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Balaji



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AMINES LIMITED

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No. 9/1A/1, HOTGI ROAD,
AASARA CHOWK, SOLAPUR - 413 224.
MAHARASHTRA. (INDIA)

8th February, 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 Exchanges of India Limited,
5th Floor, Exchange Plaza,
Plot No. C/1, G Block,
Bandra – Kurla Complex,
Bandra(East), Mumbai – 400 051.
Scrip Code : BALAMINES

Dear Sir/Madam,

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

With reference to above cited subject, please find enclosed the transcript of the Conference Call held on Monday, 3rd February, 2020.

This is for your information and record.

Thanking you,

Yours Faithfully

For Balaji Amines Limited

Jimisha

Jimisha Parth Dawda
Company Secretary & Compliance Officer
Encl: a/a





**“Balaji Amines Limited
Q3 FY2020 Earnings Conference Call”**

February 03, 2020



ANALYST

**MR. SWARNABHA MUKHERJEE - EDELWEISS
PROFESSIONAL INVESTOR RESEARCH**

**MANAGEMENT: MR. RAM REDDY – PROMOTER & MANAGING
DIRECTOR - BALAJI AMINES LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to Balaji Amines Limited Q3 FY2020 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 expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve 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 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. Swarnabha Mukherjee from Edelweiss Professional Investor Research. Thank you and over to you Mr. Mukherjee!

Swarnabha Mukherjee:

Good afternoon. On behalf of Edelweiss Professional Investor Research, I welcome all of you to the Q3 FY2020 earnings conference call of Balaji Amines Limited. We have with us today, Mr. Ram Reddy, Promoter & MD of Balaji Amines Limited. We request the management for their opening remarks, post which we will open the floor for the Q&A. Please go ahead, Sir!

Ram Reddy:

Ladies and gentlemen, a very good evening to all of you and welcome to the conference call to discuss the financial performance of the Q3 and 9M FY2020 of our company, Balaji Amines Limited. I hope you have got a chance to go through the press release and financial statements submitted to the stock exchanges and uploaded on our website.

Let me take you through the financial and operational performance. We recorded a total revenue of Rs. 224 Crore in Q3 FY2020 as against Rs. 240 Crore in the corresponding quarter of previous year. EBITDA came in at Rs. 46 Crore in Q3 FY2020 as compared to Rs. 44 Crore in the same period last year with EBITDA margin at 20.5% in Q3 FY2020 as compared to 18.2% in the same period last year.

Profit after tax was at Rs. 27 Crore in the current quarter under review as against Rs. 26 Crore in Q3 FY2019. PAT margin stood at 11.9% in Q3 FY2020 as against to 10.9% in Q3 FY2019. Kindly note that Q2 FY2020 PAT was higher on account of revision in corporate tax rate. Diluted EPS for Q3 FY2020 stood at Rs. 8.25 per equity share.

In Q3 FY2020 Basic Amines constituted 20.9% of total sales, Amines Derivatives constituted 36.5% and 42.6% of sales was from Specialty Chemicals. The end user industry wise, API pharma contributed over 57% of total revenue followed by agrochemicals at 18% and other segments like dyes, textiles, animal feed, water treatment chemicals and refinery contributed about 5% each.

The topline growth in Q3 FY2020 is lower due to lower raw material cost which is passed on to the end customers. However the EBITDA margins have improved on year-on-year basis on account of better product mix, improvement in the volume uptake and resultant increase in operating leverage.

The total volume stood at 21,160 MT for Q3 FY2020 as against 19,128 MT in Q3 FY2019.

For Q3 FY2020 Amines volume stood at 4,732 MT and Amines Derivates volume stood at 8,547 MT and Specialty Chemicals volumes stood at 7,881 MT.

Coming to our performance for 9MFY2020. Revenue from operations in 9MFY2020 stood at Rs. 691 Crore as compared to Rs. 719 Crore in 9M FY2019.

EBITDA for nine months FY2020 was Rs. 134 Crore as compared to Rs.150 Crore in 9M FY2019. EBITDA margin for 9M FY2020 was at 19.4%. PAT for 9MFY2020 was Rs. 81 Crore as compared to Rs. 91 Crore in 9MFY2019. Diluted EPS for 9MFY2020 stood at Rs. 25.12 per equity share.

We expect the volume uptake to gather phase in the Q4 FY2020 with increase in demand from domestic pharmaceutical companies and also from agrochemicals sector on back of bright prospectus from the Rabi season.

Balaji Amines manufactures about 25 products in all. We are the first and only company in the world in Amines' industry that has used indigenous technology to manufacture Amines. All other companies have either used US or German technology.

All our products have a high entry barrier. In about 60% of our products, we are the only manufacturer like NMP, NEP, GBL, 2P, Morpholine, DMAC, DMAE and DMU.

We now have the capacity to manufacture 10,000 tonnes for Morpholine in FY2020. In total we will be manufacturing about 8,000 plus tons of Morpholine. Other than China, there are only three players making this product in the world. In India itself, there is a shortfall of 5,000 tons of supply in Morpholine. We also started exporting Morpholine to other countries, including China.

We have recently started manufacturing Acetonitrile from November 19, onwards. We have installed capacity of 9,000 tons. We are currently manufacturing about 8 to 10 tonnes per day of Acetonitrile, which we plan to increase to 14 to 15 tonnes per day from April 2020 onwards. In FY2021 we plan to scale-up our production significantly. Total demand for Acetonitrile in India is about 12,000 tonnes. The margin delta of Acetonitrile continues to remain elevated on account of higher price realization due to supply constrains in global market.

