



Alkyl Amines Chemicals Limited

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November 19, 2019

To,
BSE Ltd.
P. J. Towers,
Dalal Street, Fort,
Mumbai – 400 023.
SCRIP CODE: 506767

The National Stock Exchange of India Ltd.
Exchange Plaza,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051.
SYMBOL: ALKYLAMINE

Sub.: Intimation under Regulation 30 of SEBI (listing Obligations & Disclosure Requirements) Regulations, 2015

Dear Sirs,

With reference to our letter dt. November 1, 2019, please find enclosed the transcript of the earnings conference call held on Thursday, November 7, 2019.

Kindly take the same on your records.

Thanking you,

Yours faithfully,
For **ALKYL AMINES CHEMICALS LTD.**

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



Encl.: As above



Alkyl Amines Chemicals Limited

“Alkyl Amines Chemicals Limited
Q2 & H1 FY2020 Earnings Conference Call”

November 07, 2019



Alkyl Amines Chemicals Limited



ANALYST: MR. NILESH GHUGE - HDFC SECURITIES LIMITED

MANAGEMENT: MR. YOGESH M. KOTHARI - CHAIRMAN AND MANAGING DIRECTOR - ALKYL AMINES CHEMICALS LIMITED
MR. KIRAT PATEL - EXECUTIVE DIRECTOR - ALKYL AMINES CHEMICALS LIMITED
MR. CHINTAMANI THATTE - GENERAL MANAGER - SECRETARIAL AND COMPANY SECRETARY - ALKYL AMINES CHEMICALS LIMITED
MR. K. P. RAJAGOPALAN - GENERAL MANAGER - LEGAL - ALKYL AMINES CHEMICALS LIMITED





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Moderator: Ladies and gentlemen, good day and welcome to the Alkyl Amines Chemicals Limited Q2 & H1 FY2020 Earnings Conference Call hosted by HDFC Securities 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 “*” 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 Limited. Thank you and over to you Sir!

Nilesh Ghuge: Thank you Bikram. 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 half-year ended September 2019. We have the pleasure of having with us top management team from Alkyl Amines represented by Mr. Yogesh M. Kothari, Chairman and Managing Director, Mr. Kirat Patel, Executive Director, Mr. Chintamani Thatte, General Manager, Secretarial and Company Secretary, Mr. K. P. Rajagopalan, General Manager, Legal and without further ado, I will now hand over the floor to the management for making opening comments. Over to you Sir!

Yogesh M. Kothari: Welcome to all the listeners. It is a pleasure to come across after a good quarter and I along with my team will be giving you the answers which you need. We have done reasonably well in the last quarter and I am sure we will do as good or better in the next quarter onwards. This quarter was exceptional because we had many events taking place and one of them was that we had a small mishap in our Kurkumbh plant, which put us back for some time. Now, we have come out of that and luckily there was no damage to any of the plants and equipment and we could come out of it very fast. We have spent this year a decent amount on Corporate Social Responsibility in the areas near our plants in Gujarat & Maharashtra and also near our offices and we are getting a very good response to our work.

Our teams at various sites are doing extremely well and they are getting trained for new things, which are taking place. We are putting new projects. Our R&D department is also very active and we are continuously trying to come across products which will give us future boost. What I would do now is to request you to ask us any questions which you have and our team will be able to give you answers.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Sir Congratulations on a wonderful set of numbers considering the fact that you had this plant incident in the Kurkumbh plant. Couple of questions which I have is, first





one, Sir what was the volume growth for this quarter and this first half and what could be the expected volume growth going ahead for a year or two?

Kirat Patel: The volume growth, if you remember, we have predicted that it would be between 10% and 15%. It is on the higher end of the band, it is just above 15%.

Rahul Jain: This is Q2 or for first half?

Kirat Patel: I am talking about half year to half year; comparative half year last year to this year.

Rahul Jain: You had a growth of almost 30% plus you had mentioned on Q4 concall?

Kirat Patel: This first half to the previous first half there has been volume growth of a little over 15%. This quarter to the previous quarter, there has been a small drop compared to Q1 as you can see from the topline, partly because of the fire and there was also situation of flood in Patalganga.

Rahul Jain: Sir what could be the expected growth going ahead given the current scenario, given the current status of asset and based on your customer feedback, what kind of volume growth we can expect for this year and next two years to come?

Kirat Patel: This year I think we will probably still stick to a prediction of 15% over the last year. Going forward is a bit difficult to say, we do not want to look that much forward. But I think we would probably be in that same 10%, 15% range.

