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Balaji



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AMINES LIMITED

...A Speciality Chemical Company

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Hotgi Road, Aasara Chowk, Solapur - 413 224.
Maharashtra. (India)

15th September, 2023

To,
The General Manager-Department of
Corporate Services,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.

The Manager-Listing Department,
National Stock Exchange of India Limited,
"Exchange Plaza", 5th Floor,
Plot No. C/1, G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai - 400 051.

Scrip Code: 530999

Scrip Code: BALAMINES

Dear Sir/Madam,

Sub.: Submission of Earnings Call Transcript under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of the Investors/Analysts call held on Friday, 8th September, 2023 to discuss the Q1FY24 Financial Results of the Company.

This is for your kind information and records.

Thanking you.

Yours faithfully,

For Balaji Amines Limited

Lakhan Dargad
Company Secretary & Compliance Officer

Encl: a/a



“Balaji Amines Limited
Q1 FY '24 Earnings Conference Call”
September 08, 2023



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

MODERATOR: MR. RANVIR SINGH – NUVAMA WEALTH AND INVESTMENT LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Balaji Amines Limited Q1 FY24 Earnings Conference Call hosted by Nuvama Wealth and Investment Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star and then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ranvir Singh from Nuvama Wealth and Investment Limited. Thank you and over to you sir.

Ranvir Singh: Thank you and a very good afternoon and warm welcome to everyone. We have with us Mr. Ram Reddy, the Managing Director of Balaji Amines. Before handing it over to the management regarding today's call, I would like to read the safe harbor statement. Before this conference calls contain forward-looking statements about the company, which are based on belief, opinion and expectations as of today. Actual results may differ materially. These statements are not the guarantee of future performance and invoke risks and uncertainties that are difficult to predict. A detailed safe harbor statement is given on page 2 of the company's investor's presentation, which has been uploaded on the stock exchange and the company's website. I will now hand over the conference to Mr. Ram Reddy. Over to you, sir.

Ram Reddy: Thank you, Mr. Ranvir. A very good evening and extend a warm welcome on behalf of Balaji Amines Limited to all of the shareholders who have joined us for this conference call to discuss the financial performance of the Q1 FY24 and performance of the company. We appreciate your time and interest in our company's performance. Before we dive into the financial results, I would like to address a significant factor affecting the timely submission of our financial results for the quarter ended June 30, 2023. The delay is primarily due to our subsidiary Balaji Specialty Chemicals Limited proposing to undertake its initial public offering of equity shares which has been subsequently withdrawn.

The management team of Balaji Specialty Chemicals has been fully engaged in this process which has temporarily hampered their availability to complete the preparation of financial results required for the consolidation of our company's financial statements for the said period. We apologize for any inconvenience this may have caused. Moving on to the financial performance of Q1FY24, I hope everyone had an opportunity to go through the financial results and investor presentation which have been uploaded on Stock Exchange and on our company's website.

During the first quarter of the year, our company encountered an unparalleled array of hurdles with the specialty chemical industry. These challenges were predominantly a consequence of the swift contraction in global demand. This has been further exacerbated by an oversupply situation in China stemming from sluggish domestic demand and slowdown in several developed markets due to stockpiling. These factors have impacted the offtake and sustenance of realization, especially in the specialty chemicals market. However, we firmly believe that this is a temporary setback and our long-term prospects remain robust.

Our performance in Q1 aligns with the industry's subdued trends. We are dedicated to maintaining a customer-centric approach consistently delivering value. This commitment underscores our dedication to serving our customers' needs effectively. Our medium to long-term plans are progressing as intended. Our new projects are on track and we are diligently working towards their successful completion without incurring any debt. Our strategic focus remains on identifying unique product opportunities, enhancing our product offerings and contributing to India's self-sufficiency objectives through the development of world class manufacturing facilities.

Our continued leadership in Amines and their derivatives within India has been the cornerstone of our success. Additionally, our comprehensive portfolio of specialty chemicals sets us apart from competitors and reinforces our position as a reliable and innovative industry player. In summary, while the challenges of the first quarter were notable, we remain optimistic about our long-term prospects. Our commitment to customer satisfaction, strategic initiatives, and our strong market position in key areas will continue to drive our success as we navigate through these challenging times.

