



Alkyl Amines Chemicals Limited

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May 17, 2023

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

The National Stock Exchange of India Limited
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 – Submission of transcript of earnings conference call

Dear Sirs,

With reference to our letter dated May 9, 2023, please find enclosed the transcript of the earnings conference call held on May 12, 2023.

Kindly take the same on your records.

Thanking you,

Yours faithfully,
For **ALKYL AMINES CHEMICALS LIMITED**

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



Encl.: As above



Alkyl Amines Chemicals Limited

“Alkyl Amines Chemicals Limited Q4 FY '23 Earnings Conference Call”

May 12, 2023



Alkyl Amines Chemicals Limited



MANAGEMENT: **MR. KIRAT PATEL — EXECUTIVE DIRECTOR, ALKYL AMINES CHEMICALS LIMITED**
MR. CHINTAMANI THATTE — GENERAL MANAGER (LEGAL) AND COMPANY SECRETARY, ALKYL AMINES CHEMICALS LIMITED
MS. KANCHAN SHINDE – CHIEF FINANCIAL OFFICER, ALKYL AMINES CHEMICALS LIMITED

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



Moderator: Ladies and gentlemen, good day and welcome to the Alkyl Amines Chemicals Limited Q4 FY '23 Earnings Conference Call 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. Thank you, and over to you, Mr. Ghuge.

Nilesh Ghuge: Thank you, Tanvi. Good afternoon all. On behalf of HDFC Securities, I welcome everyone to this Alkyl Amines' conference call to discuss the results for the quarter ended March 2023 and full year FY '23.

It is pleasure of having with us top management team from Alkyl Amines represented by Mr. Kirat Patel — Executive Director, Mr. Chintamani Thatte — General Manager (Legal) and Company Secretary, and Ms. Kanchan Shinde — Chief Financial Officer, Alkyl Amines.

Without further ado, I will now hand over the floor to the management for making opening comments. Over to you, sir.

Kirat Patel: Thank you, Nilesh. This is Kirat Patel. Thank you everybody for joining us on this annual call after our annual results. I will take a few minutes to just give you a brief outline of how the year has been, and then we can throw the floor open for questions.

The year has been, as we all know, a little peculiar because of the Ukraine war, which affected all the commodity prices, and there has been a lot of volatility in prices. Fortunately, over the period of the year, we have been able to maintain market share, increase our volume sales and managed to at least stay on track as profitability is concerned.

There have been, of course, in the marketplace for our main customer industries some degree of volatility with Pharma having some stress. The pricing on our inputs also have been under stress. Fuel, for example. Coal price has gone up considerably in the last year. Fortunately, it looks as if all that has now settled, and we look forward to a much stabler time in the next, in the coming year, which is '23-'24.

As far as our projects are concerned, the big project of Ethylamines expansion, where we are planning to spend close to Rs 400 crores is almost ready for commissioning. It will probably be commissioned in the second quarter of this financial year, that is, July-September sometime. In the meantime, we have already commissioned one new product in the last year, Diethylketone, which plant has stabilized now in production.



With that, I will leave the floor open for questions, and we will try and answer to the best of our ability. Thank you. Nilesh, if you could open the floor for questions?

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Neerav Jimodia from Anvil Research. Please go ahead.

Neerav Jimodia: Good afternoon, team. Sir, I have two, three questions. Sir, if we see the amines chain like from C1 to C6 like methyl, ethyl, propyl and hexylamine up to, I think we are fairly stronger in the first three like methyl, ethyl and the Isopropylamines. So, if you can take us through our how we are placing the other three amines? Because I think we are the only player in India who is into this higher chain of amines. I was just checking our website where one of the key product in hexylamine is 2-Ethylxylamine. So, if you can walk us through like how much of our current turnover is coming from this higher amines? And what is the size of this higher amines into India? So, are they totally imported into India? Or how is the situation be?

Kirat Patel: Yes, Neerav, we are in the business of aliphatic amines, and as it happens the market for the amines, the largest market is for the C1, which is methylamine, by far the largest market. The second largest market is for Ethylamines, C2, and the third largest which is C3, Isopropylamine.