As the higher price Acetonitrile may not be sustainable on long-term basis, we have developed another fungible product called Tetrahydrofuran (THF), which can be manufactured on the same manufacturing line as Acetonitrile. If there is any volatility in price, going ahead we plan to manufacture Acetonitrile for six months and THF for six months. No company in India manufactures THF and its demand of 15,000 tonnes per annum is currently met by imports.

Recently we made an application to the Government of India for levying antidumping duties on Di-Methyl Formamide (DMF). In recent months we have witnessed better pricing of DMF, which has increased the viability of the manufacturing of the same. We expect gradual improvement in capacity utilization to 65% from around 20% levels currently.

I am pleased to inform you that we have received the environmental clearance for our 90 acre Greenfield project. In the phase I of the Greenfield project of Unit IV, the company will install capacity for manufacturing 16,500 tonnes of Ethyl Amines and 9,900 tonnes of Di-Methyl Carbonate.

The Capex involved is estimated at Rs. 150 to Rs. 170 Crore, which will be largely funded by internal accruals. The construction for phase I of the Greenfield project unit IV is likely to be completed in FY2021. Post the commencement of the phase I project, the company will have the largest installed capacity of Ethyl Amines in India at 22,500 tonnes per annum. This project has received Mega Project status from Government of Maharashtra.

In the Greenfield project, we had earlier planned to install capacity of 16500 tonnes of manufacturing of fungible products of IPA or MIPA, However with another Indian company entering the market with the same products we changed our plans to instead manufacture Di-Methyl Carbonate (DMC). The demand for Di-Methyl Carbonate is about 8,000 tonnes in India, which is currently met fully by imports.

Balaji Specialty Chemicals Private Limited, a subsidiary of the company manufactures niche products like Ethylenediamine (EDA), Piperazine (PIP) and Diethylenetriamine (DETA). We expect rapid ramp up in production in FY2021 as our end customers will switch their sources of procurement from imports to Balaji Specialty in the next fiscal year. With these products, Balaji Specialty would be substituting the products that are currently being imported in India.

We undertook capex of Rs. 250 Crores for our subsidiary company and have also got Mega Project status for the same. India is currently importing 29,000 tons of Ethylenediamine (EDA) which basically goes in to end user industry of Agro chemicals. UPL, Coromandel and Indofil are major consumers of EDA. The other two

products go in to pharmaceuticals, polymers, coatings, etc. Balaji Specialty will be the only company in India manufacturing EDA, PIP and DETA.

India is importing 7,000 to 8,000 tons of PIP and 3,000 to 4,000 tons of DETA. These two products have good demand in other countries too. All these years, these three products used to be imported to India.

The hotel business is doing well and has started contributing to the bottom line. Hotel business constituted about 2.2% of total revenue in Q3 FY2020. The average revenue per room stood at Rs. 3,610 and revenue per available room was Rs. 2,177. The occupancy rate in Q3 FY2020 stood at 60.3%. The cash profit from hotel division in Q3 FY2020 was Rs. 0.89 Crore. 10% of total rooms supply comes from our hotel in Solapur. That is all from my side. We now leave the floor open for question and answers.

Moderator: Thank you very much Sir. We will now begin the question and answer session. The first question is from the line of Mr. A. M. Lodha from Sanmati Consultants. Please go ahead.

A M Lodha: Sir, I have few questions and just I wanted to know what is the capacity of the Di-Methyl Formamide?

Ram Reddy: 30,000 tonnes.

A M Lodha: So, at what percentage this plant is running in December quarter Sir?

Ram Reddy: It is more than 30%. It is slowly ramping up, it will go to 30%, 40%.

A M Lodha: Second question is relating to the Balaji Specialty Chemicals at what capacity that the new plant is running sir?

Ram Reddy: It was running only 10% to 15% now because as I told earlier it will go in full swing from April onwards as the customers were all importing and their import contract will end by this March.

A M Lodha: How much the ramp up in the production can be expect in FY2021?

Ram Reddy: It should go to minimum 20,000 tonnes. 15000 to 20000 tonnes a single product of EDA and other proportionate products maybe about 6000 to 7000 tonnes.

A M Lodha: I just wanted to know overall capacity utilization, all the products?

Ram Reddy: It should go minimum 20000 tonnes.

A M Lodha: The overall percentage of capacity utilization. Overall percentage of capacity utilization in FY2021 of Balaji Specialty?

Ram Reddy: Around 65% to 70%.

A M Lodha: Okay Sir, thank you. I will come back in the queue Sir.

Moderator: Thank you. The next question is from the line of Jatin Damania from Kotak Securities. Please go ahead.

Jatin Damania: We operate at a 10% to 15% capacity utilization at BSCPL, our subsidiary., What are the prospects because in the last quarter con call you have indicated in terms of EDA we can expect sales to the tune of Rs. 40 to 50 Crore?.

Ram Reddy: From April onwards the operations at subsidiary will ramp up, the reason is that the clients have already have signed contracts for sourcing them from their suppliers upto March '20.

Jatin Damania: So that means from April onwards will ramp up to the high level of 65%-70%?

Ram Reddy: Yes.

Jatin Damania: You had said that despite the decline in the realization, we would see better numbers on the consolidated basis as far as the profit is concerned., But the numbers that we have reported on the consolidated basis is almost down by 27%. So, what went wrong on the consolidated basis as compared to the standalone?

