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Balaji

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AMINES LIMITED
... A Speciality Chemical Company

Regd. Off. : 'Balaji Towers' No. 9/1A /1, Hotgi Road, Aasara Chowk, Solapur - 413 224. Maharashtra. (India)

16th February, 2022

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,

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

With reference to the above cited subject, please find enclosed the transcript of the Conference Call held on Thursday, 3rd February, 2022.

Thanking you,

Yours Faithfully
For Balaji Amines Limited

Ldargad

Lakhan Dargad
Company Secretary & Compliance Officer
Encl: a/a

BALAJI AMINES LIMITED

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"Balaji Amines Q3 FY'22 Earnings Conference Call"

February 03, 2022

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

MODERATOR: MR. APURVA SHAH, PHILLIPCAPITAL (INDIA) PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Balaji Amines Limited Q3 FY'22 Earnings Conference Call hosted by PhillipCapital (India) Private Limited. 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 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 this 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. Apurva Shah from PhillipCapital India Private Limited. Thank you and over to you.

Apurva Shah: Thank you, Stanford. On behalf of PhillipCapital (India) Private Limited, I welcome all of you to the Q3 FY'22 Earning Conference Call of Balaji Amines limited. We have with us today, Mr. Ram Reddy – Promoter and Managing Director of Balaji Amines Limited. We request the management for the opening remarks, post which we will open the floor for Q&A. Thank you and over to you, Ram sir.

D. Ram Reddy: Thank you, Apurva. Ladies and gentlemen, a very good evening to all of you and welcome to the conference call to discuss the Q3FY22 financial performance of our Company, Balaji Amines Limited. I hope you have got a chance to go through the press release and the financial statements submitted to the stock exchanges and uploaded on our website.

First, kindly let me take you through the consolidated financial and operational performance. Despite sluggish demand for few of our products, as some clients could not procure the KSMs (key starting raw materials) for some of our matching products and shutdown of two plants for debottlenecking, that is Demethylformamide (DMF) and Acetonitrile, we are pleased to have achieved decent quarterly results.

We recorded 44% growth in total revenue which stood at Rs.566 crores in Q3 FY'22 as against Rs.393 crores in the corresponding quarter of previous year. The total volume stood at 27,589 MT for Q3 FY'22, down by 13.8% as against 31,993 MT in Q3 FY'21. For Q3 FY'22, volumes of Basic Amines stood at 6,460 MT and Amines derivatives volume stood at 9,912 MT and that of specialty chemicals stood at 11,217 MT. Despite fall in volume, the growth in revenue was an account of better product mix, which culminated a better price realization especially for the products of our subsidiary company.

EBITDA was up by 35% which came in at Rs.160 crores in Q3 FY'22 as compared to Rs.118 crores in the same period last year with EBITDA margin at 28.2% in Q3 FY'22 as compared to 30.0% in the same period last year. The fall in operating margin was primarily due to lower operating leverage on account of dip in volume offtake.

We expect operating margins to pinch upwards in coming quarters and back of moderation in prices of key raw materials, several product pricing, and better product mix going ahead.

Profit after tax recorded an increase of 29% at Rs.102 crores in the current quarter under review as against Rs.79 crores in Q3 FY'21. PAT margin stood at 17.9% in Q3 FY'22 as against 20.1% in Q3 FY'21. Diluted EPS for Q3 FY'22 stood at Rs.27.64 per equity share as compared to Rs.23.14 per equity share in Q3 FY'21.

Now, coming to our consolidated performance for nine months FY'22. Revenue from operations in nine months FY'22 stood at Rs.1,546 crores, up by 72% as compared to Rs.900 crores in nine months FY'21. EBITDA witnessed a growth of 78% from Rs.247 crores in nine months FY'21 to Rs.438 crores in nine months FY'22 Our EBITDA margin expanded by 92 basis points to 28.3% from 27.4% in nine months FY'21. PAT for nine months FY'22 witnessed a jump of 86% to Rs.287 crores from Rs.155 crores in nine months FY'21. Diluted EPS for nine months FY'22 stood at Rs.80.15 per equity share as compared to Rs.47.44 per equity share in nine months FY'21.