The C4, 5, 6 Ethylhexyl is a mix of C6, and the Butylamines are relatively smaller markets. In fact, in terms of turnover, I mean, part of our revenue, they would comprise less than 5% of our total revenue. So, those are much smaller markets in India. Yes, we are the only manufacturers, and our competition is in imports from both China and Europe, and we do command, depending on the product, reasonably good market share since we happen to be the only manufacturers of these products.

Neerav Jimodia: So, you mentioned C4 to C6 total our revenue share is close to 5%, right? Or only C4 butylamines is 5%?

Kirat Patel: No, no. All put together. There are three products in that.

Neerav Jimodia: So, the new products what we alluded last time like five to six products what we are going to launch over next 10 to 15 months, one, we recently mentioned DEK, which we have launched. So, apart from this one product, the remaining products, does it qualifies into this higher amines where probably we are the only producer in India and we can get some immediate input substitute volumes once we commission those capacities?

Kirat Patel: No, the products which we mentioned in our last meeting, that we are going to launch, about five products over the next 24 months, of which, six months have already gone, one product was launched, Diethylketone, and that's not part of the amine family, and neither are the others are part of the amine family. One or two are derivatives, and the others are specialties.



Neerav Jimodia: Sir, the second question is, what we have seen recently is like one of the key raw material ammonia, the prices have collected from close to \$900 in December to \$300 now. So, my question is what sort of volume growth we are expecting for FY '24 couple with the fact that some of the raw material benefits could be passed on to the consumers because of the some commodity nature of the business, but some we could retained on and which could help us to improve our per Kg margin. So, like if you can guide us in terms of how much out of this 1700 crores of our business can have a scope of improvement in the per Kg margins? And like FY '21 was a year when Acetonitrile was doing very well, and we reported very good numbers. But now with new products, Ethylamines plant also getting commissioning, probably the contribution of Acetonitrile would be coming down in the overall buy of our revenue. So, if you can help us explain in terms of the situation for FY '24 and FY '25, that could be helpful, sir?

Kirat Patel: So, in terms of volumes, the last year, we predicted we do between 10% and 15%. Unfortunately, it's been at the lower level at around 10%, the volume growth. We are expecting next year to be a little better because things have stabilized, and our customers are being a little more optimistic, and we hope to be able to do at the higher end of this 10% and 15% in volume growth.

Your mentioning ammonia as a particular input, yes, ammonia prices have come down, and it is one of our key inputs, in the top five inputs for our products, and it, the price reduction, would help us. But you must understand where margins are concerned, it's not just the raw material prices going down, but it's also how the competition changes the finished goods' prices because prices are set by competition.

So, margins are always following a sequence where, you know, raw material prices come down, then the finished prices come down. When the raw material prices went up, the finished goods prices went up because we and our competitors are all in the same boat. So, sooner or later we have to, you know, come to a reasonable margins. So, yes, it is a good thing that not just ammonia, but even coal seems to have come down a bit, and we are hoping that raw material prices have seen their highest, have seen their peaks and will settle down.

Neerav Jimodia: Correct. Because, sir, if we see probably some of the products are difficult to even import. Case in point is methylamine. So, there we could retain some portion of the raw material cost benefits and coupled with the fact that in the higher set of amines where probably the competition is limited, we can retain the benefits of this raw material cost. Correct? Is it safe to assume that?

Kirat Patel: Yes, and no. The point remains that even in methylamine domestic, there is competition. So, what affects us affects our competitor, and he gets also equal benefits. So, the market share struggle will remain. So, you know, it's not a one-way street that the prices come down and we can retain our benefits. Okay, it happens in some peculiar circumstances, but it's not a general rule.



Neerav Jimodia: Just a small follow-up to this like you mentioned on the coal cost, but I think we use lot of steam also. So, if you can just help us explain like what has been the cost initiatives on the operating cost? Because on a quarterly basis, if we see the difference between our gross margins and the operating profit is close to 114 crores in terms of the operating cost. So, I think this has come down sequentially by 6 crores on a higher top line. So, probably some steam cost savings would have come or some benefits on the freight cost could have be sitting in this Q4 reduction in the operating cost. So, if you can just help us what are the cost initiatives which we have taken in FY '22 or FY '23 in terms of the CapEx is which could help us to reduce the cost from FY '24 on a permanent basis, be it steam or any other initiatives, if you can just highlight, sir?

