



Alkyl Amines Chemicals Limited

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November 14, 2018

To,
BSE Ltd.
P. J. Towers,
Dalal Street, Fort,
Mumbai – 400 023.
SCRIP CODE: 506767

National Stock of India Ltd.
Exchange Plaza,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051.
SYMBOL: ALKYLAMINE

Sub.: Intimation under Regulation 30 of SEBI (listing Obligations & Disclosure Requirements) Regulations, 2015

Dear Sirs,

With reference to our letter dt. October 30, 2018, please find enclosed the transcript of the earnings conference call held on Monday, November 5, 2018.

Kindly take the same on your records.

Thanking you,

Yours faithfully,
For ALKYL AMINES CHEMICALS LTD.

K. P. RAJAGOPALAN
General Manager (Secretarial & Legal)
& Company Secretary



Transcript

Conference Call of Alkyl Amines Chemicals Limited

Event Date / Time : 5th November 2018, 04:00 PM IST
 Event Duration : 59 min 20 sec

Presentation Session

Moderator: Good evening ladies and gentlemen, I am Honeyla George, moderator for the conference call today. Welcome to Q2 FY19 and 1H FY19 earnings conference call for Alkyl Amines Chemicals Limited. At this moment all participants are in listen-only mode, later we will conduct a question and answer session. At that time if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the conference to Mr. Archit Joshi from HDFC Securities. Thank you and over to you sir.

Archit Joshi: Thank you Honeyla. Firstly on behalf of HDFC Securities, I would like to wish the management of Alkyl Amines and all the participants a very Happy Diwali. Today we have with us Mr. Yogesh Kothari, Chairman and Managing Director, Mr. Kirat Patel, Executive Director and Mr. Rahul Mehta, General Manager, Finance and Accounts. We will start with the opening remarks from the management and post that we can open the floor for Q&A rounds. Welcome Yogesh sir and over to you.

Yogesh Kothari: Thank you Archit. and Happy Dhanteras, Happy Diwali and Happy New Year. We are just going to start with the question and answers directly. I have of course with me Mr. Kirat Patel and Mr. Rahul Mehta to answer most of the questions. I would request you to ask your questions, so that we can reply to your queries.

Question and Answer Session

Moderator: Sure sir. Thank you. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask your question. If you would like to withdraw your request, you may do so by pressing * and 1 again. Participants, if you have any questions, please press * and 1 on your telephone keypad.

We have the first question from Mr. Karan Khanna from Ambit Capital. Please go ahead sir.

Karan Khanna: Good afternoon sir. Congratulations on a

very great results. Sir, my first question is on the revenue growth that we have seen during the quarter. Of the 37% revenue growth for 1H FY19, how much of that would be volume growth and how much of that would be realization improvement?



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Yogesh Kothari: I think it should be in the range of almost 40-60 to 50-50 type of situation.

Karan Khanna: 40% volume growth and the balance would be realization?

Yogesh Kothari: I would say more of 50-50 only.

Karan Khanna: Okay. 50% would be volume growth and 50% would be realization, alright. And sir, it seems this is the first quarter wherein we have seen 23% EBITDA margin. So, I think in the last sixteen odd quarters, we couldn't see any quarter where we have reported such strong EBITDA margin. So, any sense on that?

Yogesh Kothari: We are improving our overall efficiencies and our customers have also started doing better. Our exports have also been slightly better. And generally things have been positive, I would say.

Karan Khanna: Sir, I think full year we can assume that margins would be in the range of 18% to 20%, 20 odd percent and EBITDA margins for full year FY19, can we presume that?

Yogesh Kothari: Yeah, I think so.

Karan Khanna: Okay, sure. And sir, secondly I think we were looking at Greenfield capacity expansion for Acetonitrile plant in Dahej and is there any update on that?

Yogesh Kothari: For the time being, it is not immediately in our schedule. We are still going on improving our existing plant in Kurkumbh by debottlenecking; improving the overall plant operations and that is what is keeping us going.

Karan Khanna: Sure, sure. Okay sir. I will get back in the queue in case I have any questions. Thank you.

Moderator: Thank you sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. I repeat, if you have any questions, please press * and 1 on your telephone keypad.

We have a question from Mr. Sunil Kothari from Unique Investment Consultancy. Please go ahead.

Sunil Kothari: Thanks for the opportunity. So, my question is to understand broadly what are the changes in the scenario? Looking at the first half performance we have grown volume by 50% and almost price realization has also gone up by almost 50%. So, basically what it conveys is there is a change in the product mix or there is a better realization, if you can shed little bit more light on the current scenario in terms of market, customer and your raw material supply.