Ram Reddy: This subsidiary has just started and to mature, this investment will take at least a year's time. So next year we will see something positive from the subsidiary, but otherwise it is doing well and EBTIDA will be 18% to 20%.

Jatin Damania: So the next year we can assume the revenue of Rs. 150-200 Crore or it will be lower than that?

Ram Reddy: It is very difficult to say. What I am telling is the specialty company will significantly ramp up its production and here in the Balaji Amines, Morpholine, Acetonitrile, and DMF capacity will increase. All these things definitely should contribute much better than current year.

Jatin Damania: What volume one should assume for this current fiscal year?

Ram Reddy: For this nine months we have done 62,686tonnes. There will be another 25,000 tonnes in Q4., So, about 88000 tonnes will be the total sales volume in the current fiscal year.

- Jatin Damania:** Secondly on EDA you said in the next financial year we will start seeing a better utilization., Have we signed a contract with the domestic agro-chemical companies?
- Ram Reddy:** We will be signing contracts on quarter-to-quarter basis. We will be signing contracts in the next month for the first quarter, that is from the April '20 to June '20.
- Jatin Damania:** So as of now we have not signed any contract on this front?
- Ram Reddy:** Some quantity is already being supplied in the current period also.
- Jatin Damania:** Yes Sir, thanks. That is all from my side, I will come back in the queue again.
- Moderator:** Thank you. The next question is from the line of Amar Morya from Alfa Accurate Advisors. Please go ahead.
- Amar Morya:** Sir firstly you had indicated that 20.9% contribution from the amines business right. So is this the 20.9% the revenue contribution or the volume contribution?
- Ram Reddy:** This is revenue contribution.
- Amar Morya:** So 20.9% is the total consolidated revenue?
- Ram Reddy:** We are only talking about Balaji Amines – the parent company. We are not considering the figures from the subsidiary.
- Amar Morya:** So basically Sir then what we are saying is 20.9% contribution in Amines and how much would be from the derivatives? I missed that figure.
- Ram Reddy:** 36.5%.
- Amar Morya:** How much from specialty?
- Ram Reddy:** 42.6%.
- Amar Morya:** Secondly Sir, now in terms of the overall price realization per se, is it trending upward, or is it trending downward? I do not want to get into the nitty-gritty of all products, but in general how the trend is now?
- Ram Reddy:** In general, I can tell you because the raw material prices have gone down, like major basic raw materials like methanol, even finished products prices have come down proportionately. However, our margin is intact, that is what I can say.
- Amar Morya:** Like in Acetonitrile this whole nine month what would be our capacity utilization and what do we expect from Acetonitrile in next fiscal year?

- Ram Reddy:** As I said in my speech, Acetonitrile plant was only started in November. And as I told you that we are manufacturing 8 tonnes per day. We are expecting to increase this in the coming months to 14 to 15 tonnes per day.
- Amar Morya:** What would be the current run rate for the Acetonitrile?
- Ram Reddy:** 8 tonnes per day.
- Amar Morya:** Sir then what should we assume for the next year as a whole.
- Ram Reddy:** We are expecting about 15 tonnes per day. So it will be about 5,000 to 6,000 tonnes for the next fiscal year.
- Amar Morya:** 5000 to 6000 tonnes for the next year. So basically then in that case what we will be doing 60% utilization next year, as we have the total capacity of 9000 tonnes.
- Ram Reddy:** Yes.
- Ram Reddy:** 9000 is the installed capacity which we are having. In the next financial year will be manufacturing 5,000 to 6,000 tonnes. If the prices remain consistent like this, we will go in for greater capacity utilization in the next year.
- Amar Morya:** With this kind of utilization level and the rates which we are prevailing if this continue, what would be the average profitability?
- Ram Reddy:** We are not certain what will be raw material prices in the coming months., The current price of Acetonitrile is not sustainable. We are seeing this elevated prices for is only 8 to 9 months, maybe one year. Earlier the prices was Rs. 120 to 130 per kg. So, it is very difficult to say.
- Amar Morya:** So this product let us say reach at the original price of Rs. 130 or. 140 per kg. Will be enjoying the similar kind of average company level margin or there will be significant drop?
- Ram Reddy:** If Acetonitrile prices prevail then it will be plus for the existing margins of the company. If the prices fall, then the margins will be as it is for the company.
- Amar Morya:** Okay thank you Sir.
- Moderator:** Thank you. The next question is from the line of Kunal Mehta from Vallum Capital. Please go ahead.
- Kunal Mehta:** Sir can you just talk about the expansion in Ethyl Amines in the mega project unit IV? How much capacity are you going to add?

Ram Reddy: 16,500 tonnes.

Kunal Mehta: So Sir, after this I think, you would be the largest manufacturer in India right?

Ram Reddy: Yes with the total capacity of 22,500 tonnes.

Kunal Mehta: Sir, Can you please throw some light on the cycle which we are in Ethyl Amines, because in the last few quarters the prices have been fairly good. So can you just throw some light how do we see the cycle going forward in next one to two years and other Capex that will come on ground?

Ram Reddy: As of now what we see is perfectly alright. We do not see any pressure on the prices, the reason being almost 600 to 700 tonnes of Ethyl Amines is being imported into the country. We are expecting that we are going to cater that gap of import and apart from this we are looking for some exports also.

Kunal Mehta: Okay so capacity addition should be fairly comfortable in Ethyl Amines?

Ram Reddy: Yes, maybe first one or two years we may not utilize 100% capacity. But over a period of time, I am talking about coming two - three years, are very bright for Ethyl Amines.

