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Balaji

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AMINES LIMITED
... A Speciality Chemical Company

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

15th November, 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,

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

With reference to the above cited subject, please find enclosed the transcript of the Conference Call held on Thursday, 28th October, 2021.

Thanking you,

Yours Faithfully
For Balaji Amines Limited

D. Ram Reddy
Managing Director
DIN: 00003864
Encl: a/a

BALAJI AMINES LIMITED

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"Balaji Amines Limited
Q2 FY2022 Earnings Conference Call"

October 28, 2021

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ANALYST: **MR. ANSHUL VERDIA - EDELWEISS WEALTH RESEARCH**

MANAGEMENT: **MR. RAM REDDY – MANAGING DIRECTOR - BALAJI AMINES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Balaji Amines Limited Q2 FY2022 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 date of this call. These statements are not the guarantees of future performance and involve risk 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, 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. Anshul Verdia from Edelweiss Wealth Research. Thank you and over to you!

Anshul Verdia: Thank you. Good afternoon on behalf of Edelweiss Wealth Research, I welcome you all to the Q2 FY2022 Earnings Call of Balaji Amines Limited. We have with us today Mr. Ram Reddy, the Promoter and the Managing Director of Balaji Amines Limited. We request him for his opening remarks post that we will open the floor for Q&A. Thank you and over to you Sir!

Ram Reddy: Thank you Anshul. Very good evening to all of you and welcome to the conference call to discuss the financial performance of the Q2 FY2022 and performance of the company Balaji Amines Limited. I hope you got the chance to go through the press release and the financial statements submitted to the stock exchanges and uploaded on our website.

First kindly let me take you through this standalone financial and operational performance.

Despite multiple headwinds in form of decline in demand for certain products from pharma sector on account of unavailability of Chinese API KSM due to turbulence in logistics industry and significant spike in key raw material prices, we have been able to deliver a decent quarterly performance.

We recorded 55% growth in total revenue which stood at Rs.439 Crores in Q2 FY2022 as against Rs.283 Crores in the corresponding quarter of previous year. The growth in revenue was on account of higher volumes driven by the commissioning of additional Ethylamines capacity of 16,500 MT in last quarter, improved capacity utilization and overall healthy demand across our product basket.

EBITDA was up by 41% which came in at Rs.102 Crores in Q2 FY2022 as compared to Rs.72 Crores in the same period last year with EBITDA margins at 23.2% in Q2 FY2022 as compared to 25.5% in the same period last year. The margins remained subdued to significant increase in prices of key raw materials, which are now being passed on to end customers after a lag of 3 to 4 weeks.

Profit after tax recorded an increase of 46% at Rs.70 Crores in the current quarter under review as against Rs.48 Crores in Q2 FY2021. PAT margin stood at 15.8% in Q2 FY2022 as against to 16.8% in Q2 FY2021. Diluted EPF for Q2 FY2022 stood at Rs.21.48 per equity share as compared to Rs.14.71 per equity share in Q2 FY2021.

Total volumes stood at 23,604 metric ton for Q2 FY2022 up by 2% as against 23,151 MT in Q2 FY2021. For Q2 FY2022 volumes of basic amines stood at 5,861 MT, amines derivatives volumes stood at 8,261 MT and that of specialty chemicals stood at 9,482 metric ton.

Now coming to our standalone performance for H1 FY2022. Revenue from operation in H1 FY2022 stood at Rs.834 Crores up by 68% as compared to Rs.496 Crores in H1 FY2021. EBITDA witnessed a growth of 74% from 126 Crores in H1 FY2021 to Rs.219 Crores in H1 FY2022. Our EBITDA margin expanded by 94 basis points to 26.3% from 25.3% in H1 FY2021. PAT for H1 FY2022 witnessed a jump of 84% to Rs.151 Crores from Rs.82 Crores in H1 FY2021. Diluted EPS for H1 FY2022 stood at Rs.46.73 per equity shares as compared to Rs. 25.41 per equity share in H1 FY2021.

The total volumes stood at 45,600 metric ton for H1 FY2022 as against 41,456 metric ton in H1 FY2021. For H1 FY2022 volumes of basic amines stood at 11,252 metric tons. Amines derivative volumes stood at 17,848 metric ton and that of specialty chemicals stood at 16,498 metric tons.

Now coming to your consolidated performance.