Yogesh Kothari: I would say it is difficult to answer this. But, some of our products i.e. some of our specialty intermediates, have contributed well. And this is along with our existing products, which are also doing reasonably well. So, the combination of that has helped us. And the methyl amines capacity which we have



started at Dahej has also helped us because we now have more raw materials for some of our intermediates. And that has improved the overall scene.

Sunil Kothari: Right. And sir, how the current scenario, market structure looks? Exports opportunity, domestics, this thing or maybe because of China, are you seeing any structural benefits?

Yogesh Kothari: The existing situation the way it is; is more or less the same as was in the last quarter. We are not feeling too much of China effect, but there is material coming from China to India, because the types of plants which we operate are all continuous type of plants where the Chinese don't seem to have had issues with the environment problems, which they have been having with other products. So, we are trying to remain as competitive as we were earlier. Our customers also appreciate that, because they would prefer to buy from us, because we are local and locally available material is there for them. So, even though some material does come from China, some from Europe and USA, we still remain the preferred suppliers to most of our customers.

Sunil Kothari: Right. And sir, how are the exports out of the total revenue of around Rs.400 crores in the first half?

Yogesh Kothari: I think this time we have done slightly better. I think around 22% of exports, roughly, I am just saying off the this thing.....

Sunil Kothari: Okay sir. Thank you very much.

Moderator: Thank you sir. We have the next question from Mr. Archit Joshi from HDFC Securities. Over to you sir.

Archit Joshi: Thanks. Sir, I had a couple of questions here. There was a news recently that Chinese Government has applied anti dumping duties on ethyl amines from US, Saudi Arabia, Malaysia and Thailand. So, how will this impact us sir? And an extension to the same question, how much will be the ethyl amine mix within the entire contribution, in the contribution?

Yogesh Kothari: So, you are saying the Chinese Government has applied anti-dumping duties for materials coming into China?

Archit Joshi: Yes. Do we have exposure there and how will be that?

Yogesh Kothari: We don't have any exposure of ethyl amines to China. But, People who have been exporting to China from the USA or Europe, possibly would look at India as their other possible market. So, there is no manufacture of ethyl amines in Thailand and Saudi Arabia. Is it methyl or is it ethyl?

Archit Joshi: It is ethyl, E.

Yogesh Kothari: I am not sure what the news item you were looking at.

Archit Joshi: Okay, I can forward the link to you sir later. And sir, one more question, what would be the capacity utilization of the newly commissioned Dahej plant of methyl amines?



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Yogesh Kothari: We have already achieved the rated capacity. Normally this is a mix of mono, di and tri, depending on the market situations and the type of seasonality, because some of it goes into agrochemicals and some goes into pharma. Generally our average utilization is around 70%-75%.

Archit Joshi: Okay. And sir, we had some spare capacity of methyl amines in Patalganga also. So, what are we doing over there? Are we, is it like a swing sort of a facility for us or what are we targeting?

Yogesh Kothari: What you say is right. We have sort of tried to, you can call it debottlenecking again, but we are trying to make sure that the plant is usable for methyl amines as well as we can make other amines also in that. So, that activity is going on just now. And by the next month we will be ready to start some other products.

Archit Joshi: Okay sir. And just one last thing sir, is Acetonitrile still one of our top contributing products? Will it be like 25% plus in the mix?

Yogesh Kothari: Not from the point of view of contribution, because what has happened is that acetic acid price, which is the main raw material for Acetonitrile has gone up extensively. And even though we are able to sell a decent amount of Acetonitrile and we do get the contribution, but it is not the same as it used to be earlier.

Archit Joshi: Okay. So, other products are contributing to the 23% EBITDA margins and not Acetonitrile is it safe to say that?

Yogesh Kothari: Yes.

Archit Joshi: Okay. Thanks. That is it. That is it from my side.

Moderator: Thank you sir. The next question comes from Mr. Rajat from Vrddhi Capital. Please go ahead.

Rajat: Hi, thanks. Sir, from the Dahej plant, if you can share the revenue contribution in the first half as well as any losses that would have come?

Yogesh Kothari: We do not share this information about what are the contributions coming up from a plant. And in general I can say that we were short of methyl amines, because they are our raw materials also which has helped us to produce more of the other derivatives. And as I mentioned earlier, we are operating at an average of 70% capacity and we will increase it further when some other demand starts.

Rajat: Okay. And have we achieved break even? Sorry, I missed that part?

Yogesh Kothari: Yes. We have.

Rajat: For this quarter, but not for the H1, right?

Yogesh Kothari: Yes, you are right.



