ALKYL

Alkyl Amines Chemicals Limited

Reg. Office: 401-407, Nirman Vyapar Kendra, Plot No. 10, Sector 17, Vashi, Navi Mumbai - 400 703. INDIA
Tel.: 022-6794 6600 • Fax: 022-6794 6666 • E-mail : alkyl@alkylamines.com • Web: www.alkylamines.com

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November 25, 2020

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

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

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

Dear Sirs,

With reference to our letter dt. November 6, 2020, please find enclosed the transcript of the earnings conference call held on Wednesday, November 11, 2020.

Kindly take the same on your records.

Thanking you,

Yours faithfully,
For **ALKYL AMINES CHEMICALS LTD.**

CHINTAMANI
DATTATRAY
A THATTE

Digitally signed by CHINTAMANI DATTATRAYA THATTE
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Date: 2020.11.25 17:53:06 +05'30'

Chintamani D. Thatte
General Manager (Legal) & Company Secretary
& Compliance Officer

Encl.: As above

"Alkyl Amines Chemical Limited
Q2 FY2021 Earnings Conference Call"

November 11, 2020

ANALYST: **MR. NILESH GHUGE - HDFC SECURITIES LIMITED**

MANAGEMENT: **MR. YOGESH M. KOTHARI - CHAIRMAN AND MANAGING DIRECTOR - ALKYL AMINES CHEMICALS LIMITED**
MR. KIRAT PATEL - EXECUTIVE DIRECTOR - ALKYL AMINES CHEMICALS LIMITED
MR. CHINTAMANI THATTE - GENERAL MANAGER - LEGAL AND COMPANY SECRETARY - ALKYL AMINES CHEMICALS LIMITED
MR. K. P. RAJAGOPALAN – CORPORATE ADVISOR- ALKYL AMINES CHEMICALS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2021 Earnings Conference Call of Alkyl Amines Chemical Limited hosted by HDFC Securities. 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. Nilesh Ghuge from HDFC Securities Limited. Thank you and over to you Sir!

Nilesh Ghuge: Thank you Rituja. Good evening all. On behalf of HDFC Securities I welcome everyone to this Alkyl Amines Conference Call to discuss the results for the quarter ended September 2020. It is pleasure of having with us top management team from Alkyl Amines represented by Mr. Yogesh M. Kothari, Chairman and Managing Director, Mr. Kirat Patel, Executive Director, Mr. Chintamani Thatte, General Manager Legal and Company Secretary, Mr. K. P. Rajagopalan, Corporate Advisor and without further ado, I will now hand over the floor to the management for making opening comments. Over to you Sir!

Yogesh M. Kothari: Welcome everyone to the conference. With me I have Mr. Kirat Patel, Mr. Chintamani and Mr. Rajagopalan. I welcome you all. I hope things are okay from the health point of view. As company, Alkyl Amines has been doing quite well and even though COVID related issues came up in the month of March/April, we were able to take proper care. We had various protocols which helped us in going through the whole process. Still we are following the protocols because the COVID has not gone away and as we are taking a lot of care, the operations are quite normal. Fortunately, the marketing is also quite normal and we hope it continues and we hope that the COVID issue ends soon. What I would do now is may be give it to Mr. Kirat Patel and he can explain our performance of this half-year and then later on we can go for a question answer session. Thank you.

Kirat Patel: Thank you Yogeshbhai. I will just briefly go through the numbers which you probably are already aware of as you must have seen them as they were declared yesterday. In the half year ending September 30, 2020, we have been able to do quite well compared to the similar half year period last year in spite of the fact that the first quarter of this half year was a bit of a disappointment because of the April COVID situation where we were not able to run our plants and keep the supply chain going full stream. However, in the second quarter we have been able to catch up with our lost opportunities and we are working at an optimum level now. Fortunately, the demand (and most of our demand is from the pharma sector) has been quite good and even the other industrial applications are soon catching up, whether it is in automobile or foundry chemicals or oil and gas is slowly improving so we look forward to second half which would be, we hope in terms of volumes and values at least be back to normal. As you can see from the numbers our profitability has been fairly good and mainly on the basis of benign raw material prices and a little tightening of the market of end supply so our finished good prices have also been fairly good from our point of view. Yes because of the COVID situation there has been some degree of delay in the first quarter for our projects, but in the second quarter we have been able to get all our projects back online with manpower and suppliers' workshops opening up steadily. So we hope to commission most of the projects with just a couple of months' delay here and there. I think that is about summary of the half year. May be now we can throw it open for questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Jason Jones from Monarch Networth. Please go ahead.

