



Alkyl Amines Chemicals Limited

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May 16, 2024

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 6, 2024, please find enclosed the transcript of the earnings conference call held on May 10, 2024.

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 FY23-24 Earnings Conference Call”

May 10, 2024



Alkyl Amines Chemicals Limited



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

MODERATOR: **MR. JAIVEER SHEKHAWAT – AMBIT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Alkyl Amines Chemicals Limited Q4 FY23/24 Earnings 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 the conference call, please signal an operator by pressing star then zero 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, Darwin. Good afternoon, everyone. On behalf of Ambit Capital, I welcome you all to Alkyl Amines Q4 FY '24 and FY '24 Earnings Conference Call. From the management side, we have Mr. Kirat Patel - Executive Director; Mrs. Kanchan Shinde - Chief Financial Officer; Mr. Udipt Agarwal - Chief Commercial Officer; and Mr. Chintamani Thatte - General Manager (Legal) and Company Secretary. Without further ado, I would now request Mr. Kirat Patel 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, Jaiveer. Good afternoon, everybody, and thank you -- welcome to our call, and thank you for joining in to our annual review of our performance. So let me begin by giving a few opening remarks about the year that has just gone by. And then we will open the conference for questions. So the year has been a little mixed for us a bit disappointing in the sense that we were expecting it to be much better. But there are some silver linings in the cloud. That the market demand for pharma is quite stable now and growing. And we have managed to increase our sales in terms of tonnage.

However, because of price drops, due to competition from the Chinese and some internal, the top line, as you can see, has reduced. Fortunately, the raw material prices have also dropped and margins in the last quarter is slightly better than the previous quarter. The second half has been a little weaker than the first half. But looking forward, we feel that next year is likely to be better than what we have seen in the last year.

On the capital expenditure side, I'm happy to let you know that the ethylamines plant, which we had been constructing over the last 2, 2.5 years has been commissioned and has been running very well much better than our expectations. And it is now probably the largest ethylamine plant in the world. And this takes care of our need for capacity of ethylamine for foreseeable future.

And with that, I think I will conclude my opening remarks and hand over the floor for questions. Please go ahead and ask whatever you may need to ask. Thank you.

Moderator: Thank you. We will now begin with the question-and-answer session. The first question is from the line of Nilesh Ghuge from HDFC Securities.

Nilesh Ghuge: My first question is on capex. As you mentioned, that you commissioned this ethylamine plants during this fiscal. So can you just tell us how much total capex we incurred in FY '24? And then can you give us the project-wise breakup for that?



- Kirat Patel:** Okay so the ethylamine project, which was the largest project which we had finally was capitalized at about INR375 crores. It is 100 tons per day plant. However, since we have spent a lot of the money in the previous 2 years, this year, our total capital expenditure is about INR120 crores. In that INR120 crores is also some expenditure for routine maintenance capex and the solar plant to supply electricity to our Dahej facility. So this year's FY '24, the capex was about INR120 crores.
- Nilesh Ghuge:** INR120 crores.
- Kirat Patel:** The capitalization was more because the ethylamine plant is a very large plant.
- Nilesh Ghuge:** Yes. So capitalization, I can see that it's about close to INR500 crores in this fiscal.
- Kirat Patel:** INR400 crores. Approximately.
- Nilesh Ghuge:** INR400 crores. Okay. And second thing, on the utilization. Can you tell us the utilization of acetonitrile plant in this fiscal because in our earlier communication that you mentioned that first half, the utilization was close to 60%, 65% -- so I just want to get the sense how it was in the second half of FY '24.
- Kirat Patel:** The second half was not as good as the first half because the Chinese pressure continued in terms of price and aggressive selling in the Indian market. So -- we were at about half our capacity 55%, a little better than half. And we are facing competition, both domestic -- though it is very small, but largely the Chinese.
- Nilesh Ghuge:** And the pricing is also under pressure?
- Kirat Patel:** It has, in the last quarter, stabilized. Of course, it is difficult to say whether we have hit the bottom or not. But I hope that is true, that this is as low as it will go. We are, of course, fortunate because we are one of the first movers. So our Productivity on Acetonitrile and our cost structure is probably lower than the newer people who have come in. And this would be a bit difficult price for the newer entrants. So that's why I think we don't see too much activity from our domestic competition and only mostly from the Chinese.
- Nilesh Ghuge:** Okay. And sir, just on the ethylamine side. So you recently commissioned this plant and you mentioned that plant utilization is going -- but I mean sufficient utilization is a ramp-up. But you did mention that there was also pressure on the ethylamine side in our last communication. So how are the prices on that side? And what was the utilization of your ethylamine plant including new capacity?
- Kirat Patel:** So this is a bit mixed because we were using the old plant until about October, November. And the new plant also over lapped with it. So the old plant was obviously in the first half was almost fully utilized. The second half, it's been largely the new plant. And that utilization is maybe at about 60% of the capacity, which is, of course, more than the old plant could deliver, but still, we have headroom in the new plant.



