



Alkyl Amines Chemicals Limited

Corporate Office: 207A, Kakad Chambers, 132, Dr. Annie Besant Road, Worli, Mumbai - 400 018 INDIA
Tel.: 91-22-2493 1385, 6748 8200 • Fax: 91-22-2493 0710 • CIN No. L99999MH1979PLC021796



Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

June 5, 2021

To,

BSE Ltd.

P. J. Towers,
Dalal Street,
Mumbai – 400 001.

SCRIPCODE: 506767

The National Stock Exchange of India Ltd.

Exchange Plaza, BandraKurla Complex,
Bandra (E),
Mumbai – 400 051.

SYMBOL: ALKYLAMINE

Sub.: Intimation under Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 – Transcript of earnings conference call

Dear Sirs,

With reference to our letter dated May 24, 2021, please find enclosed the transcript of the earnings conference call held on Friday, May 28, 2021.

Kindly take the same on records.

Thanking You.

Yours Faithfully

For **Alkyl Amines Chemicals Ltd.**

CHINTAMANI
DATTATRAY
A THATTE

Digitally signed by
CHINTAMANI
DATTATRAYA THATTE
Date: 2021.06.05
00:09:33 +05'30'

Chintamani D. Thatte
General Manager (Legal) & Company Secretary
& Compliance Officer

Encl.: As above



Alkyl Amines Chemicals Limited

“Alkyl Amines Chemicals Limited 4QFY21 Earnings
Conference Call Hosted by HDFC Securities”

May 28, 2021



Alkyl Amines Chemicals Limited



MANAGEMENT: **MR. YOGESH M. KOTHARI – CHAIRMAN & MANAGING DIRECTOR, ALKYL AMINES CHEMICALS LIMITED**
MR. KIRAT PATEL – EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, ALKYL AMINES CHEMICALS LIMITED
MR. K. P. RAJAGOPALAN – CORPORATE ADVISOR, ALKYL AMINES CHEMICALS LIMITED
MS. KANCHAN SHINDE -- SENIOR MANAGER FINANCE & ACCOUNTS, ALKYL AMINES CHEMICALS LIMITED
MR. CHINTAMANI THATTE – GENERAL MANAGER (LEGAL) & COMPANY SECRETARY, ALKYL AMINES CHEMICALS LIMITED

MODERATOR: **MR. NILESH GHUGE – HDFC SECURITIES**



Moderator: Ladies and gentlemen, good day and welcome to Alkyl Amines Chemicals Limited Q4 FY'21 Earnings Conference Call hosted by HDFC Securities. 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 now hand the conference over to Mr. Nilesh Ghuge from HDFC Securities. Thank you and over to you, sir.

Nilesh Ghuge: Thank you, Aisha. Good evening, all. On behalf of HDFC Securities, I welcome everyone to this Alkyl Amines Conference Call to discuss the Results for the Quarter and Full Year ended March 2021.

It is a pleasure of having us top management team from Alkyl Amines, represented by Mr. Yogesh Kothari – Chairman & Managing Director; Mr. Kirat Patel – Executive Director & Chief Financial Officer; Mr. K. P. Rajagopalan – Corporate Advisor; Ms. Kanchan Shinde – Senior Manager, Finance and Accounts and Mr. Chintamani Thatte – General Manager (Legal) and Company Secretary.

Without further ado, I will now hand over the floor to the management for making the opening comments. Over to you, sir.

Yogesh M. Kothari: Thank you, Nilesh. It is my pleasure to welcome you for today's investor conference facilitated by HDFC Securities team. My name is Yogesh Kothari and I am the CMD of Alkyl Amines. My happiness for our successful year of 2021 is somewhat diluted by the COVID situation in India and all around the world. I am hoping that this evil virus will be out of our lives at the earliest and we all live in an atmosphere of happiness. Some of the Alkyl Amines employees have also had a bad experience with COVID and we had a few casualties. Our company is doing its best to reduce the burden of our employees and their families by changing our employment policy.

As most of you must be aware, Alkyl Amines has three different locations of manufacturing plant: Patalganga and Kurkumbh in Maharashtra and Dahej in Gujarat. We are producers of Ethylamine, Methylamine, Isopropylamine, Acetonitrile and several derivatives of Ethylamine and Methylamine. Most of our plants have been put up by our own in-house use, R&D, process engineering, technology team, all the basic engineering work is done by in-house teams. We have not bought any technology after getting the original ethylamine and cyclohexylamines.

Our current projects going on are Acetonitrile plant in Dahej and new amines plant at Kurkumbh. Dahej is in-house technology.



Current market for our products are for pharma industries, agrochemical industries, rubber chemicals, water treatment, etc., Fortunately, pharma market in India are doing very well and we are getting the advantage of it.

I would now request Kirat Patel to take over and move forward.

