



Alkyl Amines Chemicals Limited

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November 9, 2021

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,

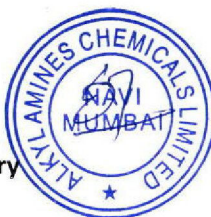
With reference to our letter dated October 26, 2021, please find enclosed the transcript of the earnings conference call held on Wednesday, November 3, 2021.

Kindly take the same on your records.

Thanking you,

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

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



Encl.: As above



Alkyl Amines Chemicals Limited

“Alkyl Amines Chemicals Limited Q2 FY22 Earnings Conference Call Hosted by HDFC Securities”

November 3, 2021



Alkyl Amines Chemicals Limited



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

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



- Moderator:** Ladies and gentleman good day and welcome to the Q2 FY22 earnings conference call of Alkyl Amines Chemicals Limited hosted by HDFC Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nilesh Ghuge from HDFC Securities. Thank you and over to you sir.
- Nilesh Ghuge:** Thank you Jacob, good morning all. On behalf of HDFC Securities I welcome everyone to this Alkyl Amines conference call to discuss the results for the quarter ended September 2021. It is pleasure of having with us top management team from Alkyl Amines, represented by Mr. Yogesh M. Kothari – Chairman & Managing Director, Mr. Kirat Patel – Executive Director & Chief Financial Officer, Mr. K.P. Rajagopalan – Corporate Advisor, Mr. Chintamani Thatte – General Manager (Legal) & Company Secretary and Ms. Kanchan Shinde – Senior Manager Finance & Accounts. And without further ado, I will now handover the floor to the management for making the opening comments. Over to you sir.
- Yogesh M. Kothari:** Thank you Nilesh, thank you HDFC Securities. It is a pleasure to talk to the investors and this time we are at a situation where the first 6 months have not been as good as what we were expecting. It was a challenging first 6 months but things are looking brighter now and we hope to do better in the coming months. For knowledge of our investors, I will make statement that we have started commissioning our Acetonitrile plant in couple of weeks or rather couple of days we should start the production. I would like to mention that this first 6 months or rather the last quarter was very challenging for us. Practically each and every raw material of ours, the prices had gone up, in some cases almost 200-300%. Acetic acid which is one of our major raw materials for making acetonitrile has a real turbulent time. The raw material which we were buying at in the range of Rs. 40-50 per kg went up to Rs. 110-120 kg and this is something the price rise was not so easy to be absorbed in our selling prices. However, in spite of that we did well, our plants were running very well and our efficiency also have improved. Our new plant in Dahej also will add to that and we have also started our new project which is coming up at Kurkumbh for manufacturing our higher Amines and this will be one of the largest plants in the world. This plant should come on stream in the end of 2022 and this will also add up much more to our topline. We are also in the process of putting up new projects which are based on our R&D developments and some of this will come up during the year. We have been fortunate that we were already into new products which are going into the requirement of the new drugs which are necessary for the COVID treatment. So, this all are looking positive for the company and I am very sure that our performance should improve much more than what has been there in the last 6 months. I would put it now, that maybe you should ask questions and then one by one our people will, we will be able to answer. I have with me here Mr. Kirat Patel, Mr. Rajagopalan, Mr. Chintamani and Ms. Kanchan Shinde, so amongst ourselves we should have most of the answers to your questions. I think I will ask you people to ask the questions now. Thank you.