Total volumes stood at 81,569 MT for nine months FY'22 as against 77,510 MT in nine months FY'21, recorded a jump of 5% for nine months FY'22. Volumes of Basic Amines stood 17,714. Amines Derivative volume stood at 27,760 MT and Specialty Chemicals stood at 36,095 MT.

Our subsidiary company, Balaji Specialty Chemicals Private Limited continued to witness substantial demand as well as robust price realization. We logged sales volume of 3,887 MT in Q3 FY'22 at our subsidiary plant as against 3,640 MT in same quarter last year. We have recorded the capacity utilization of about 52% in nine months FY'22. Accessibility for raw material required for manufacturing products of the subsidiary plant continued to remain a major challenge in Q3 FY'22. However, from the month of January, the supply bottlenecks have eased and we expect to operate the subsidiary plant at 70% to 80% capacity in the next fiscal year. Non-agrochemicals clients constituted about 30% of the total sales of Ethylenediamine (EDA) in nine months FY'22 from about10% in earlier quarters. We have increased the share of exports from the subsidiary plant from 15% in H1 FY'22 to 18% in nine months FY'22, and our endeavor is to increase it to about 25% to 30% going forward. We anticipate achieving annual turnover of about Rs.475 crores to Rs.500 crores in next fiscal year and margins are expected to further strengthen at the subsidiary level as the production gets ramped up.

The construction of new plant for Dimethyl Carbonate (DMC) in phase-I of Greenfield project Unit-IV is nearing completion and we hope to commence operation in Q1 FY'23. Until 31st December 2021, we have undertaken a total CAPEX of Rs.236 crores in phase-I of Greenfield project. The capacity of the plant will be about 10,000 tons to 12,000 tons per annum. The company would be the sole manufacturer of this product in India and currently the annual domestic demand stands at about 8,000 to 9,000 tons which is completely met by imports. We are confident to achieve capacity utilization of 60% to 70% at our DMC plant in first year of operation itself. DMC has major application in the manufacturing of Polycarbonate. It is also used as a major solvent in the production of lithium batteries - the consumption of which will exponentially grow in India backed by various government incentives. At the same time, we see encouraging scope for exporting DMC to outside markets also.

The prices of DMF continue to remain healthy and with the completion of the debottlenecking exercise, the capacity utilization of this plant has increased substantially, the full impact of which is likely to be visible in Q4 FY'22 and next financial year. We expect the capacity utilization of DMF plant to increase from current about 34% in nine months FY'22 to 70% to 80% in coming quarters.

As disclosed earlier, we also plan to set up an additional plant of Acetronitrile with capacity of 50 TPD by using different technology, which will address the adverse impact of higher price of acetic acid and shall lead to healthy operating margins. This plant is expected to commence operations by end of year FY'24.

Upon smoother accessibility to the raw materials for matching products at our clients’ end in coming quarters, we expect to witness an increase in capacity utilization over the next fiscal year. Also next year, we expect substantial improvement in volume offtake from improved capacity utilization at our Ethyl Amines (new plant), DMF and Acetonitrile plant as well capacity additions on account of our new product Dimethyl Carbonate (DMC) plant.

Methylamines is a key raw material and the base product for value added derivatives required for pharmaceutical and agro chemical companies. We are currently the market leader in Methylamines production in India, and 80% of our Methylamines production is captively used for manufacturing value added products. Pharmaceutical Application segment and Agrochemicals are expected to drive significant demand for Methylamines in India as well as global markets. As announced earlier, to meet our increasing captive requirements, we plan to set up a separate plant for methylamines with capacity of 40,000 to 50,000 tons per annum under phase-II expansion of Greenfield project Unit-IV for which the company has already received environmental clearance.

That's all from my side. We now leave the floor open for questions-and-answers.

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Amar Mourya from Alfaccurate Advisors. Please go ahead.

Amar Mourya: Sir, a couple of things. You said that now this quarter the volume degrowth was largely due to the capacity constraint, right.