Kirat Patel: So, what you are referring to is the item called “other expenses” in our results. They have gone up. Well, they have gone up in the last year compared to the year before and largely on account of coal. Coal which used to be the year before that about Rs. 5,000, Rs. 6,000 a ton, went to about Rs. 10,000 a ton, and last year it peaked at some Rs. 14,000, Rs. 15,000 a ton, and now it is coming down to about Rs. 11,000 a ton. So, obviously it plays a very large role in the element called “other expenses”.

The other large role is electricity. Electricity for us the rates at least have been stable, part of the reason being that we have commissioned solar plants which applies to Kurkumbh and Patalganga, which have started somewhere around about half of the year, sometime in August, September of last year, and that has helped us reduce our electricity costs.

Of course, the ongoing process of doing little projects to increase efficiency, improve our energy utilization also helps. So, the per unit consumption also has come down, and all this has played a role in helping us save some costs in terms of fuel and power. And I hope that the prices of coal come down. Then obviously the utility costs will come down. And we do plan another solar plant in Gujarat for our Dahej plant. So, some portion of electricity costs will also get reduced there.

Neerav Jimodia: So, just to conclude like what we have seen the other expenditure in Q4 and based on the cost initiatives what you just highlighted upon, based on 10% to 15% of volume growth what we will achieve for FY '24, this absolute amount of other expenditure could remain at this levels of Q4 only and would won't go up substantially from here could be the right assumption, sir?

Kirat Patel: Well, because of volumes will go up, so obviously the absolute amount will go up. You know, we do need more electricity, more steam when we produce more tonnage, If the prices come down by a same amount, then obviously it will flatten out. It depends on where the prices come.

Moderator: Thank you. The next question is from the line of Pujan Shah from Congruence Advisors. Please go ahead.



- Pujan Shah:** One bookkeeping question. In capital work in progress, we are seeing a 190 crores of appreciation from FY '22. So, is it about the Ethylamines or we are planning something else as well because fixed assets have also been increased?
- Kirat Patel:** Can you just repeat the question?
- Pujan Shah:** So, in our balance sheet, we can see the capital work in progress has increased by 190 crores, and we are also seeing fixed assets increase somewhere or the other way. So, is it about the only Ethylamines or we have been proposed to some other expansion as well?
- Kanchan Shinde:** No, there are other projects also apart from Ethylamines, but capital work in progress of 352 crores, out of that around 80% is of Ethylamines. And also we have capitalized around 140 crores of project during the year. So, you will see that movement also.
- Pujan Shah:** So, could you just spell out 20% which are the product we have been using like developing to?
- Kirat Patel:** See, out of that 140 crores, the two bigger items is, one is the solar facility, and the second was the Diethylketone plant.
- Kanchan Shinde:** And one hydrogen plant.
- Kirat Patel:** And one new hydrogen plant which we commissioned in June, July. So, these are the basic items on the CapEx.
- Kanchan Shinde:** Rest are for process improvements and all.
- Kirat Patel:** Yes. Others were small, small items.
- Pujan Shah:** And sir, on overall basis as previous question was been asked, so overall if you say how much on the raw material basis from the peak has been corrected? So, let's suppose it was 100 on the raw material which was peak around. So, how much percentage has been corrected till date? And what are the estimates are still above to get corrected in the coming quarters for the raw material price?
- Kirat Patel:** I think predicting the coming quarter is not a good idea because I think, you know, these prices are a little volatile, but they seem to have peaked. And I think I would say about 10% overall . There are a couple of like ethyl alcohol has become a little more expensive, while coal has come down. So, as a mix I would say about 10% to maybe 15% drop from its highest peak.
- Pujan Shah:** And sir, I just wanted to understand the C4 and C6 chain which we are talking about, so is that the thing that the market size is small or is that the thing that it's a very niche product or all this, the demand is being substituted by imports? So, could you just...