Jason Jones: My question is just wanted an update on capex of both the plants which is your acetonitrile plant as well as Amine derivatives plant just wanted an update on that and when is it going to be commissioned and also just wanted to know in terms of this entire capex how much of this capex will yield new value-added products and what will be its application just some color on this, is it going to be applicable in pharma only or is it going to have some other applications in other areas?

Yogesh M. Kothari: Our capex for new acetonitrile plant that is coming up in Dahej, will come up by Q3 of 2021 and the other derivative plants some of them have already been commissioned. The capex for the acetonitrile plant is around Rs.170 Crores. Now, what was your other question?

Jason Jones: I wanted to know just how much of this capex will yield new value-added products? I am talking Amine derivatives plant basically and the entire capex basically how much of this will yield new value-added products?

Kirat Patel: ~~Both~~ These capexes for the derivatives plants which we have are all in existing products at the moment and I have not understood what you mean by value added but in the sense that if you mean that there are derivatives of the Amine yes, there are different derivatives of Methyl and Isopropyl amine. All three plants have been commissioned a little bit of debottlenecking is going on in the Methylamine derivative plant which will be commissioned in by the end of this month.

Jason Jones: Okay and my next question is just wanted to know how much of acetonitrile as a percentage of revenue how much acetonitrile contribute and I mean understand that acetonitrile prices are currently elevated due to shortage globally so just wanted your view on the sustainability of these prices?

Yogesh M. Kothari: Please note that we do not want to give much information on acetonitrile. We are currently going through a phase which is helpful to us. One of the larger plants is closed internationally and the demand for acetonitrile has been quite steady so that is why we are able to sell and there is a market which we are not able to cater because of our own capacity being restricted. Now with the new plant which will come up in next year we would be able to fulfill that demand.

Jason Jones: Okay Sir and my last question is just wanted to understand I mean this the government coming up with this new PLI benefits, how do you see it benefiting Alkyl Amines as a company?

Yogesh M. Kothari: It will help us because some of the new players will come up taking advantage of this PLI some new users of our amines and as a manufacturer ourselves directly we may not get much advantage but there will be new companies coming up who will be putting up investments which would need some of our products that is how it will help us.

Jason Jones: Okay thanks that is all from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Dhruv M from HDFC Asset Management. Please go ahead.

Dhruv M: Sir is it possible to share the volume value split?

Yogesh M. Kothari: No we do not give information on various products and their values individually.

Dhruv M: I mean in terms of percentage so if your overall revenue is up 24% how much of that will be for the quarter on a Y-o-Y basis so how much would that be?

Yogesh M. Kothari: Product wise we would not be able to give; overall products are sort of specialty products something like that. that Kirat may be able to give.

Kirat Patel: I will give you the overall value, overall we have almost caught up with last year's volume growth. Of course, the value growth is higher because the prices this year are higher than last year. It is about 1% plus or minus same as volume but you must remember that includes the first quarter which was about 10% down.

Dhruv M: Okay I was referring to Q2?

Kirat Patel: Yes so that is about 25%. H2 compared with H2 of the previous year in volume terms and values so you have.

Dhruv M: Yes sorry so just to clarify again you mentioned volume in Q2 is 20% on Y-o-Y basis.

Kirat Patel: On Q2 yes.

Dhruv M: Sir largely the growth in revenue is driven by volumes and it is not much of value I mean pricing is not the key factor it is volume which is driving growth?

Kirat Patel: It is a bit of both because the first half was a little lower so I think it is a bit of both volume and more volume than value at the moment.

Dhruv M: Because if I do just the math your revenues are up 24% and if you say volume is 20% so largely…

Kirat Patel: So I give you a round number it is about 18% or something and there is a product mix issue also in this. So it is like to like becomes a little difficult too.

Dhruv M: Sir you mentioned that the finished good pricing is also relatively steady so is it primarily driven by demand which is very strong or there are some supply chain bottlenecks also which are still continuing and you are benefiting from that.

Kirat Patel: Our view is that it is a demand because, as Yogeshbhai said earlier, the PLI scheme and other initiatives of the government with whatever we are having troubles with China are probably playing a role in the pharma and the agro industry all pushing more volumes. There is a lot of demand, of course the COVID situation and generally the health sector is growing a lot and some of our products go into antivirals which segment is at the moment going quite strong.

Dhruv M: I was coming to that so I just wanted to probably understand a bit more on the final induced application in pharma if you can share anything on that where in pharma does the application happen for some of our major products and where demand is pretty strong just to have an independent assessment of where we can probably move for the next few years?