- Kirat Patel:** Good afternoon, everybody. I am Kirat Patel, Executive Director of Alkyl Amines. I welcome you to this investor conference. Without further ado, I would like to go into the question-and-answer mode of the conference.
- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kishan Gupta from CD Equisearch. Please go ahead.
- Kishan Gupta:** Essentially, you did some turnover of Rs.1,250 crores this time. So, how much scalable is your business from here on?
- Yogesh M. Kothari:** You mean, what is our capacity utilization or how much more can we do with the same assets on the ground?
- Kishan Gupta:** Yeah and in fact even after CAPEX, what sort of growth you are expecting for the next few years in terms of your business?
- Yogesh M. Kothari:** In terms of volume, we are fairly optimistic because a large portion of our sales are to pharmaceuticals and pharma industry is doing quite well. So, volume growth what we expect is maybe on the higher side of 15% with a few blips up and down but that would be the kind of change we are looking at over a medium-term period meaning three to five years. There will be some years where we have a little burst because we commissioned a new plant and we bring in new capacity like this year we hope to commission the Acetonitrile, so second half of this year may see a little spurt in volumes.
- Kishan Gupta:** Most of the chemical companies who have supplies to pharma have benefited in the last one year or so. So, how much do you think is this sustainable?
- Yogesh M. Kothari:** Well, I think it is sustainable over a longer period because Indian pharmaceutical industry is still growing and penetration of pharma drugs is fairly low in the country and there is a lot of potential. So, on the back of say pharma or agro or for that matter even other end users, we are still a nascent economy which has to grow further and when that grows we grow. I don't think there is a limit to how much we can grow. We have our assets on the ground, we reinvest in capacity and we keep growing.
- Kishan Gupta:** Is there any further scope to increase existing capacities through debottlenecking?



- Yogesh M. Kothari:** Yes and no, in some plants, no, there are some plants which have reached the limit but there are other plants which we are constantly debottlenecking. But as you can see that we are putting up a new aliphatic amines plant in Kurkumbh because we foresee that the limits of debottlenecking may be reached fairly soon in the other four plants.
- Moderator:** Thank you. The next question is from the line of Amandeep Singh from Ambit Capital. Please go ahead.
- Amandeep Singh:** Except for the COVID impact in 1Q, the growth for the amines players in India has been resilient. So, in that context, can you help us with volume growth which you would have seen in 4Q FY'21 and entire FY'21?
- Kirat Patel:** As you can see, our top line has grown about 25-26%. Most of it is value growth mainly because the first quarter mainly our volume was little suppressed. In fact, there was a degrowth because of the April, May of last year where we had supply chain issues when the first lockdown happened. Subsequently, we have caught up and approximately one-third of that growth which you see on the top line is volume and about two-thirds are price.
- Amandeep Singh:** What would be the trend for the fourth quarter, any sense on that?
- Kirat Patel:** As you can make out because we had a slump in the first quarter and yes, we made up all the way up to 10% volume growth which means the second half has been definitely stronger.
- Amandeep Singh:** Just as a follow up to this, will it be possible to indicate current capacity utilization on a blended basis, it would taper across plants?
- Yogesh M. Kothari:** Bit difficult because there are different plants on different sizes, you have to take a weighted average kind of thing, but I can say we are running most plants to fairly high utilizations and perhaps we have some headroom left but not too much, that's why we need to put more steel into the ground for the key products like Aliphatic Amines and Acetonitrile.
- Amandeep Singh:** Secondly, coming on to your expansion plans across Acetonitrile and Ethylamine, also with your competitor recently adding capacity in Ethylamine and also debottlenecking Acetonitrile capacity, can you help us get your thoughts on the outlook for these products and expected impact on realization consequently as the supply increases?
- Kirat Patel:** So, take the Acetonitrile first. As we have discussed earlier in the investor conferences, there is a large market in India. We are only servicing about 40% or so of that market and there is 60% served by others. Yes, our domestic competitor has started servicing some part of the market but it is still a smaller market share than ours and largely the rest is covered by imports. So, we hope to narrow the imports with our new expansion which will probably get commissioned and be out in the market in the second half of '21-22. Of course, this is subject to the troubles we are having right now with the COVID situation with manpower and oxygen and things like



that which all people across the board are suffering. Supply chains are having some difficulties. But assuming that these get resolved fairly quickly now, we will be looking at commissioning Acetonitrile somewhere in the second half of this year and try and capture as much market share as possible in the domestic market. But there is also the export market available. So, we hope to push into that market also. Today, we are not able to serve fully because we have capacity constraints. As far as Aliphatic Amines is concerned, we have four plants making range of Aliphatic Amines from Methyl, Ethyl, Isopropyl, EHA. , Two or three of these plants are multi-purpose. We will have to reshuffle these plants around. And the new plant which will come up will add about 30% capacity to our Aliphatic Amines portfolio. So, at the beginning there will be a little bit of extra capacity but we have a couple of products which we do want to introduce into the market which will get then some space in the plants to make. And hopefully, Aliphatic Amines plant will run at a reasonably good capacity.

