"Balaji Amines Limited
Q2 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Balaji Amines Limited Q2 FY2021 Earnings Conference Call hosted by Emkay Global Financial Services 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 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. Rohit Sinha from Emkay Global Financial Services Limited. Thank you and over to you Sir!

Rohit Sinha: Thank you. Good evening everyone. On behalf of Emkay Global Financial Services Limited, I welcome you all to the Q2 FY2021 earnings conference call of Balaji Amines Limited. We have with us today, Mr. Ram Reddy, Promoter and M.D. of Balaji Amines Limited. We request the management for their opening remarks and post which we will open the floor for Q&A. Over to you Sir!

Ram Reddy: Thank you Rohit. Ladies and gentlemen a very good evening to all of you and welcome to the conference call to discuss the financial performance of the Q2 and H1 of FY2021 of our company Balaji Amines Limited. I believe that you would have got a chance to go through the press release, investor presentation and financial statements submitted to stock exchange and uploaded on our website.

Let me take you through the Q2 FY2021 standalone financial and operational performance. We recorded a 21% year-on-year growth in our total revenue from Rs.233 Crores in Q2 FY2020 to Rs.283 Crores in Q2 FY2021. In this quarter our capacity utilization was similar to that of our pre-COVID levels. We witnessed an increase in demand across our product portfolio with improved price realizations. Demand for certain products like Acetonitrile, DMF, NEP, DMA and TEA will continue to remain elevated as they are also intermediates for drugs required for COVID-19 treatment. We expect better volume offtake in the second half of this fiscal year especially with the expected revival of the entire economic value chain across industries.

Total volume recorded growth of 8% at 23,150 metric tonne in comparison with 21,376 metric tonne in Q2 FY2020. For Q2 FY2021, the volume of basic Amine stood at 5,094 per metric tonne and derivative volumes stood at 9,916 metric tonne and that of specialty chemicals stood at 8,140 metric tonne.

EBITDA came in at Rs.72 Crores in Q2 FY2021 up by 49% as compared to Rs.49 Crores in the same period last year. EBITDA margin in the current quarter widened by 467 basis points to 25.5% from 20.8% in Q2 FY2020. The increase in EBITDA margin was primarily on account of improvement in operating leverage due to increase in volume offtake, better price realization and benign raw material prices. Profit after tax witnessed a growth of 37% at Rs.48 Crores in Q2

FY2021 as against Rs.35 Crores in the same quarter last year and PAT margin stood at 16.8% versus 14.9% in Q2 FY2020. Diluted EPS for Q2 FY2021 stood at Rs.14.71 per equity share.

Now coming to our standalone performance for H1 FY2021, revenue from operations in H1 FY2021 stood at Rs.496 Crores up by 6% as compared to Rs.467 Crores in H1 FY2020. EBITDA witnessed a growth of 43% from Rs.88 Crores in H1 FY2020 to Rs.126 Crores in H1 FY2021s. Our EBITDA margin expanded by 650 basis points to 25.3% from 18.8% in H1 FY2020. PAT for H1 FY2021 witnessed a jump of 51% to Rs.82 Crores from Rs.55 Crores in H1 FY2020. Diluted EPS for H1 FY2021 stood at Rs.25.41 per equity share.

Total volume stood at 41,456 MT for H1 FY2021 as against 41,525 MT in H1 FY2020. For H1 FY2021 volumes of basic Amines stood at 9,247 MT and Amines derivatives volumes stood at 18,193 MT and that of specialty chemicals stood at 14,016 metric tonnes.

Our operating performance is strong despite the losses due to inventory markdown from our legacy CFL business. The losses may continue for some more time as we continue to liquidate inventory. However, we are looking at revaluation of the land and building of CFL business to offset this.

Our subsidiary Balaji Specialty Chemicals Private Limited, which largely caters to end users industry of agrochemicals, had improved sales run rate of about Rs.10 Crores per month in Q2 FY2021. It is important to note that the prices of finished products as well as raw material of the products of our subsidiary company have fallen. Our subsidiary company recently received the REACH certification from Europe for export of our product Di-Ethylene Triamine (DETA). In FY2020 we had received REACH certification for export of Ethylenediamine (EDA).

