# "Shree Pushkar Chemicals and Fertilizers Limited Q2 and H1 FY20 Earnings Conference Call"

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**Moderator:** Ladies and gentlemen, good day and welcome to the Shree Pushkar Chemicals and Fertilizers Limited Q2 and H1 FY20 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve 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 '*' and 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 and MD. Thank you and over to you sir.

**Punit Makharia:** A very good afternoon to ladies and gentlemen and a very warm welcome to the quarter and half year ended September 2019 earnings call of our company, Shree Pushkar Chemicals and Fertilizers Limited. On the call, I am joined by Mr. Sengupta – our Associate Director; Mr. Deepak Beriwala – our CFO and SGA, our Investor Relations team. Our results and presentations have been made available to you on the stock exchange and also uploaded on our website and I hope all you have had a chance to look at it.

The prevailing economic slowdown has impacted our performance for the first half year of FY20. We witnessed lower offtakes of our volumes and subdued realization on the back of uncertainty in the market conditions which is expected to spill over to the second half of this financial year. However, as informed earlier that our manufacturing unit 1 is closed for some major overhaul, maintenance and replacement and revenue contribution from the said unit was somewhere in the range of 60 to 65 crores per year has further impacted our topline.

Adjusted for the nonoperating units, the revenue from operation impacted was only 4% for the first year of FY20 on year-on-year basis. EBITDA in H1 FY20 is not comparable on like-to-like basis as it does not include EBITDA for the plants of Unit 1 which is under revamp.

Post China clamp down, India is emerging as a global chemical manufacturer, we believe these will be one of the most significant opportunities ever seen in this industry up till now. Thus, long-term prospects are positive; however, during this temporary period of the slowdown, we are focusing internally to improve efficiencies and be ready with our new capacities, so we can capture the opportunities once the demand revives. Friends, we are working further to strengthen our branding and our existing tagline of zero waste with the addition of DYECOL that is the chemistry behind colours which highlights the credentials of the company in terms of its business model. The strong quality control of our products in terms of accreditation of BLUE SIGN as a system partner, ZDHC contributor and GOTS, the Global Organization Textile Standard help company enjoy the trust of its valued customers over the period.

Another strategy is to captively consume dye intermediate and focus on the dye segment making our DYECOL brand more stronger., Our DYECOL brand has received a good response from the market and we are not only marketing our products in the domestic market but also received a very good response from the overseas countries like Switzerland, Austria, Bangladesh, Singapore, Korea, Taiwan, etc. where we are exporting our products on regular basis.

We saw jump in our fertilizer business compared to the last year which had impacted mainly on account of erratic rains in certain parts of the state. First half of the year was good in this segment, we did well in North India through our subsidiary namely Kisan Phosphates Private Limited.

Friends, a quick update on the CAPEX announced for Rs.120 crores which will be financed mainly from the internal accruals, a) firstly on the dye intermediate CAPEX of 75 crores, the planned CAPEX is in advance stage of obtaining EIA and MPCB clearances. The CAPEX has commenced with acquisition of plot of a land. The said expansion is expected to commence production in FY21.

On the Madhya Bharat Phosphates Limited, we are in the final stage of acquiring Madhya Bharat Phosphate Limited through NCLT at a total cost of Rs.28 crores including refurbishment of the plant and we are awaiting the final order from NCLT. Thirdly, the company is also planning Rs. 11 crores CAPEX for implementation of a solar power plant at Tuljapur district Osmanabad under Open Access Scheme of the government. This will be based on the connected load of unit-1 at MIDC Lotte Parshuram.

Just to sum up, with expected shift in demand of dyes and dyes intermediates from China to India which is expected to see additional demand once the economic situation starts improving in the coming years more so with the Indian products having an edge over the Chinese on account of the various socioeconomic and environmental factors. Your company being a zero waste company and our new product capacities and above CAPEX coming on stream with strong brand presence, we believe it will further contribute to our long-term sustainable growth plans.

Friends, now I hand over the call to Mr. Sengupta for the financial highlights about the company.

