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*Balaji*



CIN : L24132MH1988PLC049387

**AMINES LIMITED**

*...A Speciality Chemical Company*

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Maharashtra. (India)

27<sup>th</sup> May, 2023

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", 5<sup>th</sup> Floor,  
Plot No. C/1, G Block, Bandra-Kurla Complex,  
Bandra (East), Mumbai - 400 051.

**Scrip Code: 530999**

**Scrip Code: BALAMINES**

Dear Sir/Madam,

**Sub.: Submission of Earnings Call Transcript under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of the Investors/Analysts call held on Monday, 22<sup>nd</sup> May, 2023 to discuss the Q4FY23 Results of the Company.

This is for your kind information and records.

Thanking you.

Yours faithfully,

**For Balaji Amines Limited**

**Lakhan Dargad**  
**Company Secretary & Compliance Officer**

Encl: a/a



## “Balaji Amines Limited Q4 FY23 Earnings Conference Call”

**May 22, 2023**



**MANAGEMENT: MR. D RAM REDDY – MANAGING DIRECTOR, BALAJI AMINES LIMITED**

**MODERATOR: MR. GAGAN DIXIT – ELARA SECURITIES PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Q4 & FY23 Earnings Conference Call of Balaji Amines Limited hosted by Elara Securities Private Limited.

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 ‘\*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now have the conference over to Mr. Gagan Dixit from Elara Securities Private Limited. Thank you and over to you sir.

**Gagan Dixit:** Thank you and a very good afternoon and a very warm welcome to everyone. It is our pleasure to be able to bring to you the management of Balaji Amines Limited led by Mr. D Ram Reddy, who is the Managing Director.

Before handing it over to the Management regarding today's call, following is the safe-harbor statement. This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinion and expectations as of today. Actual results may differ materially. These statements are not the guarantee of future performance and involve risk and uncertainties that is difficult to predict. A detailed safe-harbor statement is given on Page 2 of the Company’s “Investor Presentations”, which has been uploaded on the stock exchanges and Company’s website as well.

I will now hand over the conference to the Balaji Amines Management. Over to you, sir.

**D Ram Reddy:** Thank you, Gagan a very good evening to all of you and welcome to the Conference Call to Discuss the “Financial Performance” of the Q4 and FY2023 and performance of the Company Balaji Amines Limited. I hope you have got the chance to go through the “Press Release and the Financial Statements” submitted to the Stock Exchanges and uploaded on our Website.

I would like to address the recent “Financial Results,” which, although not a favorable as we had hoped, still demonstrate resilience and potential for future growth.

Despite facing headwinds in the Pharma API and Agro-industries globally, we have managed to deliver decent results. However, we experienced a fall in margins, primarily due to the de-growth in the Pharma API and Agro sectors. We believe that the performance of our Company will gradually improve in the coming months. We anticipate a return to growth and margin levels similar to those achieved before the onset of the COVID-19 pandemic. We are confident that this improvement is sustainable and can be achieved in due course. In the past years, we experienced exceptionally high realization for certain products driven by global circumstances that have since normalized. It is important to acknowledge their normalization and adjust our

expectations accordingly. Our capital expenditures were planned based on normalized profitability, ensuring that our Company will not be adversely impacted by this change. We have taken a proactive approach to manage our investments and align them with realistic projections.

Now let me take you through the “Standalone Financials and Operational Performance”:

Our total revenue stood at Rs. 351 crores in Q4 FY2023 as against Rs. 625 crores in the corresponding quarter of the previous year. EBITDA stood at Rs. 59 crores in Q4 FY2023 as compared to Rs. 131 crores in the same period last year with EBITDA margin at 17% in Q4 FY2023 as compared to 21% in the same period last year. Profit after tax stood at Rs. 38 crores in the current quarter under review, as against Rs. 82 crores in Q4 FY2022.

PAT margin stood at 11% in Q4 FY2023 as against to 13% in Q4 FY2022. Diluted EPS for Q4 FY2023 stood at Rs. 11.59 per equity share as compared to Rs. 25.21 per equity share in Q4 FY2022. Sales volume stood at 21,589 metric tons for Q4 FY2023 as against 28,877 metric tons in Q4 FY2022.

Coming to our “Standalone Performance” for the Financial Year 2023:

Revenue from operations in FY2023 stood at Rs. 1,736 crores as compared to Rs. 1,939 crores in FY2022. The EBITDA stood at Rs. 339 crores in FY2023 as compared to Rs. 459 crores in FY2022. Our EBITDA margin was 20% in FY2023. PAT for 2023 Stood at Rs. 225 crores from Rs. 308 crores FY2022. The diluted EPS for FY2023 stood at Rs. 70.18 as against Rs. 95.04 per equity share in FY2022.

I would like to add that currently we are a zero-debt Company on a standalone basis.

Now coming to the consolidated performance for the Financial Year 2023:

The revenue from operations for Financial Year 2023 stood at Rs. 2,370 crores as compared to Rs. 2,338 crores in FY2022, a growth of 1.4%. EBITDA for the Financial Year 2023 stood at Rs. 624 crores as compared to Rs. 637 crores in FY2022. EBITDA margin for FY2023 was at 26% as against 27% in FY2022. PAT for the Financial Year 2023 stood at Rs. 406 crores as compared to Rs. 418 crores in FY2022.