Now let me take you through the consolidated financial and operational performance. Revenue from operations for Q1 FY24 stood at INR 469.32 crores as compared to INR 674.86 crores in Q1 FY23. Total volume stood at 26,820 metric tons for Q1 FY24 as against 27,358 metric tons in Q1 FY23. EBITDA for Q1 FY24 was INR 103.69 crores as compared to INR 219.48 crores in Q1 FY23. EBITDA margin for Q1 FY24 stood at 22.09% as against 32.52% in Q1 FY23. PAT for Q1 FY24 was INR 67.68 crores as compared to INR 148.04 crores in Q1 FY23. Diluted EPS for Q1 FY24 stood at INR 16.28 per equity share as against INR 37.95 in Q1 FY23. For Q1 FY24, Amines volume stood at 6,757 metric tons, amines derivatives volume stood at 8,288 metric tons and specialty chemicals value stood at 11,775 metric tons. And on a standalone basis we are a zero debt company.

Looking ahead we have strategic capex plans in place to fuel our future growth journey. We have initiated the capex for setting up the following plants which will significantly contribute to our expansion. Number one, the N-Butylamine plant which will have a capacity of 15,000 tons per annum is progressing well and we anticipate commissioning the plant around December 2023. The Methyl amine plant with a capacity of 40,000 tons has initiated project implementation work. We expect this project to be commissioned around June 2024. In addition to these ongoing projects, we also have some exciting new projects in our pipeline.

This includes the establishment of dimethyl ether with a capacity of 100,000 tons per annum, a new age gas which has application in various fields such as replacement of LPG for fuel and aerosol usage, demand of which is being met by imported LPG currently. The company is working on various other applications and usage for replacing LPG. The project is likely to be commissioned by the end of financial year 2025 and DMAHCL plant with a capacity of 7500 tons is likely to be commissioned by the end of H2 FY 2024. These projects demonstrate our commitment to expanding our product portfolio and catering to the evolving needs of the customers.

Our unit 4 (currently executing phase 2 and 3 projects) is shaping up as a world class facility, set to begin phased production for the second half of FY 24 onwards. We are confident about stronger long term opportunities. We anticipate FY25 to be marked by growth and opportunities and improved market conditions.

The promising future is driven by India's potential on the global stage. We are well positioned to be a game changer and a performance leader as the market dynamic shifts. Our inherent strengths and competencies continue to guide us in navigating market complexities, propelling us towards greater excellence as a leader in Amines and Specialty Chemicals.

Now we can open the floor for question-and-answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rajiv Rupani, an individual investor. Please go ahead.

Rajiv Rupani: Yes, good evening Mr. Reddy. Sir, when I had visited you for the factory plant visit on 30, June, so at that time you had informed us that the Methylamines new plant will be commissioned by March '24, the DME new plant will be commissioned by July '24, and the N-Butylamine will be commissioned in two months, three months by September. And in the presentation and the press release, there is an extension of date. So, is there a delay and why, sir?

Ram Reddy: There is a one month or two months delay because of some of the equipment's and on account of labour shortage. So now we have taken stock of the situation and given the exact likely dates. Like before December, we'll be commissioning the N-Butylamine Plant. Maybe one or two months is delayed, what we say. And the same way methylamines will commence by June 2024. And the DME will take further time that is by the end of the financial year 25. All are under construction. Both are under construction and under commissioning level, at the final stages.

Rajiv Rupani: Okay, sir. But DME is taking much more-longer time, like more than four months, five months' time period, more....

Ram Reddy: Rajiv, one-by-one we have to do it. One plant is commissioning now. Because there are some regulatory issues, some of the storages we need the government approval for filling the material in the storage like ammonia, like methylamines gas even for the DMA also, we have to take methanol permission. So, all the permission now, within the control, based on those dates, we have given these new dates.

Rajiv Rupani: Okay, sir. And one more thing, now last time, in this Unit 4, we were supposed to do expansion of DMF and ACN, which was put on hold. So, any update on that and have the prices of these products improved in the last two, three months?

Ram Reddy: DMF, I'll tell you, what is happening, DMF sometimes we are getting shortage of DMA. That's the reason, we have taken DMA first. And for the DMF, we still want to give some time for the market to absorb. With the latest development, we started exporting this product. We want to settle down to the full capacity of the present capacity then we will take. We have not scrapped that plant. It is still there but it has taken the back bench. And as regards your Acetonitrile, because of the market condition, prices have gone to below raw material cost.

