



Alkyl Amines Chemicals Limited

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November 15, 2023

To,

BSE Limited

P. J. Towers,
Dalal Street,
Mumbai - 400 001

The National Stock Exchange of India Limited

Exchange Plaza,
Bandra Kurla Complex, Bandra - (E),
Mumbai - 400 051

SCRIP CODE: 506767

SYMBOL: ALKYLAMINE

Subject: 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 November 1, 2023, please find enclosed the transcript of the earnings conference call held on November 8, 2023.

Kindly take the same on your records.

Thanking you,

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 2Q and 1HFY24 Earnings Conference Call”

November 08, 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
MR. UDIPT AGARWAL - CHIEF COMMERCIAL OFFICER, ALKYL AMINES CHEMICALS LIMITED

MODERATOR: **MR. JAIVEER SHEKHAWAT - AMBIT CAPITAL PRIVATE LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to Alkyl Amines Chemicals Limited 2Q and 1H FY24 Conference Call hosted by Ambit Capital.

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 this 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. Jaiveer Shekhawat from Ambit Capital. Thank you, and over to you, sir.

Jaiveer Shekhawat: Thank you, Neerav. Good afternoon, everyone. On behalf of Ambit Capital, I welcome you all to Alkyl Amines 2QFY24 and 1HFY24 Earnings Conference Call.

From the management side, Mr. Kirat Patel — Executive Director, Ms. Kanchan Shinde — Chief Financial Officer, Mr. Udipt Agarwal — Chief Commercial Officer, Mr. Chintamani Thatte — General Manager (Legal) and Company Secretary.

Without further ado, I would request Kirat sir to start with his opening remarks, post which, we can open the floor for question and answer. Thank you, and over to you, sir,

Kirat Patel: Thank you. Welcome everybody to the half yearly investor call for Alkyl Amines and thank you. for the interest.

Let me just take a few minutes to give you an overall background of the half year that has just concluded on 30th September, and then we will take the questions.

As you can see, this half year, especially the second quarter has been a little difficult for us in terms of margins, and this is largely due to some domestic competition and majorly a competition from across the border from China in two or three specific products.

However, we had some silver lining on the cloud where we have volumes which have gone up by over 15% across various products, and our market share in the most products have, if not remained steady, increased. And the domestic market seems to be doing all right. Yes, there is some pain faced in the agrochemical sector and to some extent in the pharma sector. And of course, as you all know that the Europe and America are going through a little more difficult time than earlier. So, is China. Against this background, our results, which though disappointing, and are to be taken with a little bit of concern, are okay as we have done all right.

Let me then, I think with this overall background, open the line for questions, specific questions on any aspect of the company.



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

Nirav Jamduia: Sir, I have two, three questions. So, the first is specifically on ethylamine. So, if we see four, five years back, ethanol cost used to be around Rs28, Rs30, and now if we see, they have been consistently moving up and have been hovering around those 50, 55 levels. So, just wanted to understand like over these years with this increase in the raw material cost, whether we have been successful in passing on those raw material cost increases to the customers or the industry dynamics have changed in a way that the industry is loaded with higher capacities and probably demand is not able to catch up to the levels of capacity additions which we have seen over last one or two years?

Kirat Patel: There are two aspects to this question, Nirav. One is about the price of alcohol. You are right that it has moved from around Rs. 30 to around Rs. 55 over the last 2.5, 3 years, and we predict that this price is likely to remain for us at least going forward for the next year or so around this level or maybe slightly higher. Obviously, this has put a little pressure on our margins because we have not been able to pass on all of these cost drives into the market.

In terms of the structure of the competition, well, as you know, we have two players in domestic market, and the rest are from the Chinese or the Europeans active in the market. Over the last year or so, over the last 6 months, we have not seen much activity for imports because our competitor has increased this capacity and has been able to push out the imports to some extent.

However, we have managed to retain our market share in this product albeit with some sacrifice in margins. Going forward, given that now the capacities are more or less balancing out between the two domestic players, and we have extra capacity coming on because of the new plant which we have just commissioned in October, where we have added capacity, will give us some headroom in terms of growth in the future.

So, we expect to continue to progress in ethylamine, steadily, and it is fortunate that most of this product goes into the pharma industry and pharma is a very steady growth industry even if you take a slightly longer term, one or two years, they are not that gung-ho, but more or less they keep growing. So, we are very confident that the ethylamine's market is going to improve over a period of time.

Nirav Jamduia: So, sir, just to add here, like, if you can just walk us through in terms of the domestic capacity as well as the domestic demand currently? And what I could make up from your remarks is that probably with the industry demand and supply getting balancing out, probably at some point of time, again, we could be back at those per Kg margins which we would have been able to clock before 2.5, 3 years, and this is not a structural problem in the industry where the new normal is the margins in between those which we have achieved before 2.5, 3 years and what we are currently getting on. If you can just help us understand that?



