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Balaji



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AMINES LIMITED

REGD. OFF. : 'BALAJI TOWERS'
No. 9/1A/1, HOTGI ROAD,
AASARA CHOWK, SOLAPUR - 413 224.
MAHARASHTRA. (INDIA)

21st August, 2020

To,
The General Manager-Department of
Corporate Services,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.

Scrip Code : 530999

The Manager-Listing Department,
National Stock Exchange of India Limited,
"Exchange Plaza", 5th Floor,
Plot No.C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 051.

Scrip Code :BALAMINES

Dear Sir,

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

With reference to above cited subject, please find enclosed the transcript of the Conference call held on Tuesday, 13th August, 2020.

This is for your information and record.

For Balaji Amines Limited

Jimisha

Jimisha Parth Dawda

Company Secretary & Compliance Officer

Encl: a/a





“Balaji Amines Limited Q1 FY-21 Earnings
Conference Call”

August 13, 2020



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

**MODERATOR: MR. SWARNABHA MUKHERJEE – EDELWEISS
PROFESSIONAL INVESTOR RESEARCH**



*Balaji Amines Limited
August 13, 2020*

Moderator: Ladies and gentlemen, good day and welcome to the Balaji Amines Limited Q1 FY '21 Earnings Conference Call hosted by Edelweiss Professional Investor Research. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectation of the company as on date of this call. These statements are not the guarantees of future performance and involves risks and uncertainties that are difficult to predict. 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 please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Swarnabha Mukherjee from Edelweiss Professional Investor Research. Thank you and over to you Mr. Mukherjee.

Swarnabha Mukherjee: Thank you Janis. And good afternoon to all of you. On behalf of Edelweiss Professional Investor Research, I welcome you all to the Q1 FY '21 Earnings Conference Call of Balaji Amines Limited. We have with us today Mr. Ram Reddy – Promoter and MD of Balaji Amines Limited. I would like to request Mr. Ram Reddy for his opening remarks post which we will open the floor for Q&A. Over to you, sir.

D. Ram Reddy: Thank you Swarnabha. Ladies and gentlemen, a very good evening to all of you and welcome to the conference call to discuss the financial performance of the Q1 of financial year 2021 of our company Balaji Amines Limited. I hope you're all keeping well in this unprecedented and difficult times. I believe that you would have got a chance to go through the press release, investor presentation and financial statements submitted to the stock exchanges and uploaded on our website.

Let me take you through the stand alone financial and operational performance. We recorded a total revenue of Rs. 213 crore in Q1 FY '21 as against Rs. 234 crore in the corresponding quarter of previous years. The dip in revenue was on account of suboptimal capacity utilization of about 70% and 80% in the month of April and May respectively, due to the COVID-19 lead disruptions. However, since the beginning of June 2020, we are operating at pre-COVID levels.

Total volumes stood at 18,306 metric tonnes for Q1 FY '21 as against 20,149 metric tonne in Q1 FY '20. For Q1 FY '21 volumes of Basic Amines stood at 4,153 metric tonnes, Amines Derivatives volume stood at 8,277 metric tonnes and that of Specialty Chemicals stood at 5,876 metric tonnes.

EBITDA came at Rs.54 crore in Q1 FY '21 up by 36% as compared to Rs.39 crore in the same period last year. We recorded EBITDA margin of 25% in the current quarter versus 17% in Q1 FY '20. The increase in EBITDA margin was on account of better product mix and steady raw material prices.

Profit after tax witnessed a growth of 74% at Rs. 35 crore in Q1 FY '21 as against Rs. 20 crore in the same quarter last year. Profit after tax margin stood at 16% vis-à-vis 9% in Q1 FY '20. Diluted EPS for Q1 FY '21 stood at Rs.10.70 per equity share.

Coming to the performance of our subsidiary company, our sales were not affected as we had sufficient finished inventory in the month of April and May 2020 and the operations have started at pre-COVID level since the first week of June 2020. The sales of the subsidiary company stood at Rs. 23 crore in Q1 FY '21 and recorded EBITDA of Rs. 2 crore. We are currently having a sales run rate of about Rs.8 to Rs.10 crore per month and we expect gradual ramp up in volumes in the coming quarters. We expect the operating margins to scale up once the operating leverage kicks in. It is important to note, that the prices of finished products as well as raw material of the products manufactured by our subsidiary company have fallen.

