



SHREE PUSHKAR CHEMICALS & FERTILISERS LTD.
(A GOVT. OF INDIA RECOGNIZED EXPORT HOUSE)

“Shree Pushkar Chemicals & Fertilisers Limited
Q4 FY2018 Earnings Conference Call”

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MANAGEMENT:

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Moderator: Ladies and gentlemen, good day and welcome to the Shree Pushkar Chemicals & Fertilisers Limited Q4 FY2018 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 involved 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 evening ladies and gentlemen. A very warm welcome to the quarter ended Q4 FY2018 earning call of our company Shree Pushkar Chemicals & Fertilisers Limited. On the call I am joined with Mr. S.N. Sengupta, our Associate Director, Mr. Ratan Jha, our CFO and SGA, our Investor Relations Advisor Team. Our results and presentations have been made available on the stock exchanges and uploaded on our website and I hope all of you have had a chance to look at it.

Friends, let me take this opportunity to give you a brief overview of our company and its overall performance and its new developments. Post which Mr. Sengupta will take you through the other financial performances of the Company.

Friends, we are pleased with the exponential rise that the Dyestuff segment has witnessed over the quarters for the financial year 2018. The contribution of the Dyestuff segment was about 26% of the total revenue. Also, the textile chemical demand is slowly catching up. The Dyestuff segment continues to grow as we keep expanding our customer base. Our additional capacity of 3000 tonnes per annum of Dyestuffs, which was commissioned in November 2017, has commenced its production successfully. With commissioning of the additional capacity of Dyestuff now we have doubled our capacity to manufacturer of textile reactive dyes. During the year we have had a 145% volume growth over the last year. The growth in the segment is in line with our vision shared previously and we expect this trend to continue for the coming quarters.

In dyes and dye-intermediates segment, our business has been steady. The captive consumption for manufacturing of dyes has increased and with commissioning of additional capacity, we expect this trend to continue going forward. Our backward integration across our intermediates offers stability in terms of input procurement and a natural hedge for price fluctuations. This has helped us to maintain our margins. Our new H-Acid plant, which was commissioned in March 2017, was under trial in Q1 FY2018. The commercial production from the plant began in the first week of August 2017. This additional capacity has provided an added boost to our volumes during the quarter.

In an industry like specialty chemicals, which generates high level of waste, we have been able to consistently recycle our waste to create diverse product offerings for our customers. We also continue to uphold our high standards of environmental and regulatory compliances. At this juncture, I would like to draw your attention to recent announcement that we have recently acquired a new plot of land measuring 40000 square meters at additional MIDC Lote Parshuram, which is near to the existing infrastructure of the company at a price of 3.25 Crores and we are in the process of expansion by way of establishing additional capacity in the areas of dyes intermediates and sulphur dye chemicals with an additional capex of 75 Crores.

Coming back to the performance in FY2018, the fertilizer division on a standalone basis saw an overall degrowth of about 6% compared to the same period last year contributing around 14.6% to its overall sales. In the fertilizer division, we also commissioned our additional capacity of 10,000 tonnes of SOP during Q4 FY2018. Friends, as you are well aware that we have recently acquired 100% stake of a company Kisan Phosphate Private Limited for 9 plus Crores. Kisan is in a similar segment of business, but in a separate geographical area. For FY2018 Company had overall sales of Rs.45.6 Crores, which records an increase by 28% over last performance year.

The sales on pro-rata basis during five-and-a-half months post acquisition has contributed 25.2 Crores and PAT of 1.7 Crores. The reorganization in the business as you will recall, was primarily by way of prepayment of high cost term loan of Rs.8.33 Crores and switching over of the banker resulting in a reduction into the cost of funds by 420BPS in addition to other cost benefits on nonfund based limits. We are also in a process of setting up a Sulphuric acid plant at Kisan Phosphate, with a cogeneration power plant of 700 kilowatt power to cut down our existing power cost. The above initiative would further boost the profitability of Kisan Phosphate.

Coming back, as far as acid division is concerned, it mainly supports our inhouse requirement of the dyes and dyes intermediates division. Only the surplus acid is sold to the local market. In addition to the cost advantage, this strategy keeps us hedged against any supply issues into the market. On the whole we have had a negative impact this quarter on our margins due to lower realizations across various product verticals in Q4. But we have however experienced a good volume growth across the Dyestuff and dye intermediates being 145% and 10% respectively. Friends, we are confident of building a sizable and sustainable business of value added products for our customers and grow our Dyestuff business. We also hope to broaden our market share and its reach through initiative marketing processes. Now, I would like to hand over the call to Mr. Sengupta to take you through the financial performance of the company.