D. Ram Reddy: Yes.

Amar Mourya: So, from next quarter, you are saying the capacity will come, correct?

D. Ram Reddy: Yes.

Amar Mourya: So, basically the volume constraint which was there in this quarter that should be addressed from the next quarter onwards?

D. Ram Reddy: Yes. See, there are two reasons, one reason, there were some of the plants at our clients' end, that could not run because their matching raw material was stuck with the China and other things. And second thing, like our Acetronitrile plant and DMF plant was down for the debottlenecking purpose, almost 30 to 40 days, the plant was down, so, that capacity is also short in this volumes, which will come back as the debottlenecking program is completed, and from this quarter you will see the proper volume growth.

Amar Mourya: Secondly, about the subsidiary, what you're guiding is something around Rs.500 crores top line. Did I hear correctly?

D. Ram Reddy: Yes, Rs.475 to 500 crores. I think we already done Rs.326 crores in nine months.

Amar Mourya: What kind of margins in that?

D. Ram Reddy: I think this quarter ended we have done something 39.84% EBITDA margin and nine months is about 34.94%.

Amar Mourya: So, tentatively, around 25%-plus EBITDA margin is possible for the next year also?

D. Ram Reddy: I think it should be minimum.

Moderator: Next question is from the line of Prateek Chaudhary from Saamvarthya Capital. Please go ahead.

Prateek Chaudhary: In the interview today you alluded to the fact that you may be doing upwards of Rs.2,000 crores turnover and maybe closer to Rs.2,200 or 2,300 crores for the year. So, that would call for a very significant incremental quarter-on-quarter uptick, which we probably haven't seen this significantly ever in the past in our history. So, what is leading to such a significant scale up coming into the quarter and the next year and in your opinion how far is it sustainable?

D. Ram Reddy: Without DMF full utilization and without full utilization of Acetonitrile, the figures you have seen of the nine months is Rs.1,541 crores. We expect in these three months we should do with all this additional capacities. On the second thing for your question, prices have been increased unlike earlier years. That is also adding to the value growth. Earlier I used to say Rs.1,800 crores something, but we should end up with Rs.2,000 crores plus by 31st March for the top line.

Prateek Chaudhary: You mentioned that maybe after the Chinese are done with their Olympics over there, and maybe then you will be in a better position to disclose the new products, you mentioned there are four or five products which you might get into manufacturing. So are these new products?

D. Ram Reddy: We have many products in the pipeline, in addition to what we declared. In addition to that, we have some of the products which we will disclose at appropriate time.

Prateek Chaudhary: And these are all new products?

D. Ram Reddy: Yes, one or two new products are there and some old products addition is also there. As I said right now in my opening remarks, like Methylamines, DMF and Acetonitrile, these are already there. In addition to that, we have two, three other products which we are discussing, actually. We have done the R&D and ready, but we just want to see the how the Chinese market will react, after that we'll take a decision.

Moderator: Next question is from the line of Sachin Kasera from Svan Investment. Please go ahead.

Sachin Kasera: Regarding Acetonitrile, if you could just tell us what is the production that we did for the quarter and the nine months and with this debottlenecking complete, what type of volumes we can look in financial year '23?

D. Ram Reddy: We hardly did six to seven months out of nine months. I think we operated only one quarter and partly for second quarter and partly third quarter. So, that means it is almost six months we operated i.e. 170-180 days at the rate of 9 tons per day production. In this quarter, it will be operating properly, at more than 10, 11 tons per day..

Sachin Kasera: Regarding DMF, you have mentioned that now we are expecting utilization to go up. So, for the next year, what type of utilization we should look for DMF? And if you could give some sense on the current pricing that is there in DMF?

D. Ram Reddy: Current pricing varies from Rs.175 to 210 per kg. That depends upon the small customers. They're buying at Rs.200, 210 per kg also. Some imported material is being sold at Rs.205, 210 per kg but our realization is somewhere Rs.175-180 per kg. And we expect this quarter we should operate at a minimum 70%-80% capacity and even next year also we should be able to operate at 70-80% if things goes like this.