**S. N. Sengupta:** Thank you, Mr. Punit. Good afternoon, ladies and gentlemen. I would now take you through the consolidated results including financials of Kisan Phosphates as well. H1 FY20 consolidated performance, total revenue stood at Rs. 174 crores, of which Kisan Phosphates' revenue stood at about Rs. 29 crores. Adjusting for the nonoperating units, our revenue was lower by 4% on like-to-like basis. The revenue contribution from export markets stood at Rs. 32 crores whereas revenue from domestic market contributed about Rs.142 crores. The EBITDA stood at Rs. 24.5 crores for H1 FY20 with a margin of about 14.1%. Profit after tax stood at Rs. 14.5 crores with a margin of 8.3%.

Our segment wise revenue breakup for H1 FY20 in percentage terms is dyestuff contribution has been 21%, dye intermediates 40%, fertilizers 32%, acid complex and others is about 7%.

Now, we will open the floor for question and answers. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Varun Ghia from Equitree Capital. Please go ahead.

**Varun Ghia:** Sir, just one question, this acquisition is still under the NCLT, the approval hasn't yet come through, will there be a delay in the revenues this year and next year?

**Punit Makharia:** Mr. Ghia, if you ask me because of the judiciary issues, the acquisition is already delayed whereas we have been projecting all the clearances from the NCLT somewhere in the first quarter of this financial year. But unfortunately, beyond our control, it got delayed. There was an IA filed by one of the creditors. Because of that, the whole acquisition was getting delayed. Now recently that IA which was filed by a creditor, has been withdrawn from NCLT. Now the roadmap is clear. Secondly, NCLT was awaiting some kind of a judgement on the operational creditors as well as on the financial creditors due to the Essar judgement by NCLAT, now on 15th that judgement is also cleared by Supreme Court and now the next date is 22nd of this month. We don't see any possibility of getting it more delayed because there is no further reason for getting it more delayed. We believe that on 22nd of this month, that judgement should be awarded to us and we believe yes, we had projected some kind of a sales of Madhya Bharat during this financial year and now I think that we will not be able to generate those sales of Madhya Bharat at least in this financial year due to this delay in the process of the judiciary.

**Varun Ghia:** Will next year would be on track, the utilization levels?

**Punit Makharia:** It is also subject to the other approvals, if we receive on time that we get the clearance by NCLT within this month, immediately from December onwards, we start refurbishment of the Madhya Bharat site at Meghnagar and within 3 months or 2 months, we should be able to start the production. We believe that next year we must get full year operation, on Madhya Bharat.

**Moderator:** Thank you. The next question is from the line of Ayush B from Aequitas Capital. Please go ahead.

**Ayush B:** Sir, on the whole industry situation, just wanted to understand now the prices have reduced substantially over the past two quarters and there is a big demand slowdown, so when do we expect things to start picking up and do you think the prices have bottomed out now, dye intermediates and dyestuff prices?

**Punit Makharia:** Ayush, let me tell you one thing, the present prices are below expected. At these prices, it is difficult for the other industries to sustain but leaving apart the business model what we have like zero waste and backward and forward integration business model, we still make some money. Second thing, we are a debt free company, so we don't have any burden for the interest payment. Apart from that, being a completely integrated model and over and above the zero waste technology, still we are able to do well and survive, but for the other players, this becomes extremely difficult and right now, the prices which are below the expected levels, I would say that non-integrated players would be bleeding at this point of time. We see that this kind of atmosphere would continue for at least next 6 to 8 months, this is my personal opinion and we see that in the next financial year it is going to be much better than the present year and as far as the pricing is concerned, we don't see any further possibility of it going down. We believe that these are the bottom out pricings.

**Ayush B:** And on the demand side sir, when do we see demand picking up because that has also been down drastically, right?

**Punit Makharia:** Yes, I think the same should also go hand in hand within few months. We believe that from the first quarter of the next financial year, there should be some kind of improvement.

**Ayush B:** And so the CAPEX programs, all are in line, right in the dye intermediate plant, we were expected to commence in mid FY21, so that will commence in mid FY21?

**Punit Makharia:** We are just trying to make ourselves ready that when the good time comes, so we should be ready with our new CAPEX completely done and we should be able to have a major market share when the situation improves.

