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Balaji

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AMINES LIMITED

REGD. OFF. : 'BALAJI TOWERS'
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AASARA CHOWK, SOLAPUR - 413 224.
MAHARASHTRA. (INDIA)

22nd February, 2021

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

Scrip Code : 530999

The Manager-Listing Department,
National Stock Exchange of India Limited,
"Exchange Plaza", 5th Floor,
Plot No.C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 051.

Scrip Code :BALAMINES

Dear Sir/Madam,

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

With reference to above cited subject, please find enclosed the transcript of the Conference call held on Tuesday, 9th February, 2021.

This is for your information and records.

For Balaji Amines Limited

D. Ram Reddy
Managing Director

BALAJI AMINES LIMITED

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"Balaji Amines Limited
Q3 and 9M FY2021 Earnings Conference Call"

February 09, 2021

ANALYST:	**MR. SWARNABHA MUKHERJEE - EDELWEISS WEALTH RESEARCH**
MANAGEMENT:	**MR. RAM REDDY – PROMOTER & MANAGING DIRECTOR - BALAJI AMINES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Balaji Amines Limited Q3 FY2021 Earnings Conference Call hosted by Edelweiss Wealth Research. This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinions and expectations of the Company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Swarna Mukherjee from Edelweiss Wealth Research. Thank you, and over to you, Sir.

Swarnabha Mukherjee: Thank you. Good afternoon all. On behalf of Edelweiss Wealth Research, I welcome you all to the Q3 FY2021 earnings conference call of Balaji Amines Limited. We have with us today, Mr. Ram Reddy, Promoter and Managing Director of Balaji Amines Limited. We request him for his opening remarks, post which we will open the floor for Q&A. Thank you and over to you Sir!

Ram Reddy: Thank you, Swarnabha. Ladies and gentlemen, a very good evening to all of you, and welcome to the conference call to discuss the financial performance of the Q3 and 9 months of financial year 2021 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 the stock exchanges and uploaded on our website.

Let me take you through the Q3 FY2021 standalone financials and operational performance. We recorded a 64% year-on-year growth in our total revenue from Rs. 224 Crores in Q3 FY2020 to Rs. 367 Crores in Q3 FY2021. We continue to witness increased demand across our product portfolio, as there is a sustained growth of Indian pharma industry on account of 'China Plus One' business strategy being adopted by western companies. This also led to better price realizations across majority of our products with the price of DMF especially registering a sharp uptick on account of reduced imports and supply-demand mismatch in domestic market. Our DMF plant witnessed a much improved capacity utilization of 45%. This increased capacity utilization is a major positive for the company, as historically DMF plant has been underutilized at about 20% due to dumping from China and Saudi Arabia.

Total volumes recorded growth of 34% at 28,353 MT in comparison with 21,160 MT in Q3 FY2020. For Q3 FY2021, values of Basic Amines stood 4,952 MT. Amines Derivatives volume stood at 10,812 MT and that of Specialty Chemicals stood at 12,589 MT.

EBITDA came in at Rs. 99 Crores in Q3 FY2021, up by 116% as compared to Rs. 46 Crores in the same period last year. EBITDA margin in the current quarter widened by 647-basis points to 26.9% from 20.4% in Q3 FY2020. The increase in EBITDA margin was primarily on account of improvement in operating leverage due to increase in volume uptake and better price realization.

Profit after tax witnessed a growth of 162% at Rs. 70 Crores in Q3 FY2021 and Rs. 27 Crores in the same quarter last year. PAT margin stood at 19.1%, vis-à-vis 11.9% in Q3 FY2020. Diluted EPS for Q3 FY2021 stood at Rs. 21.66 per equity share.

Now coming to our standalone performance for 9M FY2021; Revenue from operations for 9M FY2021 stood at Rs. 863 crores, up by 25% as compared to Rs.691 Crores in 9M FY2020. EBITDA witnessed a growth of 68% from Rs. 134 Crores in 9M FY2020 to Rs. 224 Crores in 9M FY2021. Our EBITDA margin expanded by 665 basis points to 26% from 19.4% in 9M FY2020; Profit after tax for 9M FY2021 witnessed a jump of 87% to Rs. 152 Crores from Rs. 81 Crores in 9M FY2020. Diluted EPS for 9M FY2021 stood at Rs. 47.06 per equity share.

