



“Shree Pushkar Chemicals & Fertilisers Limited
Q3 FY2019 Earnings Conference Call”

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Moderator: Good day ladies and gentlemen and welcome to the Q3 FY2019 Earnings Conference Call of Shree Pushkar Chemicals & Fertilisers Limited. This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinions and expectations of the Company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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, Shree Pushkar Chemicals & Fertilisers Limited. Thank you and over to you Sir!

Punit Makharia: Good morning ladies and gentlemen. A very warm welcome to quarter ended Q3 FY2019 earning calls of our company Shree Pushkar Chemicals & Fertilisers Limited. On the call, I am joined with Mr. Ratan Jha, our CFO and SGA, our Investor Relations Advisor. Our results and presentations have been made available to you on the stock exchanges and also uploaded on our website and we hope that all of you must have a chance to look at it.

Let me take this opportunity to give you a brief overview about our company's overall performance and its new developments. Friends, the Dyestuff segment has been constantly growing every quarter. The total sales volume went up by 17% translating into revenue growth of approximately 12% as compared to nine months FY2018. However, the realization in nine months FY2019 has been lower and we expect an improvement in this realization as the increase in the prices of dyes intermediates gets passed on to the dyes in the Q2. At the current capacity of 6000 metric tonnes per annum of dyes, we have a capacity utilization of roughly 61% as against 55% utilization in H1 2019.

Dyes accounts for 27.20% of our standalone business in nine months FY2018 and 32.4% in our revenue in Q3 FY2018 on the back of additional capacities and a good response of the recently launched brand of company DYECOL. We expect further improvements in utilization and additional capacities in the coming quarter which will give operating leverage on cost translating into higher profit margins. Dyes intermediate segment contributed roughly 58% of our standalone revenue in nine months and 54.5% of standalone revenue in Q3 FY2019. Our sales volume during the same period declined by 29% with the revenue growth of 24%. This has been largely due to better realization of the dyes intermediates, which has remained subdued during the last financial year.

From hereon, we expect these realizations to remain stable for the remaining part of the year. The degrowth in the volume has been largely due to higher capacity utilization of dyes intermediates for captively using into dyes. Currently, the utilization of dyes intermediates segment is altogether 90%.



As informed earlier, we have completed all the capacity expansion in the current facility under dyes and dyes intermediates as well as sulphur derivative segments. We have planned an additional capex of Rs.75 Crores in the dyes intermediate segment, which is expected to come on the year end by FY2020. In nine months FY2019, the overall performance of the fertilizer division has been modest on account of staggered monsoon across the country. It contributed almost 10.3% to standalone sales in nine months FY2019. Fertilizer division saw an overall degrowth of about 29% compared to the same period of the last year. As a result of reorganization done in Kisan Phosphates post this acquisition, the revenue of nine months FY2019 stood at Rs.36.3 Crores with EBITDA margin of 17.4% and PAT margin of 9.2%. Further the company is already in a process of adding sulphuric acid plant along with the captive power plant for enhancing its manufacturing capabilities involving the total capex of approximately Rs.10 Crores thereby bringing into considerable reduction in the cost of the production. The capex is expected to be completed by end of Q42019.

As far as our Acid division goes, it mainly supports our in-house acid requirement for our Dyes and Dye Intermediates division, only the surplus acid is sold to the local market.

Now coming to the key financial highlights of Q3 nine months FY2019, the total revenue grew by 20.5% to Rs.121.4 Crores in Q3 FY2019 as compared Rs.100.7 Crores in Q3 FY2018. Adjusted EBITDA grew to 40.5% to Rs.25.3 Crores in Q3 2019 as compared to Rs.18 Crores in Q3 2018, the adjusted EBITDA margin of Q3 FY2019 stood at 20.8%. The adjusted EBITDA excludes arrears and remunerations to the promoters of Rs.5.03 Crores during the quarter. The same has been approved by the shareholders at the AGM held in September 2018. PAT grew by 20.3% to Rs.11.8 Crores in Q3 FY2019 as compared to Rs.9.8 Crores in Q3 FY2018. Consolidated nine months FY2019 results include revenue from Kisan Phosphates. The total revenue from operation stood at Rs.334.3 Crores. Reported EBITDA stood at Rs.56.5 Crores with a margin of 16.9% whereas PAT stood at Rs.33.2 Crores with a margin of 9.9%. Our consistency in performance on the quarterly basis is the testimony of the strength of the business model we have, being a completely integrative manufacturer, we are insulated from the volatility of the market and also therefore we are able to bring and deliver a sustainable growth on consistent basis. Now with this, I open the house for the question and answer.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ritika Garg from Equitas Investment. Please go ahead.

Ritika Garg: Good morning Sir, so we mentioned about an acquisition which the board has approved from NCLT for Rs.30 Crores?

Punit Makharia: Yes.

Ritika Garg: So could you throw some more light on that, how much revenue do we expect to add, when do we expect to complete it?



