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AMINES LIMITED

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MAHARASHTRA. (INDIA)

3rd July, 2020

To,
The General Manager-Department of
Corporate Services,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.

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 : 530999

Scrip Code :BALAMINES

Dear Sir,

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

With reference to above cited subject, please find enclosed the transcript of the Conference call held on Tuesday, 23rd June, 2020.

This is for your information and record.

For Balaji Amines Limited

Jimisha Parth Dawda

Jimisha Parth Dawda

Company Secretary & Compliance Officer

Encl : a/a





“Balaji Amines Limited Q4 FY20 Earnings Conference
Call”

June 23, 2020



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

**MODERATOR: MR. ROHIT SINHA – EMKAY GLOBAL FINANCIAL
SERVICES**



*Balaji Amines Limited
June 23, 2020*

Moderator: Ladies and Gentlemen, good day and welcome to the Balaji Amines Limited Q4 FY '20 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 belief, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involves 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 the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now hand the conference over to Mr. Rohit Sinha from Emkay Global. Thank you and over to you, sir.

Rohit Sinha: Thank you. Good evening, everyone. On behalf of Emkay Global Financial Services, I welcome you all to the Q4 FY '20 Earnings Conference Call of Balaji Amines Limited. We have with today Mr. Ram Reddy – Promoter and Managing Director of Balaji Amines. We request the management for their opening remarks. Post which we will open the floor for Q&A. Over to you, sir.

D. Ram Reddy: Ladies and gentlemen, a very good evening to all of you. And welcome to the conference call to discuss the financial performance of the Q4 and FY '20 of our company, Balaji Amines Limited. We are all going through truly unprecedented times, and I hope that all of you and your families are safe and healthy. I hope you have got a chance to go through the press release and financial statements submitted to the stock exchanges and uploaded on our website.

Let me take you through the standalone financial and operational performance. Despite not operating at full capacity utilization in the latter half of the month of March, due to lockdown, we recorded a total revenue of Rs. 238 crore in Q4 FY '20, as against Rs. 237 crore in the corresponding quarter of previous year. EBITDA came in at Rs. 56 crore in Q4 FY '20, which is up by 14.6% as compared to Rs. 49 crore in the same period last year with EBITDA margin at 23.6% in Q4 FY '20 as compared to 20.8% in the same period last year. Profit after tax was at Rs. 32 crore in the current quarter under review, up by 19.9%, as against Rs. 27 crore in Q4 FY '19. PAT margin stood at 13.6% in Q4 FY '20 as against 11.4% in Q4 FY '19. On face value of Rs. 2 per share, diluted EPS for Q4 FY '20 stood at Rs. 9.98 per equity share as compared to Rs. 8.33 per equity share in Q4 FY '19. The top-line growth in Q4 FY '20 is lower due to low raw material cost which is passed on to the end customers. However, the EBITDA margins have improved, primarily on account of market increase in volume uptake with improved price realizations largely across all products, increase in operating leverage and benign raw material prices.

Coming to our standalone performance for the FY '20. Revenue from operations in FY '20 stood at Rs. 929 crore as compared to Rs. 955 crore in FY '19. EBITDA for FY '20 was Rs. 190 crore as compared to Rs. 199 crore in FY '19. EBITDA margin for FY '20 was at 20.5%. PAT for FY

'20 was Rs. 114 crore as compared to Rs. 118 crore in FY '19. On face value of Rs. 2 per share, diluted EPS for FY '20 stood at Rs. 35.11 per equity share. I am also pleased to inform that as on current date we are a zero debt company on a standalone basis.

Now, let me just give you all quick updates on the impact of COVID-19 on our business operations. In Q1 FY '21, the lockdown has resulted in lower capacity utilization of about 70%, primarily due to logistic issues like delays in port clearances, limited availability of trucks and tankers for movement of raw materials and finished goods, as well as unavailability of manpower. However, now we expect to swiftly ramp up our capacity utilization levels. Due to the lockdown, the operations of our subsidiary plant were shut down in the month of April and May. However, as we had sufficient finished inventory, our sales were not significantly impacted. The operations at our subsidiary plant have commenced from first week of June. We are largely ring-fenced from risk of reduction in demand, as our product portfolio largely caters to the non-cyclical and more defensive end user segments like pharmaceutical, agrochemical, home care and personal care markets, animal nutrition and water treatment applications.

We are likely to witness spillover in demand to forthcoming quarters for some certain end-user applications like dyes, paints, coating, textile, polymers and refineries. Due to COVID-19, we are likely to see improved demand for some of our products like NMP, DMA, TEA, acetonitrile and DMF, which are key intermediates, which go into the manufacturing of antiretroviral drugs which are being recommended for treating patients.