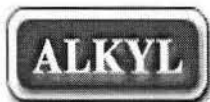
Rahul Jain: Sir in terms of Capex, you had mentioned in Q4 concall that you will be doing Rs.100 Crores Capex for FY2020 and about Rs.150 cr. for FY2021, I can see from the results that it looks like you have done a Rs.40 Crores Capex till September. Is that right and could you just talk about do we maintain similar guidance for this year and next year?

Kirat Patel: I think what we will probably finish this year is at about Rs.80 Crores to Rs.90 Crores instead of the Rs.100 Crores which we had planned. Some planned projects have got delayed and next year is also likely to be in the region of Rs.100 Crores to Rs.120 Crores.

Rahul Jain: Major part of this Capex will be in derivative and specialty chemicals, which has a higher asset turn to the tune of almost about 2x and better margin, is that correct?

Kirat Patel: Not across the board, I would not say, but yes, overall it does have turnover to asset margin of in between 1.5 to 2.





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- Rahul Jain:** Sure and Sir how is in the capacity utilization in this current quarter first half and how do we see is going ahead and typically also with regards to methylamine. Has the capacity utilization gone up beyond 85% to 90%?
- Kirat Patel:** The methylamines capacity utilization has been in the range that we predicted i.e. 80% to 85% and last year it was in the region of about 70%. So another 10% to 15% more and going forward we hope to debottleneck this plant by first quarter of 2021.
- Rahul Jain:** It will add about 10000 tons?
- Kirat Patel:** It will add another 50 tonnes a day so that would be another 15000 tonnes to our existing capacity of about 30000 tonnes, totaling 45000 tons, i.e. additional 15000 tons in capacity not in production.
- Rahul Jain:** Sure Sir and what is the overall capacity utilization currently?
- Kirat Patel:** Current capacity of methylamines are earlier as stated, it is about 30000 tonnes.
- Rahul Jain:** No Sir I was asking about overall capacity utilization of the company as a whole.
- Kirat Patel:** It is difficult to say because there are 12 plants and they are operating at various capacities but I would say we have headroom about 10%, 20% capacity in most plants. Some plants are fully occupied, but overall in product wise we do have headroom strength.
- Rahul Jain:** That is helpful. Sir in your fourth quarter you had mentioned that the demand was quite good from the pharma sector, which almost contributes about 55% to 60% of your revenue. As regards agro demand, with the current monsoon which have been quite good of course in certain part, it has been more than required or there are some excessive rain, so how do you look at the demand from agro and does pharma demand continued to be strong?
- Yogesh M. Kothari:** Pharma demand has been good and expected to be good because of various things which are happening. Agro demand also has been quite reasonable and some of the products are definitely doing better than last year.
- Rahul Jain:** With this good monsoon can the demand further accelerate, is it fair to assume that?
- Yogesh M. Kothari:** Not necessarily. It again depends on which area and what type of crop it is so I would not like to comment on that.





- Rahul Jain:** Sir acetonitrile which is one of our major products we had one of the global parent the plant was shut down and we understanding the prices had moved up quite sharply and somewhere around Q1 or Q4 it has started last year and Q1 the prices had shot up so if just wanted to understand impact or the benefit or what kind of benefits we had from acetonitrile business in this current half? I am trying to basically understand if I exclude acetonitrile, what kind of growth you would have done?
- Yogesh M. Kothari:** Acetonitrile has been a good product for us and even though overall market conditions are different now because of availability of acetonitrile and because of what is happening to acetonitrile, but generally the prices have been quite stable and we have been able to capture good price because of that and we hope that this will continue now.
- Moderator:** Thank you. We have the next question from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Congratulations on a good set of numbers. Sir we were planning to launch few products this year so I just wanted to know have we launched those products, how many products have been launched, how many more products are we planning to launch in FY2020 and FY2021 and what can be the opportunity size of those products?
- Yogesh M. Kothari:** This year we have not really launched any new product. What we are planning is some of the intermediates and some of the raw materials which go into this products. We are trying to see if they can get manufactured within the plant by a process which is feasible for us and that activity is now coming to a level where we should be ready with the products, I mean raw material, in a very short of time. We have already designed the plant and equipment and may be in the next few months' time it should be on stream.
- Ankit Gupta:** So over the next year or year-and-a-half, we are not planning to launch any new products in speciality or derivative segment going forward?
- Yogesh M. Kothari:** There are always various products in line, but we would not like to disclose them.
- Ankit Gupta:** In terms of numbers if I you can disclose how many products are we planning to launch, but in broad idea on what can be the opportunity size for those products, you do not name the product or market they are addressing in terms of numbers and opportunities size that is available for those products?
- Yogesh M. Kothari:** I think what we do is, at some stage may be you can contact us and we will give you some information on this, off hand I am not able to tell you this.