Diluted EPS for the Financial Year 2023 stood at Rs. 100.47 as against Rs. 113.71 per equity share in financial year 2022. Total volume stood at 89,231 metric tons in FY2023 as against 98,179 metric tons in FY2022.

For Financial Year 2023, Amines volumes stood at 25,739 metric tons, Amines Derivatives volumes stood at 33,091 metric tons, Specialty Chemicals volumes stood at 51,628 metric tons. Coming to consolidated performance of Q4 FY23, our total revenue stood at Rs. 477 crores in

Q4 FY2023 as against Rs. 785 crores in the corresponding quarter of the previous year. EBITDA stood at Rs. 99 crores in Q4-2023 as compared to Rs. 201 crores in the same period last year. EBITDA margin was at 21% in Q4 FY2023 as compared to 26% in the same period last year. The fall in operating margin was primarily on account of de-growth in the Pharma and API sector.

Profit after tax stood at Rs. 55 crores in the current quarter under review as against Rs. 131 crores in Q4 FY2022. PAT margin stood at 12% in Q4 FY2023 as against to 17% in Q4 FY2022. Diluted EPS for Q4 FY2023 stood at Rs. 14.63 per equity share as compared to Rs. 33.56 per equity share in Q4 FY2022.

Sales volumes stood at 25,505 metric tons for Q4 FY2023 as against 33,780 metric tons in Q4 FY2022. For Q4 FY2023 Amines volumes stood at 6,659 metric tons. Amines Derivatives volumes stood at 8,607 metric tons; Specialty Chemicals stood at 11,239 metric tons.

Our subsidiary Company Balaji Specialty Chemicals Limited continued to witness substantial demand as well as robust price realization. We logged sales volumes of 4,916 metric tons in Q4 FY2023 at our subsidiary plant as against 4,903 metric tons in same quarter last year. We have recorded the capacity utilization of about 72% in FY2023 as against 56% in FY2022. Accessibility for raw materials required for manufacturing products of the subsidiary plant continues to remain a major challenge. If the accessibility of raw materials improves, we anticipate a quick ramp up the production in subsequent quarters with strong underlying demand from end customers. Apart from the operational performance, I have several positive developments to share.

To continue independent representation and strengthen our board, we have recently inducted 4 distinguished individuals as new Board members. I am delighted to introduce Ms. Suhasini Yatin Shah and Dr. Uma Rajiv Pradhan, Mr. R Mohan Kumar and Mr. Adabala Sheshagiri Rao as the newest additions to the Board. Each of them comes from diverse backgrounds, bringing with them a wealth of knowledge and extensive experience. Their presence will undoubtedly inject velocity and rigor into our boardroom, enhancing our strategic business operations and providing valuable guidance to propel our Company to new heights. I welcome them all on our Board.

We have implemented certain changes in the re-designation of management roles to better align our focus and drive profitability and growth for both our parent and subsidiary companies. Mr. Hemant Reddy Gaddam has resigned as Whole-Time Director and CFO of the Company to focus on subsidiary Company Balaji Specialty Chemicals Limited. Mr. Ande Srinivas Reddy our Whole-Time Director will also take charge as CFO and Mr. Rajeshwar Reddy Nomula has been re-designated as Whole-Time Director.

CAPEX Updates:

Revenues from our newly commenced plants including DMC, Propylene glycol and Ethylamine will start contributing to our topline from the coming quarters. This influx of revenue has the potential to improve the margin profile of our Company starting from Q1 FY24.

Looking ahead, we have strategic CAPEX plans in place to fuel our future growth journey. We have initiated the CAPEX for setting up the following plants, which will significantly contribute to our expansion.

1. We are progressing swiftly with the expansion project of our N-Butylamines plant, which will have a capacity of 15,000 tons per annum and we expect the plant to be commissioned during the second half of Financial Year 2023-24.
2. The implementation work of our Methylamine plant with a capacity of 40,000 tons has already commenced. We anticipate that this project will be commissioned around March 2024.

In addition to these ongoing projects, we also have some exciting new projects in our pipeline. This includes the establishment of a Dimethyl ether plant, with a capacity of 100,000 tons per annum. The DME a new age gas, holds significant potential in various fields such as replacing LPG for fuel and aerosol usage. We are also exploring other applications and usages for replacing LPG, which will further enhance our market presence.

Furthermore, we plan to set up an Acetonitrile plant with a capacity of 50,000 tons with a new technology and a DMAHCL plant with a capacity of 12,000 tons and a DMF plant with a capacity of 30,000 tons. These projects demonstrate our commitment to expanding our product portfolio and catering to the evolving needs of our customers.

For our new Acetonitrile plant, we have an ambitious plan we will undertake production through a new upgraded technology which will provide us with a cost advantage. This advantage will enable us to withstand higher prices of Acetic acid and ultimately result in healthy operating margins.

Now we can open the floor for questions and answers. Thank you.

**Moderator:** Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Sudarshan Padmanabhan from JM Financial PMS. Please go ahead.