- Punit Makharia:** Ritika, as far as this one is concerned, we are working very aggressively on that point, but there are certain steps, we have to follow it and that transaction is not yet awarded to the company, so it is on the process Ritika. So, at this point of time, we would not like to discuss much of the details, but let me tell you one – more thing, hopefully we should be able to close that transaction by the end of this month, then surely we will come out with more necessary details to be discussed along with our shareholders.
- Ritika Garg:** All right and I had a question regarding we had arrears and the remuneration paid to promoters of Rs.5 Crores, so this is pertaining to which period?
- Punit Makharia:** This is for the current year, Ritika.
- Ritika Garg:** For the entire FY2018-19, right.
- Punit Makharia:** That is right.
- Ritika Garg:** So do we expect our employee cost on a quarterly basis to be Rs.11 Crores going forward or what is it that we expect the employee cost to be on a quarterly basis?
- Punit Makharia:** In fact, this way it was done in Q3 all together, and instead of that we will be doing next time in every quarter Ritika, so impact is divided into four quarters, - like this in this quarter the total year impact is there.
- Ritika Garg:** Full of FY2018, but otherwise it is also there for each quarter impact has already been given in Q1, Q2 and Q3 of FY2019, right?
- Punit Makharia:** No, the total impact has been given in Q3 for 2018-19.
- Ritika Garg:** Okay, including FY2018 plus H1 of FY2019?
- Punit Makharia:** No, it is only for FY2018-19.
- Ritika Garg:** Okay and then what about nine month of FY2019?
- Punit Makharia:** That is given an impact, Ritika about this.
- Ritika Garg:** Okay, we still have to give an impact and when do we expect to take that impact?
- Punit Makharia:** I think it should be almost in a similar kind of a range, what it is already there.
- Ritika Garg:** So but when do we expect to take it?
- Punit Makharia:** Probably next year, Ritika.

- Ritika Garg:** Sir next year will be FY2019 and then FY2020 will also be in FY2020 or...?
- Punit Makharia:** No, that is FY2020 only in FY2020?
- Ritika Garg:** Okay, but then every year we are going to pay arrears of Rs.5 Crores?
- Punit Makharia:** Last year, that depends on the performance of the company, it is as per basically MCA guidelines, which has been already approved into AGM in September 2018, it is around 10% of the profit as per the section of MCA – as per the company’s act.
- Ritika Garg:** For 10% of profits, and in FY2020 we expect to take it on a quarterly basis, right, we expected to divide it over four quarters?
- Punit Makharia:** That is right.
- Ritika Garg:** All right and so when do we – what are the realizations for dyes currently?
- Punit Makharia:** Dyes is almost now close to, you can see is Rs.275 to Rs.300 per kg on a consolidated basis, on an average out basis if you talk about.
- Ritika Garg:** Okay, so then that pretty much remain unchanged since the past quarter right?
- Punit Makharia:** That is right. Now we see from recent – there are certain developments into the industry, now recently we see that there should be increase... if we see in the last 15 days movement of the prices, we can see a good amount of increase into the prices of the intermediates also.
- Ritika Garg:** Okay and what would be the reason for that?
- Punit Makharia:** Same reason Ritika, it is all because of environment issues now but the issues have propped up in India also.
- Ritika Garg:** Okay and Sir what do we expect our capacity utilization for the dyes division to be in FY2020?
- Punit Makharia:** Hopefully, it should be going somewhere around above 75% to 80%.
- Ritika Garg:** So that would contribute what? Rs.150 Crores of revenue?
- Punit Makharia:** As I talk about close to Rs 130 or maybe Rs 140 Crores. Just a second let me just do it on a calculation – around Rs.130 Crores to Rs.140 Crores.
- Ritika Garg:** And currently margins in dyes are better or dye intermediates are better?

Punit Makharia: Obviously, if I look at interpedently the intermediates are much better than dyes but in dyes we will get a little bit more of the value addition than over and above what we get in the intermediates.

Ritika Garg: Okay and what about dye intermediates like how has the price trend been?

Punit Makharia: Recently we can see that there is a noticeable increase in trend into the dyes intermediate pricing in India also as well as in China also.

Ritika Garg: Okay so what would be H-Acid and the Vinyl Sulphone prices?

Punit Makharia: As of now if we see H Acid has reached to a level of almost Rs.410 to Rs.415, which was earlier approximately Rs.370 to Rs.375. If you go through our last con call, during the con call this was close to Rs.375 or so. Now it is almost close to Rs.415 to Rs.410 and I expect personally to further grow it and I think somewhere by the end of February or by March mid, it should cross Rs.425 to Rs.430, this is my expectation. This is my calculation.

Ritika Garg: Okay and so then will we consider selling more dye intermediates than dye?

Punit Makharia: No, we cannot change our strategy so frequently and so fast because if you see that our exports have grown almost by four times. Last year we did approximately Rs.23 Crores export. Now we have done almost Rs.73 Crores of export, hopefully we will be doing it by Rs.100 Crores. We have recently launched our DYECOL brand into the market also. So we cannot change our strategy so frequently. We have to give this entirely stable and sustainable business model to our dyes customer in case if the prices of the intermediates go high also because we are going on a long-term synergy levels into the business and if the prices go high, we cannot refuse to our dyes customers just because that we are getting more realization into intermediates, we need to have certain ethical trade policies Ritika.

