

TEL : 0091- 217 - 2310824
: 0091- 217 - 2451500
FAX : 0091- 217 - 2451521
E-MAIL : info@balajiamines.com
WEBSITE : http://www.balajiamines.com

Balaji



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ID 01 100 058617

CIN : L24132MH1988PLC049387

AMINES LIMITED

... A Speciality Chemical Company

Regd. Off. : 'Balaji Towers' No. 9/1A /1,
Hotgi Road, Aasara Chowk, Solapur - 413 224.
Maharashtra. (India)

8th June, 2021

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.

Script Code : 530999

Script Code : BALAMINES

Dear Sir,

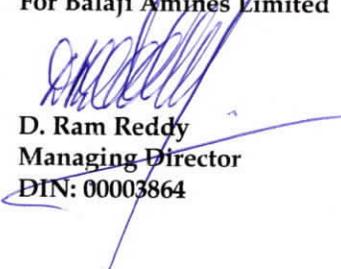
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With reference to above cited subject, please find enclosed the transcript of the Conference Call held on Wednesday, 26th May, 2021.

Please take the same on record.

Thanking you,

Yours Faithfully,
For Balaji Amines Limited


D. Ram Reddy
Managing Director
DIN: 00003864





“Balaji Amines Limited Q4 & FY2021 Earnings Conference Call”

May 26, 2021

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**ANALYST MR. SWARNABHA MUKHERJEE - EDELWEISS WEALTH
RESEARCH**

**MANAGEMENT: MR. RAM REDDY – PROMOTER & MANAGING DIRECTOR
- BALAJI AMINES LIMITED**

Moderator: Good day and welcome to the Balaji Amines Limited Q4 and FY2021 Earnings Conference Call hosted by Edelweiss Wealth Research. 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 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 now hand the conference over to Mr. Swarnabha Mukherjee from Edelweiss Wealth Research. Thank you and over to you Sir!

Swarnabha Mukherjee: Thanks, you and good afternoon all. On behalf of Edelweiss Wealth Research, I welcome you all to Q4 & FY2021 earnings conference call of Balaji Amines Limited. We have with us today Mr. Ram Reddy, Promoter and Managing Director of Balaji Amines Limited. We request the management for opening remarks post which we will open the floor for Q&A.

Ram Reddy: Thank you Swarnabha. My name is Ram Reddy, Managing Director, Balaji Amines Limited. Ladies and gentlemen, a very good evening to all of you and welcome to the conference call to discuss the financial performance of the Q4 and FY2021 performance of our company Balaji Amines Limited. We are all going through truly unprecedented times, and I hope that you and your families are safe and healthy. 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.

First, kindly let me take you through the standalone financial and operational performance. We recorded a 58% growth in total revenue which stood at Rs.377 Crores in Q4 FY2021 as against Rs.238 Crores in the corresponding quarter of previous year. EBITDA was up by 103% which came in at Rs.144 Crores in Q4 FY2021 as compared to Rs.56 Crores in the same period last year with EBITDA margin at 30.3% in Q4 FY2021 as compared to 23.6% in the same period last year. The increase in EBITDA margin was primarily on account of improved demand and price realization across most of the product portfolio leading to much improved operating leverage. Profit after tax recorded an increase of 145% at Rs.79 Crores in the current quarter under review as against Rs.32 Crores in Q4 FY2020. PAT margin stood at 21% in Q4 FY2021 as against to 13.6% in Q4 FY2020. Diluted EPS for Q4 FY2021 stood at Rs.24.45 per equity share as compared to Rs.9.98 per equity share in Q4 FY2020.

Volume offtake would have been better, but it was adversely affected on account of pandemic related disruptions of both inbound and outbound logistics support as well as lack of adequate supply of industrial oxygen, which resulted in lower than optimal production.

Sales volumes stood at 24,878 metric tonnes for Q4 FY2021 up by 12% as against 22,146 metric tonnes in Q4 FY2020. For Q4 FY2021, Amine's volume stood at 4,529 metric tonnes, Amines derivatives volume stood at 9,852 metric tonnes. Specialty chemicals volumes stood at 10,497 metric tonnes.