Sachin Kasera: If you could tell us about the CAPEX that we have done in the current financial year and what you have planned for the next financial year in terms of capital expenditure?

D. Ram Reddy: I think we have already done Rs.236 crores and maybe another 15, 20 crores we will be doing in this coming one or two months to complete this DMC commissioning. And the next year, as I said, we have all the plans are ready, we are just waiting for the reaction. Honestly speaking, this is for all the investors who are listening this. See, because of this Olympics, whether they have stopped the production of some of the products which are not coming to the country and prices have been increased because of natural gas or because of this Olympics or any other reasons, we just wanted to understand. This clarity we expect that we can know only after this Olympics is over, that is by end of this month. By March, we are going to take the major decisions like doubling the DMF capacity, methylamines capacity and even Acetonitrile capacity. All these things will come into the stream. Next financial year will be very important and crucial for the CAPEX point of view.

Sachin Kasera: Any update on the merger of subsidiaries? Last quarter you had indicated that we are going ahead with that.

D. Ram Reddy: Board is looking for the alternates as how to do valuation and all, they're already working on it. Maybe in coming one or two years, it should happen. They're looking for the options, because if the capacity goes full, they may look for the expansion also in that, then they can merge it. Board is discussing. We will come back to you at an appropriate time.

Sachin Kasera: But just a suggestion. This is something that has been pending for long, big hovering on the stock also. So…

D. Ram Reddy: Not long, we are on track, we told that after finishing the one or two balance sheets, we'll be doing appropriate action whatever required for that. So, it is not completed. Now this is the first balance sheet coming up.

Sachin Kasera: Sir, what happens to the loan that we have given of Rs.77 crores to Balaji Specialty? Now they become very profitable. Will they be returning that loan to us, how will it work?

D. Ram Reddy: Yes, they are paying. Even banks also if you see the total debt, it has almost Rs.15 to 20 crores we have paid back and we are paying regularly.

Moderator: The next question is from the line of Jayveer Shekhawat from Ambit Capital. Please go ahead.

Jayveer Shekhawat: If I remember in the Q2 FY'22 earnings call, you had mentioned that you had started passing on the higher RM prices to the customers, given your transition period of about three to four weeks was over. But if you see the standalone business gross margin or EBITDA margin, I mean, these have come largely flat quarter-on-quarter even in Q3 as well. So what explains that?

D. Ram Reddy: See, we've passed down the prices on some of the raw materials, however some of the price rise has been witnessed in some other raw materials - like earlier we were talking about the methanol and ethanol and today we are talking about the ammonia. Prices of Ammonia has increased every week. Today from Rs.40,000 per ton, it has come to Rs.80,000 per ton that is one major issue. Second reason for the decline in the margin, we could not utilize some of the plants because of the debottlenecking program and these were very profitable products. So, that is also another reason. So, in spite of 30, 40-days that the plants were down, we are in a position to give at least these numbers, but definitely in the coming quarter, you will see the overall annual results to be much better.

Jayveer Shekhawat: I understand the prices for methanol as well as acetic acid, they have started softening, but ammonia as you said has actually increased. So what is propelling that increase in prices?

D. Ram Reddy: They are saying everywhere that it is because of the gas shortage. It is a global trend for the product. In winter in some of the places they are using the gases for the heaters and all, but they hear from the supplier that probably from the next one month it should be softening. These reliefs that were given by Government of India in yesterday's budget like in methanol and acetic acid, that should compensate to some extent against this increase in ammonia prices.

Jayveer Shekhawat: Also, we know that Alkyl currently has a similar Ethyl Amines capacity as you i.e. about 22,000 tons per annum, but now they're ramping it by another about 30,000 tons per annum. So, do you believe there is actually a lot of demand in the market to absorb it? And could that actually lead to any pressure on realization, because there could be an oversupply as well?

D. Ram Reddy: That I do not know what Alkyl is doing, but what I can say is whatever we have done i.e. the expansion of 50 tons per day, we are in the right track, we have already ramped up to 100% capacity. And we have some advantages. As I said earlier, our technology is totally different. We have some plus point for this. You talked only about the country. If the capacities increase, and if more inventories are there, then the companies can go outside the country also, it's a world product..