We have completed CAPEX of about Rs. 80 crore in our 90-acre Greenfield project out of the total CAPEX of Rs. 150 crore and expect to commission the production of ethylamine by the end of this financial year. Currently, there is a supply shortfall of ethylamine of about 9,000 metric tonnes per annum in India, which is met by imports. It is expected that this supply gap is likely to increase to 15,000 tonnes per annum in coming two years' time. We would be well positioned to address this opportunity of increase in domestic demand.

We are currently manufacturing about 9 tonnes per day of acetonitrile (ACN). We expect to undertake debottlenecking after two months, once we receive the critical equipments, which were delayed due to COVID-19 lead disruptions. Post debottlenecking we envisaged to gradually ramp up our production to about 18 tonnes per day, We expect the demand for acetonitrile to remain elevated as it has emerged as a preferred solvent by various end user companies as compared to other solvents. Also, pharmaceutical companies are preferring acetonitrile, which is produced via direct route of acetic acid and ammonia as the quality of the product manufactured through this process is much superior to that produced by the indirect route of by-product of acrylonitrile.

This prospect of agro-chemical sector have brightened as agriculture has emerged as a bright spot and amid pandemic with highest storage across reservoirs for last five years, coupled with good monsoon rainfall, leading to more acreage under cultivation. Also demand for our certain products like acetonitrile, DMF, NEP, DMA and TEA is likely to increase as their intermediates are drugs required for COVID-19 treatment. We expect better volume uptake in the coming quarters, as the demand from end user industry is likely to remain robust.

So that's all from our side. We now leave the floor open for question and answers.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Nilesh Ghuge from HDFC Securities. Please go ahead.

- Nilesh Ghuge:** As you said in your opening remarks, that there is a robust demand for acetonitrile and you are going ahead with the expansion and it will be completed by end of this financial year. So, can you just throw some light on the pricing scenario as of now and what is the breakeven point for you as far as acetonitrile is concerned?
- D. Ram Reddy:** It's not an expansion. I mentioned clearly that it is a debottlenecking adding some equipments and the production will increase to about 15 to 18 tonnes from the existing 9 tonnes per day. The prices as of now rulling between Rs. 250 to 270.
- Nilesh Ghuge:** In our press release and also in the opening remarks, you mentioned that we are able to get a good EBITDA margin because of changing product mix. But if I look at the volumes, there is a significant drop in specialty volumes, if I look at the quarter-on-quarter numbers, as compared to other products, like amines volumes and amine derivative. So, can you just throw some light on why the EBITDA margin has gone up though your specialty volume has gone down significantly?
- D. Ram Reddy:** There was about 2,000 tonnes shortage in the sales volumes in Q1FY21 considering we did 18,000 tonnes volumes all put together in this quarter. volumes basis. So this shortage of 2000 tons in sales volume may not be of those products which are at a high margin products.
- Moderator:** Thank you. The next question is from the line of Amar Maurya from ALFAccurate Advisors. Please go ahead.
- Amar Maurya:** What would be the contribution of Acetonitrile in this particular quarter?
- D. Ram Reddy:** It's very difficult to say for any particular product. But as I said, that we were producing 9 tonnes per day approximately.
- Amar Maurya:** Okay. And sir this increase from 9 tonne to 18 tonne, when you say will happen by end of the year, so basically major revenue should come in the next year?
- D. Ram Reddy:** No, there should be some contribution in the last quarter, from the increase in quantity.
- Amar Maurya:** Okay. And secondly, sir our ethylamine's project which we are expecting to get commissioned in fourth quarter, is that on the track?
- D. Ram Reddy:** Yes. Definitely, by the end of the year you will see the commencement of production of ethylamine.
- Amar Maurya:** Okay. And for DMC also?