Yogesh M. Kothari: Our products have various end-use applications, many pharma end uses like anti-diabetes like Metformin then drugs for blood pressure and all various applications as they are related so we have practically most of the pharma companies in India, could be our customers in small way or big way so because a large number of uses which they are getting so I mean it is a very vast area.

Kirat Patel: To give you an example we have more than two dozen end molecules which use our Amines so, and as Yogesh bhai mentioned, Metformin, antibiotics like Ampicillin, Amoxicillin, blood pressure medicine, atenolol, all these are very important end users and as I mentioned antivirals so it is a whole range from one end to the other almost 25-30 end molecules which are in the pharma sector alone. All the therapeutic segments are covered.

Dhruv M: Got it Sir my point also probably going a bit further here is that we have seen some strong demand growth over the last few quarters of probably a few years now part of this I understand pharma is a big segment for us, now pharma has been doing quite well in India for quite some time I was trying to understand what is driving the delta in growth so for example how COVID is probably helping you in that growth as you mentioned antiviral as a application so is it something more that you can probably share here?

Yogesh M. Kothari: COVID has definitely helped to some extent but not so much. Few of the products are going into some of drugs which are going for COVID related medicines, but we are not dependent so much on that but it has helped us definitely and I think for the next few quarters I do not think there will be any reduction in that.

Dhruv M: That is useful. I will join back the queue.

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 so firstly on Acetonitrile can you help us with current realization for the product and with capacity expansion by competition and yourself how do you expect the realization to move also if you are hearing of any capacity addition in Acetonitrile globally?

Yogesh M. Kothari: Let me tell you again that we do not give too much information on Acetonitrile, but all has already been mentioned what size plant we are putting up in Dahej, what capacity we have today, has already been mentioned. To the best of our knowledge while Balaji Amines have already started manufacturing Acetonitrile but that capacity is quite low compared to ours and Deepak Nitrite also makes Acetonitrile. So these three companies together make

Acetonitrile. Anybody can put up Acetonitrile plant, it is not that difficult, but people just do not do it because in the end the type of product, the quality of the product is very important which we may be able to achieve after so many years of trial and errors so it is easy, but not that easy.

Amandeep Singh: Sure Sir that is helpful and Sir now with your competition also adding 40 to 50000 tons capacity for Methylamine along with Dahej expansion, can you help us understand how demand supply situation pan out and also consequently impact on realizations?

Yogesh M. Kothari: Well as for methylamine we ourselves are short of Methylamine for some of our end uses so we ourselves consume a lot of it internally some of these products are being exported also and the good part of Methylamine is that many small scale producers also would be putting up plants which would be needing methylamines in small quantity but still I mean since in the last few years the availability was always an issue and Methylamine is one product which is not so easily importable, so availability itself will drive growth for products based on Methylamines. Our own capacity, which we are expanding will be coming on stream any time now from our existing plant in Dahej. We are expanding it by 50% and our own Patalganga plant also we use it when we need it so that way we are quite comfortable.

Amandeep Singh: Sir that was really helpful and also regarding Ethylamines so even your competitors' plant is expected to commence in Q4 FY2021 onwards so can you understand how would be the demand supply situation for Ethylamines?

Yogesh M. Kothari: The same situation is happening in Ethylamines also because we have a very large plant. We are in the process of designing a new plant also which will take, maybe another a year or year-and-a-half before it is put on stream but we will also be putting up a new plant, our existing plant in Kurkumbh plus we have plant in Patalganga where we are making Ethylamine. So we are very comfortable from point of view of availability because we also consume a lot of it internally.

Amandeep Singh: Sure Sir that was really helpful and Sir what is your outlook on Ethyleneamine market? Do you intend to get into this segment in near future after your competitor entering this segment through subsidiary or do you feel that current capacity is more than sufficient to meet the demand for these products including piperazine?

Yogesh M. Kothari: We were already in the business, through our associate earlier. We got out of it last year but we were making Ethyleneamine and Derivatives but then we decided to get out of it because there are very large players internationally and the Indian market itself in some products is good but this can be easily importable also. So we do not think it would fit into our scheme of things.

Amandeep Singh: Sure Sir got it and Sir finally will it be possible to give some sense on the trend here on along with your outlook on volume growth and long-term sustainable margins?

Yogesh M. Kothari: For what?

Amandeep Singh: For overall functioning?

Yogesh M. Kothari: Yes, we have been showing good growth since the last few years and I am sure we will continue for the next few years.