Kunal Mehta: You have re-filed the application on antidumping duty for the DMF and I think the customs department has to take a decision within next three months. So can you just throw some light on where we are in that situation?

Ram Reddy: We have filed and the initiation of the investigation is already started. They have given 30 days time, i.e. up to 15th February for the opponents to answer. Then the authority will take the decision.

Kunal Mehta: And Sir the present price of DMF is?

Ram Reddy: Present prices are more than Rs. 75 per kg.

Kunal Mehta: Did we have any contracts in Q3 and Q4 at Balaji Specialty for supplying to three customers UPL, Coromandel and Indofil?

Ram Reddy: Not contracts, but we have supplied almost 1000-1500 tonnes. And in the next two months also we will be supplying another 1000 tonnes.

Kunal Mehta: Sir in this plant can you breakeven at around 50% capacity utilization? And when can we reach that level of utilization in next year?

Ram Reddy: That depends upon the prices and margin, but when we are looking into the current situation, breakeven should be achieved at 50% to 55% capacity utilization.

- Kunal Mehta:** Okay Sir, that is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Swan Investments. Please go ahead.
- Sachin Kasera:** Sir I was referring to your second quarter conference call transcript wherein you had indicated that for the full year we should be very close to reaching a turnover of around 1,000 Crore. And you are very confident because of increment volumes from Morpholine, Acetonitrile. Going by the nine months number that we have done, it looks very difficult that we will be able to achieve it. So you still stick with that guidance of Rs. 1000 Crore for FY2020 or you think if we need to scale down the numbers?
- Ram Reddy:** Yes, you are right even whenever I am telling, it is subject to the market prices. This time also there is a reduction in the raw material prices whereby prices of finished products also has come down. If you see there is volumes growth of 7.5% and that is the reason our margins has improved. So if the prices improve, then there is a possibility., But you are right, that it is very difficult to reach Rs. 1,000 crore revenue mark if the price trend continues like this.
- Sachin Kasera:** We can assume this miss because of the lower realization. But you had also mentioned that Q3 performance will be better than Q2 and Q4 will be better than Q3. But if we see the Q3 numbers both in terms of absolute EBITDA not EBITDA per tonne and even in terms of volumes we are lower by around 1% to 2%.What exactly has happened that the performance has been slightly below than what we thought we would deliver in the third quarter?
- Ram Reddy:** No, volumes I think if you take the average because the total first quarter we were hit very badly which you know and I know very well because of that the average has come down to 7.6% you have seen the...
- Sachin Kasera:** In second quarter we did volumes of 2,1,376 tonnes, this quarter we done 21,160 tonnes. However with Morpholine and Acetonitrile we were expecting better volumes in third quarter over second quarter., But despite that the overall volumes were lower by around 200 tonnes.
- Ram Reddy:** In third quarter we could get production of Acetonitrile on the months of November and December only. We could not do manufacturing for other products like DMF.. So now volume offtake for every product has improved, so probably we expect the next quarter should be better than this third quarter.
- Moderator:** Thank you. The next question is from the line of Sunil Kothari from Unique Investments. Please go ahead.

- Sunil Kothari:** Sir my question is related to this recent development related to chemical industry not able to supply enough to pharma intermediates and they are not also getting supplies from China. So in this situation you see any big larger opportunity for us in a structural manner? Basically we are already supplying 50% plus to pharmaceutical companies. So are you seeing any major opportunity in this situation because everybody wants second option to China? So your thoughts on any strategic thinking on those line of development?
- Ram Reddy:** Not on the intermediates but it will be there for the specialty chemicals like NMP, NEP, and Morpholine. But as of now we have not seen any disruption as everybody will have the inventories for minimum three to four weeks. If the situation continues like this from China, probably we may get the good opportunity in coming weeks
- Sunil Kothari:** Any guidance in terms of volume for next year for Balaji Amines and subsidiary Balaji Specialty Chemicals?
- Ram Reddy:** Balaji Amines should do around 1,05,000 tonnes in the next year. Balaji Specialty Chemicals we should do minimum 15,000 to 20,000 tonnes in FY21.
- Sunil Kothari:** Will that volume we be good enough for Balaji Specialty Chemicals to breakeven and make profit at bottomline?
- Ram Reddy:** Definitely.
- Sunil Kothari:** Thank you very much Sir. Thanks, good luck.
- Moderator:** Thank you. The next question is from the line of Ashwin Reddy from Samathva Investments. Please go ahead.
- Ashwin Reddy:** I already got some thoughts on the raw material front because we had two big events, one is the Iran event which probably should have caused the prices to spike and other is the China event. So, I wanted some thoughts on your expectations for next two to three months on the raw material prices?
- Ram Reddy:** China we do not know. They are talking after 10th Feb '20 they will open, so then there should not be any problem because as everybody is having inventory, which will not have much impact on the price or even supply side also. But Iran, every year there will be one or two incidents and this time if this takes a serious turn, then probably the prices may go up for the raw materials like methanol. But as of now it is in the same level of Rs. 20 to 22 per kg. We have not seen major changes for the past two - three weeks.
- Ashwin Reddy:** Got it, alright. Thank you, that is all.

Moderator: Thank you. The next question is from the line of Kavan Pandit from Latin Manharlal. Please go ahead.

Kavan Pandit: On Morpholine how much have sales we have done in volume terms in 9MFY20?

Ram Reddy: 5,000 to 5,500 tonnes. I do not have exact figure. I am just giving you approximate Number.

Kavan Pandit: What would be the rate for the same?