**Ayush B:** Correct, only the Madhya Bharat has been delayed, so next financial year which was supposed to start earlier, that is correct?

**Punit Makharia:** That is what we were expecting to start Madhya Bharat by September 2019 but unfortunately due to the delay in the process of NCLT, we couldn't do so. Rather we had offered to the COC that if you go a bit back in details, we had filed our resolution plan to NCLT Ahmedabad by the second week of March and that time, we were discussing with the COC that if the plan gets approved, we are ready to make you the payment before 31st of March but unfortunately that got delayed because of an IA filed by an operational creditor, now that all matter is resolved, he has withdrawn his IA, we don't see any hurdles into this and only one hurdle was there that was due to the Essar judgement which is also cleared now on 15th of this month. The Supreme Court judgement, next date is 22nd, I don't see any delay after that.

**Ayush B:** And on the tax rate, are we planning to opt for the new tax rate?

**Punit Makharia:** As of now, in our financials if you see, we have made the provisions of 30%, the reason being is that we have got our old MAT and in case if we opt for 25% slab, then we will not be able to utilize our old MAT but just for the provisioning purposes we have made it 33% tax rate and we will see at the time of year ending that if the MAT is beneficial, then we will go for 30%, if the MAT is not beneficial, then we may go for 25%.

**Ayush B:** Sir and on the Kisan Fertilizers division basically, so in Kisan, we commenced the sulphuric acid plant and power plant in quarter 4 of FY19, but there has been no margin improvement in spite of that in the first 2 quarters?

**Punit Makharia:** Mr. Ayush, as of now what you say is correct but if you see that the topline has gone better in Kisan in comparison with the last financial results, right?

**Ayush B:** Right.

**Punit Makharia:** And last financial results, let me just see, last financials H1 FY19, we did around 23 crores and this financial year H1, we did 29 crores, so the expenses has gone up bit and the profitability has gone down by around 2% or so at margins, mainly that is because of the taxation. We had certain carry-forward losses in Kisan earlier. Now we are going in full tax in Kisan. It is mainly because of the taxation margins.

**Ayush B:** Because we expected significant margin improvement because of the backward integration, right?

**Punit Makharia:** That is going to be there, Mr. Ayush. If you see that, now since we are totally dependent and let me tell you actually the Kisan operation of acid plant has started coming in this quarter only and that too also somewhere in August or so because when we had started the plant, at that time it was not completely stabilized, it got stabilized in the month of August.

**Ayush B:** So for FY20, can we expect the topline to be same as H1 and can we see some margin improvements in H2 going forward for Kisan?

**Punit Makharia:** Definitely, it would be there. If you see last year, in a total year to year, we sold around 54,000 tonnes of fertilizers last year in Kisan up till now. Till September, we had this 30,000 tonnes, October was 8000 tonnes and till now it is around 3000 tonnes, so that is 41,000 tonnes up till now we have done. We plan to do around 70,000 tonnes plus in the Kisan in this financial year whereas we did 54,000 tonnes in last year.

**Ayush B:** So may be a 10-20% increase in topline also for the year?

**Punit Makharia:** At least 20%.

**Ayush B:** Right.

**Punit Makharia:** Or rather more than 20% because last year Kisan was around 51 crores and in this H1, you will see Kisan is around 29 crores, so if you go like that way also, it is minimum 20% increase.

**Ayush B:** And also one last thing that I wanted to understand, fall in prices, is this only related to the demand slowdown or there has also been some impact due to some commissioning of capacities in China as has been mentioned in few presentations of your peers?

**Punit Makharia:** Honestly, this is an individual opinion, ,. My personal opinion if you ask me China is no more a threat to us, though my other peers would be saying, I don't want to comment on that point but as far as I personally believe is that let us not go on what who says, let us go on a database. If you see the export from India on the dyes and dyes intermediates, it is continuously growing. If you see the imports of our products from China, it is continuously decreasing. These data clearly indicates what China has and let me tell you, we are in regular touch with China. Almost 1-1/2 to 2 years back, China was in a leading situation as far as the deciding of the price is concerned. As far as today's scenario is concerned, China is a buyer and if you go through our data itself, in the financial year 18, we did exports of only 22 crores, in the financial year 19, we did almost 95 crores of exports, so it has gone almost 4 times up. So obviously in international markets, somewhere some space is made for us now, this space was earlier occupied by the China.