But as far as pricing is concerned, yes, it has improved on both the selling side as well as the raw material side, the ethyl alcohol has softened. compared to what it was, say, 6 months, 1 year ago.

Moderator: The next question is from the line of Neerav Gimudia from Anvil Research.

Neerav Gimudia: Sir, I have two, three questions. One is on the volume growth for FY '24. So I think in the first half, we were at around 14%, 15% volume growth. So if you can just let us know what was the volume growth for FY '24.

Kirat Patel: Yes, total volume growth for the whole year is under 10%. Second half was much -- I mean, it was disappointing largely under pressure from Acetonitrile, as I said earlier, to Nilesh. And, Monoisopropyl, also, as we are facing Chinese competition. However, we have been able to compensate that with a few of the other downstream products of methylamine. So on balance, we have a little less than 10% growth, less than 10%. We were disappointed in that because we were expecting it to be more than 10%, given that the first half was so strong.

Neerav Gimudia: So in absolute amount, the volumes could be closer to 1 lac tons for FY '24?

Kirat Patel: Nearly there, It's just short of that.

Neerav Gimudia: Correct, correct. Sir, if you can just walk us through the demand outlook for methylamines like at what level of capacity we are at currently -- are we planning any expansion there also? And along with it, if you can just let us know the demand drivers for methylamines particularly in context of the derivatives.

Kirat Patel: You are talking about ethyl, right?

Neerav Gimudia: Methyl.

Kirat Patel: Methyl, okay. I will just hand it over to Udipt, my colleague, who's the Chief Commercial Officer, who can give you a background on methyl.

Udipt Agarwal: Thank you for the question. As you know that the methylamines and methylamines derivatives have a different application areas and the growth rates are different for those. For example, one of the derivatives, which is largely dependent on the personal care related products that has a different dynamic versus the other derivative, which is largely on the pharma, antidiabetics segment, and that is a different growth trajectory. So it's a different thing at both the derivatives end.

The base methylamines are growing at their normal historical growth rate of low single digits. I would say this primarily because these products find application in the agrochemical industry and agrochemical industry, as we all know, is the kind of pain which we had in the recent past. So this is where we are at this moment, but I would say that the derivatives are growing a little faster than the base methylamine.

Neerav Gimudia: Sir, here, you mentioned about the firm update and you are talking about DMAHCL. So if you can let us know like how is the market size both for the base methylamines, I mean, as well as



the derivatives of methylamines and how much of the methylamines which are currently using captively for our derivatives and how much we are probably selling in the market at this point of time?

Kirat Patel: We are using about 30% of our methylamines captively and about 70% is sold.

Neerav Gimudia: Sorry, sir, if you can just repeat, I lost in between that.

Kirat Patel: Yes. So it's 30% of our production is self-consumed in methylamines and about 70% is sold merchantly.

Neerav Gimudia: Okay. Okay. And the old ethylamine plant, which we were having -- so any plan of converting into methylamines or that would be kept separately as a ethylamine plant only?

Kirat Patel: No, we are having plans to convert it into methylamines. The engineering has just started. It would take a little time to convert it but we are preparing for 2 years down the line when the demand has grown to a level where we will need it. As you know, we already have Patalganga as a standby to Dahej. Patalganga, the old second plant methylamines -- ethylamine plant and that we bring on line whenever there is demand peak when it happens in a few months or some particular homologue of methylamine between mono-, di- and tri- is in short supply, and we have to bring it on.

Neerav Gimudia: And sir, is it possible to share the current market size of methylamines in India and at what level of capacity we are currently on?

Kirat Patel: So market price, you said?

Neerav Gimudia: Market size of methylamines in India and at what level of capacity we are at currently?

Kirat Patel: Well, market size would be about 70,000 tons I think or 70,000, 75,000 tons of production because both Balaji, us and RCF all self consume some of their production.

Neerav Gimudia: Correct.

Kirat Patel: Maybe about 70,000, 75,000, we are at about almost 80%, 85% capacity utilization of Dahej plant. Which, as you know, is about 45,000 tons a year.

Neerav Gimudia: Correct. Correct. And the standby plant, what you mentioned would have a capacity of how much whenever we would.

Kirat Patel: Patalganga?

Neerav Gimudia: Yes, Patalganga.