Ram Reddy: Rs. 135 to 140 per kg.

Kavan Pandit: What are the current prices for Acetonitrile?

Ram Reddy: Rs .250 per kg.

Kavan Pandit: Sir coming to the raw material side I understand that the prices are not in our hands., But can we look at some alternatives or something which would help us protect our prices?

Ram Reddy: For which raw material you are talking?

Kavan Pandit: Methanol.

Ram Reddy: My current shipment has come from Saudi Arabia.

Kavan Pandit: And is that on a month-to-month contract basis?

Ram Reddy: No, it is on spot basis only because this Iran issue is not permanent. So, we have made the alternate arrangement for two months..

Kavan Pandit: Sir you said we have started exporting Morpholine, so how much have we done in terms of tonnes.

Ram Reddy: It would be about 100-120 tonnes per month..

Kavan Pandit: And with the recent developments about coronavirus virus? Is that going to affect us in anyway?

Ram Reddy: See anyway China has declared that they will open from the 10th February '20. If they open there will not be any major impact. If they don't, probably yes there will be some impact in the prices. Prices will go up. We may have advantage in some products which are not coming from China. However if some matching raw material are not coming, then again our product may suffer, so that will be negative.

Kavan Pandit: Sir could you give me the domestic to exports mix for us for the last nine months?

Ram Reddy: Around 20%.

Kavan Pandit: Sir so going forward in FY2021 where do we see the exports figure going?

Ram Reddy: We see exports to be about 20% to 25% in FY21.

Kavan Pandit: So no significant change. Okay thank you Sir I will join back in the queue.

Moderator: Thank you. The next question is from the line of Amandeep Singh from Ambit Capital. Please go ahead.

Amandeep Singh: Sir can you help us understand how the current prices of Acetonitrile has moved sequentially and till when do you expect global supply constraints to remain?

Ram Reddy: Current price is Rs. 250 per kg., But second question, it is very difficult to answer. What is happening in the world market we do not know. So as soon as the Acrylonitrile market picks up, then the impact on the Acetonitrile prices will come.

Amandeep Singh: And Sir what were the prices in Q3FY20?

Ram Reddy: It was about Rs. 270 to 280 per kg. It has come down to Rs. 250 to 255 per kg now.

Amandeep Singh: Secondly Sir with center now granting clearance for Hyderabad Pharma City, can you give us some sense on the opportunity size post this development?

Ram Reddy: I do not know what others are doing but we have applied for 100 acres. So far we did not receive any answer. They are still in the consultation mode only.

Amandeep Singh: Okay Sir thank you.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: In your initial remarks you were saying that the demand from pharmaceutical sector is expected to revive and lead for better results in Q4. So if you can broadly talk about this demand and where is it coming from?

Ram Reddy: This is all natural growth in the pharma industry. What we have seen in the first and, second quarter about 52% to 53% of our products were going into pharma sector. This quarter we have seen 57% of our total products have gone to the pharma & API only. So, all the sectors in the pharmaceutical industry again are subject to this coronavirus

in the past one-two weeks development. If this problem is solved, I think that there will be a better opportunity.

Ankit Gupta:

Basically with the kind of shift that we have seen in APIs from China to India, so from a medium to long-term basis how do you see this shift impacting our demand?

Ram Reddy:

If your question is coronavirus related...

Ankit Gupta:

No, not related to coronavirus. It is related to normal shift in API and chemicals that are shifting from China to India?

Ram Reddy:

In chemicals what we have seen in the last two quarters like second and third quarter - are the optimum quarters. I can say so it will continue like this at least for us at Balaji Amines. We were competing in few products like Morpholine, NMP and we will continue competing there. There should not be any pressure on us in the current financial year.

Ankit Gupta:

That is more from end-user perspective. So has increasing shift from China to India for APIs and agrochemicals led to increase in demand for Amines as well as Amine derivatives?

Ram Reddy:

Definitely the natural growth of 10% to 15% will continue.

Ankit Gupta:

Sir last question on the spreads for Methyl Amines and Ethyl Amines., So as the prices have come down, how are the spreads for both the products?

Ram Reddy:

It is same as in the last quarter because raw material prices have also gone down. Thus the overall margins are intact..

Ankit Gupta:

Thank you so much.

Moderator:

Thank you. The next question is from the line of Harish Kumar Gupta, an individual investor. Please go ahead.

Harish Kumar Gupta:

Sir can you please tell me that how much volume we did last year?

Ram Reddy:

Sales was around 80,000 tonnes in FY19 and this year we are expecting sales volumes to be more than 90,000 tonnes..

Harish Kumar Gupta:

Okay so basically almost around 10%, 12% growth in volumes we are expecting?

Ram Reddy:

So far we have achieved 7.5% volume growth..

Harish Kumar Gupta:

Okay thank you.