I would also like to highlight here a draft notification issued in May 2020 by the Ministry of Agriculture that has proposed to ban 27 pesticides, including Mancozeb. Our subsidiary manufacturers EDA which goes into production of Mancozeb. The revenue from Mancozeb for Indian agrochemical companies from domestic sale and export constitutes about Rs. 3,000 crore per annum. The agrochemical companies are likely to put up a tough resistance to the government's proposal as Mancozeb constitutes major part of their total revenue. Also, the chances of this proposed ban getting revoked is higher, as the usage of expensive substitute pesticides will not be economically viable for farmers.

We started manufacturing acetonitrile from November 2019 onwards, and have gradually ramped up our production capacity to about 9 tons per day. In FY '21, we plan to scale up production significantly to about 18 tons to 20 tons per day. The margin delta of acetonitrile continues to remain elevated on account of higher price realization due to supply constraints in global market.

Our production capacity for dimethylformamide is 30,000 tons per annum, whereas the total demand in India is for 45,000 tons per annum. However, historically we have been able to achieve capacity utilization of only 20% due to dumping by China. We have made an application to the Government of India for levying anti-dumping duties on DMF. Nevertheless, in recent months we have witnessed better pricing of DMF. If the price realization remains steady, we

anticipate a gradual improvement in capacity utilization to 60% from around 30% in FY '20, which was about 20% in FY '19.

As per our growth plans, we are undertaking CAPEX of Rs. 150 crore to Rs. 170 crore for the Phase I of our Greenfield project, where we will install capacity for a manufacture of 16,500 tons of ethyl amines and 9,900 tons of di-methyl carbonate. The CAPEX will be largely funded by internal accruals. Post the commencement of the Phase I project, which is now likely to happen at the end of this financial year, the company will have the largest installed capacity of ethyl amines in India at 22,500 tons per annum. The demand for di-methyl carbonate is about 8,000 tons in India, which is currently met fully by imports. We have got 'Mega Project' status for this Greenfield project.

Volume uptake from Balaji Specialty Chemicals Private Limited, which is our subsidiary company, has gradually increased and witnessed the best performance in Q4 FY '20, despite the initiation of lockdown in latter half of March 2020. In Q4 FY '20, Balaji Specialty recorded a revenue of Rs. 21 crore, up by more than 4x, from Rs. 4 crore in Q3 FY '20. The subsidiary company also recorded operating profit of Rs. 92 lakh in Q4 FY '20, as compared to loss of Rs. 2.5 crore in Q3 FY '20. For products from our subsidiary plant, we have procurement commitments from leading Indian agrochemical companies for their requirements in Q1 FY '21. Based on these supplies to agrochemical companies, we envisage to sign long-term contracts with them going forward. Agrochemical sector's prospectors are likely to brighten on an account of highest storage across reservoirs over last five years, coupled with a recent price hike in minimum support price of key Kharif crops and initial indications of normal monsoon expected in 2020.

That's all from our side. Now, we leave the floor open for question and answers.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. First question is from line of Rahul Veera from Abakkus Asset Management. Please go ahead.
- Rahul Veera:** Sir, on the consolidated numbers, our interest cost and depreciation numbers both have almost doubled. Have we capitalized some assets?
- D. Ram Reddy:** Yes. Because for consolidated numbers, you also have to take into account our subsidiary Balaji Specialty Chemicals, where new asset has been added due to which the depreciation has increased and also the interest on the loan that has been taken for that new asset creation..
- Rahul Veera:** Okay. So what will be the debt of the subsidiary, sir?
- D. Ram Reddy:** It is around Rs. 130 crore

- Rahul Veera:** Okay. Got it, sir. And sir any view on the hotel business, what kind of monthly losses we would be having there right now?
- D. Ram Reddy:** From last three to four months we are not operating. And the fixed cost we are incurring is around Rs. 20-22 lakh per month.
- Moderator:** Thank you very much. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Yes. Sir, if you could give some outlook on the volume that you would be able to do in FY '21 on the standalone operations, post the ramp up in morpholine and the other product lines. So, whatever, we did about 86,000 tons this year, what do you see in 2021? And what operating utilization does the Balaji Specialty is likely to achieve in FY '21?
- D. Ram Reddy:** See, I think we are already operating Balaji Amines at 80%-85%. Only. 15 days production we lost. And with current situation, really speaking, it is very difficult to predict any numbers. We don't know when what will it happen, as everything is uncertain. But if everything goes well, there will be add another 5,000 tons to 10,000 tons to the volumes in FY21. As regards to Balaji Specialty Chemicals, I think we should do at least 30% to 40% capacity utilization in the current year.
- Pritesh Chheda:** Okay. And on the Balaji standalone side, when we look at the profitability in this quarter, it's a significant improvement and it's those kinds of EBITDA per kg or per ton which we used to record three-four years back. Has the volatility in the RM prices that we had seen in the last four to five quarters, both on the methanol and ammonia, now subsided in the realization number, the gross profit number and the EBITDA number? And are these sustainable in your opinion?
- D. Ram Reddy:** This is because of the increase in volume uptake with improved price realization largely across in all products.
- Pritesh Chheda:** So do you think there is a tailwind and will these EBITDA margins sustain for some time?
- D. Ram Reddy:** If sales will go like this, yes. . But EBITDA marines will not go below 18%. If you see the past record, the operating margins are mostly sustainable between 18% to 22%.
- Pritesh Chheda:** Okay. And my last question is, sir, what is the debt levels now that we have on standalone and consolidated basis? And what is the CAPEX that we did on the Greenfield project this year and what is lined up next year?