Revenue from operations for Q2 FY2022 stood at Rs.529 Crores up by 87% as compared to Rs.283 Crores in Q2 FY2021. Total volumes stood at 28,361 metric ton for Q2 FY2022 as against 25,499 metric tons in Q2 FY2021.

EBITDA for Q2 FY2022 recorded a jump of 80% from Rs.74 Crores in Q2 FY2021 to Rs.134 Crores in Q2 FY2022. EBITDA margin for Q2 FY2022 was at 25.4% as against 26.3% in Q2 FY2021. PAT for Q2 FY2022 was up by 99% from Rs.44 Crores in Q2 FY2021 to Rs.88 Crores in Q2 FY2022. Diluted EPS for Q2 FY2022 stood at Rs.24.91 as against Rs.14.12 per equity share in Q2 FY2021.

Revenue from operations for H1 FY2022 stood at Rs.981 Crores up by 93% as compared to Rs.507 Crores in H1 FY2021. EBITDA for H1 FY2022 was up by 116% at Rs.279 Crores as compared to 129 Crores in H1 FY2021. EBITDA margin for H1 FY2022 was at 28.4% up by 300 basis point as compared to 25,4% in H1 FY2021. PAT for H1 FY2022 witnessed an increase of 145% to Rs.185 Crores from Rs.76 Crores in H1 FY2021. Diluted EPS for H1 FY2022 stood at Rs.52.51 as against Rs.24.30 per equity share in H1 FY2021.

Our subsidiary company, Balaji Specialty Chemicals Private Limited continued to witness substantial demand as well as robust price realization. We logged sales volume of 4,757 metric ton in Q2 FY2022 at our subsidiary plant as against 2,348 metric ton in same quarter last year. We have recorded the capacity utilization of about 67% in Q2 FY2022 as against 42% in Q1 FY2022.

Accessibility for raw materials required for manufacturing products of the subsidiary plant continues to remain a major challenge. If the accessibility of raw materials improves, we anticipate to quickly ramp up the production in subsequent quarters with strong underlying demand from end customers.

Non-agrochemical clients constituted about 25% to 30% of total sales of Ethylenediamine in H1 FY2022 from about 10% in earlier quarters.

Our endeavor is to increase the share of exports from our subsidiary plant to about 25% to 30% going forward from about 15% in H1 FY2022. Here, I would also like to point out, that the board of directors has provided the necessary authorization to identify and appoint various consultants to evaluate valuation and scheme of amalgamation of the subsidiary company with the parent entity.

With commencement of operations at our state of art new plant of Ethylamines, we now have the largest installed capacity of Ethylamines in India at 22,500 tons per annum. The new plant of Ethylamines at Unit IV has also led to lower cost of production due to new technology. With the commencement of this plant Balaji Amines is the largest of manufactures of Methylamines, Ethylamines and other chemicals in India.

The construction of new plant for Dimethyl Carbonate (DMC) in phase 1 of Greenfield project (Unit IV) is undergoing as envisaged and we hope to commence production of DMC by the end of FY2022. Till September 30, 2021 we have undertaken a total capex of Rs.220 Crores in phase 1 of our Greenfield project and a further Rs.30 Crores would be invested. As disclosed in last quarter we also plan to set up an additional plant at capacity of 50 TPD by using a different technology with projected capex of about Rs.70 to 80 Crores at our 90-acres Greenfield project (Unit IV). This plant is expected to commence operations in FY2023.

Methylamines is a key raw material and base product for value added derivatives required by pharmaceuticals and agrochemicals companies. We are currently the market leaders in Methylamines production in India and 80% of our Methylamine production is captively used for manufacturing value added products. Pharmaceutical application segment and agrochemical are expected to drive significant demand for Methylamines in India as well as global markets.

As announced earlier to meet our increasing captive requirements we plan to set up a separate plant for Methylamines with capacity of 40,000 to 50,000 tons per annum under phase 2 expansion of Greenfield project (Unit IV) for which the company has already received environmental clearances. We anticipate the commissioning of this plant at the end of coming two years.

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

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

Rohit Nagraj: Yeah. Good afternoon and thanks you for the opportunity. Sir the first question is in terms of raw materials sourcing, so we have seen the price increases as well as availability as an issue; how are we looking at it from the current quarter and next quarter prespective for methanol, ethanol as well as for ammonia. Thank you.

