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Balaji



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AMINES LIMITED

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No. 9/1A /1, HOTGI ROAD,
AASARA CHOWK, SOLAPUR - 413 224.
MAHARASHTRA. (INDIA)

3rd August, 2019

To,
The General Manager-Department of
Corporate Services,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.

The Manager-Listing Department,
National Stock Exchange of India Limited,
"Exchange Plaza", 5th Floor,
Plot No.C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai - 400 051.

Scrip Code : 530999

Scrip Code :BALAMINES

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015

With reference to above cited subject, please find enclosed the transcript of the Conference call held on Monday, 29th July, 2019.

This is for your information and record.

For Balaji Amines Limited

Jimisha

Jimisha Parth Dawda

Company Secretary & Compliance Officer

Encl : a/a





“Balaji Amines Limited
Q1 FY2020 Earnings Conference Call”

July 29, 2019



ANALYST: MR. ROHIT SINHA - EMKAY GLOBAL FINANCIAL SERVICES

MANAGEMENT: MR. RAM REDDY – PROMOTER - BALAJI AMINES LIMITED



Balaji Amines Limited
July 29, 2019

Moderator: Ladies and gentlemen, good day, and welcome to the Balaji Amines Limited Q1 FY2020 Earnings Conference Call, hosted by Emkay Global. This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinions and expectations of the Company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would like now hand the conference over to Mr. Rohit Sinha from Emkay Global. Thank you and over to you Sir!

Rohit Sinha: Thank you very much. On behalf of Emkay Global, I welcome you all to the Q1 FY2020 earnings con-call of Balaji Amines. We have with us today, Mr. Ram Reddy, Promoter of Balaji Amines Limited. We request the management for their opening remarks, post which we will open the floor for the Q&A. Over to Sir!

Ram Reddy: Ladies and gentlemen, very good evening to all of you and welcome to the conference call to discuss the financial performance of the Q1 financial year 2020 of Balaji Amines. I hope you have got a chance to go through the press release and financial statements submitted to the stock exchanges and uploaded on our website.

We recorded a total income of Rs. 231.4 Crores in Q1 FY2020 as against Rs. 260.2 Crores in the corresponding quarter of previous year. The recorded EBITDA of Rs. 37.1 Crores of Q1 FY20 as compared to Rs. 58.7 Crores in the same period last year. Profit after tax was at Rs. 20 Crores in the current quarter under review. Please note Q1 financial year 2019 was an exceptional quarter as prices of many end products has surged on account of demand supply mismatch. Total volume stood at 20,149 MT for Q1FY20 as against 21,679 MT in Q1 FY2019.

Amines volume stood at 4,779.94 MT for Q1 FY20. Amines derivatives volume stood at 7,853.11 MT for Q1 FY20. Speciality chemicals volume stood at 7,516.36 MT for Q1 FY20.

EBITDA was impacted by volatility in prices of raw material and slow down witnessed in end product industries such as pharmaceutical and agro chemical.

Going forward our EBITDA margins will remain sustainable between 18% to 20%. Basic Amines constituted at 23.5% of sale, and Amine derivatives constituted at 23.1% and 46.3% of sales was from speciality chemicals. Others consist 6.6%. End user industry wise API and pharma contributed about 55% of revenue followed by agrochemical at 20% other segments like dyes, textile, animal feed, water treatment chemicals and refinery contributed about 5% each.

Balaji Amines manufactures about 25 products in all. We are the first and only company in the world in Amines' industry that has used indigenous technology to manufacture amines. All other

companies either use US or German technology. All our products have a high entry barrier. In about 60% of our products, we are the only manufacturer in country like NMP, NEP, GBL, 2P, Morpholine, DMAE, DMU, DMF. The strength of Balaji Amines also lies in the fact that if some products are not doing well that is compensated by the performance of some other products. The major raw material used by us are methanol, ammonia, ethanol, BDO, acetic acid and DEG.