Amandeep Singh:

Just lastly, the cash of Rs.1.3 billion on your books and healthy cash generation, can you give us some sense on expansion plans at Acetonitrile and Ethylamine or any new product that you might be looking at? And also, when you would start scouting for new land for the next round of expansion, any sense on that?

Kirat Patel:

We have earlier mentioned that our Acetonitrile plant is going to cost a little upwards of Rs.150-160 crores which is on track. This year, that is the year ending March '21, we have spent approximately about Rs.140-150 crores in CAPEX. In the coming year '21-22, we expect to spend approximately Rs.200 crores depending on how COVID situation will be. And going forward, Aliphatic Amines plant in Kurkumbh is along with its utilities, because almost a Greenfield plant is going to cost somewhere close to about Rs.300, 350 crores. So, a lot of cash and cash equivalents sitting on our books will get absorbed by the capital expenditure. Plus we are looking for new land which hopefully we will try and acquire in the next year for further growth. We do have some headroom or elbow room available both in Kurkumbh and Dahej for a few smaller plants. But I think we will be using that up over the next three years. So, we need a new land which we will probably acquire in '22-23 and it would be probably a large piece of land maybe 50, 100 acres, and it would absorb a lot of cash.

Moderator:

Thank you. The next question is from the line of Dhruva from HDFC Fund. Please go ahead.

Dhruva:

Just a few clarifications on the capacity numbers if you do share them. The methylamine capacity expansion was completed in FY'21, right. Do you share what is the total capacity for methylamine now for us?

Kirat Patel:

We had mentioned earlier that we are going to increase from approximately 100 to 150 tons per day because of the mix changes, it depends on DMA, TMA. We have completed that in middle of 2021.

Dhruva:

So, approximately 45,000 tons on an annual basis?



- Kirat Patel:** Yeah, approximately.
- Dhruva:** The Acetonitrile plant will be completed by end of 2Q?
- Kirat Patel:** We were hoping to complete it earlier by June end but now because of the two COVID waves, we had to postpone it by a quarter, so it will not be commissioned before October.
- Dhruva:** That's about 15,000 tons.
- Kirat Patel:** Little more than that, but about that.
- Dhruva:** I believe in the last call you did mention something about expansion on Ethylamine. So, is that announced and is that part of your CAPEX guidance that you are giving and how much....
- Kirat Patel:** Yes, it was announced after our board meeting in February. . It's about Rs.350 crores investment into the new Alyphatic Amines plant, mainly we designed for Ethylamine and its utilities are around this. We are developing a whole plot around it for further end use.
- Dhruva:** Sir, the approx. capacity would be?
- Kirat Patel:** We are not mentioning that but generally our total capacity we have mentioned will go up by about 30% of all Alyphatic Amines. We will have five plants.
- Dhruva:** Is it fair to assume by end of 4Q given the strong demand that we are seeing, a large part of the existing capacities would be fairly utilized?
- Kirat Patel:** I would say yes, by middle or end of next year the Aliphatic Amines site will be fairly well utilized.
- Dhruva:** The CAPEX you mentioned for FY'22 is Rs.200 crores and given that the Ethyl is also coming up, there would be a similar CAPEX in FY'23?
- Kirat Patel:** Yes, I think it maybe be around the same if not little more.
- Dhruva:** This Ethyl second expansion will be completed in FY'23?
- Kirat Patel:** The Alyphatic Amines plant in Kurkumbh will be completed in say middle to third quarter of '22-23.
- Dhruva:** Acetonitrile is also a key growth driver for us. So, is it possible to share what is the import volumes for India say in FY'21, some rough number?



- Kirat Patel:** I am not 100% sure because these numbers are little difficult to exactly pinpoint but I would say that it would be about 50%-60% of India's requirement is imported and approximately India needs about 30,000 to 35,000 tons, but it's a round number, it may go up and down.
- Moderator:** Thank you. The next question is from the line of Ridesh Gupta from Kotak Mutual Fund. Please go ahead.
- Ridesh Gupta:** My first question is on Acetonitrile realization. If you can just give some thoughts in terms of how are the realizations trending up?
- Kirat Patel:** Well, the realizations over the last year have been fairly steady at whatever the rate of Rs.250 to Rs.300, it's been in that range for some time now and it remains steady at that level.
- Ridesh Gupta:** Secondly sir, we have seen 400 basis points gross margin decline on a QoQ basis as compared to the December quarter we have seen some decline in our gross margin. So, what could this be attributed to -- is it that there is some raw material inflationary trend, which has come up for which you will be sort of taking a price hike in the ensuing quarter?
- Kirat Patel:** There are two parts to that question. Yes, you are right about the first question that the raw material prices, which we have been enjoying a long period of benign, raw material prices for some time, has turned around in the last quarter. You will notice the crude oil prices have gone up and on the back of it petrochem prices keep going up. Some of them out of proportions, some of them as a natural corollary. I will not say across the board, but a large number of our raw materials have seen major hikes which we have not been able to commensurably pass on to the customer. Whether in the future, we will be able to pass that on, is, of course, speculating, we can't predict, we hope to, but we can't say for certain on that.
- Ridesh Gupta:** Sir, my last question is that you mentioned that bulk of the revenue growth in FY'21 was a realization-led of growth. Is that because of capacity constraints or is that our competitors have taken some market share?
- Kirat Patel:** No, no, you know what has happened is that if, for example, the first quarter of last year had been a normal quarter, we would not have made that statement, probably, our volume would be even higher, but we struggled in the first half, not just us, our competitor also struggled, all of us had problems, in April of '20, and May of '20. All of us struggled to get our plants going. Fortunately, our supply chain held up and the pharma industry did manage to get the material when they needed it. So, I would say we all played our roles in making the supply chain strong. But if not for that, yes, we would have probably grown even more.
- Ridesh Gupta:** And how is the situation this time around, are our facilities operating at full capacities or because of the second wave, we have to shut down our facilities?