Ram Reddy: Thank you Nagraj. For Ethylamine there is no problem. For the ethanol we are covered for the next three, four months. I think there should not be any problem with the ethanol as it is imported from USA and even domestic also sugar season is expected to do very good. Methanol yes there was a problem, but I think last one week it has started softening. If this continues probably in coming two, three weeks the prices should come down to below Rs.40 levels per kg, it should come down to Rs.36, 37 per kg. And because it took lot of time we already started passing on this increases. So there should be any problem, the coming quarter should be much better.

Rohit Nagraj: So from both the perspective from the availability as well as pricing perspective is that fair assumption?

Ram Reddy: Yes availability there is no problem in any this thing. If you pay the price you are getting. Only one raw material they are facing problem that is for our subsidiary. I think we expect that will ease out from November onwards. Otherwise, there is no problem. Price is already increased. There is no problem. Everybody is increasing. All over the world you are going to travel with the world, so there is no problem. Only thing is availability, so only one raw material - we expect that, it should go ease out from November onwards.

Rohit Nagraj: Right Sir, thank you. The second question is about is about Aliphatic Amines and derivatives which are being used as solvent. Are these solvent substitutable by any other solvents if the price increases or these solvent have a sticky demand and cannot be substituted? Thank you.

Ram Reddy: Aliphatic Amines, don't come under solvents. most of them are used as intermediate and raw materials for many of the products. Yes, there are few solvents which are used by using the Aliphatic Amines, like DMF, DMAC.. Every solvent has got its different characteristics. One cannot replace the other. Like DMF if you take the last three, four years we have see every year in India itself there is 10,000 tons growth every year. Three years back we have 67,3000 tons. This year we have seen more than 95.000 to 100,000 tons. So every individual solvent has got its different importance and different catalyst.

Rohit Nagraj: Sure Sir. That is it from my side. Thank you so much and best of luck.

Moderator: The next question is from Tanvi Bhandari from Hern Securities. Please go ahead.

Tanvi Bhandari: Sir actually I just got disconnected in between. So just repeat about the raw material shortage that you were facing that was basically on account of methanol and ammonia.

Ram Reddy: No methanol, ammonia there is no shortage only prices have gone up. Now it has started softening. Ammonia price is still at upper range only. Methanol I have seen last week it is softening. I expect at least personally that in next three, four weeks it should soften and come down to the levels of Rs.35 to Rs.40 per kg.

Tanvi Bhandari: Now there is no supply disruption?

Ram Reddy: No. Only price was the problem and which we are in a position to pass on over a period of time and shortage is for only one product which I said is used by our subsidiary, the product name is monoethanolamine which is manufactured by using the ethylene oxide. I heard that ethylene oxide is in short supply all over world, so that could be the main reason that monoethanolamine is in short supply and we except that from November onwards it should ease out.

Tanvi Bhandari: Sir just one more thing. Do we expect better margins going forward because now we are able to pass on the prices and also see softening in demand? So what is the margin guidance and revenue guidance for the coming year?

Ram Reddy: Tanvi, we wish and we dream that we should be in a position to get more and more margin but with the current situation and the volatility, we can only assume and we can only expect, we cannot guarantee what will happen in the coming weeks and coming quarters - because of the volatility in the market, but with the way things are going presently it should be better.

Moderator: Thank you. The next question is from the line Nilesh Ghuge from HDFC Securities. Please proceed with your question.

Nilesh Ghuge: Sir my question on the DMF. DMF plant capacity is 30,000 metric ton per annum. Is my understanding correct?

Ram Reddy: Yes. What has happened? Because we were not getting the proper prices and we were fighting against the dumping from the other countries. About three, four years back there was some breakdown of one line, so we did not rectify because it was not giving any significant topline or bottomline and it went down to below 50, 55 tons. So, the moment it has started improving we have gone to that whatever maximum extent 50, 55 tons. Now with the last month because some incident we have taken the shut down, with that shut down we are adding that equipment one by one. With this current equipment probably from the first week of November that is may be 7th of 10th we are taking the target. We will be restarting the plant with a higher capacity. Instead of 50 tons per day it may go to 70 to 75 tons per day.

Nilesh Ghuge: That is what the confusion.

Ram Reddy: Naturally even I told you in the last concall also. There was oxygen shortage. People used to ask why oxygen shortage. We were having oxygen plant, but when the price was not good. That time there was a breakdown for the oxygen plant, so we could not rectify that and when the prices have improved then we started installing all the new things, one by one, one by one. Now it looks very lucrative and attractive that is the reason we are doing, probably this is 75 tons I am telling you. In the coming one or two months we will see the 100 tons also in this plant.