Amandeep Singh: Sure Sir that is really helpful. Thank you and all the very best.

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

Shanti Patel: My question is when all these projects are completed, what will be our expected turnover approximately and what will be our market share in India and what will be our PAT margin all these are approximate figure?

Kirat Patel: If all these projects, the ones which are mentioned by earlier, Acetonitrile and just now what Yogesh bhai mentioned about methylamines, if they are all commissioned and used to their full capacity, at today's prices we could add something like a Rs.1000 Crores more to our turnover but obviously this is not going to happen overnight. It is going to take time three to four years as we ramp up production so an expectation of reaching from what we are near about Rs.1100 Crores to Rs.2000 Crores in three to four years is a good optimistic estimate I would say we have been growing as Yogesh bhai said regularly in the past 5-10 years and to the extent of 10%-15% and we do not see any reason why that should not hold for the future so that is as far as the topline is concerned. As far as margins are concerned it is a much more difficult thing to predict. Yes, we have been steadily improving our margins as we go along partially through cost control, partially through benefit of benign raw materials and, of course, volumes help so I think the comment on the margins would be a little more difficult to make, but we are optimistic that we will be able to retain these margins as we go forward or at least get somewhere near.

Shanti Patel: And Sir what will be about market share in respect of various products at that time?

Kirat Patel: So what happens is, it varies. For example, methylamine with our commissioning of the expansion right now, -- in fact in November just now we have increased our capacity by 50% as earlier announced it was supposed to happen in September but because of this COVID situation it has got delayed by a month and a half so we are now maybe about 50% of the market share of Methylamines. While in Ethylamines we may be a dominant player covering 70% - 80% of the market some other products we may be again 50%. So it varies. But there are a few products where we are, for example Acetonitrile we may be about 40% of the domestic market, so it varies but I would say on an average you would look at about 50% of the market would be ours if you look at a basket. Of course between Balaji and us we do not have the same portfolio, they make some products which we do not make, we make some products which they do not make so it is not a like to like kind of situation and there are some products which we are almost 100% market share because we are the only people making it. These products and some derivatives which we are the only people in the country making it so it varies. Overall you can say yes there is a thumb rule you can say about 50%-60% of the market share.

Shanti Patel: That is a dominant position and secondly what about our debt situation will be?

Kirat Patel: Our debt today is about Rs.60 Crores which is basically ECB, Rs.30 Crores is due this year for repayment and Rs.30 Crores next year, we have already cash positive as you can see from our cash in cash equivalent balance in the balance sheet and we are net debt positive.

Shanti Patel: So effectively after two years probably it will become zero.

Kirat Patel: It is already zero because of the debt of Rs 60 crs. We have more than equivalent cash and cash equivalents.

Shanti Patel: Right that is all Sir. Thank you very much and secondly only one request this year we have not sent a physical copy of annual report. My request is please sent next year.

Kirat Patel: It depends on SEBI, the stock exchange at this time had told companies not to do it because of the COVID situation and printers were also down.

Shanti Patel: That I agree with you but otherwise I have received from some other companies SEBI has given.

Kirat Patel: Next year we will be back to normal hopefully the situation will have improved; we are all hoping that we go back to our normal ways of operating.

Shanti Patel: Correct right. Thank you very much.

Moderator: Thank you. The next question is from the line of Umag Shah from AMSEC. Please go ahead.

Umag Shah: Sir what would be the capacity utilization at various plants?

Yogesh M. Kothari: I would say average around 70% to 80%.

Umag Shah: Sir on any product in which we are running out of capacity?

Yogesh M. Kothari: Well some products it may be coming to 90% levels but it is not so bad.

Umag Shah: Okay sure Sir and I just wanted to ask this question on how do you figure out how much to forward integrate as regard your own products like your competitor took a decision of may going into DMF from DMA HCL but you did not do that so what was the rationale for that?

Yogesh M. Kothari: DMF is made from carbon monoxide. They are making it from coal and then one is getting into an environment issues which personally I was also not very keen to go for that, so that is why we have stepped away from it. but it is a good product.

Umag Shah: This is very helpful Sir. Thank you.

Moderator: Thank you. The next question is from the line of Ravi Shrikhant from Muthoot Family Office. Please go ahead.

Ravi Shrikhant: Sir in your presentation you mentioned that you are making around 100 plus products so how many of these would be, I mean, in Amine derivatives and normally would be in specialty chemical? And a slightly related question so globally I mean how many different types of Amine and derivatives manufactured I mean in terms of the number and so do we manufacture in India as well?