**Sudarshan Padmanabhan:** Sir I have 3 questions. One is on the demand, on the APIs and the pharmaceutical side, the commentary has been mixed, I mean there are some companies which have been talking about coming out of the woods, but there are companies that are talking about the issues still persisting as far as competition is concerned and specifically on the Agro side as well, there are higher inventory as you walk into the ending of season. If you can elaborate a bit on how do you see

the demand scenario, say in the near term and on a longer term? And the second is on the raw material side, I understand that we have scaled a fair amount of sea-saw as far as raw material is concerned, but have we exhausted all the high-cost inventories? Where do we see this inventory levels rationalizing going forward? And my 3<sup>rd</sup> question is on your CAPEX specifically on the DME, the Dimethyl ether, if I am looking at how it has been implemented, you know in Indonesia they have talked about blending and eventually doing away with imports of LPG, how do you see this kind of rolling out as far as India is concerned? And your specific role in this?

**D Ram Reddy:**

Thank you, Mr. Sudarshan. See, as far as the current situation about the API pharma and Agrochemical, you are right, the previous few months they were facing a lot of problems, but what we can see for the last few weeks and this quarter, there we have seen some improvements because earlier because of the high-cost raw materials and low demand in the world market, but we are seeing there is improvement and which may take another 1 or 2 quarters to go to the normal. But definitely it is starting from this quarter the improvements in the API market whereby our capacity utilization will improve. And second thing the raw materials, yes, you are right many of the raw materials were high peak in the earlier months like Ammonia went up to Rs. 90 to Rs. 100, which has come down to Rs. 48 to Rs. 50. We expect another Rs. 4, Rs. 5 to come down maybe Rs. 40 - Rs. 45 should be a realistic price for the Ammonia and Methanol also, in India, it is taking some time but if you see the outside country like China from the \$300-\$320, today's price it has come down to somewhere \$255 to \$260 and we expect in turn to India also will come down to same levels maybe \$240 to \$250 levels which will give great oxygen for the Indian chemical industry in turn for the intermediate and also for the API Industries. And even acetic acid also, which has went up to Rs. 70, Rs. 80 has come down to below Rs. 40. We expect it should be somewhere Rs. 30, Rs. 35, but still it is Rs. 38, Rs. 39 and we expect this will come down in the coming 1 months, 1.5 month. All these prices will come down to the original expected levels original I can say to the pre-COVID levels.

**Sudarshan Padmanabhan:** It should dynamically inventory levels, right? Sir we should exhaust the high-cost inventory by the time in about 2 quarters.

**D Ram Reddy:**

Yes, you are right, with everybody, but in our Company we have only one raw material which was having high inventory, but all others were going as per the consumption. We were travelling with the market very carefully because of the earlier experiences. Only one raw material that is for the NMP and which is going to be exhausted by first week of next month, there will not be any high-cost inventory, real time inventory should be there at the price point of view. And third you are asking about Dimethyl ether; this is really very exciting for us. We were in with the Government of India in correspondence with the NITI Aayog for the several months of course, we cannot touch the domestic market when we say the replacement for the LPG, but we are going for this aerosol market is big and other commercial market like using the fuel for the heating elements in industrial use and even commercial like hotels and all where this huge requirement is replacing the LPG. So, we have big hopes and this project we expect by the end



of this financial year we should be in a position to come to some final levels. We have the land; we got the environmental clearance and we just started the detailing and the equipment the ordering also started. Probably, you will hear in detail exact date for the next quarter we will give you exact commencement of this plant and other project like DMC which was earlier a DMC and Propylene glycol both were in the approvals and that has finished and really speaking in the last one month, we have seen good off take of these 2 products and we expect in the coming months these products will go in full swing, at least PG will go in full swing, DMC we are looking part in the country and part outside country also, as we have taken the outside REACH registration, so we have given already couple of **ISO Tanks** to the various customers in the Europe and other areas. We expect that these products also will go in full swing.

**Moderator:** Thank you. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

**Dhaval Shah:** Very happy to see a series of new products being launched by the Company as you have always guided, sir my question is, so now first on the standalone side, we did around 90,000 tons for FY23 and now we have 1 lakh ton additional capacity going live over this year. So, this 90,000 tons should grow at what rate? And by FY26, 3 years, what is your goal? What sort of volume are you looking at the standalone levels?

**D Ram Reddy:** See, it should go more than 100,000 tons. Every year there should be a minimum 10% growth should be there without adding the new capacities and again, the new capacities you are well aware that in the initial first year specifically, if you remember, I am telling again and again when we introduce products first time in the country, it will take a lot of time. This you see, I think the last 6 - 7 months we have started the plant up for DMC and Propylene glycol, the real dispatches have taken place only last month and this month and we have exhausted stocks, we restarted the plant and here onwards I think we should be in a position to go 40% -50% level and by end of the year we should reach to more than 70% - 80% this plant. Another for DME, it will take time to introduce, to explain the people, the replacement when we talk about the new product, but over a period of time after 6 months or a year, you will see definitely good boom like all we have done, all our products we are experiencing same thing. Even in the subsidiary also we faced a lot of problem in the first 6 months, maybe one year also we face the problem for the approval to bring them back from their international contracts to the domestic just in time thing it took a lot of time. So, we expect in the coming years these existing will grow with the 8% to 10% of the volumes and new plants immediately starting it should go first year about to 30% - 40% and the next year onwards it should go to 70% to 80%.

**Dhaval Shah:** So, when you say new plants, so one is DMF, which is going to sum up 60,000, then you have Acetonitrile another 15,000 odd and then this N-Butylamine which is 15,000 and plus Methylamine.