Total volume stood at 69,809 MT for 9M FY2021, up by 11%, as against 62,686 MT in 9M FY2020. For 9M FY2021 volumes of Basic Amines stood at 14,199 MT, ,Amines Derivates volume stood at 29,005 MT and the Specialty Chemicals stood at 26,605 MT.

Our subsidiary, Balaji Speciality Chemicals Private Limited, which largely caters to end-user industry of agrochemicals had an improved sales run rate of about Rs. 12.50 Crores per month in Q3 FY2021. It is important to note that the prices of finished products as well as raw materials of the products of our subsidiary company have fallen. We are also exporting few of our products manufactured by our subsidiaries like EDA and DETA to China, which previously used to get dumped in India.

The prospectus of agrochemcials sector appears brightened on account of improved overall dynamics for agriculture sector in terms of highest water storage across the reservoir for last 5 years, leading to increased acreage under cultivation. This, along with the demand from China should bode well for improved performance for our subsidiary company in coming quarters. India currently imports 29,000 MT of EDA and 7,000 MT of PIP and around 3,000 tons of DETA per annum. We plan to address this opportunity by progressively grabbing share of import market in coming years.

All our capex plans are on track and expected to commence operations as per the decided timeline. The debottlenecking exercise for Acetonitrile plant is currently being undertaken and should get completed by end of March 2021. Post this exercise, the production of Acetonitrile is expected to ramp up to 18 tons to 20 tons per day from 9 MT per day. Despite new capacities of Acetonitrile coming up in industry, we anticipate the prices to remain elevated as many end user clients may now prefer for sourcing Acetonitrile, which is manufactured via direct route due to its superior quality and forgo sourcing Acetonitrile which is derived as a byproduct.
Also, we are undertaking research and development, which will enable us to further purify the quality as well as markedly lower the cost of manufacturing Acetonitrile.

We have completed capex of about Rs. 128 Crores in our 90-acre Greenfield projects out of the total capex of Rs. 150 Crores and expect to commission the production of Ethylamine by end of

FY 2021. The shortfall of supply in Ethylamines in India is likely to increase to 15,000 tons per annum by FY2023 from 9,000 tons per annum currently.

Methylamine is a key raw material and the base product for value-added derivatives required by pharmaceuticals and other agrochemical companies. We are currently the market leader in Methylamine production in India and 80% of our Methylamine production is captively used for manufacturing value-added products. Pharmaceutical application segment and agrochemicals are expected to drive significant demand for Methylamines in India as well as global markets. As announced earlier, to meet our increasing captive requirements, we plan to set up a separate plant for Methylamine with capacity of 40,000-50,000 MT per annum under Phase 2 expansion of Greenfield project (Unit IV) for which the company has already received environmental clearances. We anticipate the commissioning of this plant by end of November 2021.

We also plan to set up a separate plant for DMF with capacity of 30,000 MT per annum at Unit IV (i.e. Greenfield project. The demand for DMF in India is witnessing a growth in the range of 7% to 10% per annum. We are currently preparing detailed project report, post which we will decide on the timelines and determine the funding routes for the capex required.

That is all from our side. We now leave the floor open for question and answers.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is in the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Thanks for the opportunity and congratulations on great set of numbers. The first question is in terms of the raw material availability. Could you just throw some color, how was it in Q3 and how is it panning out in Q4, on both pricing as well as availability, given that there is container shortage as well as the credit rates have increased.

Ram Reddy: The container shortages will not impact our raw material availability because we do not import anything in the container. Most of the raw materials is imported via bulk shipping, where there is no problem. However the exports have been affected not only for Balaji, but everybody in the country and all over the world. As per our analysis at the end of March, the situation may improve.. There has been increase in the methanol price, as we cannot source from Iran since 1 to 2 years due to sanctions imposed on the country We expect the situation may improve that with the new leadership in America, whereby Indian companies may be allowed to import the methanol from Iran. Not only Balaji Amines, the whole chemical, pharma and agrochemicals sector will benefit.. So may be from March onwards, there is a possibility of improvement in logistics and we are also expecting that the prices at international level will come down.

Rohit Nagraj: Right. Sir, I understand the prices of our products have been quite vibrant in Q3 and the same is true for probably even the month of January as well. So, you just commented that probably the prices will start normalizing sometimes from April or March onwards. So, what is our expectation, will it have an impact on the margins and if so, what are the sustainable operating margins that we are looking at from FY2022-FY2023 perspective?