**Ayush B:** Sir, then on an overall basis for Pushkar as a whole, do you believe that the first half as whatever the margins have bottomed out in the first half and from quarter 3 there should be some improvement overall?

**Punit Makharia:** See, basically revenue has gone down overall if you see. That is majorly impacted due to one plant shutdown, you know due to unit one shutdown and if you look at the bottomline, it is almost in a range of 10%. If you look at the EBITDA level, that is in the range of 17%. In the last quarter, you could have seen that the EBITDA is lower than 17%. That is due to some unexpected accountings like the price compensation we gave to one of the customers like we written off one of our debtors to the amount of 2.21 crores. These are the unexpected accounting entries which we did, but in a routine course if you see that the company is eligible for making 17% EBITDA or so and around 10% of PAT and so.

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

**Dhavan Shah:** Sir, if I look at the gross margins for this quarter, so it has been improved substantially on Q-o-Q basis, so what led to an improvement and even though I assume that the fall in the prices of this raw material is already passed on to the end users, so what led to an improvement in the gross margins?

**Punit Makharia:** Mr. Dhavan, if I come straight on this subject, basically there is no improvement in the margins, let me put it in a straight manner. Margins had been always in a range of 10% or so on PAT level. In the earlier time also.

**Dhavan Shah:** No, I am talking about the gross margins, not the EBITDA or the PAT margin?

**Punit Makharia:** You mean to say that raw material prices, this cost component has gone down, am I right?

**Dhavan Shah:** Yes, that has gone down but you must have passed on that benefit to the end-user industry as well, so on the relative terms I think there should not be any major difference?

**Punit Makharia:** See, if you talk about the H1 this year and the H1 last year, if you try to understand this deeply, I don't have that paper, but then too I will also tell you, If you go through this, Q1 last year was 86 crores, this year Q1 is 77 crores, so there is a dip of around 9 crores whereas this dip should have been more than 15 crores because the closure of the one plant if you talk theoretically.

**Dhavan Shah:** Yes, that is correct, but on relative terms if I look at raw material cost is around 43% of sales in Q2?

**Punit Makharia:** That is what I am trying to tell you that I am trying to get you on one subject that basically there is a lead time in passing of the price reduction, either to our customer or to our vendors, mainly it is because of that.

**Dhavan Shah:** So we can see some dip from here on?

**Punit Makharia:** Actually, there is always a gap of approximately 3 months in doing that.

**Dhavan Shah:** So what should be your sustainable gross margin?

**Punit Makharia:** See, the raw material cost is around 65 to 67%. We believe that, that is going to remain stable in between 65 to 67%.

**Dhavan Shah:** And secondly, if I look at the SSP volumes combinedly with the Kisan Phosphate, I think it should be around 23,500 something in Q2 FY20, is that number correct?

**Punit Makharia:** Of Pushkar?

**Dhavan Shah:** Yes, Shree Pushkar plus Kisan Phosphate?

**Punit Makharia:** No, Shree Pushkar plus Kisan, see Kisan is around 30,000 tonnes and Pushkar is 28,000 tonnes, so altogether it is 58,000 tonnes.

**Dhavan Shah:** Because from the Ministry of Fertilizers, the data for Kisan Phosphate is coming around 15,000 odd tonnes?

**Punit Makharia:** Dhavan sir, now a days systems have become so much crystal clear that FMS, MMS load is there so much that you can see the data any point of time or even single tonne. 12,000 tonne data in Kisan, which date are you seeing there?

**Dhavan Shah:** Quarterly data, September?

**Punit Makharia:** That could be from the last quarter, you are talking about Q2 or H1?

**Dhavan Shah:** Q2 FY20?

**Punit Makharia:** Mr. Dhavan, we are not carrying that figure as of now with us, but we believe if you are talking about Q2, around 15,000 tonnes could be possible that it must be true. See, if in 6 months it is 3000 tonnes, then it is possible that Q2 it will be around 12,000. Mr. Dhavan, we do not have that figure right now, but you know we believe that the figure what you are saying is more or less correct.