- Ankit Gupta:** Sure Sir and Sir secondly on acetonitrile, globally there was plant shut down and because of that the acetonitrile prices has moved up and the prices had increased quite a bit so how much has been the impact of acetonitrile prices moving up on our H1 performance and how do you see the situation for the prices going forward?
- Yogesh M. Kothari:** I think the price have definitely moved up but now they are stabilized and possibly they will remain like this for sometime because Chinese producers are also in this and they have been selling into India for some time now; so there is competition, which is going on, but we are very confident that we will be able to compete at a very reasonable way.
- Ankit Gupta:** Okay but the prices have not fallen from the elevated levels?
- Yogesh M. Kothari:** I do not think so, it is all in the same range, but you never know, it could happen.
- Ankit Gupta:** Okay but has one of the large supplier who had a plant shut down, is he coming back I think it was Ineos if am not wrong?
- Yogesh M. Kothari:** I do not think they will come up but in Ineos is not the only producer, there are all these Chinese producers, there are some Taiwan producers, there is an Indian small producer who is also making it so it is not just like that.
- Ankit Gupta:** Okay. Thank you Sir I will come back in the queue.
- Moderator:** Thank you. We have the next question from the line of Ronil Dalal from Ambit Investment Advisors. Please go ahead.
- Ronil Dalal:** Sorry, I missed first two minutes of the call so my question is that what is your exposure of DMA HCL to ranitidine and other than what will be your outlook going ahead and third is that the fire if you can quantify any impact of that?
- Yogesh M. Kothari:** Ranitidine issue is going on. We make DMAHCL that goes for manufacture of that but what I have been hearing is that it may not be so bad as what was projected and the level of nitrosamine in the ranitidine made by various companies, seems to be below the levels which have been described by FDA. So I think that is not very major issue now.
- Ronil Dalal:** Okay and Sir the other two questions? Fire what was the impact if you can quantify and what is your outlook going ahead?
- Yogesh M. Kothari:** Fire had some impact on us of course. Fortunately for us there was no damage to plant and equipment and we could start the plant after permissions from the Government and outlook now is quite steady operationwise.



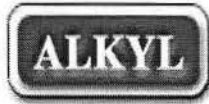


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- Ronil Dalal:** No Sir I mean your company level guidance for outlook not related to the fire, just generally?
- Yogesh M. Kothari:** Outlook for the future?
- Ronil Dalal:** Yes?
- Yogesh M. Kothari:** Outlook for the future is something which looks quite decent and some of our markets are doing well like the pharma. The tyre industry has also started picking up, the automobile industry has started doing well and this will definitely help us in our markets.
- Ronil Dalal:** But nothing that you can quantify like revenue or margin guidance?
- Yogesh M. Kothari:** I do not think we give that information.
- Ronil Dalal:** Okay sure Sir thank you.
- Moderator:** Thank you. We have the next question from the line of Siddhartha Grover from Equirus Portfolio Management Services. Please go ahead.
- Siddhartha Grover:** Sir my first question is regarding methylamine industry so what is the scenario, what is the industry capacity that we have in India and how much are imports what is the demand like in terms of pricing is it at par what it was couple of years ago?
- Yogesh M. Kothari:** You are taking of methylamines right?
- Siddhartha Grover:** Yes.
- Yogesh M. Kothari:** Real thing in methylamine is that even though some imports are taking place, it is not a product so easily imported, since availability in India has improved tremendously after our coming into the production at Dahej plus we have Rashtriya Chemical and Fertilizers as well as Balaji Amines manufacturing this. There is not much imports coming into India. Now again methanol prices have also stabilized so that is also given sort of benefits to all the producers.
- Siddhartha Grover:** Sir what is the industry capacity right now and what is the demand scenario for methylamine?
- Kirat Patel:** Capacity would be a little bit of guessing game, but I would think that it is about 80000 to 85000 tonnes of mono-di-tri and the demand would be in the region of about 70000 tonnes, but this is a good guess, it is just business guess because it is not exactly clear,





nobody reveals numbers clearly and there is another issue here, there is a balance of mono-di-tri. The market is different from what the production takes place so capacity utilization become an issue. Typically in a methylamine plant if you reach about 80%, 85% capacity utilization one or other will become a problem of supply.