Ritika Garg: Right and what about Vinyl Sulphone?

Punit Makharia: Vinyl Sulphone is also behaving in a similar kind of a manner as the H Acid is behaving, so we can see yes there is increase of almost of 5%-7% into the Vinyl Sulphone also in comparison to the last 15 to 20 days of the pricing moment.

Ritika Garg: So what would be the current price?

Punit Makharia: As of now, it should be close to Rs 255 plus/minus Rs.5.

Ritika Garg: Okay and this Rs.75 Crores DI expansion, how much revenue will that add?

Punit Makharia: That should add close to Rs.175 Crores or so in first phase, then the second phase also we have another Rs.75 Crores. So all together total capex is going to be Rs 150 Crores in two different



phases , phase IRs 75 and another phase II is Rs 75 plus what you see in our board meeting last time and further an approval of the inorganic growth up to a tune of Rs.30 Crores.

- Ritika Garg:** Okay, so then what do we expect FY2020 revenues to be?
- Punit Makharia:** FY2020 revenue Ritika, will be, I do not think there – we should this somewhere around 10% growth in the results of FY2019. But FY2021 would be a much better growth in comparison with the current year.
- Ritika Garg:** Okay. So FY2020 would just be 10% growth?
- Punit Makharia:** Yes, because new capacities will be adding in due process of time like new acquisition if it happens plus new capex of Rs.75 Crores, it comes in to streamline. These new capacities will be adding into the company's hold.
- Ritika Garg:** So with this new acquisition the inorganic one that once we take it overview is still have an additional expenditure to incur?
- Punit Makharia:** 100% but that is subjective issue whether we get it or we do not get it and suppose if we get it also then to also it will take some time to start it get into the streamline, all these issues are there still, so that is a subjective issue.
- Ritika Garg:** Okay. And what is the....?
- Punit Makharia:** I think we will be able to discuss more broadly on the acquisition part once we are through with that.
- Ritika Garg:** Okay and what is the outlook for fertilizers and what is the margins on a standalone basis?
- Punit Makharia:** See fertilizer if we see our Haryana plant is doing good in comparison with the Maharashtra plant and in Maharashtra, I see a dip into the business, dip into the EBITDA margins also. It is mainly because of the drought scenario in Maharashtra. Otherwise if you talk about that in Haryana we are doing better than that what we did last year.
- Ritika Garg:** So what would be the margin for Maharashtra?
- Punit Makharia:** Pardon.
- Ritika Garg:** What would be the margin for Maharashtra?
- Punit Makharia:** It is basically lower than the last year margin.
- Ritika Garg:** Okay, so last year was what 17%?



- Punit Makharia:** Those data I do not have Ritika in front of me right now, because you will understand that Mr. Sengupta is not there with me, so I am not that fully equipped with all of your questions. In case if you want that exact figures to be given, we can give it to you.
- Ritika Garg:** And is our marketing tie-up with DCM still there?
- Punit Makharia:** No, that is not there at all. Now we are doing our own marketing. We have appointed various agents and dealers in Maharashtra and northern part of India also. We are doing it our own and we believe that our sales team is doing extremely good job, better than DCM has done.
- Ritika Garg:** Okay – what would be a fertilizer contribution to our overall revenue mix that we expect for FY2020?
- Punit Makharia:** It should be almost into the similar kind of a line and we also expect that FY2020 should not be a drought here in Maharashtra otherwise our Haryana plant is doing much better than what it did earlier, but almost overall should be on a similar kind of lines.
- Ritika Garg:** Okay and for Haryana plant, we expect what revenues or Rs. 40 Crores this year?
- Punit Makharia:** This year?
- Ritika Garg:** Yes.
- Punit Makharia:** No. It should be more than that. we have already done Rs.36 Crores in nine months, so three months are still remaining with us. It should be close to around Rs 45 to 50 Crores.
- Ritika Garg:** Rs 45 to 50 Crores And what will be the margins over there?
- Punit Makharia:** Margins are approximately 17% EBITDA levels are there Ritika.
- Ritika Garg:** All right. Thank you.
- Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** Good morning Sir.
- Punit Makharia:** Good morning Aman.
- Aman Vij:** My first question is, have we commissioned the sulphuric acid plant, which was supposed to be commissioned at the end of Q3 FY2019?
- Punit Makharia:** We are on time Aman, and we are doing it in Q4 – sorry we are not on time, we are a little bit delayed, so we are doing it in Q4 FY2019.