- Moderator:** Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question, may press '*' and '1' on your touchtone telephone. The first question is from the line of Karan Khanna from Ambit Capital. Please go ahead.
- Karan Khanna:** Thanks for the opportunity and good morning Kirat Sir and Yogesh sir. Hope all well. So, sir firstly, we have seen that your margins have been impacted because of the raw material prices but your volume growth for the quarter has been fairly strong, however can you briefly talk about why sequentially also your quarter on quarter, there has been a decline in the revenue? And also split between volume and realization growth for the quarter?
- Kirat Patel:** So, quarter to quarter we have had a decline of about 10% or so in largely in volume, due to few of our products, which go into Pharma and Agro, having issues with supply chain of our customers. I mean couple of things have happened which is that they buy alternate raw materials from other sources, mainly China and there has been a disruption in the supply of the other raw materials which they use for their APIs or the technicals and this has caused them to lower their production of the API and affected our volume growth, so the market has temporarily been upset by these small incidences and all in all, about 10% of our volume has been lost due to this market but we hope that all this will come back because the supply chain is getting sorted out and people are going back to the regular production. So, basically it is largely, it is a volume based, prices have been more or less constant, unable to pass on the full brunt of the raw material price rise but they have been respectably up.
- Karan Khanna:** Sir on the raw material front, from your past experience, in quarter like these where you have seen a sharp impact because of the inflationary trend, post how many quarters were you able pass on these price hikes to your end customers and as a follow-up what are the trends that you are witnessing on the raw material front in the month of October and early November?
- Kirat Patel:** The prices now of the raw materials seem to be stable, the volatility has kind of eased off, because I think it started with the crude prices going up and then resulting into petrochemicals and then downstream, so that seems to have stabilized a bit, whether it will remain at this level or go up or down is a bit difficult to predict but at the moment it seems to be stable and perhaps we hope that it has peaked, the raw material prices have peaked.
- Karan Khanna:** And as a follow-up, talking about passing these on to your end customers, with a lag of one or two quarters.
- Kirat Patel:** Yes, it takes about a couple of quarters before we can pass them on to our customers. We never manage to pass on the full brunt but most of it, on to the customer, some, things we will have to absorb.
- Karan Khanna:** Sure, and lastly on the CAPEX front, can you please talk about your overall capacities for this Rs. 600-700 crore of planned CAPEX over the next 2-3 years and we have also seen share of exports have been declining and were below 90% in FY21, possibly because you were



prioritizing the domestic demand, but going forward do you have plans of setting up additional capacities to cater to the export market also because currently you are catering only to the roughly 10 countries?

Kirat Patel: Okay let me first answer the last question which is the export, the export has done well, I mean in fact in the last quarter, the exports have been fairly strong and going forward we think that exports will increase with our new acetonitrile plant coming on stream. Yes, there are some logistical issues in the exports because of the container and shipping crisis all over the world which will hopefully get sorted out over the next 6 months and but at the same time I think our exports will probably play a larger role in our turnover than has traditionally happened.

As far as our CAPEX is concerned and capacities are concerned, yes we have just finished implementing the acetonitrile plant which was about a Rs. 160 crore investment and hopefully that will start giving revenue in this month onwards. As far going forward, there are some small projects, one hydrogen plant and other such small projects which are due to be commissioned over the next 6 months but the biggest project of the lot is the Higher Amines project which has been put up in Kurkumbh, to the extent of about Rs. 350-360 crore which will be commissioned somewhere in December '22. So, this year our CAPEX would be between Rs. 170 – 200 crore, next year would be about the same. It will overlap between the higher amines plant and the acetonitrile and small other capexes.

Karan Khanna: Sure and any sense on the overall capacities, is it you have the next ...

Kirat Patel: I think we have earlier stated this that our aliphatic amines capacity will go up by about 30% once the Kurkumbh plant is on stream and acetonitrile as we have stated earlier, will go to about 30,000 tons a year, from our current about 12,000 tons.

Moderator: Thank you. The next question is from the line of Shridhara, an individual Investor. Please go ahead.

Shridhara: My first question is on, are these prices at their peak now or based on your experience, you think there is still a chance of these prices going up, the raw material prices basically?

Yogesh M. Kothari: I think these types of prices have not been seen too many times before, rather I have not seen such high prices before but this is all, it can happen anytime but we hope that it does not happen.

Shridhara: Okay and my second thing is on, you mentioned about logistic issues, are we still facing some logistic issues, what kind of, is there container problems or what is it exactly?

Kirat Patel: Yes, what happened I think a couple of months ago there was a shortage of containers that seems to have sorted out, however the freight rates are still fairly high compared to what we were used to in the past. For example, if something was around \$2000 for a shipment, it has gone to \$8000-



\$10,000, fortunately some of our higher value products are able to absorb that, so it is not such a big issue, but availability looks like is slowly being sorted out. The prices remain elevated.

