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**AMINES LIMITED**  
*... A Speciality Chemical Company*

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Maharashtra. (India)

23<sup>rd</sup> August, 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.

**Scrip Code : 530999**

**Scrip Code : BALAMINES**

Dear Sir,

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

With reference to above cited subject, please find enclosed the transcript of the Conference Call held on Wednesday, 4<sup>th</sup> August, 2021.

Please take the same on record.

Thanking you,

Yours Faithfully,  
For Balaji Amines Limited

*D. Ram Reddy*  
D. Ram Reddy  
Managing Director  
DIN: 00003864





# “Balaji Amines Limited Q1 FY2022 Earnings Conference Call”

August 04, 2021

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**ANALYST: MR. ROHIT NAGRAJ – EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

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

**Moderator:** Ladies and gentlemen, good day and welcome to Balaji Amines Limited Q1 FY2022 Earnings Conference Call hosted by Emkay Global Financial Services Limited. 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 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. Rohit Nagraj from Emkay Global Financial Services Limited. Thank you and over to you Sir!

**Rohit Nagraj:** Thanks Mallika. On behalf of Emkay Global Financial Services I welcome you all to Q1 FY2022 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 their opening remarks post which we will open the floor for Q&A. Over to you Ram Sir!.Thank you.

**Ram Reddy:** . Ladies and gentlemen, a very good evening to all of you and welcome to the conference call to discuss the financial performance of the Q1 FY2022 performance of our company, Balaji Amines Limited. I hope you have got the 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 financials and operational performance. We have 85% growth in total revenue which stood at Rs.394 Crores in Q1 FY2022 as against Rs.213 Crores in the corresponding quarter of previous year. The growth in revenue was on account of additional stream of income from new ethylamine plant along with overall increase in capacity utilization due to higher end-user industry demand. Our operations were not hampered much during the second wave of COVID-19 in India as our products fall under essential category, with many of them also required as intermediates in medications.

EBITDA was up by 119% which came in at Rs.117 Crores in Q1 FY2022 as compared to Rs.54 Crores in the same period last year with EBITDA margin at 29.7% in Q1 FY2022 as compared to 25.1% in the same period last year. The improvement in operating margins was primarily on account of better capacity utilization and continuum healthier price realization across most of our products.

Profit after tax recorded an increase of 136% at Rs.82 Crores in the current quarter under review as against Rs.35 Crores in Q1 FY2021. PAT margin stood at 20.8% in Q1 FY2022

as against 16.3% in Q1 FY2021. Diluted EPS for Q1 FY2022 stood at Rs.25.25 per equity share as compared to Rs.10.70 per equity share in Q1 FY2021.

Total volumes stood at 21,997 metric tonnes for Q1 FY2022, up by 20%, as against 18,306 metric tonnes in Q1 FY2021. For Q1 FY2022, Amines volume stood at 5,394 metric tonnes, Amines derivatives volume stood at 9,587 metric tonnes. Specialty chemicals volumes stood at 7,016 metric tonnes.

Now coming to our consolidated performance for Q1 FY2022. Revenue from operations for Q1 FY2022 stood at Rs.452 Crores up by 102% as compared to Rs.224 Crores in Q1 FY2021. EBITDA for Q1 FY2022 recorded a jump of 165% from Rs.55 Crores in Q1 FY2021 to Rs.144 Crores in Q1 FY2022. EBITDA margin for Q1 FY2022 was at 31.9% as against 24.3% in Q1 FY2021. PAT for Q1 FY2022 was up by 208% from Rs.32 Crores in Q1 FY2021 to Rs.97 Crores in Q1 FY2022. Diluted EPS for Q1 FY2022 stood at Rs.27.90 as against Rs.10.17 per equity share in Q1 FY2021.

Our subsidiary company, Balaji Specialty Chemicals, Private Limited continued to witness substantial increase in capacity utilization with the company recording sales volume of 3,624 metric tonnes in Q1 FY2022 as against 1,713 metric tonnes in the same quarter last year. We have recorded 42% capacity utilization in Q1 FY2022 which we anticipate to further ramp it up to 50% to 60% in subsequent quarters. Non-agro chemical clients constituted about 40% of total sales of ethylenediamine (EDA) in Q1 FY2022 from about 10% in earlier quarters. Our endeavor is to increase the share of exports from our subsidiary to about 25% to 30% going forward from about 13% in Q1 FY2022.