Rajat: Okay, perfect. Sir, the other question is on also on Dahej, another sub question was that, once we start making methyl amines to the full capacity, first of all are we only going to make methyl amines or any derivatives also from there?

Yogesh Kothari: Yeah, we are going to make some derivatives. In the next two years time we have several projects on hand. And once we get all our approvals, we will start the work on that.

Rajat: Okay. And sir, post the methyl amines capacity utilization peaking, do we have plans to or the space to expand the Dahej plant?

Yogesh Kothari: We have got some additional land. And we are looking for a very large area if it is available.

Rajat: Okay. And the products that we would make going forward, after this existing plant, so are they again going to be methyl amines or some other products as well?

Yogesh Kothari: They will be derivatives of methyl amines.

Rajat: Okay. And sir, in this quarter, sorry, I joined late, but just maybe it is a repeat. Sir, there is a huge growth in sales as well as in gross margin in this quarter. Is that sustainable? What led to this good situation for us in this quarter?

Yogesh Kothari: I think it is partly to do with our customers also. They are doing better. And also, overall as I said that our efficiencies have improved. Again from availability of our own methyl amines for some of our derivatives which we make works better, so that also added to our growth. And of course the pricing was better. In totality, it has been good for us.

Rajat: Okay. And is it sustainable would you say, we can sustain this for the full year or the next couple of years?

Yogesh Kothari: I think these things go on changing very rapidly. But, we feel that it should remain in similar type of range.

Rajat: Sure. And sir, Acetonitrile, during the AGM I think you had mentioned that because of pressure on the pricing side, because of the competing products from ASEAN side, we are facing pressure in the global market. So, how is the situation right now?

Yogesh Kothari: It is more or less similar. But, still in India at least people have started buying maybe larger quantities from us, even though our margins are less because of the raw material prices have gone up substantially; but still it is going up. I think these types of products have cycles, so at some stage maybe we will make more.

Rajat: So, basically right now we have pressure on the margins as well as on the realization?

Yogesh Kothari: Yeah, on realization we have to match the international type of pricing. And margins of course depend upon raw material prices.



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Rajat: Right. And sir, in this quarter, our interest cost in fact for the first half year, our interest cost is almost double of the first half of the last year.

Yogesh Kothari: It was because of the project. We borrowed for our Dahej project.

Rajat: But, the borrowing level hasn't increased.

Kirat Patel: We borrowed last year and now it is coming as a revenue item.

Rajat: Okay. I was saying, the borrowing, the overall borrowing hasn't really gone up for the comparable period.

Kirat Patel: Yeah, borrowings more or less have remained the same, but last year interest on term loans whatever was borrowed was capitalized.

Rajat: Okay, got it.

Kirat Patel: And we commissioned it in the end of March 2018. So, from April onwards all the interest is coming on the P&L.

Rajat: Sure. Understandable. So, this is the rate that we can expect going forward as well?

Kirat Patel: Yes.

Rajat: Okay, got it. And sir...

Moderator: I am so sorry to interrupt Mr. Rajat. Sir, could you please join the queue for more questions?

Rajat: Perfect, yeah. Thank you so much.

Moderator: Thank you sir. The next question comes from Mr. Kashyap Karthi from Table Tree Capital. Please go ahead sir.

Kashyap Karthi: Thank you so much sir for taking my question. The first question what I had was that with the existing CAPEX that we already have, what is the peak revenue that can be achieved, again assuming we manufacture similar products like methyl amines, the derivatives. Is the peak revenue like Rs.1000 crores or Rs.1500 crores with the existing CAPEX sir?

Yogesh Kothari: You mean the additional turnover or total turnover?

Kashyap Karthi: Including the Dahej plant what could be the turnover sir?

Yogesh Kothari: We have done around Rs.450 crores in the first half. So, we expect to double this so Rs.900 crores we should achieve by the end of this year. And next year, things depending again on the pricing and all, it should be better than that.



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Kashyap Karthi: Got it sir. And in the AGM and other concalls, we said we will probably do Rs.80 crores to Rs.100 crores CAPEX for every year for the next three years. So, just wanted to kind of understand with the existing CAPEX, let's say we can do Rs.1000 crores, and we are saying every year we will add on Rs.100 crores CAPEX, maybe for methyl amine capacity, maybe for Acetonitrile plant and so on and so forth?

Yogesh Kothari: We have got several derivatives which we are likely to produce in Dahej based on methyl amines, plus we have several projects on hand. Those are to some extent capacity enhancements plus debottlenecking, improving the overall sort of energy levels and other things. So, there will be a continuous infusion of CAPEX every year to the tune of Rs.100 crores to Rs.200 crores.