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

Nitin Damania: Sir, just continuing with the earlier participant questions on the ethyl amine, now sir, can you give us what is the demand supply dynamics in the domestic market because if the new capacity coming in, that can be a huge supply that can probably in the market?

D. Ram Reddy: That I do not know. See, they have started some expansion, means, they might have seen the next 5, 10 years for growth. But what we have done, we have seen for the next one year, we should be in a position to run 100% capacity.

Nitin Damania: If we are looking from the current perspective, what is the industry demand/supply as of now?

D. Ram Reddy: See, if you recall my earlier concalls, I used to say that there is 700 tons to 800 tons import coming every month to the country, which we would like to target that first and some quantities we should be able to sell outside the country. The exact thing what we have done, if you see this quarter and last quarter import data it is almost to nil. Last month I've seen only 32 tons is imported, last month before that only 70, 80 tons was imported. Normally it used to come almost to 700 to 900 tons every month. This is what is happening. And in addition to this, if you see the export order, some products from our basket – Triethylamine - is being exported also.

Nitin Damania: You said that ammonia prices increased substantially from Rs.40,000 per ton to Rs.80,000 per ton and even Russia has probably taken an action of banning ammonia. So, what inventory do we have in terms of ammonia? And is it that we have sufficient enough for the quarter to feed our needs?

D. Ram Reddy: My dear friend, ammonia cannot be stored for more than one week, maximum one week inventory will be there. But we have the tie-ups with domestic manufacturers, who has given the assurance for at least one to two months. We should travel with this situation.. If you pay more price, you should be in a position to pass on your price to the end user. That's all.

Nitin Damania: The last question is on the subsidiary. Since you will be closing near about Rs.475 crores of the revenue with almost 25% of EBITDA margin next quarter, what is the roadmap for going ahead because probably 75%, 80% capacity utilization you might achieve in FY'23 and after that are we looking at any expansion in subsidiary?

D. Ram Reddy: We have the plan. Separately, it will be discussed in their board meeting like some of the derivatives, if situation demands, second plant of the similar or some of the derivatives of the EDA. We have a lot of things in the pipeline.

Moderator: The next question is from the line of Reena Shah from Elara Capital. Please go ahead.

Reena Shah: I just wanted to understand more on DMC. You said that it is more used for manufacturing polycarbonate and lithium batteries. So, basically this is kind of a B2B product. Am I correct?

D. Ram Reddy: It is used in the pharmaceuticals also, there are various applications for that product. I have just given the broader idea, but presently in India without polycarbonate, without battery, country is already importing 8,000 tons per annum as on today for the various pharmaceutical applications and all other things. So, what I have seen with the recent enquiries from the various battery manufacturers, we expect definitely there will be very good growth, because we never expected the battery manufacturers will come so fast in India.

Reena Shah: I do understand that market demand for DMC is around 8,000 to 10,000 tons per annum currently. But what could be the potential market demand that you are looking into India or the globe?

D. Ram Reddy: As on today, 8,000 to 9,000 tons are already in the country and with our survey, within my existing network outside country also, we have seen another demand for 8,000 to 10,000 tons per annum across various parts of the world we have. So, definitely, there is a good demand for this. In this new plant we are expecting DMC production of 10,000 to 12,000 tons per annum, but with some debottlenecking, this may go up to 15,000 tons per annum. And second thing, in the same plant we are getting two products; one is the dimethyl carbonate and second is propylene glycol. Actually, I wish to say this both products put together will come to almost 25,000 to 30,000 tons per annum which should generate at a moderate price of around Rs.200 crores of top line if everything goes well.

Reena Shah: Sir, what can be the margin targets for this kind of product, would it be on a higher side?

D. Ram Reddy: It's very difficult to say. I would love to get more than existing margins, but it's not in our hands. Once we launch only, we can be in a position to tell where we are allowed by the market.

Reena Shah: This quarter I have seen that your amine products volumes has been on a higher side. So, when you said that you have a realization benefit because of better product mix, I just wanted to understand, amines is the one basic products as compared to when you go to amine derivatives?

