

“Shree Pushkar Chemicals & Fertilisers Limited Q4 & FY-20 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Shree Pushkar Chemicals & Fertilisers Limited Q4 & FY20 Conference Call. As a reminder, all participants' lines will be in the listen-only mode and anyone who wishes to ask a question may enter '*' and '1' on your touchtone telephone. To remove yourself from the queue, you may press '*' and '2'. 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 and welcome to the Quarter 4 & FY20 earnings call of our company. I hope all of you and your families are keeping safe and sound. Joining me on this call is Mr. S. N. Sengupta, our Associate Director and Mr. Deepak Beriwal, our CFO and Pareto Capital team, our Investor Relations Advisor.

Friends, the financial year 20 was an incredibly challenging year for all of us on various fronts. As I communicated to you all in earlier calls, there was a demand slowdown starting from second quarter and extending throughout the year. This led to compression in the price realization mainly of the dyes and dyes intermediates.

Further, as you all know in the last quarter of the year the COVID pandemic hit the world. In the initial months we had a demand shortage as the country started imposing restrictions and the export import activities were also slowdown. Our operations soon after we affected with the nationwide lockdown imposed in March end.

All our manufacturing units were shut down from 24th of March 2020 though we partially started our fertilizer activities on 20th of April 2020 and operations were slow and only a limited pick up was there as it was faced mainly because of the demand shortage, labor shortage as well as the other issues related to the supply chain management issues.

Thus overall performance was impacted during the year. In FY20 revenue stood at Rs. 346 crores compared to Rs. 450 crores in FY19. I would like to maintain here that the decline has mainly been due to the planned revamp of our manufacturing unit 1, there was an impact on our revenue of about Rs. 65 crores during this year. As communicated to you all before the revamp was undertaken this year to improve efficiencies and the systems of our company.

Now I am happy to report that this unit revamp has been completed and we will begin to see the fruits of this investment over the current financial year FY21. If we keep aside this non-operating unit the revenue from the operations was impacted by 14% on FY20 compared to FY19.

Friends, however, our fertilizer segment performed well during the year. Overall fertilizer production in India has increased during FY20 after muted growth in the last three fiscal years.



There was improvement in fertilizer demand due to a good southwest monsoon which resulted in higher sowing and aided the increase in production. The Make in India Mission and Self-Reliant Initiative will further boost fertilizer demand as production is encouraged and import reliance on fertilizers is reduced. We saw a jump in our fertilizer business during the year – fertilizers revenue including revenues of Kisan Phosphates were up by 25% year on year in FY20.

Now moving on to the updates on our planned CAPEX of Rs. 110 crores. The Rs. 5 crores unit 1 revamp CAPEX has been completed. We expect it to be contributing to our numbers this financial year depending on the global demand because of the COVID situation.

On the dye intermediate expansions with a planned outlay of Rs. 75 crores we have already incurred Rs. 52 crores of the total investments in FY20 out of our internal accruals. We are in advanced stage of obtaining EIA that is Environmental Impact Assessment and MPCB clearances. The CAPEX has commenced with the acquisition of a plot of land. The said expansion is expected to commence production in Q3 to Q4 in FY21. This has been pushed a little further due to the prevailing lockdown situation because of the COVID-19.

Now friends, on the Madhya Bharat Phosphate Private Limited front I am glad to report that we have completed the acquisition and are on path with initial production from Q1 FY21. I am happy to inform that we have started commercial production from 5th of June 2020. We have completed the entire process from acquisition to refurbishment to starting the production in record time of 45 days despite the prevailing lockdown situation. In this quarter we have sold 3,500 tons of SSP in Madhya Pradesh as of now. I am proud of the process that are in place that have enabled us to achieve this.

Now let us talk about the COVID situation in the world. Friends, India is gaining major importance in world stage as people and companies moving away from China this is an opportunity for India to emerge as a leading global chemical manufacturers and Shree Pushkar is well poised to tap this opportunity. We are uniquely positioned as one of the few market players who are equipped in both forward and backward integration. Our process has strong quality controls and we are proudly a zero waste company. The strong quality control of our products in terms of accreditation of BLUE SIGN as a system partner ZDHC contributor and GOTS that is the Global Organization Textile Standards helps our company enjoy the trust globally.

We are working further to strengthen our brand both in the dyes as well as in the fertilizer segment. We are focusing on rationalization of our costs, improving our efficiencies and to capture the growing opportunity. This is all from my side, friends. Now I would like to handover the call to Mr. S. N. Sengupta for financial highlights of the company. Over to you, Mr. Sengupta.

S. N. Sengupta:

Thank you Mr. Punit. Good evening, ladies and gentlemen. I will now take you through the consolidated performance of our company for the year ended 31st March 2020. Our financial

year 20 revenue stood at about Rs. 346 crores which is down from Rs. 452 crores in the preceding year, financial year 19. This of course includes that Rs. 65 crores revenue shortfall which we had already anticipated as I declared right in the beginning for our unit 1.