Ram Reddy: The sustainable EBITDA margin should be 20% to 22%. If prices come down, margins may come down a little. But in our case, the additional capacities will come by the time of March and April, which will compensate the fall in our margins..

Rohit Nagraj: Thanks a lot and best of luck, I will come back in the queue.

Moderator: Thank you. The next question is from the line of Kishan Gupta from CD Equisearch. Please go ahead.

Kishan Gupta: Good evening. I wanted to understand how would you explain this increase in margins this time to 26.5% from 25% in Q2?

Ram Reddy: In this quarter product mix witnessed much improvement. We have 15-20 products. And we have been operating at 90%-94%.. And additionally, higher capacity utilization at our DMF plant enabled us to get better margins.

Kishan Gupta: And how much of that is sustainable, do you think?

Ram Reddy: EBITDA margins between 20% to 22% looks sustainable.

Kishan Gupta: How much is your export scalable from here on?

Ram Reddy: The limited availability containers has created many logistical bottlenecks. If this situation improves from March onwards, definitely there is a possibility of improvement in exports. Even today we have lot of pending orders and they are still piling up. We are just checking and awaiting availability of the shipping lines.

Kishan Gupta: Even if that improves from March or from April, how much of total revenues will come from exports over a couple of years?

Ram Reddy: We have been targeting to increase the share of our exports in total revenue to 30%, but we are unable to achieve the same for one or the other reason. Exports will constitute about 17% to 20% of our total sales this year and gradually in one or two years we will try to increase the share of exports to 30% of the total revenue..

Kishan Gupta: Thanks a lot Sir.

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

Jatin Damania: Good afternoon Sir, and thank you for the opportunity, congratulations on the very good set of numbers. Sir just wanted to understand the ramp-up in our Acetonitrile. Last quarter, you were operating at 8 to 10 tons per day (TPD). What is the ramp-up and how do we see before our new capacity coming in?

Ram Reddy: We are manufacturing about 8-10 tons presently. We are undertaking the debottlenecking, which we are expecting to complete by the next month. Once the debottlenecking is complete, our manufacturing capacity will go up to 18 to 20 tons per day (TPD)

Jatin Damania: On the CFL, last quarter, we had booked loss of Rs. 8 Crores worth of inventory. So, have we been booked the entire loss in this quarter?

Ram Reddy: The balance inventory of Rs.6 Crores or Rs. 7 Crores from last quarter has now been completed sold on scrap basis. The shed has been given on rent, we are getting Rs. 9 lakhs per month which is going directly to the bottomline. The land parcel of 12-13 acres land is getting merged as part of the nearby village. Thus the land cost have gone up to Rs. 25 to Rs. 30 Crores, which we will sell in the near future and will directly go into the bottomline.

Jatin Damania: So, there is a possibility of selling our land as well in near future.

Ram Reddy: Yes definitely.

Jatin Damania: Can you help us in terms of the methanol and the DMF prices in the last quarter?

Ram Reddy: Last quarter methanol prices were at Rs.26 to Rs. 28 per kg and DMF's prices were ruling in the range of Rs. 80 - Rs.100 per kg. Presently methanol prices have gone up to Rs. 29 to Rs. 30 per kg, and the DMF prices also have gone to Rs 110 - Rs. 120 per kg.

Jatin Damania: Okay Sir I will come back in the queue again. Thank you.

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

Amandeep Singh: Thanks for the opportunity. Sir firstly regarding the standalone volume growth of 34% Y-o-Y during the quarter, so can you help us understand the key products contributing to higher volumes. And is this COVID led demand or you are witnessing more sustainable order inflows? What with your volume outlook over the next 2 to 3 years?

Ram Reddy: We have an integrated plant. So sometimes, we sell methylamine directly. Sometimes we sell the derivatives more by using the methylamines captively. This makes the difference. The impact on margins is more but sometimes there is impact on volumes as well. In this particular quarter, as I said in my opening remarks, the DMF has helped a lot. Earlier our capacity utilization of DMF plant used to only about 20-25%. This quarter, capacity utilization of DMF plant was more than

45% and if the market dynamics remain the same, we may ramp up our capacity utilization to further 50% to 60% in the coming quarters.