Even today it is in the same situation. The reason we stopped manufacturing for the last 1.5 quarter, we are not producing. We have some stocks. We are just salvaging those stocks. So the moment it improves, because these, the products which are looking the brighter market we have taken to the front bench. The moment when we finish this then probably we may take that in addition to this, we have many other projects in the pipeline which we are going to declare in the subsequent time.

Rajiv Rupani:

Okay, and my next question was on the EBITDA margins and top line. Sir, you had guided us earlier that once all this expansion is complete in two years, three years, our top line will be about INR4,000 crores. So, are you sticking to that? And once all these expansions are complete, in let's say, two years, three years, what will be our consolidated EBITDA margins?

Ram Reddy:

See, as I said, it depends upon the raw material and finished product prices. All the prices have come down. That's the reason, it is difficult to say, I say that, as on the date, the prices, if you take the reference of those prices, yes, I'm still taking to the INR4,000 crores in the coming years. And EBITDA, as I said, it will be between 20% to 22% on a consolidated basis.

Rajiv Rupani:

Okay, and my next question on Balaji Specialty. Now, since we have withdrawn the IPO, could you give us more information about, one, is the debottlenecking complete, number one. Number two, I believe we have the 100 acres for expansion. So what are the products planned in that 100 acres? And you had also talked about two years, three years, we'll double EDA productions, an update on that. And what's the EDA price right now?

Ram Reddy:

See, debottlenecking, we are taking probably next week, we are going to take the equipment. One equipment has to come. Almost 90% of the equipment has reached to the plant. Only 10%, which we are expecting in one week. Once that comes, we are going to take the shutdown for the three weeks for a finishing this debottlenecking activity, where we are installing one or two additional columns, whereby you get the increase the capacity as well as the purity also will improve. That is number one.

Number two, I said that, two opportunities, either the new products or doubling the capacity. See, until otherwise this goes to the 100% capacity market, use the full support in the price point of view, we are not going to be double the capacity. However, the new products, like as I said, the land allotment actually we are going to receive today, final. We received a provisional letter, where we have paid 25% EMD and we are expecting the final letter today, as the units have completed two days back only.

Once that comes probably within seven days to eight days, we are going to submit the details to the environmental clearance for which the products like I will tell you few products, Hydrogen Cyanide, Sodium Cyanide, EDTA, EDTA 2Na, Sodium Cyanide, Dimethyl malonate, Diethyl malonate, Methyl Cyanoacetate, Triethyl orthoformate, Trimethyl orthoformate, These are the products actually, maybe one or two products somebody must be doing or maybe all the products will be first time in the country. Some of the products actually listed in the PLI scheme by the Government of India. So you will hear in coming quarters about the development of this or probably when you come after two quarters, you will see actual plants building at site.

- Rajiv Rupani:** Okay. And this all will be through internal accruals at BSC, Balaji Specialty Limited...
- Ram Reddy:** Majority of the accruals, may be we will be required some INR100 crores, INR200 crores if the projects are not delayed. If they are delayed, then we will be doing this from the internal accruals. If we are doing faster installations, probably we may ask to temporarily some banks, maybe INR100 crores, INR120 crores from the borrowings from the bank, maybe we may take help of the parent company.
- Rajiv Rupani:** Thank you. I'll get back in the queue.
- Ram Reddy:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Kishan Gupta from CD EquiSearch Private Limited. Please go ahead.
- Chandrakant:** Sir, Chandrakant here. Sir, how has specialization in Amines helped the company move through in these tough times? Can you just say, like if there is any specialization regarding that?
- Ram Reddy:** Since we are there in the market, Amines market, more than 25 years, definitely our cost price is lower than anybody else. I can say probably in the world also, I can say, what we have seen. We are in a position to export to various parts of the world. Unlike earlier days, today we are exporting Methylamine also to different-different parts of the world. In some of the places, samples were approved.
- Earlier we were not having the REACH registration for the Methylamine. Now we have taken the REACH registration for the Methylamine and started exporting also. So, because of our expertise for the past 15 years, 20 years, our consumption co-efficiencies are lower. That is the reason today, we are in a position to stand in front of this tough competition.
- Chandrakant:** Okay, sir, yes, and then like despite talks of global demand contraction, how come the company has more or less maintained the volumes this quarter?
- Ram Reddy:** See volumes, I can say because of the basket, we have the various products. Mr. Gupta, if you see that we are going on adding the new capacities, in spite of the new capacities, we are not in a position to increase the volumes. Suppose if you see that everything goes well, then you will see that increased capacity will reflect on the total volumes. That you will see in the coming quarters.
- As I said in my initial comments, we have not taken the current situation as a permanent thing. We have not stopped our expansions. All the expansions, maybe one or two months here and there, are progressing as decided earlier. And because we believe that this is a temporary period, maybe one quarter, 1.5 quarter, maybe after one quarters or two quarters, we will see the demand for all these products. When you come back to the original stage, then we will definitely get the advantage of all these capacities created as of now.
- Chandrakant:** Okay, sir. Sir, has the company tried to benefit in any way from the sharp fall in raw material prices?