There is no major dependence on China for raw materials and recently we have started buying the methanol on spot basis. On end product, our selection policy is to either be the first or second manufacturer in India to substitute product that are being imported in the country. Our specialty is to identify and develop the technology and the raw material of the particular product and undertake the R&D to develop the same in India. I am happy to share that during Q1 we got long awaited clearances for Morpholine and we were earlier manufacturing about 3,000 tons. Now we have got clearance for additional capacity of 7,000 tons leading to total capacity of 10,000 tons.

In FY2020 in total we will be manufacturing about 8,000 tons of Morpholine. Other than China, there are only three players making this product in the world. In India itself, there is a consumption of 5000 tons of Morpholine. We have also started exporting Morpholine to other countries including China. We have added another product namely Acetonitrile. We have license capacity of 18,000 tons and installed capacity of 9,000 tons. We have started the manufacturing of Acetonitrile from July 2019 onwards. In FY2020 we will be manufacturing 4000 to 5000 tons of Acetonitrile. Total demand of Acetonitrile in India as per our data is about 15,000 tons and one of our peer manufacturers is about 10,000 tons. Because of excess volatility in prices of Acetonitrile, we have developed another fungible product called THF (Tetrahydrofuran), which can be manufactured on the same manufacturing line as Acetonitrile. If the volatility persists, we plan to manufacture Acetonitrile for six months and THF for six months. THF will be produced for first time in India and there is a demand of 15,000 tons per annum.

The margins in Morpholine, Acetonitrile, and THF are likely to be on the higher side. We also got clearance for additional capacity of 7,500 tons of Di-Methyl Hydrochloride. We are waiting for the market demand to improve to commence this capacity. I am pleased to inform you that Balaji Specialty Chemicals Private Limited, a subsidiary of the company has received consent to operate by Maharashtra Pollution Control Board in June 2019. The subsidiary has commenced production of niche products like Ethylenediamine (EDA), Piperazine (PIP) and Diethylenetriamine (DETA). With these products, Balaji Amines would be substituting the products that are currently being imported in India.

We undertook capex of Rs. 250 Crores for our subsidiary company and we have got mega project status for this project. At peak utilization level the margin profile of the subsidiary company will be similar to Balaji Amines, but in initial stages it will be slightly lower. India is currently importing 29,000 tons of Ethylenediamine (EDA), which basically goes in to end use industry of Agro chemicals. UPL, Coromandel and Indofil are major consumers of EDA. The other two products go in to pharmaceutical, polymer, coatings, etc. Balaji Amines will be the only company in India manufacturing EDA, PIP and DETA.

India is importing 7,000 to 8,000 tons of Piperazine and 3,000 to 4,000 tons of diethylenetriamine. These three products have good demand in other countries too. All these years we have these three products imported into India from various big players like Dow, BSF, Delamine.

We are also undertaking Greenfield expansion for which the government has give 90 acres of land. This project has received mega project status. We have applied for environmental clearance. We have also applied for NOC from bird sanctuary for the Greenfield project. The land digging at the construction of the Greenfield project is about to start next quarter and it will take about 15 months from the time of land digging to commence the production. The total capex involved in Greenfield product in first phase is about Rs. 200 Crores, out of which Rs. 120 Crores will be borrowed from banks while the rest will be infused by internal accruals. In the first phase, we will be manufacturing two products mainly 50 tons of Ethyl Amine per day and 50 tons of MIPA or IPA.

The hotel business is doing well and has started contributing to the bottom line. Hotel business constituted about 2.3% of total revenue in Q1FY20. The average revenue for room stood at Rs. 3,504 and revenue for available room was Rs. 2,120. The occupancy rate in Q1 financial 20 stood at 60.6%. The cash profits from hotel division in Q1 FY20 was Rs. 1.35 Crores. 10% the total room supply comes from our hotel in Solapur . That is all from my side. We now leave the floor open for questions and answers.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Rahul Veera from Abakkus Asset Management. Please go ahead.