Kirat Patel: So, I think looking at the scenario going forward, it can only improve because there is no new capacity coming on, and the market is growing. And as you know, slowly, the market will grow. We have already invested, and we don't need to spend any more money for capacity increases. So, the benefit will always flow to us. Yes, the margins, whether they will come back to those 2.5 year above margins over the next six months or one year, I am unable to predict, but certainly it will come back at some point in time.

Nirav Jamduia: And in terms of the industry capacities and demand, if you can just help us?

Kirat Patel: The demand has been growing. I think in the region of about 25,000 to 30,000 is the domestic demand, and you know both our competitors are exporting to some extent. The domestic demand keeps growing at about 5% to 7% every year, and between the two of us, I think we have about 70% market share, and they would probably have about 25% and 5% is imports. Something in that region, you know.

Nirav Jamduia: So, our capacity with this new plant is close to now 30,000, 35,000 tons and probably competitor would also be at around 15, 000, 20,000 tons. Is it the right numbers with which we are working on or am I missing something in between, sir?

Kirat Patel: Well, I think you are right that the target, the plant which we have set up is 100 tons per day as we have announced earlier, which would come to 30,000, 35,000 per annum. However, in the initial phases, we don't intend to run it at full 100 tons per day. We intend to run it at a slightly lower capacity optimally and do a swing campaign to keep up with the market. Yes, the capacity of our competitor is I think about 15,000, but I think its practical capacity maybe about 10,000. You know, we have these homologues, mono, di, tri, and they always have an issue. So, our estimate is that it would be in the region of about 10,000 to 12,000.

Nirav Jamduia: Sir, my second question is on the cost part. So, if we look at things like last year, last two years, we have been continuously seeing increase in the power cost. So, last year, we were at 220 crores. Year before that, we were at 180 crores. And with one of our major products, Acetonitrile, we have seen the prices falling, which we also mentioned in our last call also, that prices have been lower, and most of the players have not been able to optimally make profits at this sort of realization.

So, just wanted to understand from you what is the situation currently on the power side? What initiatives we are taking there to reduce our power cost in absolute amount as well as on a per Kg basis? And apart from this, are there any cost initiatives which we are currently undergoing? Any specific areas in terms of either process innovation or in terms of reducing our variable cost, which could help, to some extent, negate the per Kg margins, which we have been suffering on the product side?

Kirat Patel: So, this question on the power cost when you give those numbers, it included what we call power, water and fuel, because they are all clubbed together. So, power forms about 20% of that



amount. The major part of that is fuel, which is coal, you know. The coal is the main component which goes up and down.

Fortunately, in the last 6 months or so, it has remained reasonably steady. It has come down from the peaks of whatever it was 15,000, 16,000 a ton down to about 11,000 a ton. So, to that extent, we have benefited a bit. In terms of power, we have in both Dahej and Kurkumbh just commissioned turbines which run on extracted steam, and that would save us some money.

Plus, we have solar power being put into the plants both in Dahej and Kurkumbh, wheeled into the plants, both in Dahej and in Kurkumbh. For Kurkumbh, we have expanded our solar capacities offsite, of course, and for Dahej, we are just about to commissioning solar facility offsite, which should get commissioned in the next 15 days or so. So, on both those accounts, we hope our power cost will drop as we go down in the next three to six months.

Coal, of course, is a question mark. It tends to track crude oil, and predicting where coal will be tomorrow is a bit difficult, but it has remained steady for some time. So, I think we are better off then. Of course, it's not the old days of Rs. 5,000 and Rs. 6,000 a ton, but whatever, it's the new normal is probably 10,000 to 11,000 a ton.

Nirav Jamduia: And sir, any other cost initiatives which we are currently undertaking?

Kirat Patel: Yes, the new boiler which we have just commissioned in September for running the ethyl plant is technologically better than the old boilers, and we expect to see some marginal improvement in efficiencies there. So, the utilization of coal to steam ratios may be better.

Nirav Jamduia: Sir, just a last clarification on the other expenditure where we have seen a sequential jump by close to 5 crores, 5.5 crores, so 84 crores to 89.5 crore. So, was there any one-off element in this or it was something cost increases which we have witnessed this quarter and because of which the sequential cost increases have been there in the P&L?

Kirat Patel: Sorry, which cost are you talking about?

Nirav Jamduia: Sir, in the result document which we published, the other expenditure has gone up from 84 crores in Q1 to 89.5 crores.