Kashyap Karthi: Got it sir. I will probably zoom out a little bit, because I have been following this company for N number of years, more than five plus years, because we have never had this kind of CAPEX plans for a very long time. We have Dahej and then we have Rs.100 crores CAPEX every year for the next three years, so just wanted to get your view as to what exactly changed in the business scenario that we are so bullish on investing and utilizing that CAPEX, because we have been following and it has never happened that so much of CAPEX has ever come.

Yogesh Kothari: What happens is, at some stage in the life of a company, you come to a level where the confidence level grows as well as you can say, you are at the inflection point, where you want to grow because you have the set of people as well as set of products which you think will do well in the future as well as the R&D behind those. So, this is the hope. And I am sure a lot of it will come through.

Kashyap Karthi: Got it. Got it. Perfect sir. And one slightly a visionary question sir, but if you could just give us some of the dynamics, so sir is the industry structure such that our company can do let's say in the next five years, next five years I am thinking, can we do a Rs.2500 crores-Rs.3000 crores of sales? Is the opportunity size that huge or do we kind of see our growth rate kind of slowing down to (audio break) crores kind of revenue plan?

Yogesh Kothari: It is difficult to answer this question, but again it depends on how fast we put up this capacity and how fast overall international market also grows as well as the Indian market also grows. Today things do look positive. I am sure it will continue to look positive. And I am sure maybe not immediately in two-three years time or so, but in five years time, we should be able to come to those levels. Again these are all issues which, it depends on many other things.

Kashyap Karthi: Yeah, yeah. So, that is my last question then. So, what will lead us or what factors should we watch out for saying, look our growth is not going to be as fast as let's say 2018 or 2019. Let's say in 2021, what should tell us that the growth of Alkyl Amines is going to kind of stabilize and grow nominally rather than an accelerated basis? What should happen with the customers? Should they grow slower and factors would lead to their slow growth?

Yogesh Kothari: I am not able to answer that, because I don't look in those manner at all. I am very positive person that way.



Kashyap Karthi: No problem sir. Thank you so much sir.

Moderator: Thank you sir. The next question comes from Mr. Dhruvesh Sanghvi from Prospero Tree. Please go ahead. Please go ahead sir.

Dhruvesh Sanghvi: Yeah, my questions have been answered. Thank you.

Moderator: Thank you sir. The next question comes from Mr. Siddhartha Grover from Equirus PMS. Please go ahead.

Siddhartha Grover: Thank you for the opportunity sir. Sir, my first question is what will be the break of revenue in terms of derivatives and non-derivatives?

Yogesh Kothari: Difficult question to answer. Normally it is in the range of 30%-40% amines, about another 30%-40% derivatives and the rest 10%-15% what we call specialty.

Siddhartha Grover: And sir, this percentage of derivatives, is it increasing or it has been stable for us in the last three-four years?

Yogesh Kothari: It was increasing and now it has slightly dropped, because of methyl amines capacity was available. But, I am sure in the future it will again increase.

Siddhartha Grover: Okay. And sir, now in terms of our RM fluctuations, so how are the contracts priced and what is the lag for transferring the RM fluctuations?

Yogesh Kothari: There is always some lag, but it goes both ways. And so there are pluses and minuses on both sides.

Siddhartha Grover: Sir, right now on a blended basis, how much time will we take to pass on the RM fluctuations?

Yogesh Kothari: Normally about thirty days to forty five days.

Siddhartha Grover: Okay. Sir, my next question is for methanol. Sir, are we currently importing it or are we sourcing it domestically?

Yogesh Kothari: Most of the methanol in India comes from imports. But, we do it through shippers. So, we buy it through shippers in India.

Siddhartha Grover: Okay. Sir, now if I look at the Environmental Clearance report for the Dahej plant, you have mentioned roughly 1 lakh, more than 1 lakh tons of capacity on an annual basis, out of which we have only expanded 30000 tons as of date. So, what are your plans ahead for Dahej?

Kirat Patel: It is, 1 lakh tons is phased out over a five years period with five plants in mind. Now, the first plant which is 30000 tons of methyl amines have been commissioned in March. And over the next two years, there will be two more plants coming up, maybe another 20000 tons. And slowly it will grow. For example, there was an Acetonitrile plant which we are postponing a bit. So, there are things like that. And



we may be applying for new EC for some other products. The scenario changes. Five years is a long period.

Siddhartha Grover: Okay, understood. And sir also you had mentioned at the AGM that recently the revenue contribution of the new product that you have developed through your R&D has been increasing. So, what percentage will be the new products?