- Kirat Patel:** No, the market size is small. These are, you know, Butyl, Ethylhexyl, Cyclohexyl, all these are very niche products in the sense the market sizes are small. Yes, imports are coming in, and we are making. So, it's not a very large market in India. They go into niche products. I think worldwide they are not very large products;
- Pujan Shah:** Can you just spell out which industries have been used for all these products for the influence?
- Kirat Patel:** Cyclohexylamine goes into rubber chemicals.
- Pujan Shah:** Rubber chemicals.
- Kirat Patel:** So, there are niche uses for all this, you know.
- Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.
- Bhargav Buddhadev:** Sir, in the opening remarks, you alluded to the Pharma industry sort of not doing that well last year, but if you look at our data points in the last two months, we are seeing some signs of double-digit growth sort of coming back. So, if you look at a few portfolios like respiratory, anti-infectives, vaccines, chronic, acute etc., etc., we are seeing almost 10% to 12% growth being reported. So, is it fair to say that in turn given you are the supplier, you are also seeing some sort of pickup in demand from the Pharma sector?
- Kirat Patel:** Yes, what I was alluding to be the last year up to March. You know, we were referring to the year '22-'23, but yes, going forward, as I mentioned, the Pharma industry seems to be a little more optimistic that they have passed the stage of destocking. They had I think produced, over produced, during the COVID era, and then when normalcy came back, I think they had to destock. So, obviously, production and sales were about 2% or 3% probably higher, but they had to destock.
- So, in actual terms their purchases of raw materials were less than the previous year. So, now they are back to what you might call the normal curve pre-COVID. It will not be, I mean, the booming years of COVID, but at least better than the pre-COVID years. So, I think yes, you are right that the current numbers from the Pharma industry look a little more optimistic, and therefore, we are hoping that our growth rate will be on the higher end of the 10% to 15%.
- Bhargav Buddhadev:** Secondly, sir, in the environment where raw material prices have been coming off, so we saw sharp correction in ammonia happening in the last two, three months, but even acetic acid etc., other raw materials have been coming off. So, in that scenario, why would gross margins declined sequentially? I am referring to the fourth quarter versus the third quarter.
- Kirat Patel:** No, I don't think the gross margins in the fourth quarter declined against the third quarter. In fact, it was about a couple of percentage points higher, but it's not just the raw materials. It's also



the finished goods' prices. For example, in the fourth quarter, we did face a little more competition from imports, mainly Chinese. So, it isn't a one-way street. It's not just the raw material prices, but it's also the finished goods' prices you have to watch because that's the differential which makes the margins, you know.

Bhargav Buddhadev: And lastly, sir, is it possible to share what has been the realization in Acetonitrile now?

Kirat Patel: You mean what is the current prices?

Bhargav Buddhadev: Yes.

Kirat Patel: Yes, I think they are floating down Rs. 150 a Kg. It's in terms of dollar prices, they are among the lowest we have seen for a long time.

Bhargav Buddhadev: And is this primarily because of increase in supply or is demand issue over here?

Kirat Patel: I think it's an increase in supply. Mainly, you know, last year the Chinese had lot of issues, but now they have settled it all out, and they are coming back to the global market.

Bhargav Buddhadev: So, unlikely that prices may significantly improve from here on in the near term. Fair to say that?

Kirat Patel: I don't know. It's very difficult to say whether the prices will, but I think it may not go down too much because, as I said, you know, it's the lowest it has been ever in terms of dollar terms.

Bhargav Buddhadev: But we don't need to worry about our domestic competitors adding capacity, right? We may not be servicing the same set of customers.

Kirat Patel: In Acetonitrile?

Bhargav Buddhadev: Yes.

Kirat Patel: We don't have significant competition domestically. As of now, I mean, there are people talking about it, but as of now, we don't have any significant competitor. Our main challenge is imports.

Moderator: Thank you. The next question is from the line of Archit Joshi from B&K Securities. Please go ahead.

Archit Joshi: Sir, just alluding to the same question asked by the previous participant, this is with respect to the product mix, sir. So, if I see, if I track the EBITDA margins of our company maybe for the last 12, 16 quarters, we have been maintaining a very healthy EBITDA margin compared to our competitor. It was used to be up by a healthy 400, 500 basis points until September '21. Post which if I just see our EBITDA margins have been contracting, and our competitors' EBITDA margins have been improving or relatively have been kind of better off than us.