- Kirat Patel:** No, the second wave has hit us a little more severely than the first wave because it has been in the last couple of months, April, May especially. We have seen a large number of people, as our CMD mentioned getting infected. However, because we are more ready this time, it was not kind of a sudden lockdown like last time, we got a lot of notice, so we were able to plan and none of the plants have been actually affected in terms of production. Yes, people are yet to be recovered, people have been working a little over time, some people have substituted it for others. But, people are recovering. And fortunately, almost 80%, 90% of the people who got infected are back on their jobs. Unfortunately, we have had some fatalities, about three or four people and we are taking care of their families and whatever we can do best for the people they have left behind.
- Moderator:** Thank you. The next question is line of Kaushik Mohan from Moat Financial. Please go ahead.
- Kaushik Mohan:** Can you give me some thoughts on your next four years planning on the company on the top line as well as the bottom line?
- Yogesh M. Kothari:** No, it's difficult and I don't think that's allowed.
- Kaushik Mohan:** Because I see that there is more capacity being installed in the company. So, I just wanted to know what drives the capacity for the company altogether?
- Yogesh M. Kothari:** No, we are putting up new capacities which make up in Dahej end of this year it could be there on time, then the new aliphatic amine plant is coming up in Kurkumbh, that will be by the end of next year in between we had already done some debottlenecking in some of the plants. So, we are quite comfortable with the capacities going over. So, we've been able to manage the last quarter which was quite volatile, but we do not see that as a problem this time.
- Kaushik Mohan:** Sir, what about the net profit margins will be sustaining for the future coming because in this couple of years I'm seeing very good net profit margins, will they be consistent or it is going to be contracted?
- Yogesh M. Kothari:** Difficult to say that but we hope that it remains in the same range.
- Kaushik Mohan:** Sir, I just wanted to know, Amine is a very difficult product to be transported because it gets corrosion figure. So, how the company has been equipped for this risk?
- Kirat Patel:** I think amines are not per se more difficult to transport except there are some like Isopropylamine Anhydrous or Methylamine which are gaseous. So, they need to be transported under pressure vessels. But the others are liquids and they're not corrosive., They're yes hazardous, but not corrosive. And therefore it's a kind of a mix. Methylamine, yes, difficult to transport across the nations, but within the country, in domestic transport, it's not difficult and the others are fairly easy to transport, they are liquids in ambient temperatures.



- Yogesh M. Kothari:** Because they all come under hazardous category.
- Kirat Patel:** Yeah, but they would be hazardous, they have to handled carefully.
- Kaushik Mohan:** Can you throw some lights on like how the industry growth will be in next coming years, it's something that you have in the demand, because you've giving so much of capacity?
- Yogesh M. Kothari:** In the last two, three years we have seen our requirement of our products have gone up a lot internally as well as externally. Lots of small scale and medium scale type of companies have started using our products or developing products based on our products. And this is the way things are happening. As you rightly said that transportation and other things. The international transportation is still difficult but not that difficult, it's available. So, now, when it is available in your own country, people are more courageous in putting up things based on their needs. So, that's why we are very confident that new plants started by new entrepreneurs will start absorbing more amines plus of course the pharma industry is expanding in India, being a large country, requirements will always go on increasing, that's my view..
- Kaushik Mohan:** Sir, some more light on the employees like what is the frequency of the employees coming into the organization, were there any plan that even these people will be coming in odd days, is there any plans or something that just to protect themselves from the COVID?
- Kirat Patel:** Yeah, we have the usual practices of sanitization, social distancing, masks, we've been practicing this for the whole year. In fact, in the factories, they also do 12-hour shifts alternate days, Team-A, Team-B, we have reduced the number of people sitting in any place, training programs have now gone online. As far as the offices are concerned, almost nine months of the last 15 months, they've been working from home, no more than about 25% of the office is occupied at any point in time. Same applies to the Hadapsar technical center, where the R&D and the technical people work. People have got used to working from home. Of course, the factories cannot. So, they have trimmed down their requirements as much as possible and kept their distancing. Fortunately, in our kind of industry, there is no cause for large number of peoples to gather. There are large plants with hardly any people... for example, in Patalganga, if you go in the night shift, when both the plants are running, we have less than a dozen people in the whole site of seven acres. The rest are all security and people like that. So, actual operating staff is less than 10, 12. We don't need that many because of automated plants. So, that way, we are a bit fortunate that across our sites of how maybe more than 110, 120 acres in the three sites, there are about 500 or 600 people any day and that is in three shifts. So, we don't have much crowding to that extent. But we take a lot of precautions in sanitizing, distancing, keeping people separate on the bus and things like that. But of course, when they go home, and outside, again they face the same dangers that you and I face if we step out. And in case some unfortunately , are hospitalized, we take care of all their medical expenses. And in case of the two or three people who have unfortunately expired, we have a policy to take care of their family to the extent possible... their children, medical, their spouses for a couple