Kirat Patel: We try to add turnover from new products every two to three years. Some years are very good, because we can launch two or three products and some years perhaps one. And not all of them succeed. So, it is very difficult to say what percentage of revenue is from products which did not say, exist three or five years ago. The existing products also are doing quite well. But, over a period of time they all adapt. Today now we have products which are sold across the board. The older products may be bringing in the cash flows and in larger volume. But, the newer products are also growing.

Moderator: Hello? Mr. Siddhartha, could you please join the queue for more questions sir, because there is so much of static noise from your line?

Siddhartha Grover: Understood. Thank you.

Moderator: Thank you sir. The next question comes from Mr. Anubhav Sahu from MC Research. Please go ahead.

Anubhav Sahu: Hello sir. Couple of questions I have. One is on, if you can comment on methanol pricing front on Q-on-Q basis or YoY basis? And have we been impacted by the Iran issue and if you can quantify what is the price impact because of that, if there were any?

Yogesh Kothari: Methanol is a commodity, so it moves along with the international prices. And we do not have long term contracts on that. So, we buy on a monthly basis. And so far it has been okay for us.

Anubhav Sahu: Okay sir. And how much do we source from Iran? I have the background on the pricing arrangement which comes from Iran is more on a discounted basis compared to what get from some other parts of the world. So, generally there is a preference for Iran to source methanol. Is that understanding right? And how much is our company's exposure to Iran's industry?

Yogesh Kothari: We are not buying directly from any suppliers from abroad. We buy from local shippers. So, they would have a mix of all these supplies.

Anubhav Sahu: Okay. And sir, pardon me if it is already covered. Regarding the Dahej plant, what is the capacity utilization in the Q2 and (audio break) by the end of this year?

Yogesh Kothari: As I mentioned earlier, we have achieved the 100% capacity from the point of view of checking the plant and other things. With our normal operations with all these, whatever shutdowns we take and this and that is around 65% to 75%.



Anubhav Sahu: Okay. So, already quite near to optimum capacity now, utilization?

Yogesh Kothari: Yeah, on a daily basis we do in a week, maybe two-three days we reach 100% capacity. Two-three days we do not, because we have to also lift the products, because unless we sell, we cannot produce.

Anubhav Sahu: Okay. And sir, wanted to understand about the agrochemical end market, how much exposure in terms of sales we have to this end market and how is this going on here? What are the prospects in this end market right now for the company?

Yogesh Kothari: Agrochemical market to the best of my understanding and knowledge, they seem to be doing quite well. But, lots of these are for exports. And our customers who are buying from us, they seem to be doing well, because they are regularly buying from us.

Anubhav Sahu: Sir, the sales which we generate in the agrochemicals end market is majorly for exports or do we have a domestic exposure also?

Yogesh Kothari: No, no, most of the sales we have are domestic. 80% of our sale is domestic. And the mix in agro mostly is domestic.

Anubhav Sahu: Sir, where my question for agrochemicals is coming from is also the context that most of the agrochemicals companies in India is facing the supply crunch from China material. So, is there any way we are also benefiting from this low supply from China in this front? Other way of putting it, where do our products in agrochemicals fit in or it is kind of inputs in the value chain or are they intermediaries in the value chain?

Yogesh Kothari: Ours don't, in fact we do get affected if our customers do not get their other raw material from China, because our chemicals are just few of the raw materials in the total production and supply chain. So, we do get affected.

Anubhav Sahu: Okay. Any specific instance you can bring? Any specific product you want to highlight in the agrochemicals front?

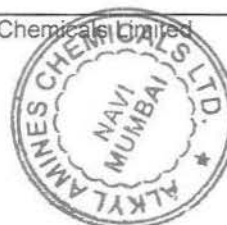
Yogesh Kothari: Just come back again.

Anubhav Sahu: Any specific product cost for Alkyl Amines you want to highlight for agrochemical market?

Yogesh Kothari: No, we supply several of our amines to agrochemical plants, like isopropylamine which we make, it goes into agrochemical. Methyl amine also goes into agrochemicals. Ethyl amines also go into agrochemicals. So, there are wide range of products and different customers and end users.

Anubhav Sahu: Got it. Got it. That is helpful sir. Thanks a lot.

Moderator: Thank you sir. The next question comes from Mr. Karan Khanna from Ambit Capital. Please go ahead.



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Karan Khanna: Sir, just a follow up question from my end. When we are saying that we would be looking at full year FY19, full year revenue of around Rs.900 crores, what sort of capacity utilization are we assuming for the entire Rs.900 crores revenue?

Yogesh Kothari: I think around 80%.

Karan Khanna: Around 80%, okay. And when you are guiding for Rs.80 crores to Rs.100 crores of incremental CAPEX every year, what would be the asset turn? Is it safe to assume that the asset turn would be around 2X?