- Moderator:** Thank you. The next question is from the line of Punit Mittal from Global Core Capital. Please go ahead.
- Punit Mittal:** I think you have three expansion projects that you undertaking -Brownfield, Greenfield and Balaji Specialty Chemicals - this is my understanding. Except the Greenfield, the capex for Brownfield and the Balaji Specialty Chemicals is done and the plants are up and running for both?
- Ram Reddy:** Yes.
- Punit Mittal:** So given that, then our Acetonitrile capacity should be 18,000 tonnes currently, correct?
- Ram Reddy:** See 18,000 tonnes is a licensed capacity, but installed capacity is a 9000 tonnes based on the catalyst feed. Presently we are operating at 2,000 to 3,000 tonnes capacity and next year we will be doing 6,000 tonnes capacity.
- Punit Mittal:** And this is the same line where you will also be manufacturing THF right?
- Ram Reddy:** We are fully doing only Acetonitrile. The moment any price correction comes on the Acetonitrile front, we may go for the THF.
- Punit Mittal:** The last question is on DMF. I remember couple of quarters back you are talking that the imports were coming at Rs. 57-.58 per kg and now you are saying it is Rs. 75 per kg. But does that mean that we will be able to increase our DMF capacity utilization?
- Ram Reddy:** There is a problem with one of the international plants and there is a problem in China for the shipping perspective. So these are the two reasons it has come into the short supply and where we got an advantage. We are selling at Rs. 75 per kg in the current scenario.
- Punit Mittal:** So, if the China situation continues. You expect to have advantage for few more weeks going forward?
- Ram Reddy:** Yes, definitely.
- Punit Mittal:** Okay understood, thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Shri Hari from PCS Securities. Please go ahead.
- Shri Hari:** Firstly on the coronavirus issue. May I know what is the total exposure to China in terms of sales, both direct and indirect?

Ram Reddy: Direct is very small, there are only two products that we are exporting to China. One is Morpholine, on and off it is going. There is another product, namely DEEA which we export about one or two containers in a month.

Shri Hari: The indirect exposure?

Ram Reddy: I do not see any indirect exposure. But import impact will be there as all the shipments from China has stopped... So for us we have an alternative, like we used to buy BDO sometimes. We are buying from the alternate sources like Taiwan, Saudi Arabia and Malaysia.

Shri Hari: Yes, so I presume that on the raw material side you do not have much of an issue there?

Ram Reddy: Yes.

Shri Hari: On the product side you have introduced the DMC instead of IPA or MIPA for the mega project. So can you please tell us a little about that product?

Ram Reddy: The Di-Methyl Carbonate goes in the API market .For polycarbonate it is one of the main raw material., As of now India is importing almost 8,000 tonnes of this product, so nobody is producing this. We will be the first producers for this product. We are going to have a capacity of about 10,000 tonnes.

Shri Hari: Which API does it go into?

Ram Reddy: Various APIs are there.

Shri Hari: Can you tell me what is the outlook for PVPK30?

Ram Reddy: Presently we are operating at 60 to 70 tonnes per month of this product, because have competition from China for the technical grade product. The pharma grade we are giving wherever the approval is – that is in Europe and to some of the domestic companies - we are selling almost 50 to 60 tonnes per month.

Shri Hari: It is operating at how much capacity utilization?

Ram Reddy: It is almost 60% capacity utilization.

Shri Hari: Yes, the reason I am asking is because I presume if the virus issue continues to prolong, then the demand for this product may go up?

Ram Reddy: Maybe, but what we see is that China is saying that it will open from 10th of February '20. . If so, then there will not be a demand spike.

- Shri Hari:** Okay fine thank you.
- Moderator:** Thank you. The next question is from the line of Rajiv Roopani, an individual investor. Please go ahead.
- Rajiv Roopani:** Regards to you Ram Reddy and the entire team. Sir I had a follow up question on Acetonitrile, so what I understand is our installed capacity is 9,000 tonnes and future capacity is 9,000 tonnes.
- Ram Reddy:** We have been given the clearance by the Government of India to produce around 18,880 tonnes. Our installed capacity is about 9,000 tonnes
- Rajiv Roopani:** So Sir just clarification I need is does THF license is separate or this 18,000 tonnes of Acetonitrile includes THF?
- Ram Reddy:** No we have licensed capacity for THF separately. But we do not have a separate plant. We may go for a separate plant based on the market study for THF.
- Rajiv Roopani:** What is the current prices for THF?
- Ram Reddy:** THF is about Rs. 140 to Rs.150 per kg.
- Rajiv Roopani:** Sir I had a follow up question of DMF. Now you just informed earlier case we may get the anti-dumping duty soon. So if we get, then our capacity utilization for THF will improve from 20% to 65%?
- Ram Reddy:** Yes.
- Rajiv Roopani:** So since India imports more than 46,000 tonnes of DMF, do you see capacity utilization improving to 100% next year?
- Ram Reddy:** It can but I am looking into the past experience. I have given very conservative figures. Out of 46,000 tonnes, selling 30000 tonnes should not be a big problem. if the price permits.
- Rajiv Roopani:** I had one more question. The new products which we are launching in Balaji Specialty Chemicals and that is also for the first time we are producing in India. Since we had a problem in selling DMF and using the entire capacity, do we see such problem would not occur in these products?
- Ram Reddy:** I do not think that because for the DMF there is a lot of capacities in China. like almost 6 lakh tonnes. Whereas if you see the past several years hardly anything of EDA has come to India from China. So that is the reason we may even get some enquiries from

China for this product. In China they have only one or two plants for EDA. It is mainly produced in Europe only

Rajiv Roopani:

You informed earlier MIPA and IPA we are not going to produce that because one of the competitors is planning to start its production. So I would like to know who is the competitor and do we plan to produce it in phase II of the Greenfield project?

Ram Reddy:

Because originally when we thought that we should produce this, at that time India was having a lot of advantage from the price point of view. Now the imports have come in huge quantities and prices have reduced, and very competitive prices coming up. And the alternate route has also developed for IPA. Earlier we were talking about the Propane route. Now it has come with the Acetone route also. So with these two things and in India a company is planning to manufacture these products with Acetone route, and they are having captive production of Acetone. That is the reason we just taken a step back to wait and see.