Kirat Patel: That's about -- the old plant is about 15,000 tons. But it is also used for ethylamine as a standby.

Neerav Gimudia: Got it. Sir, next question is on contribution margin. So let's say, if we exclude Acetonitrile, which had a good year in FY '21 and because of which our profitability was better. Let's say we compare



FY '21 and now FY '24. For rest of the products like other than Acetonitrile, let's say the methyl and ethylamines chain along with the derivatives. Has the contribution margins per kg had an impact in between these years? Or they were well taken care of through the price increases or the introduction of new products in that methyl and ethyl chains because of which those margins were protected. If you just can help us understand that, that would be helpful.

Kirat Patel:

Okay. So if you ignore the volatility in the Acetonitrile business and other business. Between the products, there has been a little bit of up and down in the margins, the Methyl chain has done well, the margins have done well. The ethyl went through a little bit of a rough time 1 year ago and has stabilized and improved now. And we hope to get back to the old levels of margins in the ethylamine chains.

Of course, MIPA has been last year being a bit of a disappointment because -- as you know, our antidumping duty expired a year ago, and they did not renew it. And the Chinese have again become active. And so we have had price pressure in Isopropylamines, and we have lost market share there.

Neerav Gimudia:

So sir, safe to conclude that probably as compared to FY '21, Methylamines margins in per kg basis would have improved. Ethylamines is still lagging, but you are expecting FY '25 to -- for ethylamines also the margins per kg should be back to the levels of FY '21, and that should overall help us to improve our contribution margins per kg.

Kirat Patel:

Yes. I would say you're right, except to I will correct you that the ethylamines margins have already improved, it is already in the last quarter, we have seen the signs now.

Neerav Gimudia:

Sir, last question, if you allow me. And before...

Udipt Agarwal:

Sorry to interrupt. This is Udipt Agarwal here. Just to add to that, year '21, '22, was also the special year of the COVID time, yes. if we look at the ethylamine or these products margin over the last 10 years or so and think about the margin situation current. Its a better way of looking at it, right?

Neerav Gimudia:

Got it. Correct.

Udipt Agarwal:

Go ahead to your next question.

Neerav Gimudia:

Yes. Sir, any new products, are we planning to introduce in the -- on the specialty side or on the derivatives side of methylamines and ethyl because after acetonitrile, I think such a meaningful contributor to the top line level of products have not been introduced by us. So are we planning any newer products, both on the ethyl or methylamines as well as on the specialty side which could meaningfully help us in growing our volumes turnover as well as the margins?

Kirat Patel:

We have a couple of products under engineering. In fact, one almost close to finishing the engineering, and we have to take decision shortly. And these two products are not actually derivatives or part of the current Amine portfolio or anything linked with that. Of course, there is also, as I said, a capex view for revamping the old ethyl plant to make it into methyl. But all these will happen over the next couple of years. Decisions will be taken in the next 3 to 6 months



on proceeding because currently, the market situation seems to be very volatile with the Chinese active so much that one hesitates to put capex in the ground and then find that the Chinese have under continued all over the world.

So we are being a little careful on that, but we have proceeding with all the soft part of the engineering permissions, getting everything in place. So when the decision is made, we can implement it quickly.

Neerav Gimudia: Correct. And sir, lastly, any volume growth guidance which you can give for FY '25?

Kirat Patel: Well, we are always – we have always been optimistic, and we always feel that 10% to 15% growth rate has been our norm. There have been a few years like last year where we have dropped below that. But otherwise, 10% is, I think, what we expect. Some part of it may be because we are still to ramp up the Diethylketone -- we have not been able to actually exploit that product fully. But we hope that next year will be better for us-- and that will contribute to some extent to the 1% or 2% of that growth rate will be just like Diethylketone from a very low base, adding to volume.

Neerav Gimudia: What was the utilization rate in FY '24 for DEK, sir?

Kirat Patel: Very poor. I think it was maybe 20%, 30%.

Neerav Gimudia: So roughly 1,000 tons.

Kirat Patel: Yes, less than that.

Moderator: The next question is from the line of Jaiveer Shekhawat from Ambit Capital.

Jaiveer Shekhawat: Kirat sir, first question is on the anti-dumping duty investigation that has been going on, on acetonitrile. So basis the evidence that you have provided to the department, one, what has been the extent of dumping or the injury that has been suffered by you because of the dumping? And second, if the order is passed favorably, what kind of volume or margin benefit you expect?

Kanchan Shinde: Kanchan here. So we have filed antidumping in December and in March '24, the investigation has been initiated, hearings are going on right now and we are planning for filing interim relief also in that. But it will take time. Maybe in Q4 of '24-'25, we expect that to come, if it is favorable on our side. Injury is in the range of 15% to 20%.