- D. Ram Reddy:** On standalone basis, it is zero debt. There is no term loan on Balaji Amines, the standalone entity. And on subsidiary, there is Rs. 130 crore of term loan, which we just started repaying from this quarter onwards. And as regards to the working capital, as of now, we are not utilizing anything. As on 31st March 2020, we were utilizing working capital of Rs. 85-90 crore.. The reason being the CAPEX of the greenfield has slightly delayed. The money earmarked for that, was not utilized fully because of the delay. That money has come in to the system. So as on today, I can say, there is no working capital...As for the CAPEX of the Greenfield project, we have spent around Rs. 70-77 crore as on today and we expect additional CAPEX of another Rs. 70-75 crore in FY21., which will be sufficient for the first phase expansion where we plan install capacity for ethyl amines and di-methyl carbonate.
- Pritesh Chheda:** Sir, including working capital, if you could give the loan amount. Because what I see in the press release that you have sent, it seems loan amount is Rs. 260 crore that we have on the book on standalone basis. And consolidated basis also, it seems to be a similar amount.
- D. Ram Reddy:** See, Rs. 130 crore is term loan on the books of the subsidiary company - Balaji Specialty Chemicals, which will also come into account on consolidated basis. Rs. 100 crore is working capital on the standalone book of Balaji Amines. And there is Rs. 20-25 crore of working capital in the subsidiary entity. All put together, it comes to Rs. Rs. 250-260 crore.
- Pritesh Chheda:** On Consolidated basis, right?
- D. Ram Reddy:** Yes.
- Pritesh Chheda:** Okay. And what is the cash on the other end? Because I see a line item of Rs. 47 crore as investment.
- D. Ram Reddy:** Yes. We had almost Rs. 100 crore which was outstanding as on 31st March 2020. Today, it has become zero. That is the cash, which we have has been used to invest in this forthcoming CAPEX
- Moderator:** Thank you very much. Next question is from the line of Nilesh Ghuge from HDFC Securities. Please go ahead.
- Nilesh Ghuge:** Yes. Sir my question is on Balaji Specialty Chemicals. In our last interaction you mentioned that there are some operational challenges and because of that our utilization rate was less than 10% a quarter back. So what is the current utilization rate?
- D. Ram Reddy:** No, there were never any technical problems. I don't know from where you got this message. Actually, when we started our production, at that time, the end-user industry was under contract obligations for the imports, because our products are an alternative for their imports. But as of

now, they have started to procurement from us. So we are supplying regularly to most of the end-users in the country.

Nilesh Ghuge: Okay. So the contract with the suppliers or the customers have been signed from your side?

D. Ram Reddy: We have taken some commitments for FY20. Those commitments have been fulfilled. And now they have given orders for one quarter, which we are completing currently.. Probably now, they will get the confidence. So maybe we will discuss about the long-term contracts.

Nilesh Ghuge: Sir, in this current situation, how much revenue do you expect from Balaji Specialty Chemcials in FY '21? You mentioned utilization will be 30%, right?

D. Ram Reddy: It's very difficult to say. Because of this COVID, we are unable to give any figures. As of now we are doing well.

Moderator: Thank you very much. Next question is from the line of Jatin Damania from Kotak Securities. Please go ahead.

Jatin Damania: Sir, congrats on the decent set of numbers. Sir, majority of my questions are answered. Just wanted to carry forward on the subsidiary front. Last quarter we had initiated that we'll be probably signing a contract and now we are saying that probably it will still take time. So for this first quarter commitment in terms of volume, are we selling on the spot price or it will be on the contract price?

D. Ram Reddy: Last year we had signed commitments at certain price. At same price we are carrying forward for Q1FY21 also. So probably, we will be discussing for new price from the next quarter onwards..

Jatin Damania: Okay. And sir, if you can guide us in terms of the volume that you have signed up for the Q1FY21.

D. Ram Reddy: See, we signed a one-time quantity of about 2,000 tons which we are going to close by this quarter for the end-user.

Moderator: Thank you very much. Next question is from the line of Swarnabh Mukherjee from Edelweiss Broking Limited. Please go ahead

Swarnabh Mukherjee: So my first question is on the volumes front. So I see, in the standalone business the volumes for the specialty chemicals have gone up, as compared to last quarter. So any particular product which is driving this volume growth?

