SEBI Research Analyst Registration No: INH000009843

Shree Pushkar Chemicals & Fertilisers Ltd. (SPCFL)

Initiating Coverage

23rd October, 2022

CMP: 231.95 | Target Price: 324.74

Upside Potential: 40% | Duration: 1 Year

Market Capitalisation: ₹734 Cr

Research Analyst – Ajinkya Jadhav, Mohit Chandnani, Tushar Raghatate

Associate – Yog Rajani

Investors are advised to refer through important disclosures made at the end of the Research Report.

Index

ABOUT

Shree Pushkar Chemicals & Fertilisers Ltd, established in 1993 and headquartered in Mumbai, is a leading manufacturer of Dyes, Dye Intermediates and Fertilisers. Having started manufacturing in the year 2001 with a single product, they have aggressively expanded their portfolio to over 25 products.

Chemical business of the company contributed 45% to the net sales in FY22. They are one of the leading manufacturers of Reactive Dyes (21% sales in FY22) with DYECOL™ brand. SPCFL's product range is certified by GOTS and they enjoy the privileged status of being a government recognized Export House from the last 15 Years. SPCFL is a BLUE SIGN System Partner and a ZDHC Contributor. The company is one of the few integrated manufacturers of wide range of Dye Intermediates and Acid complex in India. It is a Zero waste manufacturer in the Dye Intermediates Industry.

SPCFL generated 55% of their revenue in FY22 from fertilizer business which comprises of 15 products including Single Super Phosphate (SSP), NPK and Sulphate of Potash (SOP) Fertilizers, etc., all of which are distributed through their own distribution and dealership network mainly in the states of Haryana, Punjab, Rajasthan, Uttar Pradesh, Himachal Pradesh, Uttarakhand, Maharashtra, Karnataka, and Goa. By producing Cattle Feed Supplement the company reuses the waste products from other manufacturing processes to reduce environmental impact.

The company operates from 8 sites pan India with 14,260 MTPA capacity in Chemicals which will be increased to 21,460 MPTA in FY23 and fertilizer capacity of 4,26,000 MTPA which will be raised to 5,90,200 MTPA in FY23. The Company has enough land bank (1 lakh sq.mt.) at MIDC Lote Parshuram, Ratnagiri, Maharashtra for the next round of expansion.

SPCFL distributes its products through 600+ dealers and caters to textile, agriculture, animal feed and other industries. DCM Shriram, Vinati Organics Limited, Gharda Chemicals Limited, Atul limited, Nandini, Amul are few of the marquee clients of SPCFL. The company earned 27% of its revenue from exports in FY22. SPCFL has two subsidiaries - KPPL and MBPPL, which were acquired in the last 5 years and successful turnaround of these firms helped SPCFL to diversify its product line, production base, addressable geographies and augment fertilizer capacities. SPCFL is a net debt free company and the past expansions have been funded through internal accruals.

MILESTONES

- **1993-** Commenced **trading/imports** (from China and other parts of the world) of chemical products & dye Intermediates
- **2001-** Change of focus from trading to **manufacturing of Dye Intermediates**
- **2002- Backward Integration** for in house raw material & cost efficiencies, **recycling of effluents** from Dye Intermediates Division
- **2007**- Started with **cattle feed**
- **2010**- Entered into new segment of **acid complex**
- **2011**- Introduced **soil conditioner**
- **2016**- **Forward integration** with **dyestuff manufacturing and aspiration to do own marketing by FY18.**
- **2017**- Diversification of fertilizers portfolio starting with manufacturing of **SOP,** 100% equity acquisition of Kisan Phosphates Pvt. Ltd. **(KPPL).**
- **2018**- Launched '**Dyecol'** range of Reactive Dyes
- **2019**- Installed **Sulphuric acid plant in KPPL** along with captive power plant based on waste heat boiler. Also commissioned a **Granulation plant in KPPL** of 200 TPD
- **2021**- Acquisition of Madhya Bharat Phosphate Pvt. Ltd. (**MBPPL**). Commenced production of A.H.N.F new plant at Madhya Bharat Phosphate Pvt. Ltd. unit 2 at Madhya Pradesh
- **2022**- Expansion of current Unit V facility & Solar Project.

PROMOTERS AND MANAGEMENT TEAM

- PUNIT MAKHARIA, FOUNDER, CEO

1. CEO, Punit Makharia (**first generation entrepreneur**) is aged **49 years** and he holds a **Bachelor's degree in Commerce from Mumbai University**.

2. An entrepreneur at heart, he started working at a very early age and has more than **27 years of experience and expertise in the chemical industry.**

- GAUTAM MAKHARIA, JOINT MANAGING DIRECTOR

1. He is aged **45 years**, holds a **Bachelor's degree in Electronics and Telecommunications from Mumbai University** and **Master's degree in Business Administration from Manchester Business School,** University of Manchester.

2. Before joining SPCFL, he worked across **General Electric (USA), Procter & Gamble (UK), Barclays Bank, and Bhaba Atomic Research Centre**, thus having very rich experience across various industries.

- RAMAKANT NAYAK, NON-EXECUTIVE DIRECTOR

1. He is a **Certified Associate of The Indian Institute of Bankers**.

2. He has more than **40 years of experience** in the financial services industry, particularly in banking. He has served as the **CEO and MD of various banks** throughout his career.

- SATPAL KUMAR ARORA, NON-EXECUTIVE INDEPENDENT DIRECTOR

1. He holds M.com and is a CAIIB, CS, CMA, LLB, **Insolvency Professional.**

2. **Expertise** in fields of project financing, **loan restructuring** and other financial matters, handled **BIFR** and litigation matters.

- ISHTIAQ ALI, NON-EXECUTIVE INDEPENDENT DIRECTOR

1. His core areas of practice are Banking and Project Finance, **Insolvency and Bankruptcy**, Sharia Compliant Transactions, Project Advisory, **Debt Restructuring, Bonds and Capital Markets, litigation with specialization in NCLT matters.**

INDUSTRY ANALYSIS

GLOBAL ECONOMY

1. In 2021, the global economy continued to recover even as the pandemic re-surged. Since the summer of 2021, growth rebounded, pulled by exports and strong consumer demand.
2. While the worst of the COVID-19 pandemic was left behind, the global crisis escalated due to the ongoing Russia-Ukraine war. Rising energy and oil prices, increase in raw material prices and global supply disruptions have resulted in higher and more broad-based inflation than anticipated. Global growth is **expected to moderate from 5.9% in 2021 to 4.4% in 2022**.

CHEMICAL DYESTUFF INDUSTRY-

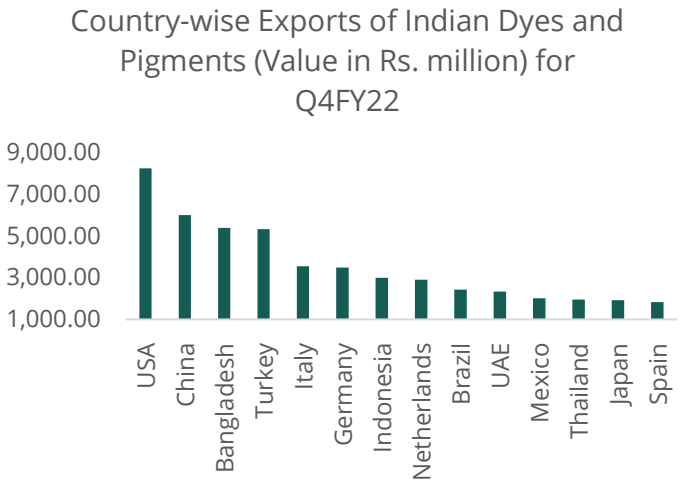
- ### GLOBAL DYESTUFF INDUSTRY

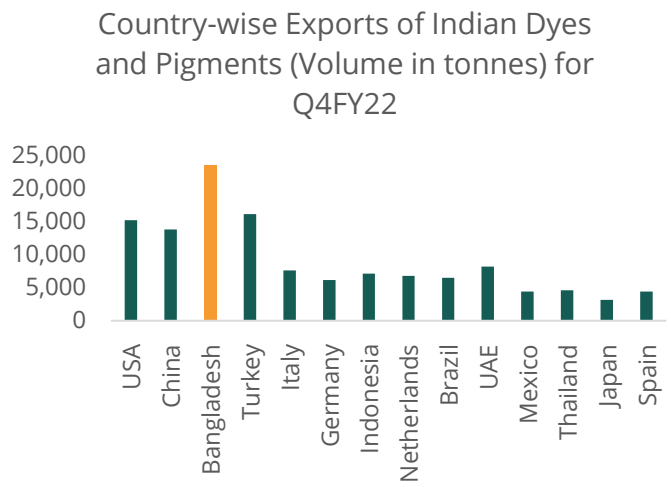
1. Colorants industry has three key constituents: dyestuffs, pigments and intermediates. **Intermediates** are products manufactured **from petrochemicals** and are further processed to obtain dyestuff and pigments.
2. Production base shift towards east
    a) The dyestuff industry has been witnessing turbulent times in the past two decades.
    b) Initially the industry's production bases were mostly in the west, however, during the last two decades, there has been a structural shift towards the East as well, predominantly to China, followed to a lesser extent to India.
3. China + 1 benefit to India
    a) Now, with the changing scenario of the industry moving towards India is thus opening up great vistas, ushering in great opportunity for this sector in India.
    b) The Indian dyestuff sector, which previously used to cater to the needs of the domestic textile industry, now has not only enhanced its reach in the domestic market but has also gradually made a significant presence in the global arena.
4. From **2022 to 2030, the global dyes and pigments industry** is expected to grow at a compound annual growth rate **(CAGR) of 5.2 %**. The market is expected to grow due to rising demand from different application sectors such as textiles, paints and coatings, construction, and plastics. A major growth driver will be the rising demand for ink for a variety of applications.

- ### INDIAN DYESTUFF INDUSTRY

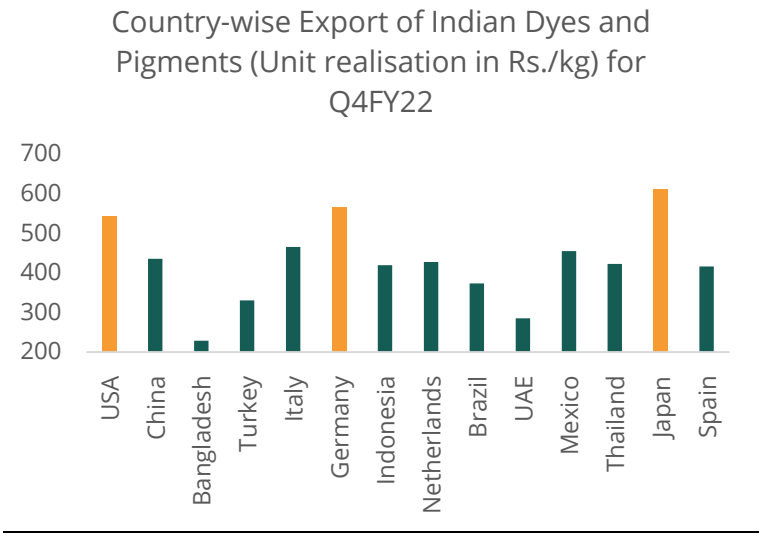
1. **Indian dyes and pigments market** accounted for nearly **25% of the global market** pegged at close to **USD 8 billion in 2020**.
2. Dyes industry grew at **9.5% between 2000 and 2010**, while there has been a **14.5%** annual growth in **exports**. India leads in Dyes production and contributes to **16% - 18% of world's dyestuff exports**. Indian Dye is **exported to over 90+ countries.**

3. India exports to various major economies including USA, Europe, Turkey, Bangladesh and also to China now. Although, India exports the highest volumes to Bangladesh, exports to developed nations like USA, Germany, Japan fetch higher unit realization.





Source- CMIE database



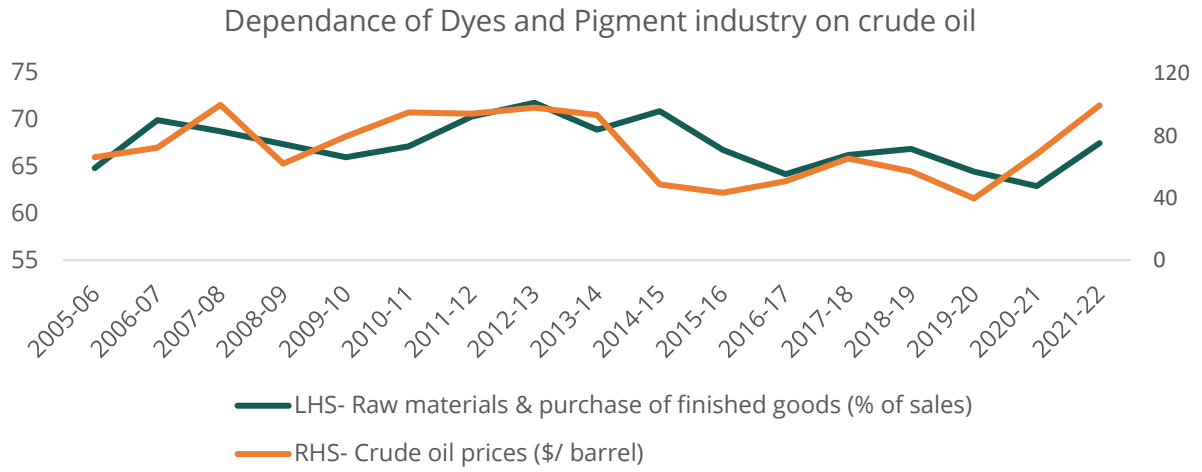
Source- CMIE database

5. The industry is expected to grow at a **CAGR of 11%** between **2021 and 2026** driven by high growth in the textile industry.
6. Industry is **highly fragmented with 900+ players** (top 5 players contribute less than 30%), with 80% manufacturing units being located in Gujarat and Maharashtra due to raw material (RM) and end user textile sector proximity.
7. Dyestuffs and pigments are critical inputs to several industries such as textile, paper and packaging, leather, food, polymer, coating and printing ink. **Textiles, paper and leather** industries together, account for over **85% of the total demand for dyestuffs**.

8. Reactive dyes have gained importance in past few years as the highly toxic Azo dyes are banned in European countries.
9. **Dye Intermediate Industry**
    a) **Gamma Acid, H-acid, Amino**-G-acid, Meta Ureido Aniline and **Vinyl Sulphone Ester** are a few types of intermediates manufactured or imported in India.
    b) Due to client compliance and the higher cost of ETP, over **70% of the Dye intermediate industry is organized**. Most of the players are **integrated**.
    c) Dye intermediates manufacturing is where **more environmental damage concerns** are there because there are a lot of effluents and a lot of treatments are required. Dyestuff is comparatively easier.
10. **End user industries**
    a) Dyes predominately find application in textiles with almost 80% of its production being used by textile sector.
    b) The other end applications involve paper, adhesives, art supplies, food and beverages, ceramics, construction, cosmetics, glass, paints, plastics and soap.

- RISKS AND CONCERNS FOR DYES AND INTERMEDIATES INDUSTRY

1. **Indian dyes are viewed as commodities in the global market** instead of branded products.
2. The industry's **expenditure on R&D** is extremely low, **at about 1% of sales as against 10% for international companies**. To be able to build brand names and improve international presence the Indian players would need to invest in R&D.
3. The dye industry is heavily dependent on crude oil prices as majority of the Raw Materials (RM) for the industry are crude derivatives. Fluctuating **crude oil prices** affect the sustainability of small-scale units and overall profitability of the sector. The effect of change in RM prices for dyestuff as a % of sales is clearly visible with the change in crude oil price (most of the times with a lag).



Source- CMIE database

4. This sector is **under strict environmental regulations** enforced across the global platform. Because of pollution hazards associated with dyestuff products, regulators around the world stipulate stringent environmental norms, **with cost implications** such as on procuring technology.

