Equitas Investments. Please go ahead.
- Ayush B:** Sir, during the quarter our tax rate was zero. I wanted to ask about that. There was zero tax during the quarter?
- S. N. Sengupta:** Earlier year's tax provisioning was more, so that has been brought here, therefore for that quarter arithmetically it is zero.
- Ayush B:** So, normal tax rate going forward will be 33%, right? And also, sir regarding employee cost, so on a standalone basis it has gone up 27%. So, can we expect the similar Rs. 6 crores per quarter number to continue?
- Punit Makharia:** Per quarter Rs. 6 crores, no, basically that is a per year number.
- Ayush B:** No, sir during the quarter it was Rs. 6 crores right employee expenses?
- S. N. Sengupta:** Only in the third quarter there was a rise in that to the extent of about another Rs. 5.5 crores 11.5 crores is gone otherwise it is more or less in that Rs. 5.5 crores to Rs. 6 crores range.

- Ayush B:** Right so for the full year we can expect Rs. 24 crores, Rs. 25 crores?
- S. N. Sengupta:** Yes.
- Moderator:** Thank you. The next question is from the line of Rohit Nagaraj from Sunidhi Securities and Finance Limited. Please go ahead.
- Rohit Nagaraj:** Sir, my question was regarding the revenue gap that we want to bridge, as I can understand from the commentary that you have given, the sulphuric acid plant probably will give us about Rs. 20 crores, Rs. 25 crores and Bharat Phosphates probably when it starts in Q4 will give another Rs. 15 crores to Rs. 20 odd crores and the rest of the gap which is about Rs. 15 crores, Rs. 20 crores will come from incremental dyes volumes that we are expected to sell during the year. Is the understanding fairly right?
- Punit Makharia:** Yes, you are very near to the proper numbers.
- Rohit Nagaraj:** Okay and second question is on the total refurbishment coming in this particular year, so have not faced?
- Punit Makharia:** Sorry to interrupt you. I want to say another thing in this. In 2019-20 Q1 and Q2 you may see some dip in the top-line because Madhya Bharat will be coming somewhere in Q3, you got my point.
- Rohit Nagaraj:** I was talking about the year; I am not talking about quarterly variation?
- Punit Makharia:** I am breaking the full year in to Q1, Q2, Q3, Q4. If you notice 2019-20 Q1 you will see some dip in that. In Q2 also you will see some dip in comparison with Q1 Q2 of FY19. I hope you can correlate what we are talking. Then Q3 will be better and then Q3 and Q4 will be in similar lines what we are talking about.
- Rohit Nagaraj:** Okay. You mean whatever shortfall is there in Q1 and Q2 we will recover it in Q3 and Q4?
- Punit Makharia:** Listen now the plant has gone in to revamp, if you see in average let us say a sale of Rs. 60crores happen then every quarter Rs. 15 crores sale hit happens. So, Q1 Q2 there will be some hit.
- Rohit Nagaraj:** Fair enough, and the second question is that on the revamp taking place during this year, had we not got an indication probably last year or before that, slowly little by little in two or three years, because in one year the full Rs. 60 crores hit substantial from the revenue perspective?
- Punit Makharia:** Practically this plant is we cannot do it in pieces because it is basically a Batch process and the Batch process takes almost few days to complete the batch. That is practically and technically not feasible in doing so and we have been talking and discussing about this subject for the past few months also but finally we took a decision to do now immediately.