D. Ram Reddy: All products are driving the volume growth

- Swarnabh Mukherjee:** Okay. And sir, the base amines volumes were slightly lower as compared to last quarter. Any particular reason for that?
- D. Ram Reddy:** See, I just want to clarify one thing. We being a very integrated plant, some base amines are consumed captively to produce some of the intermediates. Like for making more NMP, we will use our captive production of monomethylamine. Similarly, for making more DMAC, we use our captive DMA. Thus, you will see less sales of these base amines to outside parties.
- Swarnabh Mukherjee:** Okay. Got it. And sir, the Greenfield project, what would be the expected commissioning period now?
- D. Ram Reddy:** By end of this financial year.
- Swarnabh Mukherjee:** So Q4 2021?
- D. Ram Reddy:** Yes.
- Swarnabh Mukherjee:** Yes. Okay. And sir on the acetonitrile side, so I wanted to understand that, is there a possibility of overseas demand also in this product? And how is the demand-supply in the domestic market now playing out, with your facilities also coming, with existing capacities being also there in the market? How is the overall scenario looking?
- D. Ram Reddy:** We are two small companies from the quantity point of view, to talk about in the overall world market.
- Swarnabh Mukherjee:** Sir, in terms of domestic market I was asking.
- D. Ram Reddy:** Whatever we have produced, we have sold totally. And out of the total sales, we have exported around 100-150 tons to Europe. That means there is a overseas market also.
- Moderator:** Thank you very much. Next question is from the line of Kunal Mehta from Vallum Capital. Please go ahead.
- Kunal Mehta:** Sir wanted to understand whether in Q1FY21 we saw any impact on volumes, especially on the pharma and agrochemicals side?
- D. Ram Reddy:** Yes. In April, we had about 70% capacity utilization, in May it was around 80%, and now in June it has become normal.
- Kunal Mehta:** Okay, so barring certain 10% up and down in April and May, there was no other major volume impact in Q1FY21?
- D. Ram Reddy:** No.

- Kunal Mehta:** On Balaji Specialty, when you sit with your customer, what are the apprehensions they are having? Because they have definitely given us some business, and we are expecting to have more business once we complete this set of orders. So what is your reaction firstly on this draft order by the government? You mentioned that these agrochemical companies are also going to fight aggressively against this proposed order. So what is stopping them from giving us some meaningful quantity in terms of orders?
- D. Ram Reddy:** Nothing. See, they are procuring from us, whatever we are able to sale in the month of April and May 2020. In spite of was no production, we could sell in April and May, as we had year ending stock. And now in June, we are continuously running the plant and selling the product - almost about 600 to 700 tons every month..
- Kunal Mehta:** Understood, sir. When we say that at least 30% to 40% utilization, you are talking about 7,000 to 9,000 tons of EDA production. So I am not asking for any sort of guidance. But at least now, have the challenges from the other competitive players like Dow and BASF reduced?
- D. Ram Reddy:** When I am in a position to supply continuously for past three months means, you can understand that, we could make some space with the customers.
- Kunal Mehta:** Okay, sir. And sir the next question I have is on the Greenfield project. So the Greenfield project, we will start in Q4 and major revenues will start flowing from Q1 FY '22, right?
- D. Ram Reddy:** Yes.
- Kunal Mehta:** Okay. And sir, you also mentioned in the opening remarks, that there are certain products like NMP, NEP and DMAC which can benefit because they are intermediates which are used in pharmaceutical.. So can you just mention what kind of demand that you are witnessing there?
- D. Ram Reddy:** In last three to four days, there are some products which are being used for the COVID treatment in which acetonitrile is used and DMF is used., In anti-HIV drugs, which people were using earlier for the COVID treatment as an alternative ,NEP and DMA is used. And again, acetonitrile goes in one stage and DMF goes in one stage as a solvent. And in one of the products, triethylamines goes as a catalyst.
- Moderator:** Thank you. Next question is from line of Amar Maurya from ALFAccurate Advisors. Please go ahead.
- Amar Maurya:** Sir, congratulations for a very good set of numbers. Sir, just wanted a little bit clarification on the capacity expansion. You indicated that by the Q4, our ethyl amines capacity will be what?
- D. Ram Reddy:** 16,500 tons p.a. - 50 tons per day capacity.
- Amar Maurya:** Okay. So then how much would be the total capacity for ethyl amines?