Rahul Veera: Hi Sir. Sir during our last conversation, I recollect that we were told the raw material for methanol have been taken care of we were under the contracts and I see a sharp gross margin decrease in this quarter., Was it the realization pressure because of competition or was it the movement in the raw material prices that has impacted our gross margin?

Ram Reddy: See last quarter or earlier quarter inventory was there, which was at higher price which was consumed in Q1, that is one reason why the margin was under pressure. Secondly pharma and agro industry also was not doing well and our major contribution are to these two fields only. These are the main reasons.

Rahul Veera: Okay Sir just in terms of competitive pressure, have the realizations been lower due to the end user industry or because of the competition within the similar product profile from the peers?

Ram Reddy: It is not the peers. Everybody is under the same boat. Only because end user industry was not doing well, our performance has been impacted . That is number one reason and in our case, we were having some of the inventory purchases when the market was volatile for the raw

- materials. The higher cost inventories have been utilized in the current quarter which has also caused the squeeze in the margins.
- Rahul Veera:** Right. So this is for year only Acetonitrile and the fungible product and a little bit of DMF utilization we can expect, right?
- Ram Reddy:** Morpholine.
- Rahul Veera:** Morpholine, okay. So there have been no major delta coming from the subsidiary this year, will the subsidiary be contributing on this?
- Ram Reddy:** Yes, that is what I said that - the three products like the EDA, PIP and DETA that will be coming in second half, it will be going in full swing. Probably 80 to 90 Crores will be contributed in the current financial year from the subsidiary.
- Rahul Veera:** Okay so this number you are giving after accounting for the lower outlook from the global major like BASF?
- Ram Reddy:** Yes. This is based on our capability and based on the situation what we have today.
- Rahul Veera:** Okay. Fair point Sir. I will come back in the queue Sir. Thank you.
- Moderator:** Thank you. Next question is from the line of Swarnabh Mukherjee from Edelweiss. Please go ahead.
- Swarnabh Mukherjee:** Yes. If you could tell me what proportion of your sales gain from the domestic market and what from exports?
- Ram Reddy:** It is about 20% from the exports.
- Swarnabh Mukherjee:** Okay and Sir in your consolidated statements, there is 10 Crores of inter segment revenue, if you could throw some light on what on that?
- Ram Reddy:** We got some of these raw materials purchased through the Balaji Amines, because we did not get the environmental clearance in the subsidiary, so that later on was transferred That is all.
- Swarnabh Mukherjee:** Okay. All right and Sir if you could give me the guidance on what would be the depreciation expense and interest cost for Balaji Specialty Chemicals?
- Ram Reddy:** See this is too early, entire thing is capitalized as of now. We will see the real figures from this month onwards only. We just started producing from this month. So we have Rs. 120 crore term loan at 8 to 9% interest, we will start using working capital now, then we will see the real figures in this coming quarter.

- Swarnabh Mukherjee:** Okay. All right. Also Sir on the demand side, if you can give me some granularity on the challenges in the end user segment that is impacting your performance and when do you see situation improving?
- Ram Reddy:** What we see is that current quarter will be better, but may not be that great, but definitely quarter three and quarter four, we expect that demand will go back to normal levels and recover. Whatever the impact we have faced because of the slow down in these two sectors. Because what we see with our past experience, especially in API and Pharma industry, it is a cycle., If you are not doing well in two quarters then definitely following quarters will be brighter, So I expect the coming second half of the year definitely will be better.
- Swarnabh Mukherjee:** Okay. All right. So Sir that guidance for the subsidiary 80 to 90 Crores that you have just mentioned, so any change in guidance for the standalone business?
- Ram Reddy:** Standalone, same thing if the prices are same, then we will be doing revenue of around 1050 Crores. If the raw material and your end - product prices come down, then probably the revenue may be lower.. In the normal course, we will do 1050 Crores. Whatever the lower sales in the first quarter and even flat sales in the second quarter, we expect recovery in the third and fourth quarter and we should do 1050 Crores what we have guided earlier.
- Swarnabh Mukherjee:** Okay. All right. Thank you so much Sir. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Kishan Gupta from CD Equisearch. Please go ahead.
- Kishan Gupta:** How much is the volume growth last quarter?
- Ram Reddy:** There is no growth. we have seen minus 3-4% in the last quarter.
- Kishan Gupta:** Okay and what is the target for full year, the volume target?
- Ram Reddy:** In fact, we are expecting around 10% volume growth.
- Kishan Gupta:** 10% growth. So you just talked about 1050 Crores of sales, is it standalone or consolidated you talked about?
- Ram Reddy:** Standalone.
- Kishan Gupta:** Standalone 1050, okay how much of your current volume comes from agrochemical and pharma combined?
- Ram Reddy:** API and Pharma contribute about 50-55%, agro contributes about 20-22%.
- Kishan Gupta:** So 75% you are saying?