Kanchan Shinde: There is nothing significant. Just CSR expenses have been more in Q2 compared to Q1. So, nothing significant other than that.

Nirav Jamduia: So, it has nothing to be with the onetime plant startup cost which we would have incurred because the ethylamine plant has been commissioned and some of the startup cost which would have been incurred and that have been debited in this quarter.



Kanchan Shinde: Because we just started at the end of the September, there was hardly one- or two-days cost of startup. And that has been capitalized as trials and cost.

Moderator: Thank you. Next question is from the line of Rajiv Rupani, individual investor. Please go ahead.

Rajiv Rupani: I had a question on ACN, Acetonitrile. So, the first question I would like to know is have we applied for anti-dumping duty? Number one. Number two, I believe there was dumping by Chinese companies of ACN. So, what is the current prices of ACN?

Kirat Patel: The question about the anti-dumping duty, we have not yet applied, but we are in the process of putting the papers together to apply for anti-dumping. And as you know, the anti-dumping process first goes to Ministry of Commerce, then to Ministry of Finance, and the whole process is about 6 months. So, we are just on the verge of applying for anti-dumping, and it may take some time. The current prices of Acetonitrile, the CIF is about \$1.4 a Kg or so in that region, and yes, it's fairly low compared to maybe a historical low where ACN is concerned.

Rajiv Rupani: And last time you had guided us that we have a 30,000-ton plant. So, the capacity utilization will be 60% to 65%. So, for this current year, can we expect lower levels or similar levels of capacity utilization?

Kirat Patel: Well, the first half has been in that region, 60%, 65%. Second half, we hope to see that the Chinese have some sense, so that we can maintain this 60%, 65% capacity utilization, but you never know, if these prices are, they become more aggressive, and these kinds of prices persist. We could have some impact, but hopefully, I think, some sense will dawn, and we will try and maintain this 60%, 65% capacity utilization, if we can.

Rajiv Rupani: My next question was on ethylamine. Sir, in the con call now you have said we have added about 30,000 to 35,000 tons capacity, and our competitor has, as far as I know, 22,500 tons, and you have said the domestic demand is 30,000 tons. So, I mean, how do you expect us to utilize our new capacity? And do you are thinking of new capacity, could you guide us?

Kirat Patel: So, you know, I think both of us. It applies to both of us. When we add new capacity, when he added 15,000 tons, the older capacity has been used for something else. Similarly, for our original 15,000, 16,000-ton capacity will be and, in fact, as we speak, the plant has been brought down, and only the new plant, which is 30,000 tons, well, in the first phase not that much, 24,000 tons will be commissioned. So, you are not adding 30,000. You are adding 15,000 in our case capacity in two phases.

And in their case also, they have gone from 6,000 to what we estimate is about 10,000, 12,000. So, it's not a dramatic change, yes, but there is an overhang of capacity compared to the domestic market. And even if you add the 10%, 15% exports that both of us do, yes, there is a capacity available now in ethylamines. We were a little tight until the new plant got commissioned in terms of capacity, and we have to bring in Patalganga plant also online to support Kurkumbh,



but now we are going forward don't see any reason we will need to use the Patalganga plant for ethylamines.

Rajiv Rupani: And my next question is in last con call you had talked about new products. One is DEK, which we have already commissioned, and two derivatives were mentioned, and specialty products. So, sir, could you let us know the names of the two derivatives and the specialty products which we are going to introduce?

Kirat Patel: No, as you know, as a principle, we do not talk about future products until they are already commercialized, and we even, for example, DEK, we started talking about them only after February after we had launched it in the market, and the product DEK is now commercialized. It is having some difficulties with imports coming in and the market being a little tight, but we are fairly confident that that will meet its target sales and capacities as we go along.

The other two products are to be launched a little later, and one of them, of course, we will have to wait until the old ethyl plant comes down and is refurbished to be repurposed to this thing. So, it may be another 6 months before we launch another new product, the rest of the products. They are all going to come next year.

Rajiv Rupani: My last question is this PLI scheme by API industry, so when does this benefit our company? After how long?

Kirat Patel: Difficult to say because we are suppliers to the people who make the APIs, and depending on how they react to making the API, we will benefit. At the moment, a PLI takes a period of time before it materializes. So, it is a kind of a five-year horizon before its impact really is felt, because they make it, then they will apply for PLI, then they will get it after a little while. So, the whole cycle and chain, the whole cycle is the longest one. But it's a good trend. I would say that it is a positive trend for us, you know.

Moderator: Thank you. Next follow-up question is from the line of Nirav Jamdua from Anvil Research. Please go ahead.