Nilesh Ghuge: Sir my second question is on Acetonitrile. So how the prices are and the margins are currently in third quarter of this financial year?

Ram Reddy: Actually, Acetonitrile is not doing well. I do not what others are doing. We used to talk about the margins and prices when the price of the main raw material acetic acid was at Rs.35 to Rs.40 per kg. This acetic acid went up to Rs.120 per kg in the last quarter. Of course, today it has come down to Rs.90 level per kg. That is the reasonnow there is a very thin margin. Sometimes people operating on losses also for this Acetonitrile. Probably we have to wait for the acetic acid to come down to the normal level. If is not to Rs.40, Rs.50 per kg, it should come down to somewhere Rs.60, Rs.65 per kg - then we will have the reasonable workable margin.

Nilesh Ghuge: Okay is the prices of Acetonitrile are around Rs. 250, 260 per kg?

Ram Reddy: People are asking for Rs. 260, 270 per kg and the raw material cost itself is coming to Rs.250 per kg. That is how it is happening presently.

Nilesh Ghuge: Sir in the current scenario, let us say not much improvement in the margins, but still we are going ahead with the expansion. Is my understanding correct?

Ram Reddy: That will have a different technology. Convertibility and other things will be much better than the current situation. Earlier we have seen huge margins in the Acetonitrile that is the reason everybody is surprised why, what, how. So I am not talking about the huge margin. My next plant of Acetonitrile which is I am talking about 50 tons per day will be normal like other products with the new technology - irrespective of any raw material prices and all those things. All these exercises we have done Mr. Nilesh. Let us see. Once we start then you will understand. Even cost of the plant also is comparatively low - we have designed very compact design, so if you happen to visit next year, you can see the plant, how we will do and at that time we will have all these details in hand.

Nilesh Ghuge: Sir when you are saying technology the new route of Acetonitrile manufacturing, the technology I believe it is indigenously developed or you have taken license from outsider.

Ram Reddy: We are taking from somebody.

Nilesh Ghuge: And the raw material. And what about the raw material is domestically available or you have to source it?

Ram Reddy: Domestically available.

Nilesh Ghuge: Thanks Sir. We would like to visit and see the plant.

Ram Reddy: You are welcome

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

Anshul Verdia: Thank you. Couple of questions on EBITDA per ton. So if you see in this quarter the EBITDA per ton has declined and substantially on q-o-q basis but the subsidiary EBITDA per ton is very strong. So just wanted to get an understanding how you see the EBITDA per ton going into Q3. We are already one month into this quarter and what could be the possible driver for this improvement in EBITDA per ton? That is from my side.

Ram Reddy: See for the subsidiary as I said all the products which are produced in the subsidiary currently in the short supply all over the world and we are getting good demand. Only the minus point in that we are not getting the raw material sufficient required for that. Otherwise, it would have gone more than 80%, 90% capacity utilization today. Wet had only 60%, 67% of capacity utilization in this quarter and if you take the average of the six month I think it is somewhere around 50%, 55% only. But going forward we except capacity utilization should go above 60%, 70% capacity once the raw material is available. Second thing in the parent company in Balaji Amines there was a problem. I told you it is with everybody not only Balaji. All the companies are facing the rapid volatility in the raw material prices. That is taking some time. If somebody wants to buy a month or two months covering of their raw material, they are thinking twice because if they buy cover for two months, tomorrow if the raw materials goes down what will happen. This is everybody's thinking today. So, this may continue till we get some comfortable stability in the availability and pricing of the raw material. Anyway as I said that we are already in the position to pass on whatever the short term volatility in prices. We could convince the customers and we have passed on. Because this entire month the DMF could not run. So once we get this additional capacity, probably we will cover this loss of DMF in the coming two months and in overall next three months it should be better from the margin point of view and the topline point of view also.

Anshul Verdia: Thank you Sir. That was really helpful.

Moderator: Thank you. The next question is from the line of Sahanubhav Sahu from MC Research. Please go ahead.

Sahanubhav Sahu: I had couple of questions. One is the inflation pressure you know is quite broad based and it is not just raw material cost. I am sure that even our capex budget would also be getting impacted because for example surge in steel prices, cement prices and so on. So, I wanted to check, if there any rethinking on the timing of capex project or do you think that demand is so strong that we should complete project as soon as possible.