Coming to our standalone performance for FY2021. Revenue from operations in FY2021 was up to 33% at Rs.1240 Crores as compared to Rs.929 Crores in FY2020. EBITDA witnessed a growth of 78% from Rs.190 Crores in FY2020 to Rs.339 Crores in FY2021. Our EBITDA margin expanded by 686 basis points to 27.3% from 20.5% in FY2020. PAT for FY2021 witnessed a jump of 104% to Rs.232 Crores from Rs.114 Crores in FY2020. Diluted EPS for FY2021 stood at Rs.71.52 as against Rs.35.11 per equity share in FY2020.

Total volume stood at 94,687 metric tonnes for FY2021 as against 84,832 metric tonnes in FY2020. For FY2021 Amines volume stood at 18,728 metric tonnes, Amines derivative volume stood at 38,857 metric tonnes, Specialty chemical volume stood at 37,102 metric tonnes. I would like to add that currently we are a zero-debt company on standalone basis.

Now coming to our consolidated performance for FY2021; Revenue from operations for FY2021 stood at Rs.1,318 Crores up by 40% as compared to Rs. 941 Crores in FY2020. EBITDA for FY2021 recorded a jump of 104% from Rs.186 Crores in FY2020 to Rs.379 Crores in FY2021. EBITDA margin for FY2021 was at 28.8% as against 19.8% in FY2020. PAT for FY2021 was up by 150% from Rs.97 Crores in FY2020 to Rs.244 Crores in FY2021. Diluted EPS for FY2021 stood at Rs.73.52 as against Rs.32.34 per equity share in FY2020.

Our subsidiary company, Balaji Specialty Chemicals Private Limited witnessed substantial ramp up in capacity utilization due to increase in demand for ethylenediamine (EDA). The company is currently manufacturing 1,300 to 1,500 tonnes per month, which will be further ramped up going forward, once the supply of raw material eases. We are also exporting few of our products manufactured by our subsidiary to China which previously used to get dumped in India.

With commencement of operations at our state-of-art new plant of Ethylamines, which is part of phase 1 of our 90-acre Greenfield Project Unit IV at Solapur the company has the largest installed capacity of Ethylamines in India at 22,500 tonnes per annum. With the commencement of this plant, Balaji Amines is the largest manufacturer of Methylamines, Ethylamines, and other chemicals in India.

The new plant of Ethylamines at unit IV will lead to lower cost of production due to new technology. Demand for Ethylamine is growing between 10% to 15% per annum in India. In FY2022, we expect a decent revenue inflow from our new Ethylamines plant. Presently there is supply shortfall of about 9,000 tonnes of Ethylamines in India which is imported

from outside. This supply gap is expected to increase to about 15,000 tonnes in the next two years. Our company will be well positioned to address this increase in market demand.

The debottlenecking of our Acetonitrile plant has been delayed on account of lack of skilled manpower due to pandemic led restrictions. However, the construction of new plant for Dimethyl Carbonate in phase 1 of Greenfield project (Unit IV) is undergoing as envisaged and we hope to commence production of DMC by the end of FY2022. Till March 31, 2021, we have undertaken a total capex of Rs.156 Crores in phase 1 of our Greenfield project and further Rs.69 Crores would be invested for installation of DMC plant.

In the Q4 of FY2021 the capacity utilization of DMF plant was much improved at about 48%; however, from mid-April onwards due to diversion of oxygen supply our DMF production was briefly disrupted. However, from today morning onwards the production of DMF has been restarted, as supply of industrial oxygen has been restored.

Methylamines is a key raw material and the base product for value-added derivatives required by pharmaceutical and agrochemical companies. We are currently the market leaders in Methylamines production in India and 80% of our Methylamines production is captively used for manufacturing value-added products.

Pharmaceutical application segment and agrochemicals are expected to drive significant demand for Methylamines in India as well as global markets. As announced earlier to meet our increase in captive requirements, we planned to set up a separate plant for Methylamines with a capacity of 40,000 to 50,000 tonnes per annum under phase 2 expansion of Greenfield project (Unit IV) for which the company has already received environmental clearances. We anticipate the commissioning of this plant by end of 2022.

That is all from my side. We now leave the floor open for question and answers.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pritesh Chedda from Lucky Investment Managers. Please go ahead.

Pritesh Chedda:

Thank you for the opportunity Sir and congratulations for the good set of numbers. My first question is DMF realization had shot up a lot in the market in the quarter gone by. there was some 3x to 4x rise but when I see the QOQ improvement in your EBITDA profitability it has not flowed in. Is there any reason for it or is any other product where the realization has actually gone down?