So, just taking the Acetonitrile point here, will it be safe to assume that earlier because Acetonitrile used to be a bigger contributor to our EBITDA and now with the falling prices, the inferior product mix has caused this fall in EBITDA margin? Or is there any other element as to why we are able to see this fall in our EBITDA margins?

Kirat Patel: Yes. So, where Acetonitrile is concerned, you are right. The margins have narrowed mainly because the finished goods' prices have narrowed. Of course, acetic acid is now coming down. So, we are hoping that the Acetonitrile margins will widen again, and it is an important product for us.

The other big product is Ethylamine where again, alcohol prices have risen. However, the finished goods' prices have not risen because of competition. So, those margins have dropped. And these two are the main reasons why our margins have dropped a few basis points compared to the past., Well, I don't know about the product mix of Balaji, but this is the reason why our margins have dropped. We overlap in about 40% of our businesses. Their other businesses don't overlap. So, we are not exactly like to like, you know.

Archit Joshi: Yes, I do appreciate that, sir. But when it comes to ethylamine, sir, other than Acetonitrile, we have a far larger capacity than our competitors. So, along with Acetonitrile, ethylamine also has been kind of disappointing which has, you know, being heavy on our EBITDA margins. So, is that what you are saying, sir?

Kirat Patel: Yes, we have some, these are the main two. There have been others which have, some have done well, and some have not done so well. And these are one of the two concerns. Both the products seem to be doing a little better now, but looking forward to better times, you know.

Moderator: Thank you. The next question is from the line of Noel Vaz from Union Asset Management. Please go ahead.

Noel Vaz: My questions were regarding the import substitution. So, now one is the company looking at import substitution to some other products as well in replacing imports with our products, and if so what exactly is the opportunity size that we are looking at?

Moderator: I am sorry. I don't quite understand the question. You are asking whether our products are replacing import into the country?

Noel Vaz: Yes, exactly.

Kirat Patel: Yes. So, that is across the board, I would say yes, most of our products are replacing imports coming into the country because now competition is global. So, if we don't make the products, people will import it, and even if we make the products, people will still import it if it's cheaper. So, you have imports as a benchmark. I mean, whether Europe, America or China, they will be your competitors for all products wherever, whatever you make. So, whenever we even launch



a new product in the country, we obviously check if there is a market, and if there is a market in India which means somebody is importing the product, if we are going to be making it for the first time. So, that's going to happen that it is a import substitutive market by and large. Yes, sometimes we have a situation where we have launched a product where they are eating into domestic players. That can also happen.

Noel Vaz: Understood, but generally, if we were to look at the import size here as a market size, what exactly would be the size roughly speaking?

Kirat Patel: See, it differs product to product, but I would say that in the products where, for example, Methylamine is hardly import, you know, 2% to 5% maybe, not even that of the market share. In Acetonitrile, it would be the other extreme where it would be almost 30%, 40%. So, product by product, it does vary. But I would say that an average of 10% to 15% imports is probably there. See, you must understand that the customers also export. So, when they export, they have what they call the advantage of duty-free imports, and sometimes we can match it by giving them prices which are equivalent in called deemed exports, but sometimes we cannot match those prices. So, there is always going to be some amount of imports coming into the country to the extent that our customers are exporting their products.

Moderator: Thank you. The next question is from the line of Chandrakant Dhanak from CD Research. Please go ahead.

Chandrakant Dhanak: Sir, I wanted to know what do you think, why do you think like the improvement in Pharma industry will sustain? And second, can you give, what is your margin outlook for fiscal year '24?

Kirat Patel: One, I will answer the second question first, the margin outlook. We normally do not speculate on our future margins, because it's very difficult. We only give a broad indication of volumes which we expect because margins, as you know, have varied quite widely and unexpectedly, we do well, and unexpectedly we don't do so well. So, I wouldn't speculate on the margin at all, but we are always hopeful that given that the raw material prices seems to be coming down, we would get some advantage in that.

What was the second part of the question? Sorry.

Chandrakant Dhanak: Sir, what do you think about, why do you think the improvement in Pharma industry will sustain?

Kirat Patel: Well, you know, the Pharma industry has gone through a bit of a rough time. I mean, it did during the COVID period, they did produce a lot, and export it, and then they had the normal times where they had to destock. So, compared to that time, yes, it will be better than last year. And Pharma, if you notice as the penetration in our country is fairly low, you know, of drugs.