If you were to adjust this non-operation unit our revenue was lower by about 9% on consolidated basis. This was mainly due to the compression in price realization through the year and the COVID impact during the last quarter. Our consolidated segment wise revenue for FY20 has been 39% from dye intermediates, 22% from dye stuffs, 36% from fertilizers including Kisan Phosphate of course. And acid complex and remaining part was about 3%.

The EBITDA for the year stood at about Rs. 50 crores with a margin of about 14.5%. Profit after tax for financial year 20 was Rs. 36 crores and profit margin increased to 10.3% from 9% in the previous year. So that is all from my side. I would like to open the floor for questions and answers, please.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from the line of Prateek Bora, an investor. Please go ahead.

Prateek Bora: My first question is on slide number 19 of your presentation. The fertilizer business, it is mentioned that the segment revenue for fertilizer business Rs. 129 crores for FY20 which is expected to spike up to Rs. 200 crores for this year FY21. So this is primarily because of closure of that acquisition of MBPL?

Punit Makharria: That is right.

Prateek Bora: Okay and this is factoring in that the lockdown, the current situation so like the run rate has been on the Rs. 200 crores track?

Punit Makharria: See you have to add in more issues into this point, Prateek. (A), Yes, you rightly said that it is addition of the Madhya Bharat also because Madhya Bharat is a largest plant in our company for producing fertilizer. So (A) it is because of this Madhya Bharat addition also and (B), if you see in our FY20 results compare it to the FY19 results, we have achieved a better growth in terms of the fertilizer also.

To give you certain data like in the year 2018-19, we have sold around 90,000 tons of fertilizers of only SSP in the FY 2018-2019 and in the year 2019-2020 if you will see, we have sold around 120,000 tons of SSP. Now the addition would be of Madhya Bharat also. So that is why we have combined it together for going the turnover of Rs. 129 crores to Rs. 200 crores by FY21.

Prateek Bora: What could be the estimated margins?

- Punit Makharia:** If you see you know in a standalone basis, the Kisan has been doing an EBITDA of around just a second, let me take out the figure.
- S. N. Sengupta:** Kisan, the EBITDA margin has been about 15.11%.
- Punit Makharia:** So we expect a similar kind of a margin would also continue in a fertilizer business including Madhya Bharat also.
- S. N. Sengupta:** One more thing I would like to add here is that the Madhya Bharat the capacity of the plant is one-and-a-half times of our existing two plants. Here we have 1 lakhs tons at our Lote Parshuram plant, we have 1 lakhs tons at Kisan Phosphates, whereas Madhya Bharat is 1.5 lakhs tons.
- Moderator:** Thank you. The next question is from the line of Ritika Gupta from Aequitas Investments. Please go ahead.
- Ritika Gupta:** Sir, I wanted to know currently what is the demand outlook for the dyes and dye Intermediates? What would be your volume numbers for all our products for FY20 and raw material price trend?
- Punit Makharia:** You are talking about the last year, Ritika, or this current going year you want to ask about this question?
- Ritika Gupta:** I want to ask the demand outlook for the current year. Like are we seeing any capacities going out of the system, are we seeing a demand picking up from export or are we seeing subdued demand, how are we going to be impacted by the Indo-China export-import concerns?
- Punit Makharia:** Ritika, just out of my personal experience and I am just sharing my personal opinion on this point. (A), in this financial year almost Q1 has completely gone out of the hand due to the lockdown in the whole of the country over and above that, this labor issue has come to a very big impact on to the industries because almost at each and every plant labor is not there. Apart from that supply chain management has been also impacted largely. This has been impacted to us also, to other companies also and even to our customers also as far as the India is concerned. If you talk about globally, as of now this whole globe has also not opened for the business up till now.
- People are bit careful and bit scary in taking the further business also and we all believe that this economy has impacted us to a very large extent, even to India also and the other part of the world also. I personally see that at least this issue, this depression issue in the business and in the economy may continue till at least Quarter 2. So almost H1 is completely gone and very honestly it is difficult at this point of time to predict the special business of the dyes and dyes intermediate as of this point of time.
- Now coming to our company, being that Pushkar is a vertical company, Pushkar is a completely versatile company and into the backward-forward integration also, fertilizer business has given a much better growth to the business as of now. And during the lockdown period also being an



essential commodity we have been permitted by the government, we have been permitted by the supply chain management and by the various RTOs also to continue to our production and we are able to retain our customers also.

If you see in the lockdown period also from our both the plants of Kisan Phosphates as well as from Pushkar also, we have achieved a better sales, better production compared to the last year Quarter 1 of 2019-20.

