



# SHREE PUSHKAR CHEMICALS & FERTILISERS LTD.

CIN: L24100MH1993PLC071376

(A Government of India Recognised Export House)

An ISO 9001:2008 & 14001:2004 Certified Company

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Date: 16<sup>th</sup> August, 2023

<b>National Stock Exchange of India Limited,</b> Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051. Script Symbol: <b>SHREEPUSHK</b>	<b>BSE Limited,</b> P. J. Towers, Dalal Street, Mumbai - 400 001.  Scrip Code: <b>539334</b>
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Dear Sir/Madam,

**Subject: Transcript of the conference call held on 11<sup>th</sup> August, 2023.**

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our letter dated 7<sup>th</sup> August, 2023, intimating you about the earning conference call for Q1FY24 with Analysts/Investors held on 11<sup>th</sup> August, 2023, please find attached herewith the transcript of the aforesaid conference call.

The above information is also available on the website of the Company at <https://shreepushkar.com/>

This is for your information & record.

Thanking you

Yours faithfully,

For **Shree Pushkar Chemicals & Fertilisers Limited.,**

**Nitesh Pangle**

**Company Secretary & Compliance Officer**

Place: Mumbai.

Encl.: a/a



.....Stable, Sustainable & Smart Chemistry Company.....

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• Dyes Intermediates

• Acids

• Power

• Animal Health & Nutrition

• Fertilisers



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“Shree Pushkar Chemicals & Fertilisers Limited  
Q1 FY24 Earnings Conference Call”

**August 11, 2023**



**MANAGEMENT: MR. PUNIT MAKHARIA – CHAIRMAN AND MANAGING  
DIRECTOR, SHREE PUSHKAR CHEMICALS AND  
FERTILISERS LIMITED  
MR. DEEPAK BERIWALA - CFO, SHREE PUSHKAR  
CHEMICALS AND FERTILISERS LIMITED  
MR. NITESH PANGLE – COMPANY SECRETARY AND  
COMPLIANCE OFFICER, SHREE PUSHKAR CHEMICALS  
AND FERTILISERS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Shree Pushkar Chemicals and Fertilisers Limited Q1 FY24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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. Nitesh Pangle – Company Secretary and Compliance Officer of Shree Pushkar Chemicals and Fertilisers Limited. Thank you and over to you, sir.

**Nitesh Pangle:** Thank you and welcome to the Q1 FY24 Earnings Conference Call of Shree Pushkar Chemicals and Fertilisers Limited.

Today on this call we have Mr. Punit Makharia – Chairman and Managing Director, along with Mr. Deepak Beriwal – CFO.

This conference may contain forward-looking statements about the company which is based on beliefs, opinion and expectations as of today. The actual results may differ materially. These statements are not the guarantee of future performance and involve risk and uncertainties that are difficult to predict. A detailed safe-harbor statement is given on page number 2 of the company’s Investor presentation which has been uploaded on the stock exchange and company’s website as well.

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

**Punit Makharia:** Thank you Nitesh. A very good evening to all my friends and a very warm welcome to everyone for Q1 FY24 Earnings Call of your company. Friends, today on this call I am joined with Mr. Deepak Beriwal – our CFO and Mr. Nitesh Pangle – our Company Secretary and Compliance Officer. I hope you all have got an opportunity to go through the “Financial Results and Investor Presentation” which has been uploaded on the stock exchange as well as on the company’s website.

Friends, now I take you through the “Financial and Operational Performance” of our company for Q1 FY24.

In the Fiscal Year 2023, our main goal was to ensure the efficient operation of our manufacturing plants while also focusing on maintaining a strong cash flow from business cycles. Friends, we are very careful not to accumulate any kind of costly inventory or any kind of bad debt that could have been a negative impact on our financial health and retaining our existing customers. Rather than pursuing rapid topline growth without considering the long-term implications, we took a measured approach and prioritize stability over short-term mind set. Additionally, we made sure to stay away of the commodity pricing and market trends, so that we could avoid any unfavorable

situations. By taking these precautions and thus making strategic decisions, we are able successfully navigate the challenges of year and maintain our financial stability.