- D Ram Reddy:** Mr. Dhaval, let me give you the sequence, first plant will come to N-Butylamine, which is in advanced stage. You will see by September, October you will see the plant will be commissioned and why we have taken this first because nobody is there in the country. We want to do that first because other products we have at least some capacities we are running, so that is the reason we have taken this into the front bench N-Butylamine and we have done the proper survey outside country also we are expecting good response. So, second is the Methylamine, why Methylamines, I will tell you because the DMF we are not in a position to run the existing plant in full capacity because DMA is becoming short many times. We are not in a position; we are just catering to the other customers DMA and the leftover we are trying to use for the DMF. So, when we want to operate both plants, we need to commission this. So, once we commission this, then both the plants will run in the proper way. This is the reason the second we come to Methylamine which is already in full swing, the civil works and other erections are going on. By March 2024, we expect this 40,000 tons will come in the line after N-Butylamines. Third plant, we see that DME may take the front bench because of this, first time we are coming up and there is a lot of exciting news we are seeing that replacement of the LPG. So, in the meantime we may get some other response from the NITI Aayog also. They have referred this to BIS in the storage point of view. Otherwise, we are open for selling these to aerosol and the commercial market. And after this then we are along with the DME parallelly the ACN plant will come, Acetonitrile with the new technology. And then we are talking about the DMF, DMAHCL both parallel after these 2 plants. Every year you will see these 2 plants, you will see coming up.
- Dhaval Shah:** So, this DME and Acetonitrile, earlier Acetonitrile was supposed to go live by September 2023. Now does that.
- D Ram Reddy:** That will go for the next year. These projects will go for the next year.
- Dhaval Shah:** So, 20,000....
- D Ram Reddy:** Market scenario, you are well aware ACN is not doing very well as of now but since our technology is different, we believe that we should be in a better position when you compared to the existing technology, but still the other products are very exciting and which have well demand is the reason we have taken them in the front line.
- Dhaval Shah:** So, now sir considering all this new capacities, by when can we expect at the standalone level the Company to clock around roughly 180,000 like 190,000 tons, by when should we expect that numbers?
- D Ram Reddy:** With my current run rate with the current situation and current speed, I think we should be going 2026, we should be in a position to touch double the existing number.

**Dhaval Shah:** By 2026, and on the subsidiary side, anything would you like to share with regards to the IPO and the growth and how do you feel there the next 3 - 4 years?

**D Ram Reddy:** See, I cannot share the numbers because being this with the legal restrictions, but I can say that subsidiary has already applied for the new land for the new expansions, which is expected this month the new land about 100 acres, they applied to the government of Maharashtra, which is in very active stage. You will hear that in maybe 1 to 2 weeks times you will hear that and there I can only tell that they are looking for the new products again first time in the country, they recently acquired some new technology which is Sodium cyanide technology acquired probably on that line there are several products are there, which we are going to do in the coming years, that is what I can say.

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

**Jaiveer Shekhawat:** Firstly, I wanted to talk about realization for your standalone business, if I see the realization we have seen as consecutive decline over the last 4 quarters, so one can you explain what is driving this moderation and realization? And even from here on, do you expect further moderation given that your RM prices have also come down significantly?

**D Ram Reddy:** Mr. Jaiveer, thank you for this question I think this is many people must be having in their mind. I just want to clarify if you remember my earlier interviews I was telling that last 4 quarters, everybody in the country like Chemical Intermediate and Specialty Chemical API Pharma, we enjoyed some bonus period, bonus in the sense pre-COVID suppose before COVID if you have done some EBITDAs 20% - 22%, during this period we have done 39% - 40% EBITDAs and we cannot take that as a standard. Every time I was telling the same thing. If you take now today's results of our Company, I will just give the example suppose if you take 22 to 23 margins on standalone basis, I think 17 to 18% is there presently and if you take pre-COVID I am talking about 2019-20 that time we have done the margins of 16 to 17%, means there is no major change if you take standard as pre-COVID. So, in spite of all these hurdles, these results have done, we have done better. Even though our end users like Pharma API a de-growth almost people have done below 30% below 40% they worked, but still we could do because of this product mix and all those things and I expect, as you rightly said, the many raw materials are coming to the normal stage like Methanol, Ammonia and Acetic acid, even Ethanol. So, we see that there should be gradual growth from this quarter onwards. In my knowledge it is applicable for all the industry, not only for the Balaji, so there should be between 5 to 7% margin improvement should be there from here onwards for year-on-year you can see the improvement in the margins.

**Jaiveer Shekhawat:** Sir, if I just compare your realization versus pre-COVID, I mean these are still at a significant premium, so one is it that a lot of Chinese imports have come into the market which is further pushing the prices? And if you can just clarify on the point given that now you have seen a lot

of correction in Ammonia prices even Methanol, do you expect further realizations to go down from current level?

**D Ram Reddy:**

Yes, but see the topline, you can see the declining because the raw material prices will go down whereby your finished product also will go down, but I feel that the margin should improve because of the raw materials will come down whereby the correction will take place, the margins corrections will take place during this period. And as you said that China, yes, in our case we have only 1 or 2 products which are coming from the China otherwise 90% of our products we are not having any major threat 1 or 2, only 2 products I can say little threat but we have come out of that. Earlier, we used to fight for the anti-dumping and all, but this time only one product we feel that we need some support which we are fighting with the government that is DMF and that also started improving again for this quarter onwards.