of years, whatever, we try to support them as much as possible. You can't actually replace the family member, but you can do as much as possible to help.

Moderator: Thank you. The next question is from the line of Shriram Mandale from Valuenomics Research. Please go ahead.

Shriram Mandale: What is the margin visibility in the Speciality Chemicals business especially Acetonitrile product for the next financial year if you could explain on that?

Kirat Patel: A difficult question to answer because you know that is a speculative one based on raw materials and supply situations and things like that. But if you go by history, yes, we have been enjoying a good margin. But it will remain in the same band, somewhere plus/minus a few percentage points, but it will remain in this kind of overall.

Shriram Mandale: This time acetic acid prices gone up a lot?

Kirat Patel: Yeah, that may affect a little bit in the margins.

Moderator: Thank you. Our next question is from the line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: Sir, I have a question on Methylamine. So, as we've expanded our capacity in Methylamine, have you also expanded the derivative capacity like DMA-HCL or are we selling more of the DMA in the market?

Kirat Patel: We have also expanded DMA-HCL in last year itself, one more plant has come up. So, it is in tandem. And we hope next year to put up another one.

Nirav Jimudia: So, how much is DMA being sold outside? So, if you can give us a mix like how much is consumed internally for our derivatives and how much...?

Kirat Patel: No, it will be very difficult. I have not calculated it but across all aliphatic amines, I could say that we are very large, we are our own best customer.

Nirav Jimudia: On the Ethylamine, I think we have seen fairly good amount of price increases which have happened over one and a half year and that have now stabilized at a certain level of point. So, if you can help us understand like is that because of the demand-led which has happened to the increase in the realization particularly on ethylamine side or it is because of the raw material prices moving up and the realizations have moved up?

Yogesh M. Kothari: I think coal price have gone up substantially just to some extent driven us for increasing the price.



- Nirav Jimudia:** Sir, a related question would be like, we have also slowly gradually expanded our Ethylamine capacity. So, how do you see now Indian market for Ethylamine and our market share?
- Yogesh M. Kothari:** For us, we can use Ethylamine internally also, some of the speciality products and those are also growing. Sometimes, we have to allocate whether to give in the market or to use it ourselves. So, now with the ease of availability that situation will not be there.
- Nirav Jimudia:** Sir, a last point would be on how do you see the demand for DMAPA from the personal care products because I think in last one, one and a half years probably personal care products have seen an uptick in the demand?
- Yogesh M. Kothari:** That product is doing quite well locally as well as in the exports. So, we have done very reasonably well in DMAPA.
- Nirav Jimudia:** And are we planning any expansions there also or we would stick with the current capacities?
- Yogesh M. Kothari:** We are currently not looking at immediate expansion, maybe after some time. That is in a multipurpose plant. So, there the expansions take place, not just because of the other products also. So, by putting up new reactors and columns and all there, it's not just for DMAPA, it's for other products too.
- Moderator:** Thank you. The next question is from the line of Reena Shah from Elara Capital. Please go ahead.
- Reena Shah:** I wanted to understand the revenue wise sectoral breakup like pharmaceuticals if you can provide me?
- Kirat Patel:** The life sciences that is pharma and agro (and that is dominated by the pharma) is almost 70% of our sales, I would say 55% or 60% would be pharma, of course, changes a bit here and there, but approximately 70% is these two segments; agro chemicals and pharma. And then the other segments are the automobile segment which goes into foundry and rubber chemicals and things like that. There is dye stuff, there is the lab chemicals, there is water treatment. I already mentioned the dyestuff and then there are miscellaneous other small, small uses.
- Reena Shah:** So, what kind of share is coming from the rubber chemicals and dyestuff?
- Yogesh M. Kothari:** For rubber chemicals you use methylamine. It goes for the DDP which is going into the rubber tubes and all.
- Reena Shah:** Sir any idea of which particular segment do you see the highest EBITDA margin in terms of
- Kirat Patel:** It's not a sectoral difference. It's not as if we sell at a price to pharma and other price to agro.