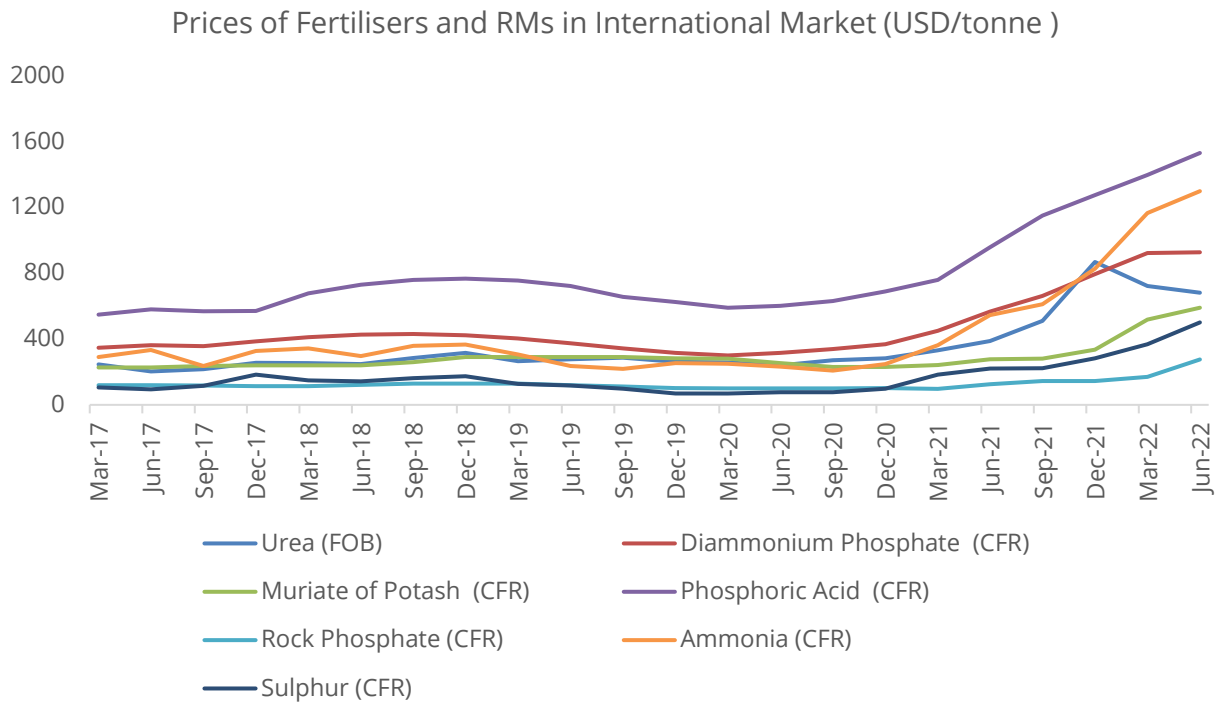
- INDUSTRY OUTLOOK

1. In Q1 FY23, the dyes and dye intermediates industry experienced extremely sluggish demand and an unprecedented increase in input costs including raw materials, power, gas & fuel costs. In last 2 financial years, demand has been at rock bottom which is the worst in around 3 decades. The key reasons for this include - 1. Sharp increase in input costs. 2. Dumping of cheap dyes and dye intermediates globally by China. 3. Sudden rise in cotton prices in FY22 (by almost 65%) has led to firms re-evaluating their business strategies.
2. The prices of dye intermediates such as hydrochloric acid and vinyl sulfone are Rs 50-100 lower in China as compared to the domestic markets. Hence, majority of the plants here have significantly reduced their production simply because price of Chinese intermediates is much lower than the cost of production here.
3. Post Q1FY23, companies are seeing a softening trend in raw material prices and expect coming quarters to be better. While companies are expecting recovery, it is important to track this recovery progress. This is not just an input cost issue but also a demand side issue as most of these applications go into the textile industry. Recovering from the worst demand slump the industry has seen in three decades will not be easy.
4. The textile industry is expected to provide a positive growth trajectory and product demand in future due to several factors such as growing population, increasing disposable income, and changing consumer trends. The growing demand for textile dyes for various fibre types, such as cotton, polyester, and viscose, is expected to fuel the growth of the textile dyes market.

FERTILISER INDUSTRY

- GLOBAL FERTILISER INDUSTRY

1. The global fertiliser market is estimated at US$155bn with India's share at 15%.
2. Prices for almost all the fertilizers and their RMs have more than doubled in the recent past in the international market.



Source- CMIE database, Department of Fertilisers

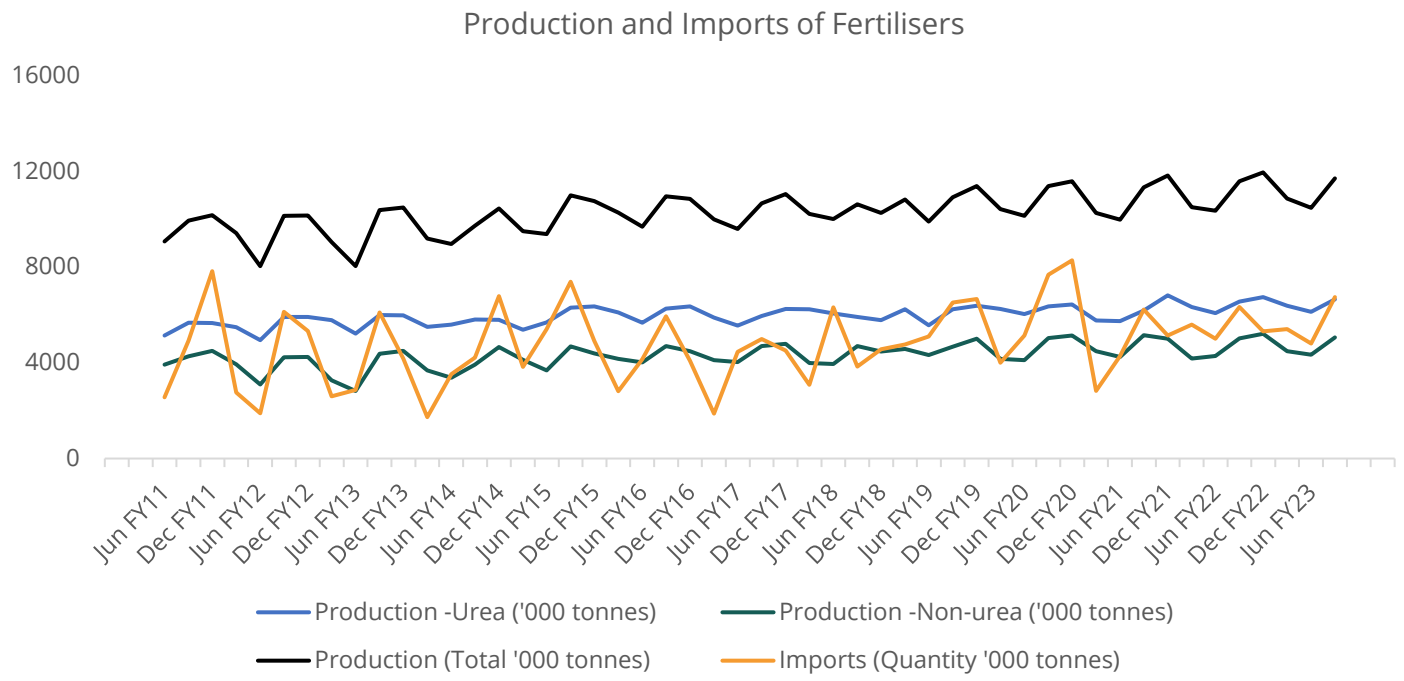
INDIAN FERTILISER INDUSTRY

- Agriculture plays a vital role in India's economy. About 54.6% of the population is engaged in agriculture and allied activities (Census 2011). Agriculture sector is the backbone of Indian economy, contributing 15.5% to the Gross Value Added (GVA) at constant prices in 2021-22 as per the Second Advance Estimates released by National Statistical Office.

- The Indian fertiliser industry provides for **three primary nutrients: Nitrogen-N, phosphate- P_2O_5 and Potash- K_2O**. Besides these, the industry provides **secondary nutrients, such as Calcium-Ca, Sulphur-S and Magnesium-Mg and micronutrients such as Zinc-Zn, Iron-Fe and Copper-Cu**. The industry manufactures **complex fertilisers (N:P:K),** which are a **combination** of the three nutrients. **Urea** (46% N), **ammonium sulphate** or **AS** (20.6% N), calcium ammonium nitrate or **CAN** (25% N), ammonium chloride or **ACL** (25% N) are the **straight nitrogenous N- fertilisers** manufactured.

- The Indian fertilizer market reached a value of INR 858 billion in 2021. Looking forward, IMARC Group expects the market to reach INR 1,131 billion by 2027, exhibiting a CAGR of 4.8% during 2022-2027. The domestic fertiliser manufacturing industry meets roughly two-thirds of the country's plant nutrient requirements, producing ₹42 million tons (FY20) of fertilisers annually. **Urea** had a share of **54%** or 30.5mn tonnes in FY19. Other major products are **DAP and NP/NPK/NPS, which had 33%** share (8.5mn tonnes each), **SSP (Single Super Phosphate) with 6%** share (at 4mn tonnes) and direct application of potash **(MOP) with a 6%** share (4mn tonnes).

- India is the 2nd largest consumer of fertilisers after China. India depends heavily on imports for meeting its fertiliser raw materials (natural gas, sulphur and rock phosphate), intermediates (ammonia and sulphuric and phosphoric acids), and finished product (diammonium phosphate, potash and complex fertilizers) requirements. Almost 30% of fertilizer requirement in India is met through the imports (imports were around 17 million tons of fertilisers in FY20). India's dependency on imports, at present, is to the extent of 25% of its requirement of Urea, 90% in case of Phosphates, either as raw material or finished fertilizers (DAP/MAP/TSP) and 100% in case of Potash.



Source- CMIE database

India – Fertiliser - Production and consumption trend in lakh tonnes						
Fertiliser	**Production**			**Consumption**		
	FY20	**FY21**	**FY22**	**FY20**	**FY21**	**FY22**
Urea	245	246	251	337	350	342
DAP	46	38	42	101	119	93
NPK	87	93	83	98	118	115
SSP	42	49	53	44	45	47
MOP				28	34	25
TOTAL	**419**	**426**	**430**	**608**	**667**	**631**

Source- FAI

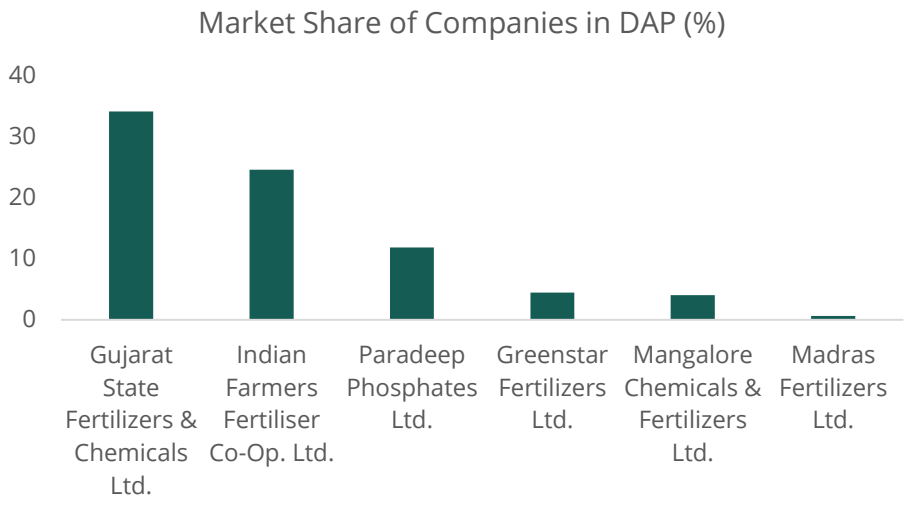
- **Fertilizer assessment, supply and logistics**

1. The assessment of the requirement of chemical fertilizers i.e., Urea, DAP, MOP & NPK for each season is finalized by Department of Agriculture and Cooperation in consultation with DOF, States, Railways, Fertilizers Association of India, Companies and other stake holders.
2. Though 50% of indigenously produced Urea and 20% of the Phosphatic & Potassic fertilizers (DAP, MOP and NPK) Indigenous / Imported are regulated under clause (6) of the Fertilizer (Control) Order, 1985 but the department continues to draw the agreed monthly supply plan of all the fertilizers in consultation with the manufacturers and importers.
3. The monthly supply plan is prepared keeping in view the following factors: -
    a) Approximately 50% supply should be from indigenous sources.
    b) Established marketing zones of the companies.
    c) Keeping the lead distance as minimum as possible.
4. The fertilizers are mainly transported through railways and for this purpose directions are issued to all suppliers to maintain 80:20 ratio i.e., 80% of the total quantity to be moved through railways and 20% by road.

PHOSPHATIC FERTILISERS

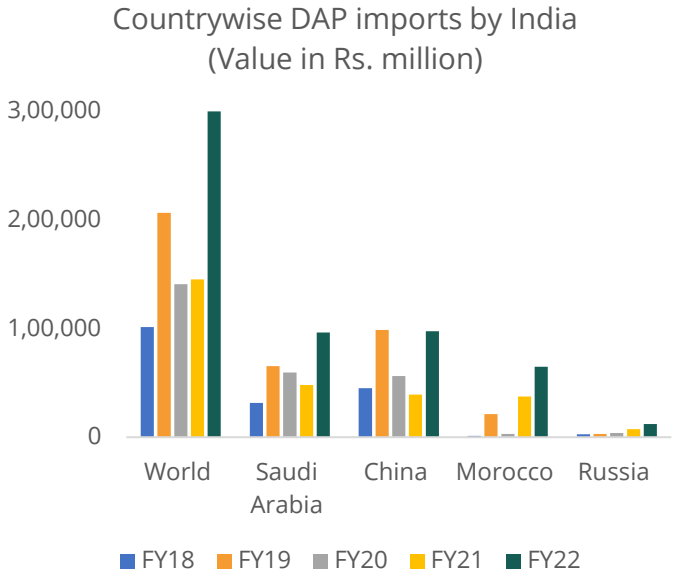
- DIAMONIUM PHOSPHATE (DAP)

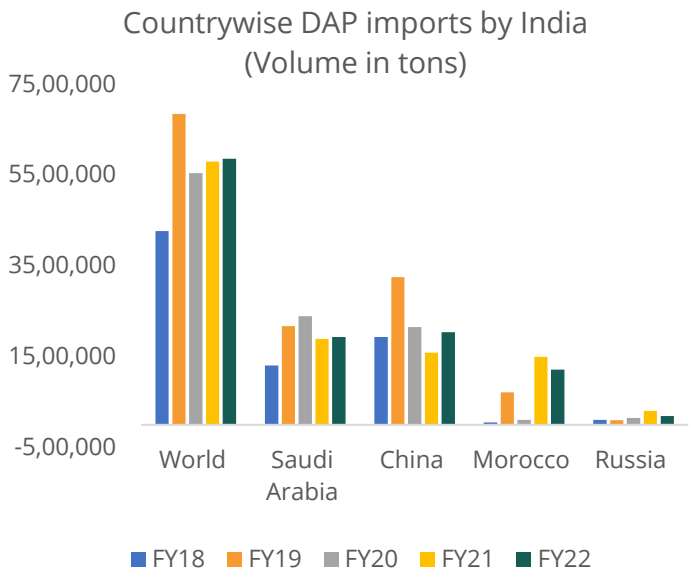
1. Diammonium phosphate (DAP) is the world's most widely used phosphorus fertilizer. The standard nutrient grade of DAP is relatively high, at 18-46-0. The inputs required to produce one ton of DAP fertilizer are approximately 1.5 to 2 tons of phosphate rock, 0.4 tons of sulfur (S) to dissolve the rock, and 0.2 tons of ammonia. GSFC, IFFCO, Paradeep Phosphates are among the top most producers of DAP in India. More than 50% of India's DAP requirements are met through the imports.



Source- CMIE database

2. India is heavily dependent on Saudi Arabia, China, Morocco and Russia for DAP imports. India imports around 50 lakh tons of DAP every year mostly from China, Morocco, Saudi Arabia, Russia and Jordan. If indigenously produced SSP has to satisfy this demand, then 150 lakh tons production of SSP is necessary. The market size for this import substitution is >Rs. 15,000 Cr.

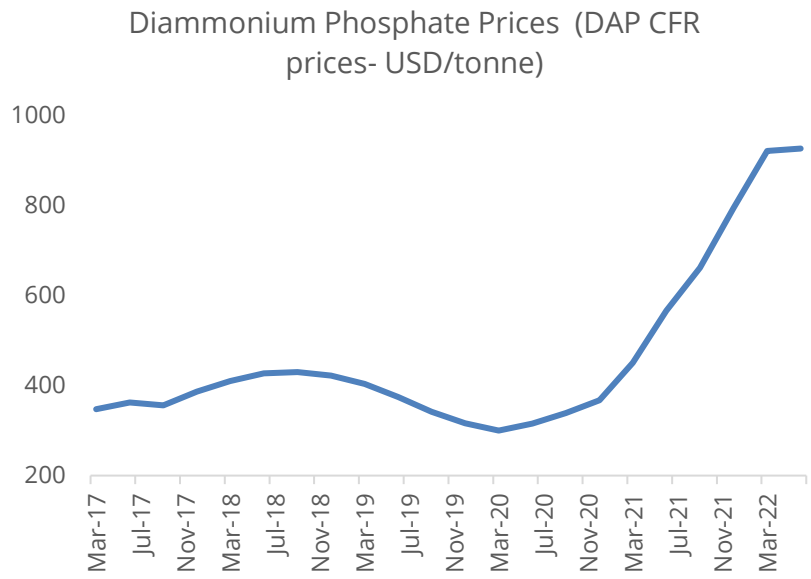


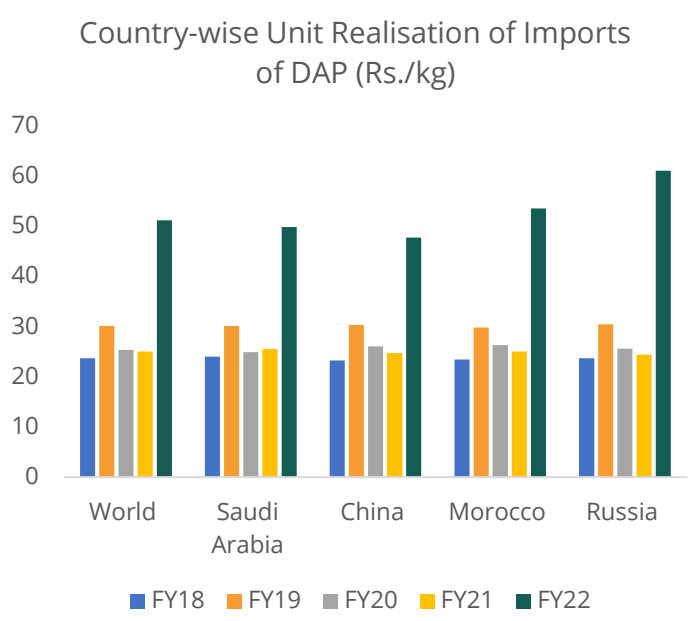


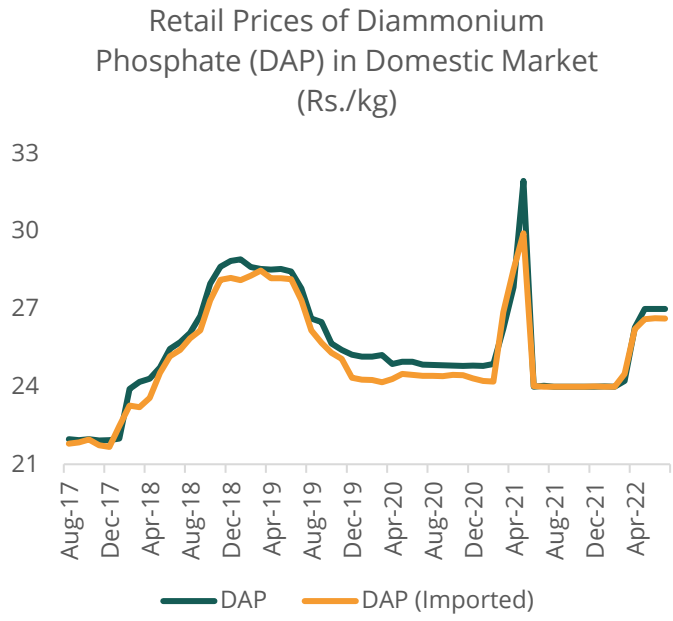
Source- CMIE database

3. The ongoing Ukraine-Russia war has brought stalemate in movements of fertilizer raw materials. Moreover, petroleum products have also witnessed a huge surge in prices. Russia is a huge low-cost exporter of every major kind of crop nutrient. India has been facing a tight supply position in fertilisers, especially of phosphatic and potassic nutrients.