Ram Reddy:

The raw material prices for acetonitrile have gone up. Actually, when we talked last quarter the RM prices were somewhere Rs.50 to Rs.60 per kg that is acetic acid. Under entire Q4 the price have ruled at more than Rs.80 to Rs.110 per kg. So that has impacted margins to

some extent. And I do not know where from you got this DMF prices. DMF prices are somewhere Rs.150 to Rs.160 per kg even today also.

Pritesh Chedda: My second question sir what a good volume assumption for FY2022 should be considering the Ethylamines plant now becoming operational and DMF capacity can be fully utilized and now you have postponement of Acetonitrile capacity ramp up. So, what should be a good volume versus 95,000 tonnes that you have done in FY2021?

Ram Reddy: On conservative basis we should add at least 10% or about 10,000 tonnes to our volumes without any problem.

Pritesh Chedda: Okay we have 16,000 tons of additional Ethylamines. Can we fully utilize the DMF?

Ram Reddy: Basically, in the first-year operations we cannot expect it. It goes well 16,000 tons can be added and to some extent DMF is also added. And that is what I am telling you conservative basis we can take 10,000 to 12,000 tonnes volumes can be added. And because of this pandemic, as I said, in April there was some disruption in DMF production for some period maybe 15 to 20 days. DMF plant could not operate because of the oxygen diversion to the healthcare.

Pritesh Chedda: Sir, just one last question on the capex side. The CWIP of Rs. 173 Crores now that we see this will include the acetonitrile CWIP and will it also include the Ethylamines CWIP?

Ram Reddy: Yes.

Pritesh Chedda: This Methylamine capacity which will get constructed incrementally will come in CWIP right?

Ram Reddy: Yes.

Pritesh Chedda: Is Dimethylcarbonate a derivative of Methylamine?

Ram Reddy: No.

Pritesh Chedda: So, what would be capacity that you will add in Di-methyl carbonate and the capex there and what is the capex for this Methylamine 40,000 tonnes capacity?

Ram Reddy: That is too early to say about Methylamine, But I can say that for DMC, the capex would be about Rs. 70 to 72 Crores. And originally, we were talking about 10,000 tonnes volume, but it may go between 10,000 and 15,000 tonnes when we work on practical basis.

Pritesh Chedda: Methylamine 40,000 tonnes capacity - when should it come in your opinion?

- Ram Reddy:** It should come at end of 2022. Maybe in 2023 you can see the revenues from that.
- Pritesh Chedda:** So, this year you will construct?
- Ram Reddy:** Yes.
- Pritesh Chedda:** So, you will construct this year and the capacity will be available in 2023?
- Ram Reddy:** Yes, the construction may be finished by end of the year.
- Pritesh Chedda:** And you are spending about Rs. 250 Crores there, right?
- Ram Reddy:** Yeah, we can give the exact in the coming quarters.
- Pritesh Chedda:** No problem Sir. Thank you very much and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Rajesh Kothari from Alpha Accurate Advisors. Please go ahead.
- Rajesh Kothari:** Good afternoon Sir. Congratulations for great set of numbers. My two questions are first is what is the total capex for FY2022 and FY2023 year wise?
- Ram Reddy:** FY2022 we majorly have capex for DMC plant about Rs. 70 Crores to 75 Crores, some part of total capex for Methylamines maybe spent in this year, but I will give you the exact figures in the coming quarter
- Rajesh Kothari:** Okay, broadly DMC capex of Rs. 70 Crores to 75 Crores and Methylamine capex of Rs. 250 crore something like that?
- Ram Reddy:** Yes around Rs. 250 crores, but we are going to spend part of the capex in this current year.
- Rajesh Kothari:** Okay because you say that plant will start by end of the year the plant construction will get over?
- Ram Reddy:** Finishing will be 2022 and the revenues will come in 2023.
- Rajesh Kothari:** So, it means the entire capex is to be spent in 2022 - am I right?
- Ram Reddy:** 2022 and part 2023 also.
- Rajesh Kothari:** Very small would be 2023. Okay and my second question in terms of the backward integration and also in the terms of you mentioned about the technology and the change in cost, can you just explain little bit on that, how do you see the more value-added products,

number one at an overall company level and in terms of the cost what kind of reduction you are looking for?