**Jaiveer Shekhawat:**

Sir one question on your subsidiary as well, so you have mentioned in your commentary that you are seeing robust realization as well as demand for products of your subsidiary, but when we see the results of this subsidiary, I mean what appears to us is that there has been significant moderation in your realization and volume even during the quarter, so one thing your resolved this disconnect and secondly, if I just compare your performance with another let us say a competitor which is Diamines and Chemicals which have similar product portfolio, they seem to have done very well, so what explains this disconnect your comments here?

**D Ram Reddy:**

Yes, I will tell you what happened, there was some raw material problem during this period. We thought that we will catch 75 to 80% of the capacity, we could end at 70 to 73% because there was issue for the raw material in between for 4 - 5 weeks we could not get the raw material that is one thing. And the second thing, if you see the price point of view, I don't think we have done well in what we were telling that Rs. 180 crores or something we were telling that the PAT, I think we have touched that. I don't think that we have not done what we said, we said that we are having some products in the pipeline which has been delayed that new expense totally new with the existing plant what the guidance we have given we have achieved. And regarding the other, I cannot comment that I don't know what they are doing, if you go in detail numbering like tonnage, what tonnage because we are doing the manufacturing, you cannot compare the other Company, they are not manufacturing, they are doing the distillation. If you see exactly they are bringing the stream and they must be doing other products also, I do not know exactly, but this because we have done much better than you compare to the exact manufacturers of this product like if you take the BASF, Dow, all those people, they could not continue their manufacturing because of the raw material because of the gas for the many reasons specifically European companies and we have exported this product to China where there is a competitiveness. So, we expect in the going forward, as I said in the earlier answer for some Members question that they have acquired some new technology that Sodium cyanide and all, you will hear in coming months.

**Moderator:** Thank you. The next question is from the line of Anubhav Sahu from McPro Research. Please go ahead.

**Anubhav Sahu:** Sir, my first question is regarding the volume growth, but on an overall basis, we have a de-growth of 22% and particularly de-growth has been more for this Specialty Chemical, could you share which are the key products where you see some major challenge and if you could also talk about is it more because of as you mentioned in your opening comments in some of the products we are facing difficulty in getting the raw material. And also, is it more due to the un-market challenge?

**D Ram Reddy:** See Mr. Sahu, you are right that market situation was not good because end of the day, if my end users, my end customers are doing well, then I will be doing well, so if you see the Pharma API because our total basket more than 55 by 60% goes to the Pharma API only, so there they were having the de-growth where we could not do very well that if you ask about the specific products, there is one product that the DMF we could not do very well the other second product NMP, where we were having high cost inventory which we are going to finish this month and next month onwards you will not see the high cost inventories. And second thing as regarding the de-growth, when you said the Specialty Chemical, specialty products or you said about the subsidiary, I didn't understand. Amines Specialty products, if you say that they did the products like NMP as I said the margins have come down because of the high-cost raw materials because of the volatility in raw material which will be corrected in the next month onwards.

**Anubhav Sahu:** And regarding your specific comment regarding, I mean you are still finding some difficulty in getting raw material, is it something..?

**D Ram Reddy:** Till last month now yes, like there are big companies like SABIC and there is one Company in Thailand GC Glycol, these big plants went for the shutdown, unexpected major shutdown whereby entire market was in the short supply. And now they have started, SABIC has started end of last month and this Thailand plant is coming up in the next month, so there should not be challenging for the going further. We have covered from the other markets. For these 2 months, we have sufficient raw materials further going also there should not be any problem.

**Anubhav Sahu:** And secondly, if I wanted to gaze your stance regarding sustainable operating margin, I am just trying to understand it like in your opening comments you mentioned that we would want to like to go back to margin which were prevailing in pre-COVID era, let us say probably it will be 18 to 20% I think when you mentioned 18% - 20% I think are you mentioning it for standalone business or for the consolidated business?

**D Ram Reddy:** Consolidated will be 26% to 27%, standalone 22%.

- Anubhav Sahu:** And so lastly, if you could share how much of these for the Balaji Specialty, how much of the sales is coming from EDA now? What is the product mix change in terms of revenue?
- D Ram Reddy:** The product is of suppose about 5,000 tons per quarter we are selling 4,000 tons about total sales if we do, I will give the exact numbers if you want, I can give you. For the Q4 EDA we sold about 4,000 tons. If you talk about the total year 2023 end, EDA sold about 17,600 tons, PIP sold about 1,300 to 1,400 tons. DETA is about 1,500 to 1,600 tons. Other product is 800 to 900 tons. So, all put together to 21,000 to 22,000 tons as against last year 17,000 tons, in spite of the raw material problem.
- Moderator:** Thank you. The next question is from the line of Chandrakant Dhanuka from CD Equisearch. Please go ahead.
- Chandrakant Dhanuka:** Sir, can you tell me any evidence of the pickup in Pharma industry in recent months?
- D Ram Reddy:** The evidence means my lifting of raw materials speed up is increased, from last 2, 3 weeks we have seen there is an increase in the raw material take off from the customer point of view. Projection is given by some of the customers.
- Chandrakant Dhanuka:** And my second question is like how is your DMF business faring currently?
- D Ram Reddy:** DMF now it is picking up, in between there was a problem because of the high cost of raw materials and the competition from the dumping from the outside. Now it is improved, so and in some cases what happened DMA when the market is full demand for the DMA and we were not getting that DMA we are not in a position to allocate the DMA for the DMA plant. There is a reason we are talking about the new plant, which is under construction, coming by end of this financial year.
- Chandrakant Dhanuka:** So, cannot we buy DMA from outside and produce DMF?
- D Ram Reddy:** No, in country, everybody is busy. There is no additional DMA, only DMF is coming from outside country but not DMA. DMA rather some quantities were exporting outside the country also. We are targeting outside also.
- Chandrakant Dhanuka:** Sir what is the current DMF price? Can you tell me?
- D Ram Reddy:** About Rs. 95.
- Chandrakant Dhanuka:** Sir my second question is how would you explain some 36% drop in receivables in fiscal year 23 at a time when your sale was almost flat?
- D Ram Reddy:** Drop in the receivables?