Amandeep Singh: Sir, secondly, with regards to Acetonitrile. So, can you help us understand the average realization during the quarter?

Ram Reddy: Average realization was between Rs. 280 to 285 per kg.

Amandeep Singh: Sure, and Sir, in the opening remarks, you highlighted that despite the debottlenecking, you still expect the prices to remain elevated. However, even your competitor is setting up a new plant, which is expected to be operational over the next 2 to 3 quarters. Will it be possible to give some outlook on Acetonitrile prices post the commencement of the upcoming capacities?

Ram Reddy: Yes, we have our own idea which we will probably share with you by next quarter.. We are also doing extensive R&D whereby, which will enable us to manufacture very low-cost Acetonitrile. It is likely to be accomplished by next year. We are also looking at the expansion, which we are not in a position to declare right now.

Amandeep Singh: That was very helpful and Sir, lastly, if I could ask, your capex plans over the next 1 or 2 years given your upcoming capacities across Ethylamine, DMC, Methylamine and DMF. So, will it be possible to quantify the capex?

Ram Reddy: The production of Ethylamine in Greenfield Project will commence by next month. That plant has capacity to manufacture 50 tons of Ethylamine per day. And then maybe after 2 to 3 quarters, the plant of Dimethyl Carbonate (DMC) will commence manufacturing. Originally, we were talking of only about 10,000 tons of DMC, but while working we believe the capacity may go up to 12,000 to 13,000 tons per annum. By November 2021, we may commence the manufacturing of 40,000 to 50,000 MT capacity of Methylamines at our new plant in phase-2 of Greenfield Project. As for DMF, may be in the next quarter we will declare the exact figures and timelines.

Amandeep Singh: Sure, Sir and what would be the capex amount?

Ram Reddy: For this year we have earmarked Rs. 150 Crores for Ethylamine, of which we have already spent Rs. 126 Crores. Rs. 75 Crores is earmarked for the DMC plant and the new Methylamine plant may require capex of between Rs. 200 Crores to Rs. 300 Crores. And the new DMF plant which may come by mid of next year, will require capex of another Rs. 250 Crores. But overall by the current run rate, we expect more than 70% to 80% of the capex to be met from our internal accruals.

Amandeep Singh: Sure, Sir. That is helpful. Thank you Sir

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

Kunal Mehta: Thank you very much for the opportunity and congratulations for a very good result. Sir, this is the first quarter wherein Balaji Speciality has broken even at the PAT level and we have actually reported profit of Rs. 7.5 Crores in this quarter on a turnover of Rs. 58 Crores. Sir, I just wanted to understand, from a Balaji Speciality perspective, how do we see the production going up in the coming quarters and at what time point can you achieve more than 50% capacity utilization

Ram Reddy: we are currently operating at more than 40%-50%. We are expecting at least 10% growth in every quarter. Maybe by mid of next year, our capacity utilization should be more than 80% to 90%. Currently we have huge demand for products manufactured by Balaji Specialty from the outside countries. We have even exported these products to China last month as well as the current month.

Kunal Mehta: Got it, Sir. So at least based on the order book that we have right now, you are confident of increasing capacity utilization to 70% - 80% gradually over the next 3 to 4 quarters gradually. Is that correct understanding?

Ram Reddy: By mid of next year we expect capacity utilization of Balaji Speciality to be more than 80% to 90% and even expect the prices to maintain uptrend till coming May- June.. We have witnessed a lot of demand from outside the country. Also almost 70% imports of these products into India has come to standstill. So, with domestic demand and exports, we anticipate robust sales for the coming quarters from Balaji Speciality. Because of the developments that we have seen over last 2 to 3 months and even current month too, demand from China has been for 500 tons per month. But we are not in a position to export, because we have domestic commitments. So if the situation persists like this, definitely it is a positive for Balaji Speciality.

Kunal Mehta: Got it and this is very helpful and supply of MEA (Monoethanolamine) is not a problem, right?

Ram Reddy: There was some short supply but we are managing it. So that whatever is possible we will do to get the same.

Kunal Mehta: Understood. That is very helpful and Sir, my second question is on the volume side. So I was just looking at the standalone volume numbers, which you report every quarter. So, this is the highest quarterly volume in the history of the company We had done 28,350 tons of volume, in which the share of the Speciality products in the same has gone up by roughly by around 4,500 tons. So, based on the commentaries which you have given, you have sold more volumes of Acetonitrile and DMF as compared to this quarter last year. So apart from these products, are there any other products where we have increased our volumes on the Speciality side Sir?