- Aman Vij:** Okay and could you quantify the number, how much did we spent on sulphuric acid plant and how much on the cogen plant?
- Punit Makharia:** In totality, it would be approximately Rs.10 Crores and it could be plus/minus 5%-7%, though exact data I am not carrying, because still work is going on, but it should be around the same figure what I said.
- Aman Vij:** But combined, we only spent Rs.10 Crores for 100 tonnes per day sulphuric acid?
- Punit Makharia:** That is right.
- Aman Vij:** Okay and we already have a sulphuric acid plant and ...
- Punit Makharia:** We already have.
- Aman Vij:** And what is the capacity of that?
- Punit Makharia:** That plant is of 125 tonnes per day and in the existing plant we produced sulphuric as well as oleum derivatives, chloro derivatives and SO₃ derivatives, but that Haryana plant would be mainly for the sulphuric only.
- Aman Vij:** We are not setting up the other dedicated plant?
- Punit Makharia:** No.
- Aman Vij:** Okay and how much did we spent for the Maharashtra plant, sulphuric plant where we had set up the whole setup?
- Punit Makharia:** That is an old plant Aman, I do not remember because I think we started that plant somewhere in 2011 or maybe 2012, I do not have the exact year of the starting and there it was much more at that time what we are doing in Haryana. Because that plant has some other products also. It was not only sulphuric, it was of other products also.
- Aman Vij:** Yes and could you tell us the price of sulphuric acid currently?
- Punit Makharia:** In Maharashtra?
- Aman Vij:** Both Maharashtra and Punjab?
- Punit Makharia:** It is almost in a similar right, Rs.7500 to Rs.8000 a tonne.
- Aman Vij:** Okay and I think it was quoting at much higher two, three, four months back or...



- Punit Makharia:** It was around Rs.10,000 to Rs. 12,000 a tonne. At that time sulphur was also high, now the raw material sulphur has also been dipped a little bit, so it is going in proportionate with the raw material pricing and the sales price.
- Aman Vij:** Okay. So the Punjab plant, most of it will be 50% is captive so 50% at we can assume that Rs.7500 to Rs. 8000 per tonne realization will be selling outside directly right?
- Punit Makharia:** That is correct, Aman.
- Aman Vij:** Okay and on the dye intermediate part, you think the realization we are getting is sustainable over say next...
- Punit Makharia:** 100%, do you think some other issues could be there, which we are living out of our head, in case if you can tell us that would be helpful to us.
- Aman Vij:** No. Just was asking the trend, because you had mentioned?
- Punit Makharia:** Trend is on increasing mode Aman now.
- Questionnaire:** Yes, so our margins are expected to increase in that ...?
- Punit Makharia:** You can compare the operational margins in comparison with Q2 of this financial year also and Q1 of this financial year also. operational margin is close to 21% EBITDA.
- Aman Vij:** Yes. It is much better. That is why I was asking the question.
- Punit Makharia:** Yes.
- Aman Vij:** Thank you. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Kushal Khandwala from Lucky Investment Managers. Please go ahead.
- Kushal Khandwala:** Hi Sir. What is the fluctuation like in terms of the rates of dyestuff as compared to dye intermediate, is it directly proportional?
- Punit Makharia:** See basically it is almost directly proportional, but the only difference is that when there is an immediate impact onto the intermediate pricing, it takes some time in getting that impact into the dyes.
- Kushal Khandwala:** What is the lag period?
- Punit Makharia:** It is around almost – close to two months or so. That too also depend on the various markets and what kind of - inventories are there into that market out of old pricing, there is no such hard and



fast rules that it should be only two month. It depends on many other factors like the kind of inventory in pipeline for the old pricing, any of the new demands, various factors are accounted into that Mr. Kushal.

Kushal Khandwala: Okay.

Punit Makharia: Generally, it takes around two months or so to get the pricing impact into the dyestuff.

Kushal Khandwala: Okay. So Sir can you give us an idea about the capital employed across four broadly divided segments, which is dyes, intermediates, stuffs and fertilizer and assets.

Punit Makharia: Mr. Kushal, that is not practically possible because if you see that this company has grown over a period of years that to also in different phase wise, so now to have that data and details required by you, it is practically impossible or something very difficult to give you exact figures that what is the capex into the dyestuff and what is the capex into the acid division like that way and further it is a complete complex and all facilities are integrated with each other. Many of the common utilities are utilized by all the different verticals of the plant. So, to give you exact number of that details required by you is practically not a correct idea, which we would be giving it to you.

Kushal Khandwala: No problem and what kind of margins do we have in exports vis-a-vis domestic sales like are they any better?

Punit Makharia: No. Honestly speaking there is no better margin in exports because all the people including the foreign customers have become quite smart, they also know – we know about this currency fluctuation what are the benefit that the Government of India is providing on the exports, so whenever you do a transaction into the international trade also, everything is calculated and build into that.

Kushal Khandwala: Okay, where are we on the auxiliary chemicals front?

Punit Makharia: As of now we are not doing anything much great on the auxiliary because earlier we had a thought process of doing something great into the auxiliary chemicals, but at this point of time we have kept little bit at a back foot, first we have taken a new capex of Rs.75 Crores into Dye and Dye segment, auxiliaries we are not doing as of now at this point of time.