S. N. Sengupta:

Thank you, Mr. Punit. Good evening everybody and thanks for joining on the call. Let me take you through our results highlights. The total revenue from operations grew by 29.2% from Rs.305.9 Crores in FY2017 to Rs.395.3 Crores in FY2018. In FY2018, EBITDA grew by 17.8% to 61.1 Crores as against 51.9 Crores in last year with the margin of 15.4%. In FY2018, PAT grew by 21% to 36.5 Crores from 30.2 Crores last year. The PAT margin for FY2018 was 9.2% taking the EPS to rs.12.09 as against 10 of last year. Now as regards the standalone segmental performance, dyes accounted for around 27.4% of the total revenue in FY2018 being sustained

contribution from Dyestuff segments to our revenues, which has been on the uptrend. The dye intermediates, which comprised of around 54.2% of revenue in FY2018 has been a steady state business. The segment saw 10% volume growth compared to the same period last year; however, higher captive utilization for production of dyes has brought down its revenue contribution. The sales revenue from acid complex was about 2.1%, which degrew due to increase in the internal consumption by way of additional production of dyes and dye intermediates. The fertilizer segment contributed 14.6% to sales and witnessed a volume degrowth of about 8% and revenue degrowth of about 6% in FY2018. Lastly, the cattle feed, which accounts for about 1.6% of our business grew by 9.1% in volume and 5% in value terms for FY2018. With this now, I will open the floor for the question and 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 Rishabh Parekh from Sunidhi Securities. Please go ahead.

Rishabh Parekh: Good evening Mr. Makharia. Just a couple of questions, if you can just throw some more colour on the margin deterioration in Q4 FY2018? Also, other expenses have gone up 10 Crores year-on-year and about 3 Crores, 4 Crores quarter-on-quarter, so just wanted to understand what is happening with the raw material prices, other expenses and lower realization like you mentioned?

Punit Makharia: Let me give you a little bit of idea. If at all you see the overall performance of dye intermediates as well as dyes, the average price realization has been steadily going down from Q1 to the last quarter, That was one of the main reasons and somewhere around beginning of the fourth quarter the raw material prices also had slightly increased, so with all this there has been a certain amount of contraction in the total margins. That was one of the main reasons, but of course we were anticipating that the raw material prices and the finished goods prices would go hand in hand, but then there has been a little bit of time lapse. With the result, now you can see that the intermediates prices are going up whereas actually the raw material prices have gone up slightly earlier. This was one of the main reasons.

S. N. Sengupta: See Mr. Parekh if you see that on a standalone basis the overall expenses, which has gone up from 29 Crores to 37.82 Crores, so it is approximately 8 Crores and if you look at our situation, we started our H-Acid plant in March 2017 whereas it got stabilized somewhere is August 2017, so during these five months there is a sharp increase in terms of the salary, wages, packing material, consumption of stores and power and fuel bills because of that all the expenses have gone up. That is mainly because we have started two more new units rather three new expansions we have completed in this financial year, one is for the H-Acid, which was started in March 17, t whereas it was commissioned in August 2017 as well as dyes and the additional capacity of SOP, so by starting three new additional plants all the direct charges have gone up, which comprises of all the manufacturing expenses, which I have briefed earlier.

Rishabh Parekh: So this should give us a new run rate for expenses about 30 to 35 Crores per year?

Punit Makharia: Yes 37 Crores.