- Yogesh M. Kothari:** The advantage is we've multipurpose type of plants, so we are able to take that advantage.
- Moderator:** Thank you. The next question is from the line of Rajiv Rupani, an individual investor. Please go ahead.
- Rajiv Rupani:** I had a follow up question on ACN. Now, sir we are adding about 15,000 tons and our competitor is doing some debottlenecking by which they are increasing to about 20 tons a day. So, my question is, are the current prices of ACN sustainable, so what's your outlook on the same?
- Yogesh M. Kothari:** I think ACN is a product made internationally, of course from Acetonitrile, most of it comes from that. While what we make in India, even our competitors also make from acetic acid route. And this is what is differentiating the Indian producers versus the international ones..... China also has a plant which makes it like this. So, whenever there is an upswing in the Acrylonitrile market, either the producers who are there or not wanting to make more Acetonitrile, that's why there is a demand/supply gap. Often the plants are shut down for various other reasons. The demand itself in Acetonitrile is both in pharma as well as in agrochemicals. It's a very versatile solvent. And we do not see any reason why it should not do well.
- Rajiv Rupani:** So, a follow up question from what I understand is the prices of Acetonitrile used to spike up for a month and two, and we have enjoyed higher prices for more than a year. So, do you think there is a possibility of some drop in the prices?
- Yogesh M. Kothari:** The raw material cost have gone up tremendously; acetic acid price was in the range of say Rs.40 earlier and has , gone up to more than Rs.100 now. So, there is a lot of difference. Better technology for a company will definitely have the benefit of that.
- Rajiv Rupani:** No, I'm talking about the finished price of ACN.
- Yogesh M. Kothari:** That's what I am saying, finished price even if it remains the same range, if your cost of production is taken care by a better yields and other things, you are definitely going to get an advantage over others. It may last for some time because acetic acid prices may come down gradually. So, we are not sort of in a situation where we have to think so much about it.
- Rajiv Rupani:** A follow up question on ACN. Your competitor has said if ACN prices come down, they can make a product called THF. Do we have the capabilities to make the Tetrahydrofuran?
- Yogesh M. Kothari:** No, no, we don't want to do it.
- Rajiv Rupani:** In last con call you had talked about DMF. So, do we have capabilities to produce DMF like your competitor?



- Yogesh M. Kothari:** We have some different process. Maybe later stage we may go for it.
- Moderator:** Thank you. The next question is from the line of Vinayak Mohata from Augmenta Research. Please go ahead.
- Vinayak Mohata:** While you're expanding capacities and going forward you will be expanding it further, in the long run, can you reiterate what kind of net profit margins is sustainable in the business given that it's been expanding over the last few years now and for the current year, it's somewhere in the range of 33%, 34%, so just wanted to understand the sustainability given there's always a pricing pressure from raw material and the finished goods part?
- Kirat Patel:** This. EBITDA margins have risen from the region of about 24% to 26% which used to be the older days. In fact there been as low as 18% earlier, but I would say in the region of 25% what it used to be has risen to over 30% now. How sustainable it is? There are a couple of points. I think one factor which has changed structurally is that the volumes which we are producing now as compared to the overheads have shifted majorly. So, we will not go back to the EBITDA margins of the old days. But whether this kind of margin will sustain is a very difficult question to answer. As I mentioned earlier in the call, the benign raw materials which we had over last year or so also have ceased because of the crude oil prices. And it depends on how much we can pass on our cost increases to the customer. So, it could vary and is this the high end of the range or it's still some way to go, one cannot say.
- Vinayak Mohata:** Just to have a fair assumption, according to you, it's not going back to the previous range, but the sustainability in the current range is not sure, right?
- Kirat Patel:** Yeah.
- Moderator:** The next question is from the line of Pritesh Vohra from Mission Holding. Please go ahead.
- Pritesh Vohra:** Sir, what is our CAPEX plan and what are our plans to grow the volumes, I can understand the price fluctuation can be a determinant?
- Kirat Patel:** If you look back, we have been actually growing in volumes of 10% to 15% every year over the last 10-years. And I do not see any reason that should slow down. Now, there may be a couple of years where we will grow only at 7% or 8% because of some X, Y, Z reasons, but it will fall back into the next year you will have 15% and 18% and then back again. So, that is based on the way our economy is growing. Ultimately, India is going to grow at 6% to 8% per annum. And when we move at that pace, the requirement of speciality chemicals and all kinds of products increases at about one and a half times that. So, we don't see any reason why our volume growth should slow down. Yes...
- Pritesh Vohra:** Are you putting up CAPEX and...?