- D. Ram Reddy:** It will take some time, maybe another one or two quarters. Because we have taken up first ethylamines. Then, we may take another three to six months, so maybe by second quarter of next fiscal year.
- Amar Maurya:** So basically DMC should come in the second half of next year?
- D. Ram Reddy:** Yes.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.
- Pritesh Chheda:** Sir, there is a marked improvement in the per unit EBITDA which we see sequentially and Y-o-Y.. First, how would the acetonitrile volumes be increasing Q-o-Q. Is there a case where maybe acetonitrile volumes are increasing and reached full capacity in quarter one in terms of utilization and secondly, has EBITDA Margins increased on account of some benefit from lower ammonia and methanol prices?
- D. Ram Reddy:** You may be right to some extent on acetonitrile, because this quarter, full 9 tons we are operating across whole quarter and last year it was on and off. And it's not the lower but it is a stable raw material prices. This time, what we could see the entire two quarters we have seen stability in the raw material prices of methanol and ammonia, and it was playing between Rs. 16 to below 20 per kg only. S There is also another reason, and this is because of the product mix some of the products which might have run full capacity even during the COVID-19 disruptions.
- Pritesh Chheda:** Okay, my second question is on our existing setup, which we have in the standalone, what is the peak volumes possible with all products put together?
- D. Ram Reddy:** It is 100,000 tonnes.
- Pritesh Chheda:** And last year on a subsidiary side, this Rs. 8 to 10 crore per month revenue run rate which you're talking about, here what will be the peak revenue run rate and the margin that you would attain at the peak revenue run rate and will it happen this year or do you think that is possible next year?
- D. Ram Reddy:** This will depend upon the raw material and finished product prices.
- Pritesh Chheda:** We can take an ideal situation
- D. Ram Reddy:** It depends upon the market, we cannot expect what is going to happen in the next quarter. So, with the current situation, it should go to minimum Rs. 12 to 15 crores from the second half of this fiscal year
- Pritesh Chheda:** That's the peak?

- D. Ram Reddy:** When we originally planned, at that time the end-product price was about Rs. 150 to Rs.160 per kg. If that price we supposedly take as a benchmark, then it will go around Rs. 400 crores annual turnover
- Pritesh Chheda:** Okay and the margin on that?
- D. Ram Reddy:** Margin is very difficult to say. That depends upon the competitors play, how they play, how they allow us to play.
- Pritesh Chheda:** And versus that realization originally, where are the realization today??
- D. Ram Reddy:** When we had done the detailed project report (DPR), we have taken Rs. 150 to 160 per kg for the finished product, the price of the main raw material that was somewhere Rs.90-95 per kg. Today that raw material price has come down to Rs.60 to Rs.70 per kg and finished product price has come down to Rs.110 to Rs.120 per kg.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Svan Investment. Please go ahead.
- Sachin Kasera:** Just a follow up on this question regarding subsidiaries, sir you said that because of the volatile prices, the turnover can go up and down. So, if you could give us some sense in when you say Rs. 8 to 10 crores per month visibility you are having, can you just transfer that in terms of tonnage. That will give us a better idea how the utilization is moving up?
- D. Ram Reddy:** Currently we are having about 25% utilization. I'm expecting by mid and after mid of the current financial year, we should cross 40% to 45% capacity utilization.
- Sachin Kasera:** So, by September, October, which should be between 40 to 50%?
- D. Ram Reddy:** So that time, revenue should go beyond Rs. 15 crore per month, assuming the current raw material prices and end-product prices prevail.
- Sachin Kasera:** Sure, and at 40%, 50% utilization will you start to break even?
- D. Ram Reddy:** Yes, we should, if things go like this.
- Sachin Kasera:** This quarter we're done around 18,000 tonnes but now that you are working at full capacity and the demand outlook is also good. So, what is the type of volume as of now you sense that you can do for the full year?
- D. Ram Reddy:** Yes, see as I mentioned, if you do the total 95% capacity utilization without interruption, we should do minimum 24,000 tonnes of volumes per quarter.

- Sachin Kasera:** Okay, and at least for Q2, you see of visibility at least between 20,000 to 24,000 tons?
- D. Ram Reddy:** We should do a minimum 22,000 tonnes.
- Sachin Kasera:** Great. Sir one question regarding these segmental number. So we see a loss of around Rs. 1.5 crore in your CFL division, We had thought that you had almost winded up that operation.
- D. Ram Reddy:** See what has happened, we have a closing stock of the bulbs almost Rs. 12 to 13 crores. So also had revenue of about Rs. 10 to 15 lakhs in this quarter. We just started selling to en-cash whatever was possible. While encashing, the prices come down. So, we are forced to revalue that. So the difference of revaluation of the closing stock has come down by about Rs 1.5 crore. So, there are not any operations.
- Sachin Kasera:** Okay. Sir so basically, it's a revaluation of inventory that has caused this loss.
- D. Ram Reddy:** Yes. We have to complete this, of whatever closing stock we have of bulbs. And we have one positive thing what I can tell you. Maybe from the next quarter, we have given the warehouse to some multinational company and probably we get some revenue of about Rs. 10 lakhs per month from October or November onwards.
- Sachin Kasera:** How much inventory is now left as per the books and is there any further loss in that inventory or you think more or less you booked all the losses?
- D. Ram Reddy:** That is only possible to tell when we sell entire thing
- Sachin Kasera:** Okay. And for CAPEX you will be able to fund internally or we'll have to take some borrowings?
- D. Ram Reddy:** No, we will be doing internally. We already made a provision. Maybe another 70 crores in required for this first phase. We already having internal accruals. We don't need any external financing at least for this phase one.
- Sachin Kasera:** Sure. And sir last one on DMF, can you repeat how, basically how is your current market. You had last time mention by the improved little bit and secondly, what is the movement on the anti-dumping side there?
- D. Ram Reddy:** For anti-dumping, there is no permanent office or place on the particular post. We are facing a lot of problems. You are well aware that we are fighting for past three years for this but, I am helpless. And you cannot blame anybody, it is our bad luck I can say. One side government is talking Aatmanirbhar but other side we are facing these problems. But luckily some positive thing is that their prices are not that worse than earlier years. Presently it is quoted somewhere around Rs.70 to Rs.75 per kg. So that is sustainable, even if we don't get anti-dumping, as something is getting added into the bottom line.