With commencement of operations of our state-of-art new plant of ethylamine which is part of the phase 1 of our 90-acre Greenfield Project (Unit IV) at Solapur, the company has the largest installed capacity of ethylamine in India at 22,500 metric tonnes per annum. Our new plant has already achieved capacity utilization of over 90% in Q1 FY2022. The new plant of ethylamine at Unit IV will lead to lower cost of production due to new technology. With the commencement of this plant, Balaji Amines is the largest manufacturer of methylamines, ethylamines, and other chemicals in India.

The construction of new plant for dimethyl carbonate (DMC) 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 June 30, 2021, we have undertaken a total CapEx of Rs.172 Crores in phase 1 of our Greenfield Project and further Rs.53 Crores would be invested. We also plan to set up an additional plant of acetonitrile having capacity of 50 TPD with projected CapEx of about Rs.70 to Rs.80 Crores at our 90-acre Greenfield Project (Unit IV). This plant is expected to commence operations in FY2023.

Methylamine is a key raw material and base product for value-added derivatives required by pharmaceutical and agrochemical companies. We are currently the market leader in methylamine production in India and 80% of our methylamine 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 increasing captive requirement we plan to set up a separate plant for methylamine with 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 clearance. We anticipate commissioning of this plant by the end of 2023.

That is all from our 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. Anyone who wishes to ask a question may press "\*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue you may press "\*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Amandeep Singh from Ambit Capital. Please go ahead.

**Amandeep Singh:**

Thanks for the opportunity. Firstly, regarding the standalone volume growth of 20% Y-o-Y during the quarter, can you help us understand the key products contributing to higher volumes and blended utilizations for the quarter and also despite the ethylamine plant coming up and reaching more than 90% utilization there was volume decline of 12% on a sequential basis, so can you help us understand if this was due to impact on operations due to COVID second wave for any disruption in demand, any clarity on this?

**Ram Reddy:**

Actually the volume growth on a consolidated basis the contribution from subsidiary is more than 3000 tonnes. As regards to decline in the current quarter, the ethylamine plant was operational only for the months of May and June. Hardly the ethylamine plant was operational for 30 to 40 days, that is the main reason, and there are many other reasons because after first wave COVID demand for many products like remdesivir and Tamiflu and many other drugs have weakened..

**Amandeep Singh:**

Secondly on gross margins, when we see your standalone gross margins that is excluding your Balaji Specialties subsidiary, on a standalone basis the gross margin came in at 49.5% versus 53.1% in previous quarter, so we believe this has been largely driven by sharp increase in raw material prices, can you help us understand the quantum of increase in raw material prices, reason for the same, and if this can be actually passed on to the customers?

**Ram Reddy:**

You are right. The raw material prices were slowly increasing and exactly by the end of the quarter the prices have gone to peak, even now also prices are going up. As I said earlier, it

will take at least two to three weeks' time to pass on the prices onto the customers by convincing and make them understand what is going on actually in the market, which is the current situation. The prices of methanol, earlier which used to be about Rs. 28 or Rs. 29 per kg, as of today the prices have gone up on a landing basis to more than Rs. 34 to Rs. 35 per kg. This is same with ammonia which was Rs. 40 to Rs.42 per kg on a landing basis, today it has become more than Rs. 50 to Rs. 52 per kg. There is a huge increase and we have already started explaining the same to the customers and passing onto the customers may take some time, but it will be passed on.

**Amandeep Singh:** I mean it could be due to supply chain supply issues globally or any other specific reason?

**Ram Reddy:** There are many reasons. This is the main reason, as you have rightly said that logistics all over the world got disturbed and secondly there are some plants worldwide which are not working. Some plants have shutdown and some plants were affected because of the logistics and some plants were affected due to some accidents in some of the countries. So all these reasons together has impacted raw material prices. We do not know how long it will take, but there is an increase in the main raw material prices.

**Amandeep Singh:** Thank you Sir, that is helpful. I will rejoin the queue.

**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 I wanted to understand firstly for the last two quarters we have been seeing specialty products volume for Balaji Amines standalone to be around 10,000 tonnes plus. So, this quarter it was roughly 7,000 tonnes. So, what was the reason for the decline in specialty products volume this quarter?

**Ram Reddy:** That is mainly because of the raw material cost. Acetic acid price has gone up very abnormally. The price of acetic acid used to be around Rs. 30 to Rs.40 per kg, which has went to more than Rs. 100 per kg in the last quarter and even now also it is somewhere around Rs. 85 to Rs. 90 per kg. There are two to three main products wherein we use acetic acid as raw material, mainly acetonitrile. For some period, we have stopped the acetonitrile plant because of the high prices of the acetic acid. We have taken a break and we have started debottlenecking work during this period. Another product dimethylacetamide was also affected because of this high acetic acid price. Because of these reasons, there was decline in volume of specialty products. Also to some extent, one product, that is, DMF production was also affected because of the shortage of the oxygen for some period in the last quarter.