Ram Reddy: It is not like that. Because of the last 1.5 quarters -- one quarters to two quarters back, the inventory has given a very bad taste to all the industry including our company. That is the reason, we are going very optimistic inventories. The reason you will not get the neither the benefit nor the loss for the inventories. Right. It is very short. We will be having only 15 days, 20 days raw materials unlike earlier days. But definitely going forward, the prices have started increasing now, last two weeks, we are seeing the methanol prices have gone up, and the Methylamine price are likely to get the improvement for domestic and as well as outside the country also.

Chandrakant: Okay, sir. Thank you so much, sir.

Ram Reddy: You're welcome.

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

Rohit Sinha: Yes. Thank you for taking my question, sir. First question on our Acetonitrile plant, as you said that, costing is a little bit on the higher side right now so, we have stopped production. So just wanted to understand whether the demand still is there or demand has also taken a hit because of different factors and when we are seeing any kind of improvement in terms of starting this plant?

Ram Reddy: Thank you. See, demand is still there because of the import outside country. The acrylonitrile by-product is Acetonitrile from the outside country still coming into the country. That's the reason today we are not in a position, I think somebody has gone for the anti-dumping also, filed the case of the anti-dumping. If that comes then probably, we may think of restarting.

And as I said earlier, we have a plan of alternate technology, but we are still waiting whether that alternate technology also will give us the sustainability in front of these lower prices from outside country. And we are also waiting how long the people from the outside country will make the losses and dump in the country. That is also another big question. The moment the situation improves, the plant is there and we can start immediately.

Rohit Sinha: Okay. And secondly, as we largely focus on most of the, I would say, import substitution products, so our export earlier was not that significant. But looking at the current scenario in the market where I mean, Europe, most of the chemical companies are looking to shut down or maybe reduce their production levels. So how we are seeing the kind of opportunity building up for us in the export market and do we have that kind of plan for expanding sizes in our existing portfolio or producing any new product there, especially for the export market?

Ram Reddy: Definitely, we are trying to encash the China Plus opportunities. As I said for the earlier question, the products which we have never exported, we have taken the REACH registration, we started exporting. Like DMF, we used to shout every time in the domestic market itself. Now we started exporting the DMF outside country where there's an opportunity, where the people stopped buying from the China and some of the developed countries like USA.

We just started looking those markets and all other products, which we have not taken the REACH earlier, now we have taken the REACH registration. Probably in coming two quarters,

we will see the increments in the exports when you compare to the earlier quarters in addition to the new products.

Rohit Sinha: Okay, so roughly what is the export domestic mix right now for us and where we will be targeting down the line over the next one years, two years?

Ram Reddy: We are there 85%, 15%, if you see the stand-alone basis and in the days earlier year, we have done consolidated basis even 25%, 70% we also we have done because we cannot take that, that particular year was the different when you compare to the normal market situation. But going forward, our target is to take minimum 20%, 22% of the exports and balance 78% to 80% should be the domestic.

The reason why I am telling the 20% in our type of industry, if I do more than 15% to 18% exports, then I will get the natural hedge for the imports if any we import any of the raw material. So that is the reason we are targeting that minimum we should do it 20%, 22%. And we will achieve in coming two quarters, three quarters.

Rohit Sinha: Okay. Sir, one last question. Looking at our revenue profile from last five quarters, six quarters and I think from peak of March '22, the top line has come down consistently. So it was obviously the prices have corrected significantly in the recent times. Now as we are talking about the bottoming out of chemical prices, are we looking at, I mean, as the company, also we are looking at the same situation as this situations look to be in bottom side and no further downside maybe looking, and maybe at hereon we should be looking on a positive side on this?