- Ram Reddy:** Yes 75%
- Kishan Gupta:** And how much methanol you source from overseas?
- Ram Reddy:** This quarter we are taking everything on spot price only. 32%-35% of our requirement we directly source from Saudi Arabia on spot price, where previously we used to have contract. Balance we source indirectly through traders because it comes from Iran and other countries.
- Kishan Gupta:** Sir 35% you are sourcing directly and you are saying the balance is also from overseas but indirect?
- Ram Reddy:** Indirect yes.
- Kishan Gupta:** And are you facing any challenges in methanol sourcing right now?
- Ram Reddy:** As of now no. Last Two months there has been an ease in pricing also.
- Kishan Gupta:** So you talked about 10% volume growth, so how do you plan to go about it?
- Ram Reddy:** It is simply because the Morpholine we are going to utilize full capacity, and with Acetonitrile there is 3000-4,000 tons capacity coming in, and we expect good going in DMF also.
- Kishan Gupta:** You did 16% margins, so how much was the inventory loss this quarter?
- Ram Reddy:** It is difficult to say in specific, I can tell you about the overall impact. We used to do 18 to 20% margins. We came down to 16%, the reasons are because the pharma and agro sector was not taking in enough capacity., The growth as I said it is minus 4-4.5% as against 10%.
- Kishan Gupta:** What is your pricing policy, is it margin fixed per ton or is it a percentage of your revenue?
- Ram Reddy:** In today's scenario, one cannot have any pricing policy., We have to ride with the market, and how the market behaves., We fix the prices every month end for the next month.
- Kishan Gupta:** Okay. Thank you so much.
- Moderator:** Thank you. We will take our next question from the line of Nilesh Gughe from HDFC Securities. Please go ahead.
- Nilesh Gughe:** In your earlier commentary, you give the revenue mix for amines, amines derivative and specialty chemical, can you give it again whether I missed from that part?
- Ram Reddy:** Both API and pharma constitute about 55%, agro is about 20%, rest is from dye, textile, animal feed, water treatment, refinery - about 4 to 5% in each segment.