As the country given the population, Pharma is going to be a big provider of our medicines for a long time to come. So, they are still at a very nascent stage. I mean, I think only 15% of our



population actually uses allopathic medicines. So, they are going to be there for some time to come, and maybe they will have some quarters not so good, but by and large, they are very essential commodities.

So, volumes, in terms of volumes, they will be there. They have their own kind of constraints of pricing and other things and supply chain difficulties and other things, but by and large, the demand will always be there in India and growing.

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

Jaiveer Shekhawat: Good afternoon, Mr. Patel. Sir, the first question is in terms of the Acetonitrile capacity addition itself. Now we understand that even your domestic competitor will add about 15,000 tons per annum, and the combined capacity post that will be about over 50,000 tons per annum, as against a demand which is around 30,000 tons. So, how do we understand your strategy about trying to deal with that possible oversupply? And we are already seeing the prices already having crashed down to about \$2 per Kg versus a \$3, \$3.5. What will be your strategy then?

Kirat Patel: Look, it's something like this. there is always competition, I mean, we have seen enough announcement over the last 10 years of people coming into the Acetonitrile market. As and when it comes up, we will face it. This has been among the lowest prices we have seen, and if we are able to sustain this margin, we will always have an edge over the newcomer because our experience in making this product makes us far more efficient than the newcomer. He has to absorb his capital costs. Our capital costs have got absorbed, by and large, and I am sure we will be able to compete with the rest in the world. We have done it over the last 10 years, and I don't see any reason that we won't be able to do it in the next 10.

Jaiveer Shekhawat: Sir, during FY '22, we had commissioned that extra 18,000 tons per annum capacity. So, as of now, what will be the overall capacity utilization for the Acetonitrile capacity? And what would be the share of exports?

Kirat Patel: So, we have two plants, the old plant and new plant, and the total capacity was between 28,000 tons to 30 000 tons per annum, and we are at about 60%, 65% utilization of the two plants.

Jaiveer Shekhawat: And are you also exporting anything? What would be the share of exports?

Kirat Patel: Yes, in fact, this particular year one of the things that has happened is that our exports have increased quite a bit, you know, so we are now almost about 22%, 23% of our sales is exports.

Jaiveer Shekhawat: Sir, on the new product that you mentioned, Diethylketone, could you help us understand say the overall market size there is and also your right to win over there and the margin profile as well for these products?



Kirat Patel: So, the market size is growing, but it's not very large. We would be I think aiming at about 50% to 60% market share over the next 18 months or so. we are trying to establish and debottleneck our capacity over the next 18 months to make sure that we manage that. But, you know, it's just a couple of months since we have been in the market. So, it's a bit early to say about the margins and all and how the market will react to it. At the moment, it is following the trend which we had predicted, but it's early days. So, it's difficult to project that, but it's not a very large market, you know, in terms of tonnage or in terms of value. It would be a kind of 3% to 5% of our turnover at best as you go along.

Jaiveer Shekhawat: And sir, last question is that given that you largely have pass-through arrangements with your customers, so what does ammonia pricing crashing by about 60% to 70% mean for your realization? How should we think about that?

Kirat Patel: We don't have any pass-through arrangements with our customers. It's just that because the competitor and us have the same kind of exposure to the raw materials, because our technologies are similar, that we have to keep in line with the market. Otherwise, the competitor will eat your market share. So, it's not that we have an agreement with the customer though the customer is sharp enough to realize what is going on in the market and how, but it's not necessary that we have an arrangement with the customer. It's just the market dynamics, you know, that play a role in determining this thing.

Jaiveer Shekhawat: Sir, if I just want to understand if the competitor were to reset the prices down, how much should ammonia coming down by 60%, 70% mean for your realization? What kind of impact? Because you also have other raw materials that you use which have largely been stable.

Kirat Patel: Yes. So, I would say i ammonia would be about, maybe of all our raw materials, maybe about 20% cost wise, and if it comes down by this thing, we may save about 4% or 5% compared to last year. But of course, the finished goods' prices also is going to correct. So, it's not a one-way street, you know. I mean, Methanol, Ethanol, Ammonia, coal and acetic acid are probably the biggest costs. So, ammonia would be maybe 15%, 20% of our raw material costs.