- Rishabh Parekh:** And just wanted to understand also that we understand that prices of H-Acid and vinyl sulphone have gone up substantially post Q4, how much of vinyl sulphone and H-Acid would be consumed internally as of now on expanded capacity of 6000 MTA of Dyestuff?
- S. N. Sengupta:** Mr. Parekh coming back to your earlier question, I would like to add one more point to that, since we started these three new expansions in this periodical manner in the last financial year and in this current financial year that is as of 2018-2019 we will be able to get the full production and by that way if you look at the charges, all those charges will be distributed over the full year production in this financial year. Now for the second question, can you please repeat the question?
- Rishabh Parekh:** What we understand is H-Acid and vinyl sulphone prices have gone up after Q4 substantially, how much of H-Acid and vinyl sulphone is consumed internally? and have the prices of dyes the finished good also moved up in conjunction?
- S. N. Sengupta:** Basically price improvement what we see in the middle of Q1 of this financial year were expected in Q4 of the last financial year, but always there is some cyclic issues and the impact is not seen immediately. It takes some time. As such if you go a little bit back into the past, you will observe that all the raw material prices started going up from the end of Q3 and beginning of Q4, when the prices of raw materials were quite high including all the basic raw materials. Thereafter the price improvements of the intermediates came in Q1 of this financial year, whereas it was expected in the last financial year itself. Similarly the impact on the Dyestuff would be visible somewhere in July and not immediately.
- Rishabh Parekh:** I wanted to also understand as a percentage of your dyes intermediates capacity, how much is consumed inhouse and how much you sold externally assuming a capacity of 6000 metric tonnes of Dyestuff production?
- Punit Makharia:** The consumption of these intermediates vary from product-to-product, more so in terms of black and colour. Now if at all we go by whatever we have had the consumption during last year where we had roughly about 5 to 6 months of operation of DA, there we will see that we had roughly consumed about 17% by dyes, the balance amount 69% was consumed for the intermediates. We overall had capacity utilization of nearly about 86%- 87% of which about 17% to 18% was consumed by internal consumption by dyes. Now since this capacity has increased from 3000 to 6000 and the capacity utilization also will go up steadily and depending upon what type of orders we procure whether it will be black or colour. In the colour the consumption of H-Acid is much lesser than what is there in the black. What we can say is that roughly about 30% to 35% would be consumed by the dyes in general, but of course it will depend upon what is the product mix we actually achieve would be very important and the balance amount will be available for sale, so roughly about 70% of this will be available for sale. Now we have already H-Acid additional capacity commissioned that has appeared only in the fourth quarter, whereas now what will happen is that we are getting for the full year, so our total capacity now stands somewhere around 9000 tonnes, 8986 tonnes to be precise. So this is how the whole situation is. Of this roughly about 30% to 35% will go for dyes the balance available will be available for intermediate sales.

Rishabh Parekh: And just wanted to ask you balance sheet question, the cash conversion cycle, which is mainly led by inventory and receivables from 75 days has moved to about 105 days this year, what is the reason for this, is the Dyestuff business more working capital intensive than the dye intermediate business?

Punit Makharia: First of all let me tell you, you need to also take into this account that the volume has gone up, so I do not know from where you got the figure of 105 days, so can you tell me what is the calculation of 105 days Mr. Parekh?

Rishabh Parekh: Yes, I will tell you. It is inventory plus receivables, less payable divided by your sales.

Punit Makharia: I told you before that the price rise was expected somewhere by the mid of Q4 and though it was delayed and we can see in the Q1. Hence, inventory was built up by us because we were looking for the price increment.. Second factor is that in the dyes business generally a large amount of working capital is required in comparison with the other businesses of the company, so it is mixture of both the issues. That is why we see inventory level of 105 days.

Rishabh Parekh: Sir, just last question, your debt has become 50 Crores, now there is another 75 Crores capex covering in your intermediates business then there is another proposed capex in your textile chemical business and also there will be some amount of fertilizer subsidy that we will have to bear because we have now terminated our contract with DCM Shriram, so over the next two years what kind of debt would we be comfortable with?

Punit Makharia: Mr. Parekh as of now company does not have any long-term debts on it, except our Kisan Phosphate for which a new debt has been taken for the expansion. Secondly as far as our new expansion of 75 Crores , itwill be also funded by majority of the internal accruals and the balance will be taken from other means of financing i.e either by way of the debt or some other way of means of the financing the same. As far as the cash investment of the company is concerned if you see the company is maintaining high amount of inventories by the end of the year. Now we have started the process of liquidating those inventories and generating cash out of it, so I do not think that this debt will be so high and once we start our backward integration at our Hisar plant that is Kisan Phosphate, it will reduce the total electricity and other charges for the company. If you see by the end of 2018-2019, I do not think that there will be more debt. First of all, this 50 Crores what we see in the balance sheet is a mixture of fund based and nonfund based.. I do not think that we will require anything more than that. That will be met mainly from the internal accruals of the company and we have to consider the fact that the volume and business of the company has also grown up.

Rishabh Parekh: Fair enough. Very clear. Thank you.

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

Shashank Kanodia: Thanks for the opportunity. For Q4 specific, none of the competitors have witnessed such deterioration in margins right, so was there any company specific issue that we witnessed?

Punit Makharia: Basically Mr. Kanodia, if you see in Q4 as we mentioned earlier, there is a little bit of pricing pressure which is why we are maintaining high inventory and basically this is a mixture of that too. Also, the pricing of the finished products was very low in the Q4, so that is why we preferred to sell less quantity, thereby ultimately resulting in our degrowth this Q4 result.

Shashank Kanodia: Sir, what was the average H-Acid realization and vinyl sulphone realization for Q4?

Punit Makharia: It should be around Rs.355 to Rs.360 for H-acid and around Rs.230 for vinyl sulphone. That is only for the fourth quarter.

Shashank Kanodia: Sir, for the last year corresponding period what was that?

Punit Makharia: We do not have that figure right now, Mr. Kanodia.

Shashank Kanodia: What is your present prevailing realization of H-Acid and what is your outlook on that?

