



“Shree Pushkar Chemicals and Fertilisers Ltd. Q2 and H1 FY23 Earnings Conference Call”

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MODERATOR: **MR. FARAZ AHMED – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Shree Pushkar Chemicals and Fertilisers Ltd. Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Faraz Ahmed. Thank you and over to you, Faraz.

Faraz Ahmed: Thank you. Hello everyone and welcome to the Q2 and H1 FY23 Earnings Call of Shree Pushkar Chemicals and Fertilisers Ltd. Today on this call, we have Mr. Punit Makharia, Chairman and Managing Director; along with Mr. Deepak Beriwal, CFO; and Mr. Nitesh Pangle, Company Secretary.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations as of today. Actual results may differ materially. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed safe harbor statement is given on page 2 of the company's investor presentation, which has been uploaded on the stock exchanges and the company's website as well.

With this, I hand over the call to Mr. Punit Makharia for his opening remarks. Over to you, sir.

Punit Makharia: Thank you, Faraz. Good afternoon, ladies and gentlemen and welcome to our Q2 FY23 Earnings Calls of our company. Today on this call, I am joined with Mr. Deepak Beriwal – our CFO; and Mr. Nitesh Pangle – our Company Secretary and Compliance Officer; and Orient Capital, our Investor Relation partners.

Friends, I hope you all have got an opportunity to go through our financial results and investor presentations, which had been uploaded on the stock exchange as well as on the company's website. Friends, I will take you through the financial and operational performance of our company for Q2 and H1 FY23.

Due to macroeconomic challenges and geopolitical disruptions, coupled with extreme inflationary scenario, we have delivered subdued profits for this quarter. The demand for Dyes and Dyes Intermediates and Chemicals has seen a drop in the quarter and the situation seems to be grim over next few coming months for the same, as the major textile manufacturing countries are facing demand pressure due to their energy and currency prices from the customer's end.

Domestically, we have witnessed the capacity utilization of textile mills running sub-50% due to high cotton prices and due to high energy cost. During the quarter gone by, our Chemical business has reported a drop of 14.6% in terms of the volume on a standalone and consolidated basis.

Friends, we are pleased to inform our investors that the company has delivered a good growth in terms of the Fertilizer business division. There, Shree Pushkar Chemical & Fertilisers has

reported standalone growth of 64.5% on year on basis and on consolidated level our Fertilizer division has reported Y-o-Y growth of 20.9%. We are hopeful for further improvements in this segment as we have sustainable demand domestically and globally.

In H1 FY23, Kisan Phosphates has reported a revenue of Rs. 82.5 crores, and Madhya Bharat has revenue of Rs. 66 crores for the same period. This has been a remarkable improvement as we have done Rs. 125 crores and Rs. 101 crores for Kisan Phosphates and Madhya Bharat, respectively, for the entire year in FY22. We are confident of reporting improved revenues for our fertilizer business in quarters to come.

I would like to remind everyone that G20 Summit going on in Bali and has a prime focus on food and fertilizers, and we would be able to put ourselves in the forefront for supporting our country for their global needs and our Fertilizer capacity utilization in coming quarters. I am hopeful that the demand strategy for our Chemical division has added to our profitability and improved margins.

Friends, now an update on the capital expenditure made by your company, unit 5 has partially started its commercial production with respect to Acid Complex and Dyes Intermediates. Further, an amount of Rs. 85 crores has been capitalized up to 30th September, 2022. The balance, last phase of commencement of Unit 5 will be completed by January 23. We are delighted to report that the company is having a strong financial balance sheet, and we have **a no lien** deposits of Rs. 109.9 crores, which has increased from Rs. 62.3 crores from the June quarter. We are confident that our strong cash position and no debt strategy will be highly beneficial in coming quarters.

With this, friends I would like to hand over this call to Mr. Deepak Beriwal, our CFO who will take you through the financial and operational highlights of Q2 FY23. Over to you, Deepak.

Deepak Beriwal:

Thank you so much, sir. Good afternoon everyone and a very warm welcome to everyone. Our total volume for Q2 FY23 on consolidated level increased by 19.6% on year-on-year basis with the total volume being 67,420 metric ton in comparison to 56,352 metric ton in Q2 FY22. Volume in the chemicals sector dropped by 14.6% to 1,665 metric ton in Q2 FY23 versus 1,950 metric ton in Q2 FY22 on a consolidated basis.