4. As a result, prices of DAP have more than doubled in the recent past. However, GOI has kept the retail prices of DAP in control by bearing burnt of spending more on the subsidy. This is advantageous for SSP fertilizer which is produced indigenously. If the consumption of SSP fertilizers is promoted then it will directly control inflow of imported phosphatic fertilizers and also entail huge savings in foreign currency.





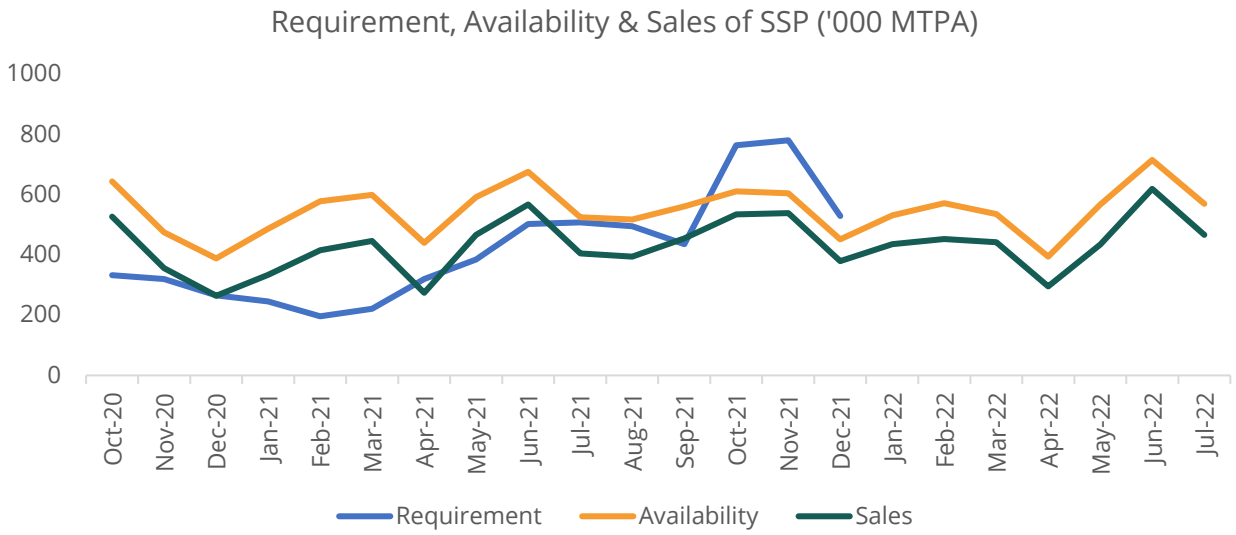


Source- CMIE database

- SINGLE SUPER PHOSPHATE (SSP)

1. The **only straight P fertiliser produced in the country is single super phosphate (SSP).** The main raw materials required are Rock Phosphate and Sulphuric Acid (H_2SO_4). SSP contains 16% water soluble P_2O_5, 12% Sulphur, 21% calcium, and some other essential micronutrients in small proportions. SSP is a **cheaper fertiliser used to treat sulphur deficiency** in soils, as well as a nutrient for enhancement of yields. Value-added multi nutrients SSP fertilizer of Zincated and Boronated type is addressing the perennial problem of farmers to rejuvenate deficiency in soil. These products have huge potential for growth in the country.

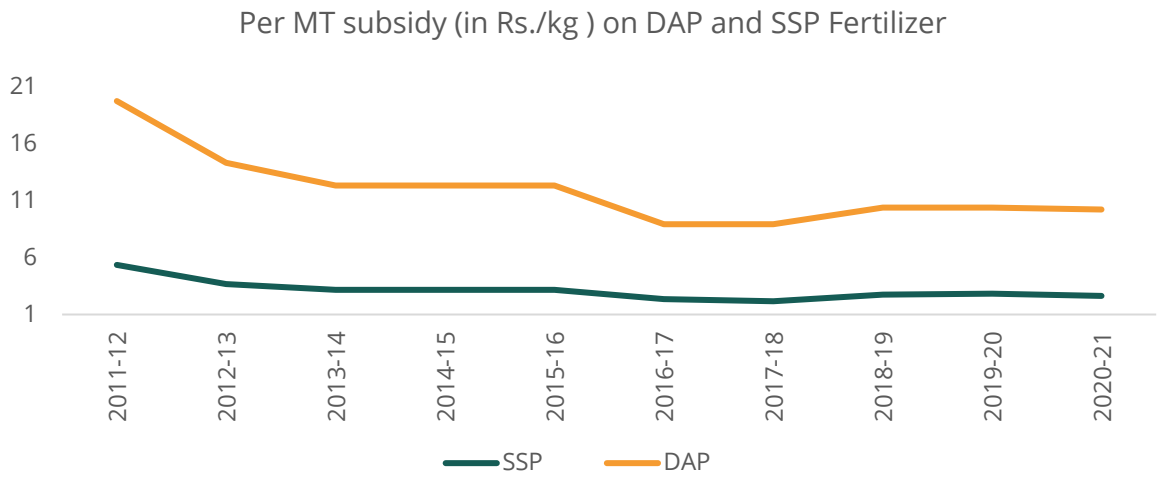
2. DAP contains 46% phosphorus while SSP contains only 16%. That is, the phosphorus in SSP is 30% less as compared to DAP. So, whenever SSP is used, it should be three times more than DAP.
3. The SSP fertilizer industry is predominantly clustered in Western region consisting of five states, i.e., Chhattisgarh, Gujarat, Madhya Pradesh, Maharashtra and Rajasthan which accounts for 77 units out of 112 units in all India basis.
4. SSP market in India is of around 50 lakh tons and SPCFL has a share of about 5% in terms of production capacity. A great thrust is given by the Government for increasing consumption of home-grown SSP fertilizer in the country, leading towards "Atmanirbhar Bharat" in fertilisers. Increase in consumption of SSP fertilizers will directly control the inflow of imported phosphatic fertilizers and also entail huge savings in foreign currency.



Source- CMIE database

- PRICING OF NON-UREA FERTILIZERS

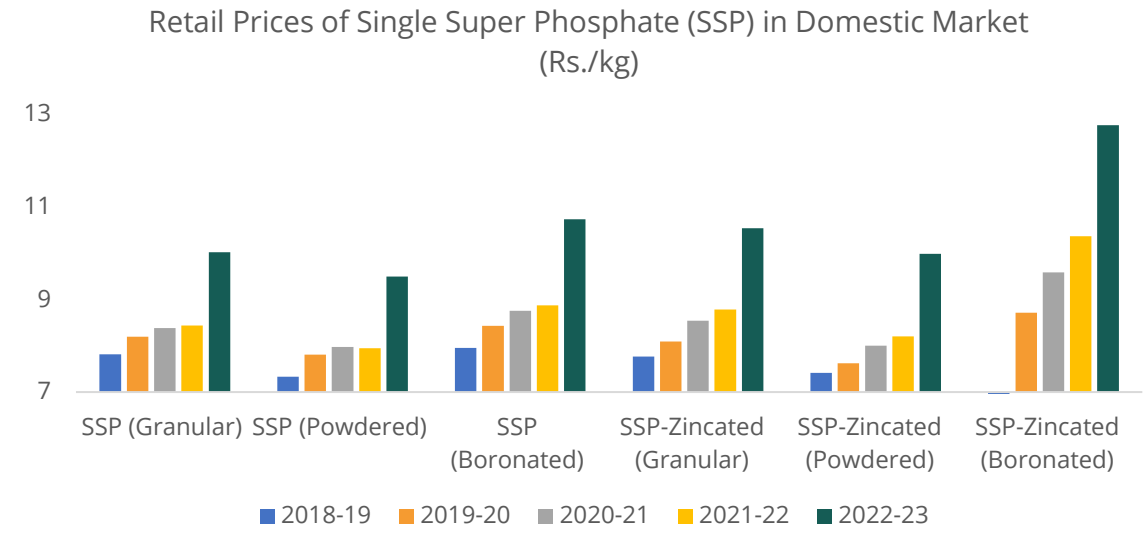
1. The fertilizer industry is strategic, but highly controlled, with fertilizer subsidy being an important component of profitability. The phosphatic-fertilizer industry was brought under the NBS regime from April 1, 2010. Under this scheme, the Government of India fixes the subsidy payable on nutrients for the entire fiscal (with an option to review this every six months), while retail prices are market-driven.
2. The MRPs of non-urea fertilizers are decontrolled or fixed by the companies. The Centre, however, pays a flat per-ton subsidy on these nutrients to ensure they are priced at "reasonable levels". In the case of non-urea fertilizers like phosphorous and potash, the subsidy component is fixed, which means that unless the subsidy is increased, an increase in cost would translate to increase in the retail price paid by the farmer.



Source- Ministry of Chemicals and Fertilizers

3. The prices of non-urea fertilizers have been detrimentally impacted owing to a shortfall of key raw materials as well as some finished products. Reduction in phosphorous exports from China had contributed to a price surge globally even before the Russia-Ukraine war, which got aggravated subsequently.

4. Government is trying to ensure that there is no shortage of fertilisers in the country during the Kharif (summer-sown - April 1 to September 30, 2022) and rabi (winter-sown) season. In the announcement made in April 2022, Government of India enhanced the subsidy of P&K Fertilizers to Rs 60,939 Cr (increase of 7% YoY) for Kharif - 2022, compared to last year's budget allocated in FY 2021-22, which was Rs 57,150 Cr. This included support for indigenous fertilizer (SSP) through freight subsidy and additional support for indigenous manufacturing and imports of DAP.



Source- CMIE database

5. In FY22, the total fertilisers subsidy stood at ₹1,62,132 crore. It has made a consistent rise from ₹71,280 crore in the financial year 2013-14. India's fertiliser subsidy is expected to rise by 55% to ₹2.5 lakh crore for the financial year FY23. This has been a welcome move for the fertilisers segment as it was the need of the hour. Subsidy on SSP is around 7.5 Rs./kg. and it is given to manufacturers.

- FOR POTASSIC & PHOSPHATIC FERTILIZERS, GOVT. OF INDIA HAS TAKEN THE FOLLOWING STEPS TO REDUCE IMPORTS:

1. Department of Fertilizers granted permission to Madhya Bharat Agro Product Limited Unit-II, Banda Sagar, MP for production of 1.20 LMT per annum.
2. Paradeep Phosphates Ltd is expected to manufacture additional DAP/NPK complex to the tune of 8 LMT per annum utilizing the 2 trains of ZACL Goa Plant.
3. A new DAP/NPK Plant by RCF with annual capacity of 5 LMT and investment of 950 crore in Thal, to be commissioned in 2024.
4. A new DAP/NPK Plant by FACT with annual capacity of 5.5 LMT at a cost of Rs 537 cr. Commissioning in June, 2024.
5. On exploration of minerals for raw materials for DAP & other fertilizers in India, discussion is in place with Ministry of Mines, GSI, MECL & PDIL.
6. PDM or Potash Derived from Molasses (0-0-14.5-0) which is 100% indigenously manufactured has been included under Nutrient Based Subsidy (NBS) scheme. (Source-Ministry of Chemicals and Fertilizers).
7. The Ministry of Fertilizers has created a separate cell in the Department of Fertilizer for SSP Fertilizers with a view to encourage the industry and address issues and constraints in the SSP Industry. The Ministry is desirous of doubling the production and supply of SSP from 52 lakh MTPA to 100 lakh MTPA in 2022-23. The creation of the cell has helped increase the supply of SSP in the year 2020-21 to 52.72 lacs MT from 46.25 lacs MT. Further, the increased focus towards quality compliance in the SSP Industry is gaining momentum and has started to yield good results. With the improvement in the overall quality of the industry the organized sector and the industry as a whole is expected to do well.

- UPCOMING CAPACITIES FOR PHOSPHATIC FERTILISERS

Company	Project	Product	CAPEX (Rs. million)	Status	Capacity (MTPA)	Completion
Hindustan Zinc Ltd.	Chanderiya DAP/NPK Manufacturing Plant Project	DAP/NPK	14,000	Announced	5,00,000	Sep-24
Rashtriya Chemicals & Fertilizers Ltd.	Thal DAP/NPK Manufacturing Plant Project	DAP/NPK	9,145.8	Announced	3,69,000	Dec-24
Rama Phosphates Ltd.	Nardana SSP & Sulphuric Acid Manufacturing Plant Project	SSP (Granulated)	958.2	Under Implementation	2,16,000	Mar-23
		SSP		Under Implementation		Mar-23
	Indore Phosphate Fertiliser Expansion Project	SSP (Granules)	180	Completed	60,000	Mar-21
Ishika Fertilizers Ltd.	Midnapur Single Super Phosphate Powder Manufacturing Plant Project	SSP Powder		Completed	60,000	Dec-20

- FERTILISER INDUSTRY RISKS AND CONCERNS

1. Manufacturers of phosphatic fertilizers are dependent on imports for their key raw materials such as rock phosphate and phosphoric acid. Cost of raw materials accounts for about 75% of the operating income. Due to Russia-Ukraine war, the fertiliser industry has been facing a **shortage of key raw materials such as phosphoric rock and sulphuric acid** for manufacturing urea and phosphate fertilisers.
2. Increase in **price of essential raw materials such as natural gas and its unavailability in adequate quantity** also acts as a setback for the fertiliser producer.
3. The consumption is fertilizers is seasonal and depends a lot on the monsoon.
4. To achieve self-sufficiency in fertilisers, the Government of India has protected the domestic industry through **price and supply controls.** Because of feedstock and raw material constraints, the industry has so far been **less cost-efficient than the international counterparts.**

ACID COMPLEX – SULPHURIC ACID INDUSTRY

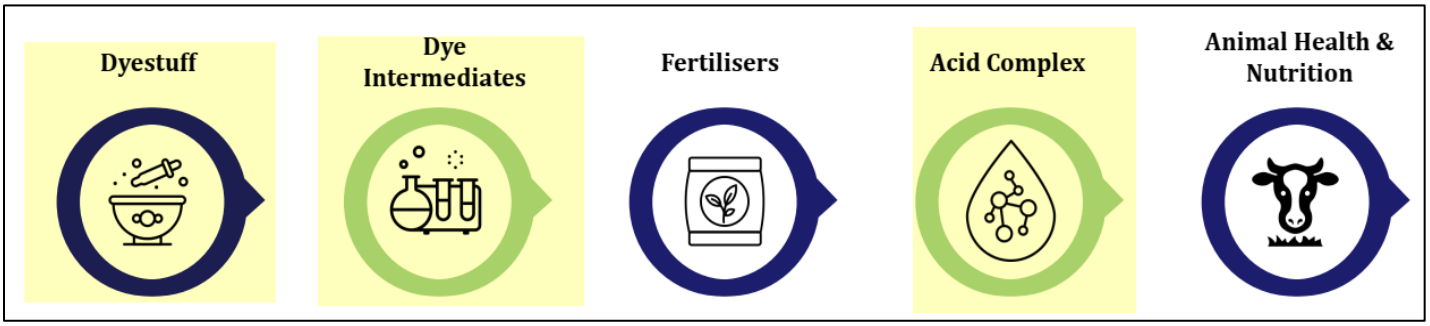
- Sulphuric acid is a **major raw material in the phosphate fertilizer industry**. Other industrial users of Sulphuric acid includes **petroleum refining, steel pickling, rayon and staple fibre, pharmaceuticals**, alum, explosives, detergents, plastics and fibres, and dyestuffs.
- The Indian Sulphuric acid industry is very old and has been continuously adopting new technology. It started with Lead Chamber process followed by Contact process with Single Conversion Single Absorption (SCSA) and **now Double Conversion Double Absorption (DCDA) process**.