- Nilesh Gughe:** Okay Sir can you give the revenue mix in terms of Amines in percentage in your revenue?
- Ram Reddy:** Basic Amine constitutes about 23.5%, Amine derivatives constitutes about 23.5%, and the rest 46 to 47% from the specialty chemicals.
- Nilesh Gughe:** Okay. Sir on the inventory loss, Sir as you said in the first question that in Q4FY19, the prices of methanol were high., so I think you should have booked inventory losses on March 31, 2019. Based on that so how should it impact the first quarter numbers, I could not understand that Sir?
- Ram Reddy:** We have booked at opening stock valuation, based on what it was purchased and while in the first quarter of FY20, prices have come down, so we are forced to sell our end product at lower prices. That is how we reported lower profitability..
- Nilesh Gughe:** So continuously it is going down, so on June 30, it is lower than this that of March 31 on an average. What is the current trend now?
- Ram Reddy:** See Nilesh, not only methanol, it is for other products like BDO(Butanediol) that has higher prices Now the prices have come down. All that raw material has been consumed. Now we are sourcing the same on spot basis only.
- Nilesh Gughe:** Okay and Sir on the margin, front as you have guided 18-20% EBITDA margin.At the same time you are saying Morpholine, Acetonitrile and THF will have higher margin., So can you quantify that how much higher it will becompared to the basic amine margins
- Ram Reddy:** That depends upon, each product which will have its own time. Acetonitrile last quarter went from the Rs. 120 to Rs. 250-300 also. So I cannot say that it is Rs. 300 product.
- Nilesh Gughe:** Okay. And Sir capex guidance for first standalone and subsidiary for this year and next year?
- Ram Reddy:** Capex, we are expecting about Rs. 200 Crores. Nothing is there in the subsidiary. That is finished. Only Balaj Amines standalone that too in this Greenfield project which is coming up, new mega project, we are going toundertake capex of about Rs. 200 Crores.
- Nilesh Gughe:** Okay, and that is a Rs. 120 debt and as you said Rs. 80 Crores will be from the internal accruals.
- Ram Reddy:** You are right.
- Nilesh Gughe:** And what about the FY21, next year any capex required?
- Ram Reddy:** We will first look to stabilize operations at our subsidiary and then Rs. 200 Crores greenfield mega project has to be stabilized., We have many products in the pipeline, those will be taken up in the second phase after completion of mega project.
- Nilesh Gughe:** Okay. Thanks.

- Moderator:** Thank you. We will take next question from the line of Runjhun Jain from Nirmal Bang. Please go ahead.
- Runjhun Jain:** Thank you for the opportunity. Sir my question is from where you are getting confidence of clocking 10% volume growth in second half and how is that you are not getting that kind of confidence for Q2FY20?
- Ram Reddy:** In the past two to three years in the first quarter we have not done good. a About the confidence in the Q2, we have already finished one month, we have got some indications about the current quarter. And as I said in earlier API and pharma, if two quarters these two segments have not gone well, then third quarter will give the boost, which has been the normal trend if you see in the past five-six years.
- Runjhun Jain:** On the base level, in the pharma and agri, we are not seeing any turnaround, though agri global is showing some green shoots., But pharma is not showing any major growth. So that is why I am asking from where this confidence is coming for second half?
- Ram Reddy:** See we have commodity type of pharmaceutical API where like example the anti-diabetic is there metformin. Metformin cannot be slowed down continuously more than two quarters. It has to have a turnaround. That is what I have seen in the past and that is the reason I am getting confidence
- Runjhun Jain:** And for the margin also, you were confident on a full year level, you would be able to clock 18-19%
- Ram Reddy:** Firstlythere will be improvement in the pharmaand secondly as I said there was some hits taken from the higher price inventory., Now we source everything on the spot basis.
- Runjhun Jain:** Okay. Thank you Sir.
- Moderator:** Thank you. Next question is from the line of Kavan Pandit from Latin Manharlal Securities. Please go ahead.
- Kavan Pandit:** So my first question is, you gave guidance on the standalone basis of 1050 Crores- is Morpholine and Acetonitrile included in that?
- Ram Reddy:** Yes.
- Kavan Pandit:** So could you quantify in terms of revenue how much will it be, Morpholine and Acetonitrile?
- Ram Reddy:** Morpholine we may do around 80,00 tons all together.
- Kavan Pandit:** In terms of revenue Sir?