- Shridhara:** You mean to say there is a problem with availability of raw materials for us or..?
- Kirat Patel :** No, you were talking about logistics, where is availability of containers and shipping. Where raw materials are concerned availability is not an issue, it is the price. Whether it is the chemicals or it is our utilities like coal and steel and all that, availability is there but the prices have gone very high, compared to one year ago, something like 100-300%, compared to even previous quarter they have jumped by 30-60%.
- Shridhara:** Okay sir and in the meantime, the Chinese supply is getting now more into India in the meantime?
- Kirat Patel:** Not really. In fact, Chinese imports specially going to the Pharma industry is having challenges, Pharma industry is having challenges because of that. And this is some where we are also getting hurt because our products which are being used by the same Pharma companies are getting affected in their purchase. We hope that this gets sorted out fast.
- Moderator:** Thank you. The next question is from the line of Kishan Gupta from CDP Search. Please go ahead.
- Kishan Gupta:** Sir actually want to understand this how much of your this Rs. 350 crore revenue this time has come from acetonitrile?
- Kirat Patel:** We do not actually breakup our revenue product wise because there are maybe something like 30 products and each of them are contributing to some extent, the larger products may contribute between 10-15% of the revenue and the smaller products all the way to 1 and 2%. So, it is a wide range but we cannot comment on an individual product.
- Kishan Gupta:** So, you mean to say acetonitrile in any which ways will not be more than 15%?
- Kirat Patel:** In which ways, in value of total sales right?
- Kishan Gupta:** And essentially if we see like at what raw material prices, you said acetic acid prices, is it viable for you to manufacture acetonitrile?
- Yogesh M. Kothari:** So, we have been manufacturing even in hiked prices but our margins have come down in acetonitrile, so we hope that now it stabilizes because at the high price of the raw material it is difficult for our competitors also to produce than market.
- Kishan Gupta:** And what sort of challenges are you expecting or some sort of disruption in acetonitrile market because of your higher capacity is going on stream now?



- Yogesh M. Kothari:** We do not expect too many disturbances but there are some new areas which are coming up within India as well as internationally, so from our point of view these are positive signs for us. We are very competitive in our production, so we can take the challenges as far as the pricing is concerned, earlier we did not have enough material to market, so that has now sort of ended and we will be able to sell more.
- Kishan Gupta:** So, as you said like, that you do not expect much disruptions, so like as you went about increasing your higher raw material price increases to customers, so what sort of pricing power because this is a Specialty chemical, so what sort of pricing power you have essentially in for acetonitrile you think?
- Yogesh M. Kothari:** So, there is always a situation where you have to stop somewhere because your consumers also do not want to produce something at higher input cost but so far, we have been quite comfortable in selling our products and most of the consumers have not had any major issues with that. Because this much peak forming a very small percentage in their input cost.
- Kishan Gupta:** So, essentially you are saying that passing on raw material prices does not appear to be a big challenge, for acetonitrile?
- Yogesh M. Kothari:** In some of the products but in two quarters it is not instant.
- Moderator:** Thank you. The next question is from the line of Dhruv from HDFC. Please go ahead.
- Dhruv:** Sir just wanted to understand how does this global freight rate, sea freight rate changes influence our business, I am just wondering from an import perspective does it help us in pricing our product better because the imported landed price of the alternate product has become higher? Does that benefit us or no?
- Kirat Patel:** Actually, the market share of imports for most of our products has been marginal, you know, 5% to 10%. So they are not a key driver towards the price setting. We have about 30%, 40% of our turnover with internal competition. The remainder also, we have a very fairly dominant position in the market place, so it does not really play too much of a role, the imports. Yes, marginal help is there whenever there is some freight differential but people like the Chinese and all, adjust their prices accordingly.
- Dhruv:** Okay, so I used to think that Methylamines are largely domestic, but Ethyl has a decent import share or that has reduced over the years?
- Kirat Patel:** That has reduced. Between our two plants and Balaji's plants, we must be having more than 80% market share between the domestic players itself.
- Dhruv:** Okay, and methyl was anyways largely domestic.