- Kirat Patel:** Yeah, as I mentioned earlier in the call, we have the Acetonitrile expansion which is coming up in the middle of this year, and the Aliphatic Amines expansion coming up next year in the middle. So, these are substantial expansions. And in Acetonitrile, it is more than doubling the capacity which exist today with us and in the Aliphatic Amines it's about 30% additional capacity of the total Aliphatic Amine plants we have.
- Pritesh Vohra:** But sir, our gross block was somewhere around 500 crores. And what I can see in CWIP is only 130 crores. So, roughly capacity expansion is in the tune of 25%.
- Kirat Patel:** In terms of CAPEX, yes, we'll be putting up another 200 crores this year and maybe another 200 crores the year after. But all of them will lead to further top line growth.
- Pritesh Vohra:** Why is this margin picked up very rapidly in the last quarter? You said, it is not sustainable.
- Kirat Patel:** Somebody earlier mentioned that the margin for this quarter has been lower than the previous quarter. That is because of the raw material prices this quarter have been a little high this quarter, by which I mean, the January-March.
- Pritesh Vohra:** It was 38% last quarter, this quarter it came to 35%, but still it is above 30%, last two, three quarters the margins are very, very high as compared to earlier year quarters. What is the main reason for increasing this margin?
- Yogesh M. Kothari:** I think there is a range of products which are some of them are speciality products. And those have been selling better than what they were doing earlier. So, that has helped us.
- Pritesh Vohra:** Do you see a competitive threat in those products, that's why you're guiding lower margin or why you are worried?
- Yogesh M. Kothari:** We don't want to give a wrong impression that it will remain like that all the time. But it could be better than this also if those products do well.
- Moderator:** Thank you. The next question is from the line of Abhishek Sharma from Fidelity International. Please go ahead.
- Abhishek Sharma:** Just want to understand do you serve any anchor customers, for example, who have been with you for say, five years, just want to understand the proportion of repeat business in your portfolio.
- Kirat Patel:** We have customers who have been with us for 40 years. All our top 10 customers are over 10 years. And some of them who have been buying from us since we began in the 80s you know.
- Abhishek Sharma:** What proportion of repeat customers would that be?



- Kirat Patel:** 99%.
- Abhishek Sharma:** Your entire portfolio is repeat portfolio?
- Kirat Patel:** Almost everybody who buys from us, comes back. Unless his business has some change that has also happened, businesses have been shut down. Rubber chemicals business for example, has changed dramatically over the last 40 years. Only one person remain standing is **NOCIL**, it used to be called earlier Polyolefins.
- Yogesh Kothari:** Monsanto.
- Kirat Patel:** Yeah, Polyolefins and now **NOCIL**
- Abhishek Sharma:** And sir on the nature of contracts, do they sign long term contracts, just want to understand that?
- Kirat Patel:** Normally, it is not more than a quarter. It's a monthly kind of a deal and some people want it quarterly. In the exports we have a few customers who want an annual commitment. But then that gets tied to some formula for dollar/rupee and raw material prices.
- Abhishek Sharma:** Sir, on the Acetonitrile, what is the key industry that we have for this particular product?
- Kirat Patel:** It's mainly pharma, pharma is one industry which uses Acetonitrile as a solvent, then it's also used in lab chemicals, it's used in agro chemicals, and some specialties in **electronics** and stuff.
- Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.
- Abhishek Sharma:** Is it predominantly by some import substitution of our products or the domestic growth that is very high. And generally, how much time does it take for our new capacity to get completely utilized?
- Yogesh M. Kothari:** Okay, new capacities normally take about 18 to 24 months to come up and then maybe two to three years before they completely utilize. The reasons are normally that we are interested in more growth more in India, plus to some extent, additional exports which we can take, because there are not too many dominant players in this amines, except BASF, and Eastman, and, of course, some Chinese people. So, we would like to be one of the leaders in the world in this. So, that's what is our hope and that's why we strategize to put up CAPEX based on that.
- Kirat Patel:** I would like to add one more thing over here, that when we put up the plant, after two, three years, when its capacity utilized, we normally go in for a debottlenecking exercise and we think of that right at the beginning to leave some margins for such an activity, because we



know that over a period of time, we will need more capacity of the product if it succeeds. Almost all our plants have had multiple debottlenecking exercises carried out.

Abhishek Sharma: This is primarily because the global players either are not expanding the capacity or probably reducing their capacity or going out of this particular space which is benefiting us and players like us in India?

Kirat Patel: To some extent, probably, yes, but also you must look at that our own Indian market is growing fast. Well, except for China, I think ours will be one of the fastest growing markets in the world. So, our own backyard is growing so fast that it doesn't matter what the international competition is doing. We would be also looking to supply here.

Abhishek Sharma: And sir just a clarification on how are we placed in terms of our EHS initiatives, how many of our facilities are getting ZLD facilities or what is the timeline that we are looking at from that facility?

Yogesh M. Kothari: Okay, so Kurkumbh is about 50% recycling, and it will go to ZLD in another year and a half. Patalganga will be ZLD in maybe three months from now. It got a bit delayed because of this COVID situation but by July, we were expecting it to be ZLD. Dahej is going to be 50% as soon as the Acetonitrile plant is commissioned and going to 100% maybe a year and a half after that. So, in another two, three years, we'll be having the capacity to do ZLD. Whether we will run the plants for ZLD is a separate discussion, because depending on the CETP and how it operates, because ZLD also adds to your costs. So, it's more like an insurance. We have the ability to it. Whether we would like to operate the plant on ZLD is a question which will be on numerous issues, the availability of water, the efficiency of the CETP and such like.