Jaiveer Shekhawat: Sure. And so if I were to compare your FY '24 revenues with pre-COVID FY '20 revenues, the revenues have increased by roughly 50%. Whereas your EBITDA is largely flat. So one, if you could help us understand this 50% growth in revenues, how do you break that into volume growth and realization growth? And secondly, if your realization was to remain wherever they are, as of now, when do you think you can reach back to the 25 percentage EBITDA margin level that you had also guided earlier in the calls.

Kirat Patel: Last year, our average selling price dropped by almost 20%, though there was a volume increase. Our top line dropped by about 14%, and the average pricing dropped by about 20%. So given that the margins obviously have come down per Kg. Looking forward, I do not think that margins



will ever go back to the 2021 levels because those were exceptional years. But our average before that, so we expect that the next year, we will get back to the average margins and we will make up to the level which we were the year before by sheer volume increase. We are growing in terms of volume, and that is adding to the bottom line.

Jaiveer Shekhawat: Sure. Because sir, if I see Pre-COVID, I think prior to FY '20, possibly you are doing 18%, 19% EBITDA margins which possibly might be in a position to do in a couple of quarters. Was FY '20 also impacted because of COVID by any terms because we still had a March lockdown that happen? Or was it still a normal level of margin that you would expect going forward?

Kirat Patel: FY '20?

Jaiveer Shekhawat: Yes, that was around 25%, 26% EBITDA margin. Do you see that as a normal level of margin? Or was there an aberration?

Kirat Patel: That is on the higher side, 25%. 20% to 22% is what has been our norm and 18% has been low. We have even gone down as much as 14% at one point. But I would say that 20% EBITDA margin is what we hope to achieve between 20% and 22%.

Jaiveer Shekhawat: Sure. Sir, next question is in terms of realizations. So analyzing your data as well as that of your competitor, we find that after like many quarters of sequential decline in realization, we have seen some increase on a sequential or a quarter-quarter basis. So one, what has led to that? And secondly, would you call that as an aberration? Or do you believe that realization can increase from here on?

Kirat Patel: I hope it is not aberration. The main reason why the slide in the top line has dropped because the prices are stabilizing. Volumes have been growing little by little. So because the prices have stabilized with Q3 and Q4 numbers are looking on the top line a little better than Q3. And I hope going forward, this trend continues. But I think we have seen the bottom of the prices and on both, on the finished goods and on the raw material side, maybe raw material side still, there is a little bit of softening could happen in say acetic acid or ethyl alcohol, but I think we are near the bottom. So I think these margins are what you could predict would happen next year.

Jaiveer Shekhawat: And sir, what gives you the insight or the foresight to possibly comment that it could be the bottom? And secondly, has there been change in the industry dynamics over the last couple of months or quarters which has led to this improvement in realization? And what has really led to the improvement?

Kirat Patel: Well, I think it has not improved. It has stabilized. That means if the price was, say, INR150, it dropped from INR200 to INR150, it stopped dropping and remained at INR150, while volumes kept creeping up. So it's stuck at about that level of prices have remained stable for some time.

So that gives us hope that perhaps we have reached a stable point equivalent in the industry based on what the Chinese are doing because the Chinese were the ones who upset the whole Apple cart. And they seem to be now at this price over the last few months. And if they, of course, back out then prices will go up. But if they again become more aggressive, then it would be worse -- it's a little worrying that the yuan is weakening.