**Dhavan Shah:** And NPK volume, under which brand are we selling NPK because I cannot find Shree Pushkar name in the Manisha Fertilizer data, so under which brand are we selling the NPK?

**Punit Makharia:** NPK, we are selling under Pushkar brand only.

**Dhavan Shah:** Because I couldn't find the name that is why?

**Punit Makharia:** It is in the Pushkar brand.

**Dhavan Shah:** And the third question is about the revenue guidance, so earlier you highlighted something, 450 odd crores kind of revenue for FY20, so does that include this Madhya Bharat Phosphate number as well into your guidance?

**Punit Makharia:** See I will tell you like this, in last financial year we did around consolidated basis 450 crores and then we switched off one plant which was generating around 65 crores of volumes, so we expected to do around 380-385 crores. In addition to this, we expected some 25-30 crores of margin from Madhya Bharat because we were earlier projecting that we should be able to start Madhya Bharat within this financial year, but unfortunately we got delayed due to the NCLT process. Now, we believe that in this financial year we will not be able to do any sales of Madhya Bharat which will come in next financial year. So now this financial year, if I take you further, it should be around 370 crores or so.

**Dhavan Shah:** This year?

**Punit Makharia:** Yes.

**Dhavan Shah:** And next year would be?

**Punit Makharia:** Let us assume that the 370 figure remains the same without any growth, let us work bit in conservative. Next year Madhya Bharat will get the full year of operation as well as our new CAPEX at Unit 5, both put together must generate at least 170 or maybe let's 150 crores of business. So next year we should be FY20-21, we should be going somewhere around 525 to 550 or so.

**Dhavan Shah:** So even though the current environment of this supressed prices for this dyestuff and intermediates?

**Punit Makharia:** Dhavan sir, that is what I said, we are assuming that this year's 370 will be 370 itself. We are assuming that the price trend that is going on now will remain the same. There is no chance of any change. We are working conservatively on a similar valuation and similar pricing manner.

**Dhavan Shah:** So you are assuming one-time asset turnover on this incremental capacity, 75 odd crores?

**Punit Makharia:** No sir, for 75 it will be H1 next year, we are taking at least two times, minimum 2 to 2.5 times of the new CAPEX, but the figure that is given for next year that would be only half the year performance because we believe that somewhere by Q1 or Q2, we should be able to start our new CAPEX at Unit 5 next year.

**Dhavan Shah:** And Madhya Bharat should come by what time?

**Punit Makharia:** Madhya Bharat sir, we are targeting to start somewhere by February or March.

**Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

**Rohit Nagraj:** Sir in Q2, what was the volume for dye intermediates and fertilizers, sales volume?

**S. N. Sengupta:** Q2, the total production was 1194 of dye intermediates, that is about 69% capacity utilization and dyestuff is about 673 that is about 42% capacity utilization.

**Rohit Nagraj:** This is sales volume, or this is production? Sales is different?

**S. N. Sengupta:** Now, in addition to this, there has been a certain amount of captive consumption. So if at all you take whole of H2, there has been roughly about 975 tonnes of intermediates consumed for the production of dyes, internal.

**Rohit Nagraj:** And what were the sales of fertilizer during second quarter?

**S. N. Sengupta:** Second quarter fertilizers.

**Rohit Nagraj:** Total?

**S. N. Sengupta:** The total production was 10,779 tonnes and the total amount was about 13.28 crores.

**Rohit Nagraj:** And including all the other fertilizer as well, Kisan plus us?

**S. N. Sengupta:** Yes, major is SSP.

**Punit Makharia:** Mr. Nagraj this is only for Pushkar.

**Rohit Nagraj:** Do you have the figure for both together?

**Punit Makharia:** More figures to gather, till H1 I have the figure. If you want, only Q2 figure we don't have as of now, but as far as H1 figure for both the plants around 58,000 tonnes of Single Super Phosphate only plus it is around 2000 tonnes of NPK and approximately around 4000 tonnes of SOP. This is in H1.