The prospects of agrochemicals appear brightened as agriculture has emerged as a bright spot amid pandemic with highest storage across reservoirs for the last five years, coupled with good monsoon rainfall leading to more acreage under cultivation. This should bode well for improved performance for our subsidiary companies in H2 FY2021. India currently imports 29,000 metric tonnes of EDA and 7,000 metric tonnes of PIP and 3,000 metric tonnes of DETA per annum. We plan to address this opportunity by progressively grabbing the share of import market in coming years.

We are currently manufacturing about 9 tonnes per day of Acetonitrile. Post the debottlenecking exercise, which has recently commenced, we envisaged to gradually ramp up our production of Acetonitrile to about 18 to 20 metric tonnes per day. We expect the demand for Acetonitrile to remain elevated as it has emerged as preferred solvent by various end-user companies as compared to other solvents. With pharmaceuticals companies increasingly preferring to buy Acetonitrile that is manufactured via direct route, we are striving to further improve the purity of Acetonitrile by proactively undertaking research and development.

We have completed capex of about Rs.105 Crores in our 90-acre Greenfield project out of the total capex of Rs.150 Crores and expect to commission the production of Ethylamines by the end of this financial year. The shortfall of supply in Ethylamines in India is likely to increase to 15,000 tonnes per annum by FY2023 from 9,000 metric tonnes per annum currently. Demand for Ethylamines is likely to get further boost as it finds application in COVID-19 medicines also. The production of Dimethyl Carbonate is expected to commence during FY2022.

The Dimethylformamide prices have improved due to higher import prices from the China as well as Saudi Arabia and also a case for anti-dumping is pending with Government of India, which is expected at any time.

Balaji Amines Limited is the market leader in Methylamines production in India. Methylamines is a key raw material and the base product for manufacturing value-added derivatives required by pharmaceutical and agrochemical companies. Pharmaceutical application segment and agrochemicals are expected to drive significant demand for Methylamines in India as well as global markets. Demand for DMF is also to increase substantially post the Government's decision to levy antidumping duty and Methylamines is also required to produce DMF. Thus the Board of Directors have given approval for setting up separate plant for Methylamines with a capacity of 40,000 to 50,000 metric tonnes per annum and DMF with a capacity of 30,000 metric tonnes per annum at Unit IV (i.e. Greenfield project) for which the company has already received environmental clearance for Methylamines. We are currently preparing detailed project report, post which we will decide on the timeline and determine the funding routes for the capex required.

The Board of Directors have also approved employee stock option plan providing for a grant up to 1 lakh options (equity shares) to employees. That is all from our side. We now leave the floor open for question and answers.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. The first question is in the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda: Thank you for the opportunity and congratulations on good numbers. I have three questions. One on the profitability side. Now what I see is that the methanol and ammonia prices are back to the June 2019 levels, so just wanted to understand our inventory levels if any and does it mean that the gross profit and the EBITDA per tonne starts moving down and we actually go back to the June quarter, which was one of the lowest profitability at the similar ammonia and methanol prices. And if the observation correct?

Ram Reddy: Thank you Mr. Chheda. I do not think you are correct on the methanol. Methanol today's price is Rs. 20.50 or Rs. 21 per kg on credit terms basis. When you compare it with earlier, it used to be about Rs. 24 per kg. In entire last quarter, price was between Rs.18 and Rs.21 per kg. With regards to inventory, we are maintaining one month inventory from the past one year because of the easy availability. So I do not think there will be any problem. Yes in ammonia, there was a little increase in prices when you compared to the last month, but it is not as you are saying a very huge increase in prices as of now. For last one month the prices have moved up by Rs.500 to Rs.1000 per tonne. There is no major change in the ammonia prices.

Pritesh Chheda: My second question is based on the capacity that we have on ground as of now, what is the volumes possible out of that capacity? And second when we are increasing Acetonitrile production by incremental 11 tonnes per day, so that is about 3,600 tonnes capacity per annum and adding Ethylamines capacity by the year end - so on the expanded capacity what is the maximum volume possible? So what would be the maximum volume with current capacity that we have today plus these two capex, which are supposed to be lined up incrementally over the next six to nine months? What is the incremental capacity volume that is possible?

Ram Reddy: Sure visibility-wise, I can see the DMF which we used to sell about 600 to 800 tonnes, this month onwards I think we can sell about 1,500 tonnes per month. So additional volume of 5,000 to 6,000 tons can easily come from DMF only. As regards our Acetonitrile, for last two-and-a-half months of this fiscal year, we can get that incremental 8 to 10 tonnes per day and if we can get production of Ethylamines for at least two months - we should easily get production of 20 tonnes per day, even if we take 40-50% production capacity utilization. So that is another 60 days you can take from Ethylamines. The volumes are guaranteed visible as on today, if everything goes well.