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- Ram Reddy:** Revenue it is very difficult to say on individual product basis. I can only say on, consolidated basis Overall I am telling you, Acetonitrile and Morpholine together added into this, we will have revenue of 1000-1050 crores on a conservative basis.
- Kavan Pandit:** Okay and Sir my next question the Greenfield project. When would be it be ramped up completely and when would the sales start, by what year?
- Ram Reddy:** We will start land digging from the next quarter, and it will take 15 months from the date of land digging for the operations to commence
- Kavan Pandit:** Okay and what kind of asset turnover are you looking for that?
- Ram Reddy:** when We invest about Rs. 200 Crores. We foresee minimum revenue of Rs. 300-350 crores in first year and second year it will be 400 crores.
- Kavan Pandit:** All right Sir. Thanks. That is, it from my side.
- Moderator:** Thank you. We will take our next question from the line of Prathik Chaudhary from Samartya Capital. Please go ahead.
- Prathik Chaudhary:** Hello. Good afternoon Sir. Couple of things, can you tell the volume for last quarter of previous financial year, which is Q4 FY2019?
- Ram Reddy:** Q4FY19 total volumes was 21,543 tons.
- Prathik Chaudhary:** Okay. And would you be able to give the DMA HCL volumes for this June quarter?
- Ram Reddy:** The main slowdown in API and pharma which I was talking about was for DMA HCL - that was not doing well. But we are expecting that this quarter as well as third and fourth quarter, it should go full swing.
- Prathik Chaudhary:** Okay and Sir for the mega project the Greenfield project where we have committed an investment of Rs. 200 Crores Just wanted to understand the rationale for going into ethyl amines given that it is a fairly developed market with the competitors having major share in that market., So what is our rationale of putting up a significant investment in that space?
- Ram Reddy:** See we are looking for the future - not only for this particular year or a next year. We have seen growth in the ethyl amine, worldwide. We have seen almost 10% growth in the ethyl amine., We have seen the price consistency and volume growth in ethyl amine, that's the reason why we have taken that.
- Prathik Chaudhary:** Okay. Thank you Sir.

- Moderator:** Thank you. The next question is from the line of Anubhav Sahu from MC Research. Please go ahead.
- Anubhav Sahu:** Hello Sir. Thanks for the opportunity. Couple of questions., As of now do you have any clarity from government on the methanol sourcing as well as payment processing particularly for methanol that comes from Iran., What is the status on that and what is your view on that?
- Ram Reddy:** Nothing is there. This we are listening for past three years, but nothing is happening. We are getting methanol, and majority of the methanol for entire country is coming from outside only. So that is the reason, we are in the same boat with entire country. Balaji is not alone. Whatever happens, it will happen to Balaji and others also.
- Anubhav Sahu:** Right and Sir the kind of alternate arrangement which you spoke in last quarter con-call. We have done alternate arrangement for methanol sourcing, and suppose government comes with a clarification that we cannot source methanol from Iran going onwards., I suppose it does not bother us as far as sourcing is concerned because we now have an alternate sourcing.
- Ram Reddy:** There are many countries, like Qatar, Malasiya and apart from all that , our domestic manufacturers as well., The moment price goes beyond Rs. 23-24, they will jump in the manufacturing that will be my main source., That is what we have done in last two months, half of our methanol we are buying from the local producer .
- Anubhav Sahu:** And Sir I mean suppose this scenario plays out, that we cannot purchase from Iran, do you think that 18 to 20% margin would be there for the FY20?
- Ram Reddy:** It is matter of two to three weeks. If the prices are increased because of the non-presence of Iranian material, prices may go up and it will be for everybody. Only thing is we need to transfer to the end user which may take two to three weeks' time that is all.
- Anubhav Sahu:** Okay. The impact is for the industry and so probably we would be able to pass it on to the client, so that is not a big concern?
- Ram Reddy:** Yes. You are right.
- Anubhav Sahu:** Okay. Got it. And Sir wanted to understand on the agro chemical market., What are the key challenges we are looking at? Are the challenges more in the export market or the domestic market?, I mean could you provide some views on that Sir?
- Ram Reddy:** We have majority sales to the domestic market whereby they have their basket of domestic as well as export. Like if we are supplying a raw material for one pesticide, that pesticide is partly used in the country and outside country also.