Your company is able to maintain its operating cash flow without wanting any incremental working capital debt. In spite of increase in the total sales, successful completion of expansion for Rs. 175 crores, regardless of the same, the company still maintains cash flow in form of investments for Rs. 60 crores on a consolidated basis which are non-lien investments.

In the Dye and Dye Intermediary segment, we experience a moderate growth rate in this quarter. While the demand in both the domestic and export market has softened due to the weak demand depression and energy crisis globally, cautiously discriminatory spending and ultimately affected capacity utilization in textile and garment making units.

Despite these market conditions, our efforts and initiatives allowed us to maintain stable with a new figures. The basic chemical intermediate pricing rose as the Dye Intermediate prices are focused to reduce their production drastically. During the past recent period there had been a circumstance where the floods and heavy rain situation in Haryana and Punjab specifically, unstable raw material pricing, the impact of Ukraine and Russia war which were having ultimate dipping effects on the demand.

Further presenting on the bright side and comforting prospects last 15 days we see the pricing has arrived at almost stable phases and demand is also picking a comeback. Furthermore, now we are running our plants on full capacity. However, now there is a sign of recovery and we expect production to improve gradually, demand for the Dye is increasing again slowly and gradually. Friends, these represent significant milestones of your company and we anticipate experiencing higher growth volumes in terms of our SSP division as a result of expansion. Additionally, we are proud to be supporting the Atmanirbhar Bharat Abhiyan initiative by promoting the use of indigenous fertilizer like SSP.

The government is also actively increasing the consumption of SSP which we believe will further drive the demand to our production and positively impact our business.

Lastly, I am delighted to report that the company has a robust balance sheet and non-lien deposit of Rs. 50 crores, the strong cash position is a significant asset for the long-term stability and sustainability of the business model.

Friends, as you are aware that we have managed to achieve moderate growth despite the challenging circumstances of the geopolitical tensions, economic down streams and highly inflammatory pressures. We have attributed this success to our unwavering commitment to sustainable growth even in the phase of adversity. Looking ahead, we are optimistic about the future and expect to see significant improvements in both over profitability and revenue growth in next few quarters. We remain steadfast in our dedication to achieve our goals and we are confident that our hard work and strategic planning will continue to payoff in the months and

years to come, despite the challenges that lie ahead. We are excited to tackle them head-on-head built on success that we have achieved so far.

Friends, now a quick update on the expansions of the company, we are pleased to announce that despite several obstacles, we have successfully commissioned our Deewanganj plant of Madhya Bharat Phosphate Private Limited which is 100% owned subsidiary of Shree Pushkar Chemicals with a production capacity of 132,000 metric tons of Single Super Phosphate. The quality, administrations, sales operations are at a stabilizing phase. Also we have completed setting up of additional capacity of 32.000 metric tons of SSP in Kisan Phosphates Private Limited. After all necessary approvals, dry trial runs, trial runs, quality parameters set up and man power arrangements at unit 5 that is at D-10 MIDC Lote Parshuram has already started a commercial production entirely for all of the products of this plant. The production, quality and sales are at the stabilizing phase. With this, I would like to hand over the call to Mr. Deepak who is CFO of our company and now who will take you through the financial operational highlights of Q1 FY24.

**Deepak Beriwal:** Thank you, sir. Good afternoon and a very warm welcome to everyone. Our revenue for Q1 FY24 was Rs. 175.53 crores, an increase of 4% on year-on-year basis. EBITDA for Q1 FY24 is Rs. 14.02 crores with an EBITDA margin of 8%. PAT for Q1 stood at Rs. 7.90 crores with a PAT margin of 4.50%. On volume side on consolidated basis our total volume for Q1 FY24 in chemical sector increased by 43.50% on year-on-year basis and in fertilizer sector volume increased by 18.81% on year-on-year basis. With this we can now open the floor for questions and answers. Thank you so much.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Harshil Solanki from Equitree Capital. Please go ahead.