Nirav Jamdua: So, sir, you mentioned about the ethylamines market, and you mentioned that the pharma is one of the areas where the demand was slightly lesser and because of which those additional capacities are putting pressure on the realizations. So, apart from this, were there any other sectors or industries which were putting the similar amount of pressure on the realization part and then that tends to now getting improved, because of which we are confident that the demand supply situation is getting more balanced at this point of time?

Kirat Patel: You know, the pharma industry comprises a large segment of the ethylamines market. The others are rubber chemicals and agro. And yes, the agro has been having some difficulties in the last three to six months. The rubber chemicals also has gone through a somewhat difficult period, but both those segments of customers are talking about they are seeing light at the end of the



tunnel. So, it looks like may be pharma has been, as we said, the destocking, which was there last year has got over, and they are growing. And I think the other two segments also will probably turn around now. So, I am a little positive about ethylamines.

Nirav Jamduia: And sir, on the Methylamines part, if you can talk similar like before 3, 4 months, we have seen Ammonia prices making a low of around \$350, \$400, and they are now again inching up closer to \$550, \$600 FOB Saudi. So, what's the situation there, like, in terms of the industry scenario where there also we have been able to pass on the raw material cost increases to the customers? How is methylamines versus ethylamines at this point of time both in terms of industry as well as where we are placed in terms of not only methylamines but the derivatives of methylamines also?

Kirat Patel: So, methylamines is very different from the ethylamines in terms of what the market has been because there is not much over capacity there. The RCF, us, and Balaji have had these capacities in place for some time. Balaji, I am told, is expanding the capacity, but it's a little down the road. So, at the moment, we have all been able to pass on these increases of raw materials onto the customer, and the market has been balanced. So, it has been, they have maintained their margins in the whole ethyl chain. A couple of our derivatives have done well, in methyl, and on the whole methyl has not been the big worry for us at all. In fact, it has done well, the methyl chain. And we still have some headroom in capacity in methyl, but as you know, we have a plant in Patalganga also available in case required.

Nirav Jamduia: So, sir, here, I think we are at 45,000 tons of capacity, and let's say, if the derivative starts doing well, let's say DM-HCL or DMAC or the other products, we will try to use those capacities at the Patalganga plant and could further be diverted towards these derivatives or we additionally need to expand the derivatives capacity also to utilize the Patalganga plant?

Kirat Patel: Well, the derivatives that we make out of DMA and MMA are we have enough capacity.

Nirav Jamduia: No, sir, I was talking about DM-HCL.

Kirat Patel: Maybe one-third of the line we may have to debottleneck both of the major derivatives we make, but for the next year, we don't see any additional capacity requirements because the problem may be more that, you know, because of the homologue mono- di- tri-, di- is always a short supply and mono is always the excess supply. So, that balancing is where the whole trick comes. So, all of us, whether it's RCF, Balaji or Alkyl, always struggle with the availability of DMA.

Nirav Jamduia: So, DMA is doing well and because of which the methyl chain is doing well. That's a safe assumption to make.

Kirat Patel: Yes, I would say, more or less, there is a balance there. So, there is no great competition. Fortunately, that's the product which we don't have Chinese competition.



- Nirav Jamdua:** Because of the unavailability of imports coming to India probably.
- Kirat Patel:** Yes, in between about a few years ago, the Middle East had tried to compete, but they also, I think have now desisted from trying it, you know, because it's gaseous, and when you make solution out of it, you are transporting water. Transport water, the freight cost goes up. And it's not a very high value product as you know. So, it doesn't work out economically.
- Nirav Jamdua:** Sir, just last question from my side is on the volume growth of 15%, which you have mentioned. So, that is for H1 FY '24 and not for the quarter, right?
- Kirat Patel:** Yes, it's for H1.
- Nirav Jamdua:** So, from which of the product segments out of methyl, ethyl, and Acetonitrile, we have achieved this sort of 15% volume growth, if you can break it down into volume growth?
- Kirat Patel:** I think it's largely secular. You know, it's across products. It may be 10% in one, 20% in the other, but it's every product has grown a bit. One or two smaller ones have not grown, but yes, we have an issue with as we have mentioned in the last con call about MIPA, you know, going out of anti-dumping, but that's a very small product overall. So, that has been a problem, but all the others have grown.
- Nirav Jamdua:** Sir, just a last bit because if we remember last quarter, the last con call, what we were trying to aspire is that let's say, if we do close to 25%, 30% of the volumes, we could surpass our earlier PBT targets of close to 400 crores, which we have achieved in 2021. So, if we see 21-22, 22-23, we were close to 300 crores. This first half we have achieved 100 crores. So, now if you can just help us understand like when can we surpass the FY '20 to '21 numbers, '23 and '22 numbers in terms of the PBTs what we have achieved or, let's say, what sort of volume growth needs to be done in current environment so as to surpass this sort of PBT?
- Kirat Patel:** See, Nirav, I think the volume growth is not, in fact, our volume growth this year is pretty good. If you see, 15% is not a bad volume growth at all. You know, one of the best we have had for many years. The margins is where the problem is, and predicting margins as I have always said is a difficult game, you know. It's a very, very difficult thing. So, I may tell you that, it will take me 3 years. And for all I know, next year we make profit, if the margins widen.
- Nirav Jamdua:** So, we could surpass 300 crores PBT next year. Is it a safe assumption?
- Kirat Patel:** I mean, it's your call. I would love to have it. We would like to plan it that way. But you know, plans are what you keep planning while life goes on a different track.
- Nirav Jamdua:** So, just to conclude like methylamines is doing well, but the problem in terms of the margin contraction is predominantly coming from the Acetonitrile part as well as the ethylamines part.