CATTLE FEED SUPPLEMENT – DICALCIUM PHOSPHATE INDUSTRY

- **Dicalcium phosphate (DCP)** or calcium monohydrogen phosphate is basically a dibasic calcium phosphate which can be made as **fertilizer or animal feed**. Fertiliser grade DCP is mainly used in phosphate fertiliser and compound fertilisers as raw material. Since it is **very cheap**, it helps in improving the product cost-effectiveness and enhancing market competitiveness.
- As an animal feed, DCP is mainly used as a **dietary supplement in prepared breakfast cereals**, **dog treats, enriched flour, and noodle** products. It is also used as a tablet agent in some pharmaceutical preparations and is used as a **feed for poultry**. Animal feed grade DCP has two types, namely **granular and powder**.

COMPANY

BUSINESS SEGMENT



(Segments in yellow fall under 'Chemicals' and rest under 'Fertiliser')

PRODUCTS

Business Verticals	**Products**	**Intermediate products for captive consumption**	**End user industry**
a. Dye Intermediates	Gamma Acid, K- Acid, R-Salt, Aniline and H- Acid, Vinyl Sulphone, Meta Ureido	Amido G, G-Salt, R-Complex, Acetanilide	Manufacturers of Synthetic Dyes
b. Dyes	Reactive Black, Reactive Red, Reactive Yellow		Used for Dying of Textile / Yarns commonly cellulosic material
c. Acid Complex Sulphuric	Acid, Oleum and Chloro Sulphonic Acid (CSA)		An acid reagent typically used for Sulphonation reaction
d. Cattle Feed Supplement	Dicalcium Phosphate (DCP)	Gypsum	Agriculture & animal husbandry
e. Fertilisers and Soil Conditioner	Single Super Phosphate (SSP), NPK and Sulphate of Potash (SOP), NPK , Mono Potassium Phosphate (MKP), Monoammonium Phosphate (MAP), Calcium Nitrate and Soil Conditioner		Agriculture

- CHEMICAL BUSINESS (45% OF CONSOLIDATED SALES IN FY22, 51% IN FY21)

1. **Acid Complex**
    a) Products- Sulphuric Acid, Oleum and Chloro Sulphonic Acid (CSA).
    b) It contributed around **8% of total revenue in FY16.**

2. **Dye Intermediates (24% sales with acid complex and other products in FY22, 70% in FY16)**
    a) Manufacturing of Dye Intermediates started in 2001 while trading started way back in 1993.
    b) SPCFL has wide portfolio under one roof like Gamma Acid, K- Acid, R-Salt, **Vinyl Sulphone**, Meta Ureido Aniline and **H- Acid** among others.
    c) The installed manufacturing capacity is 8,260 MTPA which will expand to 15,460 MTPA (87% capacity addition) with commencement of Unit - 5 by the end of Q3FY23.

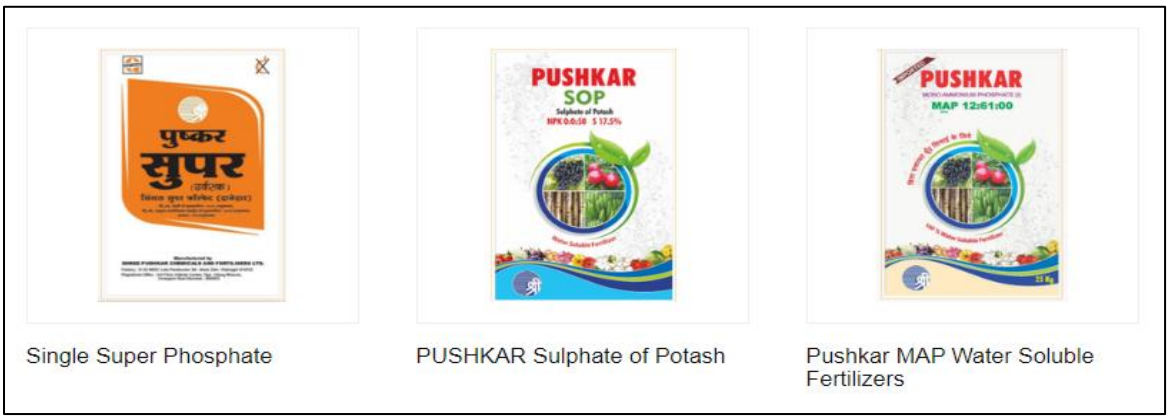
3. **Dye stuff (21% sales in FY22, 0% in FY16)**
    a) SPCFL is **one of the leading manufacturers of reactive dyes** primarily used for dyeing textiles, for cellulosic fibers like cotton / flex & wool.
    b) They have DYECOL™ range of (own established brand of Reactive Dyes- Specialty dyes) Dyes which uses less water and energy and decreases the processing skills in comparison to conventional dyes industry.
    c) SPCFL did forward integration in dyes space with start of Dye Stuff manufacturing in FY16 with capacity of 3,600 MTPA. The capacity was raised to 6,000 MTPA in FY17. In FY23, installed manufacturing capacity stands at 6,000 MTPA.
    d) They have a product range certified from "**GOTS**" and enjoy the privileged status of being a government recognized "Export House" from the last 15 Years. They are a "BLUE SIGN" System Partner and a "ZDHC" Contributor.

- Contribution from Chemical business has gone down significantly from ~80% in FY18 to <50% in FY22 due to increase in contribution from newly started fertilizer segment as a result of strategic acquisitions of Kisan Phosphates Pvt. Ltd. (KPPL) and Madhya Bharat Phosphate Pvt. Ltd. (MBPPL) that operate in SSP fertilizer segment.

- FERTILISER BUSINESS (55% OF TOTAL REVENUE IN FY22, 49% IN FY21, 17% IN FY16)

1. **Fertiliser**
    a) The portfolio includes Single Super Phosphate (SSP), Soil Conditioner, Nitrogen Phosphorus Potassium (NPK), Sulphate of Potash (SOP), etc. In all, product basket contains **more than 15 types of different grades of Fertilizers**.
    b) **SSP is the key fertilizer product of SPCFL**. SSP production started in 2011 with the use of in-house acids for SSP manufacturing thereby reducing effluents. It was further strengthened with the acquisition of KPPL in FY18 and MBPPL in FY20.

c) The company has own distribution and dealership network mainly in the states of Haryana, Punjab, Rajasthan, Uttar Pradesh, Himachal Pradesh, Uttarakhand, Maharashtra, Karnataka, and Goa.



Single Super Phosphate | PUSHKAR Sulphate of Potash | Pushkar MAP Water Soluble Fertilizers

Pushkar NPK Fertilizer | Pushkar NPK Fertilizer | PUSHKAR NPK - 13:40:13 | PUSHKAR NPK - 13:0:45

2. **Animal Health & Nutrition**
   a) Di-Calcium Phosphate (DCP) is used as an additive for the feed given to livestock and domestic fowls as supplementary to their requirement of phosphorus and calcium.
   b) It contributed around **3% of total revenue in FY16.**

SEASONALITY IN REVENUE

- In the fourth quarter SPCFL has larger sales not only in the dye intermediates but also in the fertilizer segment as well. Q3 and Q4 are historically better than Q1 and Q2.
- **Q4 generates roughly about 30% of the annual sales for the company**.

END APPLICATION INDUSTRIES

- **Dyestuffs**- Dyeing of **Textile** / Yarns **(70-80% consumption)** commonly cellulosic material, Manufacturers of Synthetic Dyes
- Fertilisers- **Agriculture**
- Acid complex- An acid reagent typically used for Sulphonation reaction
- Cattle & Poultry **Feed manufacturers**

DISTRIBUTION NETWORK

- Company marketed its product through **600+ dealers in FY22. (300+ in FY18)**

MARQUEE CLIENTS

- **In the past**, they have served **Huntsman Corporation, Archroma** Management LLC (in FY16).
- In domestic market, they have been serving **DCM Shriram, Vinati Organics Limited, Gharda Chemicals Limited, Atul limited, Nandini, Amul etc.**

GEOGRAPHICAL PRESENCE AND IMPORT-EXPORTS

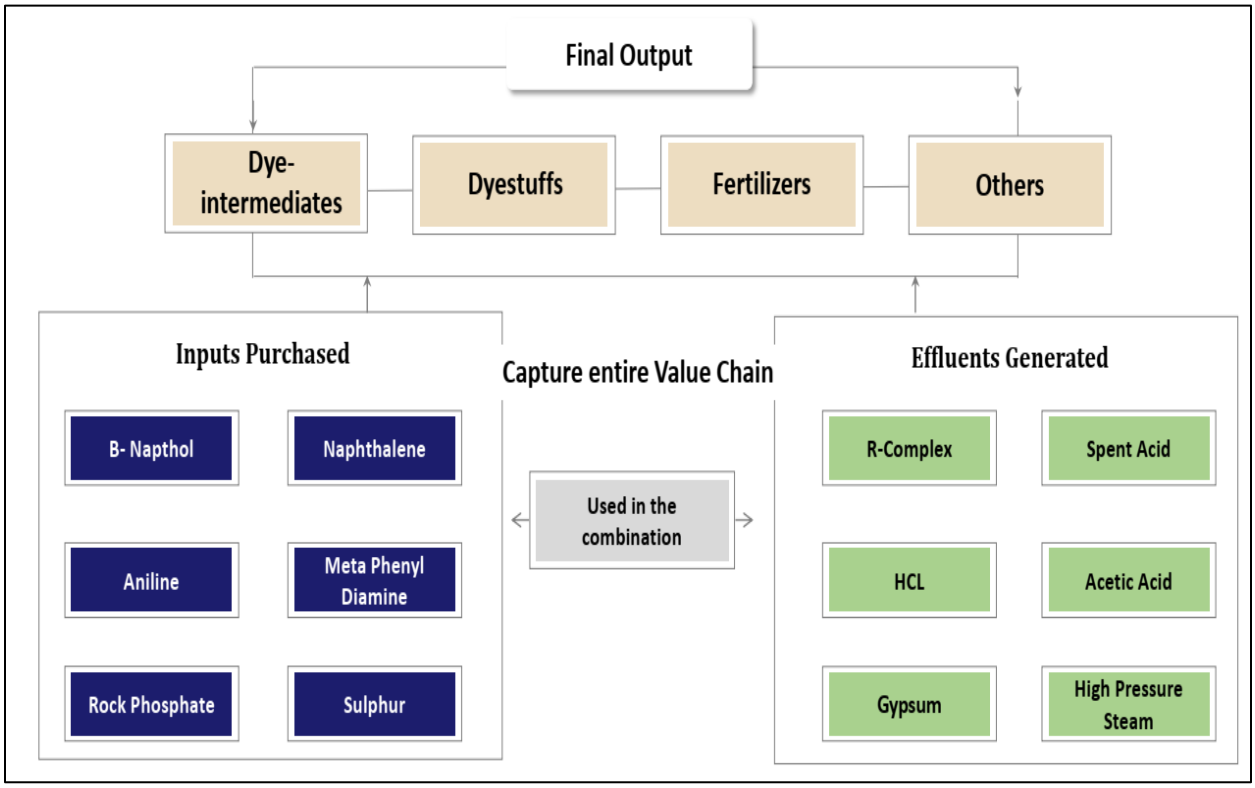
- Till **2016**, company was serving in the states of **Maharashtra, Gujarat and Karnataka** in India. Also, they **used to export to Brazil, Thailand, Pakistan and Mexico**.
- They increased the presence in north and central India through the acquisition of KPPL and MBPPL.
- Company enjoys the privileged status of being a government recognized “Export House” from the last 15 Years for Dyes. Percentage of revenue that came from exports

    1. For 2021-2022 = 26.88%
    2. For 2020- 2021= 21.77%
    3. For 2019-2020 = 25.56%
    4. For 2015 -2016 = 10%

- In FY22, the exports contributed by the Dyes and Intermediates divisions, had been at Rs.9,621.61 lakhs, as against Rs.5,524.83 lakhs in FY21 at increase of 74.15%.

- Their imports, had been mainly in terms of Rock Phosphate for localized division and to a lesser extent of certain fine chemicals for the intermediates’ division, totally amounting to Rs.6,693.22 lakhs in FY22.

PRICES OF RM AND FINISHED PRODUCTS



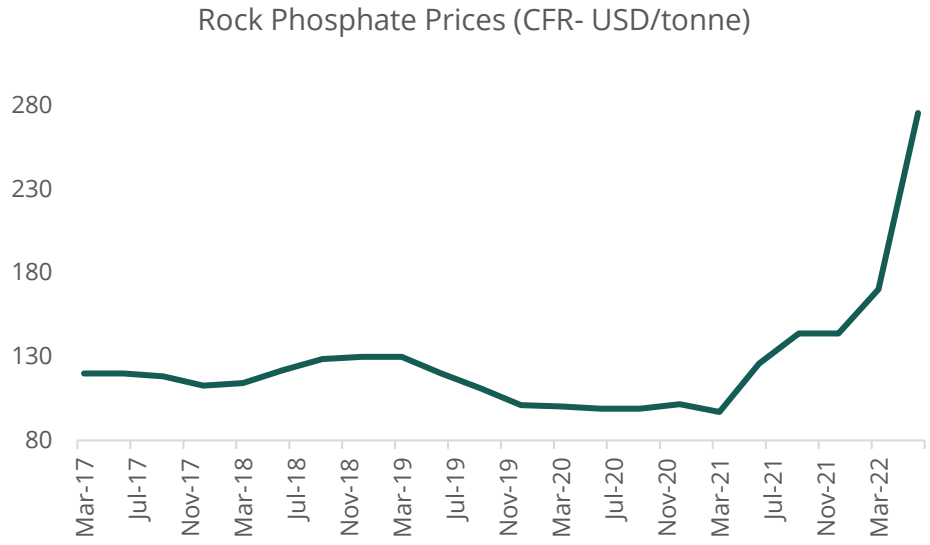
Source- SPCFL investor presentation

1. Raw material cost is in the range of about **65% of the total cost.**
2. **Crude oil is the basic raw material** used in production of dye and dye intermediates.
3. The basic Crude derivative chemicals used for the manufacture of **dyestuff** are **Benzene, Toluene, Xylene and Naphthalene (BTXN).** These raw materials are processed via **nitration, sulphonation, amination, reduction** and are transformed into dye intermediates. This is followed by processes such as **diazotition, coupling and formulation** to produce the particular dyestuff.

4. **Rock Phosphate**-
    a) Single Superphosphate is produced by reacting naturally occurring phosphate rock with sulphuric acid. Manufacturing process is based on one of the simplest chemical reactions in the fertilizer industry.
    b) Rock phosphate is a natural deposit of calcium phosphate containing fluorine and carbonate. Unlike nitrogen, phosphorus is finite: it cannot be replaced, substituted, or manufactured.
    c) The world's phosphorus supplies which took millions of years to form are depleting, with reserves of phosphate rock concentrated in a handful of countries. Morocco, China, Egypt, Algeria, and Syria control 85% of the world's phosphate rock reserves. About 80% of mined phosphate rock—sedimentary rock containing fossilized

deposits composed of remains of animals, algae, and sea creatures is converted into mineral fertilizers for global food production. (Source- roadsandkingdoms.com)

d) The largest share of the world's phosphorus reserves, around 70% is located in Morocco and the Western Sahara. China's 5% of phosphorus reserves is a distant second, but China is the world's largest producer, and if it keeps producing at the current rate, its reserves will be depleted in the next 35 years. There is only one operating phosphorus mine in the European Union, in Finland. This mine produces 1 million tonnes annually, about 10 percent of the EU's need, and is projected to be depleted by 2035. Russian-mined phosphate dominates the European import market. Currently, the phosphorus price is very high because of Ukraine's invasion by Russia. (Source- roadsandkingdoms.com)

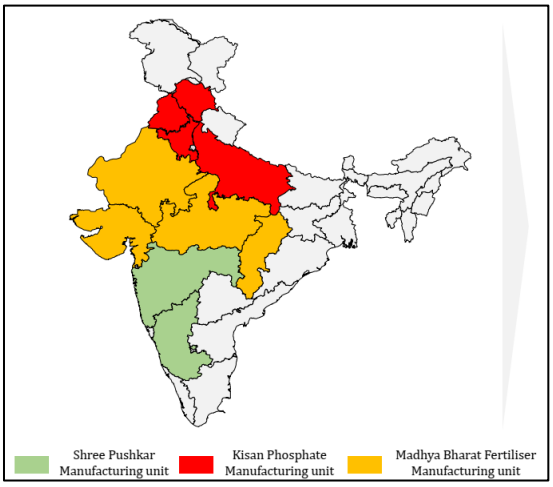


Source- CMIE database

5. Other main raw materials for SPCFL are namely **Sulphur, Beta Napthol**.
6. Company has been **able to pass on RM price** effect well from FY16 but with lag of a quarter.
7. SPCFL's continued efforts on improvement in the process yields, better cost control measures, and better inventory management, helped in reducing the raw material cost from 68.89% in FY2018 to 61.27% during FY 2022.