Fertilizers volume for Q2 FY23 increased by 20.9% to 65,755 metric ton in comparison to 54,402 metric ton in Q2 FY22. Our revenue for Q2 FY23 stood at Rs. 181.3 crores as compared to Rs. 136.1 crores in Q2 FY22, a growth of 33% on a year-on-year basis.

Our consolidated EBITDA was Rs. 34.8 crores for H1 FY23 as compared to Rs. 40.8 crores in H1 FY22, a drop of 15% on year-on-year basis. EBITDA margin for HY FY23 stood at 10% and PAT margin for H1 FY23 stood at 5.5%. PAT for H1 FY23 was at Rs. 19.3 crores versus Rs. 29.1 crores for H1 FY22, a drop of almost 34% on a year-on-year basis. With this, we can now open the floor for discussion. Thank you so much.

- Moderator:** Thank you. We will now begin the question-and-answer session. The first question is from the line of Shubham Agarwal from Aequitas Investments. Please go ahead.
- Shubham Agarwal:** Sir, firstly my question was related to the chemical division. Sir, I wanted to know what was the revenue and EBITDA contribution this quarter.
- Punit Makharia:** Particularly chemical division Shubham?
- Shubham Agarwal:** Yes, standalone level.
- Punit Makharia:** Shubham, if you will see it on a standalone basis, in the last quarter Pushkar on a standalone basis did Rs. 90 crores in console including Chemicals and Fertilizers. In this quarter, it has gone down to almost Rs. 90 crores. From Rs. 110 crores, the total revenue has gone down to Rs. 90 crores, which includes Chemical as well as Fertilizer divisions. Approximately, I can give you the Chemical business is totally around Rs. 52 crores - Rs. 53 crores is the total Chemical business, Shubham out of the Rs. 90 crores business and if I give you the total breakup the total Chemical business is Rs. 53 crores to be very precise. The fertilizers business is Rs. 27 crores in this Q2 quarter on a standalone basis and Acids and other Chemical business is the remaining part of it which is around Rs. 12 crores to Rs. 13 crores also.
- Shubham Agarwal:** Right, and what could be our EBITDA contribution from Chemical division?
- Punit Makharia:** EBITDA calculations, we do not have any individual Chemical division, Shubham, because it is a consolidated units altogether. And we do not have separate expenses for the Chemical as well as on the Fertilizer business. So, generally, we don't calculate that and but I think EBITDA level should be in that regard a bit in a single digit, though that figure I am not carrying with me right now, Shubham, but we can provide to you after due calculation of it.
- Shubham Agarwal:** So, basically, what I am trying to figure out is in the Fertilizer division, if we see the numbers reported were very good, but in the Chemical division, if we remove the standalone Fertilizer, I wanted to know what was the probable loss that we reported in this segment?
- Punit Makharia:** No, first of all Shubham, A - we have not reported the loss. The loss what you see, basically, if you talk about PBT right, PBT is in a positive mode. But yes, it is subdued in comparison with the last quarter. And because of this provision for taxes, because we have done a capitalization of Rs. 85 crores in September for our Unit 5, because of that, this capitalization deferred tax has gone up by around a quite amount of money. Because of that, the impact on the PAT is Rs. 5.6 crores.
- Shubham Agarwal:** So, basically, you are saying the EBITDA at Rs. 6 crores, the Chemical division has also contributed in this?
- Punit Makharia:** First of all let us understand a few things. There is no loss, there is no this thing. Yes, but there is a dip in the EBITDA margins in terms of the Chemical also. Point number 2, approximately,