Kirat Patel: Yes, I think there are, and the other smaller, smaller products are helping us stay afloat, Methylamines and the other derivatives. So, yes, ethyl and acetonitrile is the main pin points. Ethyl is sorting itself out. Acetonitrile, we have still to work on the anti-dumping and the competition from abroad.

Nirav Jamduia: So, sir, at \$1.4 a Kg, are we making profits at the contribution level, or the realizations need to be improved from here so as to make money at the contribution level?

Kirat Patel: Nirav, I am not going to comment on the profitability of individual products, but since we are selling, you can guess that we are still water above. Head is still above water.

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

Jaiveer Shekhawat: So, there have been a lot of challenges that we have seen on revenue and margin front, not only this quarter but over the last two years, and these challenges somehow do not seem to be subsiding. So, given your multi-decades of experience and the fact that competitive intensity is only increasing, I mean, do you see these challenges continuing over the next one, two years as well? And what does it take for those to subside?

Kirat Patel: You know, you are comparing the period in which we had record profits of 400 crores where we had margins which were very wide to set of numbers which are a little low. I would say that somewhere in between is the norm. Not the great times which we had two-and-a-half years ago during this COVID period and certainly not as low as we have today.

The comparative scenario in terms of domestic I think is settling down, and there is no great concern there. Where the Chinese are concerned, yes, it's not just us, but it's probably a fear that all manufacturers in India are now struggling with. Most chemical companies have faced some sort of or the other Chinese competition here and there, and it is not helping that Europe is not doing well. It cannot absorb the overflow from the Chinese, and the Americans have put trade barriers onto the Chinese. So, for them, the next large market is India, and unless we put our barriers up, we are going to suffer for a little while, and these take time. But I am sure the government is well aware of what the industry is facing, and they will wake up and try and help.

Jaiveer Shekhawat: And so, it does appear that the profitability or even the revenues to a large extent are still determined by the industry forces, and there is a little possibility that is in control of the management to sort of drive that. I mean, one, would you agree with that? And secondly, given that we also commissioned the ethylamine capacity, especially at a time when we have been facing a lot of pressures on realization, and could we have been more agile in terms of shifting other products wherein possibly outlook is better and sort of investing our money there?

Kirat Patel: Yes, as somebody said, hindsight is always 20-20. We could have delayed the ethyl plant for another year or two given the scenario just now, but it's very difficult to predict, you know. And



I don't think in the longer term, it does make so much of a difference. Maybe three, four years down the line, if you ask me the same question, it will look like the ethyl plant was a great investment, and these plants are, by the way, fairly specific to products.

So, it's not easy to refurbish and realign them for newer products. They are not like the batch plants which, say, the drug manufacturing people have, you know, the API people. We have completely dedicated equipment for these plants. So, we have to go through these difficult periods, but it also implies that this industry is difficult to penetrate. So, it also creates a barrier for new entrance. The competition scenario hasn't changed much. The Chinese are always there. No new player has come in. In fact, it has consolidated the amines business.

So, it isn't as if the competition has increased. It is just the market forces that are balancing. You cannot have a fantastic year like we had 2.5 years ago continuously. You know, it's not, even then I think if you will recollect, we had always pointed out, we have always said that be careful, these are unusual margins in those days. And it is difficult to predict whether they will be continued, but yes, today, we have unusually low margin. So, it is a compensatory effect.

Jaiveer Shekhawat:

And just to finally get the sense in terms of when you see these challenges sort of stop, and what exactly would it take for those challenges to stop, because there are people who are still putting up capacity. There is Chinese pressures. So, why do you think those should go away, say, the next one or two years?