Kirat Patel: The first question is how many different types of amines are there., There are a huge number of amines and they are largely classified into four categories. First one being, of course, Aliphatic amines which is made with alcohol plus ammonia. Then there are the Ethyleneamines which somebody mentioned earlier which Diamines and now Balaji Specialties are making. They are made from EDC and ammonia. There are ranges in each of these like in Aliphatic amine, there is methyl, ethyl, isopropyl butyl similarly in ethyleneimine, there is EDA DETAta and so on. Then there is the third range which is

Alkanolamines which is made from the ethylene oxide and ammonia and propylene oxide and ammonia. So that is another range. These are the three broad major ranges and then there are what I call speciality amines and then there are fatty amines which is the fifth grade so there is a whole range of amines. Now if you talk about the derivatives, the derivatives are in probably thousands because the end use of these amines for every different end use for example aliphatic amines itself must be having at least 250 end uses and in India we have not exploited all of them because it is not possible for so many plants to come up.

Ravi Shrikhant: Sir it is a complexity issue or even with a demand issue that we do not have all of them in India?

Kirat Patel: It defined mainly demand if the small demand then it is better to import the material.

Ravi Shrikhant: Okay and in terms of complexities of a big sort of group or subgrouping I mean would be the most complicated in terms of manufacturing?

Yogesh M. Kothari: That is a difficult question to answer. I do not know. I think it would be aliphatic amines should be the more difficult. But you cannot say it is the volumes and what type of margins are there and all.

Moderator: Thank you. The next question is from the line of Neerav Jimodia from Anvil Research. Please go ahead.

Neerav Jimodia: Sir I have one question and a follow-up question to that so the question is related to the opening remarks which you mentioned that we are already debottlenecked our methylamine capacity so what I want to understand from you is whenever we do the debottlenecking exercises probably at a capex lower than our initial capex because we already have the first phase of capex already incurred so with this sort of debottlenecking does process innovation through our R&D also helps us in terms of reducing our per ton consumption of finish goods or let us say per ton consumption of power cost, etc.

Yogesh M. Kothari: That is exactly what we do in our R&D. We have a separate division for process control which is just doing that day and night wherever there is a possibility of saving either the raw materials or energy this group's main aim is to bring it down and then we take the advice of our senior people who have already have worked in the plant or have a lot of experience in plant handling and we try to come up with a better solution so over a period of time this has really helped us bring down our cost and that is why we are so competitive also in on the international level because our plants are as competitive as anyone anywhere in the world.

Neerav Jimodia: Sir is it safe to assume that for the methylamines expansion what we have undertaken there also although cost savings would be permanent to us and probably would help us in further aiding the margins so far product categories are concerned?

Yogesh M. Kothari: Yes of course Methylamine overall now since we will be producing more from practically the same plant with additional only some equipment. There will be a lot of saving both mainly from the point of your energy so this is definitely going to bring down the cost to some extent.

Neerav Jimodia: Correct and Sir answer second question is on the opening remarks you also mentioned about one of the sectors which was not doing well like rubber chemicals and foundries so just wanted to understand like if we compare with respect to the pre-COVID levels as the volume started to show growth or it is still catching up to that pre-COVID level?

Yogesh M. Kothari: There is slight improvement that is taking place even in automobiles for the foundries chemicals because they go for in the automobile engines and other things so there is an improvement there.

Neerav Jimodia: Okay Diwali wishes Sir and all the very best.

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

Rohit Sinha: Sir one question on acetonitrile as we mentioned that the demand is sustaining for some time so obviously pharma is one major growth driver for us but which are the other sectors which are actually showing some traction or where we are seeing some growth opportunities?

Yogesh M. Kothari: Only as far as acetonitrile is concerned?

Rohit Sinha: Yes.

Yogesh M. Kothari: Generally we are not finding much difference.

Rohit Sinha: It is on the pharma side or?

Yogesh M. Kothari: All the areas are doing well.

Rohit Sinha: I mean it is a demand across exports industries.

Yogesh M. Kothari: Yes, across all segments?

Rohit Sinha: Okay and secondly in Ethylamine how is basically consumption growth probably shaping I mean at what regular interval we will see a regular addition of capacities in both the segments?

Yogesh M. Kothari: See what is happening is especially in Eethylamines. A lot of imports are coming into India from Europe and China and that shows that there is definitely a demand which is there in India maybe because of the price or because of not availability of the product at the right time so as it is we are also putting up a new plant. shortly. Balaji Amine also putting a plant shortly so that will be taken care of. Only thing we have to be very competitive that is what we are doing now. Methylamine, of course, hardly any imports take place.