EBITDA margin on a standalone basis is 6.8%, which includes Fertilizer business also as well as the Chemical business also right, if I give you a rough idea right, it should be somewhere Fertilizers business should be around at 12%, 13% EBITDA and the Chemical business would have a lower than that and on console basis, it is around 6.8%. This is just a rough idea which I am given to you, Shubham. And I tell you one thing basically, Shubham, we need to understand, right now, the scenario what the whole industry is facing is extremely subdued. It is not only the chemical, I personally feel that this geopolitical situation globally, the currency pressure, energy pressure, demand pressure, globally what we see is extremely depressed. And I believe that in this atmosphere, the most important is that, let us not leave our volumes, let us not leave our customers, let us build business. At the same time, let us conserve our cash, let us not do any such kind of a decision where we repent on our decision. Sometimes Shubhamji what happens is that on seeing the atmosphere, seeing the situation it is wise to back away 2 steps. We have only tried for one thing that revenues should be maintained, growth in revenue, maintain customers and right now the atmosphere is not very good right now. And if you will see that overall, our this cash position has improved, we have maintained volumes, we have seen on this total overall basis we have given a volume growth, we have given a revenue growth, but at the same time there is a depression in terms of the PAT. There are 2 or 3 main reasons for depression first is that, the tax provision came for the capitalization which we did for Rs. 85 crores secondly is that in today's date globally there is a pressure on demand which you would also agree and everybody would in the industry would also agree because see, you would be tracking many other companies looking at the current global situation, there is a pressure on demand from the European countries, from the America. And looking at the gas situation and currency situation, especially in Pakistan and Bangladesh, in which the Bangladesh is a major textile producing country for the whole globe its pressure is in this. So, the very important part for us was to keep our business safe and intact, to keep our customers with us. We don't mind sacrificing something on our profitability, but at the same time, we have maintained our cash, we have maintained liquidity and I would say, let me tell you one thing very clearly, without asking you let me tell you, as far as the kind of sector we are into it, our team has done reasonably well and if you look at the other competitors result in Q2, get your reply yourself.

Shubham Agarwal:

No, sir, fair enough. I totally understand the current scenario. And I am sure you are putting all the efforts to get through this. Sir, basis your experience and your understanding, how do you see this evolving? We understand that there is also some dumping from China into India, especially in DI segment, so how do you see this evolving and how this will impact our Unit 5 ramping-up strategy?

Punit Makharia:

Sir, in this there is no question of dumping right, I feel that too many goods are not coming from China like before X quantity used to come and now X + Y quantity has started to come there is no scenario like this. I don't feel any scenario like this. I have been into this industry for this quite 25 years - 30 years and I personally look into this market scenario very closely and out of my market intelligence, what I am touched with all the global customers and suppliers also, what I believe is that it is not the question of the dumping, it is a question of the demand. It is a question of the demand, Shubham. And because of the depressed demand, see, it happens like

this, as of today's date if you take Europe, take England or take America you know these countries' economies much better than me, my point of view is very limited, my outlook is very limited because I see it related to my industry, your industry outlook is greater than mine because you because you have invested in some other sectors, some other companies also. So, you look at it widely. We personally believe that, particularly in the global situation, there is a suppression into demand. People are shy to spend money on non-essential products. And we have also been in some of the non-essential commodities out of our total business vertical. If you see under Fertilizer business there is a fair growth and if you look at it with a more broader perspective that last year Pushkar's business was of Rs. 110 crores business, that Rs. 110 crores business has now become Rs. 90 crores. Under that Rs. 90 crores business at least 30% business is of Fertilizer around Rs. 30 crores of 30%. So, sir, today if in Rs. 90 crores, Rs. 30 crores business is from Fertilizer business then only Rs. 60 crores business is of Chemical. Out of 180 Rs. crores if Rs. Rs. 60 crores business is only of Chemical and Rs. 120 crores business is of Fertilizer division then you can yourself visualize what kind of demand we have. Then too also we have maintained good pressure, this good revenues is on a total overall basis. And what is most important is that you can sell whatever you want to sell right, money should also be taken. Let us not take any such decisions in this present circumstances and I believe that one wrong decision taken by you may keep you out of the business. Let us be very cautious on our decisions as we know that present situation is fighting against the odds. Let us be cautious. Work very patiently, the situation is very bad globally. Today what we are seeing particularly, you take the energy situation, take currency situation, despite Bangladesh becoming LC, money is not coming because they don't have dollars. Pressure will be everywhere. And in business every time it not only one phase that is growth, sir sometimes we have to behave as per the situation. Let us see to it that we don't make any wrong decisions. We go right and straight.

Shubham Agarwal: Got it, sir. Completely with you on that point, 100% and,

Punit Makharia: If you see, we have completed Unit 5 and Rs. 119 crores - Rs. 120 crores has been invested in spite of that FDs of Rs. 63 crores no-lien investment which were there has now became of Rs. 109 crores. Sir, Rs. 136 crores business was done in Q2 of last year and today Rs. 136 crores business has become Rs. 181 crores business if you calculate from last year's H1 then also under PBT is 8.15%. Tell me one thing, sir if today in H1 PBTs result is 8.25% then what is the poor result in this? If today in that Rs. 85 crores CAPEX is done, then due to Rs. 85 crores CAPEX tax implication of Rs. 5.60 crores came, we have accumulated that.