Abhishek Sharma: But the new expansions that we are doing here already have thought of ZLD initiative and those are planned in similar fashions, right?

Kirat Patel: Yeah, all new facilities will have planned as ZLD ..

Moderator: Thank you. The next question is from the line of Paras Edenwala from Capital Portfolio. Please go ahead.

Paras Edenwala: I just had a few questions. One, I think the number as far as FY'21 is concerned in terms of breakup between volumes and realization, that was number one. Number two, if you could give us a feel about the volatility in the realizations of your products from your past experience? And number three, I just had a question on management bandwidth. Mr. Kothari has been driving the company so successfully for all these years. Is there someone from the family also involved or if not, what is the management bandwidth in terms of looking at the long-term for the company?



- Yogesh M. Kothari:** Mr. Suneet Kothari who is my son, is also the second executive director and he and Kirat Patel, they both are really leading the team just now. But we are also making preparations for the next line after that and part of it will be put through this year, and we will be going on adding more senior people as well.
- Kirat Patel:** This process of people retiring and new people coming in has started about three years, four years ago in earnest and of course, Suneet has been with us for what, 25 years now, so I don't call him a new person but much younger than us. We do have people who have on a younger team but have been with us for some time. On your first question, the growth on the top line has been about 26% or so about two-thirds of it could have been value and one-third of would have been volume approximately.
- Paras Edenwala:** And the final one was on the volatility of realizations from your past experience. I think, as you rightly put it, two years back, you were at about 18%, the next year, you shot up to 25, and this year, you're at about 32%, 33% so which is remarkable so which is a mix of both volumes and realizations. So, I just wanted to understand the volatility in realizations which can really impact your margins?
- Kirat Patel:** The volatility in price realization has product-to-product changes, sometimes they're very stable for a long time, and then suddenly jump up. The part of the reason there is some supply/demand mismatch, and part of it is a push from the raw material side. Except for Acetonitrile, which has two separate routes for making the product, Aliphatic Amines, and others are more or less, everybody in the world follows the same route. So, if what affects me in the raw material price, it affects my competitor. So, giving a phase lack of a quarter here and there the prices increases based on raw material. Beyond that it's a question of demand/supply shortage and then sometimes prices spike a little.
- Paras Edenwala:** What I really wanted to understand was the swing in the margins, that is possible, like in commodity companies, you could see 35% operating margins and in the next year, it could drop to about 26%, 27%. Are the realizations as volatile in your business as we've seen in some of the commodity companies?
- Yogesh M. Kothari:** Volatility will be less for us, like some specialty products also help us to sort of buffer that volatility.
- Moderator:** Thank you. The next question is from the line of Nikhil Jain from Galaxy International. Please go ahead.
- Nikhil Jain:** Currently, it's a very huge crisis scenario in which we are operating, things are going very, very well. And I think whatever we are able to see, I think we are anticipating good visibility going forward also. I just wanted to know is there anything on the competitive activity given that the space is looking so interesting and growing so well, so, are you seeing some additional competition coming in from China, India, we know already there are only one or two more



players, but anything outside of India which can impact our thing, anything new that we are seeing or observing on the competition, because we know generally for many of these chemicals, the Chinese are actually the biggest force, right. So, however, in this case, we are not finding them to be so active. So, either the space is small or there is some other constraints, which is there which is not allowing them to come and play big time, so anything that you are...?

Yogesh M. Kothari: China already has several plants. And the thing is their own requirements in China has increased also in the last maybe one or two years. So, that to some extent helped us, plus the size of our projects are not that large for any real larger companies to come and invest over here or invest in their own countries also. So, that way, we are in a niche sized area which is comfortable for us and our local competitors.

Nikhil Jain: The second question was about the export push. So, do you think that we would primarily be a domestic company, or do you anticipate over the next two to three years, our contribution coming in from exports will change quite significantly?

Yogesh M. Kothari: I think our exports will always be **there**, but there are two giants in the USA, and of course, Germany, BASF, and of course the Chinese. So, it is not so easy just to export over there. Only if any of these companies decides not to pursue further manufacturing of these products, then possibly we will have a larger share of the market. So, this is the way things are happening.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to the management for closing comments.

Yogesh M. Kothari: Thank you very much, HDFC. Thank you very much all the investors who have listened to us. Thank you to my colleagues, Kirat Patel, Rajagopalan, Chintamani, Kanchan. Hopefully, when we meet next, we will have better results in this. And by that time, hopefully, COVID also will be over. Thank you, everyone.

Kirat Patel: Thank you, everybody, and please stay safe.

Moderator: Thank you. On behalf of HDFC Securities that concludes this conference. Thanks for joining us and you may now disconnect.