**Chandrakant Dhanuka:** Yes.

**D Ram Reddy:** That means sale is not increased, sale is lower and we had recovered faster from our customer.

**Chandrakant Dhanuka:** Sir why did it happen like that?

**D Ram Reddy:** See, it might have because of the precautions taken by industry, entire industry was not getting good and we thought of the where we extended 120 days credit we might have reduced it to the 90 days we might have rejected some of the bad customers and that might have resulted to this. And still if you want the detail, I will just check maybe if you can drop a mail, we would love to answer that in detail.

**Moderator:** Thank you. We have the next question from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

**Rohit Nagraj:** On the board rejig, was it any regulatory requirement or was it voluntary given that a significant amount of board has been rejig at one go?

**D Ram Reddy:** Thank you, Nagraj and let me clarify. Actually, as per the SEBI guidelines, any Independent Director is there on the Board more than 10 years, they are not the Independent Directors, they can be treated as the Executive Directors. That is what they say that is the reason and in our case, what happened majority of the directors inducted in the similar period. One month here and there, everybody is finishing the 10 years and that has happened is the panic in this thing and there are 1 or 2 directors who are attaining more than 75 years age, that is also another reason we have requested and we have replaced all the Members, Independent Directors and since it has come at a time, people have taken as a in a different this thing actually there is nothing wrong in it. It is as per the SEBI guidelines.

**Rohit Nagraj:** Sir second question is there are multiple capacities which we are putting up across products and you indicated in your earlier remarks that probably in the first year of operation will go up to say 30 - 40% utilization, about 70% plus what gives us the confidence of lifting this material and its products completely import substituted or on the downstream side, there are lot of customers who are putting up or expanding their capacities and that is why within couple of years it will go 70% plus kind?

**D Ram Reddy:** I understood your question. See we have taken, why I am telling you where before setting up any plant you are well aware that we will do the perfect survey when we talk about the import substitute that Butylamines is imported almost 7,000 to 8,000 tons per year in the country. And we checked outside country, my existing customer outside country also about 3,000 to 4,000 tons consumption is there. If I talk about 10,000 tons, I can go first year easily 7,000 to 8,000 tons and if I take the growth there will be 10 to 15% growth for these products and in next

coming 2 - 3 years, we will reach that what we are talking about 15,000 tons N-Butylamine. We have estimated next 4 - 5 years, we have estimated and we are investing the money this 15,000 tons. And our products also in the same way and second thing you said that a lot of companies under PLI scheme, if you go to their website, many companies put up their papers for the going for the expansions, many API Pharma industries because of the last 5, 6 months de-growth, they are not talking, nobody is talking including no TV show, nobody is talking about the Pharma API, but if you go back years back and see their papers in the PLI scheme everybody is talking about the expansion. There are 500 companies that put up their papers. I don't know how many companies have got the approval for their PLI schemes, so there all these products these are all basic products for the any new molecule comes one or 2 products will go in that. So, that is the confidence what we can see, if not today then tomorrow, definitely all these products will go in full swing.

**Rohit Nagraj:** Just one clarification, any competitors globally are also expanding their capacities or they are relatively, kind of numb as of now and we are the ones who are in Asia or particularly in India are expanding capacities?

**D Ram Reddy:** Must be doing outside, but I do not have the exact numbers, but definitely there must be some expansion going in places and BASF has shut some of the plants in Europe and they are starting some of the plants in China and some of the plants in other locations, like many people are doing, it is not like that we are only doing in India but outside country also these expansions activity is taking place.

**Moderator:** Thank You. The next question is from the line of Jiten Parmar from Aurum Capital. Please go ahead.

**Jiten Parmar:** My question is on the capacity utilization, what was the capacity utilization for FY24?

**D Ram Reddy:** This is total number of plants; different plants are there. You can say that all plants together it is somewhere 80 - 85%.

**Jiten Parmar:** So, our capacity is around 231,000, so what was your volume for the whole year?

**D Ram Reddy:** See 98,000 tons if you are taking which are under expansion like you see Dimethyl carbonate, Propylene glycol they have just started, you can't take them as a new capacities like other capacities we have shown 231,000 tons capacity, but if you talk about the Methylamine, the Methylamines 48,000 tons it has run 95%, but out of that, see 80% is used in the various products that cannot be counted as a separate capacity, right.

**Jiten Parmar:** And my second question is on what will be the CAPEX for FY24 and FY25? And what will be the source for that?



**D Ram Reddy:** See for the current year as I am today happy to say that Company is the zero debt and even we are not using the working capital where we are eligible for Rs. 200 crores to Rs. 300 crores working capital available. We are not using a single rupee for the working capital rather we are sitting on the cash which will be utilized for this new expansions and as per the current situation, current calculations we are going to do all expansions with the internal accruals and this year current financial we are expecting above Rs. 250 crores to Rs. 300 crores. If everything goes well, we will be spending Rs. 250 crores to Rs. 300 crores on these proposed expansions and the same thing in the next year also.