Pritesh Chheda: What is the Ethylamines additional capacity?

Ram Reddy: 50 tonnes per day

Pritesh Chheda: So that is about 20,000 tonnes?

Ram Reddy: 15,500 tonnes if you take 330 days.

Pritesh Chheda: My last question is on the anti-dumpting duty on DMF What is the status there and does it bring anything incremental?

Ram Reddy: Dimethylformamide (DMF) case is pending. We are actively talking to everybody. But end of the day what I can say it is depends upon the government. We cannot insist to them and we are not that big that we can put some pressure. But with the grace of God we are in a good position as on today. We are in a commanding position at the current price point, even with out anti-dumping duty. I do not know, if something went wrong with the other competitive manufacturers in other countries. Manufacturers in China and Saudi Arabia have also increased the prices.Actually DMF is in short supply today. So we may get expect anti-dumping, but without that also I can see the visibility of good pricing for the next two to three months..

Pritesh Chheda: That is how you are adding 5,000 to 6,000 tons from DMF and you already have the capacity there right already?

Ram Reddy: Yes.

Pritesh Chheda: What is the capacity Sir?

Ram Reddy: We have 30,000 tonnes capacity per year. So we have six months time, and in these six months I am expecting at least 1,500 tonnes per month - so about 8,000 to 9,000 tonnes incremental volume we should do in the remaining period of the year.

Pritesh Chheda: Okay versus last year?

Ram Reddy: Last year we have done average 600 to 700 tonnes per month for whole year.

Pritesh Chheda: Thank you very much Sir and all the best.

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

Kunal Mehta: Congrats for a very good quarter. Sir I want to understand this new capacity of Methylamines, which we have announced. When will it come on on-stream and secondly will this Methylamines be used in the DMF plant, which we have i.e. will we also use the same Methylamines for producing more DMF. For DMF just wanted to understand what is giving you the comfort that this sort of pricing, which we are seeing currently will not reverse itself in the future assuming that this anti-dumping duty may not come through in the worst case scenario?

Ram Reddy: Without anti-dumping for the last one quarter prices has started firming up from 60 to 70 per kg to 70 to 80 per kg. And now currently, the prices are ruling at Rs. 85-90 per kg. If the price comes down from Rs. 90 per kg it will not go below Rs. 80 per kg, which is comfortable for us. Current import of DMF is almost 60,000 tonnes per annum in the country. I am expecting a lot of API pharma industries have planned their expansions. 60,000 tons should definitely go to 80,000 to 90,000 tons in coming one or two years. By the time we have capacity to address this additional market, we will be talking about only 50% of the market. At that time our capacity should not be more than 50,000 to 60,000 tonnes. We are talking about adding 30,000 tonnes capacity to our current capacity of 30,000 tonnes. And as regards to Methylamines, if I run our current plants of DMF, DMAHCL, DMAC, DMAE, NMP and Choline Chloride at 100%, I will not have a single kg of Methylamines to sell in the market. So that is the reason we have taken it very seriously and at the earliest possible we will take up this decision. I am expecting that the moment we take the decision, it will not take more than 12 to 18 months to commence the production.

Kunal Mehta: Okay Sir starting from maybe if this gets approved in the next Board meeting then by June 2022 this additional 40,000 tons plant of Methylamines should be on stream and production would start?

Ram Reddy: Yes, you are right.

Kunal Mehta: Second question I wanted to understand was regarding the subsidiary. What was the total EBITDA and the gross margin of the subsidiary in the first half?

Ram Reddy: We have done sales of Rs.55 Crores, we have loss before tax of Rs. 7.43 crore, and cash loss is Rs. 2.41 Crores as against depreciation of Rs.5.02 Crores. Cash loss if you compare last year for the six months it was Rs. 5.11 Crores, now it is 2.41 Crores. Probably next quarter, I expect we should be in green.

Kunal Mehta: So next quarter will not have any cash loss that is the right way to put it?

Ram Reddy: In fact we should see the net profit, that is my expectation.

Kunal Mehta: The order book in the subsidiary stands at what amount. Any visibility on the orders? Can this Rs. 10 Crores run rate increase to Rs.15 Crores to Rs.20 Crores?