Ritika Gupta:

You are talking about fertilizers?

Punit Makharia:

Overall if you talk about the situation of Pushkar like you know we did Rs. 347 crores of the business in last financial year. I personally believe that we should be, and we will be able to maintain at least this figure including the consolidation of Madhya Bharat. As far as if your specific question is on the dyes intermediates and the dye stuff, it is bit difficult to comment at this early stage, Ritika. I believe that H1 is completely gone and further in addition to the same because of this pandemic situation, there is a huge vacuum into the supply also because most of the factories in China, now in India are practically closed from January 2020 till date.

Because COVID was in China from January to almost till April, now we see that China is back into the business to a very great extent, but now wherein India we know it is again all the production activities are out of the business. And now looking at the China-India situation, it is bit unpredictable, we are hearing many news, which are definitely through this unconfirmed sources, it is very difficult, but yes there is a huge vacuum in supply also in this last five to six months. So let us see how it behaves in next few more months, then we will be able to have a much clear picture on this.

Ritika Gupta:

Okay and could you give us the current prices of H-Acid and Vinyl Sulphone?

Punit Makharia:

See H-Acid is let me take you bit before also just giving a prices of as on this date. Somewhere in April or May the prices of the H-Acid was around Rs. 335, which has now travelled to Rs. 370 or so as of now in the past two months. And as far as the Vinyl Sulphone is concerned, it was in the range of around Rs. 150 to Rs. 155 in April or May, now it has come to a level of around Rs. 165 to Rs. 170 as of now. We see that there is a bit improvement into the prices that is mainly because of the supply situation.

Ritika Gupta:

Any of our raw materials come from China?

Punit Makharia:

As far as H-Acid is concerned, nothing comes from China and some products, yes, we import from China, but those products are available well in India also, price could be an issue into that, but that is not a major challenge that has to be factored in, in coming times.

Ritika Gupta:

What kind of demand do we see from the export market?



Punit Makharia: Again coming to the same, my reply would be the same, Ritika, because till H1 I do not see any major spike into the business and once we are bit in a situation to open the lockdown, come on a business as usual situation, then we see. But yes Bangladesh has opened as far as their dye market is concerned. Some of the now Europe countries they have also opened, but still we India are under lockdown as of now. So let us see this is not correct on my part to give any such figure, which I am not yet confident as of now. I can share my views with you after almost a month or so on this subject.

Ritika Gupta: Can you give us the volume numbers for FY20?

Punit Makharia: S. N. Sengupta, I believe you have the volume numbers in front of you?

S. N. Sengupta: Yes. In dye Intermediates totally we sold about 4,545 tons giving a value of Rs. 135.20 crores whereas dyes we have sold 2,863 tons at a total price of Rs. 76.32 crores. Here I would likely say that there has been to a certain extent the compression on the rates, if at all we compare the rates whatever was there last year, that is 2018-19, the average rate for Intermediate was roughly around Rs. 3.53 lakhs per ton, whereas in this year it is about nearly Rs. 3 lakhs, Rs. 2.97 lakhs to be precise. Of course this depends upon the product mix also because you have K-acid, which is being sold at a much higher price, the H-acid is also higher price, VS is at lower price. So if the product mix changes towards the cheaper end product, then probably the price will reduce, but on an average, there has been a reduction.

Similarly in your dyes also for last year we had got roughly about Rs. 2.97 lakhs per ton as against which this year we have got about Rs. 2.67 lakhs per ton. Now this has been mainly because of the economic situation which prevailed throughout the year. If at all you remember, if at all you take into consideration what happened in Q1, we started with a very good note. But then the question is that as soon as the Q1 was over, then we found out that things were not all that pretty and slowly the prices have been coming down, the demand has been coming down and that was, the whole problem started from there.

So, in Q1, we had roughly a sale of about Rs. 77 crores, which is normally very high if at all you take, on an average we have about 18% of the sales of the year in this Q1. And slowly it builds up. And it builds up to the extent of about 31%, 32% in the fourth Quarter. But in this year, there has been a depression which was roughly around say, we have done only about Rs. 67 crores, Rs. 68 crores to be precise. So that is how the whole thing is. COVID was one of the factors because we lost nearly about 20 days or so.

Ritika Gupta: Okay, and I have just one more question. Do we see any supply going out of the system?

Ritika Gupta: Any company is shutting down? Any of our like the smaller players or anything shutting down, do we see that?

Punit Makharia: See Ritika, this period which is going on right now, it is difficult to say at this point in time, but I believe that because of this heavy meltdown going on in the industry, any such companies

which is highly leveraged may have a tough time. We can foresee, we can see that there would be few companies in terms of the dye stuff and in Intermediates also and in fertilizer also, which could have some issues and struggling period for them. We might see that there could be some exits also but to give any number or any specific details at this point is a bit difficult at this time.