**Jiten Parmar:** And just my final question is what would be the outlook for FY24 from volume growth and from market...?

**D Ram Reddy:** Volume growth, 10% volume growth we are looking until and unless some major thing comes or hurdle comes otherwise we will look its current situation, current projections we can go easily 10% volume growth.

**Jiten Parmar:** And margins, do you think we will improve from what we did?

**D Ram Reddy:** 5 to 7% margin should increase with current levels. There is a lot of changes. There is more than 10 - 15% gap has taken place when you compared to the earlier and current, so that gap will not going to improve immediately. As per my view this current year there should be 5 to 7% improvement should be there in the margins and same way in the next year and next year also it should be improved.

**Jiten Parmar:** Congratulations that you are doing all these capacity expansions using internal accruals, so that is very good.

**Moderator:** Thank you. The next question is from the line of Rajeev Rupani, an individual investor. Please go ahead.

**Rajeev Rupani:** Sir. I had a question on the subsidiary last time you had told that the current products, what we have in a subsidiary, so we can do expansion 15 to 20% by debottlenecking, so I would like an update on that and derivatives were planned on those because right now in the concall you have told that 4 - 5 new products are planned and for last time also you have told 2 - 3 years EDA capacity will double. So, can you please clarify?

**D Ram Reddy:** See Rajeev there are 3 things opportunity for them. Number one if the situation demands they can double their capacity because present capacity they have reached to 80 to 90%, the way the growth is taking place, the way the imports are happening. Still, this year we have seen 30,000 tons has come from outside. Earlier when we set up the plant, that time we say that imports are 30,000 tons. Today, total consumption has become more than 45,000, whereby we could cater

only 20,000 tons, still 50% of the products are coming from outside. If the situation demands like this in the coming months, maybe 2- 3 months, they may take a call after doubling the capacity that is number one opportunity. Number 2 opportunity is the new products along with the derivatives the new products which I was spelling out the Sodium cyanide technologies, there are n number of products, I cannot disclose them because of some restrictions which you will hear, maybe not more than 1 - 2 months-time, you will hear everything. All these products will come into the place. We have already applied for the land probably next 1 - 2 weeks we will hear that land allotment from the government of Maharashtra that is one thing. Third thing we said that there is a debottlenecking, yes part of debottlenecking has already taken place and this we cannot take because lot of shutdown time is required because of the market situation, we cannot close the plant for more than weekdays. We are just taking the shutdowns on installment. One month, 7 days do some work, run one month and then 7 days and do some work like that it may take another 3 - 4 months to hear about the debottlenecking capacities adding.

**Rajeev Rupani:**

My next question on DMC, sir last time you had talked about 3 more carbonates plant and maybe and you had told something of blending in diesel of DMC and you had also said we may plan for a new 50,000 tons new plant for DMC, so could you update?

**D Ram Reddy:**

Still I am telling my statement this was basing on the lithium battery manufacturers. There are 5 - 6 companies in the pipeline, everybody is talking past 5 - 6 years they are talking we are coming up until otherwise somebody kickstarts of manufacturing this we cannot take the decision on that additional 50,000 tons. All the 6 people are talking, every one month we are getting the calls from them for all these Dimethyl carbonate, methyl ethyl carbonate, Ethyl carbonate and even NMP also. These 4, 5 products one root is required NMP also. So, the most positive thing is in last 6 months we heard that lithium deposits in the various states. One is I think Srinagar and second thing is Rajasthan, I think these 2 states if they get this lithium, this is very positive for the country and whereby we have very positive thing if somebody starts, even a single Company starts is enough for me to go ahead. Recently we had a discussion with Amara Raja, they were talking about big plans and the way we have the NMP they are talking about more than 10,000 tons in over a period of time they may consume. So, like that, if all the 5 - 6 companies comes, then we will have all these things. This is all subject to consumption otherwise DMC is not consumed in the other fields in big quantities. Second thing, this we said, but there was a lot of we tried with the authorities, there are a lot of restrictions for this being a subsidiary incentive by the Government of India, I don't think we should put our legs in that shoe. That is the reason we are just taking slow on that subject.

**Rajeev Rupani:**

My last question was on an ACN, now, sir, we have existing 9,000 tons and we are putting 15,000 tons and, sir Alkyl Amines has already 30,000-ton capacity and they have talked about in their recent concall that they will have an edge over us because of their experience in making this product for a longer period of time and their capital costs have been absorbed, so could you throw some light on this?

**D Ram Reddy:** If that is the case, my all Methyl, Ethyl everything is capital cost is absorbed, I am zero today, but still I am fighting with them. It is not like that, Rajeev, I am telling means you if you think and if you evaluate last one year while we are waiting the existing plant were not running also. You just go to the market and the import price is Rs. 150 and the other cost price is also Rs. 150 only. We do not want to make losses, even that 9,000 plant also we are not running today because of the situation, until and unless I get edge on the technology. So, we are talking about the new technology whereby definitely we are sure that we have done the pilot plant now we are going for the main plant whereby you will see that maybe in the worlds 1 or 2 people must be using this technology, once we start that..