Kirat Patel:

I don't know if anybody else is putting up amines capacity in this country barring our competitor who has announced a methylamine plant. And I think he may also be not in a great hurry to do it given the circumstances just now, but other than that I don't think competition is, your other question about what can the management do? The management actually focuses on improving its efficiencies and its cost in these times. In fact, these times are good for a company because what happens is that you tighten your bells, you understand what your strengths and weaknesses are, and you come out fighting out of this. And it's happened to us every decade or so once one year or two years, we go through like this, and we come out much stronger. So, that is something over the last few decades has been happening, the cycles. So, I don't think there is going to be structural change in the market. The Chinese have to absorb their excess capacity at some point or close it down and learn to live within their territories. They can't dominate the world as they feel they can, you know.

Moderator:

Thank you. The next question is from the line of Nilesh from HDFC Securities. Please go ahead.

Nilesh Gugey:

Sir, particularly on a CAPEX, so how much CAPEX we incurred in first half? And what are our plans for FY '24 and '25?

Kanchan Shinde:

So, in the first half, we incurred around 85 crores. That was mainly, most of it was on new ethyl plant which we have commissioned. Most of the expenses are now incurred on that barring few modifications. And in next half, we will incur around 50 crores. The major part in that will be



solar plant, which we will commission in few days and few other small projects. So, around 140 to 150 crores.

Nilesh Gugey: And for FY '25, what are our plans?

Kirat Patel: Well, FY '25 plans are not yet firm, but I would give a good guess. It's again going to be about 150 crores or so.

Nilesh Gugey: And, sir, now we have done with the ethylamines capacity. So, what different product you are planning to launch apart from these couple of products you talked about, and the capacities particularly, the incremental capacity where you will be spending close to, as you said, about 150 crores in FY '25?

Kirat Patel: So, this 150 crores or whatever CAPEX we are going ahead, the portion, which is for growth, there is always some normal CAPEX which is for efficiencies and all for existing businesses, but the portion which is for growth will be not in the amines current business, but will be in the new product business, new products, which, as I said earlier, we will discuss after we launch those products. They are still at various stages of R&D, engineering, procurement, and in one case erection of equipment.

Nilesh Gugey: So, you mean we are moving away from the amines to that?

Kirat Patel: No, no, it's not that. We were always adding newer and newer products, but our core business is always remaining amines and amines grows, you know. Yes, as a percentage of the total, if you see, historically, we were a totally amine company. Then we became amines plus derivative company. Then we became amines plus derivative plus specialty company. And now it is say about 25% specialty, 25% derivatives, and 50% amines. So, yes, the proportions will change, but the amines will still remain our core business for some time to come.

Moderator: Thank you. Next question is from the line of Nitin Gandhi from Inoquest Advisors. Please go ahead.

Nitin Gandhi: What is your expected time frame by which this Chinese excess production will be able to absorb whatever surplus is there in the market?

Kirat Patel: It's difficult to say but, you know, I am sure it will take at least 6 months before we can get some protection, and maybe a little longer than that for the Chinese to actually find optimum capacities and pricing. They are going through, as you can read in the paper, they are going through a tough time themselves, you know. Lot of over capacities, wrong investments, and they are trying to find markets wherever they can.

So, it is going to take some time for them, but in the meantime, we are having to survive through our own efficiencies and through whatever little government protection we can get to ensure that



we don't suffer permanent damage, you know. So, as you can see, you know, that basically, this is, of course, Acetonitrile where you are talking about, but our domestic competition is all kind of backed out of the market, you know, because they feel this is too low for them. And at some point, it will all come back once the margins come back to normal.

Nitin Gandhi: So, maybe FY '25 should be starting with a better positive site. That's the way we can think, right?

Kirat Patel: Yes, I would say that yes, we are hopeful that, you know, FY '25 will be a better year than FY '24.

Nitin Gandhi: What is the current difference between the landed cost and our selling price for where we are targeting anti-dumping not to be....

Kirat Patel: Oh, normally, the anti-dumping, today, we would be targeting about 15% higher than where we are, 15% to 20% anti-dumping duty we would like to get. At the moment, I mean, the past records looking at 6 months ago, it would not come to that much, but now it is close to 15%, 20%.

Moderator: Thank you. Next question is from the line of Rajiv, individual investor. Please go ahead.

Rajiv Rupani: I had a follow-up question on ACN. So, do pharma companies prefer ACN through acetic acid route or the other way?

Kirat Patel: I don't think it's preferred either way if you have the right priority because in the Acetonitrile, there are many grades, and we in Alkyl Amines, we have managed to make all the various priorities which are required by various people. Different customers have different specifications. So, earlier India used to only before we came into the picture, the India used to make only the grades which the agrochemical people used to use, but since we have started manufacturing and improving our qualities and adding more grades, we have been able to service the whole range of pharma and electronics industries, sectors.