- Anubhav Sahu:** Okay. But the views that we are getting from the export market is that there is quite differentiation in the way each geography is reacting, I mean the geography like LATAM probably which is doing very well but the same is not true for example US market or even European market?
- Ram Reddy:** It is an agro chemical. Most of the time it depends upon the weather, the rainfall. And the entire world will not go dry at a time. One-part may be raining and one part may be dry., So definitely material is going to that part of country wherever the weather is good, wherever the demand is there.
- Anubhav Sahu:** On the API market also if you can provide some color, I mean is it mainly because of the China factor, which we have seen the demand slow down?
- Ram Reddy:** May be matching raw material and other things from the China must be the small reason., In our product portfolio, our main API is Metformin. I have seen in last two to three months we have supplied 1000 tons less. On this, we have seen with our past experiences, this cannot continue because diabetes is such a disease, it has to be taken like a routine food, you have to consume this tablet. So definitely one quarter may go dry but next quarter definitely we will make recovery.
- Anubhav Sahu:** Okay.
- Moderator:** Thank you. We will take a next question from the line of Senthil K from Haitong Financial. Please go ahead.
- Senthil K:** Good evening Sir. What is capacity utilization at standalone level?
- Ram Reddy:** **Our** Capacity utilization is about 80-85% other than some specific products like Morpholine and Acetonitrile as they just arrived right. And one product that is DMF, we are not utilizing fully, only 30% capacity, but all other products we are utilizing almost 80-85% capacity.
- Senthil K:** What is the current debt?
- Ram Reddy:** There is no debt for the Balaji Amines including hotel, it is debt free as of today.
- Senthil K:** Consolidated levels?
- Ram Reddy:** Consolidated, yes for subsidiary we have taken 120 Crores out of which we might have paid 20 Crores. May be 100-110 Crores of debt is there in Balaji Specialty Chemicals, which is our subsidiary.
- Senthil K:** Okay Sir. That is, it. Thanks.

- Moderator:** Thank you. We will take the next question from the line of Rushmik Oza from Kotak Securities. Please go ahead.
- Rushmik Oza:** What is our incremental revenue that can come from the expanded capacities of Morpholine, Acetonitrile and THF going forward?
- Ram Reddy:** THF and Acetonitrile is a combined capacity., It is not a separate plant. We may manufacture about 4000 to 5000 tons in this current year, you can take conservatively Rs. 120 to Rs. 130 per kg.,. And about Morpholine, we may manufacture about 8000 tonne. Earlier we had 3000 tons capacity. So this year we are talking about additional 4000 to 5000 tons and you can take the price conservatively about Rs. 130 to Rs. 140 per kg.
- Rushmik Oza:** Okay and secondly Sir you have seen improvement in the specialty chemical volume but despite that the EBITDA margins have gone down., Is there any selling realization pressure in this segment?
- Ram Reddy:** There were some of the products, which were going into the agro and API and pharma industry, which were not doing well for this quarter., That was the main reason we were having pressure in the margins.
- Rushmik Oza:** Okay and the last question Sir, the other income during the quarter on a Q-On-Q basis gone up 31%...
- Ram Reddy:** This is one time. There are many issues that is interest income, - there was some FDs for the LCs and there were some advances. And there was some refund of sales tax, and interest on it. All these things have come as a one-time case as other income.
- Rushmik Oza:** Sir if you can just quantify the total one off in terms of amount wise
- Ram Reddy:** This is all because of the interest only. Majority is interest.
- Rushmik Oza:** Okay. Thanks. I will come back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Thanks for the opportunity. Sir you are talking about the increase in prices of Acetonitrile. Have they sustained?, How are the prices now and how does the trend look like?
- Ram Reddy:** Honestly speaking we were not in the market for the past quarter., We just started the plant. I will not be in a position to talk more about the prices and all ups and downs about the Acetonitrile.