Ram Reddy: Thank you Mr. Sahu and you have rightly caught the capex overrun being faced by all industries in the country today, but for us what happened that for the DMC capex we have already ordered all the equipments. The only problem was because of the lockdown, it could not reach the site on time. Even for the Acetonitrile which you were talking next year, part of the equipments we have already ordered and it will not have any cost overrun impact. Yes, you are right for the next expansions when we talk after two years like new Methylamines, new DMF - those may get impacted leading to increase in overall cost of the total project. Anyway, in the coming years we will hear what will be the new cost. But it is for everybody. So, we may not worry.

Sahanubhav Sahu: I totally understand that. Secondly Sir I understand that near term margin pressure is there and again this is true for the whole industry. My question is little long-term and more from a sustainability of margin range. For example two years back I mean before COVID for us the range which we were working where probably 18% to 22%. Now you know probably on a periodic basis you have mentioned I think the range for us has changed from 24% to 26%. So wanted to understand that in the last two years or three years like what has changed for us that we are more comfortable with this change?

Ram Reddy: This is on the account of the capacity utilization of all the plants. It is not that some magic has happened. Earlier two years back the plants were running at 70%, 60%, some plant was at 50% but from recent times all the plant started working more than 70%, 80%. So that is the main reason we are comfortable that even today with the current situation, with the current scenario I can tell you comfortably that the sustainable EBITDA margins will be 24% to 26%. It may be 24.5% and 25% and even 26% also.

Sahanubhav Sahu: There is one more periodic concern which we all face in terms of the challenge. It is supply chain issue in general. We have this challenge the matching ingredients in the agrochem industry. You have been mentioning it. I mean this is something which of course we do not have control over it, because we do not produce those matching ingredients. But from your experience just wanted to understand that because of various make in India initiatives for last few couple of years is that factor reduced for us and what do you think you will see.

Ram Reddy: See for us we do not have any dependence on China, for any raw materials. Only there was one raw material we just recently started that too. We used to supply some finished products to them and we are forced to buy that raw material from them that was the only reason. Otherwise we never depend for the majority of raw materials on China. But you are right indirectly it was impacting because of the matching raw materials to my customer end. But as you rightly said under Atmanirbhar Bharat, many people started looking at opportunities to develop these intermediates which has given license to people to start their own manufacturing. Not immediately, but coming 1 or 2 years we will definitely see total change in this dependability. Most of the people, they do not mind going for more steps. Suppose if you are buying one raw material from China and which you will process in a step or two steps and you get your end product. If you are developing you may have to go for three to four steps, one or two steps more than what your currently do. People are not minding doing that, but it is a long-term strategy. So people have already started working. We have seen some of the people are working. In some of our raw materials also we are expecting that India will develop which we are buying presently from outside. Suppose there is a product called BDO, we are hearing somebody is going to produce the same in the country. So all these things definitely will happen in coming years.

Sahanubhav Sahu: That is quite useful. Thanks a lot Sir.

Moderator: Thank you. The next question is from the lin of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: Thank you for the opportunity. Sir this new capex of Methylamine and DMF - what are the approximate capex numbers.

Ram Reddy: It is to early**.** In the earlier question you might have heard, because of the current situation, steel prices have gone up. If you had set up plant last year and if you want to replicate the same thing it will exactly cost double today. So, it is too early to talk about those things. Maybe things will normalize by the time we start the actual capex for these plants of Methylamine and DMF..So this better we will talk next year. Once we finish this first phase and second Acetonitrile project in second phase, then only these two things will come up for discussion.

Anurag Patil: Okay Sir. That is it from my side. Thank you very much.

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

Jaiveer Singh: Thanks for taking my question. Well good afternoon Mr. Reddy. My first question is in relation to your standalone volume growth which is only about 2% Y-O-Y during the quarter, so can you help me understand which the key products are where in you might have seen moderation in demand or even decline in demand?