**Kunal:** Okay Sir. In the coming quarters, the volume of specialty chemicals will again stick to the same level of 7,000 to 8,000 tonnes or can we bounce back to the 10,000 tonnes level?

**Ram Reddy:** It is very difficult to say. We just started working. The acetic acid price had come down to Rs. 65 to Rs. 66 per kg, and again it has gone up and we started the plants, acetonitrile plant is operational and DMAC plant also is operational. Probably we should improve from the 7,000 tonnes volume.

**Kunal:** Got it Sir. Last one question, I wanted to understand what was the utilization of the DMF plant in this quarter? I wanted to understand for the month of June specially, what is the running rate which you were having because I believe that in the month of April the shortage of oxygen would have caused interruption in production, but by the end of June what did we close at in terms of utilization of the DMF? Regarding Balaji Specialty where 40% of the EDA product is going for non-agri use, can you highlight in what area that is going to and to which set of customers?

**Ram Reddy:** A lot of pesticide companies are there, like UPL, Coramandel, PI Industries all of these companies are using, you name any pesticide industry, they are using a lot of chemicals from Balaji Amines, but for the specialty there are three main companies like UPL, Coramandel, Indofil. In April totally we could not run DMF plant because of the oxygen shortage. I think in June we have done some 1,200 to 1,300 tonnes of DMF production. I think currently in July the production of DMF maybe more than 1,400 to 1,500 tonnes. From here it should ramp up because we have already started getting oxygen from outside and we are also making alternate arrangements - internally we are building a plant for oxygen. If something goes wrong like earlier, so we are preparing for any adverse impact on the oxygen supply in the coming periods.

**Moderator:** Thank you. The next question is from the line of Punit Mittal from Global Core Capital. Please go ahead.

**Punit Mittal:** Thanks for the opportunity. I have just one question. Whether it is in Balaji Specialty or the standalone plant. Are our plants fungible, can we interchangeably use our plants for other products?

**Ram Reddy:** With standalone Balaji Amines, we have some opportunities. Earlier we said that acetonitrile and THF are interchangeable, but in specialty subsidiary's plants we have not tried. Balaji Specialty is an exclusive plant with exclusive products. We have not tried to change to any other products.

**Punit Mittal:** Okay. Second question is you were highlighting that the raw material prices are still far, so do you see continuous pressure on the gross margin in this quarter and the next quarters as well?

**Ram Reddy:** There will be pressure not only on Balaji, all chemical industries are passing through this pressure. The disruption in logistics has hit very badly all the chemical and specialty

chemical industries, but for Balaji we have some new capacities added which has compensated. If you see this quarter, in spite of all these things the commissioning of greenfield project has helped us to maintain our revenues and even led to an improvement in the bottom line.

**Moderator:** Thank you. The next question is from the line of Swarnabh Mukherjee from Edelweiss. Please go ahead.

**Swarnabh Mukherjee:** Good afternoon Ram Sir! Two to three questions from my side. First one is related to acetonitrile. You just mentioned that you had stopped acetonitrile and now after the revamping you have started the plant. Going forward, are we expecting 18 to 20 tonnes per day volume in this facility?

**Ram Reddy:** Revamping has not completed fully. The moment the acetic acid prices came down, we immediately packed up and we started the production. There is another 8 to 10 days work still pending for the debottlenecking, which we will be doing in the next two to three weeks.

**Swarnabh Mukherjee:** Okay, by the end of August or early September we will be running at 18 to 20 tonnes per day.

**Ram Reddy:** Yes, we will be running at the new capacity after debottlenecking, whatever the capacity comes to like 15 to 18 tonnes per day.

**Swarnabh Mukherjee:** Okay. Can you give me acetonitrile and DMF prices what you are seeing right now?

**Ram Reddy:** Acetonitrile prices are somewhere between Rs. 270 and Rs. 280 per kg. This is actually very low price, when you compare with the increase in the acetic acid prices. The higher acetic acid price increase and lower capacity has given us a lesson to learn and to go for creation of a new sizeable capacity which we announced in yesterday's board meeting. We are coming up with a new plant for acetonitrile of 50 metric tonnes per day which should be operative in the next financial year and that plant will be with the new technology which will lead to lower cost of production.