- Sachin Kasera:** And our breakeven price is Rs. 60 – 62 per kg for DMF currently?
- D. Ram Reddy:** Yes.
- Moderator:** The next question is from the line of Jatin Damania from Kotak Securities. Please go ahead.
- Jatin Damania:** Sir just a follow up on this DMF., Have you seen an improvement in the realization on the sequential basis and have we seen improvement in the overall capacity utilization also, because till last quarter we are working at 20% -25% capacity utilization in DMF. So, what is the current run rate that we are doing?
- D. Ram Reddy:** What we are doing is, DMA is also seen consumption in a big way in the last one quarter. So, when we are getting better realization in the DMA, we are preferring the DMA. We are being choosy in picking the customers. If customers are not giving the price what we are opting, then we are not going for the capacity utilization of the DMF.
- Jatin Damania:** So, is it true that DMF still we are operating at 30% capacity utilization only?
- D. Ram Reddy:** Little more.
- Jatin Damania:** And what will be the margin difference between DMF and DMA because as you said that Rs. 60 - 62 will be a breakeven and at price of Rs. 70 - 75 on the higher side, you will be doing EBITDA per kg of Rs. 13/kg for DMF. Will it be the same case for DMA?
- D. Ram Reddy:** For DMA, sometimes we are getting Rs. 78 to Rs.80 per kg. At that time selling DMA be attractive rather than manufacturing DMF.
- Jatin Damania:** What is the breakeven for DMA?
- D. Ram Reddy:** I cannot say that for commercial considerations
- Jatin Damania:** Okay. And sir secondly to come to your subsidiaries now you're saying that you have sold an inventory in the first two quarters. So, have we actually signed a contract with domestic agrochemical companies or we are yet to sign?
- D. Ram Reddy:** We have got the assurance for the quantities. We have to discuss that on time-to-time basis depending on the raw material prices.
- Jatin Damania:** Okay. So what is the total quantity that we will dispatch in this financial year?
- D. Ram Reddy:** This financial year we have the visibility of selling about 12,000 to 15,000 tonnes.

- Moderator:** Thank you. The next question is from the line of Kishan Gupta from CD Equity Research. Please go ahead.
- Kishan Gupta:** What is the new product pipeline for the next few years?
- D. Ram Reddy:** See, there is nothing new product, it's an old product expansion only. The green field project, will go for the production from the last quarter of the current year, where we are adding 16,500 metric tonnes of ethylamines. That depends upon how much we utilize and the product price currently is about Rs. 120 per kg. In another quarter or two quarters time, the second product is the DMC for which we will have capacity of 10,000 tonnes. The price of DMC is currently quoted between Rs. 130 to Rs. 140 per kg.
- Kishan Gupta:** Okay. And what is your morpholine capacity utilization?
- D. Ram Reddy:** Right now, we are utilizing about 70% to 75%.
- Kishan Gupta:** So, if I see your specialty chemicals, is your total capacity is about 80,000 tonnes??
- D. Ram Reddy:** That depends which are the chemicals you are considering specialty. Some of the products company may consider as a solvent and somebody as an intermediate and somebody else as a specialty. So, as a whole all the products together we have 100,000 tonnes capacity currently, without taking into account this new Greenfield expansion.
- Kishan Gupta:** And do you have any sort of operational integration between your various divisions, like amines and specialty chemicals?
- D. Ram Reddy:** Yes, definitely. Some of the Amines are used for producing the raw material of specialty chemicals.. Some of the intermediates are produced by using the amines. So, I can say we have backward and forward integration.
- Kishan Gupta:** And about raw material procurement? Do you have separate teams??
- D. Ram Reddy:** We have separate teams.
- Moderator:** Thank you. The next question is from the line of Kavan Pandit from Latin Manharlal Securities. Please go ahead.
- Kavan Pandit:** Sir my two questions I have, first one is on EDA, sir we use it to produce Mancozeb as well, which is in the banned list of 27 chemicals by the government. So, I just want to understand the breakup of the EDA, how much we supply to pharma and how much we supply to agro?
- D. Ram Reddy:** See, out of total 28,000 tonnes of import of EDA into the country last year, about 7000 to 8000 tonnes went into polymer and oil drilling industry and rest went for the agro industry. There are