Siddhartha Grover: Okay now Sir, you are planning to debottlenecking exercise in FY2021 as well as Balaji is expected capacity of 50 tonnes a day to become online by FY2021 so in terms of pricing do you expect any pressure during FY2021, FY2020?

Kirat Patel: It seems Balaji is not putting methyl. They are putting ethyl plant that is what it is announced and has already 45000 tonne capacity as per their declaration. It seems, they have headroom in methyl already and we are debottlenecking from 30000 to 45000 so the two of us will have approximately similar capacities going forward, ours will be in one plant and they are in two plants.

Siddhartha Grover: Okay understood and Sir second question in terms of the Rs.40 Crores Capex that you have done in the first half and with the CWIP of roughly Rs.60 Crores so where exactly are we spending it, in Dahej or in some other plant and in terms of which product is its specialty derivatives or in the core methylamines?

Yogesh M. Kothari: It is in derivatives and of course normal capex both in Kurkumbh and Dahej.

Siddhartha Grover: Okay can you just break it between specialty and derivatives?

Yogesh M. Kothari: Of the current capital expenditure, we have spent marginally on some engineering on specialities and most of it is in derivatives and infrastructure.

Siddhartha Grover: Okay.

Moderator: Thank you. We have next question from the line of Dipen Sheth from HDFC Securities. Please go ahead.

Dipen Sheth: Sir just housekeeping questions here, you have I think a little bit of tax write back this quarter obviously this happened because of the change in the tax rates which has been announced by the government and there is write back on deferred tax account, so all I wanted to know was what is the recurring tax provision do we just take your Rs.49 Crores number and put 25% or so on that to interpret it that way, is that a fair way to look at it?

Kirat Patel: Yes if you look at it this particular quarter we have had benefit of about Rs.12.5 Crores. Going forward there will be a little more deferred tax savings so I think the year will end up with back to about 22% to 24% tax rate on PBT.





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- Dipen Sheth:** Okay Sir that is recurring tax rate that we have?
- Kirat Patel:** That will be recurring tax rate going forward, but all the deferred tax assets would have been written off.
- Dipen Sheth:** Okay thanks.
- Moderator:** Thank you. We have the next question from the line of Nav Bhardwaj from Anand Rathi. Please go ahead.
- Nav Bhardwaj:** Congratulations on a fabulous set of numbers. My first question pertains to the gross margins, we have almost back to 2017 kind of numbers in a good way of course, but could you please classify as to which particular raw materials have helped us reach this numbers right now?
- Yogesh M. Kothari:** Prices of the raw materials are varying all the time but methanol has been quite helpful, acetic acid has helped in the latter part, alcohol has been quite steady; so generally we did not have any other price issues. Ammonia has been good also.
- Nav Bhardwaj:** Probability if the raw materials are the same prices in the coming quarter, will we be passing on the benefit to the customers or will we be able to maintain these margins?
- Yogesh M. Kothari:** We have to see that because it will also depend how the climate is there so depending on that we will decide.
- Nav Bhardwaj:** The rationale behind divesting another 30% stake in Diamines; if you could share some thought on that?
- Yogesh M. Kothari:** It is important event for us also because we alongwith our partner got into this company almost now 20 years ago and from a sick unit, we brought it up to this level. It is doing well and has given good returns also. What is happening is that our own projects are going on and lot of attention is also needed in own projects; so we decided that it may be good time to get out by divesting and take advantage of whatever prices we get today.
- Nav Bhardwaj:** Thank you so much and all the best going ahead.
- Moderator:** Thank you Sir. We have next question from the line of Rajat Kedia from Ridhi Capital. Please go ahead.
- Rajat Kedia:** First question on acetonitrile what was the realization for acetonitrile in the first half of this year?





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Yogesh M. Kothari: This is the question which I would not like to answer, but just now the current international prices are around \$3 to \$3.2.

Rajat Kedia: We have been in this same in first six months of this year correct?

Yogesh M. Kothari: It varies again depends from where it is coming.

Rajat Kedia: Sure and what is the revenue share of acetonitrile in the first half of this year for us?

Yogesh M. Kothari: This I cannot disclose.

Rajat Kedia: Second question is on the Capex that we are going to do in this year which is around Rs.80 Crores so by when do you expect revenue to come from this Capex how long it will take to reach 1.5 to 2 times turnover of this Capex?