**Swarnabh Mukherjee:** Okay Sir. In terms of DMF what are the production levels now., I think for the quarter, then few days must have been lost as you mentioned because of lack of oxygen?

**Ram Reddy:** We should be doing 1,500 to 1,800 tonnes per month this quarter also, if the demand continues - whatever we are seeing currently and there is a good demand. I think there is a short supply in the world market for this product. Unlike earlier, we used to face the pressure on the pricing from the imports, but this time we are not facing that much. The current price is around Rs. 150 to Rs. 160 per kg.



- Swarnabh Mukherjee:** Okay. The new acetonitrile CapEx that you have announced yesterday, will it also have the fungibility to manufacture THF in case if you see over supply or anything like that?
- Ram Reddy:** That is very difficult to say right now because that is totally new technology, totally new plant, and totally new route. It is very difficult to say today until otherwise we operate it once.
- Swarnabh Mukherjee:** Okay Sir. Last one, we expect ethylamine plant to run at 90% capacity going forward?
- Ram Reddy:** Yes, presently we are running at 90% capacity.
- Swarnabh Mukherjee:** Okay, the per ton profitability of both your base business and subsidiary has gone up. What are your thoughts and how it is going to pan out particularly in subsidiary because I think it is a critical import substitute product? Will it be running at a similar level or could we see normalization going forward?
- Ram Reddy:** Actually Balaji Specialty chemicals doing very well. All the three products EDA, piperazine, DETA, are in short supply in domestic as well as in international market. That is giving us some leverage in improving the prices and margins. Only thing is there was some short supply of the raw materials. We are still facing that short supply, otherwise today the capacity would have gone to more than 60% to 70% by now. We are expecting in the coming months that is maybe in August end or September onwards, an improvement in the availability of the raw materials that is monoethylamine and that will definitely give leverage to improve the utilization of the capacity of our subsidiary company.
- Swarnabh Mukherjee:** Okay Sir, alright. Any guidance on the revenue front on base business and subsidiary for this year?
- Ram Reddy:** For subsidiary, we have done Rs. 75 Crores of revenue for this quarter. We expect minimum Rs. 300 to 350 Crores revenue for full year on a conservative basis. In the current financial year revenue should touch Rs. 350 Crores.
- Swarnabh Mukherjee:** Okay, and in the base business?
- Ram Reddy:** For the base business, I think our revenue should touch Rs. 1,400 Crores to Rs. 1,450 Crores.
- Moderator:** Thank you. The next question is from the line of Dhruv from HDFC Asset Management Company. Please go ahead.
- Dhruv:** Thank you. It is a bit related to the earlier one. In the acetonitrile, our existing capacity I believe is still to be fully ramped up, I thought it was facing some issues and we have

announced this CapEx. What is the confidence that this will be at the full run rate once it is commissioned?

**Ram Reddy:** Yes, there is an international demand and even domestic demand also. Still there's a lot of imports coming and there are a few customers where we are witnessing that a lot of increased capacity is coming up. Even in the country also under Aatmanirbhar Bharat we are seeing a lot of capacities being planned up where we expect the acetonitrile will go in huge quantities. That is the reason we have just planned to increase our capacity to address of all these demands.

**Dhruv:** Actually, I was trying to understand from the production side. The existing capacity is also I believe taking some time to ramp up. So we believe the other route is more viable and it can ramp up fast.

**Ram Reddy:** Yes. For existing capacity there were two reasons. One reason is when the price was very good we were unable to take the shutdown to undertake bottlenecking process. Now probably in the next coming two-three weeks we will complete this debottlenecking and then we will be running this capacity in full that is between 15 to 18 tons per day. Then next year we are talking about this new capacity of 50 tons per day. Even at a higher price of acetic acid the new acetonitrile plant should be viable. That is the reason we have chosen this new technology and new plant.

**Dhruv:** Okay, got it. The second question was if I look at the overall demand supply situation you plus the other competitor both have announced significant capacities. You also announced the methylamine expansion. Sir once again just to confirm this 2023 you mentioned is end of CY2023 or FY2023?

**Ram Reddy:** New acetonitrile plant is the first priority because of certain changes in market dynamics. Acetonitrile will be coming first after DMC. First Dimethyl carbonate plant, then acetonitrile and then methylamines plant capex will start by December 2023

**Dhruv:** Sir if I look at all the expansions it seems all the capacity additions will exceed the current import volumes, basically India will become largely domestic dependent then. For example the demand were to become relatively slow for whatever reason, is it possible to start targeting exports if such a situation arrives?