other new applications that have started requiring maybe 1000 or 2000 tonnes. So, first of all I don't think this ban will be implanted, because the country like India cannot afford to have such an important key agrochemicals, almost 29, being banned at a time. It's very difficult for the country to sustain. These type of things happen every three, four years and the industry goes to the government. In the current case also, government has already removed the ban for the export of the Mancozeb. Today it is already removed. Only domestic still there is time for the industry to give their feedback to the government. As I said there's about 8000 tonnes demand in the domestic market from the polymer and other industries. And as far as Mancozeb export is concerned, India is the biggest manufacturing hub for the same and it has got very good export market.

Kavan Pandit: Alright. Sir, just a follow up. So would it be safe to assume that we have been in talks with clients for both polymers and exports for Mancozeb?

D. Ram Reddy: We are already doing, we are already catering to those people. In last quarter we exported China too.

Kavan Pandit: Okay, sir could you quantify it if possible?

D. Ram Reddy: Maybe 100 tonnes, we might have exported.

Kavan Pandit: Okay. And sir next would be you gave a guidance of around 22,000 tonnes for the next quarter. And I know it's not exactly right to extrapolate but could we see Rs. 250 to 260 crore revenue in the next quarter?

D. Ram Reddy: That again depends upon the finished product prices and raw material prices. So, it's very difficult to say. We can say volumes, but values it is very difficult to say.

Kavan Pandit: Just a flavor according to the current trend, any idea?

D. Ram Reddy: It may go

Kavan Pandit: Similar margins?

D. Ram Reddy: That again depends upon the competitors and how they allow us to play.

Moderator: Thank you. The next question is from the line of Swarnabha Mukherjee from Edelweiss Professional Investor Research. Please go ahead.

Swarnabh Mukherjee: Sir just to understand on the volume side in the standalone business for the quarter. So this quarter you have done around 18,000 metric tonnes and for the next quarter the guidance is around 22,000 metric tonnes right?

- D. Ram Reddy:** 20,000 to 22,000 tonnes
- Swarnabh Mukherjee:** If things go all right, like there is no further COVID related disruptions or anything, are we looking at somewhere close to 82,000 to 90,000 tonnes for the whole year, considering another 24,000 metric tonnes each for the last two quarters of the year. Would that be a correct assumption sir?
- D. Ram Reddy:** It should, if everything goes well, there should not be any problem for achieving volumes of 80,000 to 90,000 tonne. But again, I must say that in this first quarter, we already are short by 5000 to 6000 tonnes.
- Swarnabh Mukherjee:** Right. But on a normalized scenario if things go like this, then for the second half?
- D. Ram Reddy:** There should not be any problem in achieving 80,000 tonnes volume sales.
- Swarnabh Mukherjee:** And on the margin front sir you mentioned that, margins were higher and one of the factors was product mix. I also noticed that your per tonne realization has also gone up this quarter. So, if you can give any color at least on the realization front for which product you might have seen. Is it acetonitrile, DMF or any particular product and if that mix that help keep the margin sustainable?
- D. Ram Reddy:** It is very difficult to say that because, for plants like we have in Balaji where we have a lot of integration. Suppose if I sell at a good price for the DMA, then the tonnage will come different. If price for the DMF is good, then I may consume more DMA into the DMF.. So, like that, it's very difficult to predict. But yes, this time the product mix are very good. Like the higher margin products were on the peak in the quarter, so if the things go like this, it should be better.
- Swarnabh Mukherjee:** Okay. On a normalized basis sir are we sticking with our earlier margin guidance?
- D. Ram Reddy:** Yes, 20-22% EBITDA margin should not be any problem.
- Swarnabh Mukherjee:** Okay. And sir, any update on the hotel, what is the status right now?
- D. Ram Reddy:** Hotel has just started 10 days back. I can say that it is a very bad period for the hotel industry not only for us, but all over country the most affected are those in the hotel business. In the situation prevailing, hotels were the first to be closed down and will be the last to open. Even today, we are not allowed to open the restaurants. We have opened only for the lodging and the parcel service. Probably if things improve, we may cover the expenses, from the coming months.
- Swarnabh Mukherjee:** Okay. So you will be able to cover the expenses that is your?
- D. Ram Reddy:** Next months onwards.