MANUFACTURING FACILITIES

- FACILITIES



1. Company operates from **8 sites pan India** (excluding solar site). SPCFL has its own manufacturing facilities in MIDC Lote Parshuram, Ratnagiri, Maharashtra and Karnataka. It has integrated Dye manufacturing plants.
2. Unit 1: Acids, Dye Intermediates and Animal Health & Nutrition. This is the oldest facility which was established in FY01 and revamped in FY20. There was a major machinery breakdown incident at this plant on 29th August 2022.
3. Unit 2: Fertilizers SSP, NPK & Soil Conditioners. Established in 2011.
4. Unit 3: Reactive Dyes & Dye Intermediates. Established in 2016.
5. Unit 4: Fertilizers SOP & Calcium Chloride. Established in 2017.
6. Unit 5: Dye Intermediaries & Animal Health & Nutrition. To start operation by the end of Q3FY23.
7. Kisan Phosphates, Haryana: Fertilisers Plant
8. Madhya Bharat Unit 1, Madhya Pradesh: Fertilisers
9. Madhya Bharat Unit 2, Madhya Pradesh: Fertilisers

PRODUCTWISE CAPACITIES

- DYES INTERMEDIATES (DI)

1. Trading of DI started in 1993 and manufacturing started in FY01.
2. FY15 Capacity- 4,910 MTPA
3. FY16 Capacity- 8,060 MTPA
4. Unit 1 was revamped in FY20 with Capex of Rs. 5 Cr.
5. FY21 Capacity- 8,260 MTPA
6. **FY23E Capacity- 15,460 MTPA (87% addition) at the end of Q3FY23 with commencement of Unit-5.**
7. **Vinyl sulphone and the H-Acid together constitutes nearly about 70%-75% of the overall capacity**.

8. Capacities are fungible to a certain degree across products.

- DYE STUFF

1. Manufacturing started in FY16 and SPCFL commenced operations for new Reactive Dyes Plant in January 2016 with Zero effluent Discharge at Lote Parshuram, Maharashtra. SPCFL had NDA with Huntsman Corporation for manufacturing of Dyestuff for their textiles division.
1. FY16 capacity – 3,600 MTPA
2. FY17 capacity – 6,000 MTPA (Addition was done in the month of November 2017)
3. FY23 capacity- 6,000 MTPA

- FERTILIZER PRODUCTS (EXCEPT SSP)

1. Soil Conditioner- 12,000 MTPA (added in CY11)
2. Mixed Fertilisers (NPK) – 20,000 MTPA (added in Feb FY16)
3. Sulfate Of Potash (SOP) – 10,000 MTPA (added in Sep FY17)
4. Granular Calcium Chloride – 6500 MTPA (added in February 2017)

- SSP

a) **SPCFL standalone**- 1,00,000 MTPA (added in FY11)

b) KPPL
i. While acquiring- 1,00,000 MTPA (added in FY18)
ii. Added later- 32,000 MTPA

c) MBPPL
i. Existing capacity - 1,65,000 MTPA
ii. Addition in progress – 1,32,000 MTPA (expected at the end of Q3FY23)

- ZERO WASTE MANUFACTURING- SPCFL set up a Calcium Chloride plant - 7,000 MT p.a. to utilize the HCl generated in the manufacture of SO.

- REVAMP, MAINTENANCE SHUTDOWN OF UNIT 1 IN FY20 AND BREAKDOWN IN FY23
1. DI plant (Unit 1) was set up in 2001. By FY19, structures GOT corroded. So, company planned the revamp by shutting down the plant for about 8-9 months.
2. It was projected that this would have led to Rs. 60 Cr revenue loss in FY20. And FY20 topline was affected by Rs. 65 Cr.

3. An incident of a major breakdown of one of the machineries occurred at the plant in Unit 1 - B-102/103, MIDC, Lote Parshuram, Dist. Ratnagiri, Maharashtra on 29th August, 2022. No casualty was reported. The loss of assets was covered under insurance.

LOGISTICS

- SPCFL has own logistics fleet that brings ease of transportation.

ACCREDITATIONS

- **Blue Sign**
- **GOTS**
- **ZDHC**

ENVIRONMENTAL PROTECTION INITIATIVES

- REDUCTION IN ENERGY CONSUMPTION
    1. Company reduced 11% of energy consumption, reduced 15% of coal consumption, water usage reduction of 17% over the last 5 years.
    2. SPCFL has installed a captive power plant based on 'Waste Heat Recovery System.' Under the waste heat recovery system, energy is recovered as a by-product & further re-used in generation of steam & then converted to power.
    3. Company commissioned 4MW_AC/5.2 MW_DC Solar Power Project (Two Projects of 2.00 MW_AC/2.60 MW_DC each).

- REDUCTION IN WASTE AND WASTE RECYCLING
    1. SPCFL is planning to shift to bags which are bio-degradable & decomposable in nature.
    2. Substandard acidic effluents byproduct is used in manufacturing of Animal & Health Nutrition Product which is conforming to the ISI Specification & is approved by NDDB (National Dairy Development Board).
    3. Waste water is used for production of animal health & nutrition products, used as raw material for other products (H-acid) & rest is treated & discharged as per the permissible limits to CETP.
    4. The company produces Gypsum as its solid waste product which is further used in making a fertilizer product called Soil Conditioner by adding magnesium & sold as secondary fertilizers.
    5. The Gaseous waste SO_2 is collected, scrubbed with water & soda ash (Alkaline) which is then turned into Sodium Bi Sulphite Solution and used as raw material for other plants.

SUBSIDIARIES (100%)

- KISAN PHOSPHATES PRIVATE LIMITED (KPPL)

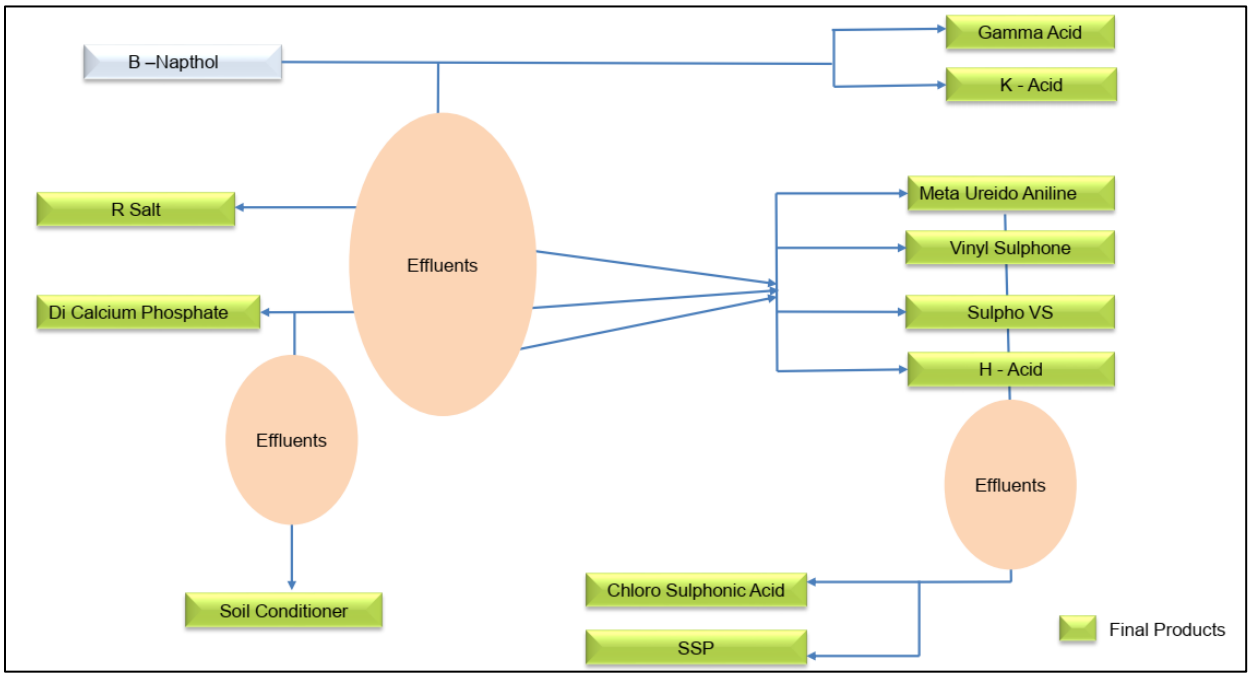
1. SPCFL acquired 100% stake in KPPL in FY18.
2. KPPL is engaged in the manufacturing of Single Super Phosphate (SSP) and Animal health & nutrition in the state of Haryana, India.
3. With the acquisition, SPCFL has a strong foothold in India's most promising agriculture market, Punjab and Haryana further establishing "Shree Pushkar" brand across northern India.
4. SPCFL set up a new Sulphuric Acid Plant and Captive Power Plant in 2019 at the same site, this foray into backward integration was a turnaround moment for KPPL as it propelled the company towards sustainable functioning.
5. Gross utilization for KPPPL was 81.24% of the installed capacity in FY22.

- MADHYA BHARAT PHOSPHATE PRIVATE LIMITED (MBPPL)

1. SPCFL acquired 100% stake in MBPPL in FY20. The acquisition was primarily done to grow and strengthen the "Shree Pushkar" brand in one of India's largest fertilizers market – Madhya Pradesh. MBPPL has two manufacturing units located in Madhya Pradesh, both these units are strategically located not just to serve Madhya Pradesh but all of central India
2. MBPPL is engaged in the manufacturing of Single Super Phosphate (SSP) and Animal health & nutrition.
3. Post takeover of MBPPL in 2020, SPCFL has become one of India's Largest SSP manufacturer.
4. Gross utilization for KPPPL was 66.6% of the installed capacity in FY22.

STRENGTHS

- Backward integration plays a major role in this industry as it makes it easier to sustain through the high volatility which is normally associated with their raw materials. SPCFL is **one of the few integrated manufacturers** of wide range of Dye Intermediates in India.
- **SPCFL is a Zero waste manufacturer** in the Dye Intermediates Industry. Each waste is treated to the best possible level and then used to make other value-added products such as Fertilizers and Animal Health & Nutrition Products.



- SPCFL is a **net debt free company**. It is a net cash company despite of continuous acquisitions and expansions over the years.

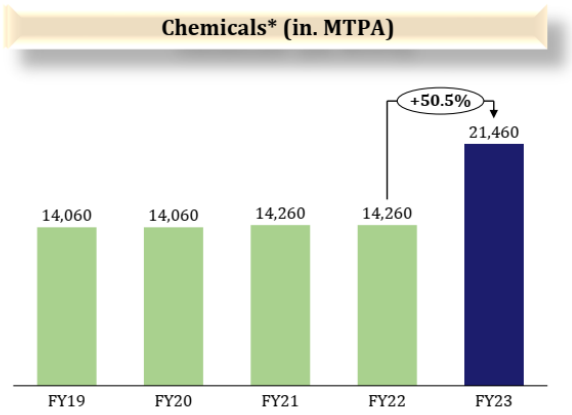
TRIGGERS

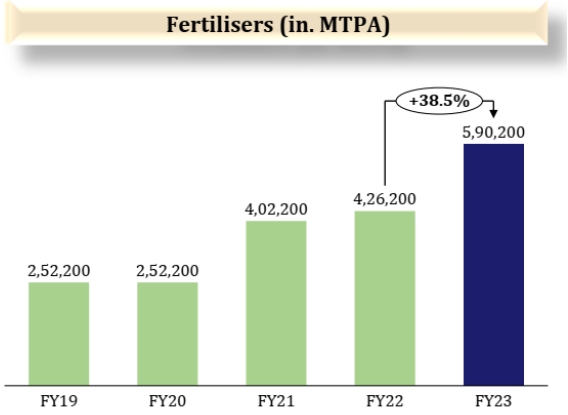
- STRONG REVENUE VISIBILITY

1. **In FY23, SPCFL aims to do Rs. 730+ Cr top line (25% YoY growth) with EBITDAM of 14% and PATM of 8-9% driven by upcoming Unit 5 (DI) and Dewanganj plant (SSP).**
2. FY22 topline was Rs. 584 Cr which witnessed YoY growth of 65%, (PAT saw a growth of 94.6 % YoY) supported by Rs. 125 Cr (78% YoY growth) and Rs. 101 Cr (224% YoY growth) contribution from KPPL and MBPPL respectively. As per management guidance, KPPL and MBPL together were supposed to generate topline of Rs. 125-150 Cr in FY22 and they did clock Rs. 226 Cr in actual.
3. **With Dewanganj plant (35% addition to consolidated SSP capacity)** coming in **by Q3FY23**, the company will achieve near to **3 lakh tons volume for SSP fertilizer** which will contribute around Rs. 400 Cr to FY23 topline. **Chemical** segment (Dyes, DI, acid complex) is expected to generate revenue of **Rs. 350 Cr in FY23 (it was Rs. 262 Cr in FY22) backed by Unit 5 (87% addition in Dye Intermediate capacity) which will start production by the end of Q3FY23.**

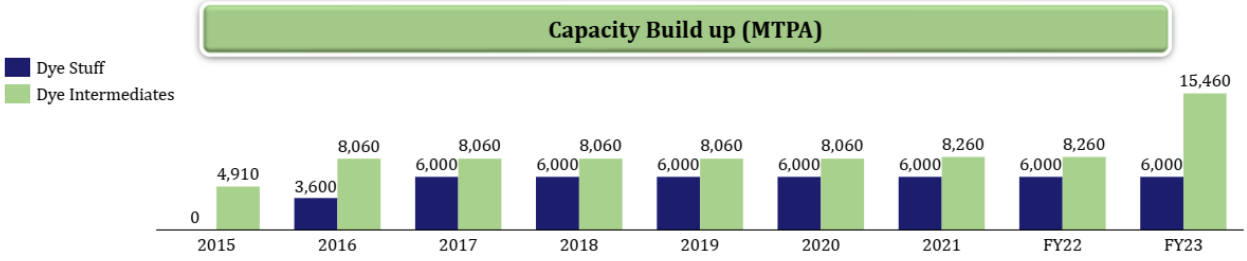
- CAPACITY EXPANSION TO DRIVE NEXT LEG OF GROWTH

1. Total planned capex (which is ongoing from past few years) of **Rs. 165 - 170 Cr** was funded **through internal accruals.**





2. DYE INTERMEDIATES



a) **Unit 1 was revamped in FY20 with Capex of Rs. 5 Cr.**

b) Unit 5

i. Planned capex for **Unit 5 of Rs. 119.5 Cr.** has been completed with **87% increase in DI capacity**. The dry trial run with respect to the acid plant has been commissioned successfully and the **trial production has been started on 27th March 2022.**

ii. One of the plants related to Unit – 5 has already commenced **as SPCFL has got provisional approval from explosive Department** (PESO). The Unit-5 should begin its commercial production **by the end of Q3FY23**. **Unit 5 on a yearly basis is expected to generate Rs. 200 Cr to Rs. 250 Cr revenue**.

3. KPPL

a) SPCFL set up a new Sulphuric Acid Plant and Captive Power Plant in 2019 at the same site, this foray into backward integration was a turnaround moment for KPPL as it propelled the company towards sustainable functioning.

b) SSP CAPEX of Kisan Phosphate of **32,000 tons is completed in Q1FY23** (**KPPL's earlier capacity for SSP was 1 lakh MTPA**).

4. MBPPL

a) **Closure by CPCB has been** revoked for the **Dewanganj plant (1.32 Lakh MTPA capacity for SSP, it can add 35% to SSP consolidated capacity)** of MBPPL in H1FY23. As per the management, the plant should be operational **by Q3FY23** after the resolution of access road issue.

5. SOLAR PROJECT

a) The Company has **successfully commissioned** Solar Power Project of 5.2 MW_DC Solar Power at Village Kombhalne, Tal Akole, Dist. Ahmednagar, Maharashtra with 12 Cr capex. For self-captive consumption, the Company has started getting credit set off of the units consumed at plant.

b) This shall lead to significant reduction in energy cost going ahead and it **will add Rs. 5-6 Cr to EBITDA.**

c) Company reduced energy consumption by 11% from FY17 to FY22.

6. NEW CAPEX TO BE ANNOUNCED

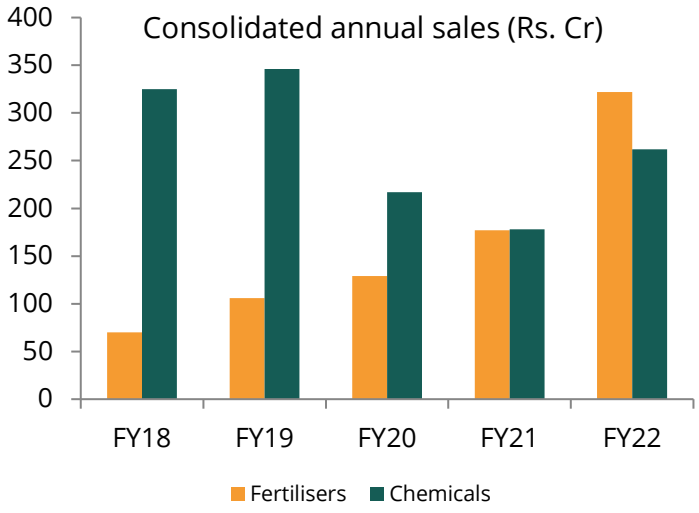
a) Company is the **process of evaluating and announcing new expansions**.
b) Company has **enough land bank (1 lakh sq.mt.) at MIDC Lote Parshuram, Ratnagiri, Maharashtra for next round of expansion.**

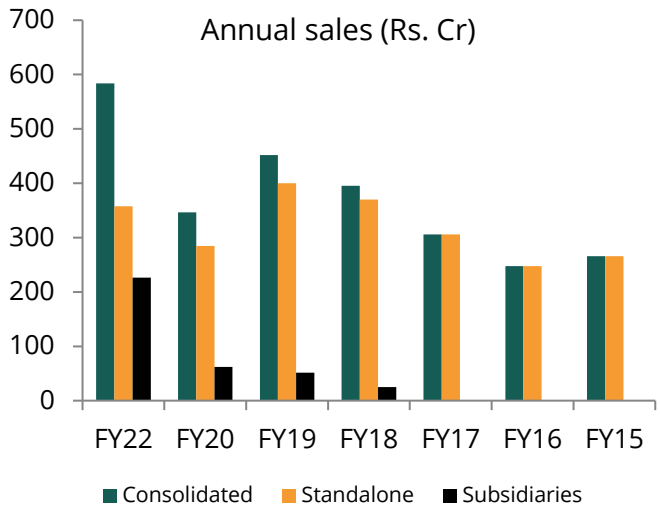
- Going ahead, as the capacity utilization increases, operating leverage will play out and have a positive impact on the overall profitability of the Company.