Shubham Agarwal: No, sir I totally understand your point and I think Fertilizer division growth that we had vision for ourselves that is playing out currently for us. And I am sure the H2 will be much better in the Fertilizer division because we can see the demand.

Punit Makharia: See, sir we are working on a long-term scenario strategy. We are not working on this any kind of a short term. And my job is to do my work diligently and work hard and maintain transparency. Behavior is being done according to the atmosphere.

Shubham Agarwal: Yes, sir 100% and I would like to say best of luck to your team to go through the current situation.

- Punit Makharia:** Definitely, sir we are having a very close watch on the current situation.
- Moderator:** Thank you. The next question is from the line of Forum Makim from Equitree Capital. Please go ahead.
- Forum Makim:** Sir, if I calculate your numbers for your subsidiary, like console minus standalone then it will be fully Kisan Phosphates and Madhya Bharat right? So, sir, in Q2, is there a degrowth in revenues for these 2 subsidiaries?
- Punit Makharia:** Not at all. See, if you talk about Kisan then Q2 last year was Rs. 33 crores, Q2 this current financial year is Rs. 48 crores and if you talk about Madhya Bharat, Q2 last year was Rs. 29 crores and Q2 this year is Rs. 41 crores. So, there is no degrowth if you see that overall last year Madhya Bharat did Rs. 101 crores, full year, half yearly Madhya Bharat did Rs. 66 crores then almost 20% – 22% growth is there. Last year Pushkar did a business of Rs. 125 crores and in Q2 Pushkar is around some Rs. 82 crores - Rs. 83 crores. So, there is a growth of almost 20% - 25% in Madhya Bharat and Kisan.
- Forum Makim:** Sir, what is the contribution from Unit 5 in this quarter?
- Punit Makharia:** Practically, in this quarter there is nil contribution from Unit 5. You will see that in Q3.
- Forum Makim:** Sir, that will be 100% or?
- Punit Makharia:** See, in Unit 5 total 3 division is there in which we have started 2 and third would be in January 2023, and the 2 which we have started from that one is our Acid Complex that we started that in September or October end and we have started the division or plant of Dye Intermediates in third week or fourth week of September and this year we have already come to a level in Dye Intermediates to the achievement of 55% - 60% and in acid complex we have come to almost 80%. In this Q3, you will see the impact of Unit 5 also.
- Forum Makim:** Sir, full year impact we will see after January?
- Punit Makharia:** The Unit which is going to start in January almost 40% - 50% will be used captively. So, much effect of its will not be shown in the topline.
- Forum Makim:** Sir, we were expecting Rs. 200 crores – Rs. 250 crores from Unit 5?
- Punit Makharia:** See, the Rs. 200 crores – Rs. 250 crores about which we were talking will be completely seen in 23-24.
- Forum Makim:** What is the guidance for the full year for FY23?
- Punit Makharia:** See, full year 23, I strongly believe that we should be touching somewhere close to Rs. 725 crores to Rs. 750 crores on a consolidated basis. As we have already crossed Rs. 350 crores in

this H1, if we will see there is a growth of around 37% in comparison with H1 FY22 to H1 FY23. So, it was Rs. 254 crores in H1 22 and Rs. 350 crores in H1 23. I believe that in this full year we should get total revenue of Rs. 750 crores and in which if you see Unit 5, somewhere or other we will get 5 months operation.

Forum Makim:

And sir in PAT?

Punit Makharia:

In PAT, I will not give more comment because Fertilizer business is doing good overall and I personally feel that the Chemical segment because of the global demand pressure will remain a little bit grim but I am sure we will be maintaining this good result, better result in comparison with the present global scenario.

Forum Makim:

So, you think you we will be able to maintain the FY22 PAT number or FY23?

Punit Makharia:

See, 9.51% is Rs. 55 crores right, and I don't know may be, it is a difficult question what you are asking me right, but yes we are trying to do the best what we can and let us see that we believe that the H1 results should not go below this.

Moderator:

Thank you. The next question is from the line of Ajinkya Jadhav from Kamaya Kya Wealth Management. Please go ahead.

Ajinkya Jadhav:

So, my question is like we had this breakdown of machinery in Unit 1 in the last quarter so like what is the impact? Like did it impact the production...