Rajiv Rupani: And one more question. Do we have REACH registration for exporting methylamines?

Kirat Patel: Methylamines?

Rajiv Rupani: Yes.

Kirat Patel: No, methylamines we don't export to Europe. You know, it's the same logic where imports to India are difficult. So, methylamines exports are also difficult, and except that in countries where they don't have a methylamine plant, and there are, and we do export Methylamines to Southeast Asia and to Latin America, Central and Latin America where they don't have Methylamines



plant. So, there you can compete, but selling to Middle East or to Europe or to America, China or Japan doesn't make any sense.

Rajiv Rupani: My last question is on the raw material side. Could you guide us what are the current prices of Ammonia, acetic acid, and methanol? And going forward, will they stabilize, or we can expect lower prices or higher prices?

Kirat Patel: I will just hand this question over to Udipt, our Chief Commercial Officer.

Udipt Agarwal: My name is Udipt Agarwal. The raw material prices are tied to the Chinese capacity. Mr. Kirat Patel already alluded to that, the Chinese capacities which are there in the marketplace plus at the same time, let's not forget that we are also getting into the winter season. So, what happens to the energy prices there because that is also related to the raw material costs.

I think earlier in the discussion, during this call, there was some discussion about ammonia price. How they are going to move? And what are the current price levels? So, we have some kind of information into that. I think there was also some discussion on ethanol prices. So, what we have is in the system is that these are commodity products, and they move, they behave like commodities, and they move in cycles.

So, while acetic acid, which was very, very low during the last financial years or second half of last financial year, things have moved on from there. It is gone, it is increased significantly, and now it's again seeming to be showing some downturn. So, there are different factors. If all the producers, major producers, try take a shutdown at the same time, then suddenly there is a supply demand issue internationally, which has an impact on our raw material price.

Moderator: Thank you. Next follow-up question is from the line of Nirav Jamdua from Anvil Research. Please go ahead.

Nirav Jamdua: Sir, in terms of the sales mix for this first half, if you can break it down between the aliphatic amines, derivatives, as well as the specialty chemicals?

Sir, just wanted to get a breakup in terms of the H1 sales for aliphatic amines, derivatives, and specialty chemical. So, what was the mix in this first half?

Kirat Patel: As I mentioned earlier, it is about 50% amines, 25% derivatives, and that mix hasn't changed dramatically. It's about the same.

Nirav Jamdua: And sir, in terms of our current capacities, like methyl, we are at currently 40,000, 45,000 tons. Ethyl, we are at 30 plus some swing capacities which we are having. Acetonitrile, we are at currently 28,000, 30,000 tons. So, apart from those specialty products which are the smaller products where probably the margin pressures are not there, so what is the capacity of those



smaller products in total? I am not talking about the individual products, but what are the capacities of the smaller products where probably the margin pressures are not there? One.

And secondly, when we intend to put up or launch newer products, one we have already launched. Some more would be launched based on our R&D and the commercial success of the product. What could be the end capacities of these newer products which we are intending to set up over next two, three years?

Kirat Patel: It's very, you know, the capacities are very fungible. You are already talking about the various capacities of the amines and the methyl, ethyl, and we have some higher amines capacity. So, overall, I don't know if we add it all up, it may be about 2 lakh tons per annum. All the 14 plants that we have.

Nirav Jamduia: So, currently, it is 2 lakh tons?

Kirat Patel: They actually work at full capacity. So, you know how this is.

Nirav Jamduia: So, total currently is 2 lakh tons including the derivatives as well as the upstream methyl, ethyl combined together.

Kirat Patel: You guess, I mean, my best guess would be close to 2 lakh tons.

Nirav Jamduia: And sir, the newer products which we intend to put up over next 2, 3 years, so would there be a block of those 5,000, 7,000 tons single product or the capacities would be smaller and that would be the higher realization products which we intend to put up over next two, three years?

Kirat Patel: No, they will be in that 5,000-to-10,000-ton kind of range, not smaller than that because we have some minimum kind of, you know, because to absorb the overheads and everything, we need a certain amount of volume now. They will not be very small products. They will be in the region of 5,000 tons.

Nirav Jamduia: Sir, just a last bit on this. So, the products which we are targeting in the newer, in the subsequent years in terms of the products which we intend to launch, are those products imported in India or this would be predominantly for the export markets which we are targeting? Any understanding if you can share?

Kirat Patel: It's a mix of both. There are a couple of products which are imported into the country, and we are looking at domestic market, and there are some that we are looking very optimistically at the global market also, because we may be among the top two or three producers because these are all very specialized products. So, there are not too many producers of that. For that we need a global market.