**Rajeev Rupani:** My last question, all these new projects which you have announced Methylamine, DMA ACN, DMAHCL and DMF, so by when do these 5 is complete?

**D Ram Reddy:** I have told you N-Butylamine will start the second half of this year. Methylamine will finish by March 2024. Then next year we will have Dimethyl ether and ACN, both the project should come parallel, then next after next year DMF and DMAHCL should come. If in between something new products, exciting product comes and these products may take the backbench and that will come to the front bench like this. DME and N-Butylamine has taken the same place.

**Moderator:** Thank you. The next question is from the line of Ranvir Singh from Nuvama. Please go ahead.

**Ranvir Singh:** I think most of questions have answered but just want clarity on EBITDA, you guided 22% on standalone and 26% on consolidated for FY23.

**D Ram Reddy:** Yes

**Ranvir Singh:** And so I was little confused because in press release it was saying that we will have a pre-COVID level of EBITDA and that is what you are guiding, but after 3 facilities, 3 products are coming in Q1 FY24, 3 new plant that will join during the stream, so I thought that would have been margin side, we would have been shown EBITDA margin than what we achieved during pre-COVID, so is this because that Amine is in a you know their EBITDA would be lower than what we achieved in pre-COVID?

**D Ram Reddy:** Not like that I am just telling you little conservative basis. This year you have seen standalone basis 19.55% and all the time I am talking is a 22% that means it, will add another 2% & 22% should be sustainable for the whatever the products we are making in the Amine standalone. And when we talk about the consolidated, definitely that Specialty Chemicals will have the different margins, totally different ball game. There definitely we will have more margin. That is the reason I am talking about 26% when you consolidate both 25 to 26%.

**Ranvir Singh:** And after Q1, once that new project joins revenue stream, their scaling up will happen gradually, so what would be the capacity utilization roughly on a ballpark number by end of year? Just wanted to understand by how fast this can be ramped up.

**D Ram Reddy:** This N-Butylamine, I think by end of the year we should be in a position to operating at 40 to 50% level and next year we should ramp up to 70 to 75%.

**Ranvir Singh:** And secondly, just on Indian competitors now, I was talking about that Alkyl Amines despite all these headwinds and challenges, they have been able to show sequential growth in revenue, so just I wanted to understand because our gap is you know it is a big gap if you see the kind of decline we saw in Q-on-Q. So, where was the disconnect? What is the differentiating factor which is covered in?

**D Ram Reddy:** We will have to see. I do not know what they are doing. What are the products, their mix, we have not gone in detail, but in our thing if you see the consolidated both, so you cannot separate this Company this is a part of the Balaji Amines subsidiary also. So, why cannot we talk on the consolidated numbers? So, we are doing much better with the consolidated basis.

**Ranvir Singh:** But otherwise in Ethylamine, have you been able to retain our market share or we see some challenges?

**D Ram Reddy:** Yes, we are selling you can ask in the market. The problem is you are just seeing only numbers. If you go to the market, then you will understand or if you visit the plant I request all the members whoever has asked questions, who are going to ask a question. I request members to visit the plant if you want any assistance, you can drop a mail to our CS and once you see the plants, the level of the technology, the scale of the operations, everything you will understand once you visit the plant. So, I wish all the members make one visit to the plant in the coming months. So, there you will get the better understanding?

**Ranvir Singh:** And one last one related to that rejig in directors and management, just I wanted to understand like in a CFO we have now Full-Time Director?

**D Ram Reddy:** That also I will tell you before you ask; what happened, see both the companies we are having common Board. All 5 Directors, 5 executives here, 5 executives there. So, now what we are doing because that Company is growing big way and this Company is also having various this thing, we just want to divide the responsibilities. This director is resigned here and going to take additional responsibility in Balaji Specialty and it has happened that he is holding that additional CFO portfolio that is the reason people are talking CFO, actually one director is resigned here and going to take care of additional responsibilities in the Balaji Specialty Chemicals. Here also I was there as a director, I have resigned from the subsidiary and I am going to give the full time

for the Balaji Amines. So, we have just reorganized the total board to take the more responsibilities to run in the perfect level.

**Ranvir Singh:** Because I could not understand that the tenure of his appointment would be on 31st March FY26. So, I wanted to understand what is the remaining tenure? So, it was because that earlier CFO had the tenure up to that March '26 and so this was not related to the regulation....

**D Ram Reddy:** Many companies you will see the CFO is a separate from the Director, here what happened is the director is holding the CFO post, that is the reason it has happened. The director is going to the other Company to take on the additional responsibilities and he is forced to leave this post also. Another Director is given additional charge of the CFO.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Gagan Dixit for closing comments. Over to you Sir.

**Gagan Dixit:** Thanks to all the participants and special thanks to the Balaji Amines management for sharing their views on the Company's 4th Quarter Fiscal Year 2023 Performance. We take this opportunity to thank Mr. Ram Reddy and his team once again. Any closing comments, Sir?

**D Ram Reddy:** Thank you. Mr. Gagan, I thank you all the stakeholders, and to all the shareholders, investors who are with us for the years. And once again, I request them if anybody is interested to visit us, they can visit and also I probably some of the people have missed the questions, they can send the mail to [cs@balajiamines.com](mailto:cs@balajiamines.com). We would love to answer all the queries anytime, any type of questions. Thank you once again. Thank you very much.

**Moderator:** Thank you very much sir. On behalf of Elara Securities Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.