Kushal Khandwala: Okay and what will be the operating cash flow for nine months?

Punit Makharia: Operating cash flow. It is Rs.36.05 Crores.

Kushal Khandwala: Perfect. Thank you Sir. That is all from my side.

- Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.
- Rohit Nagraj:** Thanks for taking my questions. A couple of questions, on the subsidy front, what would be the subsidy outstanding as of nine months?
- Punit Makharia:** Rohit exactly I am not carrying the data with me, but I can give you overall view on this point.
- Rohit Nagraj:** Yes that will be great.
- Punit Makharia:** Yes, overall if you see after implementation of DBT and PoS, initially personally as I was having some kind of another thought process that now the subsidies will be delayed and because the remote areas are not having an internet connectivity and Etc Now if you see overall I believe that I was wrong earlier, now the DBT and PoS is doing excellently well operational system and almost from the nine months recent sales of this financial year, we see that subsidy blockage is around two months of our sale on an average I am talking about including Haryana plant as well as Maharashtra plant.
- Rohit Nagraj:** Okay. Fair enough and Sir on the new capex, could you throw some more light as I understand earlier we had plan of Rs.75 Crores for which we have also taken space at Lote facility, what is the plan for phase II of Rs.75 Crores that you just mentioned and what kind of capacities are we looking at, what would be the completion that we are looking at?
- Punit Makharia:** See we are doing five, six different products in Rs.75 Crores outlay and let me tell you we are into the similar kind of business activities as the company is already doing and we are doing a sulphur derivative chemistry. There are certain more products into sulphur derivative chemistry as well as something more of dyes intermediates, certain new products we are adding, certain existing products we are expanding, it is a mixture of a similar kind of segments.
- Rohit Nagraj:** Okay, so total will be spending Rs.150 Crores over the next two years, is that correct?
- Punit Makharia:** First of all we are talking about only phase I, so after the phase I is at an advanced stage, then we will be – you are talking about phase II, so as of now let us discuss about only phase I, there would be Rs.75 Crores.
- Rohit Nagraj:** Okay, so phase II would be only after – I mean finishing – almost finishing phase I.
- Punit Makharia:** at the advanced stage of implementation.
- Rohit Nagraj:** And when are we expecting phase I to be completed, I think earlier date was Q4 of FY2020, is that date correct?

Punit Makharia: Rohit, we are targeting the days what you said, and to comment exactly on that is a difficult point of time as of now because we are too far from that, hopefully we will be doing it on the days what has been said by us.

Rohit Nagraj: Okay and Sir any specific reason for the sulphuric acid plant to get delayed by one quarter, I mean in terms of any capital equipment's are probably getting delayed or any other specific issues?

Punit Makharia: You are talking about Haryana plant?

Rohit Nagraj: Yes Sir.

Punit Makharia: Rohit see whenever we are doing capex, there are many factors which are connected to it, which impact the timely performance of a new plant and I would not like to blame a single – like that this machine is delayed or that machine is delayed. It is a total impact and certain things have been delayed at certain various levels. So it is not only one specific reason. But let me tell you that delaying by two months is not something by and large so long delay. I hope you understand.

Rohit Nagraj: Right Sir and Sir one last question in terms of our DYECOL brand, how are we looking in terms of the traction we have introduced it a last couple of quarters, so how is the response?

Punit Makharia: Not last couple of quarter, we just implemented physically, it has gone in to the market in Q2 of this financial year only.

Rohit Nagraj: Correct, so how is the response, what are we seeing from it any, initial thoughts?

Punit Makharia: See honestly response overall is good and fair and we do not expect – because see let me tell you dyes are something not like a commodity business, selling of dyes is something like a specialized business and it is difficult to change the existing supplier with the consumer and it takes lot of time in changing because generally people do not change the dyestuff what excitingly they are using because it impacts their overall performance, so our sales team is doing good, we have started and we have opened our office in Tirupur also. There also we have pointed good amount of dealers, good sales team has been done, we are doing good business in Bangladesh, we are doing good business now in Pakistan also – in North also we are doing. Overall gradually we are penetrating ourselves in a proper stable and sustainable manner. We do not want to sell our dyes like in accommodative, please understand. If you would want to do that then this 100%, more than 100% utilization we can do overnight, you please understand, but we do not want to do our marketing in that kind of a system whereas we are called as commodity supplier, no. We do not want to be labeled ourselves as a commodity supplier. We are making a position of ourselves into the market though it may take some more time not an issue but once the company's image is built, it is built forever.

Rohit Nagraj: Okay. I understood. Thank you.