Rohit Sinha: Okay so broadly I mean within a two-year time frame we will be at the optimum level for both these segments?

Yogesh M. Kothari: Yes two to three years definitely.

Rohit Sinha: Okay and lastly Sir would be possible to share revenue share in pharma, agro and another segment maybe for H1 or is not for Q2?

Yogesh M. Kothari: No I do not think we can share this information.

Kirat Patel: You can find that for annual sales in our website and I think we will be updating it for the March 2020 numbers, but it does not vary too much it is about 50% pharma about 10% to 15% agro and the others are 3% to 5%.

Moderator: Thank you. The next question is from the line of Jason Jones from Monarch Network. Please go ahead.

Jason Jones: Sir thanks for the follow-up so you had mentioned that you have not entered a certain segment where earlier in the call as the competitive scenario is pretty high and this chemistry is easily importable I did not catch the name of the segment, could you please mention it again?

Kirat Patel: It was Ethyleneamine. I think the question was related to Ethyleneamines and the question was, we were already in it and why we got out of that business while Balaji made the decision of getting in.

Jason Jones: Right and I earlier asked this your capacity which is coming up both the plants Amine derivatives and Acetonitrile I asked you how much percentage of this capex is new value added what I meant is you have your Amines which are Methylamine and Ethylamines that is your basic chemistry what I meant is by a value add is and what I meant by that is Acetonitrile or morpholine these are specialty chemicals which are forward integrated and forward up the value chain so just wanted to know in terms of that in terms of contribution what would the new capacity?

Kirat Patel: I think what you mean by value-added is what we call derivatives.

Jason Jones: Forward integrated production.

Kirat Patel: So maybe use the Amine to add on another molecule and then add some value into the chain, right?

Jason Jones: Right that is what I meant.

Kirat Patel: That we have said earlier, our derivatives business about 25% to 30%, Amines is about 50% and speciality is about 25%-30% so it is in that range.

Jason Jones: Okay so it is in that range okay and just one final thing just wanted to understand your gross margin expansion has been very healthy and that is basically if I compare H1 you have almost saved 10% on gross margins only which is led to the 10% jump in EBITDA as well so just wanted to know what is driving this gross margin expansion?

Yogesh M. Kothari: I think what has happened is also the raw materials have been quite helpful and some of the products have given us better values that is the reason.

Jason Jones: Okay sure thanks that is all from my side.

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

Karan Khanna: Thanks for the opportunity and congratulations on a spectacular set of results. Sir my only question was pertaining to your long-term sustainable margins I think few quarters back in the earnings call you mentioned that your sustainable margins are at the range of 18% to 21% but clearly I think if you look at the results over the last year and year-and-a-half so margins has been higher each quarter so from that perspective given the efficiencies and given the product portfolio and the capabilities that you have built, can you help us understand what possibly would be the sustainable margin once your plants come up from what they were in FY2019 and once these raw materials were again started be able to start picking up etc.,?

Kirat Patel: I understood what Karan's questions, Karan I think as I said earlier into somebody else's question earlier that our confidence level of volumes is much higher to the extent that we can say yes 10% to 15% growth rate is something we can easily expect even higher if we can push it further. It is the margins where we are very reluctant to comment on because that depends on so many things, on the raw material prices, on how competition behaves, of the demand structure. So as you can see we were wrong in predictions earlier and we could be wrong predicting it forward so I would be very reluctant to tell you "yes we can sustain this margin". I would say I would be cautiously optimistic that we can sustain this but it is a very tough call.

Karan Khanna: So just as a followup say we are working at Rs.110 rupees what they were in FY2019, could there be a delta to your margins because of that?

Kirat Patel: You are saying that there was a time when the prices of about Rs.110 about two years ago I think one-and-a-half to two years ago and now they are in the region of Rs.150. so what is the question?

Karan Khanna: So wanted to know if they revert to Rs.100 to Rs.110 what impact it would have on your EBITDA margin going forward?

Kirat Patel: It depends on what happens to the raw material prices also. The raw material prices have also shifted around so it is very tricky question, you cannot answer it straight forward.

Karan Khanna: All the best and Happy Diwali to all.

Moderator: Thank you. The next question is from the line of Aakash Manghani from BOI AXA Mutual Fund. Please go ahead.