Ram Reddy: The production of DMAC (Dimethylacetamide) has improved. Previously we used to run plant for manufacturing DMAC for around 15 to 20 days per month and now it is almost running for 25 to 27 days every month.

Kunal Mehta: Sir are other products too, I mean morpholine and NMP?

Ram Reddy: There is no change in those products, because we already used to have capacity utilization of 80% to 85%.

Kunal Mehta: Okay, I was asking for NMP since being the pharma intermediate, has the demand has not shot up, Sir?

Ram Reddy: NMP plants are running normally and as I said in my opening remarks, most of the plants are running at 80-90% capacity utilization.

Kunal Mehta: Can you give us the gross margin and the EBITDA margin of our subsidiary Balaji Speciality for this quarter?

Ram Reddy: For the current quarter, we achieved 34.1% EBITDA margin for the EDA manufactured at the Balaji Speciality Chemicals. And if you take average for the total 9 months, our EBITDA margin for the Balaji Speciality Chemicals comes down to 23.9% in spite of the losses we incurred in first one or two quarters. So, we are getting a very positive response for our products from Balaji Speciality. We expect, if this growth continuously, it may even look better than Balaji Amines.

Moderator: Thank you. The next question is from the line of Sachin Kasera from Svan Investments. Please go ahead.

Sachin Kasera: Good afternoon Sir and Congrats for a good set of numbers. The first question on this volume, this 28,350 tons that we have done in this quarter - is this the peak that we can do from the current capacity?

Ram Reddy: We have further capacity in the DMF, as currently in this quarter we achieved capacity utilization of 45%. There is still room in the DMF, where capacity utilization can go up to 80-85%..

Sachin Kasera: If the demand is strong, we can even do 30,000 tons from existing capacity?

Ram Reddy: Yes.

Sachin Kasera: That is very good news Sir, and next year from the new capacity, can we at least look at incremental 15,000 to 20,000 tons, because all our 3-4 projects are starting next year?

Ram Reddy: Yes. I would say incremental volume of 10,000 to 15,000 tons can definitely be achieved. If the demand for DMF goes up, then we may even achieve incremental volume growth of 20,000 tons next year.

Sachin Kasera: Will the next ramp up from 9,000 tons to 18,000 tons will be done gradually or will it be done fast, as it would be second ramp up?

Ram Reddy: We will see after this debottlenecking exercise.

Sachin Kasera: Finally, again on Acetonitrile we have a capacity of around 9,000 tons?

Ram Reddy: We currently manufacture 8 to 10 tons of Acetonitrile per day. Once we do the debottlenecking, based on calculations, the production should go to 18 to 20 tons per day.

Sachin Kasera: That I understand, my question is for this, will the ramp-up be much faster this time? Last time, it took us a lot of time to ramp up to 8 to 10 tons per day

Ram Reddy: This month, we did de-bottlenecking exercise for 7 days. We cannot completely shutdown for debottlenecking because of robust market demand. So, will be undertaking the ramping up exercise in three phases. We cannot afford to close the plant for more than 30 days. So, we have already completed one phase. Second phase commence within few days.

Sachin Kasera: Great and Sir, just last question on the Speciality subsidiary. In the past, we have indicated that once the performance of the subsidiary company stabilizes, the board may look and evaluate a possible merger. This is the first quarter, where we have seen good turnaround. So, if this performance continues for next 1 to 2 quarters, will we look favorably in terms of a merging the subsidiary?

Ram Reddy: Definitely.

Sachin Kasera: That is very good news Sir.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir just a small question. What would be the DMF volume for FY2021, considering that we operated at 25% capacity utilization for the first half? We have operated at about 45% capacity utilization in Q3 and whatever you do for the Q4. And since you are adding another 30,000 tons capacity for DMF, is it safe to assume that there is visibility of full capacity utilization of the existing 30,000 tons capacity of DMF?