- Moderator:** Thank you. The next question is from the line of Udit Gajiwala from SMC Global Institutional Equities. Please go ahead.
- Udit Gajiwala:** Hello Sir. Good morning and congratulations on a great set of numbers, firstly.
- Punit Makharia:** Thank you Udit.
- Udit Gajiwala:** My question is just broadly based around the demand scenario in the dye industry. So could you just throw some light that are we still facing headwinds in our domestic markets?
- Punit Makharia:** No, I do not think that earlier also we were facing any headwinds and now also we are facing any headwinds, Udit and see there are two different issues where we need to select that where we want to walk upon. Option one, do you want to sell dyes as a commodity supplier or do you want to build a brand and sell as a specialized product. It depends on a complete thought process, how they want to do it. So if it is like a commodity supplier then let me tell you there is no headwind because your company has got that kind of a strength by backward, forward integration, it is completely stable and sustainable that it can hit any price level prevailing into the market and they can capture the market. There you may be Classified as a cheap supplier or as a commodity supplier. So this option we never wanted to go Udit. Now the option what we have chosen for the company is that we want to build a brand, we want to make you a quality supplier, it takes a little bit time and that we are doing it as – as of now we have achieved up till 61% of the production capacity of our installed capacity, I believe that we are not facing any larger headwinds. We are doing it in a proper manner and we believe that by the next year we should be there around 80% utilization of the dye.
- Udit Gajiwala:** Great Sir. And just one clarification is that with the employee cost going up –sufficiently and we still have a margin impact, so is it because of the realization growth that we have achieved mainly?
- Punit Makharia:** See it is not an impact of only realization into this finished product. It is an overall performance of the company, which has improved. It is not only the sales realization. It is a better profitability – most sustainable business model because see I will tell you as I have been always mentioning into my earlier this thought process is that – if your plant is closed even once because of the pollution environments then your performance has gone for two to three months. Since we have built a stable and sustainable business model, whereas we have zero-waste synergy in our company, this is a performance overall business model and our team into this and I believe that this will be continuing in future also.
- Udit Gajiwala:** Great Sir. Congratulations again. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Naushad Chaudhari from Systematix. Please go ahead.



- Naushad Chaudhari:** Hi, thanks for the opportunity and congrats on a decent set of numbers Sir.
- Punit Makharia:** Thank you Naushad.
- Naushad Chaudhari:** First question on our DYECOL brand Sir, out of total around Rs. 47 Crores of sales in this quarter, how much was through our DYECOL brand?
- Punit Makharia:** Naushad I have not brought so many figures exactly, but we can give it you that is not a problem and DYECOL brand in local as well as in export we have started penetrating in Bangladesh, Pakistan and in South India as well as in North also. And gradually and slowly it is increasing Naushad and slowly and gradually we are putting our footprints on a very strong mode and we can hear from the market now – the customer, dealers, public, competitors have started talking and discussing – that we are doing something very aggressively, we have started getting Recognition for this new brand that is a very great thing our sales team is doing that Naushad. Let me tell you in coming days and coming months and coming weeks, we will be having much more – the visibility about the DYECOL in the market and we believe that slowly and gradually by the few more months, we should be having a much better sales in terms of DYECOL.
- Naushad Chaudhari:** And to overall business, what are the benefits do we get if we are selling our pro in-house brand like in terms of margin, in terms of receivable days, what are the benefit do we get if we sell it through our own brand?
- Punit Makharia:** See it is not – first of all let me tell you the prime objective is not to get a better margin, Naushad. The prime object is to build a strong supportive business in the market. See either you sell as an institutional supplier or you sell as a brand retail product, so we believe that on the margin front is not that important as recognition is important, as long-term sustainable business is important. Definitely when we sell into the retail through our dealer network we get more money, but that is not our whole course, we are not talking about just of selling 500 tonnes of dyes, we are talking about it was going into the new further expansion into the first phase also, there also the new dyes capex would be there so we want to have a global recognition as far as the DYECOL is concerned.
- Naushad Chaudhari:** Okay. Lastly on the capex side Sir of our Rs.75 Crores, is there any change in the funding model which we earlier had talked about?
- Punit Makharia:** No, this will be funded mainly because of out of two Proceeds , A. It is a warrant placement to the promoter to the tune of Rs 15 Crores. B. It is Rs.60 Crores of internal accrual generation. There will be no debt. There will be no equity dilution as far as Rs.75 Crores capex is concerned.
- Naushad Chaudhari:** Okay. Thank you so much Sir. All the best.
- Moderator:** Thank you. The next question is from the line of Manu Agarwal, an individual investor. Please go ahead.