Punit Makharia: As of now, we already have quite good orders at the rate of almost 700 plus for H-Acid and almost 300 plus for vinyl sulphone.

Shashank Kanodia: Largely our dye intermediates selling is on spot basis or do we have some long-term contracts as well?

Punit Makharia: See when the market is going up then there is no sense in doing some long-term contracts. As of now we are doing it on spot business.

Shashank Kanodia: So, the month of June will have spot business, i.e 700 kind of realization for H-Acid and 300 for vinyl sulphone?

Punit Makharia: There would not be any surprises if the prices go up higher further also.

Shashank Kanodia: Sir, what's the scene on China?

Punit Makharia: China scene I believe you would be knowing better than us and in China basically we have been talking about this sector for the last two years. Industries in China are facing very high tailwinds. Basically the reason behind the situation of China is that the northern part of the Jiangsu province due to the continuous fermentation of the involvement all units and the chemical plants in that particular area has been closed down. If you see the heavy waste into our industry without naming anyone almost each and every factory has been closed. For example, if you see Hubei Chuyuan is facing a closure, Yabang is facing a closure and recently we got to hear is that one company called Henan is also facing a closure. This means all the majority of the heavy weights in China are facing a closure or shutdowns or slowdown in their production and ultimately the

effect of that is going to be there on the overall industry, which is why, there is improvement into the price levels.

Shashank Kanodia: Sir, can we fairly sustain for good amount of time for H-Acids and vinyl sulphone?

Punit Makharia: Hopefully, I think it should continue for at least next four months. Also, let us see how the changes reacts in positive.

Shashank Kanodia: So is the transition of the Dyestuff pricing immediate or does it take time? **Punit Makharia:** It does not transfer immediately. It takes its own time of approximately 30 days to 60 days, but in July somewhere we can definitely see the price impact into the Dyestuff pricing also.

Shashank Kanodia: Secondly just to confirm that for the Dyestuff plant we have inhouse H-Acid and vinyl sulphone separately right, so the existing capacity of 7200 tonnes of dye intermediates will not get affected because of it?

Punit Makharia: No, why it should get affected.

Shashank Kanodia: That is what I wanted to confirm, we have 1000 tonnes of H-Acid and 750 tonnes of vinyl sulphone?

S. N. Sengupta: No, 1000 tonnes of vinyl sulphone and 750 tonnes of H-Acid.

Shashank Kanodia: So, this is self-sufficient for 6000 of Dyestuff right?

S. N. Sengupta: More or less, yes.

Punit Makharia: We have our earlier capacities also.

Shashank Kanodia: So, existing old capacities can be put to commercial purposes right?

Punit Makharia: Yes. I wanted to add here is that in the past years we have seen that whenever the prices are shooting up people tend to decrease their orders temporarily. So therefore whenever the prices are at the peak level then the order position comes down, people utilize their inventories first and then only the bigger amount of material is taken, so it will all dependent upon how long this price is going to sustain. If it will sustain for 4 to 5 months then probably people will tend to utilize their inventories first, but on a little longer term, probably the bulk orders will also start flowing in. This is one of the specific things, which we have observed during the last two years a similar situation had prevailed and we had seen this was one of the main factors.

Moderator: Thank you. The next question is from the line of Pragya Vishwakarma from Edelweiss. Please go ahead.

Pragya Vishwakarma: Good evening Sir. My first question is on the current capacity of Dyestuff, so what is the current utilization with this 6000 tonnes of capacity?

Punit Makharia: It is not 6000 tonnes, it is 4000 tonnes. We have an existing capacity of 3000 tonnes, the additional 3000 tonnes which has actually come into operation only during the last quarter, so basically you take the pro-rata of the that additional capacity, thereby coming to the installed capacity of about 4000 tonnes. Now we have had nearly about 84%, 85% of utilization.

Pragya Vishwakarma: Sir, currently at 500 tonnes per month we are utilizing 80%, 85%, right?

Punit Makharia: Yes, to be precise it is around 82%.

Pragya Vishwakarma: And of this production how much are we exporting?

Punit Makharia: There is a mixture of exports as well as of the domestic sales. Pragya, exporting is through some merchant exports also which we take into as local sales.. I hope you understood what I am saying.

Pragya Vishwakarma: Yes, I understood your point, but will that be a bigger chunk of the overall proportion of Dyestuff?

Punit Makharia: Means?

Pragya Vishwakarma: These merchant sales, which we are doing and accounting?

Punit Makharia: We are classifying these sales into the local sales not as exports.

Pragya Vishwakarma: But this is a big amount, which we are doing via merchant sales?

Punit Makharia: This is basically mixture of certain local customers where we sell directly certain customers who buy from us in merchant export and certain customers to whom we export directly, so it is a mixture of all the scenarios together.