Ram Reddy: What happens is we are doing Rs.10 Crores to Rs.12 Crores every month. In any business you will see the 50% booking will be there, balance 50% will be spot sales. That is what is happening in our company also.

Kunal Mehta: You said that methanol prices are still lower as compared to what we had last year so that benefit is something, which we are able to avail. Secondly Sir because of this good demand from our customers, because pharma and agrochemical both are the sectors where volumes are expanding we are seeing good price and thus the realization is also improving. So this realization should also continue for the next two to three quarters right. But will there be anydrop in the net pricing realization?

Ram Reddy: For me, at least I can see the visibility one and more quarter. I cannot talk about three to four quarters. I can see this running quarter and coming quarter also should be proper.

Kunal Mehta: Understood. Thank you very much and all the best Sir.

Moderator: Thank you. The next question is in the line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: I had a few questions, Sir could you just share the perspective on DMF because what we have been seeing is most of the players in India like Aarti Drugs recently announced that they are also expanding their Metformin capacity. So if you can just share your perspective in terms of our current sales and when our 7500 metric tonne capacity will come online?

Ram Reddy: Like you, we are also under impression that everybody is increasing the Metformin capacity. In a newspaper article I read, they mentioned that Metformin is now being prescribed for obesity,Alzheimer's plus two more diseases which I can't remember, apart from diabetes. I have seen last one quarter, there is a good demand. I do not know whether it is real natural demand or is it because of lack of production from my competitors because DMF was scarce for the entire quarter. This shows that these companies are on right track with their expansion plans.

Nirav Jimudia: When our capacity of 7,500 tonnes would come on stream, we are already at 25,000 tonnes right?

Ram Reddy: If demand in this quarter continues definitely we will go. My debottlenecking is for DMA. So recently we announced Methylamine capacity. So it should be coming parallelly. Methylamines and even DMAHCL, DMF, all these things should come because anyway we have environmental clearances. For Methylamines we have already got the environmental clearance for about 40,000 tonnes.

Nirav Jimudia: Correct so probably this may be the reason why DMF utilization is slightly lower because we are facing some constraint on the DMAHCL side right?

Ram Reddy: That also will come because when the sales point comes, but naturally we will see which is a higher realization for us from profit point of view. So those things will decide whether I should make the DMF or should I sell the DMAHCL.

Nirav Jimudia: The second question is on the Morpholine. Our current capacity is like around 10,000 tonnes. So how we are seeing utilization currently? Also if you can just share your perspective in terms of the domestic as well as export demand.

Ram Reddy: Internationally I am seeing a lot of demand for the Morpholine. I think last month we sold to China which is a significant thing.Second time we have sold more than 400 tonnes in a single month and I am seeing the demand from the various parts of the world. We have been running these clients for the past two to three years. Our cost has become self-sufficient without any support from anti-dumping. Now we have confidence to compete with anybody in the world for this product. Probably this year we should reach more than 80% capacity utilization if things move like this.

Nirav Jimudia: Has the pricing improved Sir on the Morpholine?

Ram Reddy: It moves at the same level depending on the raw material prices. If raw material increasem finished product also improves. Iif raw material goes down, I will have to reduce the finished product prices also.

Nirav Jimudia: Thank you Sir!

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

Swarnabha Mukherjee: Congrats on a great set of numbers Sir. My first question is related to your margin profile. So you had mentioned that you have some visibility over the next one and one-and-a-half months at least that the realizations will hold. And as you can see it has gone up quite a bit considering over year-on-year or quarter-on-quarter comparisons. So does this mean that at least for upcoming some time you would like to revise your earlier EBITDA margin guidance that you used to provide? Should we expect EBITDA margins now a little bit higher?

Ram Reddy: It will take some time. If you see my earlier statements also I do not believe long-term trend considering just one or two quarters. Again when people are talking about the Acetonitrile prices it took me to almost a year to say that yes prices are firm. Here also I would like to say that. As regards this margins, we should wait another quarter to get these type of numbers, then only we can revise our margins to say within 20% to 22%.

Swarnabha Mukherjee: Okay alright Sir got it. Sir you mentioned on the CFL losses in your opening statement. There I think some amount of stock is still remaining. can you give us some colour on how much could we expect more in terms of losses?