Rajiv Roopani:

So can we produce this in phase II of the Greenfield project?

Ram Reddy:

If the other products are much attractive than these, then we may not do this. We have many other products in the pipeline.

Rajiv Roopani:

One more question on DMAHCL. We have added about 7,500 tonnes of new capacity. So is that being utilized?

Ram Reddy:

That is again licensed capacity. We have not added any installed capacity. We have just taken the license so that we can add 7,500 tonnes now by adding the equipments. But we have not done that because as of now we have production capacity of about 22500 tonnes. We are manufacturing about 20,000 tonnes only. That is the reason we are on wait and watch mode for now.

Rajiv Roopani:

And my last question on Balaji Greentech where we have about 13.5 acres of land. So what is the value now and do we plan to dispose it?

Ram Reddy:

The value currently quoted is around Rs. 26 to 27 Crore, but we are waiting now. If something comes, we may dispose it. We have not taken any decision as of now.

Rajiv Roopani:

Okay fine thank you.

Moderator:

Thank you. The next question is from the line of Anubhav Sahu from MC Research. Please go ahead.

Anubhav Sahu:

Coming back to China situation, is there any pattern of shorter order book coming from the clients in the value chain, as maybe some of the clients in Pharma and agrochemical sector are not sure whether they will get all the raw materials required from China and

so are cutting down on order of matching products from us? I mean is such a scenario emerging?

Ram Reddy:

I am listening the same thing from the other people also., But practically I did not see the reason being maybe the people are consuming their inventories they are having because it is only three, four weeks right there must be something in the pipeline, for this type of impact may take a month's time.

Anubhav Sahu:

Because this kind of supply disruption from China has been happening for a while for one or the other reason. So if you as well as your client partners have also identified the situation that this can occur and that is why reasonable inventory is managed. What is the typical inventory which we look at?

Ram Reddy:

You rightly said because of the experience of this hurdles one or the other time it is happening, people are keeping the reasonable inventories of about 45 days. Second thing everybody has developed alternative sources from other places like Europe, USA and even developing in India which may have a little cost impact. So I do not think it will have any significant impact. I It may impact from cost point of view but there won't be any cut in production.

Moderator:

Thank you. The next question is from the line of Kunal Mehta from Vallum Capital. Please go ahead.

Kunal Mehta:

Sir can you throw some light on the GST benefit which you will receive on the mega project. How should we incorporate that, if we reach the targets, which are given for the next year?

Ram Reddy:

As I explained you in the last call also, suppose if I pay 18% on my sales, then I am eligible to get back 9% as a refund.

Kunal Mehta:

So that will flow directly down to the bottomline?

Ram Reddy:

By 31st March '20, I am expecting the certificate in hand whereby I will be in a position to claim this benefit from April '20 sales onwards... Suppose if I sell Rs. 100 Crore, there will be Rs. 18 Crore GST, out of which Rs. 9 Crore will be coming back to me as a refund and which will add back directly to the bottomline.

Kunal Mehta:

One last question is that have we tried to get our hotel asset value and if can you give me the ballpark valuation if we ever tried to get this valued?

Ram Reddy:

This we have done one and half year back for the banker purpose, when it was valued at Rs.148 Crore.

Kunal Mehta:

Thank you very much.

- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Swan Investments. Please go ahead.
- Sachin Kasera:** My question is regarding Balaji Specialty Chemicals. You have indicated that from June quarter we should see significant improvement in volumes. Earlier we were looking at that happening from the March quarter. So what gives us the confidence?
- Ram Reddy:** We are talking from coming 1st April '20 onwards the sales will ramp up from Balaji Specialty Chemicals.
- Sachin Kasera:** We were looking at even significant improvement in the March quarter itself.
- Ram Reddy:** No, we never said. Because the customers are having their contracts up to March '20 from the imports, they are bound to buy from them to get their credit notes committed for the total year volumes.
- Sachin Kasera:** Sir regarding this Greenfield expansion I think earlier we were looking at a Capex of around 200 Crores., Now the presentation has mentioned capex around Rs. 150 Crore?
- Ram Reddy:** Rs. 150 to 170 crore
- Sachin Kasera:** Yes.
- Ram Reddy:** Yes, we have almost done capex of Rs. 60-70 Crore. We have started spending, we are getting some clear pictures. Originally it was estimated to be about Rs. 200-250 Crore. While spending we are getting the clarity now and are seeing capex of between Rs. 150 to 170 Crore for these two projects.
- Sachin Kasera:** Thank you.
- Moderator:** Thank you. The next question is from the line of Punit Mittal from Global Core Capital. Please go ahead.
- Punit Mittal:** I think there was a confusion before with me and some other participants in terms of your installed capacity versus license capacity. So in your presentation you are saying the future capacity is around 41,900 tonnes, out of which what do you currently firmly plan to add? I think some of the capacity like that of Acetonitrile, you are not right now planning to add. So what capacity are you definitely adding?
- Ram Reddy:** The Greenfield Project is immediately going to add is 16,500 tonnes capacity of Ethyl Amines and 10,000 tonnes of (DMC) Di-Methyl Corbonate. As for Acetonitrile, the only thing is we need to add catalyst to make it 9,000 tonnes. And we have an additional license capacity of 9,000 tonnes of Acetonitrile for which we need to spend money if we plan to add.