- Nirav Jamdua:** So, the competition intensity here would be lesser as compared to the existing line of products, and probably, the contribution margins, once those volumes are rammed up, would be far superior than our existing products slate.
- Kirat Patel:** That's the hope. That's the logic and the strategy. But of course, reality sometimes goes differently, but I think that is, you are right. That's the way we would like to go, and that's how we have planned these products. Very few players abroad and hopefully, we will get better margins.
- Nirav Jamdua:** And sir, once we put up a plant and start selling those volumes, how quickly we can fill up those capacities for all the products put together? And if you can share that, let's say, currently, we are at a run rate of 300, 400 crores on a quarterly basis, which sums up to close to, 1,500, 1,600 crore. So, over a period of time, let's say, over next 3, 4 years, what portion of our sales or what absolute amount of sales these newer products could contribute to overall sales mix of alkyl amines?
- Kirat Patel:** Once they are launched, I would say that looking at the products they are, because they are a slightly higher value product. In terms of sales, if in the next five years after they are launched which would be probably next year or the year after, they would comprise at least 15% to 20% of our overall sales, but at the same time, you must accept that the existing would also grow. So, there is a possibility that there will be, I mean, today, I add it up, it will look like 20%, but by the time 5 years down the line when we get there, they would be only 10% of the turnover.
- Nirav Jamdua:** That's why, sir, I ask about the absolute amount of sales which we could fetch from these newer products which probably...
- Kirat Patel:** That I will not give you the exact numbers.
- Nirav Jamdua:** And sir, just a last bit. So, these products would be predominantly towards the agrochemical markets or that would be a newer industry usage which we are targeting for the products which we are going to launch?
- Kirat Patel:** It's both agro, pharma and some other uses also.
- Moderator:** Thank you. Next follow-up question is from the line of Nitin Gandhi from Inoquest Advisors. Please go ahead.
- Nitin Gandhi:** I have two questions. One is, what is the expected overall power cost saving for the full year maybe say FY '25, if you can share?
- Kirat Patel:** Sorry, power cost?
- Nitin Gandhi:** Yes, post implementation of 60 crore.



- Kirat Patel:** Power cost, is that what your question is?
- Nitin Gandhi:** Savings on power cost post implementation of 60 crore.
- Kirat Patel:** Savings on power cost, because of what I was talking about the solar and the turbines and the new boiler, is it?
- Nitin Gandhi:** Right.
- Kirat Patel:** We haven't totaled it up. I would have to come back to you on that, but it's a good question. I think we need to work that out and see what combined energy saving, I mean, what will our impact on today's standard prices, you know, assuming that the prices remain stable, how much would we save? Of course, prices never remain stable, but it's a good question, but my guess would be and don't hold me to it, it would be at least 10 to 20 crores.
- Nitin Gandhi:** Yes, because then you are putting 60 crores, I thought at least 10% yield extra could be...
- Kirat Patel:** Yes, because I think it will be at least 10 to 20 crores given standard prices, today's prices.
- Nitin Gandhi:** Maybe I will catch up offline with subsequent...
- Kirat Patel:** Yes, if you can, we work this out. It's a good question.
- Nitin Gandhi:** And the second thing, in the best of the times, what were the utilization in H1, what were the utilization?
- Kirat Patel:** Of the capacity utilizations?
- Nitin Gandhi:** Yes, overall, all put together.
- Kirat Patel:** All put together, I would say, today, we would be at about 50% to 55% utilization given some plants are working well, 80%, 90%, which in our kind of situation means you need to look at a new plant, and there are some which are working at 20%, 30%, but overall, we will be at about 55% capacity utilization, 50% to 55%. And as I said earlier to Nirav, our capacities are about 2 lakh tons, and I think this year we would be in the region of about 1 lakh to 1,10,000 tons.
- Nitin Gandhi:** And what were they in the best of your times, when the days were very excellent, when you were not taking...?
- Kirat Patel:** It goes up and down. Sometimes it becomes very tight, and then we have to add capacity. So, there is different periods of time, it is very different, you know.
- Nitin Gandhi:** But somewhere around 80%?



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Kirat Patel: That plant-wise sometimes it reaches. Like Methylamines, before we commissioned the new Methylamines plant, it had reached 100% for 2 years almost. I know 90%, 95%. Every day we lost; we were losing market.

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

Kirat Patel: Thank you everybody for the patience and the listening, and I would look forward to meeting you again after 6 months hopefully with better numbers and better view of the future. And all of you please have a Happy Diwali and Happy New Year. Thank you.

Moderator: Thank you very much. On behalf of Ambit Capital, that concludes this conference Thank you for joining us. You may now disconnect your lines. Thank you.