D. Ram Reddy: I think I answered earlier also. Now also I want to clarify once again. Amines, since we have more than 60%, 70% in-house consumption, right. When there is a consumption more, you will see more volume addition in the intermediates and less volume sales in these basic amines.

Sometimes, if we see lesser market demand for these intermediates which are based on the amines, that time you will see more volume of basic amines sales. So, it's very difficult to say. Sometimes driven by season also like in the agro season, when we supply more of the methylamines, that time you will see only growth of the methylamines and you will see less sales of the intermediates. That is how it works in our company.

Reena Shah: I believe from this quarter you have only started giving consolidated volumes breakup segment wise. So, the additional volumes which have seen coming in it, is from subsidiary plant only, is my understanding correct for this?

D. Ram Reddy: Last quarter also we have given, but this quarter, it is more visible because subsidiary company has given more strength to the parent company.

Reena Shah: The difference between standalone and consolidated volume numbers is just for specialty chemicals, is my understanding right?

D. Ram Reddy: You're right.

Moderator: The next question is from the line of Vishal Biraia from Max Life Insurance. Please go ahead.

Vishal Biraia: My question is on the polycarbonate versus PVDF and PPF kind of use for the lithium ion batteries. So, could you elaborate a bit as to which is relatively better and which of the ones chloropolymers or carbonate base polymers would see higher demand from the lithium ion battery?

D. Ram Reddy: These two names I also heard when I was talking to the professionals in lithium battery industry. They said that along with the other solution, they make 30% of this solution in the solvent which they premix for the battery solvents. And it is used by everybody, every battery manufacturer will be requiring DMC is what I heard. And along with this, I think N-Methyl Pyrrolidone (NMP) which is our product is also used for the battery manufacturing.

Moderator: The next question is from the line of Rohit Nagraj from Emkay Global. Please go ahead.

Rohit Nagraj: My first question is in terms of industry dynamics. Now, you mentioned that last couple of years, we have done expansion, we've had a fairly good volume growth, we are expecting that our commissioned capacities probably will be running at optimal utilization in the next foreseeable future. So what has changed in terms of the dynamics - domestic part or exports part - wherein we are so confident in terms of scaling up the volumes and then going in for the next leg of expansion?

D. Ram Reddy: This is basing on the outgo of the products and the market demand growth which is about 10% to 15% for all the amines. And the most important thing is during the last one year, due to pandemic situation, some of the new doors have been opened for Indian companies like where China was supplying, and when China stopped - as an alternate India could get some chance and where sometimes we have given 100% supply to those customers. Even if China comes back, the people who bought for these last two to three quarters, they would keep the Indian companies as a second supplier, if not 100% at least 20% 30% - so a new gate open for all. Second thing, the Government of India under a PLI scheme and Atmanirbhar Bharat scheme, lot of pharma, API companies and agro-chemical companies have put up their applications. If you take at least 50% of the applications put up by companies materializes, there will be tremendous growth in the API intermediate and agrochemical intermediates, which for years together we have been depending on China and other countries. Those things if it happens in the country, so definitely we will have the good opportunity. These are all the reasons why everybody is talking about the opportunity for the expansions.

: **Rohit Nagraj:** Sir, just a clarification on this. Apart from China, globally, are there any major suppliers who are looking for expansion or probably they don't have any plans for expansion and which gives us a better opportunity?

D. Ram Reddy: Expansions are happening everywhere. But I'm not talking about only India. If China is not supplying around the world, India is getting opportunity to export around the world not only in India. So, that is the reason there is every possibility for all chemical companies in the country, specifically specialty chemical companies and intermediate companies to get the good opportunity during this period, which they are going to take away some stake of China to some extent.

Rohit Nagraj: The second question was in terms of our capabilities from the R&D front. Can we go into say some specialized amounts which are third, four derivatives because already we have established ourselves in terms of the basic and one forward derivative. So there a possibility from our R&D and capability perspective?

D. Ram Reddy: Many of the products are delivered from our R&D only, and even for future also we are looking. But our main focus will be import substitute. We just check whatever is imported to the country for the years together, we are putting all our efforts to develop in-house and put up the plants. If you can see our track record, in future also you will see these such products only.