Ram Reddy: We have another Rs.7 Crores to Rs.8 Crores worth of inventories left. When we sell this probably we may lose some more Rs.7 Crores to Rs.8 Crores, but at the same time we have land, which is shown in the books at only Rs.1.6 Crores, and building is shown only at Rs.3.6 Crores. If we revalue these two assets, this will become more than Rs.20 Crores to Rs.25 Crores. So probably next time when we complete this final inventory sale at that time we will do this reevaluation and come out of all these things. We will clean up and the episode will be closed.

Swarnabha Mukherjee: Okay Sir that is helpful and final couple of small queries there, one is on the intersegment revenue that you have booked as Rs.31 Crores. If you could highlight what products these comprise. And also in the employee expense that seems to have gone up this quarter in both annual and sequential comparison. If you could throw some colour on the same? Sir the intersegment revenue if you can give some color on which product and I believe this is between the subsidiary and our base company ROE providing say DMA or something like that to the subsidiary?

Ram Reddy: See sometimes we are bringing some of the raw material. If I get good price for the Balaji Amines instead of Balaji specialty, we bring that in Balaji Amines. We will transfer to Balaji Speciality by taking 3% additional margin and we are accounting it to take the advantage of the pricing.

Swarnabha Mukherjee: Could you please give a little bit more colour. I am finding it difficult to understand.

Ram Reddy: Balaji Specialty is a new company. If Balaji Specialty goes to bigger companies like Petronet, they may not recognize this company because this is not having the balance sheet size. If Balaji Amines goes I get the better price and better terms, so we just buy that raw material occasionally to take the opportunity of that particular situation. We buy from that Balaji Sepcailty and transfer to this Balaji Amines by selling it.

Swarnabha Mukherjee: On the employee expenses if you could highlight it has gone up slightly?

Ram Reddy: There are many little increments this time. Every two years there is increment that will take place. Some of the group of employees we have every two years and probably this might be the particular period. You might put a mail and we will try to give the exact figure to what exactly went into that.

Swarnabha Mukherjee: Sure Sir. I will reach out to you. Thank you so much for the colours and congrats again Sir.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Sir first question is how has been the exports demand during Q2 and first half and how do we foresee it in second half? And are we facing any challenges in terms of exports?

Ram Reddy: In first quarter, export demand was little slow and even this quarter too. But we are seeing the exports demand to improve in the coming quarter because as I said earlier that we were not in a position to sell Morpholine in the first quarter to any outside country. But in second quarter and this quarter onwards we are seeing huge demand for that particular product. Even first time in the history, I am seeing the export enquiries for the DMF. We have been asking for better prices for DMF for years together in the country, but this time we are getting export enquiries for 1000 tonnes to 1500 tonnes. So I expect, the coming quarter should be good for some of the important products for the export market.

Rohit Nagraj: Okay thank you. Second question is in terms of availability of raw materials. Methanol prices in the last quarter were closer to Rs.17 Rs.18 per kg, which has gone up to said Rs.20 to Rs.21 per kg. So how has been the trend and what do you expect the prices to be in the second half? And generally what is the lag between increase in prices and our transfer of those prices to our customers?

Ram Reddy: This quarter I expect the benchmark should be between Rs. 19 to 21 per kg and I expect till March it will continue to be like this.. In last six months, we have not been able to source from Iran market.. Secondly, we are trying to impose compulsory BIS (Bureau of Indian Standards) mark for the methanol, which has been extended till March or June. Till that time people have to settle down to that particular registration and regulations. All those things once they are settled, I expect from June onwards we should again see prices settling down to the current levels only. Now we have little information on how it will behave and whether the Iran market will again get opened to us is number one question. Number two whether BIS, whether our companies exporting to us will go for registration. Also, domestic companies are reviving and their production is expected to coming onstream by March like RCF has already started producing, GNSS has started and they are increasing their capacity and Deepak Fertilizers is going to restart their plant from March onwards.

Rohit Nagraj: Okay and the second part was in terms of transferring the increased prices to our customers so generally what is the timeline?

Ram Reddy: This is not very major increase, unlike other times we prices used to jump from Rs. 18 per kg to immediately Rs.24 - Rs.25 per kg. But this small increase and it is not a big issue. It is happening all over the world and thus we are in a position to pass on this to end customers in a smooth way..

Rohit Nagraj: Alright Sir. Thank you and best of luck.

Moderator: Thank you. We will move on to the next question that is from the line of Sachin Kasera from Svan Investment. Please go ahead.