Ritika Gupta:

And then SSP, who would be our competitor now?

Punit Makharia:

SSP, the competitors what we have as of now is Coromandel is an active player into the business. Then Rama is active player into the business, then other main big corporates who are getting and sold SSP through the small supporting manufacturers on a toll manufacturing basis are also there. After execution of Madhya Bharat we would somewhere in a fourth position in India for the production of SSP.

Moderator:

Thank you. The next question is from the line of Sumit Pareek from Pinakin Advisors. Please go ahead.

Sumit Pareek:

First on this CAPEX part. Are we looking to delay any part of our CAPEX out of the Rs. 110 crores?

Punit Makharia:

See Sumit, out of Rs. 110 crores, around Rs. 28 crores is for Madhya Bharat, that has been already done and paid off from the internal accruals of the company. As I said in my speech that we have already acquired and acquisition process has been completed and the production has been also started into Madhya Bharat. As far as the balance Rs. 75 crores CAPEX is concerned of the Unit 5, there we have already invested a sum of around Rs. 52 crores from the internal accruals of the company.

The pending of the balance of the amount and starting of the production of Unit 5, though we had earlier said and we had earlier planned that we would be starting the production of Unit 5 somewhere near Diwali. But now intentionally we have delayed it from Q3 to Q4. The reason being is that we are looking forward to get this pandemic situation bit relaxed and see how the global demand comes. I personally of the opinion that probably this year could be a bit meltdown period, right?

But we should keep our guns ready and everything should be ready so that at least we can just enjoy the fruits of the next financial year. I feel that the next financial year is going to be a bull run into the industry because after this recession and depression, ultimately, we have to believe into the business and look for a bright time.

Sumit Pareek:

Sir, and about the remaining part of the CAPEX will be funded through internal accruals, right?

Punit Makharia:

100%. We are not taking any loans or any kind of equity dilution for this CAPEX. Total we are doing Rs. 110 crores of CAPEX. Yes, we were earlier planning for solar also but as of now we have kept solar in a second stage. As of now we are not thinking and not doing anything into the solar. But yes, out of a Rs. 110 crores, almost Rs. 52 crores plus Rs. 28 crores, so that is around

Rs. 80 crores of the funding has been already done in FY20 this financial year and balance also we will be doing from our internal accruals.

Sumit Pareek: Sir, now the second question is this self reliant mission or this Atmanirbhar Bharat. So, want your sense on how will this have the positive impact on our fertilizer and chemical business?

Punit Makharia: See, if you see, if there is certain kind of imposition or some restrictions from certain countries in terms of the imports into India which you have been hearing for the past few days, then obviously the demand into the domestic industry is going to be met out from the Indian, this industry which is on a Make-in-India concept. And as far as the SSP is concerned, if you see in the data also, our Department of Fertilizer and Ministry of Agriculture also, that the consumption of the fertilizer in India has gone up because of the sowing, because you know what was happening earlier is that farmers who are not doing the sowing on the entire land, so most of their land was remaining uncultivated.

Now the situation has come to like that, now that the farmers are cultivating most of their lands. So because of that the consumption of the fertilizer has really gone up. And as far as the Single Super Phosphate is concerned which is a phosphatic fertilizer, as of now is into huge demand.

Sumit Pareek: Okay. Sir, I have another question. Can we expect players like international players who want to move or want to reduce their dependency on China for the raw material, so that can have a positive impact on our company?

Punit Makharia: We expect so Sumit, but it depends on other many factors also which are not in our control. Like, the Government policies and how the fast Government announces their packages for the foreign companies to come and enter into India. But let me tell you, India is a very great opportunity hub for those guys. Subject to our Government announces some kind of a packages for inviting them to India, I believe that the companies who are completely compliant in terms of the environment issues would have a great opportunity.

S. N. Sengupta: So, one more point I would like to add here is that even if anybody wants to set up a manufacturing unit here, the licenses, getting clearances from the EIA, the FVCB and all that, that takes a pretty long time. Normally you will see that for these licenses and specifically the environmental clearance, which is there, that takes more than a year. So, even if now, with this situation, if anybody wants to do anything, then probably his production would come somewhere around one-and-a-half to two years later. So, by that time, not only that our expansion will be over, but then we will also have a plan for going in for our second phase of expansion.

Sumit Pareek: Okay, and we will be in a position to take that any increase in the demand, right?

S. N. Sengupta: Yes. Very true.

Sumit Pareek: Sir, I want your sense on the agri business outlook. On ground feed for agri business for the last 3 months, so how is it?