Aakash Manghani: I too had a similar question as the earlier participant I think you already answered that so what remains is if you could talk about some margin for each of your segments I understand the toughest would be the specialty segment which is Aceonitrile but for the other two which is amines 50% of the business derivative is 25%, could you give some range that you operate and what would you like to operate in the next one or two years?

Yogesh M. Kothari: Margins are not something which we have in hand in the sense we cannot control them, it is also depends on what rate materials come into India also because China, Europe and all and then we have to compete at those prices otherwise the customers will not buy from us so they go on varying all the time but generally the margins would be I think anywhere from 15% to 20% maybe more also in some cases.

Kirat Patel: This question we had answered in one of the earlier calls that it is not steady the margin and it varies quarter to quarter because of the product mix and sometimes some products are doing better sometimes some products are doing worse so the numbers that Yogesh said about 20% and all are an average which comes out but there could be products which are 15% some which are 25%, some which are 40% but the weighted average comes down to about 20%, but it may not even be the same product of the previous quarter so there is no guarantee that the Aliphatic amines will have a bigger margin than the derivatives or the other way around. It changes.

Aakash Manghani: Okay. Thanks a lot.

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

Rohit Nagraj: Congrats on good set of number. Sir the first question is in terms of the raw material availability so how it has been over the last few months in terms of the imported raw material and what do we expect in your future?

Yogesh M. Kothari: Availability is not going to be an issue for the time and prices may likelihood of their going up because of overall demands increasing in China and other places but at the same time then the price of the products may also go up.

Rohit Nagraj: Okay second question is in terms of effects so I may have missed out in earlier calls so what is the capex for both these projects individually you have already told that the peak potential would be close to about Rs.1000 Crores so just want to know what is the asset turnover?

Kirat Patel: There are two major projects which we have mentioned just now. One is acetonitrile, which is under implementation, and the other is the Aliphatic amine plants, which is under design both of these are in the region of Rs.150 Crores to Rs.200 Crores. So this year, because there are other smaller projects in derivatives and infrastructure and other things, we will probably spend about Rs.150 Crores, next year probably Rs.200 Crores and the year after it a little more, so it is a bit difficult to say what we will spend two years from now, but the immediate year and the next year looks a little clearer.

Rohit Nagraj: Right Sir Methyl and isopropyl amine plant that is already being commissioned and what would be the capex for that then?

Kirat Patel: The methylamine was a debottlenecking exercise which was a very small capex less than Rs.10 Crores and that brought up the capacity from 30000 to 45000 per annum because we had already invested a lot of the capital expenditure when we commissioned the plant two-and-a-half years ago.

Rohit Nagraj: Right and the one you said next year is currently about Rs.150 Crores to Rs.200 Crores the next expansion?

Kirat Patel: Yes, that is on drawing board stage.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from HDFC. Please go ahead.

Dhruv Muchhal: Sir lot of questions have answered so just one clarification you mentioned that at the current run rate your revenues could double so you had about Rs.1000 Crores in FY2020 so that is about Rs.1000 Crores additional but if I just do a blended total capacity that we would have the methyl amines expansion and the acetonitrile expansion, the total capacity would increase by about for 48% or 50% odd but your revenues are doubling so I was trying to understand what is driving this?

Kirat Patel: No I was telling you was that doubling was when everything reaches its peak capacity and as we mentioned our capacity today is also only 80%-85% utilized. Look at everything going, and we will be investing in other debottlenecking exercises over the time, so I would say that three to four years from now if you are at Rs.2000 Crores, I would not be surprised.

Dhruv Muchhal: I understand probably the mix is the thing?

Yogesh M. Kothari: Yes, the mix is the thing.

Dhruv Muchhal: Okay got it and Sir you mentioned about the capacity, which is in the drawing board, can you probably highlight where are we investing is it Methyl, Ethyl or where are we adding capacity?

Yogesh M. Kothari: This will be Ethylamines.

Dhruv Muchhal: Okay and if you can highlight the capacity that we already?

Kirat Patel: At the moment I think we are still working on that but it will be certainly larger than the capacities that we have today which as you know about 25000 tons per annum between the two plants.

Dhruv Muchhal: The expansion probably will happen in say the timeline should be about two years or three years?

Yogesh M. Kothari: 2022 to 2023?

Dhruv Muchhal: You mean financial FY2022.

Yogesh M. Kothari: Say about 18 months from now 18 to 20 months from now.

Dhruv Muchhal: Okay Sir. Perfect thank you so much.

Moderator: Thank you. The next question is from the line of Abhishek Verma from Fidality International. Please go ahead.

Abhishek Verma: Sir I just want to understand from a product portfolio perspective so which are the products where you have the market leadership?