**Harshil Solanki:** Sir I have multiple questions, firstly in the opening remarks you said that demand scenario is improving, so any idea on the realizations that will also improve once the demand improves?

**Punit Makharia:** Mr. Solanki in my personal view this has got 2 phases, A – first of all demand should be there, then in a second phase, the improvement into the price level is also there. I am sure once now the demand is coming back and out of my experience what I am looking at for the last 15days-20 days is that yes, there is a quite a good moment in terms of the volumes of the products what we produce and slowly and gradually there is a good business enquiry and out of the most of the business enquiries we have concluded then into the business also. In a second phase, we see that yes, there would be an price improvement. Now we are looking out of our experience is that most of the pricing of the raw material has also come to a stabilizing phase as well as, the prices of the finished products has also improved, I would not say substantially, but it has started improving like in terms of Dye Intermediate if I say yes, the prices have improved in a range of around 3% to 5% in some of the products and we see in spite of the price improvements also with a demand stability also because there had been always over a year gap in terms of this depression into the demand. Now because of this depression into the demand for the last 12 months or so, the entire pipeline is also dry, there is not much of the stocks available in the

industry since they were in depression because of that we see yes, the inquiry and volumes have started picking up. And let me add one more point that once the volumes are picked up then I think the second phase will be price improvements.

**Harshil Solanki:** So, sir our strategy of focusing on volumes and compromising a little bit of margins will change going forward once the situation is back to normal?

**Punit Makharia:** Yes, because I think goes in a phase wise manner. First of all the demand was extremely lean earlier now demand is there, now the second comes the pricing improvements that will also follow the same.

**Harshil Solanki:** On the raw materials have you seen any correction? And are we holding any high cost inventory in this quarter?

**Punit Makharia:** Honestly speaking high cost inventories are always there, it is a circle Mr. Solanki and you can't say that we are not having any high cost inventory. Yes, we are having some kind of high cost inventory also that has been also taken into sectoring during our financials what we have given in the Q1 and that hit has been also already taken into that, but now the pricing has almost touched the bottom and started coming on a stabilized form of different products also of all the raw materials, but being is a circle is a you always keep in inventories in our factory, we always have working capital cycle like work in progress, finished products, raw material, incoming of raw material of imports, so it is a cycle. We cannot avoid this time cycle in this phase manner, yes we do have some new inventories, but which are not a very major issue we believe so, but that has been already accounted in Q1 results.

**Harshil Solanki:** So in Q2, the impacts may not be materials?

**Punit Makharia:** Probably we may be benefitted in Q2 because lot of prices has started improving.

**Harshil Solanki:** Sir last question, sir we have utilized Rs. 35 crores of non-lien deposits. It was Rs. 95 crores in Q4 and it is Rs. 61 crores Q1, so where have we deployed the money? Can you please check?

**Punit Makharia:** If you are asking exactly deployment of Rs. 35 crores is not right now ready with me, but as a whole I can tell you that the same money has been utilized for the business purposes as we have completed our expansion also, total expansion of Rs. 175 crores has been completed that has been done from the internal accruals as well as for the additional working capital requirement since the volume and total revenue of the company has gone by almost Rs. 100 crores in comparison with FY22 to FY23, so that additional working capital load has been also funded from the company sources itself.

**Harshil Solanki:** Sir any guidance for the full year if you can share?

**Punit Makharia:** It is my personal belief that good time is ahead of it and I see in coming few months there will be a good period and as of now looking at the chemical sector, it is a bit lean season going on,

but yes, the business model is stable, it has never failed so and being our company which is a completely zero-waste company and zero-debt company also which is a A+ rated company, healthy and all kind of compliances we are trying to be fully complied for, I see good time for us.