- S. N. Sengupta:** We are going to do it in this current year, but then question is that there are several plants there not all of them are very old. Those plants which are very old one by one we will be knocking it down revamping them and then putting it into stream. So, that is how the whole thing would be completed. It is not going to be that the entire plant or the entire unit one is going to be shut nothing like that.
- Punit Makharia:** Please also note that since we are totally integrated, and each and every unit is based upon another unit, because the waste eventually gets utilised in the other. Right so because of the business model also it is not practically feasible what you are saying.
- Rohit Nagaraj:** Okay and sir one small clarification, what are the current H-Acid and Vinyl-Sulphone prices?
- Punit Makharia:** Rs. 425 per kg to Rs. 450 per kg for H-Acid and, Rs. 225 per kg nearby for Vinyl-Sulphone.
- Moderator:** Thank you. The next question is from the line of Naushad Chaudhary from Systematix Group. Please go ahead.
- Naushad Chaudhary:** Two questions I have, sir. First if you can tell me what is the total revenue contribution was in FY18 from the unit which we are going to revamp? How much the unit which we are going to revamp how much this unit had contributed in terms of revenue in FY18?
- Punit Makharia:** That particular figure we are not carrying as of now but on annual basis we can share with you. It is approximately Rs. 55 crores to Rs. 60 crores revenue what we used to generate from that particular unit and to give you an idea on a quarterly basis you can take around Rs. 15 crores.
- Naushad Chaudhary:** But on the previous question sir mentioned that you will be doing it, in a part way so complete Rs. 50 crores to Rs. 60 crores of revenue from this unit should not be wiped out in FY20?
- S. N. Sengupta:** Let me tell you again. The whole thing is that we are having roughly about 5 or 6 different dye intermediate plants there. We have the acid plant there. Actually, Acid are 4 plants. We have another H-Acid plant there. So, all these together and then we have the DCB plant also there so question is that the entire Unit 1 have been constructed over a period of time one by one, and revamping would be one by one not all of them are going to be dismantled together. It is only the dye intermediates part that certain plants are going to be revamped.
- Naushad Chaudhary:** That is what I am trying to understand sir this unit generated around Rs. 55 crores in FY18 and if you are going to rebusrsh it part by part then it should not, there should not be a drop of Rs. 50 crores or Rs. 60 crores of revenue?
- Punit Makharia:** One second, this part by part what is the meaning of that, you please explain it to me?
- Naushad Chaudhary:** So, as Guptaji explained that they will be doing it in a phased way so there might be some revenue from this unit in 1Q complete 100% revenue should not go off, if I am understanding it correctly?



- S. N. Sengupta:** No what I am trying to say is that we are not going to shut down unit number 1 fully, the whole process is going to take about 10 to 11 months' time of which we will be doing one of the plants we take down, we revamp that, the next plant we will take, then we will revamp that. That is how the whole process is going to be. That is what I meant by part by part.
- Punit Makharia:** Naushad, in Unit 1 we have got 8, 9 different plants, right? H-Acid, Vinyl Sulphone, MUA, Gamma Acid plant, DCP, acid and allied you know all these 7, 8, 9 plants we have altogether. Out of those various plants, we are shutting down we are doing a revamp of one particular plant.
- Naushad Chaudhary:** Secondly on the margin side, sir you guided 10% to 11% post revamp of this unit right. Just want to understand would this be at your EBITDA level or PAT level?
- Punit Makharia:** We hope this would be see 11% cannot be on EBITDA level, existing EBITDA levels are above 15%. So, we think it should be on PAT basis margin.
- Naushad Chaudhary:** And how much would be our EBITDA level sir?
- Punit Makharia:** Should be around 17 to 18 somewhere in between 17 to 18.
- Naushad Chaudhary:** Can you guide for FY20 also?
- Punit Makharia:** FY20 current financial year you are talking about, I think we are talking that only. After revamping it will be 2021. He is talking about this particular financial year 2019-20, am I right Naushad?
- Naushad Chaudhary:** No, I am asking first question I ask post FY20 which you said 17% to 18% right?
- Punit Makharia:** Post FY20 we are talking somewhere around 650 plus top-line.
- Naushad Chaudhary:** On that how much EBITDA we will generate?
- Punit Makharia:** Around 10%, 11% should be there. EBITDA should be around in the range of 17% or so.
- Naushad Chaudhary:** Which is similar to FY20 EBITDA?
- S. N. Sengupta:** Slightly better.
- Moderator:** Thank you very much. Due to time constraints that was the last question for today. I will now hand the conference over to Mr. Makharia for closing comments.
- Punit Makharia:** Thank you, friends for joining us on the call. We hope that we have been able to answer all of your questions. For any further queries, please get in touch with our investor relation advisor, SGA.



Moderator:

Thank you. On behalf of Shree Pushkar Chemicals & Fertilisers Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.