- Swarnabh Mukherjee:** Okay. Sir any color you can give on what could be the occupancy level in the short term?
- D. Ram Reddy:** The occupancy is for about 15 rooms today. Because we have reduced all the cost, like employee cost, power cost, and number of other areas where we have reduced the costs, even with occupancy of 30 to 35 rooms, we should cover all our expenses, because there is not interest cost..
- Swarnabh Mukherjee:** Okay, that's great sir. And total number of rooms sir, if you could just remind in the hotel?
- D. Ram Reddy:** 129 rooms.
- Moderator:** Thank you. The next question is from the line of Kunal Mehta from Vallum Capital. Please go ahead.
- Kunal Mehta:** Sir, one question. Now, when you track the methanol price, we see very good volumes for methanol coming from Saudi and the Saudi methanol is in line or maybe cheaper than the methanol which used to procure from Iran. Secondly sir the methanol prices have gone down in the last one year if I compare Y-o-Y, so can we expect the benefit from lower methanol prices in next two, three quarters?
- D. Ram Reddy:** It is very difficult to say what will happen after next two or three quarters But for your first question, methanol from Saudi is definitely not cheap, it is costlier as compared to the Iranian material. We are getting more material from the Qatar, Oman and other countries. Also methanol from Saudi is also coming, but it's not into bigger quantities. Comparatively more methanol is coming from Qatar and Oman. And we are witnessing favorable prices, between Rs.16 to Rs.18.50 per kg, which is very good and sustainable for the Indian industry.
- Kunal Mehta:** Understood. And sir material from Iran is coming or there is some problem?
- D. Ram Reddy:** No, it's not coming. If that comes it will be advantageous because methanol from Iran will definitely be cheaper than any other country.
- Kunal Mehta:** Understood. And sir any problem with monomethylamine (MEA) supply sir?
- D. Ram Reddy:** No, there is no problem. We are getting sufficient.
- Moderator:** Thank you. The next question is from the line of Amandeep Singh from Ambit Capital. Please go ahead.
- Amandeep Singh:** Sir your press release indicates that ethylamine shortage is expected to increase from 9,000 tonnes per annum to 15,000 tonnes per annum by FY '23. Sir is it because the Industry size is expected to grow by 6,000 tonnes per annum over two years. If not, how much industry growth are you expecting and what's the spare domestic capacity in the industry?

D. Ram Reddy: I could see these data for past four months, there is an import of ethylamine and it's almost 800 to 900 tonnes per month.. So with that calculation and plus there are new applications coming in like what we see in the new molecules.. So, we have taken 5 to 7% growth only. With that we have calculated that it should go to 15,000 tonnes maybe by 2022 - 2023.

Amandeep Singh: Sure sir, that's helpful. And sir recent API production in incentive scheme, announced by the government includes products like metformin, where DMA HCL is used as an intermediary. Can you help us with your thoughts on it and if this scheme in any way benefit your company and other amine manufacturers in India?

D. Ram Reddy: The benefit, what we can see is that of more consumption. But the government announced the benefits, which are not very clear, because they say that if would accrue if you go to a new location. I don't think anybody would like to go to new location for metformin manufacturing, because everybody's having the additional capacities. So, I don't think anybody will avail this benefit at least for metformin.

Amandeep Singh: And any other products which could benefit amine players like yourself?

D. Ram Reddy: Maybe, see there are many new drugs which are coming up and people are talking about the new intermediates to produce in the country, for become an alternate to the China and become import substitute. There are solvents like acetonitrile, DMF, DMAC which are used as a solvent in many intermediates. If somebody is producing an intermediate, then definitely this will go in that and like as we said earlier, amines like methyl, ethyl these are basic chemicals. For example, if you take four APIs, definitely two APIs will consume one of these amines. So, when any new molecule is coming, we expect the amines consumption to increase.

Amandeep Singh: Sure sir, that's helpful. And sir lastly are you witnessing any reduction in pricing for acetonitrile or any capacity addition globally for acetonitrile?

D. Ram Reddy: That, I have not seen precisely. But prices, which sometimes ago had gone up to Rs. 300 to Rs. 400 per kg, were not sustainable. What we have seen is the current price of Rs. 250 to Rs. 260 should sustain for some time.