Sachin Kasera: My first question was on DMF. You indicated that the demand is very strong and our current capacity is around 2,500 tonnes per month. And you indicated that currently we are looking at 1,200 tonne per month. So how do you see the ramp up when can we achieve this full 2,500 tonne per month capacity utilization?

Ram Reddy: Maybe in one or two quarters. I have just started selling more than 1,200 tonnes. Last month I might have sold 1500 tonnes. I am expecting to sell more than 1,500 tonnes this month and next month also. Maybe end of the year, we should reach to sales of 1,800 to 2,000 tonnes per month.

Sachin Kasera: Is this slow ramp up is mainly due to a little bit of a constraint in terms of the production capacity?

Ram Reddy: First of all, it was the problem of the price all these days. Because of the price we did not think of going for the expansion of its feedstock like DMA. Now we are convinced, and we are sure that we can compete now. for the DMF because we debt free and other things and as world market also has improved. Now we have taken up DMA. By the time we reach 2,000 to 25,00 tonnes per month we should have the next line of Methylamines, whereby our feedstock will be sufficient for making more than 30000 tonnes of DMF per year.

Sachin Kasera: Break-even remains at Rs.60 to Rs.65 per kg for DMFm which you had indicated in earlier conference call?

Ram Reddy: From that time the prices of raw material have also increased, so it is very difficult to say that number. Current price of DMF is at Rs. 85 to Rs. 90 per kg.

Sachin Kasera: Second question is on the CFL business. You indicated that you will be doing the re-evaluation. So you will be merely doing a re-evaluation or you also intend to dispose off a plant?

Ram Reddy: We are not calculating any value for the plant. We are calculating the value of the land. We have 13 acres of land, as on today and we have building of 1,00,000 square feet, which we are calculating minimum value of Rs.750 per square feet so that also comes to more than Rs.7.5

Crores. So both put together we will go more than Rs. 25 Crores value. If anybody comes we will sell. But as on today we have rented it to one company who are going to pay Rs. 9 lakhs per month from this month onwards.

Moderator: Thank you. The next question is from the line of Punit Mittal from Global Core Capital. Please go ahead.

Punit Mittal: Congratulations for a great set of number. Just coming back to DMF. We have discussed DMF for many quarters and we have been suffering with the prices of DMF as you said. But ou naturally now the things have turned and it gives you a lot of confidence to even go for expansion. Can you give a little bit more color that why the DMF supply is kind of squeezed at the moment and also where the application of DMF is in terms of the pharmaceutical and so forth?

Ram Reddy: See DMF is used in all pharma, API, agro, everywhere and even in fibers it is used by the solvent., Every company, from smallest to biggest definitely use DMF. I have seen the latest data. In addition to our production, I have seen more than 59,000 tons was imported last year. So I expect, because of Atma Nirbhar Bharat initiative, more than 200 to 300 Pharma API companies have put up their papers for increasing their capacities. So with these capacities I expect the DMF consumption should go up within coming one or two years from the current 65,000 tons to 85,000 tons. And we have current capacity of30,000 tons and have plans for additional 30,000 tons. Still I am talking total 60,000 tons, with 80% utilization will lead to production of about 50,000 tonnes only. Again it will be only 50% to 60% of the total consumption of the country. That is the reason I am very much confident on the expansion. There is a strong reason why we we are adding new capacities for the DMF.

Punit Mittal: Okay that is great, and second question again related to the same thing so what would be the capex for this Unit IV for Methylamines and DMF and is there any other producer in India for DMF?

Ram Reddy: Rashtriya Chemicals & Fertilizers, the government owned company manufactures small quantity of about 2,000 to 3,000 tons. I think they have closed down presently. They are not operating their capacity because of the earlier price war. There were other four companies and they could not restart again this product. Because we have many other products we have survived and we were in the market and we are today talking about the expansion of this product.

Punit Mittal: What is the capex?

Ram Reddy: About around Rs. 200 Crores for the Methylamine but for DMF we are currently working on the total detailed engineering. We will come back to you in the coming quarter with detail figure and even the means of finance also.

Punit Mittal: Thank you so much and all the very best.

Moderator: Thank you. The next question is from the line of Amar Mourya from Alf Accurate Advisors. Please go ahead.

Amar Mourya: Sir my question is on the realization front. We had seen improvement in realizations. So for this kind of realization how much do we expect to sustain? And secondly given profitability had improved significantly in terms of the EBITDA margin what is the new range do you expect for the product mix?