- Manu Agarwal:** Hello Sir.
- Punit Makharia:** Hello, Mr. Agarwal.
- Manu Agarwal:** Congratulations for a good set of numbers. I just wanted to understand the product that you are working in, what is the total market size and what is the market share current and what we are looking- what to achieve in the next three to five years?
- Punit Makharia:** Manu, we are working in various product segments, intermediates, cattle feed fertilizer, Dyestuff, which particular product you are talking about?
- Manu Agarwal:** If it is possible, can I get the summary kind of a thing for all our products?
- Punit Makharia:** No that is not practically possible Mr. Agarwal, because it is a too big gambit and currently we are not having those kind of data, which is required by you honestly?
- Manu Agarwal:** Dyes and dyes intermediates, it is only?
- Punit Makharia:** See dye intermediates, please come again what exactly you want from us in dyes intermediates, please come again.
- Manu Agarwal:** I just wanted I said what is the total market size available and what is the current market share and who are our competitors that we have to compete with in this market?
- Punit Makharia:** See there's a large market segment for this and there are many intermediates manufactures like – let me give you little bit example – we produce 10 intermediate at the single site location, there are other companies our other competitors also who produced this 10 different products and here one very important point has been noted is that – many people other producers there, but there is no such producer who produces 10 products at a single side, single location, please understand. Right, like this is market is so big, to take a exact data what you want is not there with me Manu to be very honest and very upfront with you but let me tell you we have a decent market share of this products into the industry and as far as specifically if you talk about H acid, the Vinyl Sulphone, I think we have a higher single digit percentage market share in India.
- Manu Agarwal:** Okay and Sir one more question regarding if they are having a single location for all the products, do we enjoy higher margin compared to our peers or is it on the similar levels?
- Punit Makharia:** Manu I have not visualized so much honestly speaking but we believe that we get a better productivity and better control and there is a benefit with it in lot of things but the kind of answer you expect from me honestly I have not done any kind of such evaluation on these.
- Manu Agarwal:** Just one more question, we currently enjoy a zero waste tag, so how much capacity can we extent further and we do not have to spend a zero-waste disposal systems.

- Punit Makharia:** We have to balance that in our new capex money, and we will be doing it. Certain quantities we have to build up on our own and certain spare capacity we have existing.
- Manu Agarwal:** Okay so we have to build up various zero-waste disposal systems also with the capacity that we are trying to get.
- Punit Makharia:** See here the question is of building a business model with a sustainable and stable growth, it is not a question of producing x-product, producing y product, producing z product, here it is the achievement is building a long-term stable and sustainable business model which gives you growth.
- Manu Agarwal:** Yes. Sure Sir.
- Punit Makharia:** It is a question of running a business in ethical manner not managing the business, I believe you understand.
- Manu Agarwal:** No. I understand this. My question was regarding this that the government is not providing any major facilities for disposal system, so it is good that our company building itself in to that model. I just wanted to understand that are we incorporating the cost in the current capex or do we have to put in much more beyond the planning that we have done already?
- Punit Makharia:** No in our first phase everything is built into that.
- Manu Agarwal:** Okay. The second phase might have that.
- Punit Makharia:** We will discuss second phase at a later on stage, it is too premature to discuss about second phase.
- Manu Agarwal:** Sure Sir. Thank you Sir. That is it from my side.
- Punit Makharia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from IndiaNivesh. Please go ahead.
- Ankit Gupta:** Hi Sir. Maybe I missed the data, Sir can you give me volume figures for dye intermediates and dyestuff for Q3?
- Punit Makharia:** Just a second. See our utilization. Ratan is going to give you.
- Ratan Jha:** About nine months, dye intermediate sale is 3158 metric tonnes and our dyes sale is 2765 metric tonnes for the nine months. In value terms it is Rs.172.95 Crores in dye intermediate segment and dye segment it is Rs.81.05 Crores.
- Ankit Gupta:** Okay Sir. Thank you Sir.



- Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** Thank you for the opportunity again. Sir I wanted to understand out of the Rs.175 Crores turnover which we expect from the Rs.75 Crores capex, how much are we expecting, could you segregate in terms of dye intermediates and sulphur derivatives?
- Punit Makharia:** Aman, we still have a long time to go, let it come to advanced stage, it is not appropriate to make calculations now.
- Aman Vij:** Okay. No issues and could you talk about some of the products in sulphur derivatives, we are targeting?
- Punit Makharia:** It will be sulphuric acid, oleum chemistry, SO₃. Then further derivatives of SO₃ and the chlorosulfonic acid, oleum 65 and these products only.
- Aman Vij:** These we are already doing, nothing in the...
- Punit Makharia:** We are not doing So₃ derivatives, we are not doing further one more product also, which I would not like to name on this platform.
- Aman Vij:** Okay. Sir some will be new product?
- Punit Makharia:** Yes, some will be new products, there is a little part of going into backward integration also in this existing sulphur derivative chemistry.
- Aman Vij:** Okay and Rs.75 Crores the split between sulfur derivatives and...?
- Punit Makharia:** And intermediates?
- Aman Vij:** Yes so do we have this segregation – the dye intermediate for how much... ?
- Punit Makharia:** Aman let me be very straightforward to you, we are not discussing much details on our new capex because – we would like to keep it secret Aman in case if you have more questions you can always welcome to the office and one can understand more better because we do not want to discuss much about our new moves.
- Aman Vij:** No issue. Second question is on the export side, so our exports increased Rs.274 Crores as you were talking about for nine months, so apart from our own brand DYECOL what other things let to this increase?
- Punit Makharia:** This Rs.73 Crores export till Q3, is not only the dyestuff, this includes certain fertilizers also, this includes some intermediates also, which are the like intermediates, we are doing it to China and if you recollect the India was a net importer as far as the intermediates is concerned. Now India



is a net exporter so this Rs.73 Crores involves dyes intermediates also and some soluble fertilizer of our SOP and majorly it is dyestuff and whatever dyestuff we are doing it is DYECOL also, and some other institutional multinational customers also.