- S. N. Sengupta:** The agriculture business basically what is that, the Government has announced this as a priority sector, priority industry and therefore even if all the other units are closed down, our fertilizer division and the cattle feed division also, that we are doing supplementary, they are doing very well.
- And another factor which is there, last year there was a very erratic rainfall. Because agriculture depends on quite a lot on the monsoons. So if monsoons are proper, now they have predicted that this should be about a 102% on the long term average. If that is so, then we should be getting very good for the fertilizers.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.
- Giriraj Daga:** What was the realization of H Acid and Vinyl Sulphone in Quarter 4 and FY20?
- Punit Makharia:** See Quarter 4 realization was improved and better in comparison with other Quarters, Mr. Daga. The reason being is that during that time China was under COVID. So most of the consumers in India, they were not able to get any kind of shipments from China. Due to that there was a big sentimental in the issue, that the prices were much better in Q4 in comparison with other quarters for the last financial year. If you want to ask a number, I think we have sold H-Acid above 500 also during that period. And before that we have sold around 350 to 360 also.
- Giriraj Daga:** So the average was 500 or it is more like a one or two....
- Punit Makharia:** No, you asked about Quarter 4, so I gave you above 500 was for the Quarter 4.
- Giriraj Daga:** Average, full Quarter, right?
- Punit Makharia:** Not average. Certain transactions we were above 500 also, but average of Quarter 4, this is not handy Mr. Daga right now with us, but I think it should be somewhere in the range of around approximately 400 or so, approximately.
- Giriraj Daga:** Okay, and for the full year it was about 350?
- Punit Makharia:** Around 370, 380. This is just an approximate figure I am giving to you.
- Giriraj Daga:** Okay, and what about Vinyl Sulphone?
- Punit Makharia:** Vinyl Sulphone was also in an average around almost 220 or so in Quarter 4.
- Giriraj Daga:** And full year would it be about 170, 180?
- Punit Makharia:** Almost like that, something like that. Or may be a bit better than that, 185 to 190 or so.

- Giriraj Daga:** In terms of our target of Rs. 500 crores of dye revenue, what kind of prices we have actually kept in mind for that calculation?
- Punit Makharia:** Please repeat your question, Mr. Daga.
- Giriraj Daga:** So, we have, given in PPT Rs. 500 crores of revenue target for dyes and dye intermediates for FY23. So, my question is what kind of prices realization have you kept in the calculation there?
- Punit Makharia:** We are assuming the prices would be the same in the range of around Rs. 350 to Rs. 360, Rs. 365 for H-Acid. And also Vinyl Sulphone in a similar kind of a range as of present level, which I have already said in my earlier answer also. Secondly, we are coming out with the CAPEX at Unit 5 also. There would be another CAPEX, this is another CAPEX in terms of dye stuffs and Intermediates.
- Those are products will be different, not only the H-Acid or VS, there would be other some sulphur based derivative chemistry also we are doing in Unit 5 CAPEX, plus another intermediates also.
- So this will not be only depending on the H-Acid and Vinyl Sulphone. The calculation what we are doing of Rs. 500 crores is a mixed calculation for all the dyes and chemicals sector of our total company as a whole, which has almost 25 to 30 products and H and VS is one of the products out of that.
- Giriraj Daga:** Okay, last question. We have mentioned about Rs. 75 crores of CAPEX to expand capacity. This is for FY21 I believe, right? Will have need to incur additional CAPEX in FY22 for this kind of targets or this will be suffice?
- Punit Makharia:** See as of now we are totally focusing on the CAPEX which we have already taken into our hands. Out of that, Madhya Bharat we have already completed, Unit 5 which will be completing in Quarter 3 or maybe Quarter 4. Post this first of all we would like to get some kind of a stability in the financial year 2021-22 where we achieve the total results and we consolidate our business. Thereafter though we have an additional plot of land, if you remember we have declared in our earlier con calls also about the phase 2. But that phase 2 decision will be taking somewhere in next financial year, not at this point in time.
- Giriraj Daga:** So, in FY22 we must be only going for the maintenance CAPEX?
- Punit Makharia:** We cannot say on this also very strongly, but let us see how the opportunities we get, but yes we are fully ready for the growth.
- Moderator:** Thank you. The next question is from the line of Mehul Jain, an individual investor. Please go ahead.

Mehul Jain: I wanted to ask on the working capital front. What kind of challenges are you facing while collecting favors from the customers and like I have looked into the March cash balance, it is around Rs. 1 crores in the consolidated level, and I wanted to know what is the current level of cash.

Punit Makharia: I think this point Mr. Mehul, you should appreciate that in this pandemic situation also company is able to maintain its cash balance and rather not utilizing the bank working capital limits. What we have done Mehul is that we have become bit strict on our cash flows. We have adopted some kind of a strategy, some kind of a planning whereas in the collection of our receivables we have become very strict. We have segregated our customers in tier A, tier B, tier C, that kind of a policy and strategy we have adopted.