Ram Reddy: This is because of the product mix. If you see this quarter, even though we have done a lot of value growth, volume growth is very little. The reason being most of the products have been consumed inside and created a value addition by producing more of DMF. So like that we are confident that if the things continues like this, as long as we captively consume intermediate products to manufacture other value addition products, the margins should definitely be sustainable. And we have already answered in the earlier question regarding why we are going for the expansion of DMF, and why we are more confident. Because today China is quoting price of DMF at more than $1200 to $1300 per ton that is equivalent to Rs. 88 per kg., We are in much better position in competing at that price and this is without anti-dumping duty. Even if anti-dumping duty does not comes prices may not go towards less than Rs.70 per kg, so we should be in a better position because of our overheads, our long running experience and our consumption efficiency. All these things put together we will be definitely be in a commendable position competing with anybody in the world market.

Amar Mourya: So basically you are saying that if the DMF price remains at this level we are confident of maintaining this kind of profitability?

Ram Reddy: Not only DMF. For last two quarter, consumption for many products, efficiencies,capacities and product mixes and moreover even the raw materials are stable. Even if raw material price increases it will be easy to digest and will be easy to transfer to the end user consumer.

Amar Mourya: Okay thank you Sir.

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

Sarvesh Gupta: The first question is earlier you had said that there are some customer audits going on for your new capacities and you were expecting to sign long-term contracts with them. So if you can throw some colour on those long-term contracts?

Ram Reddy: This is regarding which product we are talking?

Sarvesh Gupta: In the specialty chemicals?

Ram Reddy: Companies like UPL, Coromandel and many other companies have already audited and started buying. We are selling about Rs. 10 Crores every month.

Sarvesh Gupta: These are subcontracts, or these are long-term contracts?

Ram Reddy: People are asking for year contract but we are not giving because we do not believe in the price stability for the raw material. We are ourselves are requesting the customers let us go on quarter-to-quarter basis. Quantities anyway we are going to give them if we are competitive. Every quarter we are talking to them about the price tie-up.

Sarvesh Gupta: What is your capex plan for this year and next year and how much of this year capex plan you have already spent?

Ram Reddy: We have spend Rs.105 Crores for this Greenfield project. We are expecting another capex of Rs.40 Crores to Rs.50 Crores before end of the year to complete this current Greenfield expansion, which will include Ethylamines plant with 50 tonnes per day capacity and second product DMC (Dimethyl Carbonate). About the new products like Methylamines, which you are declared today, probably in the next quarter we will spell out the exact capex figures once we finish our detailed project report. For Methylamines only the capex maybe around Rs. 200 CroresFor new DMF the capacity we plan to add may vary based on the market situation as on the date of implementation. We expect to finance this Rs. 200 Crores capex via internal accruals only, but if it is more, than we may look for some borrowings also. .In the coming quarter, we may give the exact figures from the capex point of view.

Sarvesh Gupta: But excluding these new products, what is the capex for the next year?

Ram Reddy: There is only Rs.40 Crores to Rs.50 Crores capex for Dimethyl Carbonate. For Methylamines we will start capex spending from next year.

Sarvesh Gupta: Any colour for the Acetonitrile prices, because in between you have mentioned that the Acetonitrile prices have started to come off from the highest price we had seen earlier?

Ram Reddy: It is I think it is between Rs. 250 to 280 per kg same as last quarter

Sarvesh Gupta: Okay thank you Sir and congratulations again.

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

Ram Reddy: Thank you all. At Balaji Amines we have created a sound hedged portfolio of products. Over the years at Balaji Amines we have systematically made investments in more specialized products by capitalizing on technological innovation to drive organic growth. Much of the organic growth has come from our focus on specialty derivatives of our existing products. We are continuously striving to better our product portfolio to compete effectively and efficiently in the end market. In FY2021 we expect significant contribution to flow in from the subsidiary companies and we are very focused on next level of growth and upscale for Balaji Amines over the next three to four years. And regarding the specific expansion plan we have given that in our investor presentation. We have given a slide for all product expansions for Methylamines, Acetonitrile, DMA and DMF., Finally I thank you all for showing the confidence in our company and we definitely assure you that we will try to do the best for our investors, for our well-wishers and stakeholders. Thank you once again. Thank you all.

Moderator: Thank you. Ladies and gentlemen on behalf of Emkay Global Financial Services Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.