- Ankit Gupta:** Okay and Sir we have planned to use the entire capacity for Acetonitrile manufacturing only, so where we looked that into the THF now?
- Ram Reddy:** See if you just see the past history of Acetonitrile, there has been volatility in the prices jumping from 120 to 200, 300. So it is very difficult to understand the market of Acetonitrile, so that is a reason. Since, the opportunity has come, the occasion has created the opportunity for getting the new technology for the THF in the same plant with same equipment. So to be on the safer side, we want to use six months for Acetonitrile and six months for THF. If situation permits, may be in the coming months, we may create an addition plant - a separate plant for the THF and Acetonitrile also.
- Ankit Gupta:** Okay and Sir on ethylenediamine., I think that is used in manufacturing of Mancozeb. So what we hear is that one of the largest players in the industry, UPL is also getting into manufacturing of ethylenediamine., So any views on that?
- Ram Reddy:** I do not think they will go., They have just put up the papers for the environmental clearance., I do not think they will go with the current scenario.
- Ankit Gupta:** Okay and the last question on the kind of market that we are seeing in agro chemicals and pharmaceuticals., Let say the prices of your raw material increases like methanol and ethanol. Do you think the market is in a situation to absorb the increase in prices because largely we have been able to pass on the increase in prices to them.
- Ram Reddy:** Currently =prices have already come down. Some of the prices have come down to normal and below normal also. They are not doing well in their end product because the demand supply gap, which may create some pressure in the margins., Otherwise now the raw material fear has gone.
- Ankit Gupta:** Okay. Thank you.
- Moderator:** Thank you. We will take our last question from the line of Punit Mittal from Global Core Capital. Please go ahead.
- Punit Mittal:** Thank you so much for the opportunity. One question that let say at the current prices, what can be the standalone revenue for next year, given the additional capacity on Morpholine etc.
- Ram Reddy:** 1000 to 1050 Crores.
- Punit Mittal:** I am talking about FY21? Sorry
- Ram Reddy:** In FY21, it may go to 1,100 to 1,200 crore. Until otherwise if something positive comes on antidumping for DMF., The existing capacities, are already running on 80 to 85% capacity level., After that in FY22 the new Greenfield project turnover will add into the top line. 100-150 Crores will come from the first year of operation of Greenfieldproject..

- Punit Mittal:** Okay. Coming to DMF, we have been waiting for the antidumping for a long time and, it not that easy process. Is that capacity replaceable with some other product or that is not?
- Ram Reddy:** No. Nothing. Actually we are in a country that there is no accountability. India's consumption of this product even this year, is more than 46,000 tons., And out of 46,000 tons almost 35,000 tons is coming from outside., We could sale only 7-8,000 tons., Rest is coming from outside country, at very lower price. Some time it is less than our raw material prices. I do not know how long it will go. It is the reason we have proven this to the Government of India., However let us see what will happen with this.
- Punit Mittal:** I hear your pain about no accountability, I think a lot of people are in the same boat. One more question, you mentioned that the term debt is not there., I was reading your annual report and it seems that even that the working capital has not changed much, but the interest on working capital loan has gone up from 4.4 Crores to 10 Crores., If you can explain that.
- Ram Reddy:** See this particular year what happened, for the subsidiary, there were some capital investment from the parent company. And earlier we were not using working capital, we were sitting on the cash., Our internal accruals were in the system only. The moment this outgo has started, so utilization of working capital has been increased and whereby the amount of interest increased.
- Punit Mittal:** Okay. And lastly apart from the Greenfield project that we have, where we have estimated about 200 Crores for the first phase of capex., We do not have any other expansion plan at the moment, right?
- Ram Reddy:** As of now no. But we have many products in the pipeline but until otherwise these two projects the subsidiary and second the Greenfield, projects have to be stabilized and start generating the revenues. And then probably we will think of second phase, bunch of products are there which we may manufacture in the 90-acre plant.
- Punit Mittal:** Okay. I understood. Thank you so much and all the best. It is difficult environment, I so I hope things go well. Thank you.
- Moderator:** Thank you ladies and gentlemen, that was the last question. I would now like to hand the floor back to the management for closing comments. Over to you Sir!
- Ram Reddy:** Thank you all, at Balaji Amines we have created sound portfolio products, we are continuously striving to better the product profile and innovate on manufacturing front to complete effectively and efficiently in the end markets, we expect better H2 in the current year. We are very focused on our next level of growth and upscale Balaji Amines over the next three to four years. Thank you all for showing confidence on the company. Thank you very much.



Balaji Amines Limited
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Moderator: Thank you members of the management. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.