Moderator: The next question is from the line of Vivek Gautam from GS Investments. Please go ahead.

Vivek Gautam: CAPEX seems to be our forte, sir and you're doing lot of CAPEX on time. Has that become a sort of a moat for our company in terms that we are able to do constant CAPEX making import substitute products and before time - so what is helping us because I believe yours is a civil engineering background and others are also civil engineers. So how can some of the expertise in chemical engineering almost better than the UBC professionals working in other sectors and other companies?

D. Ram Reddy: I cannot comment on that. But yes, we have proper plans. Once we decide on any product from the R&D, then we do the pilot plant, then we will go for the commercial. This is how we execute the projects. And most of the times, even project also we will do on our own. We do not have any implementing agency - that makes a lot of difference. So far whatever we built all the plants, these are built by our own team by hiring small contractors. There is no project implementing agency involved in our company so far. That is one thing. Second thing, we have experienced team within and even the contractors who are working with us for years together. So any plant once we decide, we don't take more than eight to 11 months to commence the production.

Vivek Gautam: How big is your R&D team, sir? And how much is the focus on the R&D that seems to be quite a bit of moat for our company?

D. Ram Reddy: They are not big team, we have reasonably sized team where a few doctorates and a few BSC, MSC people are working in it and we are all completely focused on single product only. Suppose if I give one product, everybody should work on that one product only. And R&D team will be working on the fine tuning of the existing plants also. They are not working only for the new projects. R&D team is helping us to reduce the production cost, in fine tuning of the existing plants where we can reduce the cost, all those things our R&D team is working.

Moderator: The next question is from the line of Shanti Patel from Shanti Patel Investment Advisors. Please go ahead.

Shanti Patel: If everything goes in our favor and after this China Olympics gets over, and we can get our own plants to commission, and there is a good demand for the products, what will be the incremental revenue and the impact on profit in the next year?

D. Ram Reddy: Next year we are expecting with this addition of DMC and existing plants after debottlenecking which are on the stream now, so we should expect minimum Rs.2,500 crores revenue, and we should be in a position to maintain 25% to 26% EBITDA margins. This is on a conservative basis I'm telling you.

Moderator: The next question is from the line of Mr. Amar Mourya from Alf Accurate advisors. Please go ahead.

Amar Mourya: Just wanted to understand what kind of volume growth we should expect in a standalone business for the next year?

D. Ram Reddy: Minimum 10% to 15% without adding any new capacity. Since we are adding a new capacity, if that goes in full capacity utilization, you will see another 15,000 tons minimum from the DMC which will add in the next year's total volumes.

Amar Mourya: You are saying standalone without adding any capacity, minimum 15% growth and plus I should add another 70% utilization of the DMC?

D. Ram Reddy: No, normal course, you take 10% and you add another 10,000 to 15,000 tons.

Amar Mourya: I believe sir this year closing you will do more than one lakh kind of volume, right?

D. Ram Reddy: We should be in a position if everything goes well.

Amar Mourya: And about the realization?

D. Ram Reddy: Again, that depends. Till date we have seen in this quarter, it's on the track. Only one, one and a half month left in this quarter, we'll see how it goes. If things go like this, definitely we'll be doing better only. Whatever we have done this quarter, it should be better to the existing quarters.

Moderator: The next question is from the line of Dhaval Shah from Svan Investment. Please go ahead.

Dhaval Shah: On the presentation slide number 44, you mentioned about the CAPEX phase and the guidance for FY'23 the Brownfield expansion. Can you give a little bit of brief explaining the entire journey which you mentioned about the existing Brownfield and Greenfield will lead to the future growth, so how should we foresee the total capacities getting added over the years?

D. Ram Reddy: As I said, like in the Greenfield projects (i.e. unit-IV) you will see one DMC plant getting added from the 1st April onwards. - After that, as I said just now, we have four projects ready along with all the detailing, engineering, everything is ready and some of the common utilities like storages and all those things are already completed. Now, we are waiting for the Chinese reaction. Anyways expansion we have done. Which product will sit in front seat, which product will sit in backseat that is the only question for which we will take a decision by March. Then in the next concall you will hear from us on definite basis which project is coming up and how many months it will take and what is the capex amount..