We believe that in this pandemic situation we have to be very particular and very strict as far as our cash flows are concerned. And I am happy to say that in this pandemic situation also company is, as far as working capital is concerned, rather it has reduced its working capital utilization in Q1 this financial year. We are still maintaining cash balances in our accounts. So we are a bit strong on our cash recoveries and payment receivables.

Moderator: Thank you. The next question is from the line of Forum from Equitree Capital. Please go ahead.

Forum: Sir, I have a few questions and I am sorry if I am repeating some of them. So, sir what is the current capacity utilization on dyes and Intermediates?

Punit Makharia: Gupta Ji, can you please?

S. N. Sengupta: I will tell you exactly. In Dye Intermediates, we have a capacity utilization based on six monthly is about 50.6% and the dyes is about 47.7%. Now this has been lower than what was last year. So last year, if at all you see, last year the capacity utilization for our intermediates was nearly about 72% and dyes was 61%. This year because of the compression, the price rise has also come down, because these percentages are based on capacity utilization. So then what happens is that if you also take into consideration what is the internal consumption of dyes.

If at all you see whenever we are manufacturing our own dyes, in this certain years we have consumed nearly about another 2,000 tons of intermediate over and above what we have sold 400-500 and all that. So that way, if at all you see, the capacity utilization of our overall capacity will come down to about 73%. Am I clear?

Forum: On an average, the optimum is 72%, currently you are operating at 73%?

S. N. Sengupta: We are operating in about 73%, 74%. Last year we had gone beyond all, we had achieved nearly 98%.

Forum: So my next question is what are the cost cutting measures undertaken by the company currently, given the situation?

- S. N. Sengupta:** Cost cutting measures? I did not get you? As far as the direct expenses are concerned, what you can reduce is only on the salaries, outgo, maintenance of course now that you have the Unit 1 revamped, the maintenance cost will be slightly lower. So once the maintenance cost goes lower the stores and spares will go lower. So that is all what we can levy.
- Foram:** So are we planning to reduce that by any percentage?
- S. N. Sengupta:** Not really. So basically what happens is that apart from these areas, you see the margin whatever we have is roughly about 9% or so. So there is hardly any further scope of reduction. Because in this year we have been at the lower price end, therefore it is like that. So, if the prices go up, then probably we will be able to cut down further to a certain extent. But the chances are less.
- Foram:** Okay, so sir can you quantify the fixed cost run rate per month for us?
- S. N. Sengupta:** Fixed cost breakup. No, that I do not have it readily here.
- Foram:** No sir, our fixed cost for month or for quarter, anything would do?
- S. N. Sengupta:** No, Mr. Punit, would you be able to throw light on that?
- Punit Makharia:** S. N. Sengupta, wait. Madam, that kind of details we do not have as of now, as far as the fixed cost per month or per quarter. You can go through the details of the presentations what we have given. Now if you need a break up of each and every cost, for that you have to refer the balance sheet and the schedules of the balance sheet.
- Foram:** Okay, no problem. Sir, my next question is, has the Unit 1 started commercial production now and what is the likely contribution from this in the current financial year?
- Punit Makharia:** Unit 1 we have started partially, but still we are facing lot of hassles into that because of this labor supply situation and the supply chain issue. So as far as the Quarter 1 concerned, we do not have the figures and data right now carrying in handy with us, because this is a con call for the last financial year and Quarter 4 of FY20. So we do not carry those Quarter 1 figures right now with us. We will be sharing those details with you when we come for the con call for this particular Quarter.
- Moderator:** Thank you. The next question is from the line of Shivam Agarwal from Equitas Investments. Please go ahead.
- Shivam Agarwal:** As per our balance sheet we have invested some Rs. 60 crores into some equity instruments and bonds, so just wanted to understand what kind of instruments exactly we have invested in?
- Punit Makharia:** Shivam, these all are AAA rated bonds, majority of them. And some of them are into the bank FDs also.

Shivam Agarwal: Okay, and sir my second question is on our fertilizer division. For the year we have made 15% EBITDA margins in fertilizers. So just wanted to understand SSP being the cheapest cost fertilizer available, are these margins sustainable going ahead?

Punit Makharia: We have been doing this kind of a margins for the last minimum 2 years to 3 years if I am not wrong. And in the same direction we have also acquired an additional manufacturing facility in Madhya Pradesh also. And we believe in the business and the way we are doing it we believe, yes, it is 100% stable and sustainable in the coming times also. Rather I see a betterment into the volumes and the margins, especially into the fertilizer business.

Shivam Agarwal: Okay. Sir, I was asking from the point of view that comparatively for competitors, the margins are not so high. So what is giving us this margin advantage?

Punit Makharia: Sir, I would not like to comment anything on our competitor's operation and their performances. I can tell you anything and everything about us what we have been doing, but about the others I will not be able to comment.