Ram Reddy: We have designed some new technology we are using. It has been only seven to eight days since we have started new plant of 50 tonnes per day, definitely there will be some cost advantage because that's the reason we spent more money on the new technology. So probably by next quarter we will see the exact figures but there will be cost advantage. Definitely, there will be some edge over the existing technology.

Rajesh Kothari: My last question is on subsidiary, so how do you see the ramp up over there, over the next 12 to 24 months?

Ram Reddy: To give 12 to 24 months visibility is little difficult in the current scenario but yes what I can see that in the next two quarters, definitely it will ramp up in very good position. Today we are manufacture about 1,300 to 1500 tonnes per month - it should go to more than 1,800 to 2,000 tonnes per month in the coming quarters..

Rajesh Kothari: Wish you all the best. I will come back in the queue.

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

Rohit Nagraj: Thanks for the opportunity and congratulations on the good set of numbers. The first question is on the raw material side, so how are we sourcing the raw material availability given that there have been issues in terms of container availability, transportation costs are going up and how has been the pricing and whether we have been able to pass this on completely during the last quarter or is it still under process? Thank you so much.

Ram Reddy: Overall unlike last year this year the volatility is little less. Last year for example methanol we used to see the price is between Rs.18 and Rs.30, which is a big volatility. Currently, we have seen price moving only between Rs.26 to Rs.30, it is change by Rs.4 or Rs. 5 only which can be passed easily to the customers and second thing since all the products are in the short supply it is easy to pass on to customers. We do not see any problem and third thing yes there is some disruption in the inbound logistics and even outgoing also. We are facing the problem specifically for overseas logistics because all the shipping lines are not working on schedule for which we are forced to plan a little more advance unlike earlier years. So, with the advanced planning we should be on track only one or two products like subsidiary we were facing some problem in shortage of raw material for the last quarter and last month also and this month onwards probably we will get everything streamlined. That is the reason I am telling you then the production at subsidiary will be ramped up to more than 1,500 tonnes per month.

- Rohit Nagraj:** Fair enough, understood. Second question in terms of the margin profile. As I understand that we have Amine Derivatives and Specialty other chemicals so generally if you take Amines as a base and margins let us say 15% what is the kind of incremental value addition that happens in derivatives and specialty chemicals, and I am ignoring the current price increases which has happened because of demand supply mismatch. Under the normal circumstances, how will be the margin profile for each of these three product segments would look like? Thank you.
- Ram Reddy:** As I said earlier also - we have a basket of products. It is very difficult to say which product is at what percentage. Overall, I can say the current 27.31% EBITDA is there on overall year basis. I think EBITDA should be easily sustainable around 24% to 25%.
- Rohit Nagraj:** Thank you so much and best of luck.
- Moderator:** Thank you. The next question is from the line of Kunal from Vallum India Discovery Fund. Please go ahead.
- Kunal:** Thank you very much for the opportunity. Sir wanted to understand regarding Dimethylformamide. Until the Methylamine plant new capacity comes on stream how much capacity can you go to maximum in terms utilization of this plant for Dimethylformamide?
- Ram Reddy:** I think we should achieve more than 75% capacity utilization i.e. 20,000 to 22,000 tonnes, if everything goes well like availability of the oxygen, availability of the CPC raw materials and the availability of the market. It should be around 20,000 to 22,000 per annum if everything goes well.
- Kunal:** My second question Sir is regarding this new Ethylamines capacity. So are we going to sell the Ethylamine directly in the market or are we going turn them into derivatives and then sell the higher value-addition product in the market?
- Ram Reddy:** Majority of the Ethylamines we will be selling directly in the market. There are no derivatives with us. Existing capacity already dealing with the derivatives. Here we did not add any derivatives.
- Kunal:** How much realization we can assume on an average basis?
- Ram Reddy:** It is new plant; Unit IV Greenfield with 16,500 capacity – if it goes well in full swing, based on the current pricing basis we should be in a position to add about Rs. 300 Crores to the topline.
- Kunal:** You are talking about 16,000 tonnes capacity?