Ram Reddy: It is very difficult to tell you the exact product. I can tell you because of certain reasons that how much we have done, what we have done. If you can write a mail I can tell you. Overall yes there is only 2% growth we have seen because of the reasons I was explaining in the earlier questions. But definitely in the coming quarter, we will overcome because one or two products there was a logistics issues. Ssome of the products offtake had not taken place because the matching raw material was not accessible. One example I will tell you. There is a product called Metformin which is the antidiabetic for which there are main two ingredients one is dimethylamine hydrochloride (DMA HCL) which we are producing and we are the largest in the world for this product. And the second key raw material for that product is Dicyanodiamide (DCDA) where people are facing lot of problems. People use to buy it in pre-COVID days at $1200 to $1300 per ton. Today they are getting it more than $5000 per ton and that too availability is not certain. So because they are not getting DCDA, my material is not moving. This is how it has happened in the last quarter. So, like that many products are there which the matching raw materials our clients are not getting. However, now the things have started improving. Maybe we will see in the coming quarters things getting near to normal.

Jaiveer Singh: Sir what would be your guidance for the volume growth for the whole year?

Ram Reddy: Whole year as I said it should be 10% to 12%.

Jaiveer Singh: Also, on the raw material prices. You mentioned in between about the methanol as well. So any sense as to where does the acetic acid stand currently?

Ram Reddy: Acetic acid currently is about Rs.90 per kg, and methanol prices are really very volatile. The other day it was Rs.40 per kg and then Rs.47 per kg, then again Rs.42 per kg. But overall, even today also I was covering some 2 to 3000 tons at much better price that is Rs.39 per kg. The last four weeks has seen better price. Things have started softening at least from methanol point of view and even somebody was talking about coal. Prices of coal which has come down yesterday in China. If that happens then we will see everything becoming normal.

Jaiveer Singh: Mr. Reddy in relation to the same. Is there a possibility that we can do a backward integration or just acquire another producer of this key raw materials is there a possibility for that?

Ram Reddy: Which raw material are you talking?

Jaiveer Singh: I mean all the raw materials where in you are facing a shortage?

Ram Reddy: Yes some raw materials people are saying they will come up. We are discussing with 2 to 3 people. Every month we are discussing with 1 or 2 new people, old people only with the new product with their expansion. So definitely in coming years. I am telling you see these are all very big projects you cannot see immediately, but definitely you will see in coming 1 or 2 years lot of new things will happen from the raw material point of view which we are depending on the outside country. We should see that domestic producers will be coming out.

Jaiveer Singh: Right**.** Sir finally in terms of your realization for DMF and ethylamine can you state where they were for the quarter and where do they stand currently.

Ram Reddy: Ethylamine prices have come actually down because of the demand. Of course last entire quarter we worked without Remdesivir. There was huge requirement going for the Remdesivir. Those days when the Remdesivir was in peak, the ethylamine prices went up to Rs. 400, 500 per kg also. So now slowly it has came to normal level that is Rs. 150 to 160 per kg - which is current price of the ethylamine and what is the other part you were asking.

Jaiveer Singh: DMF.

Ram Reddy: DMF I do not know. I am still trying to understand from the outside. In India there is a growth. We have seen almost 90,000 to 100,000 tons of per annum requirements is there and we are very small in that. Even if you run with 100% capacity also, current capacity is only 30,000 tons, but prices have moved very favorably. Today prices are almost Rs.180 to 200 per kg which used to be once upon a time Rs.60 to 70 per kg. So if this continues for another 1 or 2 months, we can think of expansion and all those things, once we feel it is sustainable price.

Jaiveer Singh: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Senthil Kumar from Joindre Capital Service. Please go ahead.

Senthil Kumar: Thanks for the opportunity. I have two questions on financials. First one on consolidated cash flow statement, debtors has increased from Rs.5 Crores to Rs.101 Crores. So what is the reason for that? We the company have a domineering presence in the industry where the demand for the product is robust. What could be the reason for the increase in debtors that was my first question? Let me complete the second question. My second is other expenses which has increased by 71% on y-o-y basis in Q2 FY2022, can you please throw some light on this two Sir.

Ram Reddy: I think because the fuel prices have gone up. One of the largest concern is thatthe fuel and logistics costs have gone up - that is the main reason for the increase in other expenses. And trade receivables there is no big change.

Senthil Kumar: No Sir it was actually increased from Rs.5.8 Crores to Rs.101 Crores, in the first half of FY2021 on consolidated basis**?**

Ram Reddy: We will definitely come back to you. If you can send your mail, we will give you the details. We will definitely come back to you Mr. Senthil. You can just send me a mail.

Senthil Kumar: Sure

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

Kishan Gupta: Good evening. Sir basically we want to understand like what sort of resistance, if any, are you facing from your clients as you go about passing higher raw material prices.