- D. Ram Reddy:** Currently we have capacity of 9,000 tons. So, in total we will have capacity of about 22,000 tons to 24,000 tons
- Amar Maurya:** And secondly, along with that, we will also expand our DMAC capacity, right?
- D. Ram Reddy:** No. Not DMAC. We are coming up a new product, di-methyl carbonate (DMC) which will be manufactured first time in the country. In the first phase of Greenfield project, we are installing capacity for two products; one is ethyl amines with capacity of 50 tons per day; and other one is DMC with capacity of 30 tons per day.
- Amar Maurya:** And what would be the average price of, di-methyl carbonate?
- D. Ram Reddy:** Around Rs. 150 per kg
- Moderator:** Thank you. The next question is from the line of Nirav J from Anvil Shares & Stock Broking. Please go ahead.
- Nirav J:** Sir, I have two questions. One is on DMA HCL. Since it is also finding applications in metformin and other pharma grades. So just wanted your view on any improvement in the pricing of DMA HCL? And how is our capacity utilization? I believe we have 25,000 tons capacity, right?
- D. Ram Reddy:** We have capacity of 22,000 tons to 23,000 tons.. We are fully utilizing as of now. Also there is an improvement in the prices in last three months.
- Nirav J:** Okay. So, can you quantify?, What were the prices in Q3 and how it has been now currently?
- D. Ram Reddy:** I do not have handy, but current prices are around Rs. 75 to Rs. 80 per kg.
- Nirav J:** Okay. And sir, second question was on piperazine. So since it is a byproduct from EDA, so I think the proportion of piperazine we get from EDA is 8% to 10% roughly. So, if you can just throw some light on the demand of piperazine in the international market, domestic market and how has been the scenario currently?
- D. Ram Reddy:** See, in domestic market itself there is a demand of 8,000 tons to 10,000 tons for piperazine. So our capacity is about to 8 tons to 10 tons per day, if you produce regularly also. So, which comes to maximum 4,000 tons to 5,000 tons per annum. So, I don't think that we need to go to international markets also. So, currently the prices are ruling at between Rs. 350 to Rs. 400 per kg.
- Nirav J:** Okay. And sir, how about the raw material prices in monomethylamine, because I think for EDAs we were using that raw material. So are there any cost benefits there in terms of availability of raw materials, because piperazine prices have been moving up. So, are we getting any benefit on the raw material side too?

- D. Ram Reddy:** I cannot say benefit, because the raw material prices keep on going up and down frequently. So, present price is about USD800.
- Nirav J:** Okay. Sir, last question from my side is on our other raw materials like acetic acid, ammonia, methanol. Some of the talks currently, what we are seeing daily on newspapers, is like some of these products are getting imported from China and probably some sort of duties can be imposed on some of these commodity chemicals.
- D. Ram Reddy:** We never imported any major raw material from China. Wherever on and off, we used to but the BDO (1,4-Butanediol). But there also we have got many alternatives. We are sourcing BDO from Taiwan, Saudi Arabia and now we have also started buying from Europe.
- Moderator:** Thank you very much. Next question is from the line of Kishan Gupta from CD Equisearch Private Limited. Please go ahead.
- Kishan Gupta:** Sir, can you tell me what is the volume growth expected for the standalone entity this year?
- D. Ram Reddy:** I think I already answered. We may add 5,000 tons to 10,000 tons if everything goes well. And as I said, it is very difficult to state proper figures because of the uncertainty in the current situation of COVID. We do not know how long it will run. If one case comes into one place, then there is a possibility of again lockdown coming into force. So that is a reason it's very difficult to ascertain.
- Kishan Gupta:** You talked about 30% to 40% capacity utilization in Balaji Specialty for FY21. So, what is the current revenue potential total of this subsidiary?
- D. Ram Reddy:** We have generated revenue of around Rs. 50 crore in the last year. Currently we are generating sales of about Rs. 10 crore to Rs. 12 crore per month. It can improve also, but if something goes wrong, it may go down also.
- Kishan Gupta:** Okay. And one thing about what sort of capital commitments you are making to Balaji Specialty? Because I think that you already given a loan of Rs. 46 crore loan to the subsidiary company.
- D. Ram Reddy:** Yes. See, this loan was taken for the initial stage, because we were not operating fully. Now we have started operating. All the investments have been fully completed. Now, we have working capital loan where the subsidiary company has its own limits..
- Kishan Gupta:** So, sir can your commitment to the subsidiary can go up from the current Rs. 46 crore?
- D. Ram Reddy:** It may, if things don't go properly, then probably to pay the installments for the initial stages.
- Kishan Gupta:** And how much is the annual repayment for Balaji Specialty long-term debt?

- D. Ram Reddy:** Rs. 18 crore per year.
- Kishan Gupta:** Rs. 18 crore per year would be repaid?
- D. Ram Reddy:** Yes. If everything goes well, then I don't think we need anything in the coming quarters. I just want to inform you and everybody whoever is listening. Balaji Specialty also has got a status of mega project, where we are eligible to get back all the S-GST paid on account of the sales which is almost 50% of the GST., Suppose if I do sales of Rs. 100 crore, there will be Rs. 18 crore of the GST, out of which Rs. 10 crore will be coming back, as a benefit for the mega project. So, definitely, even if I am not able to generate major profits also, even simple sales also will give some leverage to pay back the installments.
- Moderator:** Thank you. Next question is from the line of Anand Bhavnani from UNIFI Capital. Please go ahead.
- Anand Bhavnani:** Several products like DMF, DMAC and Morpholine are awaiting anti-dumping duty, is that correct?
- D. Ram Reddy:** For DMF, we are waiting. For DMAC, it is already in force.
- Anand Bhavnani:** Okay. And morpholine it's not there?
- D. Ram Reddy:** Morpholine, we had anti-dumping duty for almost six years. Now it is not there, and we are self-sufficient. We don't need the anti-dumping support now.
- Anand Bhavnani:** Okay. And sir, when can we expect the anti-dumping duty for DMF?
- D. Ram Reddy:** It's very difficult to give any timeline. We are working with the government, so I can't say anything. We have done all the paperwork, whatever information was required, we have given. It can happen tomorrow also, or it can be after a year also.
- Anand Bhavnani:** Sir, in case of acetonitrile, are we getting the right yield and right quality? And are we able to produce all the grades that we want to produce?
- D. Ram Reddy:** Yes, whatever we have done, we are in a position to sell in the market.
- Anand Bhavnani:** So, in that sense, now the only challenge remains marketing and the demand from the market space..
- D. Ram Reddy:** No further issues.
- Moderator:** Thank you. Next question is from line of Sachin Kasera from Svan Investment and Trading. Please go ahead.