Pragya Vishwakarma: And may be in the previous concalls you would have indicated this, but can you give some colour on the pricing of red, black and yellow dyes?

Punit Makharia: Should I give the pricing structure?

Pragya Vishwakarma: That is the average realization.

Punit Makharia: Realization basically the pricing depends of the black, red and yellow, but just for your better understanding you can take the black goes from Rs.210 to Rs.280, now such a variation is there because of their quality. This depends on to the strength into that particular product, so it is difficult for me to give you any vanilla pricing for the Dyestuff like the way we give you the pricing for the H-Acid. Let us say it is Rs.700, so H-Acid is a standard pricing and whereas the

dyes pricing is concerned that depends on the quality, standardization and the other parameters, but for your understanding if you can take up to Rs.210 to Rs.280, like the yellow you can take from again Rs.225 to Rs.360 also and the red if you will see that will be also almost in the same kind of a range and overall you can take on an average the pricing could be around Rs.275 for each item.

Pragya Vishwakarma: We are majorly making black dyes right?

Punit Makharia: Black dyes and yellows, all colors also.

Pragya Vishwakarma: And my last question would be on the current capex announcement, which you have made, so I think in the presentation also you have mentioned about sulphur chemicals right with dye intermediates and sulphur chemicals, so possible for you to throw some light on it like which is the area like which will be the end-user customer for this particular expansion then chemical listing we are doing and by when do we plan to complete the process for it?

Punit Makharia: Pragya primarily we will be doing a capex in our known field only. We will not be diverting from our existing field to some another field and since we have said that we are going into the expansion for the sulphur chemistry and sulphur chemistry consist of 8-10 different kind of products, so we will be going into those products and as far as the dye intermediates are concerned, we will be having a couple of products also for which we have already applied for the environmental clearance to the respective authorities, but surely we will be going through the same kind of expansions.

Moderator: Thank you. The next question is from the line of Naushad Chaudhary from Systematix Shares & Stocks. Please go ahead.

Naushad Chaudhary: Thanks for the opportunity. Just a data point, if you can share your volume numbers of DS and DI in Q4, how much we did vis-à-vis last year?

Punit Makharia: What exactly do you want?

Naushad Chaudhary: The volume numbers.

Punit Makharia: Volume numbers you see the intermediates we sold somewhere around 6230 tonnes for the whole year whereas dyes were to the tune of about 3350 tonnes.

Naushad Chaudhary: In Q4 FY2018 how much you sold dye intermediate and dyestuff?

Punit Makharia: That breakup I may not have it, anyway I will give you a rough idea. Dyes we sold nearly about 1000 tonnes whereas intermediates we sold nearly about 1800 tonnes.

S. N. Sengupta: Naushad just to give you a better feedback overall if you will see we have achieved almost 80% to 86% production capacity in terms of intermediates and almost 82% in terms of dyestuffs.

Naushad Chaudhary: Other thing on our other expenses and employee cost should we take this quarter of Rs.14 Crores as a run rate going ahead in your other expenses or should it come down Sir?

S. N. Sengupta: First of all, Rs.14 Crores is on a consolidated basis then this includes other expenses for our subsidiary Kisan Phosphate also and if you see on a standalone basis it is only Rs.8 Crores. So Rs.8 Crores on a standalone basis and approximately Rs.6 Crores is on a consolidated basis, so basically it is Kisan Phosphate. So obviously those expenses would be there, rather now we will be getting a result for the whole 12 months performance for our new expansions what we completed in the last financial year and since the stabilization took some more time, in this financial year we will be getting the full capacity of the sale.

Naushad Chaudhary: Thank you.

Moderator: Thank you. The next question is from the line of Girish Raj from Quest Investment. Please go ahead.

Girish Raj: Thanks for the opportunity. Just one question on the fertilizer segment. I just wanted management view on the SSP where a lot of initiatives are taken by the government to take out f Spurious products in this particular segment and how do we see this going forward in FY2019 perspective?

Punit Makharia: See Girish, if we see overall thought process of the government in this particular sector is that government is promoting the domestic fertilizer and SSP is considered to be a poor man's fertilizer and majority of which is produced in India. Being a phosphatic fertiliser, it is a replacement of the imported fertiliser. Looking at the same aspect, government is promoting the sales of SSP and one idea out of that is that the government has increased subsidy by Rs.568 per metric tonne into the SSP business. If you take about Rs.568 that is almost 25% of the old subsidy, so that increment government has already given. Apart from the increment into the subsidy, the government has also introduced new factors like this PoS machine and DBT.. Definitely these issues are under process and it is taking some time in stabilizing in terms of this connectivity and other related operational issues, but if you talk about a long-term view on these new policies of the government definitely these are very excellent and very good policies. This will curb all kind of non-ethical, unethical businesses, trade practices whereas the government is completely inclined to give the actual subsidy to the actual consumers. So basically, this kind of a drive by the government will definitely boost our fertilizer businesses. I personally believe that till H1 it could be a little bit of difficulty being the stabilizing phase for the SSP industry, but by the end of Q3 and Q4 we expect to see a substantial growth into this fertilizer business.