- INORGANIC EXPANSIONS ALONG WITH SUCCESSFUL TURNAROUND HELPED IN GEOGRAPHICAL AND PRODUCT DIVERSIFICATION

Pan-India presence in key agriculture states

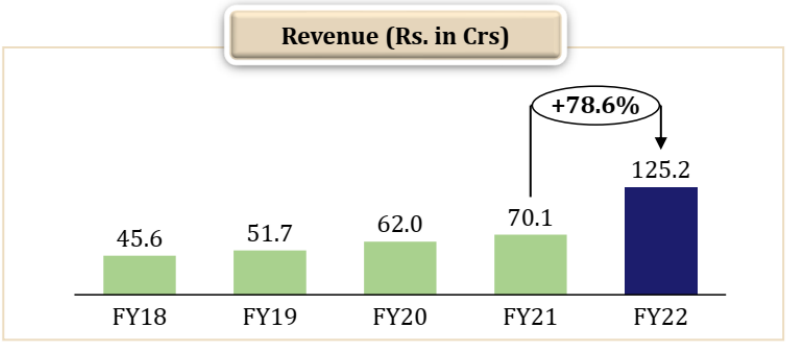
Shree Pushkar Standalone	Backward integration from DI and dyestuff	Maharastra and Karnataka
Kisan Phosphates (100% subsidiary)	Acquired in FY18	UP, Punjab, Haryana & Himachal Pradesh
Madhya Bharat Fertilizer (100% subsidiary)	Acquired in FY20	Madhya Pradesh, Chhattisgarh, Rajasthan & Gujarat





1. KISAN PHOSPHATE PVT LIMITED (KPPL)

a) SPCFL acquired **100% equity of Kisan Phosphate Pvt Limited for Rs. 9+ Crores in H1FY18** (Oct).



b) Kisan is in similar business segment in a separate geographical region. SPCFL had SSP capacity of **1 lakh MTPA** which was started in **2011** and they added **additional 1 lakh MTPA by way of Kisan Phosphates acquisition.** Also, SPCFL had a capacity of **12,000 MTPA in soil conditioner** from 2011 and they acquired additional 6,000 TPA capacity of soil conditioner by way of Kisan Phosphates.

c) For FY17 Kisan had an overall sale of Rs. 35.72 crores with a PAT of about Rs. 19 lakhs. However, during the 2.5 months of operations post acquisition by Shree Pushkar, Kisan has had revenue of Rs. 6.94 crores with a PAT of about Rs. 33 lakhs.

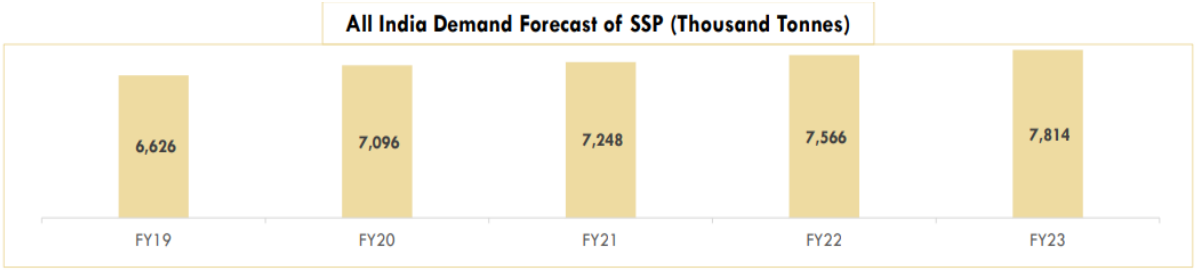
d) This reorganization in the business was primarily a result of **prepayment of high cost term loans of Rs. 8.33 crores and switching over of the bankers resulting in reduced cost of working capital** funds by nearly 420 basis points.

e) The acquisition of this new company **helped Shree Pushkar to expand its reach to the new areas of the northern India like Haryana, Punjab, Rajasthan, Uttar Pradesh** and Himachal Pradesh and with augmented sales network. **Diversification of production plants** happened as KPPL plants are located in Haryana.

f) Also, SPCFL set up a new Sulphuric Acid Plant and Captive Power Plant in 2019 at the same site. This foray into backward integration was a turnaround moment for KPPL as it propelled the company towards sustainable functioning.

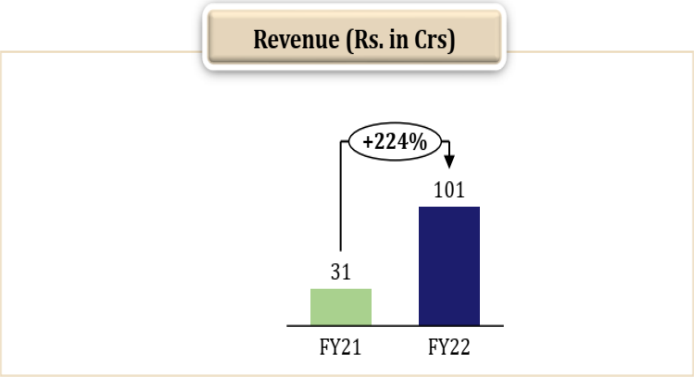
g) RM for the business was ready with SPCFL, so, it was supposed to impact the bottomline.

2. MADHYA BHARAT PHOSPHATES PVT LTD (MBPPL)



Source – GOI - Dept of fertilisers

a) SPCFL acquired **100% stake in Madhya Bharat Phosphates Pvt Ltd (MBPPL)** and started commercial production from in **Q1 FY21**. MBPPL is engaged in the manufacturing of **Single Super Phosphate (1.5 Lakh MTPA capacity).**
b) There are 2 plants that exist for Madhya Bharat Phosphates Limited, one is at Jhabua (started in Q1FY21) and another is at Deewanganj (to start by Q3FY23).



c) The acquisition was primarily done to grow and strengthen the "Shree Pushkar" brand in one of India's largest fertilisers market – Madhya Pradesh. **Post takeover of MBPPL in 2020, SPCFL has become one of India's Largest SSP Manufacturer (3.5 Lakh MTA capacity)**.
d) SPCFL revamped & started operations of MBPPL despite Covid-19 pandemic and clocked in revenue of Rs. 31 Cr for FY21. Anticipating high growth from this subsidiary going forward.

- PUSH FROM GOVT. END FOR SSP FERTILIZER

1. Phosphate consumption is mainly driven by ammonium phosphate grades **(DAP/MAP),** followed by NPK and then finally Single Super Phosphate (SSP) and Triple Super Phosphate (TSP) which have a share of about 15%.
2. Because of the simple production technique, SSP is one of the cheapest chemical fertilisers available. Government of India has implemented the Nutrient Based Subsidy (NBS), this subsidy is given to companies based upon the nutrient content in each grade of the fertilisers they sell to farmers.
3. The Government is also encouraging **SSP production as it is indigenous** and is also considered as a substitute to diammonium phosphate (DAP), which is largely import based and costlier. Against one ton of DAP, government is proposing to use 3 tons of SSP (**DAP contains 46% phosphorus while SSP contains only 16%)**.
4. The Ministry of Fertilizers has created a separate cell in the Department of Fertilizer for SSP Fertilizers with a view to encourage the industry and address issues and constraints in the SSP Industry. The Ministry is desirous of doubling the production and supply of SSP from 52 lac MT to 100 lac MT in 2022-23. The creation of the cell has helped increase the supply of SSP in the year 2020-21 to 52.72 lacs MT from 46.25 lacs MT. Further, the increased focus towards quality compliance in the SSP industry is gaining momentum and has started to yield

good results. With the improvement in the overall quality of the industry the organized sector and the industry as a whole is expected to do well.

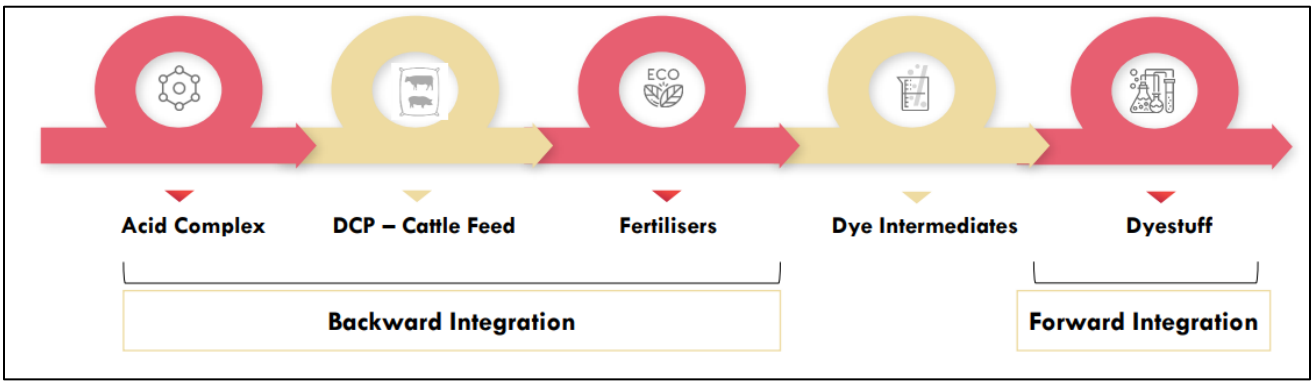
5. Cabinet has approved a subsidy of 60,930 Cr for NBS Kharif this year which includes support for indigenous fertilizers (SSP) in the form of freight subsidy and additional support for indigenous manufacturing.
6. In addition, company has increased the MRP and sales price for its SSP product as the subsidy remains constant.
7. **Raw material availability issue for MOP, DAP** and urea has been boosting sales of SSP.
8. Total production of SSP is about 50 lakh MTPA in India, out of which Shree Pushkar has about 5% market share (one of the top 5 SSP manufacturers in India). Shree Pushkar is expected to produce around **3 lakh MTPA of SSP in FY23 (they produced SSP volume of 2,22,000 MTPA in FY22 with 45% capacity utilization of the existing capacity of 3,50,000 MTPA) with utilization levels of 60% (installed capacity for SSP will soon be > 5 lakh MTPA) & with realization of around Rs. 16/ kg. SSP can contribute Rs 400 Cr for SPCFL's FY23 sales.**

- INORGANIC GROWTH ON THE CARDS

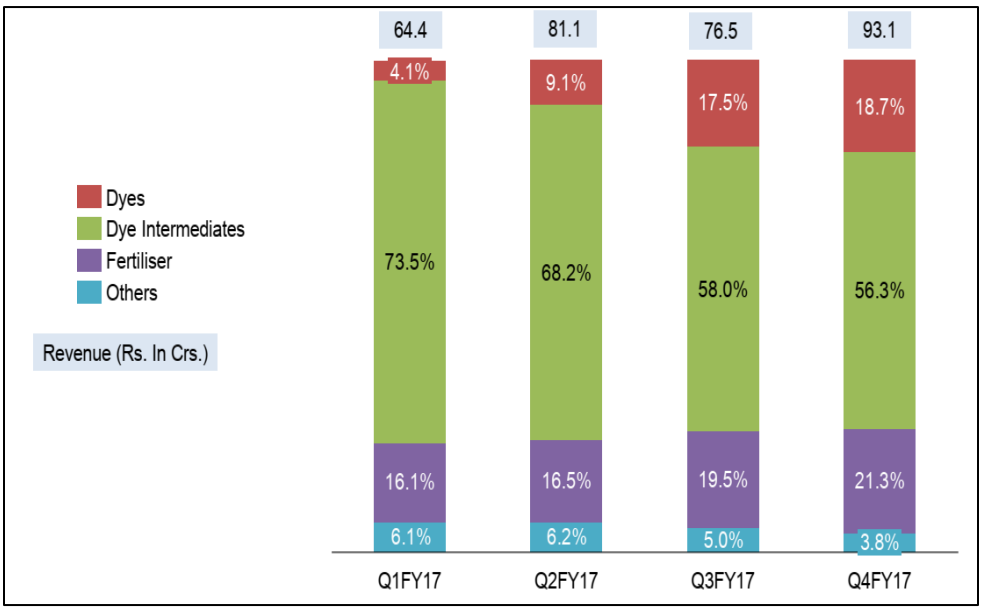
1. Company has commenced the **process of inorganic acquisitions** and it will evaluate its options (**Due Diligence is going on**).

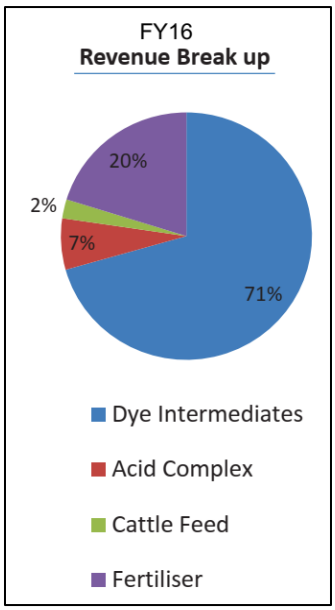
2. FY24 onwards, the cash flow would be Rs. 70-80 Cr every year. So, SPCFL can easily fund the inorganic expansion with their own cash.

- FORWARD INTEGRATION IN HIGH MARGIN DYESTUFF SEGMENT AND OWN BRANDING IN THE PAST



1. Company was producing only dye intermediates (almost 70% contribution in FY16) till FY16.





2. They **did forward integration with Dyestuffs** in FY17. Backward integration across intermediates offers stability in terms of input procurement with a natural hedge for the price fluctuations.
3. In 2016, SPCFL had **marketing arrangement with DCM Shriram** Limited, Delhi, for **Single Super Phosphate (SSP)** within the state of **Maharashtra and Karnataka.** DCM distributed SPCFL product along with its own products in the regions of Maharashtra and Karnataka. SPCFL product was sold under the brand name —**SHRIRAM SUPER**.
4. NPK was sold under the marketing tie up with DCM Shriram under the brand name 'Shriram Urja Mix'.
5. In addition, they had also entered into **marketing arrangement with Shivam Chemicals** Private Limited, Mumbai, (SCPL) for marketing of **Di Calcium Phosphate (DCP)** in the state of **Karnataka**. In Q2FY19, they launched their own brand DYECOL for Dyes.

RISKS

- A **major breakdown of one of the machineries at plant in Unit 1** on 29th August 2022 **can probably lead to loss of production** in Q2-Q3FY23 (September and October) although the loss of assets is covered under insurance. As per the management, it is anticipated that the plant is likely to resume production latest by mid of November, 2022.
- Although necessary inspection compliances & formalities are completed for **Unit- 5**, SPCFL is yet to receive final approval from the explosive department. Also, delay in the ramp up of new capacities, inflationary pressures due to Russia- Ukraine war can affect the projected revenues for the rest of FY23.
- Company may fall short of achieving the topline numbers as per their guidance for FY23, if realizations for SSP falls with the fall in RM.
- NBS support from time to time may not match with actual input costs hence may affect profitable operations. There may be **reduction and or delay in dispensing fertilizer subsidy.**
- Almost **25% revenue is coming from dye intermediates** and that **sector is reeling under pressure** as textile industry is facing headwinds due to volatility in cotton prices. Company has slowed down the production activities in relation to the H-Acid plant and it is not interested in selling H-Acid to the open market. The company is using that H-Acid in their dyes production.
- **RM prices for SSP have gone up** and if they don't cool off till August then it can affect the margins of SPCFL. Raw materials are the major imports for all the fertilizers, 80% of Rock Phosphate is imported. It has huge dependance on the international market.
- **Fertiliser industry** is **heavily regulated by GOI** in terms of **pricing, subsidy, licenses, duties on imports** and exports. Also, the sector is heavily dependent on **weather conditions particularly uncertainty of monsoon.**
- **Plant concentration**
    1. All **chemicals manufacturing facilities are based in Lote Parshuram**, Maharashtra. As a result, if there is any localized social unrest, natural disaster or breakdown of services and utilities in that area, it may affect business adversely.
    2. Due to the severe **cyclone storm Tauktae** hitting the shore of Maharashtra and Gujarat on 18th May 2021, SPCFL witnessed some disruptions at their Ratnagiri plant in Maharashtra, there were some damages to the factory sheds and temporary halt in the production at the plant.
- There is a huge **working capital** requirement for the company.
- **Seasonal consumption of fertilizer** mainly in two months each in Kharif and Rabi.
- **Lack of awareness of benefits of SSP** consumption amongst farmer fraternity.
- Company **does not have a long-term contract with dye intermediate end users**.
- There is a **quarterly lag between rise in RM for Dye intermediates and subsequent rise in the price of dyes** intermediates. It takes around two to three months to transfer the price increase from Intermediates to the Dyestuff. In Dyestuff, it is **not easy to get the price impact immediately.**
- Any kind of **slowdown/ recession in the economy** or end user industry (textile industry contributes to over 70% of total dyestuff demand) can affect the company.