- Ram Reddy:** Yes.
- Kunal:** You are talking about 22000 tonnes capacity fully including the existing capacity?
- Ram Reddy:** I am talking only about the additional capacity .
- Kunal:** Thank you Sir. All the best.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Swan Investments. Please go ahead.
- Sachin Kasera:** Good afternoon Sir and congratulations for a good set of numbers. Regarding the subsidiary Sir, can you give us some sense you have mentioned that you are adding some new products there so what is the potential there and when you are talking of this improvement in volumes in the next two quarters that is including these volumes, and will there be further improvement in margin profile of the subsidiary this year?
- Ram Reddy:** Subsidiary we are not adding anything. We have sufficient capacity. We have 30,000 to 35000 tonnes capacity all products put together. Main product is EDA, and then Piprazine, DETA, DEEA. So, all the products are moving, there is no problem. There is a possibility of improvement in margins if we get the sufficient raw material at a reasonable price. We should be in a position to improve the margins.
- Sachin Kasera:** Sir on the DMF expansion have we indicated any figure approximately how much we could spend and also now that oxygen is available if you have no further issues as far as technical factors are concerned can you operate at 70% to 80% utilization?
- Ram Reddy:** That is what I answered for an earlier question. We have 30,000 tonnes capacity. If everything goes well, we can produce about 20,000 to 22,000 tonnes of DMF per annum of DMF.
- Sachin Kasera:** What will be the cost of the new expansion of 30000 tonnes of DMF Sir?
- Ram Reddy:** It is too early. First Methylamine will come. May be after 2023, we can talk about the new capacity of DMF.
- Sachin Kasera:** Sir just one last question on the CFL lighting business. Can you give us some update what is the status there?
- Ram Reddy:** That totally we have stopped. No operations are there. Only that property has been given on rent where we are getting some Rs. 9 lakhs per month as rent which will add into the margins.

- Sachin Kasera:** Sir this quarter also there is some loss of around Rs. 2 Crores. So will this come down further. Will it become zero from Q1, Q2 how do we see that?
- Ram Reddy:** We probably have very small stock left. So whenever we sell if it is going lower price than we estimated, then that is adding to losses. We have only Rs. 70 lakhs worth of stock left now. There will not be any losses. The Rs. 70 lakhs stock will be selling in the coming quarter, so it will be zero.
- Sachin Kasera:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Swarnabha Mukherjee from Edelweiss Wealth Research. Please go ahead.
- Swarnabha Mukherjee:** Thank you for the opportunity and congratulations on great set of numbers sir. Sir my first question is on the EBITDA margin. At a blended level for you have guided about at 24% to 25% being sustainable margin. So just wanted to understand with this new Ethylamine capacity that has come up - given that this is a base Amine product and not a derivative - so in terms of maybe margin profile it might be slightly on the lower side is that understanding of mine correct or is it also generating margins at a company level right now?
- Ram Reddy:** Today if you see the EBITDA margins for whole year was 27.31%. If you see my last quarter's answers, I used to say only 22% EBITDA margin is sustainable. Today I am talking 24%25% sustainable EBITDA margin, because of this new capacity addition and plants operating at higher capacities. All these things are being considered while saying this.
- Swarnabha Mukherjee:** So, this could be the blended margin going forward. Sir would you kindly throw some light on the how the prices are for base Ethylamines and Methylamines, I think it is reverted now so what would be generally the normal range and where it is now?
- Ram Reddy:** Last one year we have seen the prices between Rs. 252 and Rs. 275 per kg. Even if it goes down because of the new capacities or new availabilities it may come down to somewhere around Rs. 225 per kg. Considering all these things I have given the figures.
- Moderator:** Thank you. The next question is from the line of Punit Mittal from Global Core Capital. Please go ahead.
- Punit Mittal:** Your trade payables are listed under cash flow from financing rather than cash flow from operations. Normally the trade payables should be in the cash flow from operations. This undermines the real cash flow for operations that you have.