Girish Raj: What was your volume in FY2018 Sir in SSP?

Punit Makharia: FY2018 if you see in Pushkar Maharashtra plant, we have touched almost 1000 tonnes and in Haryana plant we did incremental sale from 42000 tonnes to 55000 tonnes.

Girish Raj: And any outlook on this, how do we see FY2019?

- S. N. Sengupta:** FY2019 we have kept a target of both the units total including 120000 tonnes.
- Girish Raj:** And Sir last question is what was the margin that EBITDA per tonne in SSP that you achieve FY2018 broadly?
- Punit Makharia:** Broadly if you see it should be somewhere around 12%.
- Girish Raj:** EBITDA per tonne?
- Punit Makharia:** That is what I am saying, are you asking in terms of rupee?
- Girish Raj:** Rupees.
- Punit Makharia:** This may be approximately Rs.800 per tonne.
- Girish Raj:** Can it go to 1000?
- Punit Makharia:** The figure which I have given is of the last financial year and for this current financial year government has increased the subsidy of Rs.528. As and when the subsidy increases, the financial expenses will also increase because before the subsidy used to come in thirty days.
- Girish Raj:** Seven days?
- Punit Makharia:** No, let us not talk about the seven days because if in seven days it can reach farmers' house and then the farmer's puts his fingerprint and then only the subsidy will come within seven days. Practically if you see, it will come in five to six months. So this year the subsidy is yet to come as in the previous year they used to get the subsidy in 30 days, so whatever financial impact is there that will definitely come., But even after considering all the things, there will be improvement into the profit margins of this product.
- Girish Raj:** Thank you very much.
- 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 question. Sir can you just elaborate on the segmental volumes for FY2018, if I am right you said dyes 3350 tonnes, dye intermediate 6230 tonnes, fertilizer 45000 tonnes that is our own and Kisan Phosphate is 55000 tonnes, what is the component of acid complex and cattle feed in terms of tonnes?
- Punit Makharia:** Cattle feed we have sold roughly about 2340 tonnes, acid of course it is only basically the plant, which we have sulphuric acid is basically for captive consumption and whatever is leftover we sell in the market, so that we have sold roughly about 14000 tonnes. I am just giving you rounded figure, roughly about 2300 tonnes of cattle feed. Fertilisers we have four products, one is SSP then we have NPK, we have SOP, we have soil conditioner, all together we have sold roughly

about 55000 tonnes and then dyes we have sold roughly about 3264 tonnes and dye intermediate about 6600 tonnes.

Rohit Nagraj: This is for the entire year you said right?

Punit Makharia: Entire year yes.

Rohit Nagraj: And fertiliser you said 55000 tonnes that is our own fertilisers right and Kisan Phosphate is another?

Punit Makharia: We do not trade in fertilizers, all are manufactured at our end. Main product is SSP that we have sold then we have another soil conditioner and \ NPK, our capacity is roughly about 30,000 tonnes and then SOP we have had 10000 tonnes earlier and this last quarter we have added another 10000 tonnes.

Rohit Nagraj: Kisan Phosphate sales have been close to about 55000 tonnes, is that right?

Punit Makharia: Yes, last year we did.

Rohit Nagraj: In terms of intermediates I just had a question that now since the prices of vinyl sulphone and H-Acid have been on a higher side, so is it possible for us to sell the intermediates instead of converting them into dyes and selling them?

Punit Makharia: As I mentioned earlier that the dyes impact would be seen after one-and-a-half or two months, so basically it is a business decision and obviously that will be taken in the favour of the company, as whatever is the best possible manner to increase the profitability of the company, we will be obviously doing it.

Rohit Nagraj: Fair enough Sir and in terms of utilization you said dye intermediate utilization is close to about 86%, now what is the maximum utilization level that we can work at for both dyes and dye intermediates?

Punit Makharia: If the market remains steady, it then we can even go up to about 90%, 92% also, but that is earlier, normally about 85%, 86% is the fair utilization capacity.

Rohit Nagraj: Just one last question in terms of the capex that we mentioned, entire Rs.75 Crores to be done into this year? and what kind of revenues can we expect to generate from this capex in FY2020 and may be afterwards?