Ram Reddy: Our current capacity is 30,000 tons per day. So for every quarter it comes to 7,500 tons capacity Of that, capacity utilization in Q3 was at 45%. So add that with whatever we would achieve in the last quarter. We will be first adding Methylamine capacity of 40,000 to 50,000 tons, which is the raw material for the DMF. Post that, we will add DMF capacity of 30,000 tons. Our new Methylamines capacity will come by November 2021, but that time the existing capacity utilization of DMF plant would have reached 60% to 70%.

Pritesh Chheda: So you would need extra amines for DMF, which will come from your new Methylamine capacity?

Ram Reddy: Yes, maybe to reach to achieve 90%-95% capacity utilization for our existing DMF plant, we may require additional 10,000 to 20,000 tons of Methylamines, which will come from our new plant.

Pritesh Chheda: Okay. So, it is fair to assume that next year, let us say, without the new capacity of methylamine, at least you would achieve 70% capacity utilization for our existing DMF plant?

Ram Reddy: Yes.

Pritesh Chheda: To which, we have to add the Acetonitrile volume because we are adding capacity there, and we have to add the Ethylamine capacity, which is coming at the end of Q4FY21 to get the incremental volume number for FY22?

Ram Reddy: Yes, you are right., Next month the manufacturing of Ethylamines at Greenfield Project will commence

Pritesh Chheda: In Q4 you have witnessed price rise in ammonia and methanol. So, based on the price rise and the corresponding price rise which we see in the finished products, what would be the impact at Gross Profit level on a Q-o-Q basis?

Ram Reddy: The Gross Profit is at the same level because we were in a position to pass on prices to the customers in only 2 weeks' time, which has happened in this quarter also. So Gross Profit is intact and with the shortage situation, it is easy to pass on rise in prices of raw material. Otherwise, in normal course, it would have taken months' time. So passing on any price increase to the customers, if there is a surplus capacity, is a little difficult. But when have a situation like this, where there is short supply of every product, the customer will not take much time to accept the price increases, which has happened in this current scenario also.

Pritesh Chheda: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Karthikeyan from Suyash Advisors. Please go ahead.

Karthikeyan: Good afternoon Mr. Ram. Sir just one question given the nature of your business, can you talk about your internal initiatives to improve cost competitiveness and some thoughts on where you are today in terms of rankings on cost., If you have some assessment of that and what are you doing to improve your overall standing in the market?

Ram Reddy: Our R&D team is continuously working on the improving the processes, improving the consumption efficiencies and reduce the power consumption. In some cases, we have replaced entire motor for cost savings.. So, such developments are continuously happening. This is a never-ending process for an improvement to be cost efficient and cost effective We are known for that.

Karthikeyan: Right. So when you export to China, for example, EDA and DETA, what are the local prices and how are you able to compete there?

Ram Reddy: We are not getting good prices in domestic market because Indian companies are habituated in getting lower prices. It becomes difficult for them to immediately accept the price increase. Outside India, we are getting very good price. Today my export price is much better than the domestic price. I am getting Rs. 150 per kg for the EDA, while we are struggling to get for Rs. 130 per kg in India. My worry is, I do not know how long this will last. Because most of the time, as per out past experience, China can take U-turn in a month or in a quarter. But this time, this price rise has happened continuously for 2 quarters So there is no U-turn probably because this growth is for additional requirement in China. May be till they get their new capacities of EDA in their country, we may enjoy slight distinction.

Karthikeyan: Right, sure thanks and best wishes Sir.

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

Swarnabha Mukherjee: Thank you for the opportunity Ram. Sir, my first question is on the subsidiary. So just wanted to understand what has transpired in terms of the feedstock prices and finished goods prices? What has resulted in this higher gross margin, if you could throw some light on that?

Ram Reddy: There is an increase in the raw material prices, but the increase in the finished products is a little higher than the raw material prices.

Swarnabha Mukherjee: Yes. Sir, so is this price rise uniform for both domestic and export market? Or like you said for exports, price realizations are better?

Ram Reddy: We have better realization for the exports as I answered earlier.

Swarnabha Mukherjee: Okay and any views on whether this will sustain at least from the next quarter?

Ram Reddy: We hope it continues, but we cannot say how it will go. But definitely, for the coming 2 quarters means, if we are not able to achieve EBITDA margins of 24%, it should be somewhere sustainable at 20% to 22%..

Swarnabha Mukherjee: So that continues to be your guidance for the subsidiary company also?

Ram Reddy: Yes.