Punit Makharia:

The fact is that the unit is still in the final stage of coming back in production. And scheduled, we have made is on 25th of November to start that plant again. So, obviously, that plant is closed for the last 2 - 2.5 months or so, right, and we have scheduled to restart it on 25th of November. As soon as we start that plant, immediately, we will be announcing on the stock exchange also, and keeping all the investors informed about it.

Ajinkya Jadhav:

So, were we able to shift that production that we lost in Unit 1 in the Unit 5 or like we lost the production at all?

Punit Makharia:

No, the production which gets lost doesn't come again.

Ajinkya Jadhav:

I thought like the same products were being manufactured at Unit 5 and since Unit 5 started this year only, so we were able to pick up the losses?

Punit Makharia:

Whatever time have lost in that plant that time will not come again.

Ajinkya Jadhav:

Second question is, like if I look at the balance sheet, I can see a sharp drop in the inventory from Rs. 92 crores to Rs. 64 crores on consolidated basis any reason for this?

Punit Makharia: Sir, do you appreciate this point or you don't appreciate this point. Sir, in this grim position also if the company is decreasing its inventory, doing sales growth, and cash position improve then it is better right, at least it is not stocking up inventory. In this demand pressure situation also company is moving its product, doing sales growth, controlling inventory, doing cash management, I think it is a positive sign.

Ajinkya Jadhav: My thought of line was like our H2 is better than H1 so I thought you will be accumulating a lot of inventory to cater the?

Punit Makharia: See it like that today you are also an investor, do investment in 10 scripts and doesn't earn money from every scripts every time, first thing. Second thing, sometimes we have to work according to the situation, in today's date how the condition of global environment you take about Europe, it is almost flat, you take about UK you must be reading everything into this public domain you must be knowing about every situations more than me. Sir, in today's situation how can you see, means the main thing is, goods should remain at home, inventory should not be piled up, rupees should not be trapped, inventory should not stuck in our throat right. It is okay if we get 2 paisa less but don't be trapped anywhere. I have given a straight away instruction to my team, to do business in cash and carry. It will be okay if you sell at 2 paisa cheaper rate but we want money, want payment, cash flow should be strong, any of creditor payment should not be delayed, no non-compliance will work in Statutory Compliance, full transparency is needed, no issues even if you earn Rs. 2 - Rs 3 less or 2% to 3% we earn less, it doesn't make any difference. This is not the only quarter which is going to decide the future of the company. We are working on a long-term stability and sustainable business model, sir. We are not working for this July to September. No, we are looking at a long-term strategy. Now there is a big opportunity lying ahead in front of us. Unit 5 is almost completed. We have resolved the problems of Diwanganj plant by the grace of God. We have got the access of the road; Fertilizer business is doing great. In the coming time 2 months, 3 months, or 4 months till whenever this situation is grim, let us walk cautiously on this tight rope. Let us not make any such decision which lands us into problems. No problems, if we get 2%-4%, less, it's okay but go for long-term strategy, don't invest money where it gets stuck, don't keep stock for long-term. That is the whole strategy we are going Ajinkya.

Ajinkya Jadhav: And the final question from my end is that our Fertilizer segment is doing good. So, it has done, I can say, 1.14 lakh metric ton volumes in the H1 and we have guided around 3 lakh metric ton volume for the full FY23. So, like in that, there is no problem in achieving that So, 90,000 per quarter for Q3 and Q4, is that doable for the volume for the other segment, right?

Punit Makharia: See, in the H1 we did 1,13,000. I believe that we should be able to cross 250,000 tons of fertilizer in this whole full financial year. And 6 months more are left in which placements will start in Fertilizers from December, plus the issue regarding the Dewanganj plant which we have being expecting to resolve much earlier, now last week, itself, we have resolved that issue of Dewanganj plant. We have purchased that land which was an access to that Unit and we have already started dispatches from Dewanganj Unit, and we believe that fully operational, that unit

would be somewhere by Q3. So, we believe that 250,000 plus of fertilizer business we would be doing in this whole financial year.

Ajinkya Jadhav: And regarding the realization per ton, the government has not increased the subsidy for Phosphorus in comparison to the Urea. So, can we see the pressure on the per ton realization, like 16,000?

Punit Makharia: There is nothing like pressure things are good. Demand is there if in terms of Fertilizer because of the Ukraine war and Russia war, Fertilizer's global situation is little bit grim, but overall, domestically Fertilizers has no problem. Sometimes, the big commodity business is also helpful for you in sustaining your whole business cycle.