- Sachin Kasera:** My question is on acetonitrile and DMF. Can you just help us what was the production in FY '20 from these two products?
- D. Ram Reddy:** DMF as we said, because we are awaiting anti-dumping duty, we were utilizing only 20% capacity. Now the prices have improved, we expect that we should be able to achieve 30% capacity utilization.. Our capacity is about 30,000 tons for DMF. And acetonitrile, we just streamlined from the last November and slowly we have increased our production to 9 tons per day.
- Sachin Kasera:** Sir on DMF we have already put in application for the anti-dumping duty, but despite that the prices have already improved. So, what are the current prices and what is the breakeven for us today in DMF?
- D. Ram Reddy:** Current price for the DMF is ruling at between Rs. 75 to Rs. 80 per kg. And earlier when we prepared this anti-duty dumping application, the price was at Rs. 55 to Rs. 60 per kg where we were doing cost-to-cost. Price of DMF beyond Rs. 70 per kg is viable for us.
- Sachin Kasera:** And sir one question on overall volumes. Will you be able to quantify what was the loss of volumes in Q4FY20 and Q1FY21 because of the lockdown?
- D. Ram Reddy:** See, only for 10 days we lost the production. We lost about Rs. 30-35 crore of turnover in FY20, because even though we could operate plant at 70% level, sales faced hurdles because of the logistic issues. And after April onwards there were not much issues. We were operating at 70% and sales also we were doing at 70% to 80%. And now from June onwards, the operations are running as they normally do.
- Sachin Kasera:** So will we see a similar impact of Rs. 30-35 crore in Q1FY21, because of COVID?
- D. Ram Reddy:** No, not that much. See, in initial stages between Janata Curfew to lockdown we had to make the arrangements, take the permissions and this took some time. And from 1st April onwards, we have been operating rate at 70%.
- Sachin Kasera:** Sure. Sir, just one question on Balaji Specialty. You mentioned that the government has the right now put Mancozeb in the ban list, and obviously there is a very strong case for that not to happen. But in a worst-case scenario if that were to happen, we will have to write-off all our investment in Specialty or there is something alternate that we can think of?
- D. Ram Reddy:** No, there are other uses also. There is about almost 8,000 tons to 10,000 tons that is used by the polymer industry and oilfields, to whom we are already selling. But I don't think it is possible to ban these products. Over last ten years, these types of orders keep coming every three years and then the agrochemical industries fight against it. It is not viable for country like India, because if these 20 products are banned, then total agriculture has to stop.

- Moderator:** Thank you. The next question is from the line of Ashwin Reddy from Samatva Investments. Please go ahead.
- Ashwin Reddy:** Yes. Congrats on a very good set of numbers. I had a few questions. Firstly, sir on the profitability front, can you just give your comment, because you mentioned the pricing for the entire basket of products has been fairly healthy, and even for DMF it has moved up. So what are the factors which are causing this? And is it sustainable going ahead
- D. Ram Reddy:** Volumes offtake, better price realization and proper capacity utilization- these are the three reasons why the margins have improved across almost all the products. So, if everything goes well like this, so definitely it will be sustainable. And as earlier guided, EBITDA margin will not go below 18%.
- Ashwin Reddy:** Right. But it is not because of any, say, sudden fall in supply from China or things like that, right?
- D. Ram Reddy:** We have seen nothing like that. There are only one or two products where we are competing with China. For DMF, there used to be the competitive threat from China. I don't know what happened in China and other places too, as the prices improved and which they are also maintaining at more than Rs. 70-75 per kg, which is helping us.
- Ashwin Reddy:** And secondly sir, on the Mancozeb, I understand that at least for exports some of these pesticides are now not being banned. So the number you gave of Rs. 3,000 crores for Mancozeb in opening speech - is it only for the domestic market or is it for domestic plus export?
- D. Ram Reddy:** So actually, India is leader for the Mancozeb supplies for the total world market. So, it is including exports we are talking about. Whatever produced in total, is more than Rs. 4,000 crore and presently as you rightly said, the government has already withdrawn ban on the exports. So they can produce and export. Companies are opposing the ban for the domestic market, which I think should ease out.
- Ashwin Reddy:** Okay, understood. On the overall export market for USA and Europe and elsewhere, what is the feedback that you are hearing in terms of the demand? And are you able to export without hassles? What is the export scenario for your company?
- D. Ram Reddy:** As of now it's good, totally positive, especially when the people are talking something negative about China. So, anything goes wrong with China, definitely people look at India as an alternative. So that sort of enquires we are receiving and we are getting good response in the international markets for all the products.
- Moderator:** Thank you very much. Next question is from the line of Manish Bohra from Param Capital. Please go ahead.