- Kirat Patel:** Yes, methyl was largely domestic because the freight is, you know transporting methylamine is a bit difficult because of the nature of the product.
- Dhruv:** Got it, and sir the second and last question was on the Acetonitrile, if I am not wrong, the alternate is the Acrylonitrile, and Acetonitrile come as a bi-product of that. Now given for our route, the RM cost is increasing, does it and I am not sure what is happening with the alternate route, does it in any sense pose a challenge, even if the raw material prices stay at the current levels?
- Yogesh M. Kothari:** Personally, I do not think so, because the alternate raw material, the input cost for them also have gone up. Plus the route which we are using, acetic acid route, and the product which comes out from that, is of a much higher purity with hardly any impurity. So in many applications the route which we use, has a better application, better use. So we do not see any, the other Acrylonitrile route market share is not going to increase or the price is going to go down by that.
- Dhruv:** Sir, are we starting to get a premium for our Acetonitrile versus the alternate route now?
- Yogesh M. Kothari:** We always were getting you know because otherwise we would not have been able to sell at all.
- Dhruv:** So for a Pharma application, if somebody has to buy Acetonitrile, given your purity level is better and they are I believe, in terms of quality requirements very particular, so the alternate will never be bought irrespective of the price, right? I mean whatever the price differential be.
- Yogesh M. Kothari:** Difference again on end application, in some cases they were using it earlier also, which they can still use it, you know but if they are able to get something purer for the same application and at competitive prices, I am sure they would prefer to use the route which we use.
- Moderator:** Thank you. We have the next question from the line of Reena Shah from Elara Capital. Please go ahead.
- Reena Shah:** Hi Sir, thank you for the opportunity. I just wanted to ask on Acetonitrile itself, now what kind of market size which is there in India and over the globe which you are looking to capture, where I think how the global capacities, if you can give some light on how global capacities are there. As we have seen Balaji also expanding in this particular product, how the dynamics of this particular product would change from here?
- Yogesh M. Kothari:** I think the international capacities are around 150, 000 tons to 200, 000 tons and some of which is in China, which is also using rather most of their production is via the route which we are using. Internationally in the Acrylonitrile route, I have not seen much changes taking place as such. And they are trying, they are trying to improve their own efficiencies by making sure that Acetonitrile production, which comes as a very small bi-product, is reduced you know, so to improve their own efficiencies. So, it is all a circular type of a thing where some kgs here and there makes a lot of difference.



- Reena Shah:** Okay and Sir, with this expansion of capacities, how much raw material that would, you have to import or you have to dependant on imports from other countries?
- Yogesh M. Kothari:** Acetic Acid is the main raw material which we use, so that is all going to be imported. Ammonia also indirectly comes imported only, so it is all imported.
- Moderator:** Thank you. The next question is from the line of Kavita Thomas from First Global. Please go ahead.
- Kavita Thomas:** Yes, good morning sir, thank you for giving me this opportunity. So I had just two questions on the margin front, now we always had margins which have been in upwards of 25%, 26%, I mean 28%, 30% has been our EBITDA margins in the past, while this quarter it has come down to around 22%, largely as you explained because of increased raw material cost and obviously the other logistics related cost. So how do you think, will this you know because as you mentioned the logistic cost will take some time to normalize. So overall how do we see this situation getting back to normalcy, what are your views and could you throw some colour on that, Sir?
- Kirat Patel:** Yes, so you know the EBITDA margins which you mentioned, earlier they have been fluctuating. Earlier it used to be between 18% and 22% and then has slowly started rising. About a year and a half ago and went up as you said, up to about 28%. Then the last couple of quarters, they have been dropping, that was the peak 28% and the 22% or 23% which is this quarter's margins, something which we have, a result of the raw material price increases. The price increases are not necessarily due to logistical issues but because of the supply chain, from crude to petroleum products to downstream commodities, all the way prices have been rising and it has side effects on various things like coal, and coal has running effect on steel and generally the basket of goods which we buy, all the prices have risen. So that is the reason why the EBITDA margin have been squeezed, we have not been able to pass on this totally to the customers because it takes a couple of quarters before it is passed on. The other view also is, that we think that this is the highest we have seen of these prices and hopefully this is a trend which will now go in the opposite direction, if not at least stabilize. So, this is the overall view of why the EBITDA has gone up and down.
- Kavita Thomas:** Yes sir, thanks for the clarification. I only wanted to understand further in terms of like, how long do you think will this continue because though they have peaked out, as you said to pass it on to the customers it will take couple of quarters. So will be for, if there are logistical related issues primarily since we are importing Ammonia, Acetic Acid, so all these products, raw materials are at their peak in terms of prices. So, when do you think will situation get to a better scenario where raw material prices will soften and you know, will get back to a situation which we enjoyed probably a couple of quarters back?
- Kirat Patel:** Very difficult to say because for example, I would just say that is it impossible for you to predict what the crude oil prices will be, which is the root cause of most of these price increases. So, it is the largest commodity in the world, and nobody is able to predict that so I would not venture



a guess about where the prices would go and my best guess is on the past and this seems to be the highest, we have seen, so hopefully it does not go further up and then heads now in the opposite direction.