Moderator: Thank you. The next question is from the line of Pawan Kaul from Dynamic Capital. Please go ahead.

Pawan Kaul: Sir, question on realizations for Chemicals, has that also seen a volumes will be affected but is there any impact on realizations?

Punit Makharia: Pawan, if I give you overall what is seen on this point, A, yes, overall realization has impacted. B, it is due to mainly raw material fluctuations. C, it is also due to the currency fluctuations. Like today, it is 80 then 83 then 81, sometimes Euro is down sometimes dollar is up, and so there is a little impact in that Pawan. Today if I give you an idea of raw material pricing, there is a product called Sulfur, which we used to import, it was prevailing at \$150. It went up to \$450, and it was quite stable at \$450 then again, came down to \$110. Now it is again \$170, \$180. So, the kind of fluctuations you can see and realize and foresee what could be the impact on the raw material pricing. If you see overall, our raw material cost, consumption has gone up by 5% in comparison with Q1. In Q1 the raw material consumption was around 60%. In Q2 raw material consumption came to around 65%. Then the 5% hit is there itself. It is very simple you see like caustic flakes, which went up to Rs. 70 - Rs. 72 today it is Rs. 60. So, this 15% to 20% change is such that we don't understand.

Pawan Kaul: And I am guessing from your commentary that it is not very easy to pass on this cost because you're trying to maintain volume share in the market?

Punit Makharia: When so much fluctuation comes in a very short term then it is not practically possible to pass on every time because the kind of business model we work in Dyestuff and Intermediates that we always have our order book for next 2 months, next 3 months. So, each and every time we cannot pass on. In that there is a gestation period we have to work accordingly.

Pawan Kaul: And most of our customers are domestic?

Punit Makharia: No, most of our customers in the Dyestuff business are international.

Pawan Kaul: And when you are speaking with them in terms of your conversation, what are they looking at in terms of outlook? I mean, that is what you said in your commentary that the outlook is pretty grim over the next 3 months or so. So, is that the same feeling that you have, say, next 3 to 6 months onwards or it is pretty uncertain right now, right?

Punit Makharia: Pawan, I personally give you my submission as follows, as far as the Fertilizer business is concerned, I am quite positive and quite excited for the next 5 months, let us say, till March 2023. That business will surely grow. That business will surely support our other verticals. And as far as the Chemical business is concerned, Pawan, I am honestly speaking, I am not so hopeful for that. I believe that situation is going to little bit of the grim. And it is very important for us that we maintain our volumes, we maintain our cash liquidity for the next 5 months. But yes post this, I see a huge opportunity as far as the kind of business we are into.

Pawan Kaul: And one last question. Sir, you have some cash lying in the balance sheet, you have mentioned it earlier on using that to an acquisition or anything else. Is that a similar plan strategy? Or you want to be cautious on the balance sheet front also at this point in time?

Punit Makharia: Pawan, I would like to be cautious on that point. And though we have 3-digit cash lying in our books right, but we want to be a bit conservative, a bit cautious on any kind of acquisition, though we have taken small expansions at other end, like Dewanganj Unit we are starting shortly, right? That Unit has been closed for 2 years or so. Like we are also announcing a few small balancing equipment expansions, like in Kisan Phosphates, we are expanding from 100,000 tons to 132,000 tons. In acid complex, we are expanding. Then we are also going in a different vertical in the same Fertilizer business like Soluble Fertilizer plant. So, we believe that, presently, let us do whatever we have in our hand and which doesn't cost much in terms of the CAPEX. As far as the acquisition is concerned, we would like to go a bit slow at least for the next 3 months. We would like to see how the situation goes, how the time goes, how the geopolitical situation globally has, and then we will take a call on that. But yes, we would like to conserve cash at this point of time.

Moderator: Thank you. The next question is from the line of Sanjeev Kumar Damani from SKD Consulting. Please go ahead.

Sanjeev Kumar Damani: Namaskar, sir. Sir congratulations on your comment that in this critical time you have handled your business policies by visualizing it very well, so felt very happy on hearing this. But sir many times if we reduce our operations then customer retention like money should also come and everything should happen, usually, Dyes Chemical business is run on credit so how do we do customer retention, sir?