Moderator: Thank you. The next question is from the line of A.M Lodha from Sanmati Consultants. Please go ahead.

A.M Lodha: I have two questions sir. One, what is the total debt in consolidated level and what is the cash or cash equivalent in the standalone books?

D. Ram Reddy: See in standalone, nothing is there. In Balaji Amines as on today, we don't have any term loan. So we are debt free on standalone basis. Only working capital loan is there, that too we are not using. This is because the funds earmarked for the Greenfield capex of Rs. 70 crores, which we

have to spend in the coming months, is in the system now. That is the reason why we are not using the working capital limits today. So in one another way, we can say that today on standalone basis we are totally debt free from both long term and short term debt.

- A.M Lodha:** We were having the investment of some Rs.45 crore in liquid or some mutual fund, rt?.
- D. Ram Reddy:** Yes, that is for short term, because there was a delay in spending this money for Greenfield Project.
- A.M Lodha:** Okay. And what is the debt at consolidated levels?
- D. Ram Reddy:** Consolidated level in the Balaji Specialty we have three term loans all put together around Rs.130 crore. We had taken Rs. 150 crore, it has now come down to Rs. 130 crore. And we have working capital loan of about Rs.2 toRs.3 crores.
- A.M Lodha:** Okay. Sir can you just give me a broad idea how much production, in terms of tonnage, we have lost during the low capacity utilization of 70% and 80% in the month of April and May?
- D. Ram Reddy:** You can see in March quarter we have done 21,000 tonnes and this quarter we are done 18,000 tonnes, that means we have lost about 2,000, 2,500 tonnes in the month of April and May. And June it has come to the normal level and now all the plants are operating at the normal level.
- Moderator:** Thank you. The next question is from the line of Rajeev Repani, Individual Investor. Please go ahead.
- Rajeev Repani:** Sir, I have a follow up question on acetonitrile. Much earlier in May 2019 con-call you had informed us that we have environmental clearance for 19,000 tonnes of acetonitrile and by doing, 1 to 2 crore investment we can increase the capacity. So, I am slightly disappointed if the prices of acetonitrile are firm since more than a year, why didn't we ramp up and make more acetonitrile, or why the delay in increasing the capacity?
- D. Ram Reddy:** 19,000 tonnes what you said is a license capacity I can say We had plans to produce 25 tonnes per day. But while undertaking practical manufacturing, some of the capacities came short. Some of reactor capacity has come down because only when you do the practical manufacturing for the first time, only then one will understand. So, what we concluded that by doing some debottlenecking like small reactor in the reaction section and some other equipments, we should be in a position to go from present 9 tonnes per day do 15 to 18 tonnes per day. But because of this COVID-19 those equipments which we had ordered have been delayed. We are expecting those maybe by October or November. Even if it comes today, we don't want to do debottlenecking immediately, because we need to stop the plant for two or three weeks which market is not allowing today . Maybe by last quarter once we go in practically manufacturing the same, then we will understand if it comes to either 15, 18 or 20 tonnes. After that if situation

goes, as I said earlier, we are thinking of a separate plant, which will be multipurpose plant where we can either make THF or acetonitrile. I'm not fully depending on the acetonitrile, because if something goes wrong with the acetonitrile, incase others start increasing their capacities and if the prices comes down, then we should not land into a problem by investing the money in a separate plant, and for the reason we are thinking of going for a multi-purpose plant.

- Rajeev Repani:** So, just for further clarification, we would be the only one producing THF in India?
- D. Ram Reddy:** Yes as of today we would be the only one company manufacturing THF, as everything is coming from outside. There is demand for almost 10,000 to 12,000 tonnes in the country. Again, to add, it is one of the sophisticated solvent, which goes in API manufacturing.
- Rajeev Repani:** Great. And sir a follow up question of DMF, if we were to get the anti-dumping duty, what would be the capacity utilization then?
- D. Ram Reddy:** We are doing more than earlier used to do. From 20% capacity utilization last year, I'm expecting it should go to more than 30% with this pricing. If the prices go down, then again we will have to choose between selling the DMA r or to go for the DMF.
- Rajeev Repani:** Okay and sir DMA HCL we have approval for additional 7,500 tonnes. So, when do we plan to start making it?
- D. Ram Reddy:** If market demands improves, definitely we will go for that. There also we have to undertake slight addition in the equipment only, because we have the majority of the equipment already there in place. Presently we are already manufacturing about 22,000 to 23,000 tonnes p.a. For every product as an investment we will see for at least six to nine months or may be one year also. Then if we conclude that this is a natural growth, then we go for an investment for that particular product. So, here also we will do the same thing. we have not seen that continuous growth for DMA HCL yet.
- Moderator:** Thank you. Next question is from the line of Anupam Agarwal from Lucky Investment. Please go ahead.
- Anupam Agarwal:** I just had one question on the volume. In this quarter we've done about 18,300 tonnes. Just wanted to understand if are there any spillover volumes from the last quarter from the last week of March?
- D. Ram Reddy:** No, last week there maybe three, four days we might have lost because end of the March the lockdown had started. But we were facing some problems in April and May, not exactly with the plant and production - there was indirect problems like logistics, truck movement, finished product movement, and the raw material movement as it was restricted during these two months.