**Ram Reddy:** We are already doing 3020% exports, basic products also. DMA also we are exporting. Because of the domestic demand we have restricted the exports and ethylamines also we started exporting. We are already exporting NMP. Morpholine we were not exporting previously, but now we are exporting that too and in even DMF also we just started penetrating outside market.

- Moderator:** Thank you. The next question is from the line of Amar Maurya from Alpha Accurate Advisors. Please go ahead.
- Amar Maurya:** Thanks a lot for the opportunity. Sir my question was more on the other expenditure and the employee cost which has come down. So how we should take the run rate going forward if you can comment on this?
- Ram Reddy:** Sometimes we are running our own power plant and sometimes we are dependent on the MSED. This makes the difference. I think in this quarter there is a change in that and that is the reason you have seen the difference. Going forward we are coming up with a new power plant also, I think I have not mentioned, I missed it, May be in the next three to four months there will be a co-generation power plant in the unit 3 with 4.9 megawatts capacity, which will take care of entire unit 3 and unit 4 power requirement. So at that time you will see substantial saving and consistency in the supply also.
- Amar Maurya:** Okay. Sir the employee cost is also slightly down, so any specific reason?
- Ram Reddy:** It is because of increase in production in the same unit leading to increase in revenue with the same staff and that must be the reason. And probably in the coming period there will be increment dues that will come, at that time you will see it will the employee cost coming back to the same level.
- Amar Maurya:** Okay. Because in Q4 the employee cost was around Rs. 210 crore and this quarter it is Rs. 180 crore, even though the third quarter is at Rs. 180 crore, you are saying it is at the same level that is how I should understand right?
- Ram Reddy:** It may go to the old level because the increments due for July-August. Some of the increments are due for the employees.
- Moderator:** Thank you. The next question is from the line of Kishan Gupta from CD Equisearch. Please go ahead.
- Kishan Gupta:** Good evening Sir. I just want to understand what sort of pricing power do you currently have in your DMF and ethylamines business?
- Ram Reddy:** Price of DMF is about Rs. 150 to Rs. 160 per kg currently. And ethylamine price is also somewhere Rs. 190 to Rs. 200 per kg presently.
- Kishan Gupta:** Sir what is with the pricing ~~part~~power-, because the raw material prices are on the up move. So how much is it possible for you at this stage to pass on, specifically for these two products?

- Ram Reddy:** One or two weeks time will be takes to explain. After two weeks, you will see the passing on the entire increase of prices of both ammonia and methanol whatever is there. It is only matter of weeks for the transition period.
- Kishan Gupta:** Okay. You talked about this ethylamines plant is based on new technology. In the last conference call. you said that what sort of cost advantage we will get we will be able to tell you after some time, in terms what margins we were getting now compared to earlier?
- Ram Reddy:** We are able to produce at a much lower cost and I cannot explain in detail because of the secrecy of the trade, but we have the advantage over earlier technology and current technology.
- Kishan Gupta:** And it's a substantial advantage you mean to say.
- Ram Reddy:** Yes. You have seen in this quarter and you will also see in the coming quarters..
- Kishan Gupta:** Okay and what is the one thing the management is most focused on currently?
- Ram Reddy:** Expansions, in spite of this pandemic situation we have successfully commissioned this 50 ~~tpd~~ TPD plant of ethylamin and second plant of DMC is on track which will be commenced by the end of the current financial year. Our focus is to run the existing plants efficiently and complete the plant expansions as per the schedules.
- Kishan Gupta:** And for DMF can you also procure methylamines from outside because incase if there is a delay in methylamine capacity? .the...
- Ram Reddy:** If the situation demands, yes but with viable pricing.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.
- Ravi Naredi:** Thank you very much to give me the opportunity. Sir, we learned from you in last con-call and yesterday announcement on CapEx. We hope Rs. 240 Crores CapEx will be done in current year, is it correct? Please give CapEx plan for FY2023 and what will be the revenue arising from this CapEx?
- Ram Reddy:** For the current year CapEx we have already done the leftover part of the new ethylamine plant.. The balance CapEx is for the DMC (dimethyl carbonate) plant, , which will commence operations by the end of the financial year. If the ethylamine plant operates full year it should generate about Rs. 200 to 300 Crores with 100% capacity utilization. In DMC also once it starts it should give about Rs. 150 Crores of revenue annually.