**Rohit Nagraj:** And sir, in terms of H-Acid and VS prices, what was the average during Q2 and what are the current prices?

**Punit Makharia:** Sir, in today's date, present market pricing in H-Acid is in the range of Rs. 350. That is today's price that I am giving. If you come to average pricing for Q2, then it will be close to Rs. 370. If you take today's pricing of Vinyl Sulphone then approximately it will be Rs. 180. And average last quarter if we see, it will be Rs. 195**.**

**Rohit Nagraj:** And sir for first half, how much investment have we done out of the 120 crores of total CAPEX?

**Punit Makharia:** In first half, we have approximately in Unit 5 we have put in Rs. 33 crores, and in Madhya Bharat we have put in 2.10 crores. Also company has invested Rs. 35 crores in the future CAPEXes out of 120 crores.

**Rohit Nagraj:** Sir and in second quarter our other operating expenses, so on a year-on-year basis flattened, I understand first quarter there was certain exceptional, so will this be the incremental run rate around 12.5 crores-13 crores per quarter?

**Punit Makharia:** Sir, last quarter if you see FY20, then is around Rs. 17 crores. First quarter FY20, employee cost and other expenses all put together Rs. 17.10 crores Q2 FY20 employee cost and other expenses put together 13.80 crores, there is decrease of around 3 crores odd, but simultaneously revenue has also gone down. Almost to give reply to your question, expenses apart from the fixed expenses goes in hand with the volume of the businesses.

**Rohit Nagraj:** Sir in exports, which geographies are looking good? Our first half export is relatively probably weaker than last year full number, last year we did 90 crores, first half also we did Rs. 32 crores. So in which geographies particularly our exports are happening or which geographies is showing weakness?

**Punit Makharia:** There is no point in telling you about weakness in particular geography, because each and every area is important for us and we are doing our best, but honestly speaking, the only reason for the impact into the exports or in the domestic market, what I see is overall recession. Now as of today two wheelers are not selling, tractor is not selling, who will buy, you only tell how many dresses you bought in last one year. So what answer should I give you regarding all these things? Rohitji, let us have a practical layman approach also. As of today not even two wheeler is selling, tractor is not selling, so our dyes which are used for dying of the textiles, all have reduced their expenses and the smart thing is to do that. So that impact will anyhow start showing the broader market.

**Moderator:** Thank you. The next question is from the line of Ankit Agrawal from Arc Capital. Please go ahead.

**Ankit Agrawal:** Sir, I just have one question, what is the current status of dye intermediate expansion of 75 crores?

**Punit Makharia:** Sir see, land has been acquired. If I take you from the plant wise, a) we are doing a sulphur chemistry there, foundation almost 80-90%, office building is completed, one intermediate plant's shed building is completed, orders for long delivery items in machines have been given, and lot of equipment have come to site, some are in the process. So we are going in full fledge into that. Round the clock various contractors like civil, fabrication, erection, commissioning, electrical all this contractors are working round the clock at site. We believe that we should be able to start the trial production somewhere by Q1 of the next year.

**Ankit Agrawal:** And sir commercialization will be till the end of next year then?

**Punit Makharia:** Sir, according to me, H1 next year the commercial should come, we cannot give you a specific date, we could be delayed by few weeks here and there because certain aspects are there which are not under directly our control also like if you say in Madhya Bharat, we got delayed because of some judicial processes and even at this Unit 5 also, earlier we were planning to put up this plant at a different site in Lotte Parshuram itself whereas we saw some protest due to that local people, then we got shift into the plot and we shifted to a different plot. These all kind of things which are not directly in our control, they sometimes increase our timeframe for this, but yes we believe that now everything is clear, we hopefully to start trials by somewhere in Q1 next year.