Dhaval Shah: You were mentioning about 50% revenue growth for FY'23 and just to the previous participant you were mentioning around 10% kind of volume growth…

D. Ram Reddy: This is considering with the existing plant of 10% to 15%, in addition 35% which will come from the dimethyl carbonate and propylene glycol if we transfer 70%, 80% capacity, so, 25,000 of 35% if you add this, then it will come to 45%-50%.

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

Rajeev Rupani: So my first question is regarding THF. When are we planning to start that, any updates?

D. Ram Reddy: See, we're already working on this Acetonitrile - we have entered in the market and have certain commitments. We don't want to withdraw from the market and we do not have any separate plan for that as I said earlier. Maybe the moment we start this next expansion of Acetonitrile we're talking about the new plant, new technology, that time we may think of the market situation. If everything goes well, then probably the existing Acetonitrile plant may go for THF.

Rajeev Rupani: My next question was on DMA HCL. We had approval for 7,500 tons in addition to our existing 24,000 tons. So what's the update on that?

D. Ram Reddy: We have not taken up. The reason is so called matching key raw material is that only? It has badly affected production of Metformin. For Metformin, along with the dimethyl hydrochloride, they need another product called DCDA, whose almost 98% supply comes from China. So people are not getting that material. And even if they are getting also, they're getting at very high price like people used to get at $1,100 to $1,200 per ton and today, they are buying at $3,000 to $4,000 per ton. So that's a reason. We also just kept on hold, because the current plant we want to run at 100% capacity like 20,000 to 22,000 tons per year. We are presently operating at 2,000 tons per month.. So definitely the moment the DCDA supply situation improves and Metformin demand goes up, then definitely we will add this additional capacity.

Moderator: The next question is from the line of Jayveer Shekhawat from Ambit Capital. Please go ahead.

Jayveer Shekhawat: Mr. Reddy, I see your Q2 FY'22 numbers as well. Your other expenses were up almost about 40 percentage, one addition of about say Rs.20 crores and these are largely stable on a quarter-on-quarter basis at Rs.95 crores. So, what has led to that jump in Q2 and how much of that was due to the increase in the power and fuel expenses amid the rising coal prices?

D. Ram Reddy: Yes, power and coal expenses actually increased a lot. Earlier, we used to get the coal somewhere around Rs.8,000 to Rs.9,000 per ton. Today, we are paying more than Rs.10,000 to Rs.11,000 per ton.

Jayveer Shekhawat: The prices have actually increased further it has almost doubled. So how have we been…?

D. Ram Reddy: Even this week also, it has gone up. In between it went up to Rs.15,000 per ton and again, it has come down to Rs.9,000 per ton.

Jayveer Shekhawat: On the Diamines and Chemicals, your peer company is also expanding their existing production capacity to manufacture certain pharma intermediaries and specialty chemicals. And we know that they also received an EC for that. How do you see that development? And could that lead to oversupply in any of your products?

D. Ram Reddy: I will see it positively because whatever they have shown, they're all will require our product, like Piperazine derivatives which we will have to sell to them.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

D. Ram Reddy: Thank you for taking out time and participating in our conference call. The overall outlook for Indian pharmaceutical companies and agrochemicals is expected to continue to improve on account of impetus being given to 'China Plus One' policy by companies in western economies. Pharma and agrochemicals constitute substantial majority of our end-user clients' requirements for aliphatic amine as well as their specialty chemicals that we manufacture. Given the strong correlation between the demand for our products, and that of demand for the products from our end user industry, we foresee a robust growth potential for our company in the years ahead. At the same time, we are also continuously striving to increase as well as diversify our product portfolio to address more segments of our end user markets. And thank you once again to all the stakeholders, shareholders, investors for showing confidence in our company, and thank you once again.

Moderator: Ladies and gentlemen, on behalf of PhillipCapital, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.