Jaiveer Shekhawat: Sir, lastly, any expansion plan beyond what you have already announced? Are you scouting for land for methylamine capacity expansion as well?

Kirat Patel: We have already said this earlier that we are looking forward to new land because, you know, all the land in Dahej and Kurkumbh has now been allocated to these new products, which we mentioned and the expansion plans, which we have over the next 18 months to 24 months. We will need more land after that, and we have applied to GIDC in Gujarat for new land. The process is on, and hopefully, we understand that by the middle of this year, some progress will be made in allocating some land to us, and we may have to then start making down payments. But it's at least 12 months in the future. But definitely, yes, you are right. We need more land for expansion, whether it is methylamine or any other expansion of our business. We will be using up all the



land which we have in Kurkumbh, Dahej and Patalganga with the projects which we already have in mind.

Moderator: Thank you. The next question is from the line of Chetan Thacker from Ask Investment Managers. Please go ahead.

Chetan Thacker: I just wanted to understand CapEx for '24 and '25, and the timelines of those coming on stream, the capacity increases over the next two years?

Kirat Patel: So, the '23-'24 would be around 200 crores. This does not, of course, include the land which we just mentioned earlier, you know, which is a little bit of a floating amount. We don't know when GIDC will allocate the land and all that, but for the products we will require in '23, '24 and '25, it would be about Rs300 crores, Rs200 crores and Rs100 crores, respectively

Chetan Thacker: And this will essentially, sir, add how much capacity in terms of volumes?

Kirat Patel: This in terms of volume because some of these products are specialty products, so it will not be a volume driven, but it may be a value driven. And as we mentioned earlier, given all these four, five products which we will be adding including the Diethylketone, which we have already commissioned, over a three-to-four-year period, they may comprise almost 15% to 20% of our top line and perhaps hopefully a larger portion of the bottom line.

Chetan Thacker: So, essentially given what we have seen historically in terms of payback for us, this will be a shorter payback period because these are higher value-added higher margin products.

Kirat Patel: Yes, but capital wise also they are, two of them are fairly intensive. One or two are not that capital intensive. So, return on capital employed, yes, we hope to maintain our good record and improve it.

Chetan Thacker: And in terms of the Acetonitrile, bit fair to assume that the exit that we are seeing at Q4 is probably where it is in terms of pricing and it shouldn't get worse from here.

Kirat Patel: I hope so because if we look \$2 /kg as somebody has mentioned was pretty low, you know.

Moderator: Thank you. The next question is from the line of Pujan Shah from Congruence Advisors. Please go ahead.

Pujan Shah: Thanks for the follow-up. My question was on our finished products, are we seeing as China has been reopening up, so is there any overhang inventORIZATION which has been dumping out all over the world, that's why this some of the finished goods' prices have been corrected or it's been not like that what I am able to reading of....



- Kirat Patel:** I think what you have mentioned is what the market is saying that there is a little bit of overhang of stocks with their cleaning up, you know, and perhaps once that is done, some kind of a sense or normal season will return.
- Pujan Shah:** Yes, because as we have listened to the Pharma Con-calls, we are getting that Pharma has been very bullish on getting a volume of double-digit growth. And at the same point, we are also getting explanation of touching of 15% growth. So, are we being a conservative or we have been like because of this issue we have been still a bit conservative on that part due to some of the pushing of some key products at lower cost?
- Kirat Patel:** Well, I think we are as traditionally a conservative company, so predictions of the future are always a question mark. But yes, the Pharma industry seems to be very optimistic, but if they deliver, we will be more than happy to match their requirements, you know, to keep up.
- Moderator:** Thank you. The next question is from the line of Neerav Jimodia from Anvil Research. Please go ahead.
- Neerav Jimodia:** Thanks for the follow-up, sir. So, sir, you mentioned that this new products could contribute 15% to 20% of our overall sales, but in terms of absolute amount, if you can help us? Because the CapEx what you mentioned is close to 250 crores for all these products put together. So, over next three, four years, how much could be the turnover which this products could achieve in terms of the absolute amount, if you can?
- Kirat Patel:** This is off the cuff kind of numbers, but it will be between 500 crores, 600 crores once these products stabilize in the market. Of course, the traditional products will also grow as we grow., So, which would be about 15%, 20% of our turnover, you know, that times, because the amines and the derivatives business will also grow.
- Neerav Jimodia:** Correct. And sir, these products would be predominantly catering to which of the user industries?
- Kirat Patel:** Most of the same user industries which we have been supplying to. Life sciences largely.
- Neerav Jimodia:** Sir, in terms of our overall turnover for FY '23, so if you can just break it down between the aliphatic amines, derivatives and the specialty in terms of the revenue contribution?
- Kirat Patel:** I don't think that has changed much from the past. It's about 50% amines, and 20%, 25% derivatives, and about 20%, 25% specialties. The only thing that has slightly changed in percentage terms is the percentage of exports is higher than it was earlier compared to domestic.
- Neerav Jimodia:** And sir, like FY '21 was best year for us in terms of the operating performances from last so many years. So, like let's hypothetically presume that if we want to achieve that sort of numbers, what sort of volume growth we need to do from the base level of FY '23 keeping the rest of the things constant, sir?