Yogesh M. Kothari: Well Ethylamines we are market leaders, acetonitrile we are market leaders, DMAHCL also we may be number one or number two, there are few products which are derivatives for example diethyl hydroxylamine and all where we are among two or three players in the world and nobody makes that in India. For example, Isopropyl amine we are the only people who are making it in India. So, there are number of products like that, smaller ones of course, some are big like in Acetonitrile but where we are the market leaders.

Abhishek Verma: Okay and Sir what you are beginning to see that your competition has not been able to I mean they have missed the bus in terms of putting up tiny capacities in Acetonitrile I mean you have taken the lead in that so and earlier you said that it is not that difficult for a player to set up an acetonitrile capacity so just want to understand that?

Yogesh M. Kothari: This is difficult to tell because how can we know about their minds? they decided not to go for it.

Kirat Patel: We do not know what troubles they had.

Yogesh M. Kothari: It is not a question of trouble; it is a question of having the right idea.

Abhishek Verma: I think they had missed the bus completely. That is it from my side.

Moderator: Thank you. The next question is from the line of Ravi Shrikhant from Muthoot Family Office. Please go ahead.

Ravi Shrikhant: Thank you for the opportunity. Yes, in your annual report actually you have given these sort of raw material imports every year so this figure was around 20 to 30 Crores till around FY2016 but from FY2017 onwards it is around Rs.80 Crores to Rs.100 Crores?

Kirat Patel: Earlier we used to buy alcohol locally but since the government has been very aggressive about using it for fuel, it is more viable for us to import the ethyl alcohol rather than to buy it locally so the imports of ethyl alcohol has gone up but that is not to say that the other parts of our raw materials are not imported. They are not directly imported. Like methanol, ammonia there are consolidators who import these things in large quantities and then distribute it in India because India is short of all these products whether it is Isopropanol methanol, ammonia. Even coal we are importing it but it is coming through distributors.

Ravi Shrikhant: Okay if may just one more question Sir of the total sort of global I mean the industry size mentioned around $4 billion roughly Rs.30000 Crores so only around Rs.3000 Crores from what I gathered in India so I mean so which all countries are the other big sort of producers barring China, I mean non-China?

Kirat Patel: America and Europe are the big players; they were in fact the originally big then China and India have come in much bigger. China is much bigger.

Ravi Shrikhant: Any percentage wise numbers I mean how much would America and Europe??

Yogesh Kotheri May go on changing all the time.

Kirat Patel: But I think it would be right to say that they are not growing as fast as say India and China that is expected because the GDP growth rates at the level of development, they are is lower than emerging markets.

Ravi Shrikhant: Okay got it thank you.

Moderator: Thank you. The next question is from the line of Vihang Subramanyam from Samsung Asset Management. Please go ahead.

Vihang Subramanyam: Most have been answered just one thing when I look at the business FY2019 to FY2021 is there any product other than acetonitrile where realizations have changed in a dramatic way? Is there product other than acetonitrile where realizations have moved meaningfully?

Yogesh M. Kothari: Let me put it this way that we are on the lookout always for new products. There are some in the pipeline so once they come out, we will let you know.

Vihang Subramanyam: No I am actually asking about existing products?

Yogesh M. Kothari: Existing products we do not have anything like that acetonitrile.

Vihang Subramanyam: Okay so all the other products the price has broadly been the same is it over the last two years?

Yogesh M. Kothari: More or less they have been the same. There are few products which have given us higher prices these are specialty products, but the tonnage would be low.

Vihang Subramanyam: Got it and Sir other derivatives and other specialty chemicals which you make in that like how has been like the growth has it been like north of like say 25%?

Yogesh M. Kothari: Yes in some of them yes.

Vihang Subramanyam: Okay and Sir just probably again on one of the questions of the previous participant are asked if like say the raw material and pricing raw material prices and acetonitrile goes back to what it was in FY2019 then would it be safe to say that you would be like in 24% to 27% margins?

Kirat Patel: You are talking about overall for the company.

Vihang Subramanyam: Yes overall for the company.

Yogesh M. Kothari: You can hazard guess I mean it is difficult things to check.

Vihang Subramanyam: Okay Sir. No worries. Thank you so much.

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

Yogesh M. Kothari: Thank you Nilesh and HDFC for giving us this opportunity to present our company in front of the investors. We have not been able to answer all the questions because some of them we did not want to answer but thank you in any case. Wish you all a Happy Diwali, stay safe.

Moderator: Thank you. On behalf of HDFC Securities that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.