Ram Reddy: Initially, there is human mentality, people will say no. But maybe post 3 to 4 weeks then they are accepting. See majority of these products go in for life saving drugs - more than 60, 70% is going to life saving drugs. That is not going to stop right. One or the other way they have to buy. Initially we face some problem saying that they are not in a position to compete, but once the entire world is traveling with the same track, so then they are forced to accept as everybody has to be realistic

Kishan Gupta: How is the change - this resistance. Is it the same what it used to be pre COVID now or there is something?

Ram Reddy: There is no much change. Only it is a matter of week plus or week minus. Earlier we used to convince them in 3 weeks, not it may have taken three-and-half to 4 weeks like that. That is all.

Kishan Gupta: Now with this COVID risk subsiding what sort of pricing power do you think you have now with your pharmaceutical clients?

Ram Reddy: I will tell you one example. See you asked this detail question. There was one raw material we used to buy at $900 per ton. Today we are buying at $5000 per ton, but still people are buying the same quantity not only in India even outside country also. We are getting much better acceptance from the outside country, because they are in a position to understand. This is right. This material has gone up. This is no hanky-panky so we should buy it. This is how it is happening. So, like that acceptance is coming up. There is no problem. Just a matter of time that is all.

Kishan Gupta: And is it across products? You talked about the specific product. So, you have sufficient pricing power in most of your products. This is what you mean to say.

Ram Reddy: Yes in some of the products because of only handful of manufactures in the world market. If you have more than 20 to 30 manufactures - see one or the other fellow will be having some old inventory or something or he is not having overheads like others or he may not be having the same process - that time you will face the problem in price matching from one manufacturer to other manufacturer in the competitiveness. But when you have only few manufacturers who are going by hand to hand in the market versus manufacturing versus sales, so in such situations definitely it is easy and understandable throughout the world. What you are talking about power. When you have only few manufacturers definitely you allow less competition and you will have pricing power. That is what we have in some of the products.

Kishan Gupta: How profitable it is now for you people to grow exports when ocean freights are sky rocketing?

Ram Reddy: We started doing exports on FOB basis. We just started separating the price of product to make them to understand that we are not taking this price. Logistics are eating away the things. The people have already started understanding and now they are talking. And sometimes we are talking this is my price. The freight will be added at the time of shipping on actual basis. This is how we are dealing presently.

Kishan Gupta: Have you been able to move to more of FOB contracts now for exports?

Ram Reddy: At least, half of things have gone into FOB. Sometimes I will say yes I waiting for an opportunity, there is space in the vessel and you are charging this much. Are you willing to convert into CIF? The people are saying yes you do it. But now people have understand that if they don't do that, they will not get the material.

Kishan Gupta: You talked about these 24% to 26% sustainable margins EBITDA is it standalone or consolidated?

Ram Reddy: It is consolidated.

Kishan Gupta: Consolidated 24% to 26%.

Ram Reddy: 26%.

Kishan Gupta: Thanks indeed.

Moderator: Thank you. The next question is from the line of Tanvi Bhandari from Hem Securities. Please go ahead.

Tanvi Bhandari: In the Methylamines capacity the capex plan that we have for the phase 2, earlier we had a guidance it will be commissioned by FY2022 which is now being shifted to FY2023 whereas you have said that you have no change in your capex plan. So how do we understand that?

Ram Reddy: Methylamine was not on the front bench and even now also I am telling you Tanvi we do a lot of plans, if something comes, a very special product comes, something is developed then definitely that can come to the front bench and this can go back to the back bench. See as I said earlier also, Methylamines was not on the priority. Methylamines will be done when we take the decision for DMF or that is more depending on DMF. So DMF we are presently trying to make this existing plant into 100% utilization that is 30,000 tons. The moment we finish, then probably we will plan up both DMF and Methylamine. As I said we have not only this, we have many products in the pipeline which we are not disclosing because of the commercial point of view. If something becomes very attractive then definitely it can change our priority also.

Tanvi Bhandari: You said ideally you will be seeing a volume ramp up say approximately 10% to 11% on standalone basis for full year. So how do you see in terms of revenue? See we do not see much growth - we only expect volume growth of only 10% to 11% for the full year going forward.

Ram Reddy: We expect this financial year conservatively on consolidated basis, we should end up at Rs.1,800 Crores to Rs.1,850 Crores of total revenue. We are on the right track and we will be doing this definitely.

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

Rohit Nagraj: Thanks for the followup. Sir you mentioned that monoethanolamine was in short supply. So is there any domestic producer or is it completely imported?