Yogesh Kothari: It is normally 1:1 for a chemical type of operation. About Rs.100 crores CAPEX should give you Rs.100 crores to Rs.150 crores turnover.

Karan Khanna: okay. Sure sir, okay. That is it from my end. Thank you.

Moderator: Thank you sir. The next question comes from Mr. Kashyap Karthi from Table Tree Capital. Please go ahead sir.

Kashyap Karthi: Thank you sir. Sir, couple of other questions, from a CAPEX perspective, are we looking at any big effect, given that Acetonitrile which was kind of delayed in FY20, in H2 FY19 or FY20, are we looking at a big bang CAPEX like we have done for Dahej or are we still maintaining a Rs.100 crores CAPEX kind of guidance?

Yogesh Kothari: No, we are not looking for any big bang in the next two to three years.

Kashyap Karthi: Okay. Perfect sir. And the reason why I asked is sir, because we are looking for the big plot of land in Dahej as well, so we are thinking maybe some big bang CAPEX is coming. Okay, fair enough. The second thing, sorry, go on sir.

Kirat Patel: That land is because of longer term, because when you search for land it takes a year or two before you acquire it. So, we want two-three years timeframe. We hope that in the next two to three years with all the projects that we have in mind, most of the land in Dahej and Kurkumbh which we have spare, we have nothing spare in Patalganga, will get used up. So, there will be very little. And what is happening is, the environmental norms are getting tighter and tighter, so even the existing land, less and less is becoming usable for production, the core production. A lot of the peripheral activities like tree plantations, environmental distances, safety distances are getting bigger and therefore the core amount of land that is required for plant is getting to be less.

Kashyap Karthi: Perfect. And sir, related question on the EC approval, that was my last question, because we now have a plant running, up and running in Dahej, so if you have to register for new product or incremental CAPEX, do we kind of, it depends on Government, but essentially do we kind of expect expedited approvals, unlike the delays that we have had over the past couple of years for the Dahej plant, in terms of the EC approval sir?



Kirat Patel: Yeah, the EC approvals are now becoming relatively faster, in the sense that they seem to be getting cleared within nine to fifteen months, depending on the complexity of the proposal. So, they are much faster than before. And in the past there were some odd situation in Gujarat that created delay. It was an unusual kind of an event. But now I think we are much faster there and I am told between nine and fifteen months mostly, Environment Clearances happen.

Kashyap Karthi: Got it sir. Does it matter sir that we already have a plant, we are already compliant and therefore the approval should be faster than nine months?

Kirat Patel: No, no, I don't think that really matters; because every EC, they evaluate the whole projects and as time passes, the CPCB gives even stricter norms. For example, originally before they never used to insist on water conservation. Then they insisted on recycling and now they are insisting on 50%. I am told that soon they will be insisting on ZLD that means zero liquid discharge, 100% recycling of water. So, this is something that is evolving in the environmental space. So, though it is getting faster, the clearances, but the terms and conditions are getting stricter.

Kashyap Karthi: Perfect sir. Thank you so much. I am done with my questions sir. Thank you.

Moderator: Thank you sir. The next question comes from Ms. Alisha Mahala from Avantis Wealth. Please go ahead.

Ashutosh: Hello sir, this is Ashutosh here. Hi sir, congratulations on a very good set of numbers. Sir, you hinted about a very good growth, like almost like Rs.900 crores kind of a top line which you can do for this year, so and at 80% utilization levels, right?

Kirat Patel: Yes, approximately.

Ashutosh: So, this 80% utilization levels you are talking on complete annual basis or you touch this kind of utilization levels during the last quarter?

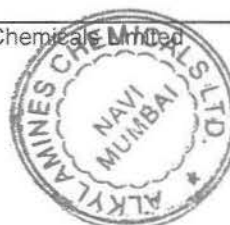
Kirat Patel: You must remember that when you say 80% kind of a mixed average, because we have twelve plants running at different capacity utilization, some are 95% and some are as low as 40%-50%. So, it is a mix of various capacity utilization.

Ashutosh: Okay. And given the kind of top line growth we are witnessing or maybe in the future also we will see, what kind of margins would you be comfortable with, because operational leverage will also help you, right? And what kind of margins do you think you can do on the (not clear)?

Yogesh Kothari: We I think should expect what we are doing now. Hopefully we will retain the margins. So, let's see because things go on changing all the time.

Ashutosh: Okay. What kind of growth do you expect for FY20, top line growth?

Yogesh Kothari: I would feel that we should continue doing what we are doing at least for the next two-three years.