REVENUE GUIDANCE GIVEN BY THE MANAGEMENT AND ACTUAL RESULTS POSTED

- FY17
    1. Guidance –Rs. 311 Cr
    2. Actual - Rs. 306 Cr (-1%)
- FY18
    1. Guidance- Rs. 400 -410 Cr
    2. Actual- Rs. 395 Cr (-1%)
- FY19
    1. Guidance- Rs. 474 Cr
    2. Actual- Rs. 452 Cr (-5%)
- FY20
    1. Guidance 1- Rs. 425 Cr (given in Q1FY20)
    2. Guidance 2- Rs. 370 Cr (given in Q2FY20)
    3. Actual – Rs. 346 Cr (-19%, -6%, Unit 1 shutdown- Rs. 65 Cr impact, weak DI, dyestuff prices and demand slowdown- Rs. 15 Cr impact)
- FY21 (COVID period)
    1. Guidance 1- Rs. 650-750 Cr (given in Q4FY19)
    2. Guidance 2- Rs. 525-550 Cr (given in Q2FY20)
    3. Guidance 3- Rs. 367 Cr (given in Q2FY21)
    4. Actual- Rs. 355 Cr (-45%, -33%, -3% due to COVID 19)
- FY22 (COVID period)
    1. Guidance 1- Rs. 650+ Cr (given in Q2FY21)
    2. Guidance 2- Rs. 600 Cr (given in Q3FY21)
    3. Guidance 3- Rs. 500-550 Cr (given in Q4FY21)
    4. Actual- Rs. 584 Cr (-10%, -3%, +6%)
- FY23
    1. Guidance 1- Rs. 650 Cr (given in Q4FY21)
    2. Guidance 2- Rs. 800-900 Cr (given in Q4FY22)
- FY24
    1. Guidance- Rs. 1500 Cr (given in Q2FY21)

SHAREHOLDING PATTERN

- **Promoter holding**
    1. **68.42%**
    2. It has consistently gone up from 65.09% in September 2019 to 68.22% in June 2022 and **0% shares are pledged.**
- FII- 1.40%
- DII-1.14%
- Public- 29.05%

EQUITY HISTORY

- OBJECTS OF THE IPO (FY15)
    1. Acquisition of an existing factory within MIDC Industrial Area Lote-Parshuram bearing no. B-97
    2. **Setting up of facilities** at B-97 for manufacture of: (Rs. 41.6 Cr which **67% of total IPO proceeds**)
        a) **Reactive Dyes** with a capacity of **3,000** TPA
        b) **H-Acid** with a capacity of **750** TPA
        c) **Vinyl Sulphone (VS) Ester** with a capacity of **1,000** TPA
    3. Setting up of additional effluent treatment plant at the existing facility (Unit I) to make the unit a Zero Discharge unit.

- ISSUE OF WARRANTS IN FY22
    1. The members of the Company at its Extra Ordinary General Meeting held on 5th July, 2021 approved allotment of 7,89,473 warrants convertible into equal number of Equity shares at Rs.190.00/- per warrants to Mr. Punit Makharia, Chairman and Managing Director and the Promoter of the Company (allottee).
    2. An amount of Rs.3,74,99,967.50/- (Rupees Three crores Seventy four lakhs Ninety Nine Thousand Nine Hundred and Sixty Seven and Fifty paise only) i.e. 25% of the total consideration was raised on 28/08/2021 at the time of Allotment of Convertible Warrants.
    3. Further, an amount of Rs.11,24,99,902.50/- (Rupees Eleven crores Twenty Four Lakhs Ninety Nine Thousand Nine Hundred and Two Rupees and Fifty paise only) 75% of the total consideration on 06/06/2022 at the time of allotment of equity shares upon conversion of warrants.

- LOCKED-IN SHARES

    Total 9,01,570 Shares are locked in. Of which, 7,89,473 shares of Mr. Punit Makharia are locked in till 30/08/2025, allotted under preferential issue. 39,437 shares of Mr. Raghav Makharia and 72,660 equity shares of Ms. Agrima Makharia are locked in till 30/06/2023, allotted under preferential issue.

PEERS

- DYESTUFF INDUSTRY

Peers in Dyes space	Capacities in MTPA	
	Dyes	Dye Intermediates
Shree Pushkar Chemicals & Fertilizers Ltd	6,000	8,260 (will expand to 15,460 MTPA by end of Q3FY23)
Coulourtex Industries Ltd	2,24,500	-
Kiri Industries Ltd	86,000	53,200
Bhageria Industries	N/A	N/A
Bodal Chemicals	35,000	39,000
Aksharchem Ltd	-	23,400

Source- KamayaKya research

1. **Colourtex Industries Ltd**- The company was founded in 1967 by the current Chairman & MD Jayantibhai Jariwala and began dyestuff manufacturing in 1976 at Pandesara, an industrial suburb of Surat, Gujarat. They have a product mix of over 1000 dye products in the form of textile dyes for all kinds of fabric, non-textile dyes for metal, plastic & leather and digital printing inks. They also have a specialty chemicals division. Combined annual manufacturing capacity is 224,500 tons for dyestuff and 30,000 tons for specialty chemicals.

2. **Bodal Chemicals**- Established in 1989, the company is fully integrated and it manufactures dyes, dye stuff intermediates and specialty chemicals with focus on chloro-alkali products. In domestic market their Dyestuff and Dye Intermediate market shares are around 13% and 20%, respectively. Globally, their Dyestuff and Dye Intermediate market share are around 3% and 6%, respectively. Manufacturing capacity for dyestuff is 35,000 MTPA and dye intermediates is 39,000 MTPA.

3. **Kiri Industries Ltd**- Established in 1998, Kiri Industries is based out of Gujarat and is one of the largest manufacturers of dyes and dye intermediates in the country. KIL has a manufacturing capacity of 18,000 TPA for dyes, and has the infrastructure to simultaneously take batches in more than 30 vessels with batch sizes going up to 250 KL.

4. **Bhageria Industries Ltd** – Incorporated in 1989, Bhageria Industries Limited (BIL) is engaged in manufacturing of dyes & dyes-intermediaries and Solar power generation & Distribution. Under the chemical division, it has capacity to manufacture Vinyl Sulphone, H-acid and Gamma acid key dye intermediate at its plant located at Vapi and Tarapur.

- FERTILISER INDUSTRY

Peers in fertilizer space	Capacities in MTPA		
	SSP	NPK & DAP	Sulphuric acid
Khaitan Chemicals & Fertilizers Ltd.	11,30,500	0	2,70,600
Coromandel International	9,00,000	35,00,000	0
Rama Phosphates	6,98,000	0	2,09,000
Madhya Bharat Agro Products Ltd	6,00,000	1,20,000	99,000
Shree Pushkar Chemicals & Fertilisers	5,32,000	0	
Krishana Phoschem Ltd.	1,20,000	2,64,000	99,000
Shiva Global Agro Inds. Ltd.	1,20,000	72,000	0

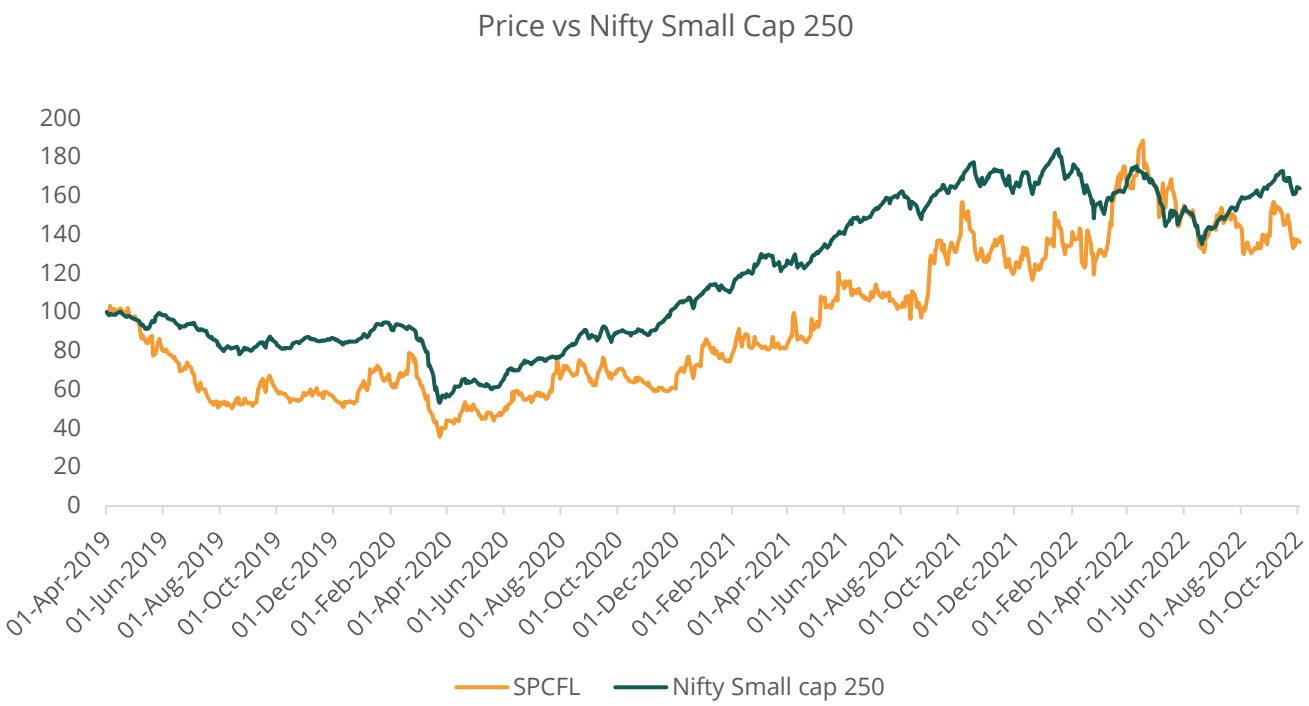
Source- KamayaKya research, Company

1. **Coromandel International**- It has around 16% consumption based market share for SSP and it has 7 SSP plants pan India. The company produced 7.3 lakh tons of SSP in FY22. Given the high demand for SSP, the company enhanced SSP facilities, restarted the Hospet plant in Karnataka and also the plant in Pali in Western Maharashtra in FY22 & FY23. They have also taken up production of Kothari plant and 10,000 MT was produced during Q1FY23.

2. **Khaitan Chemicals & Fertilizers Ltd** – In FY22, the company produced 5,34,645 MT (4,53,218 MT in FY21) of Single Super Phosphate (SSP) Fertilizer and sold 5,33,654 MT of SSP (4,66,237 MT in FY21). The Company has one of India's largest Single Super Phosphate (SSP) production capacity of 11,13,500 MT in the states of Madhya Pradesh, Rajasthan, Uttar Pradesh, Chhattisgarh & Gujarat.

3. **Ostwal Group of Industries** - Madhya Bharat Agro product Limited and Krishana Phoschem Limited have strong RM supply chain network through a long-term purchase agreement with Jordan phosphate Mines Company (JPMC), Jordan. Total 5-million-ton raw material supply has been committed by JPMC (A government undertaking) which is further divided into 5,00,000 MT supply every year. Despite shortage of Rock phosphate in domestic market this will ensure uninterrupted production for the group.

PRICE HISTORY AND PERFORMANCE



FINANCIALS

- PROFIT AND LOSS STATEMENT

(All figures are in crores unless mentioned otherwise)

Income Statement	FY18	FY19	FY20	FY21	FY22	Growth
Revenue	**395.27**	**451.92**	**346.33**	**354.93**	**584**	**10.3%**
COGS	288.02	322.62	234.79	233.52	391.3	**8.0%**
Gross Profit	**107.25**	**129.30**	**111.54**	**121.41**	**192.70**	**15.8%**
GPM	*27.1%*	*28.6%*	*32.2%*	*34.2%*	*33.0%*	
Other Manufacturing Expenses	12.97	11.32	11.21	14	31.1	
Operating Expenses	33.22	51.16	51.01	64.2	81.93	**25.3%**
EBITDA	**61.06**	**66.82**	**49.32**	**43.21**	**79.67**	**6.9%**
EBITDAM	*15.4%*	*14.8%*	*14.2%*	*12.2%*	*13.6%*	
DA	7.8	9.96	11.45	12.65	14.13	
EBIT	**53.26**	**56.86**	**37.87**	**30.56**	**65.54**	**5.3%**
EBITM	*13.5%*	*12.6%*	*10.9%*	*8.6%*	*11.2%*	
Other Income	1.8	2.68	4.25	6.72	7.18	
Interest	2.86	3.71	2.13	1.45	1.96	
EBT	**52.20**	**55.83**	**39.99**	**35.83**	**70.76**	**7.9%**
EBTM	*13.2%*	*12.4%*	*11.5%*	*10.1%*	*12.1%*	
Taxes	15.67	14.99	4.28	7.32	15.21	
	30.0%	*26.9%*	*10.7%*	*20.4%*	*21.5%*	
PAT	**36.53**	**40.84**	**35.71**	**28.51**	**55.55**	**11.0%**
NPM	*9.2%*	*9.0%*	*10.3%*	*8.0%*	*9.5%*	

- BALANCE SHEET

(All figures are in crores unless mentioned otherwise)

Balance Sheet	FY18	FY19	FY20	FY21	FY22
EQUITY					
Share Capital	30.22	30.72	30.84	30.84	30.84
Share Warrants & Outstanding	13.02	8.79	0.00	0.00	0.00
Total Reserves	193.86	244.90	275.35	308.14	364.69
Shareholder's Funds	**237.11**	**284.42**	**306.19**	**338.97**	**395.53**
LIABILITIES					
Non Current Liabilities					
Secured Loans	2.72	7.36	3.85	8.41	7.67
Deferred Tax Assets / Liabilities	13.71	19.65	17.69	19.82	23.92
Other Long Term Liabilities	0.14	0.46	0.91	2.67	5.27
Long Term Provisions	0.43	0.53	0.66	0.77	0.91
Total Non Current Liabilities	**17.00**	**27.99**	**23.11**	**31.66**	**37.77**
Current Liabilities					
Trade Payables	50.47	44.89	53.26	49.65	85.31
Other Current Liabilities	3.17	5.79	8.32	18.06	24.67
Short Term Borrowings	61.92	39.31	45.11	45.38	80.60
Short Term Provisions	21.30	23.64	7.60	5.69	0.21
Total Current Liabilities	**136.86**	**113.63**	**114.29**	**118.78**	**190.79**
Total Liabilities	**153.86**	**141.62**	**137.40**	**150.44**	**228.56**
Total Equity & Liabilities	**390.97**	**426.04**	**443.59**	**489.41**	**624.09**
ASSETS					
Non Current Assets					
Net Block	166.27	172.22	163.53	174.57	189.84
Capital Work in Progress	3.42	10.47	51.93	81.13	109.84
Intangible assets under development	0.01	0.01	0.01	0.01	0.01
Non Current Investments	0.48	0.05	59.11	65.36	5.98
Long Term Loans & Advances	9.85	13.17	7.72	7.82	11.19
Other Non Current Assets	0.00	0.00	0.00	0.00	9.85
Total Non Current Assets	**180.03**	**195.92**	**282.30**	**328.89**	**326.71**
Current Assets					
Inventories	82.29	62.30	62.07	55.34	91.66
Sundry Debtors	85.96	98.30	76.70	76.92	94.62
Cash and Bank	19.35	39.81	1.14	2.98	13.04
Current Investments	0.00	0.00	0.00	0.00	70.96
Other Current Assets	1.30	1.53	2.47	3.51	3.17
Short Term Loans and Advances	22.04	28.17	18.90	21.77	23.93
Total Current Assets	**210.94**	**230.11**	**161.29**	**160.52**	**297.38**
Total Assets	**390.97**	**426.04**	**443.59**	**489.41**	**624.09**

- CASH FLOW STATEMENT

(All figures are in crores unless mentioned otherwise)

Cash Flow Statement	FY18	FY19	FY20	FY21	FY22
Cash Flow from Operating Activities					
Net profit before tax	52.21	55.83	39.99	35.85	70.75
Adjustments for:					
Depreciation and amortisation	7.79	9.96	11.45	12.65	14.13
Finance costs	2.85	3.71	2.12	1.45	1.96
Other Income	0.00	0.02	0.00	-2.81	-0.33
Interest Income	-1.80	-2.41	-2.03	-3.18	-5.31
Dividend Income	0.00	0.00	0.00	0.00	0.00
Allowances for Credit Losses	0.00	-0.23	-0.92	0.01	-0.17
(Profit)/loss on sale of Property, Plant & Equipment	0.00	-0.03	0.06	0.01	0.06
(Profit)/loss on sale of investment	0.00	0.00	0.00	-0.44	-1.06
Operating profit/(loss) before working capital changes	**61.05**	**66.85**	**50.67**	**43.54**	**80.03**
Movement in working capital					
Decrease/(Increase) in Inventories	-50.46	-19.98	0.23	6.74	-36.33
Decrease/(Increase) in Trade Receivables	-24.95	-12.10	22.52	-0.23	-17.52
Increase/(Decrease) in Trade Payables	27.98	-5.58	9.61	-3.62	35.67
Increase/(Decrease) in Other Non-Current Liabilities	0.00	0.32	0.21	1.30	1.29
Increase/(Decrease) in Other Current Liabilities	-5.90	2.58	-1.24	9.25	3.45
Increase/(Decrease) in Other Current Financial Liabilities	-1.09	0.03	2.02	0.99	-0.53
Decrease/(Increase) in Other Current Financial Assets	-1.08	-0.31	-0.80	-1.07	-0.10
Decrease/(Increase) in Other Current Assets	-3.37	0.61	-2.27	-5.63	-4.77
Decrease/(Increase) in Other Non-Current Assets	4.09	-0.98	2.67	1.63	-8.59
Increase/(Decrease) in Long Term Provisions	0.10	0.11	0.03	0.11	0.15
Increase/(Decrease) in Short Term Provisions	-0.74	0.02	0.07	0.01	0.08
Decrease/(Increase) in Other Non-Current Financial Assets	-0.38	-2.54	2.77	-1.72	0.22
Decrease/(Increase) in financial assets - Loans	0.00	-0.03	-0.13	0.14	-0.08