That was the reason, that we could capacity utilization of only about 70 to 80% in those two months.

Anupam Agarwal: Right. So basically there is no spillover volumes from last quarter. This is full this quarter volumes?

D. Ram Reddy: Yes.

Moderator: Thank you. The next question is from the line of Amar Maurya from ALFAccurate Advisors. Please go ahead.

Amar Maurya: Sir as you indicated that this year, this quarter also you were short by almost around 2000 metric tonne. And given the supply issues from the global players largely in imports, do you see some improvement in the pricing also along with the volume growth?

D. Ram Reddy: We have already seen improved prices in this quarter. I don't think that we need any other improvement now, the focus is on capacity utilization only.

Amar Maurya: Okay. So sir then in that case basically on a full year basis even if we do 90,000 metric tonne also, then what would be the kind of revenue growth we will be landing with - something like a single digit kind of a growth?

D. Ram Reddy: That depends upon the raw material prices and the finished product prices. And the reason we are talking about the volume, and not value.

Amar Maurya: Yes, because what I understand here is that at max we can do 90,000 metric tonne right and already one quarter has gone by. So basically for the single digit kind of a volume growth, the price has to go up for us to deliver the revenue growth. So, that is the reason I'm asking do you see that from here on?

D. Ram Reddy: We are likely to do between 80,000 to 90,000 of volume sales. And the revenue from new Greenfield expansion which is under construction currently, will contribute to revenue in next year. The existing is what we are having. If the prices and raw material prices goes up then, then definitely revenue will also be up.

Moderator: Thank you. We take the next question from the line of Sachin Kasera from Svan Investment and Trading. Please go ahead.

Sachin Kasera: Yes, sir just one question you mentioned regarding acetonitrile that once this de-bottlenecking is stabilized you, will go for a flexible plant. So, how much amount will you need to spend and what much time it will take to commission that new plant?

- D. Ram Reddy:** That are two things, again I will tell.. Once we understand the prices will be stable like they are currently, then only the investment for new plant will take place. So, it will not take more than 7 to 8 months time for us, to learn from the experience with the existing plant.
- Sachin Kasera:** And how much amount we will have to spend for that, and what will be the capacity?
- D. Ram Reddy:** Rs. 50 to 60 crores maximum.
- Sachin Kasera:** And we will be able to achieve 18 tonnes of acetonitrile production per day in the new plant or will it be more?
- D. Ram Reddy:** It should be, because the second plant definitely will be much better position because we will understand what are the lacunas, what are the debottlenecking issues we face here. So, we will think once we complete this debottlenecking. Post that we'll understand how much we'll likely to get here.
- Sachin Kasera:** Sure sir. Secondly, on this new Greenfield project. Currently what is your sense next year, you should be able to produce at least 10,000 to 12,000 tonnes from this new Greenfield project?
- D. Ram Reddy:** We should do minimum of about 10,000 to 12,000 tonnes.
- Sachin Kasera:** And based on the last three, four quarters of experience that you run this subsidiary company. Now is there more confidence that next year we should be able to produce at 75% to 80% utilization in FY '22?
- D. Ram Reddy:** Definitely.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for their closing comments.
- D. Ram Reddy:** Thank you. At Balaji Amines we have created a sound hedged portfolio of products. Over the the years, At Balaji Amines we have systematically made investments in more specialized products by capitalizing on technological innovation auto drive organic growth. Much of the organic growth has come from our focus on specialty derivatives of existing products. We are continuously striving to better our product portfolio to compete effectively and efficiently in the end markets. In FY '21, we expect significant contribution to flow in from the subsidiary company. We are very focused on next level of growth and upscale for Balaji Amines over the next three to four years. Thank you very much. Thank you again.
- Moderator:** Thank you. On behalf of Edelweiss Professional Investor Research that concludes this conference. Thank you all for joining you may now disconnect your lines.