- Ram Reddy:** I will get back to you. You can send me our mail id. I will give the detailed answer for this. I do not have in handy, but I will definitely send back to you. I am noting your question. You just send me your mail id.
- Punit Mittal:** I will. Does any of the chemicals that we manufacture goes directly or indirectly into the manufacture of the COVID vaccines or the PCR test?
- Ram Reddy:** If you see the ingredient of the Covishield, Covaxin and Sputnik, all the three we will see there is a content of EDTA, acetic acid something is there. But EDTA is produced out of EDA which is the product of our subsidiary. So, there may be small content going
- Punit Mittal:** Very good. The last question is that your EDA for production you mentioned that there is some constraint on the raw material supply. Can you tell what raw materials are these that you are having supply issue?
- Ram Reddy:** That is Monoethanolamine. We are importing from four to five countries. What has happened in the last four to five months, there was a short supply of Ethylene Oxide (EO) in the world market. Monoethanolamine is produced out of EO and ammonia. So that's why there was short supply and there was one big capacity which went down due to some accident in Malaysia. So in this month probably in June it is coming in back into line. So from this month onwards everything should be online.
- Punit Mittal:** Okay, very good. That is all from me. Thank you again and all the very best.
- Ram Reddy:** Thank you Punit. You send your mail id.
- Punit Mittal:** I have your e-mail so I will send you a mail for you Sir.
- Ram Reddy:** No problem. Thank you.
- Moderator:** Thank you. The next question is from the line of Anubhav Sahu from MC Research. Please go ahead.
- Anubhav Sahu:** Thank you for the opportunity. Couple of questions, Sir one is regarding Balaji Specialty wherein we have ramped up our production for ethylenediamine which is now more than 40%. I had question more on the whether the production which have for ethylenediamine is it mainly for domestic customers right now or some part is also going for export market?
- Ram Reddy:** It is going to export also. See presently it is in short supply all over the world. Last quarter we did a lot of exports, but this month we are just taking care of the domestic customers and we have earmarked some quantities for export market also.

- Anubhav Sahu:** Regarding our other products on the subsidiary. What is the status of the Piprazine and DETA right now?
- Ram Reddy:** Both are in short supply; both are doing very well.
- Anubhav Sahu:** Could you update on the volume front and how much we are able to produce?
- Ram Reddy:** We produce 5 to 6 tonnes per day of both of Diethyltriamine (DETA) and Piprazine. We also produce some 2 to 3 tonnes of AEEA and some 300 to 400 kg of AEP. All the products are moving. Maybe 5 to 10 days of stock must be there. So, everything is moving day to day.
- Anubhav Sahu:** My last question is on the export front, if you could share what is the share of exports for last quarter and guidance you have on the export front - how has that shaped and changed in times to come?
- Ram Reddy:** There was a challenge in the logistics during the last six months. There was a biggest challenge in the shipping lines but still we have done about Rs. 185 Crores of exports for entire year on standalone basis from Balaji Amines. If the shipping logistics improves then definitely there will be 5% to 7% improvement in exports in the coming years.
- Anubhav Sahu:** That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Dhruvam from HDFC Mutual Fund. Please go ahead.
- Dhruvam:** Thank you so much. Sir two questions first was one the Ethylamines. We see that imports are about 10000 odd tonnes in India, our capacity expansion is about 16000 odds. If I am not wrong, I was reading a few industry reports, a few of your competitors are also expanding the Ethylamines capacity. So, do you see a risk of oversupply or is there a potential to export this surplus?
- Ram Reddy:** I do not see because there are about 700 to 800 tonnes minimum of importing per month into country and we have some of export orders also. These capacities are created looking into the next five years demand. So minimum 10% demand is coming in for this product. So, over a period of time, in fact in the next five to six years it will be fully occupied and again led to demand for new capacity.
- Dhruvam:** I got that. Sir just to further on this, I understand over a period of time demand will grow given Agro and Pharma is growing in India. If I am not wrong this goes into those sticky products, but in the interim could it create some pressure in the market. I am just trying to understand is it exportable?

- Ram Reddy:** We are exporting it. Now also we are exporting some small quantity, few containers we are exporting. And second thing Mr. Dhruvam over last three to four weeks I am hearing a lot of new molecules will go into treatment for the COVID. All these molecules are involved with this Ethylamines. Lot of new molecules are coming. Definitely there will be demand and in coming four to five years all the capacity will be utilized and there will be demand for new capacity creation.
- Dhruvam:** Okay got it. Sir you mentioned new molecules for COVID is it?
- Ram Reddy:** Yes, there is a product, but I do not have the name in hand. Cipla has declared one product. For that product also Triethylamine is used.
- Dhruvam:** Got it. The second question was I was looking at the volume numbers that you have published and from the annual basis and even on the quarterly basis. If I look at the Amines division, Amine's volumes they are probably flattish or marginal growth. But the growth is primarily coming from the specialty and the derivatives and most of all from the specialty segment for Y-O-Y basis and even on quarterly basis. So, if you can throw some light what is driving this? What are the key products there and anything on that?
- Ram Reddy:** Most of our amines, methyl or ethyl so far 80% of the amines are used captively. That is the reason you will see Ethylamine or Methylamine sales growth to be flat. They are going into derivatives, intermediates and specialty chemicals. But now I think with this new capacity of Ethylamines of 16,500 tons per annum, we will see the growth in sales of Ethylamines from this year onwards.
- Dhruvam:** Got it Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Kishan Gupta from CD Equisearch. Please go ahead.
- Kishan Gupta:** Good evening Sir. Just wanted to understand like pandemic aside, how much do you think is your business scalable from your current revenues of some Rs. 1,300 Crores?
- Ram Reddy:** I think I have already answered. Basing on the current expansions in place, in the current financial year it should be more than Rs. 1,400 Crores to 1,450 Crores, on conservative basis.
- Kishan Gupta:** Even it will be right to say that most of your growth which has come last year has been due to the pandemic?
- Ram Reddy:** I can only say that it is because of the capacity utilizations. We were in a position to utilize higher capacities of 90% to 95- that is the reason we saw the growth. For example, all the