- Manish Bohra:** Sir, basically what has been the pricing trend of acetonitrile? Correct me if I am wrong, like the price of acetonitrile in November was around Rs. 230 per kg and in March it was around to Rs. 280- 290 per kg. So currently what is the price?
- D. Ram Reddy:** See, you are right, the price is ruling between Rs. 250 to Rs. 280 per kg, depending upon the customer. If it is a bigger customer, it will be bigger volume but price will be lower. If it is a smaller customer, it will be smaller volume but the price will be higher.
- Manish Bohra:** Sir, who would be our domestic competitor for morpholine, DMF and acetonitrile?
- D. Ram Reddy:** We have not seen any other company producing DMF and morpholine in the country., RCF was producing in small quantity. But in acetonitrile, there are two other players..
- Manish Bohra:** Can you name them?
- D. Ram Reddy:** Alkyl Amines is one, and the other is the Deepak Nova, these are two producers.
- Manish Bohra:** Okay. Sir, do you feel the prices would be sustainable of acetonitrile, because currently we are hearing from the auto sector that demand is ramping up and that post the lifting of lockdown, market is showing good demand. Also in rural and semi-urban areas, there is a good demand. So, like going forward in the next two-three months, do you see the prices to cool down a little bit from current levels?
- D. Ram Reddy:** Maybe we are hearing this for a past one to two years, which is stopping everybody to reinvest more. Because this is very volatile. It never stayed at a higher price like this. So, it is very difficult to say.
- Moderator:** Thank you very much. Next question is from the line of Rohan Gupta from Edelweiss Financial Services. Please go ahead.
- Rohan Gupta:** Sir first question is, on this you mentioned that there you are seeing some pent-up demand coming from some sectors like paint, pigment and dyes and all. You mentioned in June, you our operation has normalized. Do you see that the demand is still very high and that all these traders and companies who are using this product want to fill the channel in anticipation of any further lockdown? And if that is true, then how you are expected to meet this increased demand? I mean can we ramp up utilization level even further?
- D. Ram Reddy:** See, specifically there is a continuous demand even in the lockdown period also, in the essential products like API and pharma industry. And the next comes the agrochemicals industry. Major chunk of a products goes in both these industries., Almost 50% to 60% of our products go into the API pharma industry. So, there is no lockdown impact fully on them, except maybe little

logistics and other things. Otherwise all the API and pharma industries are operating at a normal level. So, we don't see any change in their demand. It is a normal demand, which we are meeting.

Rohan Gupta: I heard because you said that from some of the industry you are seeing pent-up demand especially like dyes, pigments, textiles.

D. Ram Reddy: These were not operative during the lockdown period. Now that the lockdown is open, so things will start up, that is what our intention to say. Otherwise our major end-user industries are already running normally.

Rohan Gupta: Okay. Sir second you mentioned that last year Balaji Specialty did some Rs. 60 crore revenue, right?

D. Ram Reddy: We had generated revenue of Rs. 50-51 crore from our subsidiary company

Rohan Gupta: Okay. And currently the revenue run rate is of Rs. 10 crore to Rs. 12 crore per month from the subsidiary company. And for full year you are expecting 40% capacity utilization for Balaji Specialty?

D. Ram Reddy: 30% to 40% capacity utilization, depending upon the situation. Because in the current COVID situation, you can't say with the certainty, as we don't know what will happen.

Rohan Gupta: Sir, can you quantify, that at the full utilization level what is the revenue potential of the Balaji Specialty with the margin?

Rohan Gupta: See, at full utilization, we can manufacture minimum 25,000 tons to 30,000 tons. The price, even if you take at a lower level of Rs. 110-120 per kg, it comes to more than Rs. 250 crore.

Rohan Gupta: And with the margins of 20%?

D. Ram Reddy: Initially it's very difficult to say that. I can't say what will be the margins.

Rohan Gupta: At average price realization of Rs. 110 per kg., then what will be the margins?

D. Ram Reddy: That depends upon raw material prices and end-user industry situation. Let's see real figures in the coming quarters.

Moderator: Thank you. Next question is from the line of Ronil Dalal from Ambit Investment. Please go ahead.

Ronil Dalal: Of course, the prices of acetonitrile are very good right now, but in the future at around what price range would you say it would be good to shift to THF?