- Jaiveer Shekhawat:** Sir, last question to Kanchan possibly. Kanchan, if you could explain the quarter-on-quarter increase in your other expenses?
- Kanchan Shinde:** Quarter-on-quarter increase. So mainly.
- Jaiveer Shekhawat:** So there's roughly about INR15-odd crores increase that is happening in other expenses, if you could just follow up that.
- Kanchan Shinde:** Yes, nothing much. So mainly CSR expenses, which we could not spend, we had to make provision for that, and there was one asset at Patalganga, which was not being used, so we had to impair that. and since there is increase in production, the power and fuel expenses have increased. So nothing exceptional other than this.
- Moderator:** The next question is from the line of Rajiv Rupani, an Individual Investor.
- Rajiv Rupani:** I had a question on methylamines. Sir, our competitor has a 48,000 ton plant, and they are commissioning new 40,000 tons plant in December '24. And right now, we have told that 60% of our Methylamines is sold in the market. So what would be the impact on the prices of methylamine and our production?
- Kirat Patel:** Okay. I think we have been expecting expansion on Balaji's-- methylamines capacity. He has actually two plants, 30,000 and 15,000, that is how he is at 48,000 and now he is putting up one plant which is 40,000. So obviously, he will shut down one of the older plants, which is probably less efficient. And -- there is tightness for him and some other -- one of the homologue which is dimethylamine. Most of dimethylamine as far as Balaji is concerned goes into DMF, which is its own product and DMAHCL.
- So I assume that he is expecting the DMF market too, which has unfortunately been very low to improve, and therefore, he will need more DMA. That is the kind of analysis that we have come to that he is putting up new capacity in methylamines to support an increase in the DMF situation. Because between RCF, us and him -- there is enough capacity currently to supply the market. And barring few odd instances, there has not been any shortage of methylamines in the country.
- And also is a question that you planned something 2, 3 years ago looking at some growth, when they come online, sometimes you are off by a year or so. So perhaps maybe 1 year too early for him maybe that just happens.
- Rajiv Rupani:** So you are saying that there would be no impact on the prices of methylamines.
- Kirat Patel:** There will be. There will be an impact because, obviously, he would like to use his plants fully at least two of them, if not the three. And that would create some pressure on the methylamines merchant market.
- Rajiv Rupani:** Okay. And sir, I have a follow-up question. Do we have any intention of setting up DMF plant in the future?



- Kirat Patel:** We are always looking at it. We have the technology, but we don't find it at the current pricing very exciting. So -- and that's the reason, I think why for the last year or 2, both RCF and Balaji have been struggling with their DMF capacity.
- Rajiv Rupani:** My next question is...
- Kirat Patel:** Both the Chinese and the Saudi.
- Rajiv Rupani:** Okay. Okay, sir. My next question is on Ethylamines. So in the con call, you have said that prices have improved for ethylamine, and we are operating at 60% capacity utilization in the second half but what is your outlook going forward is the prices of ethylamine per kg, if you could let us know?
- Kirat Patel:** What would be the average price, INR150?
- Yes, about INR150 to INR160 depending on mono-, di-, tri- and going forward, I think ethyl is a very steady growth market. It grows by 5% to 7% every year. And our plant is now planned for the next 5- to 10-year kind of view so that we don't have to put up a new capacity for ethylamine again.
- Rajiv Rupani:** Okay so our competitor has also had about 22,500 tons. So are we -- I mean, exporting some ethylamines or what is the domestic total demand for ethylamine?
- Kirat Patel:** So both of us are exporting small quantities of ethylamines and their derivatives. But largely it is domestic. Most of the ethylamine is largely domestic. And both of us are -- as I said, we are at 60%. We estimate that his capacity utilization is also in that region 50% to 60%. But of course, being a slightly smaller plant capacity utilization may be higher. But we have a larger market share.
- Rajiv Rupani:** Okay. My next question was on ACN. Sir, we have been facing this pressure from the Chinese people since the last 6, 7 months, and we have filed for the anti-dumping duty. So when do you think this Chinese competition tapers off? And what if the anti-dumping duty does not come in our favor?
- Kirat Patel:** Look, one is when will be Chinese taper off. Nobody can say, I don't think anybody has a view on that. It's not just acetonitrile, it's across the board, they have too much capacity in most of their chemical industry. And in fact, we recently saw an announcement by one of their companies for a huge methylamines plant. Considering they already had a methylamines plant that company, which was operating at 60%. So I have not understood the logic and that company is making losses. So -- it's a very strange feature. So it's very difficult to predict when it will taper off.
- But we have noticed if you go historically, at some point in time, maybe they last for a year, 1.5 years and then they kind of ease off. So we have to survive and hold our heads above the water till then. And we are still making money in acetonitrile, not as much as we would like to or we were making. But we are more than breaking even. So if it doesn't -- the situation doesn't worsen, we will continue to attempt to grow our market share because the Indian market is growing.



So that's a good news and we will continue to hold on to our market share and grow with it. Yes, if we get the antidumping duty, which may take, I don't know, about a year maybe, from now unless, of course, we get some interim kind of a relief then the chances of our market share improving is much more.