Punit Makharia: Damani ji, see the thinking which you told here, see everyone's thinking is not as same of yours. Every person see's everything from his angle and from his scenario and I believe that every person's thought is correct according to him. The manner in which I go is that I believe in going in a safe and long-term way and I believe that if the time is not good, road is not good then you should go slowly else the vehicle will breakdown.

- Sanjeev Kumar Damani:** Sir, I salute you for this. I have understood. I got my answer. Sir, now I come on BC.
- Punit Makharia:** Stop, afterwards what did you say in Dyes that this business is done on credit. Exactly by the grace of God touchwood, till now not even Rs. 1 has been written in debtors. Yes, sir we don't work directly with customers, if any customer comes to us directly of Dye account, we directly don't entertain them Damanji. There are a set of dealers with whom only we deal and from the last 2, 4 months we have made our strategy like give money and take the discount and after that we will not run after you.
- Sanjeev Kumar Damani:** And sir in exports we came to hear that Turkey's condition was also very bad.
- Punit Makharia:** Turkey's condition is still bad; Bangladesh condition is also very bad. Sir, it is a very simple thing, in Bangladesh the condition is like even the LC money is not coming.
- Sanjeev Kumar Damani:** Correct, sir you just now only told that. Thank you sir.
- Punit Makharia:** It is like some people has their own thinking for us protecting the business on a long-term scenario is more important.
- Sanjeev Kumar Damani:** I fully agree, sir. I got much comfort by hearing your policies. Sir, DCP which you mentioned this time in presentation, may be mentioned earlier also I did not notice, this time I saw that we are also making (DCP) Di Calcium Phosphate, then this animal product how much is our installed capacity? And how much we are making? Can I know that?
- Punit Makharia:** If you net-net see that the install capacity is of 1,400 - 1,500 ton.
- Sanjeev Kumar Damani:** 1,500 per day or month?
- Punit Makharia:** No, it is month. 1,400 - 1,500 ton is per month. Practically, somewhere around 1,200 ton we are producing it.
- Sanjeev Kumar Damani:** Producing and selling it every month also means we are maintaining this sort of volumes?
- Punit Makharia:** Mr. Ajay asked how did this Rs. 92 crores inventory came to Rs. 63 crore, then, sir it clearly visible that inventory will be less when it is selling, then only volume will increase.
- Sanjeev Kumar Damani:** I do have a habit of getting confirmation so I wanted to listen from your mouth itself. So, sir now I want to know that we can get Phosphate from the residue of Phosphate and do we have to procure Calcium or is it a by-product only?
- Punit Makharia:** Sir, it is like that P comes from Phosphate and for Calcium in this we do hydration and leaching with hydrated lime and LSP.
- Sanjeev Kumar Damani:** And now I come to Fertilizers, sir I want to understand that total volume which you told now, is this figure is for all type of Fertilizer or is only for Single Super Phosphate?

- Punit Makharia:** 1,13,000? In this SOP is also included.
- Sanjeev Kumar Damani:** And DCP is used only for animals or used for fertilizers also?
- Punit Makharia:** No, it is an animal supplement feed. It has nothing to do with fertilizers.
- Sanjeev Kumar Damani:** In this whole figure, DCP also came I overheard this?
- Punit Makharia:** Yes, it came.
- Sanjeev Kumar Damani:** I heard it when you told, now a small thing for my knowledge and for update in DAP, which is made through phosphoric acid and Single Super Phosphate between these two which is a preferred Fertilizer or both are to be used in their own places?
- Punit Makharia:** Both have their own place; both have P nutrient in them.
- Sanjeev Kumar Damani:** Okay, P nutrient is there and Single Super Phosphate?
- Punit Makharia:** Both have their own properties and have their own usage.
- Sanjeev Kumar Damani:** We are not planning to put any plant of DAP?
- Punit Makharia:** I will not say that we are not planning and even I will not say that we are planning, but yes at least for the next 2 - 4 months there is no plan to do any new CAPEX, sir.
- Sanjeev Kumar Damani:** Not planning but we can put? We can also plan and put-up there?
- Punit Makharia:** For putting it is not a big deal or rocket science.
- Sanjeev Kumar Damani:** Yes not rocket science correct. And sir, what is the payment for subsidy or other things like last time you told me that from Government, every 3 months policy is being finalized and prices are fixed so all the payments are coming and there is no problem of subsidy now?
- Punit Makharia:** No, till now there is no problem in cash.
- Moderator:** Thank you. The next question is from the line of Dr. Varun Sharma from Sharma's. Please go ahead.
- Dr. Varun Sharma:** It gives me great pleasure to talk to such a dynamic management. Sir, my first question is that in the last quarter told that next quarter seems to be weak and according to that only results came for the quarter. So, next quarter what do we see that we hit the low or we would go more low on margins?
- Punit Makharia:** Varunji I personally think that this situation, which is currently going on, I don't see any worse situation than this and Varunji let me tell you I am little a man who is little conservative and a