**Ankit Agrawal:** Sir, request you to highlight on the revamp status?

**Punit Makharia:** Revamp status is also going on in that regard and the building which we wanted to repair we have almost done that, since we are in Konkan area, I believe you know that from June to almost September or so due to the heavy rains, it becomes extremely difficult to start the work, we have worked in between, then we covered it again because of the rain. Now because we cannot keep our shed open exposed to the rains, so we have opened the sheds from top. Now we have already started the work. We believe that somewhere by January 20, we should be in a situation to complete that revamp.

**Moderator:** Thank you. Next question is from the line of Rohan Shah from Parallel Mind. Please go ahead.

**Rohan Shah:** Sir, I had two questions. Sir first is on your CAPEX, you have highlighted that you are doing future CAPEX of around 120 crores, so are you confident of doing this CAPEX through internal accruals or is there any other means that you are adopting?

**Punit Makharia:** Sir, it is like, in 120 crores capex, unit 5 CAPEX has come, Madhya Bharat has come and solar has come and unit 1's refurbishment also has come. All put together it is 120 crores CAPEX.

Out of Rs. 120 crores, we are 100% confident that we will be doing entire CAPEX of our own expect in solar we are taking term loan of around 8 crores-8.5 crores, that is specifically for solar and leaving apart this Rs. 8.5 crores term loan, rest 100% will be done by the internal accruals and to give you more details about it, as I just stated earlier that around Rs. 33 crores we have already invested in the CAPEX up till now for Shree Pushkar leaving apart Madhya Bharat and even after investing Rs. 33 crores, your company has got FDs of around 55 crores or so. So we don't see any hiccups in completing our CAPEX from internal accruals of around 112 crores because 120 minus 8, if you consider today's term loan also.

**Rohan Shah:** Sir, the second question that I have is on the current status of the textile market in domestic as well as international market, what will be our strategy to penetrate and to get more business?

**Punit Makharia:** Sir, no strategy works out during recession. As far as I understood don't keep stuff at home during recession. Keep selling stuffs to sound customers. Keep accumulating rupees, one or two rupees value up or down sir, don't keep stocks during recession, this is the strategy we have, let us pass through this phase, then let us see what do we plan for next few months because I believe personally that one wrong decision in the business may take you out of the business forever, so we are bit overcautious now, you can call in this manner also because in this period of depression and recession, it is to be very cautious before taking any call.

**Rohan Shah:** And are we planning to expand our export business or enter any new geography? Have you entered any new geographies recently?

**Punit Makharia:** No sir, as of now there is nothing which we have to disclose to the shareholders because when it comes in near future, that time we will discuss about it because this is too premature but we are always hungry for this kind of new assignments and these kind of new JVs or something like that. We will not like to discuss that at this point of a time. Let the right time come, then we will discuss about it.

**Moderator:** Thank you. The next question is from the line of Anshuman Mehta who is an individual investor. Please go ahead.

**Anshuman Mehta:** Just couple of questions that in Unit 1 after the revamp is done, are we making the same thing where we are going for high value added products, giving better margin?

**Punit Makharia:** Anshumanji, first of all let me congratulate you for being such a long term investor since IPO, so first of all I would like to convey my thanks to you and your sincere efforts to this. And secondly, Anshumanji, we will not like to disclose any of the products as we don't want our competitors to know our move.

**Anshuman Mehta:** One more thing, like government has started some new reduction also for new projects, tax reduction is there for newer projects, so are we going for those tax exemptions for the new project in some other name or we will continue with Pushkar only?

**Punit Makharia:** Sir, we had explored these possibilities in this new release given by government to the industry and what we understand is that we basically foresee there are two areas where we could have some kind of benefits from the new policy and these announcements, a) it was a tax rate reduction for that we are exploring that whether we will be able to utilize our MAT or not, so that call we will be taking by the end of this financial year, b) as far as the new company formed in October and blah-blah then the production starts, we explore that avenue also but since we have already gone ahead with Unit 5, and have already spent almost Rs.33. crores CAPEX, it becomes difficult for us to form a new company under subsidiary of Pushkar, then transfer the land, permission, it becomes extremely difficult for us and we want to be very straight, very transparent, completely ethical, this law abiding company, we don't want to do any such kind of things which does not permit in this policies. So we are going as everything will be Shree Pushkar except Kisan and Madhya Bharat.