- Moderator:** The next question is from the line of Amar Morya from Alfa Accurate Advisors. Please go ahead.
- Amar Morya:** Sir, if you can help us what would be the nine-month ballpark volume for the NMP and NEP and what would be the average prices?
- Ram Reddy:** For NMP it is Rs. 135 to 140 per kg and for NEP it is Rs. 140 to 150 per kg. I do not have separate volume figures for these products in hand.
- Amar Morya:** Sir now in specialty chemicals, the bulk portion would be NMP, NEP, Morpholine and now a small contribution of Acetonitrile right?
- Ram Reddy:** Yes.
- Amar Morya:** These are the broader contributors to the specialty chemicals?
- Ram Reddy:** Yes. There are some small other products also like the DEEA, DMAE, DMU.
- Amar Morya:** But that would be very small, maybe not more than 1000 metric tonnes.
- Ram Reddy:** Yes.
- Amar Morya:** Morpholine is the large quantity as part of specialty chemicals. Its price is Rs. 135 per kg?
- Ram Reddy:** Yes
- Amar Morya:** So Sir now given the whatever we close the year say Rs. 950 to 1000 Crore. So next year as per my understanding, the key growth driver for us would be the scale up in production of Acetonitrile to around about 6,000 metric tonnes and whatever is the price based on that we will realize the revenue. Second growth driver would be the revenue from Balaji Specialty Chemicals?
- Ram Reddy:** Capacity of 16,500 tonnes of Ethyl Amine will be becoming next year. We may get two or three months of production.
- Amar Morya:** So Ethyl Amines, the total capacity would be how much now Sir?
- Ram Reddy:** After this expansion 22,500 tonnes., Presently we have capacity of 6,000 tonnes. We are adding 16,500 tonnes.
- Moderator:** Thank you. The next question is from the line of Harish Kumar Gupta, an individual investor. Please go ahead.

- Harish Kumar Gupta:** Sir someone asked you that you have some land bank. What value did you tell, I missed that figure?
- Ram Reddy:** This was a old company which has been merged that is Balaji Greentech. In that company we have land parcel of about 13 acres. It is in Telengana near Sadasivpet and about the current quoted price is about Rs. 25 to 26 Crore.
- Harish Kumar Gupta:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Rajiv Roopani, an individual investors. Please go ahead.
- Rajiv Roopani:** Sir one follow up question on Balaji Specialty Chemicals. Sir last time you had talked about a product called AEP.
- Ram Reddy:** AEEA and AEP.
- Rajiv Roopani:** Amino Ethyl Piperazine?
- Ram Reddy:** Yes, Amino Ethyl Piperazine, Amino Ethyl Ethanolamine - these two products.
- Rajiv Roopani:** So are we going to produce that in Balaji Specialty Chemicals?
- Ram Reddy:** Yes but is very small quantity. AEEA which was not originally estimated but we are getting about 5 tonnes per day..
- Rajiv Roopani:** Lastly now in Balaji Specialty Chemicals, we have taken 55% stake for about Rs. 66 Crore. So by when do we plan to make it 100%?
- Ram Reddy:** It will take sometime, maybe coming years, maybe one or two years. At an appropriate time we will do it.
- Rajiv Roopani:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Anubhav Sahu from MC Research. Please go ahead.
- Anubhav Sahu:** Just wanted to know on the Ranitidine impact on the volume.
- Ram Reddy:** There was some damage, but that has been rectified. That has been responded by all the manufactures and it has restarted, as everybody is producing now. Now they have started talking on Metformin again.

- Anubhav Sahu:** Yes. So Sir, what are the key parameters now that the API companies, given this kind of impurity that has been on the talk.
- Ram Reddy:** They were asking for the impurity levels. What we are using? Are we using any other products like solvents which will remain as a impurity, which will cause this NDMA type of thing. Those clarifications people are asking. We are testing in third party laboratories and we are submitting the reports to whoever has asked and whenever is asked. This is a continuous process.
- Anubhav Sahu:** Got it Sir, what I am looking to ask is that because on the quality side probably we are on a better side. So is there any structural opportunity emerging because of that?
- Ram Reddy:** No, this is not that serious what we are thinking., They asked about the NDMA impurities and we are testing., See the product is manufactured by many raw materials and ours is one of them. So, they have to test from all the raw material suppliers from wherever they source So whatever is sourced from our side we are testing and keeping ready the information for whoever is asking and we are submitting the answer.
- Anubhav Sahu:** Got it, okay that is all from my side. Thank you sir.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to the management for closing comments.
- Ram Reddy:** Thank you very much. Overall we have created a sound hedged portfolio of products. We are continuously striving to better the product profile and innovate on manufacturing front to compete effectively and efficiently in the end markets. We expect Q4 FY2020 to be better than the first three quarters of this fiscal year as we are likely to witness better volume offtake. In FY2021 we expect a significant contribution to flow in from the subsidiary company. The construction of phase I of Greenfield project will also be completed in FY2021 and we are also hopeful of getting couple of months of operations from the mega project in the next fiscal year. We are very focused on next level growth and upscale for Balaji Amines over the next three four years. - specifically the Greenfield expansion will lead to installation of 16500 tonnes of manufacturing capacity of Ethyl Amines, post which the company will have the largest installed capacity of Ethyl Amines in India at 22,500 tons per annum. We shall also witness ramping up of Acetonitrile production and ramping up of production at Balaji Specialty Chemicals. With these factors kicking in, we definitely expect that the coming two-three years will be better. Thank you once again for showing the confidence in the company and we will do our best for our shareholders. Thank you very much.
- Moderator:** Thank you. On behalf of Edelweiss Professional Investor Research that concludes this conference. Thank you for joining us and you may now disconnect your lines.