Punit Makharia: Roughly what will happen is that we will start the year now by incurring the entire CAPEX of Rs.75 Crores. We expect to start the operations at this expansion by the last quarter. On an average you can say that we should be able to do roughly about Rs.175 Crores on optimum utilization basis.

Rohit Nagraj: Thank you so much.

- Moderator:** Thank you. The next question is from the line of Ayush Bhutada from Aequitas Investment. Please go ahead.
- Ayush Bhutada:** First of all, I wanted to confirm that you said your raw material prices went up in Q3 and beginning of Q4 and then your dye intermediate prices increased in Q1 this year, so dyestuff prices you are expecting it to increase in July, is that correct?
- Punit Makharia:** Yes.
- Ayush Bhutada:** Next thing I wanted to ask you, for this year our dyestuff capacity of 6000 will come into line right?
- Punit Makharia:** Correct.
- Ayush Bhutada:** What is the utilization we are expecting out of that 6000?
- Punit Makharia:** I think we should consider 80% only because as I mentioned earlier that the dyestuff pricing does not get impacted immediately in terms of the rising prices of the intermediates. There could be a slag of the sale in around June or July, but as a whole I think it would be better to calculate around 70% to 80% because we will be getting better price realization in terms of intermediate price in selling.
- Ayush Bhutada:** My next question is regarding the preferential allotment that we made, so we made preferential allotment of approximately Rs.10 Crores right?
- Punit Makharia:** Allotment what we made was declared in October 2017 when we took over Kisan Phosphate, so that is basically this compensation paid by Shree Pushkar Chemicals to the promoters of Kisan Phosphate which was by way of the preferential allotment. So nothing new has been allotted basically Kisan Phosphate was acquired by our company Shree Pushkar Chemicals by swapping of the shares.
- Ayush Bhutada:** Correct
- Punit Makharia:** And that preferential allotment is towards the takeover of Kisan.
- Ayush Bhutada:** No further allotment would be there?
- Punit Makharia:** No further dilution, nothing.
- Ayush Bhutada:** I just wanted to confirm that and my last question would be what kind of growth we are expecting this year end?
- Punit Makharia:** I believe Mr. Ayush, Company has been growing at a CAGR of almost about 20%.
- Ayush Bhutada:** Correct.

- Punit Makharia:** And let us see how good this year goes, so we should cross more than 20%.
- S.N. Sengupta:** But if at all we go by without taking into consideration the addition of price impact we should be in a position to get roughly about 20% to 22% rise next year.
- Ayush Bhutada:** 20%-22% volume growth?
- S.N. Sengupta:** Volume growth yes.
- Ayush Bhutada:** Thank you.
- Moderator:** Thank you. The next question is from the line of Srinath Sridhar from ICICI Securities. Please go ahead.
- Srinath Sridhar:** Good evening Sir. Just wanted to know that considering that this quarter was one-off on the margin front. on standalone we clocked around 17%-17.5% throughout the year, so going forward with favourable prices in dye intermediates, what kind of margin are you looking at because it is an absurd rise in prices?
- Punit Makharia:** I will not able to give an answer for this question because in the year gone by I have sold it at Rs. 350 and this year I am selling it at Rs.700, so where will I get the percentage number?
- Srinath Sridhar:** But how do we calculate this number?
- Punit Makharia:** You can ask me after completion of this quarter, but not now. If at all you see from day one of this quarter prices, have been steadily rising. Now how much will it rise we are unable to really share them out. We are not commenting anything on that. That is why when I spoke in terms of the utilization I said that considering this as a year we have considered about 20% growth. Now if at all we get a better price realization and with the increase in the raw material prices if the margins increase and we have a similar increase in the operational cost as well then probably we should be able to make a little more.
- Srinath Sridhar:** At least the margins will come back to old run rate of 17%-18%?
- S.N. Sengupta:** Sir, tell me one thing, in 0.5%, this year how much we did in EBITDA?
- Srinath Sridhar:** 15.4%
- S.N. Sengupta:** 15.4% that is all right. We are speaking about 17% to 17.5%, there is only a difference of 2%. What is there in that.
- Srinath Sridhar:** Q4 is 10% I am asking that.
- S.N. Sengupta:** It will be better than that Sridhar Sir, there is nothing to worry about it.