- Ravi Naredi:** Okay. This FY2022 how much CapEx will be done?
- Ram Reddy:** I think another Rs. 50 Crores to 60 Crores is left. It is very difficult to say this much capex for particular plant because a lot of activities are going on. There are end expenses for the existing plant. There is one plant which is at the finishing level. We are talking about new plants which are at foundation level, so a lot of activities are going on.
- Ravi Naredi:** Right. What about FY2023?
- Ram Reddy:** We already announced one plant that is acetonitrile plant that will involve capex of about Rs. 70 to 80 Crores, that we will be spending in FY2023 and part capex for new methylamines plant we may undertake in FY2023.
- Ravi Naredi:** Okay, approximately how much cost?
- Ram Reddy:** This visibility we will be able to provide after another quarter.
- Ravi Naredi:** Okay. What is the scene of raw material prices and any backward integration are we planning?
- Ram Reddy:** Not yet really. Currently only that oxygen plant which was not working earlier we are bringing in it onstream, maybe in the next one or two months it will commence operations. If you talk about the backward integration, one is the oxygen plant. Second is the power plant.. New power plant is coming up in unit 3 which will be operative before the end of the financial year. This will give us savings in cost. Backward integration for all other products like methanol and ammonia it is very difficult, because they are all big plants. They are all part of petrochemical complexes.
- Moderator:** Thank you. The next question is from the line of Rajiv Rupani, an individual investor. Please go ahead.
- Rajiv Rupani:** Congratulations Ram Reddy Sir on a good set of numbers. I have a small question of DMA HCL. Sir, we have some 24,000 tonnes existing capacity and environmental clearance was there for 7,500 tonnes, so any update on that?
- Ram Reddy:** You are right, your memory is very good. Both are still there. What has happened Mr. Rajiv is The main consumption for this DMA HCL is for metformin, ranitidine, and tramadol. These are the three products that require DMA HCL. Currently metformin is not in increasing mode. So, the moment the demand picks up, we have all the infrastructure ready, we just need to add some equipment to increase our production capacity going forward. We have the capacity of 24,000 tonnes per annum, and we are producing about 22,000 to 23,000 tonnes per year. We have not fully utilized our 24,000 tonnes capacity and there was

additional demand to start production of the 7,500 tons capacity. If there is demand, we will go ahead. Second thing, the raw material required for this product is DMA. We will have to look at DMA. As of today, we are utilizing DMA on the need to demand basis. Like if DMF is giving good pricing we are using more of DMA for DMF. If the DMA HCL is getting good price, we will use more of DMA for DMA HCL. The moment the demand for all the products go up in full swing and we get a good price, the additional capacity of 7,500 tonnes will be brought onstream.

**Rajiv Rupani:** Okay, thank you. Now, the expansion which we are doing for Acetonitrile, DMC, methylamines and DMF in the future -so in two to three years, after all this is complete what do you think will be the topline of the company approximately?

**Ram Reddy:** If everything goes well, above Rs. 2,000 Crores is possible. New DMF plant is not going to happen so soon. If that comes, definitely more than Rs. 2,000 to 2,500 Crores. In two years, there is clear revenue visibility of up to Rs. 1,800 to 2,000 Crores.

**Rajiv Rupani:** Okay, and last question on morpholine, any update? What are the current prices and are we looking to increase this, and you are exporting to China also, any update?

**Ram Reddy:** Yes, in India and other European countries the demand is more, but we have reduced exports to China because Chinese market is a little opportunistic type. That is the reason why we always give low profile for the exports to China. Even if you see the at the products of Balaji Specialty s, in month one we exported 1,000 tonnes to China, and the next month we immediately reduced it to 300 to 400 tonnes because of the increasing domestic demand and demand in other countries. Currently Morpholine product is doing well and the domestic prices are good. The current price for the morpholine is Rs. 180 to 200 per kg.

**Rajiv Rupani:** Okay and Sir a followup question on Acetonitrile. Our existing capacity is 9,000 tons, but I believe we had environment clearance for 18,000 tonnes, since last two to three years. So what happens to the 9,000 tonnes where we have the environment clearance but we are not doing it?

**Ram Reddy:** As I said earlier there was some mismatch while building the plant. For that reason, we stocked at 9 tonnes per day which we will be making it to 15 tonnes by undertaking this debottlenecking, which may happen in one or two months. You are right about the license capacity it is 18,000 tonnes. In fact we are adding more capacity, because once we go for this 50 tonnes, that plant will have capacity of 16,500 tons capacity, and this existing plant will have capacity of 6,000 tons. The total will become 22,000 to 23,000 tonnes. We will ask for the additional clearances, which we are currently working on. .