- Rajiv Rupani:** Okay. And what are the current prices of ACN currently?
- Kirat Patel:** Acetonitrile?
- Rajiv Rupani:** Yes, sir.
- Kirat Patel:** About INR150 or so. For the larger people INR145, for the smaller people INR160 that kind.
- Rajiv Rupani:** Okay. And what would be your capacity utilization this year?
- Kirat Patel:** About 55%, 55% to 60%. I am talking about FY '23, '24. .
- Rajiv Rupani:** Going ahead? What would be the...
- Kirat Patel:** Going ahead, we are hoping to improve it to 60% to 65% because market is growing. So I'm assuming the same market share between Chinese and us because anti-dumping duty even if it comes, it's not going to be an impact the next year, unless we are very lucky.
- Rajiv Rupani:** Got it. And my next question was on the raw material side. What is the current prices of ammonia, acetic acid and methanol, could you please guide us?
- Udipt Agarwal:** This is Udipt Agarwal. Ammonia has been, as you know, is primarily driven by the fertilizer industry and what happens there. Currently, ammonia is about -- depending on the location, in the range of INR50 to INR52 per kg. Acetic acid has been fluctuating up and down and it is a little shy of INR40 at this moment.
- Rajiv Rupani:** And methanol?
- Kirat Patel:** Methanol or Ethanol?
- Rajiv Rupani:** Methanol.
- Udipt Agarwal:** Methanol is sub INR30 these days.
- Rajiv Rupani:** And my last question, the last con call, you had talked about two derivatives of DEK. So could you please give an update on that?
- Kirat Patel:** No. Derivative of DEK. DEK is a final product.
- Rajiv Rupani:** You have talked about some -- two derivatives in last con call.
- Kirat Patel:** We may have talked of DEK, which is a new product. There is no derivative of DEK.
- Udipt Agarwal:** We do not derivatize DEK. That is our customers.



- Moderator:** The next question is from the line of Aman Choudhary from Motilal Oswal.
- Aman Choudhary:** So there are a couple of reports that there was a downturn in the methylamine market in April or at least the first half of April with inventory destocking also in continuing along with declining downstream demand as well. So can you throw some color on the sales?
- Kirat Patel:** Come again, the downturn in?
- Aman Choudhary:** Downturn in the methylamine market in April or at least the first half of April.
- Kirat Patel:** I don't think we saw anything unusual in the methylamines market.
- Aman Choudhary:** Okay, sure. And also if you could give the exports to domestic sales mix for the quarter and FY '24 as well?
- Kirat Patel:** As a percentage?
- Aman Choudhary:** As a percentage.
- Kanchan Shinde:** 22%. In '23,'24 is 22%.
- Udipt Agarwal:** 80-20. More or less 80% is our domestic and about 20% is exports. And I think this is what Kanchan has been saying. This is where we are.
- Aman Choudhary:** Sure. My next question would be regarding an FID that in our last conversation, Kirat Sir, you had alluded to, that would be requiring a capex of around INR80 crores, INR90 crores. So any update on that?
- Kirat Patel:** Yes. So this year, we spent about INR120 crores on capex. Next year, we are looking to spend about INR60 crores to INR80 crores. A large amount of it is maintenance capex and some debottlenecking in our current products. But as I said, we have two new products in mind. And those decisions have not been finally taken about going ahead. But if they do, then they will -- these capex will be additional. And they are in the region of between INR75 crores to INR200 crores. But okay, it will be spread over 2 years.
- Aman Choudhary:** Sure. And yes, sir. And in the very beginning of the con call, you had alluded to the market demand for pharma being stable now, can you throw some color on the Agrochemical side?
- Udipt Agarwal:** Agrochemical has been a little bit late, depending on which kind of market do you look at -- the kind of situation with the agro industry had been in the last 2 years or so, that destocking has been going across the supply chain in the Agrochemical sector is still on, although we have some indicators from the public market that on a very selective basis, this might be kind of coming to an end, and we could see some upside from here.
- However, having said that, there is also a large increased Chinese competition, not only for our direct product but also for our customers' product, which Chinese are also kind of selling at a very, very low prices, the agrochemical molecules. Not only here in India, but also internationally, where our customers are also exporting.



So -- so on the agrochemical side, yes, it's a mixed situation, while on the demand side, we seem to be seeing things getting a little better, but not still there where it should be. The destocking effect seems to be coming to an end. At the same time, competition from Chinese are also increasing. So we will have to see, I mean, a lot -- today, I mean, if you look at the entire chemical industry, upstream, downstream, it is really largely what is happening in China that is affecting the rest of the world is also affected because of that. Because of the total chemical production, more than half of it is in China. 55%, 60% of chemical industry, global chemical production is in China.

Aman Choudhary:

Sure. Sure. And last question from my side. Even if we get an interim release with regards to acetonitrile or say, the final anti-dumping duty is also levied, would this encourage a private player to enter the market, which had announced the 10,000, 15,000 tons per annum capacity around 2 years back?

Kirat Patel:

Yes. I think there are a couple of people who are already in the market who are -- in fact, our competitors are already there in the market, but they are at low production level because at these prices, they are probably not profitable. So there is always the chance that if the anti-dumping duty comes in and the prices go up, they will also try and grab some market share. We are just hopeful that because of our larger volumes and our efficiencies and our production cost advantage, we will be able to retain market share and increase it.