- Srinath Sridhar:** are you incurring any Sulphur capex in this backward integration further?
- Punit Makharia:** This is a part of the backward integration chemistry also because we are going into intermediates also.
- Srinath Sridhar:** How much is the capex and how much is the external sales?
- Punit Makharia:** Around 171 total capex and additional revenue of the company will be 275 Crores.
- Srinath Sridhar:** As in incremental right?
- Punit Makharia:** 100%.
- Srinath Sridhar:** Fine. Thank you.
- Moderator:** The next question is from the line of Bhagwan Chaudhary from Pivotal Securities. Please go ahead.
- Bhagwan Chaudhary:** Thanks for the opportunity Sir. Out of this Rs.200 Crores intermediates, how much would be contribution from the H-Acid and vinyl sulphone?
- Punit Makharia:** Come again Mr. Chaudhary please?
- Bhagwan Chaudhary:** Out of this Rs.200 Crores dye intermediates revenue in the year how much would be from the H-Acid and vinyl sulphone?
- Punit Makharia:** What I would say is that if at all you look at the capacities, the vinyl sulphone and the H-Acid together constitutes nearly about 70%-75% of the overall capacity. The other products, which are there, they are very nominal capacity wise, so question is that with this incremental what is exactly you would like to know ?
- Bhagwan Chaudhary:** I just want to know that in terms of the value out of this Rs.200 Crores, how much the value contribution could be from H-Acid and vinyl sulphone in the last FY2018?
- Punit Makharia:** In FY2018 what was the contribution?
- Bhagwan Chaudhary:** In terms of value contribution?
- Punit Makharia:** But then our major sales have been by way of H-Acid and VS only.
- Bhagwan Chaudhary:** So it is fair to assume 75%-80% from Rs.200 Crores would be from the vinyl sulphone and H-Acid?
- Punit Makharia:** We do not have those figures, let us not go to those figures, I understand what would be your next question. We are not carrying those figures as of now Mr. Chaudhary.

Bhagwan Chaudhary: how much raw material prices has been increased in terms of overall basis that you share that in Q4 onwards?

Punit Makharia: Altogether if you will see that there is incremental of raw material prices of around 12% to 15% on a consolidated basis, but on the individual basis if we will see certain products, which have even gone up by 30% even nitric acid if you see caustic flakes you see, acetic acid you see, you know these certain prices have gone almost about 25% to 30% also, but as a overall gambit if you will see around 10% to 12% almost the raw material inputs have gone up.

Bhagwan Chaudhary: Got it Sir and do you see the prices to stabilize, or is there any further chance to increase?

Punit Makharia: Of the raw materials?

Bhagwan Chaudhary: Yes.

Punit Makharia: I think there could be some little bit impact into that, but now as far as my finished product pricing is concerned we are fully secured and covered for that also.

Bhagwan Chaudhary: Got it. Thank you Sir.

Moderator: Thank you. The next question is from the line of Ankit Gor from Systematix Shares & Stocks. Please go ahead.

Ankit Gor: Hi Punit Ji and Hi Sengupta Ji. Sir only one question. Considering the price where it was in Q4 H-Acid and vinyl sulphone we are not speaking about the price increase, are we able to do 14%-15% EBITDA margin in Q1 FY2019, is it possible Sir as Q4 was very different, which was 10% sort of EBITDA margin?

Punit Makharia: I will reiterate your question is that like in Q4 our intermediate EBITDA margin was around 10%-12% total, so what you are asking is that is there a possibility of going it to a level of 15%, is it the question?

Ankit Gor: Yes **Punit Makharia:** I will give you a simple thing, H-acid rate has doubled in one night and will we get 14% or 15% or 17% or 18% or 20% it is difficult for us to tell.

Ankit Gor: What I am trying to understand is you said that we have not utilized capacity in last three quarters for major H-Acid, SOP and Dyestuff, if you give time to utilize capacity in 1Q, 2Q considering my price is there itself in 1Q? So what I am asking is if that utilisation is at 10% to 15% for example?

Punit Makharia: What you are trying to tell you is that if the rate is around 350 or 225 so, last year the capex what we were unable to utilize fulltime, so this year if we do utilise, whether we will be able to achieve 14%-15% or not that is the question. I think no issues there. Mr. Sengupta would like to add something to this reply.

S.N. Sengupta: Ankit what I would suggest is that if at all you have the figures of third quarter also the average raw material input cost was roughly about 67.8% whereas if at all you take the fourth quarter this year it is 74.48%, so if you see there has been roughly about 6% to 7% rise though consequently proportionately the selling price has not gone up. That was the only reason why this has come down from last year. The EBITDA was 18.12% third quarter and here in the fourth quarter now we have about 10.11%, so once the price goes up in proportion to whatever the raw material price increase has been there obviously we will be in a position to come back to that 17% to 18%.

Ankit Gor: Will this be stabilised in the first half or the second half at 17%, 18%?

S.N. Sengupta: We will get it in the first half itself.

Ankit Gor: Thank you very much.

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

Punit Makharia: Thank you all for joining on the concall. I hope we have been able to answer all of your queries. For any further queries please get in touch with our Investor Relations Advisor SGA.

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