**Moderator:** Thank you. The next question is from the line of J Shekhawat from Ambit Capital. Please go ahead.

- J Shekhawat:** Thanks for taking my question. Mr. Reddy my first question is relating to the key raw material prices. Now you said that we have been experiencing a lot of increases. Can you help me update the situation on the Iranian imports for methanol, how is the situation there?
- Ram Reddy:** Nothing is there, we are not getting anything from Iran directly. Via Iran we don't know, but direct trade contract from Iran has not yet started. If that starts that will be great for the Indian chemical industry, but not yet started.
- J Shekhawat:** And do we really expect anything to improve at least over the next year?
- Ram Reddy:** After new administration in the US government, we are expecting that trade from Iran should open at least for the essential commodities, then that will be helpful for the entire country, entire chemical and specialty chemical industries.
- J Shekhawat:** Right. Please help me understand, your close competitor is also commissioning a new acetonitrile plant in a couple of quarters, and you have already added capacity over there. Help me understand how does that impact your realization going forward once your capacities are on stream?
- Ram Reddy:** Currently acetonitrile is not the main product for us. As of now, we have only small capacity. But when we are talking about the new technology, (we are not adopting the existing technology or old technology) our technology will be totally different for the new 50 tonnes per day capacity. We probably may also scrap this existing capacity of 9 to 15 tonnes per day whatever we are doing. It may be used for some other purposes and the new plant which will be more advantageous will be used once it starts operating.
- J Shekhawat:** Understood, and Sir you have mentioned clientele in the presentation, are you the exclusive supplier for them?
- Ram Reddy:** Nobody is exclusive to anybody in current situation in the world market
- J Shekhawat:** Okay, thanks for clarification. Finally, on our R&D efforts, now given that we are going to a wider and growing clientele, we only see about 25 products present versus there are competitors with over 100s. Any specific reasons why we have not been able to ramp up our product range?
- Ram Reddy:** I do not know, in only paper we have seen, but I have not seen in the market 100 products which you are talking. Anyways that is not our business. We have our R&D in place and our R&D team is presently working on improving the efficiencies of existing plants and new products. We have almost half a dozen new products. Majority of the products are big value products. For any product we are not looking at less than 15,000 to 20,000 tonnes capacity per annum and that too import substitutes.

- J Shekhawat:** How much of new products are we looking to add going forward in the coming years?
- Ram Reddy:** We have many, many products in the pipeline, but the only thing is we cannot take everything at on one time as it will get messed up. That is the reason why we are taking one product at a time, and that too based on the demand and the market dynamics. We are just changing from front bench to last bench and last bench to front bench. ←Earlier we said methylamine will come first, now acetonitrile has taken the front bench and methylamine has taken the second and DMF has taken third position.
- Moderator:** Thank you. The next question is from the line of Pritesh Cheda from Lucky Investment Managers. Please go ahead.
- Pritesh Cheda:** Thank you for the opportunity. In Balaji Specialty where you mentioned that the output and the revenues are at 40% utilization, if we do the maths it works to some Rs. 700 Crores of revenue and the margin is also really a big number. When we had implemented this asset, this was I think about Rs. 160 to 170 Crores of CapEx that we had done, and as per asset turn expected at that time we had Rs. 400 Crores odd revenue number. So just wanted to understand what has changed for Balaji Specialty in terms of higher revenue and a much higher margin? Is there any product where the price realization has shot up or do you think it is structural or what change is that would explain it?
- Ram Reddy:** If you go with the current pricing, it should go to more than Rs. 600 Crores annual turnover, but when we estimated originally at that time the sale price was somewhere Rs. 160 to Rs. 170 per kg. That is the reason we estimated Rs. 400 to 500 Crores of revenue in those days, and today the prices have gone up, both raw material as well as finished product price. This is because of short supply, but still we are checking. It looks like in last four to five months continuously there was short supply means there is some demand that has been created worldwide, that could be one reason. Also, one or two plants might have been shut for some reasons. It has come to the limelight and demand has been created. Even in domestic market also, the prices have improved. If it goes like this, the margin levels will be maintained. Otherwise, I was talking earlier also, EBITDA presently may be about 28-29% and sometimes it is even achieving 30%, but to my knowledge and my expectation the sustainable EBITDA should be somewhere 20% to 23% on long run basis and more than Rs. 400 to 500 Crores should be sustainable revenue. If you see the past data, for years the price was maintained around Rs.170 to Rs.180 per kg only.
- Pritesh Cheda:** So at the time of Rs. 400 Crore revenue assumption, the price was Rs. 170 to Rs. 180 per kg of the product or it is now Rs. 170?
- Ram Reddy:** Earlier when we estimated that total annual turnover should be Rs. 400 Crores, at that time the average sale price was Rs. 165 to Rs. 170 per kg. Today it is more than Rs. 200 per kg.