very cautious man and I talk about very conservative figures only even if any other plan is going in back of my mind. I feel that this year if we touched 725 - 750, in which I don't see any difficulty then I would say that okay we have done a good work, right. The profit margin which the company has reported though you don't take PAT, instead take PBT because Rs. 5.50 crores, Rs. 6.25 crores is the impact of depreciation for capitalized Unit 5. If you take this year's, of H1 then somewhere it is above Rs. 29 crores. I feel that, if you take PAT then Rs. 5.50 crores - Rs. 6.25 crores is depreciation impact and this impact of depreciation will increase more because the balance CAPEX of Unit 5, it will come in January, - February. If you see overall if you go above the PBT levels then I feel that between 60 and 65 we should be able to achieve, means 8% to 9% PBT margins should be there on console basis on 22-23 it is what I think means this figure what is say is my thinking and I don't think that the situation which is going or may be in 1 month or 1.5 month it can show any new color but for the next 5 months we have to go forward very cautiously and we also see very closely that what are our peers doing, we take care that the same mistakes we are also not making.

Dr. Varun Sharma: Sir, my next question is you feel more challenging on raw material cost, fuel, domestic or demand. Which is very challenging?

Punit Makharia: I feel demand is more challenging. Raw material prices go up and down by only 2%, 3% that doesn't matter. Now you understand what I am saying, the main thing is that the factory should go on, demand should be there, supply goods to the customers, sell 1% to 2% cheaper and keep on receiving money. Rest in margin hit by 1% to 2%, raw material goes up 1% to 2% up and down it doesn't matter, all these things keep on going. These little things are in one quarter and will go in another quarter. The question is not this, the question is to retain the customer, keep going the factories, keep on selling the goods, don't block the inventory, don't stuck you money.

Dr. Varun Sharma: Sir, my next question is **on Capex**? And I think that is in the backburner because first we have to get Unit 5 operational so we have to incur new CAPEX or do any M&A activity? I have heard all the conference call and have read and on seeing that we felt that we are leading towards acquisitions or we will not do acquisition?

Punit Makharia: It is like this that everything is going inside the mind, but from the last 2 - 3 months I have moved 1 step backward and may be this will be for 2 - 3 months we will go backstep. There is a point in commenting on like we will do acquisition or put anything new, what will we do and all these. Some 2 - 3, small assets in are there in our hands which we are not utilizing like Dewanganj, have taken expansion in Kisan Phosphate, have to do one Soluble Fertilizer plus we have put a new plant in Madhya Bharat new plant of GSSP with a capacity of 1 lakh ton, it has to be started. Have to complete this small expansions of Rs. 10 crores, Rs. 20 crores, Rs. 25 crores, let this 4 months, 5 months ago, you have more than Rs. 100 crores cash with you, 2 No-lien investments are there. Let March go and then we will see which the table turns then we will decide.

Dr. Varun Sharma: Sir, last question is that this year we can do a sale of Rs. 725 crores, Rs. 750 crores, but next year will we reach Rs. 1000 crores once Unit-5 will be operation?

- Punit Makharia:** Sir, listen if you want big figures, I can give them.
- Dr. Varun Sharma:** No, sir we are your disciple whatever you will say we will believe you.
- Punit Makharia:** It is like that we will walk little slowly first let this March pass by, walk carefully then we will talk after March. At the time of third concall we will address this subject properly.
- Dr. Varun Sharma:** Thanks a lot, sir. Best of luck for the future sir, future plans.
- Moderator:** Thank you very much. That was the last question for today. I now hand the conference over to management for closing comments.
- Punit Makharia:** Thank you, everybody. We think we are in a good position to take advantage of overall growth potential, and we are really excited about the same. I want to thank all for attending, and I hope that we have been able to address all of your concerns. If you need any further information, please get in touch with our Investor Relations partner, Orient Capital. Thank you very much.
- 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.