Shivam Agarwal: Okay sir. And one last thing, in our presentation we have mentioned that our Dye Intermediates capacity after the CAPEX is completed will increase to 22,000 tons. That figure is correct?

S. N. Sengupta: Yes, that is correct.

Shivam Agarwal: The existing capacity?

S. N. Sengupta: Yes. You see the question is that we are also talking in terms of, even to your last question, price is very, very important. Whenever we are talking about fertilizers, we are talking in terms of about Rs. 8,000 a ton, where as if at all you are talking about H-Acid or K-Acid or something like that, it goes to somewhere near Rs. 4 lakhs, Rs. 4.2 lakhs a ton. So this difference is very, very large.

Now, if at all you see the raw material cost of your fertilizer, that is 55%, 56%. Whereas if at all you talk in terms of the Intermediate they are slightly higher. They are somewhere around say 67%, 68%. If we have to go to dyes, it will be about 80%. So this is the thing. Some of you will see is a mixture of all this, but then question is, whenever you are talking in terms of fertilizers, and H-Acid is considered to be a poor man's fertilizer, poor farmer's fertilizer, and obviously the prices have been going up over the years.

Earlier it was, somewhere around 3 years back it was about Rs. 7,200, slowly and steadily it has gone up. Today it is about Rs. 8,100 to Rs. 8,300 depending on the location. So this is how it is. I just think there will be any further, it is quite comparatively, the raw material cost is about 55%, 57%. And now once you have this, if at all there is this obviously either the selling prices will go up or the subsidy will go up.

Moderator: Thank you. The next question is from the line of Antan Jain, an investor. Please go ahead.

Antan Jain: Sir, we have done Rs. 284 crores of revenue in FY'20 on a standalone basis compared to Rs. 400 odd crores in FY'19. So there is a shortfall of around Rs. 116 crores?

S. N. Sengupta: Yes about 29% yes, correct.

Antan Jain: Sir so in that so if I have to take a breakout I think you had mentioned Rs. 65 crores is due to stoppage of Unit 1, is that correct?

Punit Makharia: Out of Rs. 116 crores, even Rs. 65 crores business has gone out because of the revamp at unit 1 plant. Then thereafter practically I am giving you some approximate numbers because I was not expecting this question but still as to the best of my knowledge I am answering to your question. Around Rs. 10 crores to Rs. 12 crores business has gone within the last 10 to 15 days of March because of the lockdown whereas in the entire supply chain production was been in a hell of a situation and there were no activities practically going on.

So you yourself can understand that Rs. 75 crores, Rs. 77 crores business we lost in this manner and the balance business which is gone out of the company is mainly on account of the price reduction over the period of the last financial year as well as on terms of the slowdown and depression in the economy. This is the overall situation I am giving you the details about it. S. N. Sengupta Ji, would you agree me on this point?

S. N. Sengupta: Yes, I would like to say that you see there are three basic factors which we talked about. For reduction there has been a 30% reduction, 29% to be precise. First one originally we had said that Rs. 65 crores we will be losing because of the revamping of Unit 1. That was what when we had taken up we have decided to take up the revamping and that time the prices in '19 were much, much higher. So the question is that that is one part. Then secondly immediately from the second quarter, first quarter took off very well.

From the second quarter we started seeing this economy slowing down and because of the economic slowing down there was a little bit of a compression of the price realization also so that was one of the factors. And lastly because the third point was COVID-19. COVID-19 actually the possibility the pressurization started right from February onwards, and March of course somewhere around 15th or 17th we stopped the work and all dispatches also were gone.

So from all this you will not be able to directly break up exactly as to what is gone for what reason. But overall approximately 65 is there, roughly about 15 to 17 because of the last quarter which we about second half of the last quarter we have lost and then another the balance one though you see if at all price comes down obviously it will show on your sales top line so had it been the earlier price say around 3.2 or 3.3.

Then probably that same figure of 285 would have gone to somewhere around 300. So that is not here. So there was a compression, there was a lack of demand and then there was this Covid situation. So all put together this year was a very trying year and all put together but still we

have been in the position to do well and from the present situation at whatever the situation the environment is we are happy that we have been able to do this.

Antan Jain: Sir, my second question is about the Kisan Phosphate. So if I subtract from the consolidate figure the standalone I get the Kisan Phosphate's revenues. Is that the correct method to find out the sales?

S. N. Sengupta: Yes, there will be minor adjustments but otherwise that is the one. I will give you the figures if at all you want. The net sales for Kisan Phosphate was Rs. 61.96 crores.

Antan Jain: Sir, what I wanted is okay I have the figure after subtracting. In this year we have done Rs. 61.9 crores compared to Rs. 51.7 crores of last year, is it correct?