- Pritesh Cheda:** Okay, accordingly the profitability is also higher because the price is higher.
- Ram Reddy:** The profitability is higher also due to increased capacity utilization. Earlier capacity utilization was about 20% to 30%, now the capacity utilization has increased to about 40%. In future as the capacity utilization increases to 60% to 70%, the profitability will further improve.
- Pritesh Cheda:** Okay, and my second question is keeping the methylamine greenfield capacity aside, based on whatever capacity that we have added which is basically acetonitrile, earlier there was debottlenecking and now there is a greenfield, the dimethyl carbonate we are adding about 10,000 tonnes and ethylamine we have added about 16,500 tonnes right, and we have some spare capacity in the DMF, so sum total of these four to five areas, what is the total volume that you would do combined for these and specifically keeping methylamine 50,000 tonnes greenfield capacity aside. So, what kind of volume should you do when you reach full utilization?
- Ram Reddy:** Yes, partly I understood. You are asking that once we finish all the expansions, what would be our total volumes, right?
- Pritesh Cheda:** Yes, let us say you are doing about 24,000 to 25,000 tonnes until last quarter?
- Ram Reddy:** Once we finish these expansions, we should not do less than 1,20,000 tonnes per annum.
- Pritesh Cheda:** Sir, if you are doing about 24,000 to 25,000 tonnes until last quarter. Let us say even if we take 22,000 tonnes what you did this quarter, which means annually about 90,000 tonnes or 100,000 tonnes...
- Ram Reddy:** New additions will be from acetonitrile, DMC, and from the new ethylamine plant.
- Pritesh Cheda:** Sir, now dimethyl carbonate, with 16,500 tonnes of ethylamine, 20,000 tonnes of acetonitrile, that itself takes you to about 140,000 tonnes.
- Ram Reddy:** You cannot say immediately 100% capacity. Some plant will run 70%, some 60%, so all these put together conservatively I am saying 120,000 to 130,000 tonnes.
- Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Emkay Global. Please go ahead.
- Rohit Nagraj:** Thanks for the opportunity. Sir, first question is in terms of our inventory management. Given that there is a lot of volatility, generally what are the risk measures in our inventory management in terms of reducing the volatility and the same on our contracts with

customers. So will there be any clause that if there is a substantial increase in input cost it can be passed on? Thank you.

**Ram Reddy:** The first question is very tough, volatility and inventory. Everybody is passing through this in the country today. Sometimes the price is going very high and we buy, but then the prices come down and this is happening. Since we have many products, many raw materials, we are covering up with one or the other raw materials, one is giving plus, one is giving minus, like that it is getting pacified. Second thing, we do not have any long-term contracts even though they demand and they ask, we have contracts for only two to three months. Two to three months risk we are always taking including raw materials, and other side we are committing the customers to that extent only for two to three months, to avoid any hits on account of the price increase.

**Rohit Nagraj:** That is helpful. Sir, second question is in terms of who do we look at as a role model in terms of global company by aspiring in terms of capacity expansions, operations, in terms of the policies, etc., so do we have any role model who we probably would like to replicate over a period of time? Thank you.

**Ram Reddy:** Role model as such is none. But there is one thing - if you see our past record and the future plans also - we just look at import substitute. What is the major product coming into the country for the years together which has commanding presence in the country, those products we are identifying and we are trying to build the technology and plant for that particular product and we are trying to improve the efficiencies in that particular product to compete with the global markets. That is only our model or funda, whatever you call it.

**Rohit Nagraj:** Got it Sir, thanks for the answer and best of luck.

**Moderator:** Thank you. I would now like to hand the conference over to the management for closing comments.

**Ram Reddy:** Thank you very much all the investors. The growth in end-user industries such as pharmaceuticals, agrochemicals, paint and coatings, personal care, and home care, all these continue to drive the demand for the amines. This trend is going to get further impetus over 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 the oligopolistic nature of the amines industry there is a strong correlation between revenue growth of aliphatic amines and that of end user industries. Thus, we are continuously striving to increase as well as diversify our product portfolio to address more segments of our end-user markets. Thank you once again too all our stakeholders, investors and analysts for showing the confidence in our company. Thank you once again.

**Moderator:**

Thank you. On behalf of Emkay Global Financial Services that concludes this conference.  
Thank you for joining us and you may now disconnect your lines.