**Moderator:** Thank you. Next question is from the line of Ankur Agrawal from RC Wealth Solutions. Please go ahead.

**Ankur Agrawal:** This presentation which you have given, in that it is not showing that how much turnover is from chemical division and how much from fertilizer division? And what is the status of the margin in chemical division? How much is the profit in chemical division and how much in fertilizer division?

**Punit Makharia:** Margin cannot be calculated separately vertical wise because it is a consolidated business and it is a completely integrated business, so to dig out the margin individually vertical wise is difficult and that will not be correct picture, so we don't want to give any kind of wrong figures. We take it out always on a consolidated basis and as far as the figure is concerned Rs. 85 crores is the chemical business and Rs. 90 crores is the fertilizer business, to be very precise it is Rs. 85.30 crores is chemical business and Rs. 90.23 crores is the fertilizer business.

**Ankur Agrawal:** Now chemical division is improving as you say that currently rates are increasing and demand is also increasing?

**Punit Makharia:** Yes, it should come Agrawal ji.

**Moderator:** Thank you very much. Next question is from the line of Parth Kotak from Alpha Plus Capital. Please go ahead.

**Parth Kotak:** Sir if you can guide me towards the utilization that we have achieved for both, would it my assumption be correct will it still be at 40% utilization in the fertilizer?

**Punit Makharia:** Total fertilizer sale is around 56,000 tons in this quarter and roughly what you say is almost 45% to 50%, yes you are not wrong.

**Parth Kotak:** Second I think on other call especial regarding the fertilizer business, lot of other companies are saying there is a problem of inventory pileup on the distribution side, are we foreseeing a similar problem?

**Punit Makharia:** Sir what you are saying is correct to a large extent and in this particular season which we are passing through, yes there is an inventory pileup at the level of the dealers and the distributors that is mainly because of the flooding, unseasonal rain, untimely situation which is going on. The crops that farmers had planted has gone completely in water, so that is one of the biggest impact plus DAP which went down almost at \$426 now again has started at \$550 plus, so that is also one big factor plus the subsidy policy was declared a bit late by the Government of India,

that is also one issue, but it is not so important, it is just a routine business issue which keeps on coming every year, every half year in some or the other different manner. We are habitual of these kinds of issues which are not a major issue. Today the inventory which is piled up will be out in the coming season, it is not a matter of big issue. I don't consider it as a matter of concern or very big issue or working capital blockage or cash crunch.

- Parth Kotak:** I think it is helping us, thanks we have completed that, I think that is not a big problem?
- Punit Makharia:** All these are business routines, life is not simple whereas business is also not simple and there are always issues at each and every stage whether it is a business or it is a personal life or whatever it is. So these are the normal issues, we have to handle them carefully and which we are doing so. The only thing we need to say is that these kinds of issues doesn't impact our operations, doesn't impact our financial health, so for that also we are quite comfortable. It is not a big deal.
- Parth Kotak:** Sir last question, I think on last call also you eluded that Q4 probably would be the worst, then we would see improvement and I understand the market is bad and everybody is facing the problem, it is not just you, but since the end of Q1, do you think that the on ground situation has actually improved or probably it might take another quarter or 2 for things to become better?
- Punit Makharia:** Sir we are into a cycle in which many factors are impacting it and since we are into the products which the whole global situation impacts our business from outside also like if you see raw material, majorly we import rock phosphate, we majorly import sulphur and most of our dyestuffs we export also. So the whole globe impact us in a great manner and I think you guys are well aware of the global situation than what we guys are because we are only focused on our business, but I believe that you guys are focused on overall other political situations and other business situations also globally. The current situation is like we all are sailing in the boat and I feel for the depression phase that is we are almost coming out of the dark tunnel and I feel like almost half of Q2 has passed, I think by the end of the Q2, we should be completely out of the tunnel and the whole business should be back somewhere in Q3.
- Moderator:** Thank you. Next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** In your presentation you mentioned that the new facility of 66,000 ton for Sulphur Chemistry Derivatives and for the Dyes Intermediates, what are the incremental profits we will be making because you have written that this facility is completely integrated? And what will be its contribution in revenue and profitability when it is at optimum level?
- Punit Makharia:** All this depends on other circumstances also, but if I talk about normal time then Unit 5 itself should generate you almost around 200 crores of the additional revenue what should the company have. This is a normal situation and whereas profitability is concerned for last 3-4 quarters otherwise the profitability of the company has been always in the range of 9% to 11%



on a PAT level. I believe the same phase should come also again in the industry maybe by Q3 of this financial year.