years DMF was operating at 25% to 30%. Last quarter the capacity utilization was about 48% to 49%. Even coming months also, I am expecting capacity utilization should go up to more than 60% to 70%.

Kishan Gupta: Was it not because of strong pharma demand and that was somehow related to the COVID?

Ram Reddy: Pharma demand we can say, but we cannot say pandemic. It is because of the pharma - because there are lot of new companies are coming up, lot of new molecules are coming up. If you understand properly about that amines use for any new molecule coming up, at least one or two products from our basket will be going for that. That is the strength of the company.

Kishan Gupta: You talked your largest capacity in Methylamines and Ethylamines. So, what sort of competitive advantage it is giving you compared to other players?

Ram Reddy: See the new Ethylamines plant which we just commenced a few days back, we have used some new technologies. Probably we will feel the next quarter what the advantage we have, what is the cost advantage on account of this new technology - all these things we will come to understand when you do work for at least a month. So, when you run the full capacity, definitely there will be advantage of the raw material utilization and overheads utilization. All these things are coming in. That is the reason we will see the last few quarters we are seeing the margins up.

Kishan Gupta: Sir what was this technology?

Ram Reddy: Sorry I cannot tell anything on this.

Kishan Gupta: Is it indigenously developed?

Ram Reddy: Whatever maybe, it is little difficult to disclose.

Kishan Gupta: Not a problem.

Moderator: Thank you. The next question is from the line of Ashwin Reddy from Samatva Investments. Please go ahead.

Ashwin Reddy: Good evening. Thank you for the opportunity and congratulations for very good set of numbers. I wanted to get some more clarity on the margin guidance, given that historically you have been guiding for around 18% to 22% that is in the range. Now when we are giving a guidance of around 25% to 26%. I just wanted to understand the drivers behind the same. Is it because of the greater pricing that you expect to continue or what is the reason for giving higher margin guidance?

- Ram Reddy:** You are referring about the EBITDA Mr. Ashwin. We had 27.31% EBITDA margin in FY21. EBITDA margins of around 24% to 25% will be sustainable. This is the guidance.
- Ashwin Reddy:** Correct, is it only for this year or is it like a new normal for your company?
- Ram Reddy:** It is normal. See all the years I used to say 20% to 22% was the sustainable rate. Because of the higher capacity utilization, debottlenecking, many things have happened like fine tuning of the technology – because of all these things confidently I am in a position to tell today 24% to 25% of EBITDA margin is sustainable from the earlier 20% to 22%.
- Ashwin Reddy:** On the export front, you had mentioned about the container issue and a logistical challenge you faced. Has there be any increase in export enquiries?
- Ram Reddy:** Yes, we have orders in pipeline. Most of the orders not being catered on time, which has been known fact for every customer all over the world. So, we are seeing little improvement in the logistics. If that goes well, as I said it, there should be 5% to 7% increase in exports in the coming quarters.
- Ashwin Reddy:** Okay but in two three years down the line in terms of export to the contribution to overall sales what would be a rough number that we can cut out or how do you see this panning out into two to three years, the export opportunity?
- Ram Reddy:** I think export was 17% to 18% of total sales. We have target to increase it to do 30%.
- Ashwin Reddy:** In what timeframe, in the next two to three years?
- Ram Reddy:** I am expecting to reach slowly. Not in this year. Maybe in the coming one or two years we should touch this 30% of the total revenue.
- Ashwin Reddy:** Understood Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Rajiv Rupani an individual investor. Please go ahead.
- Rajiv Rupani:** Congratulations Mr. Reddy on a good set of numbers. Sir I have question on Acetonitrile. Now this process of debottlenecking - by when it will happen and by when do you expect to ramp up production to 18 tonnes to 20 tonnes per day?
- Ram Reddy:** I think finally in this quarter we should complete.
- Rajiv Rupani:** Sir one more question earlier you talked about a product called THF, any update on that?