Yogesh M. Kothari: If we have to reach full capacity utilization of this, it may take about two to three years, because products are already in but we are expanding capacity; so it will take a little time for the market to be exploited - at least two to three years.

Rajat Kedia: Target for next year Capex?

Kirat Patel: Next year capex is about Rs.100 Crores what we expect. There is no target here because we have not yet done the detailed planning, but in the region of Rs.100 Crores is what it will be. We can probably clarify in the May concall.

Rajat Kedia: Sure and finally one last question in terms of competition are we seeing any of our major products where do you know there is pressure on pricing or competition has increased?

Yogesh M. Kothari: We were in competition all the time so there is no real pressure. It is only sometimes when the Chinese products come into India then we have to be more careful. Overall I think the prices which are being offered by the Chinese are also quite reasonable. I would say it is not like they are dumping, but things are okay.

Rajat Kedia: And which products are we facing competition on Chinese apart from acetonitrile you mentioned?

Yogesh M. Kothari: I think it is mainly acetonitrile and may be some on ethylamines.

Rajat Kedia: Thank you Sir.





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- Moderator:** Thank you. We have the next question from the line of Anshul Mehta from Care Portfolio. Please go ahead.
- Anshul Mehta:** Sir I wanted to ask what is the sustainable margins going forward on EBITDA level, can we see over the period of next two years?
- Kirat Patel:** I think if you see this quarter is a little higher, it is about 23%, 24% but long-term margins have been between 18% to 22% and I think that is probably the long-term view - 18% to 22% sometimes it goes below, sometimes higher quarter-to-quarter but 18% to 22% is normal long-term.
- Anshul Mehta:** Okay Sir and the reason for increase in margins this quarter was?
- Kirat Patel:** As we said earlier, product mix and some benefits of stronger prices, some volumes.
- Anshul Mehta:** Okay Sir thank you.
- Moderator:** Thank you. We have the next question from the line of Rohit Balkrishan from Ridhi Capital. Please go ahead.
- Rohit Balkrishan:** Sir most of the questions have been answered just two questions one was sorry if I missed this, you mentioned that there was some fire, so have been taken some impact on P&L because of that fire, any inventory write off or any other expenses that have been there which otherwise would not be there?
- Kirat Patel:** There were two cases, one is in Kurkumbh because of fire and the other is Patalganga because of the flood. We have filed insurance claims for both these amounts in the region of around Rs.2 Crores plus between the two plants. They have been taken into account in these quarters as and when we get the insurance claim then they will be accounted for income.
- Rohit Balkrishan:** Got it so Rs.2 Crores combined and you have filed for insurance that is fine. The second question was in terms of when you mentioned that you are seeing good demand overall I just wanted to understand that a lot of players have been talking about slowdown etc., so you see those impact sort of abating or improving from here on is that understanding correct?
- Yogesh M. Kothari:** I do not think there is such a slowdown especially we are not feeling it because we sell in various markets and I would again repeat pharma market has been doing quite well, I think automobile is just picking up now, rubber chemicals and foundry chemicals because of that and other markets are doing well, so we are not feeling any real impact on this.





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- Rohit Balkrishan:** Okay fine Sir I think most of questions have already been answered so that is it from my side. Thank you so much.
- Moderator:** Thank you Sir. We have the next question from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Sir can you quantify what was the production loss in Kurkumbh and Patalganga, how many days of production we would have lost because of the flooding and fire impact?
- Yogesh M. Kothari:** We are not giving actual capacity or production numbers or sales numbers.
- Ankit Gupta:** What I am saying is how much days of production we would have lost because of fire, how many days, number of days.
- Yogesh M. Kothari:** I am sorry we will not be able to reveal that numbers.
- Ankit Gupta:** Okay Sir thank you.
- Moderator:** Thank you. As there are no further questions I would like to hand the conference over to the management for closing comments. Sir, over to you.
- Yogesh M. Kothari:** Thank you all the participants and what I have been hearing and what type of questions are asked and I think a lot of focus is on acetonitrile. It is definitely an important product for us and we doing quite well in that and for your information I must say we are putting new plant for acetonitrile, so in the next two years time we will have one more plant of acetonitrile. Generally we are doing well and financials are quite okay, our divestment information we have already give it to you so I think things are in order. Thank you very much.
- Moderator:** Thank you very much Sir. Ladies and gentlemen, on behalf of HDFC Securities Limited that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.