- Kirat Patel:** So, what you are saying is that if we had to match the profitability numbers of the year '22, FY '22 which is about 300 crores PAT, right?
- Neerav Jimodia:** Correct.
- Kirat Patel:** Little less than 300 crores PAT.
- Neerav Jimodia:** It was an FY '21, sir.
- Kirat Patel:** We have to do about 20%, 25% volume growth giving the margins which are there now to meet that.
- Neerav Jimodia:** Correct, and it's the same cost benefits do accrue to us in terms of the fall in raw material prices.
- Kirat Patel:** We will require much less volume.
- Neerav Jimodia:** Absolutely, absolutely. So, keeping things constant as it is, we need to do a volume growth of 20%, 25% to achieve this, right?
- Kirat Patel:** Yes, but if, of course, if the margin widens a bit, then we need to go only 15% to catch up.
- Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.
- Rohit Nagraj:** Thanks for the opportunity. Sorry, I joined a bit late. So, I am not sure whether my question is answered earlier. What was the domestic and exports mix during FY '23, and whether we faced any particular challenges for exports?
- Kirat Patel:** So, as I mentioned earlier that the exports has been between 22% to 23% of the turnover, which was earlier a little under 20%. So, we have grown, and in the beginning of the year there were some challenges in freight costs, but now they have all settled down, and availability of containers, everything, all got sorted out. So, now the challenges are more related to the growth of the economies abroad, Europe and America, which is mainly our market, you know.
- Rohit Nagraj:** Now, sir, second question is in terms of competition outside of India. So, are we hearing any other players who are putting up capacities in any other geographies and in Asia?
- Kirat Patel:** In the amines business?
- Rohit Nagraj:** Right, sir.
- Kirat Patel:** No, I don't think in our core business. There has been a lot of consolidation over the years, and the existing, of course, we don't know much about China because that's a bit of a mystery, and



China is a very big player. So, it could be happening in China, but I don't think in Europe or America, there is any movement to expand much more. They will be doing their debottlenecking and all that, our competitors, whether it's BASF or Taminco or whatever, they will certainly be looking at going a little marginal increases in their productions. As you know that BASF had a little concern about production because of the gas issues with Russia, but that seems to, they seem to have overcome all that.

Rohit Nagraj: But I think that they would not be a direct competition for us because they are more into proprietary and further downstream in terms of specialty amines.

Kirat Patel: Oh, no, no, BASF is a largest player in this field.

Rohit Nagraj: So, in our products as well and in the proprietary products as well.

Kirat Patel: Yes. Taminco and sorry, Eastman, not Taminco now. Eastman and BASF are the biggest players in this field, and then of course the Chinese, there are number of them.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments.

Kirat Patel: Thank you, everybody. And I hope I have been able to answer most of your questions. As a concluding remark, I would say that we hope that we have got over the worst volatile period, and we are looking forward to now growth, especially because our customers mainly in the Pharma industry seem to be so optimistic, and our raw material prices are stabilizing. And hopefully, when we meet again, we will have good news to share. Thank you very much.

Moderator: Thank you very much. On behalf of HDFC Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.