Swarnabha Mukherjee: Sir, in our upcoming Ethylamine capacity, what proportion would be used for captive requirements?

Ram Reddy: We are not using anything for captive requirements. We will be selling entire thing in the market.

Swarnabha Mukherjee: Okay all right and Sir, if you could give me the number for the debt in the subsidiary at the end of the Q3?

Ram Reddy: We have taken term loan of 170 crore, which has now come down to Rs. 118 Crores. and Rs. 13 Crores is for working capital.

Swarnabha Mukherjee: Our employee expenditure was at Rs. 19 Crores in this quarter. So, is this going to be the expected run rate or are there any one-offs here?

Ram Reddy: Sometimes because of retirements or some benefits the employee cost may increase. Probably it will continue at the same run rate. And secondly, because of the way we are increasing the capacity and adding new client, definitely new staff will come for training. So, the salary expenses start before the commencement of the production, because employees are already there onboard for the training. This will happen at the Greenfield Projects. We have already team ready to fix stock in the next month. So those people are already taking the salary for the last two to three months.

Swarnabha Mukherjee: Okay. So, it would be fair to assume that this could be the run rate for the next few quarters?

Ram Reddy: Definitely.

Swarnabha Mukherjee: That is all from my side Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Ashwin Reddy from Samatva Investments. Please go ahead.

Ashwin Reddy: Thank you for the opportunity and congratulations to the team for a fantastic set of numbers. Can you say about what has been the key difficulty when you plan to expand your export revenue and what is the key step which has been taken in the last 1 to 2 years for increasing your export sales?

Ram Reddy: Today the main issue is the logistics. Earlier we used to face the problem of the pricing competition from China. And today's situation is that China is not much competitive. And even if it is competitive, some companies are interested to diversify and they are looking at India. So we have that opportunity. But there has been huge jump in the logistic costs. For example, we for transporting we used to pay USD 800 per container to Europe. Today, we are paying more than USD 2500 to USD 3,000. This is the current situation. Until otherwise this improves, the exports will remain at the same levels. Even though we have the price advantage, low-cost manufacturing, and advances in technologies, these logistics issues are eating away our opportunities.

Ashwin Reddy: Sir in case the logistics scenario normalizes, is it fair to assume that export will pick up?

Ram Reddy: Definitely. Some there has been congestion at some of the ports for months. Today ports at Australia and U.K. are also congested.

Ashwin Reddy: Secondly, by end of FY2022, what would be our debt at a consolidated level?

Ram Reddy: Presently, we have debt of Rs. 118 Crores., We are repaying debt at the run rate of Rs. 2.28 Crores per month. So, based on that you can calculate. So, debt will definitely come down in the next 12 months, by about Rs. 27.3 Crores.

Ashwin Reddy: Thank you and good luck.

Moderator: Thank you. The next question is from the line of Amay Bore from AlfAccurate. Please go ahead.

Amay Bore: On the Speciality part of the business, you have seen a sharp volume increase. Our NMP and NEP plant, I believe we are broadly operating at full capacity utilization level. Morpholine is also operating at full capacity utilization. So, what has basically driven this kind of volume in Speciality?

Ram Reddy: The price of DMF coming from outside countries is improved. We used to have capacity utilization at below 20% -25% level. Today, we are having capacity utilization at 45%. That is almost 20% improvement in one single product.

Amay Bore: Sir, basically, DMF is basically driving the Speciality volumes?

Ram Reddy: Yes.

Amay Bore: Thank you Sir.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the management for closing comments.

Ram Reddy: Thank you very much. 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 Speciality derivatives of existing products. We are continuously striving to better our product portfolio to compete effectively and efficiently in end markets. In FY2022, we expect the market to increase in revenue from the subsidiary company. We are very focused on next level of growth and upscale at Balaji Amines over the next 3, 4 years. Specifically, at Balaji Speciality Chemicals we are working more aggressively, and we are fully confident that if this performance stays true for the coming 2 quarters, we should see great progress at Balaji Speciality Chemicals Private Limited. In the current quarter we have witnessed a lot of positive news from the market for our products manufactured at Balaji Speciality

Chemicals. Thank you once again, to all our well-wishers and investors for keeping the confidence in the company and being with us. Thank you very much once again.

Moderator: Thank you. On behalf of Edelweiss Wealth Research that concludes this conference. Thank you for joining us. You may now disconnect your lines.