Ashutosh: On the growth side, the kind of growth we have seen in FY19 you are saying?

Yogesh Kothari: I think that hopefully we will be able to do.

Ashutosh: Okay, thank you sir. Thanks a lot.

Moderator: Thank you sir. Sir, the next question, we have it from Mr. Rajat Setiya from Vrddhi Capital. Please go ahead.

Rajat Setiya: Hi. Thanks for the opportunity once again. Sir, if you look at the cash taxes rate over the last few years, it has been lower than the P&L tax rate. So, what is the reason behind that?

Kirat Patel: Sorry, the tax rate has been lower than the last few years?

Rajat Setiya: Yeah. So, the tax rate which is as per the cash, taxes paid, which can be seen in the cash flow statement, that is lower than the taxes which we see in the profit and loss statement.

Kirat Patel: I am not quite getting the question. The tax rate over the period of time is what?

Rajat Setiya: If I ask you in another way the same question, what is our tax rate?

Kirat Patel: The tax rate, the tax marginal rate is 34.6% with the surcharges and everything, but we do get a little concession because of the R&D expenditure and that is perhaps the main one. And because of the Dahej, you get that accelerated depreciation for the year, last year. It was a big capital expenditure.

Rajat Setiya: Okay, that explains it. And sir, the other question is on tax shown in P&L.....

Kirat Patel: But, that goes into deferred, you must remember that that only goes into deferred tax. Deferred tax and the current tax all adds up to about 32% or so normally, plus or minus 1% here or there.

Rajat Setiya: Got it. Sir, the other question is on the power cost, power and fuel cost. I think we have been, all credit to the management that we have been able to decrease this cost by huge percentage point over the last four-five years from I think 14% or 15% to 10% norm as a percentage of sales. Just wanted to know whether this number is also sustainable going into the future?

Kirat Patel: Our attempt will be to lower it even further. The constant effort is to make energy utilization more efficient. We also try to source cheaper energy, like we have added solar, we have had expansion of our own turbine electricity generation. We have done a lot of work in conservation of steam and energy, heat energies. So, these are the kind of projects which we keep running and which have



brought over a period of time small, small benefits. And of course as you grow in volume, the proportionate increase in energies don't take place.

Rajat Setiya: Sure. Sir, the other question was on a bit historic, on historical numbers. If you look at FY15, FY16 and FY17, our top line was broadly flat or did grow by little percentage points and same was the state of profitability. So, my question was what was the volume growth during those years?

Kirat Patel: Those two-three years were a little subdued years, because the volume growth was also between 5% and 7%, but the prices were falling. That was along with the crude prices. If you remember, the crude prices fell and petrochemical prices fell, all prices were very subdued. So, that impacted our top line. Margins did not drop that much, because raw materials had also dropped. So, they remained at the same level. And now the market has changed.

Rajat Setiya: So, my question was, what was the reason that even volume growth was not there during those years?

Yogesh Kothari: The pharma industry which we are largely exposed, 60% of our sales were having their own problems, and they have I think set themselves right, in the US FDA and other issues. So, now I think they have, that is probably history for them. So, they seem to be on a different wicket.

Rajat Setiya: Okay. Sir, just one last question, like we said, we can maintain the kind of margins that we had made in this year or the last year, so we expect that these margins can be maintained even going forward into the future. But sir, overall the nature of our business is such that we are affected by commodity prices a lot, because of the fluctuation and at the same time one of our products, which is the Acetonitrile, even that is bit of a challenge, a product where we face more challenges, if the times are not good, like today. So, what gives you the confidence that despite all these variables which are outside our control that we can maintain these margins?

Kirat Patel: We didn't say we can, we said we hope. And we have some confidence we get from history. If you see over a period of time the margins at EBITDA levels have been around 19 and of course the last quarter is a little unusual, but in 19 to 22 range. And though some products do well, some others do badly, so it is kind of a mix. But, somehow it does turn out right. So, we are hopeful that if the past is an indication of the future, then well that is the hope we have.

Moderator: And I will move on to the next question that is from Mr. Divanch from Securities Investment Management Private Limited. Please go ahead sir.

Divanch: Hello? Can you hear me?

Yogesh Kothari: Yes, yes, we can.

Divanch: Sir, my question was relating to the guidance that you have given by FY19 of Rs.900 crores, so can you elaborate the mix that you are expecting, as in which product line is driving the growth?

Yogesh Kothari: We normally don't talk about product specific numbers. But, this is basically based on the first half where we have had a growth which is including



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GST, about Rs.450 crores. We feel that we can repeat that performance in the second half.