- D. Ram Reddy:** Your question is related to the raw material prices. Suppose if I say that the current raw material prices should be somewhere around Rs. 150, and if it is below Rs. 150 rupees, I would love to go for the alternate product.
- Ronil Dalal:** Right. Okay. Next question is that ethylamine CAPEX which you were going to do, is it only been delayed on account of COVID? As you are going to do a CAPEX for 16,500 tons and maybe in domestic market the entire industry demand is around 20,000 tons, is that correct?
- D. Ram Reddy:** Yes, domestic and then overseas markets also. India is importing currently almost 700 tons to 800 tons per month.
- Ronil Dalal:** Okay. So the 20,000 tons you are saying, it is met from domestic supply, and additional 700 to 800 tons is imported every month, is that correct?
- D. Ram Reddy:** Yes. Total capacity creation is made for the next 10 years. It is not that the entire capacity will be utilized today itself and sold tomorrow.. See, we have taken into account the growth for next five years., There is a 10% to 15% growth every year. So we have considered the coming 7 to 10 years.
- Ronil Dalal:** Okay, sure. And the other question I had is on Balaji Specialty. So in case Mancozeb, possibly it would not get bad now, but somewhere down the line maybe in a year's time or a year and a half, I mean, the trend seems to be to move away from it. So, if that happens, what would you see things to pan out at Balaji Specialty
- D. Ram Reddy:** See, as I said, there is demand for 6,000 to 8,000 tons for Mancozeb in the polymer market. So there we can look and we have also started looking at overseas markets. For your information, this month I think we exported 100 tons to China also. So, there are opportunities outside the country also. We have reach registration for this particular product. We can export to Europe, USA and China.
- Ronil Dalal:** Right. And only one competitor there in India?
- D. Ram Reddy:** Nobody in India manufactures EDA, from the original route.
- Ronil Dalal:** And piperazine?
- D. Ram Reddy:** Piperazine and entire set of products, we are the only manufacturer. Other manufacturers, they may have one unit where they are bringing the mixer and they are separating, but they are not producing.
- Moderator:** Thank you. Next question is from the line of Rohit Nagraj from Sunidhi Securities & Finance.
- Rohit Nagraj:** Sir in FY '20, what was the contribution from export?

- D. Ram Reddy:** Exports was about 18% to 20% of our total turnover.
- Rohit Nagraj:** Okay. And what are the current methanol prices? And given that at least for the foreseeable future, the methanol prices are going to be relatively muted, do you think that there could be some opportunities which may arise, because of the lower RM prices, from our product basket perspective?
- D. Ram Reddy:** Yes, currently the prices are lower. We are getting better stable prices for the methanol from other alternate sources, despite the ban from sourcing of methanol from Iran.
- Rohit Nagraj:** And what would be the price, sir?
- D. Ram Reddy:** Presently the price is Rs. 17 per kg
- Rohit Nagraj:** Okay. And if the price continues to stay for the next couple of quarters at this level, would there be any kind of increase in demand for certain of our products?
- D. Ram Reddy:** You are right, some of the products which might have closed because of the cost reasons, may restart again. So for these products the demand may increase, not only in India but also in outside markets.
- Moderator:** Thank you very much. Next question is from the line of Dhwanil Shah from I-Wealth Management. Please go ahead.
- Dhwanil Shah:** Sir, congratulations on good set of numbers. Sir, I just had couple of questions. I believe when we spoke in Q3, you were guiding for acetonitrile incremental utilization to reach to about 50% in FY '21. So that would be more or less about 4,500 metric tons of volume we could do. So are we on track for that, sir? Because currently, as we said, we were at 20%-25% utilization?
- D. Ram Reddy:** Presently we are manufacturing 9 tons per day. And this year we are trying to increase our production to between 18 tons to 20 tons per day. Because of the demand and other things we are unable to stop and revamp the plant.
- Dhwanil Shah:** Okay. So sir post-November our utilization has been on the upper trend, I mean, is that the fair understanding?
- D. Ram Reddy:** Initially we started with 6 tons, 7 tons, 8 tons, we even went up to 12 tons per day also, but it has stabilized at 9 tons per day.
- Dhwanil Shah:** And our capacity is 25 tons per day, broadly?
- D. Ram Reddy:** No, some of the improvements and debottlenecking is to be done in the acetonitrile plant.



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- Dhwanil Shah:** So currently sir, what is the capacity per day, how much we can do as of now?
- D. Ram Reddy:** Presently we are doing 9 tons per day.
- Dhwanil Shah:** Sir that is the optimum capacity currently?
- D. Ram Reddy:** Yes.
- Moderator:** Thank you very much. Ladies and gentleman, due to a time constraint that was the last question for today. I will now hand the conference over to Mr. D. Ram Reddy for closing comments.
- D. Ram Reddy:** Thank you very much to all our well-wishers. 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 existing products. We are continuously striving to better our product portfolio to compete effectively and efficiently in the end markets. In FY21, we expect significant contribution to flow in from the subsidiary company. We are very focused on next level of growth and upscale for Balaji Amines over the next three-four years. Thank you very much. Thank you all.
- Moderator:** Thank you very much. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.