Aman Choudhary:

Sure. Just small clarification last from my side, any update on the additional Dahej land that we have been looking for.

Kirat Patel:

No, no, we haven't got any further progress on that. But given that we have enough land in both in Kurkumbh and Dahej for the new products which we are planning, there is no urgency. We have applied for it, but we haven't heard back, but we are not in a big hurry. There's no urgency in the matter. But okay, sometime in the next year or two, we will probably take action and move on that situation when these two projects are under implementation.

Moderator:

The next question is from the line of Neerav Gimudia from Anvil Research.

Neerav Gimudia:

Sir, you mentioned about the improvement in the margins of ethylamines, which has already started happening on. So from when it started improving for us. So was Q4 numbers captured some portion of those margins? Or the entire increase in the margins for ethylamines was captured in Q4 number 1. And along with it, let's say, on a scale of 100, the margins for ethylamine, I mean, in terms of contribution per kg, how much it would have improved on for us.

Kirat Patel:

So well, there's no exact point in which the market turned around. But yes, towards the last 3, 4 months, we have been seeing that the margins have improved, the ethyl alcohol has stabilized and/or in fact, actually gone down from the peak it was. And the selling prices have also improved marginally. I hope this keeps up. We cannot predict how the market will go tomorrow. We can see that we have the alcohol all the way up to half year September to October. We can see the visibility on the alcohol price, and it seems to be very positive. As far as the selling prices



are concerned, yes, this quarter looks good, but one cannot predict the next quarter and the quarters after that.

Neerav Gimudia: What I was trying to understand from you is the margins on a per kg basis started improving from last 3, 4 months. So let's say, if it were INR100 a kg margin, how much it would have improved on?

Kirat Patel: I see. Well, margins would have improved by about 20% on the -- very difficult to say.

Neerav Gimudia: Rough idea would also help. I'm not asking for any exact numbers, but just to get some qualitative understanding about the improvement in the ethylamine margins, which started happening over the last 3, 4 months, and which is currently sustaining.

Kirat Patel: Yes. ethylamine margin is very difficult to say that how much it has improved because it has been up and down. So we had to take what is at the bottom, what was the top, was it temporary bottom. So this is a very difficult question to answer off the cuff. We will have to look at it and say that this is a range in which it paused earlier and now it is the same and I will come back to you on this. It's not possible to answer at the moment.

Neerav Gimudia: Sir, on the cost side, you mentioned last time that we were in the process of putting up the solar plants, I think one-off was getting commissioned in November, December of '23. So any update on the same?

Kirat Patel: Yes, the solar plant in Dahej got commissioned in January, and we have already started receiving the electricity from that plant. Totally, now in the company, we have about 8-megawatt or so, 8.5 megawatts capacity between Kurkumbh, Patalganga and Dahej.

Neerav Gimudia: And let's say, out of our total requirement of power, how much this would help us to use from this captive?

Kirat Patel: Okay. So there, there are three sources for power for us. So one is, of course, solar. Then there is a turbine which we use, back pressure turbines for our steam generation and MSEB or GEB, Gujarat Electricity Board. So I think on an average, about 50% of the electricity, which we use is from the grid from the electricity board. About 20% to 25% is from the turbines and about 20% to 25% is from the solar.

Neerav Gimudia: Okay. And the turbine would predominantly be using the coal.

Kirat Patel: Yes. It's -- the steam is from coal. All three sites are on coal.

Neerav Gimudia: Sir, any possibility of giving us quantitative numbers in terms of saving in the power cost, which would accrue to us because of commissioning of this 8.5 megawatt of solar power plant.

Kirat Patel: No, 8.5 is the total amount which we have. What got commissioned just now in the last year in January was, I think, 3.5 megawatt.