Adjustment on account of acquisition of subsidiary	0.00	0.00	0.00	-5.52	0.00
Cash Generated from Operations	**5.25**	**68.96**	**86.36**	**45.93**	**52.98**
Income taxes paid (net of refunds)	9.99	13.16	10.78	4.73	10.74
Net cash flow generated from / (used in) operating activities (A)	**-4.74**	**55.80**	**75.58**	**41.20**	**42.24**
Cash Flow from Investing Activities					
Consolidation effect	-4.86	0.00	0.00	0.00	0.00
Purchase or Construction of Property, Plant & Equipment (including capital work-in-progress)	-49.48	-22.96	-42.89	-32.82	-58.38
Purchase of Intangible asset under development	0.00	0.00	0.00	0.00	-0.01
(Investment in)/ Realisation of Fixed Deposits and Margin Money	3.13	20.34	39.06	-0.12	-0.04
(Investments in)/ Realisation of Equity, mutual funds and bonds	-0.52	0.00	-59.05	-3.00	-10.18
Proceeds from sale of Property, Plant & Equipment	0.00	0.04	0.00	0.00	0.00
Proceeds from sale of Investments	0.08	0.40	0.00	0.00	0.00
Dividend Income received	0.00	0.00	0.00	0.00	0.00
Interest Income Received	1.80	2.41	2.03	3.18	5.32
Capital reserve	0.00	0.00	0.00	0.00	0.33
Net Cash from/ (used in) Investing Activities (B)	**49.85**	**-40.45**	**-60.85**	**-32.75**	**-62.95**
Cash Flow from Financing Activities					
Share application money received/refunded against preferential issue of share warrants	13.02	6.45	-6.45	0.00	3.75
Proceeds from/ (Repayment of) Financial Borrowings (net)	49.88	-17.97	2.28	-5.21	34.48
Dividend paid to companies' shareholders	-5.45	0.00	-7.41	0.00	-3.08
Payment of Lease Liabilities	0.00	0.00	-0.63	-0.05	-2.03
Finance costs	-2.85	-3.71	-2.12	-1.45	-1.96
Net Cash flow (used in) from Financing Activities (C)	**54.60**	**-15.23**	**-14.33**	**-6.71**	**31.15**
Net cash Increase/(decrease) in cash and cash equivalents (A+B+C)	**0.01**	**0.12**	**0.40**	**1.73**	**10.44**
Cash and cash equivalents at the beginning of the year	0.41	0.40	0.50	0.89	2.62
Cash and cash equivalents at the end of the year	0.42	0.52	0.90	2.62	13.06

- RATIO ANALYSIS

Margins	FY18	FY19	FY20	FY21	FY22
GPM	*27.1%*	*28.6%*	*32.2%*	*34.2%*	*33.0%*
EBITDAM	*15.4%*	*14.8%*	*14.2%*	*12.2%*	*13.6%*
EBITM	*13.5%*	*12.6%*	*10.9%*	*8.6%*	*11.2%*
NPM	*9.2%*	*9.0%*	*10.3%*	*8.0%*	*9.5%*

Return Ratios	FY18	FY19	FY20	FY21	FY22
DUPONT ROE					
NPM	*9.2%*	*9.0%*	*10.3%*	*8.0%*	*9.5%*
Total asset turnover	1.21	1.11	0.80	0.76	1.05
Leverage factor	1.51	1.57	1.47	1.45	1.52
ROE	**17.0%**	**15.7%**	**12.1%**	**8.8%**	**15.1%**
ROCE	**23.2%**	**20.1%**	**11.8%**	**8.7%**	**16.3%**
ROIC	**15.7%**	**14.6%**	**12.5%**	**9.2%**	**18.4%**

Debt Ratios	FY18	FY19	FY20	FY21	FY22
Debt/Equity	0.27	0.16	0.16	0.16	0.22
Interest Coverage	18.62	15.33	17.78	21.08	33.44

Efficiency Ratios	FY18	FY19	FY20	FY21	FY22
Receivable days	68	74	92	79	54
Inventory Days	72	82	97	92	69
Payable days	39	58	76	83	58
Cash Conversion Days	101	99	113	88	65
Purchases	338	303	235	227	428

Cash flow Conversion Ratios	FY18	FY19	FY20	FY21	FY22
CFO/PAT	-13%	137%	212%	144%	76%
CFO/EBITDA	-7.8%	83.5%	153.2%	95.3%	53.0%
FCF yield	-13.7%	7.3%	9.4%	2.4%	-2.8%

Asset Turnover Ratios	FY18	FY19	FY20	FY21	FY22
Total Asset Turnover	1.21	1.11	0.80	0.76	1.05
Net Fixed Asset Turnover	2.73	2.67	2.06	2.10	3.21

FINANCIAL FRAUD CHECKLIST

(All figures are in crores unless mentioned otherwise)

Financial Fraud Checklist	FY18	FY19	FY20	FY21	FY22	CAGR	Remark
Sales	395.27	451.92	346.33	354.93	584.00	**10.25%**	
Accounts Receivables	85.96	98.30	76.70	76.92	94.62	**2.43%**	Grown slower than sales - positive
Accounts Receivable as % of Sales	**21.75%**	**21.75%**	**22.15%**	**21.67%**	**16.20%**		AR as % of sales has reduced - positive
Inventory	82.29	62.30	62.07	55.34	91.66	**2.73%**	Grown slower than sales - positive
Contingent Liabilities	6.54	12.40	9.30	3.76	3.12		
Equity	237.11	284.42	306.19	338.97	395.53		
	2.76%	**4.36%**	**3.04%**	**1.11%**	**0.79%**		Contingent Liabilities as % of equity has reduced constantly after FY19 - positive
Renumeration	0.84	1.88	2.96	0.34	0.84		
NP	36.53	40.84	35.71	28.51	55.55		
	2.30%	**4.60%**	**8.29%**	**1.19%**	**1.51%**		Renumeration as % of Net profit has reduced since FY19 - positive
Auditor fees	0.04	0.04	0.07	0.08	0.08	**18.36%**	
Auditor fees as % Sales	0.0101%	0.0089%	0.0193%	0.0221%	0.0134%		Negligible
Expenses	342.01	395.06	308.46	324.37	518.46		
Auditor fees as % Expenses	0.0117%	0.0101%	0.0217%	0.0242%	0.0151%		Negligible
Reported PAT	36.53	40.84	35.71	28.51	55.55		
Normalised PAT	35.27	38.88	31.92	23.17	49.91		Tax used to calculate Normalised PAT was Effective Tax Rate
Divergence	**-3.45%**	**-4.80%**	**-10.63%**	**-18.75%**	**-10.15%**		

Reported PATM	9.24%	9.04%	10.31%	8.03%	9.51%
Normalised PATM	8.92%	8.60%	9.22%	6.53%	8.55%

- QUALITATIVE CHECKLIST

Parameters		Remark	Positive/Negative
Auditors' opinion (FY22)	Unmodified		Positive
Auditor change in last 5 years	Once		Positive
Promoter pledged %	Nil	No history of promoter pledging from listing	Positive
Earnings conference call	Yes	Since listing, shows investment friendliness	Positive
Investment presentation	Yes	Since listing, shows investment friendliness	Positive
Related party transaction	Yes		
Rent to KMP	Yes	Rent has increased from 0.78 Cr to 1.68 Cr	Negative
Interest free loan given by promoter	Yes (11.5 crores; FY22)		Positive

- RELATED PARTY TRANSACTION

(All figures are in crores unless mentioned otherwise)

Related Party Transaction - For the Year	FY18	FY19	FY20	FY21	FY22
Renumeration to Directors	0.84	1.88	2.96	0.34	0.84
Renumeration to KMP	0.19	0.2	0.42	0.31	0.43
Renumeration to relatives of KMP	0.15	0.2	0.35	0.27	0.42
Rent to KMP Family	0.6	0.6	0.72	0.78	1.68
Director's commission		3.75			
Total	**14.84**	**24.28**	**20.26**	**2.53**	**56.39**

Related Party Transaction - Closing Balance	FY18	FY19	FY20	FY21	FY22
Loan taken			3.65	1.9	11.5
Corporate guarantees	32.36	38.8	36.3	84.73	119.91

Litigations in the past

1. Maharashtra Pollution Control Board (**MPCB**) had filed a criminal complaint no. 31/2003 dated **May 6, 2003** against the Company wherein directors Gautam Makharia and Punit Makharia had been named. MPCB had also alleged that **effluent treatment plant was not working** regularly and the treated effluent were not within the permissible standards. Directors had deposited the bail amount with the civil court Khed, in respect of cancellation of warrant vide receipt dated August 10, 2007. Further, company resolved the issue by complying with MPCB norms by adoption of necessary equipments and processes.
2. Punit Makharia filed a private **complaint against US-based chemical company, Huntsman International India**. SPCFL had been supplying chemicals to Huntsman since 2009. In 2016, Huntsman brought an injunction ex parte order from the Delhi high court alleging that SPCFL had violated the confidential disclosure agreement. Huntsman officials offered to settle the issue for Rs 15 Cr. and when he refused, they threatened him. SPFCL then filed a cheating complaint against the firm.

VALUATIONS

(All figures are in crores unless mentioned otherwise)

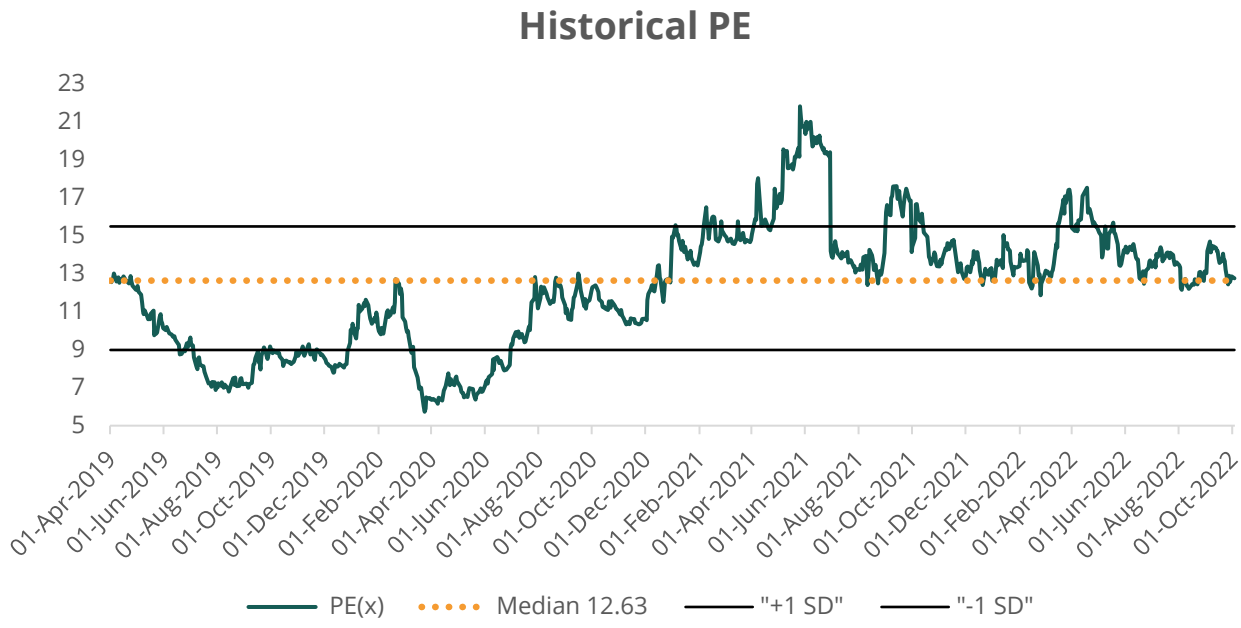
Income Statement	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue	**395.27**	**451.92**	**346.33**	**354.93**	**584**	**730**	**949**
		14.3%	*-23.4%*	*2.5%*	*64.5%*	*25.0%*	*30.0%*
COGS	288.02	322.62	234.79	233.52	391.3	496.36	637.21
Gross Profit	**107.25**	**129.30**	**111.54**	**121.41**	**192.70**	**233.64**	**311.79**
GPM	*27.1%*	*28.6%*	*32.2%*	*34.2%*	*33.0%*	*32.0%*	*32.9%*
Operating Manufacturing Expenses	12.97	11.32	11.21	14	31.1	28.92	39.36
Operating Expenses	33.22	51.16	51.01	64.2	81.93	102.52	139.56
EBITDA	**61.06**	**66.82**	**49.32**	**43.21**	**79.67**	**102.20**	**132.86**
EBITDAM	*15.4%*	*14.8%*	*14.2%*	*12.2%*	*13.6%*	*14.0%*	*14.0%*
DA	7.8	9.96	11.45	12.65	14.13	22	22
EBIT	**53.26**	**56.86**	**37.87**	**30.56**	**65.54**	**80.20**	**110.86**
EBITM	*13.5%*	*12.6%*	*10.9%*	*8.6%*	*11.2%*	*11.0%*	*11.7%*
Other Income	1.8	2.68	4.25	6.72	7.18	4.5	3.9
Interest	2.86	3.71	2.13	1.45	1.96	2	1.7
EBT	**52.20**	**55.83**	**39.99**	**35.83**	**70.76**	**82.70**	**113.06**
EBTM	*13.2%*	*12.4%*	*11.5%*	*10.1%*	*12.1%*	*11.3%*	*11.9%*
Taxes	15.67	14.99	4.28	7.32	15.21	22.33	30.53
	30.0%	*26.9%*	*10.7%*	*20.4%*	*21.5%*	*27.0%*	*27.0%*
PAT	**36.53**	**40.84**	**35.71**	**28.51**	**55.55**	**60.37**	**82.53**
NPM	*9.2%*	*9.0%*	*10.3%*	*8.0%*	*9.5%*	*8.3%*	*8.7%*

- TARGET PRICE

(21-10-2022)	FY22	FY24E
Mcap	**734**	
CMP	**231.95**	
FY24 Target P/E		**12.50**
Target Mcap		1027.67
Target Price		**324.74**
Upside Potential		**40.01%**

Companies in Dyes space	Current P/E	3y Median	5y Median
Kiri Industries Ltd	6.2	5.1	4.9
Bhageria Industries	12.3	12.4	11.2
Bodal Chemicals	9.55	13.3	10.8
Aksharchem Ltd	21	16.2	14
Shree Pushkar Chemicals & Fertilizers Ltd	**13**	**13.1**	**13**
Average	**12.41**	**12.02**	**10.78**

Companies in Fertilizers space	Current P/E	3y Median	5y Median
Khaitan Chemicals & Fertilizers Ltd.	10.5	10.3	10.2
Coromandel International	17.3	17.5	17.5
Rama Phosphates	7.78	7.1	8.2
Krishana Phoschem Ltd.	35.7	13.6	23.3
Shiva Global Agro Inds. Ltd.	8.11	6	5.8
Shree Pushkar Chemicals & Fertilisers	**13**	**13.1**	**13**
Madhya Bharat Agro Products Ltd	29.3	11.3	11.5
Average	**17.38**	**11.27**	**12.79**



- Going forward, we estimate a 27.5% CAGR revenue, over FY22-24E, driven by upcoming capacities in Dye Intermediates and SSP fertiliser. We expect SPCFL to post CAGR of 21.89% for PAT during FY22-24E. Currently, SPCFL is trading at a 13.26x PE multiple (FY22), we assign PE multiple of 12.5x (lower than its 3-yr median of 13x) as of Oct 2022. We arrive at a target of Rs. 324.74, an upside of 40% from Rs. 231.95 that we believe can be achieved within 12 months.

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ANNEXURE

- **Dye Intermediates**- Products manufactured from organic chemicals and are further processed to obtain dyestuff
- **Reactive dyes**- A class of highly coloured organic substances, primarily used for dyeing textiles, for cellulosic fibers like cotton/flax and also wool that attach themselves to their substrates by a chemical reaction that forms a covalent bond between the molecule of dye and that of the fibre.
- **Acid Complex**- A compound capable of neutralizing alkalis & containing hydrogen that can be replaced by a metal to form a salt
- **Soil Conditioners**- Phosphatic fertiliser & a fertilizer used to the improve the soil's quality and for improving / Building soil.
- **Sulphate of Potash (SOP)**- SOP is a preferred form of potassium in saline or sodic soil conditions and where irrigation water may have high chloride level**s**

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TERM	DEFINITION
BUY	Expected absolute returns of more than 20% over a specified time period.
HOLD	Expected absolute returns between 20% and -15% over a specified time period.
SELL	Expected absolute returns of less than -15% over a specified time period.
ENTRY PRICE	Price at which the stock was recommended.
TARGET PRICE	Expected price of the stock at the end of a specified time period.
POTENTIAL UPSIDE	Expected absolute returns from entry price over a specific time period.
UPSIDE LEFT	Expected absolute returns from current market price to target price.

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Compliance Officer:

Aniket Kulkarni

E-mail Address: aniket@kamayakya.com

Phone Number: +91-9175939641

KamayaKya

contact@kamayakya.com

www.kamayakya.com