Kavita Thomas: Also, sir I just wanted to understand in terms of like for these raw materials which we import and obviously there are disruptions even from China, so is it a possibility that we have some sources from India itself or is that kind of possibility there or we still have to depend on...

Kirat Patel: Our raw materials are not coming from China. Our customer's raw materials, some of them are coming from China. So, most of our raw materials are coming from the Middle East or Europe or America. I don't think we are importing anything from China.

Kavita Thomas: Okay so as you indicated sir these prices are almost as you feel it is peaked out now.

Kirat Patel: That is our best guess, we hope and we could turn out to be wrong, I mean people feel that \$80 barrel is high price but this has gone to \$110 in the past also.

Kavita Thomas: Okay sir thank you so much for the clarification and wish you a Happy Diwali.

Moderator: Thank you. We have the next question from the line of Mr. Nilesh Ghuge from HDFC Securities. Please go ahead.

Nilesh Ghuge: Couple of questions from my side. Sir the first question is on the government production linked incentive scheme, it has been already 1-1.5 year announcing this PLI scheme, so what is the on-ground impact being observed by you, after this scheme announcement have you seen any change in demand or any projects which are coming up over next 2-3 years, so that they can take the benefit of the scheme announced? And what is the impact or the benefit to overall Amines industry?

Kirat Patel: The PLI scheme is going to be rolled out over the next 5 years, definitely it will have an impact on the Pharma industry, it is one of those industries / sectors which has been highlighted, however the bigger impact is the move away from China, more than just the PLI. Because the PLI will affect people's margins by 1 or 2%, considering the amount of money that has been promised to people based on production. As a major sector, Pharma sector is very optimistic of growth, both domestic and in terms of their export potential and the disruptions in China is helping Indian manufacturers quite a bit irrespective of the PLI, it is just the topping, it is not the real base cream, real thing is the change in the attitude of people to try and move to more to diversify their source of raw materials and

And also, it will create lot more jobs, that the overall economy which in turn always helps most of the industries.



I think it is just a small straw in the wind but the Pharma city outside Hyderabad that big multi acre site that the government is developing is totally sold out to the Pharma companies, you cannot buy another plot there. You can imagine what people are thinking forward or what they will be expanding.

Nilesh Ghuge: Okay, so sir second question on this on your product portfolio, see currently if I look at the alkyl amines products which are very close to APIs, maybe two steps away from APIs, so are there any plans of the company to enter into API manufacturing?

Kirat Patel: Not immediately.

Nilesh Ghuge: And sir you touched upon this CAPEX plan, you are planning about 1.7 billion this year and next year as well, so apart from that for your future expansion are we looking for any land parcel in and around Maharashtra, or in Gujarat for the future expansion plan?

Kirat Patel: Yes, we are looking for parcels of 100 acres, anywhere from 70-150 acres but I would also like to state that all our CAPEX requirement, all the plans which we have, I think till September of '23 or even later we have enough land available currently.

Nilesh Ghuge: Okay, so you are looking for the plant, land parcel for future expansion, beyond September 2023. Okay fine. And sir in our last interaction you said about the debottlenecking of brownfield expansion of your DMA HCL, so what is the current status of that and I would also like to know the status of your aliphatic amines' expansion project?

Kirat Patel: The aliphatic amines we said now, we are putting up a new project in Kurkumbh, with project cost of around Rs. 350-360 crore, which will come up end of '22. And DMA HCL expansion is continuous. We go on adding capacities to our existing set up capacities and so every year you will see our capacity going up.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to management of Alkyl Amines Chemicals Limited for closing remarks.

Yogesh M. Kothari: Well, thank you very much everybody and I hope that we have been able to clarify some of the points which have been raised. As I mentioned earlier that so far, this last first half has not been so good but it has not been so bad also, considering the conditions prevailing. As we mentioned, we hope that the raw material prices do stabilize and we are able to and our new projects which we have planned and one of them Acetonitrile which is just starting, that will add to our top line as well as bottom line. So, thank you very much and I thank my colleagues over here and I wish everybody a happy Diwali, thank you.

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