Ram Reddy: Actually even we can even produce that. I can tell you the history of this product. It is very simple reaction, ammonia and ethylene oxide. In our country the problem is ethylene oxide we are depending totally one big brother that is Reliance - because it is not reliable we are depending on the outside country. Earlier one or two people used to produce this monoethanolamine. It is very low margin and simple reaction product. Only the raw materials are very important for this product - ethylene oxide and ammonia. Ammonia is available but ethylene oxide reliability is not there, because the capacity is limited with Reliance. In fact, everybody is waiting if somebody should come out with this product. So that is the reason we are buying and you cannot import ethylene oxide (EO) as it falls under dangerous goods. So that is the reason we are depending 5, 6 countries, huge capacities are available for this. It is like a commodity product like methanol. There is companies like Sabic, Dow, Petronas, GC Glycol, Eneos producing the same. So 5, 6 companies are there. The only thing is that presently in the world market there is shortage of ethylene oxide and logistics also is restricting the free movement.

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

Shanti Patel: Any of products has got antidumping duty from the Government of India?

Ram Reddy: Presently, there are two products which are enjoying the antidumping duty - dimethylacetamide and the second product is chlorine fluoride. I think recently they have levied this Jubilant had applied and government has given the antidumping for that product also. These are the two products.

Shanti Patel: How long it will continue. I mean, what is the deadline given by the government?

Ram Reddy: Normally when you apply you will get the antidumping duty for five years but in between somebody comes with petition request asking the review as the situation has improved please remove like that. There is a possibility that the government may remove the anti-dumping duty premature also, even before 5 years.

Moderator: Thank you. The next question is from the line of Hardik from Brick Capital. Please go ahead.

Hardik: I have just one question why the expense so high this quarter compared to last year and last quarter also?

Ram Reddy: . I said that the fuel cost is one of the major reasons..

Hardik: Will we be able to pass this in the coming quarters?

Ram Reddy: Yes we have already started passing them. There are lot many increases, raw material, fuel cost, even power, everything has increased but still we do maintain the margins to some extent.. That means we already started passing on these expenses to the customers. We will see in the coming month passing on of100% increase to the customers.

Hardik: Thank you and all the best Sir.

Moderator: Thank you. The next question is from the line of Nikhil from Galaxy International. Please go ahead.

Nikhil: I just wanted to ask one question. So how is the competitive intensity from China right now given that earlier we were importing a lot of products from China. So how is the situation now and what is your outlook on that side of situation, say one to two years down the line, will it increase, decrease or remain the same? Thank you.

Ram Reddy: We are not facing any problem presently. There was two, three products we used to face the problem. One the DMF we used to be there - rather they do not have the material presently. Some of the big, big plants have closed. I do not know what were the reasons? Second thing ethylamine used to come that they totally stopped coming into the country. And third there was one product, EDA that used to come but now we have started exporting to China. There are two, three products that we are exporting to China. There is one product called morpholine. We used to ask for the antidumping duty against China. Now we started exporting this product. So, this as you rightly asked, we do not know how many days it will go like this. If the situation goes like this, we can say that these products may not come at least for the next one year to the country. If it was on the account of capacities, because they may not have excess capacity to dump in India or they may not be having those dynamics of the costing competitiveness with India. So that could be the reason. So, if this is the situation definitely, we will not see these products coming to India for next one year.

Moderator: Thank you. That was the last question. I now hand the conference over to the management for closing comments.

Ram Reddy: Thank you very much. First of all, I would like to wish you all in advance very Happy Diwali and a Prosperous New Year. Thank you for taking your time and participating in our conference call. The overall outlook for Indian pharmaceutical and agrochemicals sector is expected to continue to improve on account of impetus being given to 'China Plus One' policy by companies in Western economies. Pharma and agrochemicals constitute substantial majority of our end user clients for aliphatic amines as well as the specialty chemicals that we manufacture. Given this strong correlation between the demand for our products and that of demand for the products from our end user industries, we foresee a robust growth potential for our company in years ahead. At the same time, we are also continuously striving to increase as well diversify our product portfolio to address more segments of our end user markets. I thank once again all the investors, stakeholders for showing the confidence in our company. Thank you once again.

Moderator: Thank you very much Sir. On behalf of Edelweiss Wealth Research that concludes conference call for today. Thank you for joining us. You may now disconnect your lines.