Divanch: No, I was actually just talking not in terms, I was talking in terms of mix incomes of amines, derivatives and specialty, even that mix is not possible?

Yogesh Kothari: If you see we achieve normally 30% to 40% is amines, another 30% to 40% is derivatives and 20% is specialty. This year perhaps the amines will be a little more, because methyl amines have been launched. As we go forward the amines derivatives may get a little more play.

Divanch: Okay. And in terms of our margin profile, my question was that the sustainability of margins in amines and derivatives is relatively more than the specialty chemicals, right?

Yogesh Kothari: You can't say; it is product dependent. Every product has its own kind of variables and pressures. So, it depends on which product, what happens. So, you can't make a general statement.

Divanch: Okay, I got that. And in terms of our margin improvement, when I compare it year on year, so out of all three, derivatives and specialty, what has actually driven the margins higher?

Yogesh Kothari: I would think the amines and amines derivatives. This time specialty hasn't done as well. But, it could change. Tomorrow it could be the driver.

Divanch: Yes, correct. Thank you. Thanks a lot.

Moderator: Thank you sir. The next question comes from Mr. Pradeep Choudhary, an individual investor. Please go ahead.

Pradeep Choudhary: Sir, the current volumes that we saw in the current quarter and assuming that as you had pointed out that there were some sort of at full or optimum utilization and simultaneously we were also talking about growth coming in over the next two to three years. So, I am not able to reconcile these two statements, wherein on one side we are saying that we have probably optimally utilized our capacities and we would still see growth coming in. So, if you could clear this thing out?

Kirat Patel: Okay. So, where our capacities have been mentioned, we think we have about 70%-80% utilization. So, there is a head room. Plus, we are investing another maybe Rs.200 crores to Rs.300 crores over the next two-three years, which will add up to these capacities. Some parts of those investments are growth related. And therefore volumes will get added may be, volumes along with sales will get added. So, we do expect to grow from whatever Rs.900 crores to that additional hopeful figure of whatever, Rs.1400 crores-Rs.1500 crores.

Pradeep Choudhary: Over the next three years?

Kirat Patel: Three to five years. This capacity will come on stream bit by bit.



Pradeep Choudhary: Okay, so when is the next immediate capacity coming?

Kirat Patel: We just had one in the first quarter, one in the second quarter and the third quarter there is some additional capacity coming in debottlenecking and then the, the fourth quarter will have one and there will be in the second quarter of next year.

Pradeep Choudhary: Okay. And what about these MEP and NEP that we have mentioned in the environment clearance documents? Sorry, NMP and NEP.

Kirat Patel: NMP and NEP, that will be a little later.

Pradeep Choudhary: Okay. Say one and a half years from now?

Kirat Patel: Probably.

Pradeep Choudhary: Okay. And over the last few conference calls there have been many questions on what we proposed to do on the Patalganga side. So, if you could give some definite answer to that, because we haven't had the chance to.....

Kirat Patel: As we mentioned earlier in the call that within the month, the plant which was making methyl amines is going to become a multi amine plant and some new amines are going to flow out of Patalganga within the next month.

Pradeep Choudhary: Okay. And that capacity is not being used as of now.

Kirat Patel: No, at the moment the plant was running with methyl amines. Ever since Dahej began, we have shifted all our methyl amines capacity to Dahej and mobilized the Patalganga Plant to make this plant to change it to a multiamines Plant. It will always have the capacity to make methyl amines as kind of a fall back to Dahej, if needed. But, it will be now focusing on other amines like ethyl amines to begin with.

Pradeep Choudhary: Okay. And at Dahej are we also thinking of expanding the core methyl amines capacity, because you said it is already running at around 70%-80%?

Kirat Patel: Yeah, we had already original concept designed it to be 45000 tons plant. At the moment we have invested only about 30000 tons.

Pradeep Choudhary: So, is there plan to expand that to 45000 over the next two years?

Kirat Patel: Yes, of course. We wouldn't have designed it that way otherwise. But, when it will happen, that is the question mark. Some day in near future I presume.

Pradeep Choudhary: Okay sir. Thanks. Thanks a lot.



Moderator: Thank you sir. And there are no further questions. I would now like to hand over the conference to Mr. Yogesh Kothari for closing comments. Over to you sir.

Yogesh Kothari: Thank you everybody and thank you HDFC, I would now like to close this thing if anyone wants to say anything. Archit, is there anything?

Archit Joshi: No sir, I am good. Thank you sir.

Yogesh Kothari: Happy Diwali to all of you and hopefully everybody does well. Thank you.

Moderator: Thank you sir. Ladies and gentlemen this concludes your conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a pleasant evening everyone.

Note:

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.