Punit Makharia: Yes, it is correct.

Antan Jain: Sir, my question was we have commissioned both the sulphuric acid plant as well as the power generation plants there. Sir, we were given that there would be lot of costs reduction because of less we will be generating manufacturing our own sulphuric acid as well as the power. So just wanted to know is there any improvement in the margins of Kisan Phosphates?

Punit Makharia: If you see that we had started the commercial production of acid plant somewhere in though we started commercial production in March 2019 point of a time, thereafter actually it took us bit some more time in the establishment of our plant. Then thereafter if you see yes I can see the result has not that much improved, what it has been projected and assumed for.

Antan Jain: Okay sir is it possible to know what is the EBITDA margins as of FY'20 for Kisan Phosphate?

S. N. Sengupta: FY'20 EBITDA margin has been 15.11% as against 16.63% last year.

Punit Makharia: Around Rs. 9.5 crores for the last financial year?

S. N. Sengupta: Yes, 9.36 and 8.6.

Antan Jain: What is that sir, that is the profit you are saying?

S. N. Sengupta: No, I am talking about EBITDA.

Antan Jain: Okay so you said EBITDA percentage is 15.11% versus 16.63%, correct?

S. N. Sengupta: Yes, please.

Antan Jain: So that means sir, whatever reason so that means from the current year if it is run fully so we could see some improvement in the margins?

Punit Makharia: Obviously.

- S. N. Sengupta:** Current year, yes.
- Antan Jain:** Sir, now thirdly about the CAPEX to be done at the Lote Parshuram for the dye intermediate. So you have already mentioned in your introduction message that you have already received the environmental approval?
- Punit Makharia:** Within the last stage of getting it approved by EIA.
- Antan Jain:** Okay so as per you, once you get that is there any other approvals are pending?
- Punit Makharia:** See first of all we have to get an approval for permission for establishment of the unit. That we have already got for our unit 5 is concerned. Then we have to being certain products have covered under EC, for the EC clearance we have to go for EIA and TOR and the process so on. Once that EIA is completed then we have to approach Maharashtra Pollution Control Board for giving us a consent to operate once our entire unit is completely established and ready for the run.
- So as of now we have already got their consent to establish, EIA is under process and we already approved. Our last minutes of the meeting as per Ministry of Environment, Maharashtra Government and now we are in the final stage of getting the approval of EIA. Then later on it will be EC.
- Antan Jain:** Sir, now once you get that before that EC then only you can start the construction and other works?
- Punit Makharia:** No, that is a different thing, this is a different thing.
- S. N. Sengupta:** Let me address this first of all. I will tell you. The whole issue is that whenever you are talking about the environmental clearance, there are two aspects to it. One is the inorganic products and one is the organic products. But inorganic products you do not require an EIA. So for whatever inorganic products we are doing we have already received the MPCB clearance already in hand. We have already received them. And as far as the organic products where major is from the dyes intermediates. There what happens is that you have two, three stages. The first stage is TOR it is called, terms of reference.
- So once we give the entire detailed all the project report to them then there is a committee which hears that and we have already got that TOR clearance. Now they have asked for certain queries which we have to give clarification with that all, that is also nearing completion. There is a head of study, the LCI study and all that. So once that is there we probably just about 10 days we should be submitting that also. And then after that there is a committee meeting which then finally give the clearance.
- Once that is done then we go ahead. Now there is a point that whenever you are talking about EIA unless you received an EIA you cannot start your construction at the site.

So once we have got that TOR clearance and in principle clearance we have already got. We have placed the orders for all the equipments and nearly all the equipments are getting roughly 80%, 85% completed. So from that point of view the moment we get this EIA clearance we can ship all those equipments directly to our site and start erection.

Antan Jain: Okay. Now as and when you get this whatever the committee's approval so that you expect another 15 to 30 days?

S. N. Sengupta: Yes, that of course I will not be able to give you exact time. Normally these committee meets at least once a month, at least. The number of cases more than there will be two meetings. So once we submit that we should be getting the entire Maharashtra including all construction activities this, that, everything goes through EIA. So from that point of view it depends up on which meeting we will catch up. We anticipate that at least in a month's time we should be able to get the clearance after that, after we submit the final EIA report.

Antan Jain: Okay, so as and when you get that approval you will start the construction at the factory site so how much time you would require to complete the entire installation and everything?

S. N. Sengupta: That is exactly what Mr. Punit was said that we will overall decide to take up the trial runs in the last quarter of this year. So somewhere around November-December we should be having all our plants going into trial runs.

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

Punit Makharia: Friends, thank you all for joining us on quarter 4 FY20 Earnings Call. For any further queries, please get in touch with our investor relation advisors, Pareto Capital or feel free to get in touch with us. Thank you and stay safe and healthy.

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