**Moderator:** Thank you. The next question is from the line of Ritesh Bafna from RB Securities. Please go ahead.

**Ritesh Bafna:** Sir, I have one question which is related to our EBITDA margin, I see a good healthy uptick on a sequential basis on our EBITDA margins and as well on a year-on-year basis, they have been maintained, so can you just throw some light on what has led to this healthy EBITDA margin and the one more thing is that since our product mix has been changing, it is like more of a fertilizer mix has improved, so do we see an uptick going ahead on other expenses, especially with respect to the transportation cost?

**Punit Makharia:** Sir, basically first of all let me thanks for your opinion and in my personal opinion, this 17% EBITDA margin is not healthy for me. We are trying to make it better, we are working hard for this and to further answer your question, only the reason for this kind of stable business model in spite of all the slowness and what we hear and what we see every time is only, these two things what I personally see is that backward and forward integration, this integrated business model what we have which really does not impact to us majorly in terms of this price volatility. B) It is a zero waste business model what we have and honestly, suppose if we would not have zero waste business model, then let me tell you all this effluent and other waste discharge would have been a big problem and if you see that especially in Gujarat, if your plant is even closed for once, you are not permitted to restart less than 2 to 3 months, then imagine almost your 20-25% of your entire working goes out. So only reason what we see in this stable business model and stable margin is that is only because of the integration into the company, into the product, into the plants and everything and apart from that, it is zero waste.

**Ritesh Bafna:** And on my another question with respect to increase in other expenses, do we see anything there going ahead?

**Punit Makharia:** No sir, I don't think anything expectedly like that, but for tomorrow if any unexpected expense comes, like in March, we have written off around 2.21 crores of debtors in which we were in legal litigation against them, otherwise we don't see any such expenses going to be there.

**Moderator:** Thank you. The next question is from the line of Ayush B from Aequitas Capital. Please go ahead.

**Ayush B:** Sir, this is related to your gross margins which have been substantially improved during the quarter, so you have mentioned that there is a lead time in passing on prices. So in the coming quarters, can this margin reduce again because currently it is around 38% versus 32% quarter-on-quarter?

**S. N. Sengupta:** Normally, our raw material cost, it is in the range of about 65%. In the past, it was about 68% to 69%, it has come down by 1% to 2% but I don't think this is going to be more because now whatever we have been observing, it is more or less this is what is going to remain, may 1%, 2% here and there that is from 65 to 67% that is to be like that. That should able to help the prices going down further.

**Ayush B:** And sir, lastly out of the total expenses, what would be the percentage of fixed cost expense approximately?

**S. N. Sengupta:** Out of the total expenses, fixed cost expenses.

**Ayush B:** Percentage wise, what is the fixed cost percentage?

**S. N. Sengupta:** The EBITDA what we have, I have administrative and selling expenses, we have roughly about 5.8%, that is a fixed cost. Other of course, operational costs are there. Question is though we are talking about this, but the items like your labour cost, the power cost and all that are more or less going to be within a specific range, of course, when we talk about labour cost, we have certain amount of contract labours also which directly there is with the production levels, but then otherwise it is more or less fixed, so there will be a certain amount of a) may be around 6% to 7% variation here and there but that is going to be very rare.

**Ayush B:** Right, yes, so that is why on an overall basis, on an approximate basis, I wanted to understand, out of the total expenditure of 56 crores for the quarter, the fixed cost percentage approximately would be?

**S. N. Sengupta:** Fixed cost percentage roughly about, we don't have the exact figure as such.

**Ayush B:** Yes, even approx... figure is fine.

**Punit Makharia:** Ayush, we are not carrying the breakup of these expenses, so we are not able to answer your question, what exactly you want because we don't have those figures as of now with us, but definitely we can come back to you on your question.

**Moderator:** Thank you very much. Ladies and gentlemen that was the last question for today. I now hand the conference over to the management for their closing comments. Thank you and over to you.

**Punit Makharia:** Thank you friends for joining us on the call. We hope that we have been just able to answer all of your queries. For any further queries, please get in touch with our investor relation advisor, SGA. Thank you once again.

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