- Ram Reddy:** I has said if Acetonitrile does not work we should go for the THF. Because our Acetonitrile plant can produce THF also. Now Acetonitrile itself is doing well, so that is the reason we are not doing any trials. Maybe in the coming future if we go for a new plant, if we go for any new capacities - that time we may look for that.
- Rajiv Rupani:** What are the current prices for ACN?
- Ram Reddy:** Rs. 275 per kg
- Rajiv Rupani:** Okay.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Swan Investments. Please go ahead.
- Sachin Kasera:** Thank you sir for taking my followup question. Just two small things one Your presentation mentions that after phase I the revenue will go up by 50%. So is I my understanding correct, that this Ethylamine and DMF will add approximately Rs. 600 Crores to your revenue with full capacity utilization?
- Ram Reddy:** With the current sizes it should Rs. 400 Crores to 500 Crores. We might have given assuming this DMF plant capacity utilization will also go up by another 20% to 25%, which currently at 48% - - if anything it should go more than 75%.
- Sachin Kasera:** Sir second question is on subsidiary, you had indicated in the past that once the subsidiary starts to stabilize, we may look positively in terms of merging that company with the parent company, what is the performance any thoughts on that?
- Ram Reddy:** Yes that will be done in the appropriate time. May be in the coming quarter or maybe coming year we will work out and in forthcoming period we will be doing it.
- Sachin Kasera:** Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Abhay Mal Lodha from Sanmati Consultants. Please go ahead.
- Abhay Mal Lodha:** Good afternoon Ram Reddy S. Congratulations for the good set of numbers. Sir I have two questions. When can we expect the acetonitrile capacity to be enhanced from 9 tonnes per day to 18 tonnes per day?
- Ram Reddy:** I do not know think it is 18 tonnes - maybe 15 tonnes to 16 tonnes. This quarter we are expecting. So, we were trying all these days but the market was not allowing. And now for doing this debottlenecking we are just struggling for the skilled manpower as because of the

pandemic people are not willing to travel. Probably during this quarter, we will finish this. Maybe in the next quarter we will add the capacities.

- Abhay Mal Lodha:** What is the capacity utilization of our Balaji Specialty?
- Ram Reddy:** It is around 40%.
- Moderator:** Thank you. The next question is from the line of Amar Maurya from Alpha Advisors. Please go ahead.
- Amar Maurya:** What is the capacity utilization of this newly expanded 16,000 metric tonnes of Ethylamines. How much capacity utilization we should consider for the next year?
- Ram Reddy:** We should reach minimum 60% to 70% on minimum conservative basis if everything goes well and market allows to do it. If there are no barriers, it can go up to 80% to 90% also. But on conservative basis I am expecting it should be minimum 70% to 75%.
- Amar Maurya:** Sir then I think we can easily more than 15% to 16% kind of a volume growth right, next year?
- Ram Reddy:** Yes.
- Amar Maurya:** Thank you Sir.
- Moderator:** Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to the management for closing comments.
- Ram Reddy:** Thank you all. What I want to say is that the growth in end user industries plus pharmaceuticals, agrochemicals, paints and coatings, personal care and home care is driving the demand of amines for the past few years. And this trend is going to get further impetus for the forthcoming years, as dependability on Indian pharma, agrochemicals and specialty chemical industries increases on account of 'China plus One' business strategy being adopted by western companies. Given the consumable nature of demand and oligopolistic nature of the amines industry, there will be strong correlation between revenue growth of aliphatic amines and that of end user industries. As such we are continuously striving to increase as well as diversify our product portfolio. We are focused on next level of growth and upscale for Balaji Amines over the next five years. Once again, I am thankful to all the investors and stakeholders for showing the confidence on the company and thank you once again.
- Moderator:** Thank you. On behalf of Edelweiss Wealth Research that concludes this conference. Thank you for joining us. You may now disconnect your lines.