- Neerav Gimudia:** Okay. And any numbers which you can help us out in terms of savings, which have started accruing to us because of this 20% captive use through solar, which otherwise probably would have been buying through grid or through generation to turbines.
- Kirat Patel:** Yes, about -- my estimate would be these 8 megawatts would be giving you about INR3 crores to INR4 crores of savings in view of if you were buying from the grid, right? and we are buying and generating our own, maybe about INR3 crores to INR4 crores savings every year.
- Neerav Gimudia:** Okay. Sir, last year, our absolute power cost was like INR215 crores, INR216 crores, combining everything put together.
- Kirat Patel:** That would have included fuel.
- Neerav Gimudia:** Yes, fuel. So what was the similar number for FY '24?
- Kirat Patel:** Can you -- we will have to look it up, but it is lower because coal prices have dropped from -- it would have been considerably lower because the coal prices are down.
- Neerav Gimudia:** Sir, last question would be in terms of the breakup of sales, if you can just help us know the breakup of INR1,440 crores of sales what we have reported between Amines and Amines derivatives and the specialty chemicals for FY '24.
- Kirat Patel:** I think the percentage change has not been very significant. It's still, I think, in the region of 40% to 50% is the main Amines about 25% is derivatives and about 20% to 25% is specialty, which is the main one being Acetonitrile.
- Moderator:** We have the next question from the line of Dhruv from HDFC Asset Management.
- Dhruv:** Firstly, you mentioned that methylamine demand-based -- demand is -- methylamine demand is about 70,000 tons domestically. So this would be -- just be the base or, say, for example, even the downstreams of, say, DMF and everything, all inclusive demand is 70,000.
- Kirat Patel:** No, all inclusive. The DMF is a question mark because DMF you know, all the DMF demand in the country was to be -- all the DMF was to be made within the country of what we are importing, then yes, another 10,000 tons could be added to the methylamines demand. But obviously, this has to compete with imports. So it's not going to happen.
- Dhruv:** So when we say these demand over these are based on production of base methylamines.
- Kirat Patel:** Basically production of base methylamines.
- Neerav Gimudia:** So what goes into downstream is separate? That is not included in these demand numbers. Probably those downstreams could be imported from outside but that is not included...?
- Kirat Patel:** I am including what the RCF, Balaji and us would be producing, my estimate of what we would be producing, they will be producing every year. Or this year, rather -- and it goes up by 5% to 7% every year.



- Neerav Gimudia:** Sir, any kind of assessment if all -- of course, this is hypothetical, but all the downstreams were also to be made in India, which is probably currently imported. What would be the base demand for methylamines be?
- Kirat Patel:** Sorry, what would be the?
- Dhruv:** I mean base demand for methylamines. Say for example, currently its about 70,000. For example, DMF is currently I am not sure, how much is imported if that was also to be manufactured in India, and that would use base methylamine. So how much would you...
- Kirat Patel:** Expect another 10,000 tons or...
- Dhruv:** Okay, got it. Sir, the second question is...
- Kirat Patel:** In fact, both NMP and DMF and all if you add up, it could be 80,000 tons to maybe 90,000 tons. So there is a potential in India in competition. But obviously, competition does not go away. Reality, 80,000 to 90,000 tons could be a kind of market size, you would say, potential market size.
- Dhruv:** The second question is on a per kg basis, for methyl and ethylamines lets take before 2020 what the spreads would be on an average per kg contribution or EBITDA? And what were they in the current year? Or I mean, on a benchmark basis, I am not asking for an absolute number, but how different would they be. Current year, FY '24.
- Kirat Patel:** Between which year and now?
- Neerav Gimudia:** yes. pre-COVID when there was some abnormality post that. So let's take FY '20 and the current year on a per kg basis methyl and ethyl.
- Kirat Patel:** I will have to come back to you on that because I have to look at the numbers of pre-COVID per kg but my gut feel would be that we would be slightly better off than that just now. But I couldn't say for -- obviously, we are not as well off as the COVID years per kg but pre-COVID to now, we will have to just check, which is you're talking about '19, '20.
- Dhruv:** Let's say 3, 4 years at an average of 3, 4 years before just to get a sense.
- Kirat Patel:** We have to look it up and -- good way to look at our long-term pricing.
- Dhruv:** And sir, lastly, you mentioned the few players in China are still adding -- one player in China is still adding capacity. Is it possible to name that player -- which player is this?
- Kirat Patel:** No, I think it's in the -- you can google it. I think it's there in the internet...
- Moderator:** We have the next question from the line of Pradeep Rawat from Yogya Capital.
- Pradeep Rawat:** I have one question. What is the market size of Acetonitrile and how much is imported?



Kirat Patel: Market size would be in the range of 30,000 to 35,000 tons. And I would say about 50% of that estimated is imported last year. 50% to 55% was imported.

Moderator: As there are no further questions. I would now like to hand the conference over to Mr. Kirat Patel, Executive Director; for closing comments. Over to you, sir.

Kirat Patel: Thank you, everybody, for listening in and spending this hour with us. I hope we have been able to answer most of your queries and look forward to your continued support in the future. As few closing comments, I think we are looking forward to the next year with some degree of cautious optimism because I think the next year is likely to be better based on what we see happening in the last quarter.

And the good part is that our customers are growing and the opportunity in India is large. So over a long-ish period, we will be here to stay and the company will grow from strength to strength. Thank you very much for listening in, and thank you AMBIT and for hosting this conference.

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