**Saket Kapoor:** And sir this Rs. 175 crores CAPEX which is completed, during which period we have spent the total money which is culminated?

**Punit Makharia:** We have also given in our presentation about the Rs. 175 crores CAPEX, in this we spent Rs. 28 crores for Madhya Bharat acquisition, Rs. 120 crores given for Unit 5 and we did one solar of 5.2 megawatt worth Rs. 19 crores to Rs. 20 crores and Rs. 5-odd crores we have spent on revamping the unit, so all put together Rs. 175 crores was given for total company in which Madhya Bharat also come.

**Saket Kapoor:** Sir I wanted to know only about the period?

**Punit Makharia:** This is from 2020 till today.

**Saket Kapoor:** Sir as you were telling about the raw material like that price trends are going to be on downtrading, what is the current price trends of major raw material components? And when our inventory is cleared then its impact on our margins will start reflecting from quarter 3?

**Punit Makharia:** We have 70-80 products in our total raw material and in that we have everything in detail like which product has what impact, but that we cannot discuss on this concall with you. So if anything like this is there or any such particular questions are there then you mail to our Company Secretary and we will get back to you on that subject that is not a problem.

**Saket Kapoor:** I was only looking at the price trend in general as a percentage of sales?

**Punit Makharia:** If I say, approximately it has already touched to the bottom and again started coming back to the stabilization phase and there is no point in going to the chemistry of different products separately in this platform.

**Saket Kapoor:** Sir as you guided that till quarter 2 we have to see that bottomed out should be processed and in Q3 when you will keep a concall for Q2 results at that time it will be more clear that how strong is our current trajectory?

**Punit Makharia:** Results will tell, nothing will happen just by my saying.

**Saket Kapoor:** Let me tell about Q3 regarding which we are doing discussions that Q2 would be the time from there things should turn around and Q3, Q4 onwards it should be normal numbers where volumes in the margin should be similar what historical it used to be? This is what I understand in that?

**Punit Makharia:** Definitely.

- Moderator:** Thank you. Next follow up question is from the lines of Ankur Agrawal from RC Wealth Solutions. Please go ahead.
- Ankur Agrawal:** Sir in chemical vertical how much is capacity utilization, how much was there in this last quarter?
- Punit Makharia:** Sir it will be in the PPT, please see in that.
- Ankur Agrawal:** Utilization is not given quarter wise.
- Punit Makharia:** You are asking utilization?
- Ankur Agrawal:** Yes capacity utilization of last quarter, Q1 which has just gone?
- Punit Makharia:** In Q1 approximately it is 13,539 ton.
- Ankur Agrawal:** How much was the utilization?
- Punit Makharia:** Sir it is given in PPT please see what percent utilization was done.
- Ankur Agrawal:** Like growth has come in volumes then value wise also growth has come from the last year or growth has come in volumes in chemical division only?
- Punit Makharia:** Sir, pricing is depressed, in volumes I think we are almost around 75% to 80% of the capacity utilization in terms of the chemical business.
- Moderator:** Thank you very much. As there are no further questions, I now hand the conference over to Mr. Punit Makharia for closing comments.
- Punit Makharia:** Thank you sir and all my friends. We think we have been in a good position to take advantage of the overall growth potential and we are really excited about that. I want to thank everyone for attending and hope we have been able to address all your opinions, if you need any more information please get in touch to Mr. Nitesh Pangle, our Company Secretary and Compliance Officer. Thank you very much.
- Moderator:** Thank you very much. On behalf of Shree Pushkar Chemicals and Fertilisers Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.