Aman Vij: Okay and on DYECOL, do you think two, three years down the line it could be Rs.100 Crores or Rs.50 Crores?

Punit Makharia: Let see, let us not talk about any particular number, see basically we need to understand and think is that what is the performance of the company since last few years like three, four, five, six years, and we believe that the same kind of growth opportunity will be there and will be maintained and we have a stable track record Aman, if you see our earlier records that the company has been growing at a respectable rate and we believe that it should continue.

Aman Vij: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Dhavan Shah from ICICI Securities. Please go ahead.

Dhavan Shah: You have given the volume number for this dyestuff and dye intermediate for nine month, so can you please provide the numbers for Q3 FY2019 and Q3 FY2018 volume and sales number?

Punit Makharia: We had given the volume and sales number for nine months for 2019, and same figure for the FY2018.

Dhavan Shah: Q3 FY2019, I am saying Q3 FY2019 and Q3 FY2018 numbers and along with that nine months FY2018 numbers as well volume as well as the value terms?

Punit Makharia: Just a second Dhavan.

Ratan Jha: Q3 FY2019 revenue is Rs.59.2 Crores and quantity sales is 117 metric tonnes for dyes intermediate segment.

Dhavan Shah: 117?

Ratan Jha: Yes. And for dye segment, it is Rs.35.21 Crores and capacity utilization that means sales quantity is 110.

Dhavan Shah: Okay.

Punit Makharia: Dhavan hopefully you have got your answer?

Dhavan Shah: Sir dye intermediate you said 117 metric tonnes and the value term Rs.59.2 Crores.



- Punit Makharia:** Listen, dyes intermediate total sale is Rs59.2 Crores, and the quantity is approximately... Dhavan we are not having this data very honestly speaking, we will come back to you on this point, Ratan has taken down just your query, he will respond to you.
- Dhavan Shah:** Sure Sir. Okay. That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Rohit Nagaraj from Sunidhi Securities. Please go ahead.
- Rohit Nagaraj:** Thanks for taking my questions Sir. Sir you mentioned about the pollution control norms getting tightened in India as well, could you throw some more light and are any developments that have happened in the space which you have come across?
- Punit Makharia:** Rohit there are a lot of developments going on but it has not correct on my part to discuss these points on the public platform. I think if you go through the media, if you go through the other information, you will get better knowledge than me and at this point of time, it is not correct on my part to discuss on this platform, anything is there you can always visit our office and discuss.
- Rohit Nagaraj:** Sure Sir, Sir and just one last question on the new capex, I think in the last quarter we mentioned that we have applied for EC so have we received the same or we are awaiting for the same?
- Punit Makharia:** We are awaiting final approval of the same. It takes a long time, it is a long process Mr. Rohit. It is still awaiting. It is in the process.
- Rohit Nagaraj:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Naushad Chaudhari from Systematix. Please go ahead.
- Naushad Chaudhari:** Thanks. My question has been already answered.
- Punit Makharia:** Thanks, Naushad.
- Moderator:** Thank you. The next question is from the line of Ritika Garg from Aequitas Investment. Please go ahead.
- Ritika Garg:** What percentage of our raw materials would be important?
- Punit Makharia:** In overall?
- Punit Makharia:** Ritika, we do not have exact figure at this point of time, but we can come out with that but let me give you a little bit more detail on that part, generally we import sulphur that to also we do not



imported regularly wherever we get a better deal, better transaction either available in local as well as in import we do that accordingly and apart from that, we imports certain raw material in intermediate business and dyestuff business we do not import anything, either we produce majority and something we buy locally also, in fertilizer we buy rock phosphate and sulphur, to come out with the exact number of our total sales to imports, Ratan will get back to you on this point.

Ritika Garg: Okay and what would be your debtors?

Punit Makharia: Debtors?

Ritika Garg: Yes.

Punit Makharia: Rs.77 Crores Ritika in Q3 2018.

Ritika Garg: Okay now this new plant of Kisan Phosphate the expansion is due to come up in Q4 of FY2019 right we expect some cost savings to be there?

Punit Makharia: Post its commencing the production.

Ritika Garg: Right in FY2020 onwards we expect cost savings to be there?

Punit Makharia: Yes 100%.

Ritika Garg: So what – do we expect our EBITDA margins for Kisan Phosphate to be FY2020 onwards?

Punit Makharia: Obviously it is going to go up.

Ritika Garg: No, but do we expect in the range of 25% or...?

Punit Makharia: I would not like to comment on particular number on this platform Ritika.

Ritika Garg: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Punit Makharia for closing comments.

Punit Makharia: Thank you friends for all joining us on the call. We hope that we have been able to answer all of your queries. For any further queries and assistance, please get in touch with our Investor Relations advisor, SGA. Thanks once again and good day.

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