Ram Reddy: Mr. Rohit, we don't see because in the '21-'22, the year was a special year, where some of the products which are sold at INR170, which were sold in those period at INR500. That was a special period, we cannot compare that. But yes, definitely the current situation has bottomed up. I don't think the prices will go further down. We see from here onwards, there should be some improvement and maybe in coming one quarters or two quarters, prices should be stable at normal level from these bottoms.

Rohit Sinha: Okay. So the margin profile should also I think...

Moderator: We request you to please re-join the question queue for follow-up questions. Thank you. We have the next question from the line of Aman Madrecha from Augmenta Asset Managers. Please go ahead.

Aman Madrecha: Yes, hi, sir. Thanks for the opportunity. Sir, could you throw some light on like how has been the DMF utilization over the last six months? And also, how has been the product doing, the new product doing, like the DMC and the Propylene Glycol? Are we able to produce this product on a full scale or are we still not able to find the right customer mix on this new product like the DMC and the Propylene Glycol?

Ram Reddy: See, DMF, yes, you are right. There were two types of problems we faced. One problem, sometimes prices. When there is a price, we were not having the sufficient DMA. These were the two types of the problems we were facing. The reason we were operating at some 40%, 45% capacity levels. Once we commission these Methylamine plants, at least one problem will be

solved, that the shortage of the DMA will not be there, because the additional capacity of the DMA will be coming into the line.

And secondly, the other thing, because of the market pricing, we are targeting now the outside country, because the outside country prices we have seen the, better than the domestic. Actually dumping is happening in the country. Very unfortunate we are not getting government support for the antidumping.

So, the reason we just looking outside the country. Europe we started supplying, USA we will be supplying this quarter onwards and Saudi we exported few quantities. So, definitely in going forward we should see more than 60%, 70% capacity utilization for the DMF.

As regards DMC and propylene glycol, see DMC we were hoping that the lithium battery manufacturers will start at least 2 to 2.5 quarters back only they were supposed to start. But very unfortunately, no company has actual started up the batteries that is one. Second thing, the prices at China like other products for this product also, they have created huge capacities and they have -- actually they are selling in the losses. So, that's the reason we are in a position to cater whatever domestic availability we are giving around 25% to 30% capacity we are running and to increase this, to take it further, we have started, we've already taken the REACH registration for these products also. We started giving the -- see marketing outside country like Europe we have given a couple of ISO tanks. The moment we get the full approvals, then probably the year also we will go to 50% to 60% in the coming quarters.

Aman Madrecha:

And sir, on the, as you were mentioning that we'll be exporting, we are looking to export DMF post the commissioning of the DMA capacity, but over the past years we have been facing dumping from the countries like Saudi Arabia and all these countries only. So, where is the problem lies on one side we are facing the problem for the dumping from the Saudi Arabian countries and on the other side we are claiming that we will be able to export outside.

Ram Reddy:

Actually, Saudi Arabian, they have -- they are dumping only in India. In their own country they are selling at much higher price that's the reason we targeted for information this month we sold two ISO tanks to Saudi Arabia at much higher price. So, now we just started going to the outside country where those people are having the good prices and dumping in our country.

We are also going outside only, at least to give them the competition so that they will understand that dumping outside, how it will affect everyone. So, USA also the same place. In USA they are having good prices, only in the domestic market it is very unfortunate for us, we are having both countries like Saudi Arabia and China is dumping below raw material prices.

Aman Madrecha:

So sir, maybe we can say like INR100 to INR120 could be a viable price for exports for DMF?

Ram Reddy:

Even INR90 viable, INR90, INR95 also we can sell because we get some additional export benefits for the duty free raw material. All these things will add even if we sell at INR90 INR95 also it will be viable for us. So, that is the reason we started going out.

Aman Madrecha: And sir, on the exports of the DMF, so like, do we have some visibility like by the end of FY '24 or early half of FY '25, we will be able to utilize the capacity to the tune of 60%, 70% on the DMF side?

Ram Reddy: Definitely. We are targeting 60, minimum 60% to 70%.

Aman Madrecha: And on the DMC and the propylene glycol side also we are targeting during the same time?

Ram Reddy: Yes, coming, I mean now we are at 20%, 25% level. We are targeting before end of this year we should minimum do 50% to 60% capacity of these two products. And other product like ethylamine, which was Greenfield project, which was first phase of these two products, so DMC and before starting this, we started that ethylamine that is doing more than 90% capacity.

Aman Madrecha: Okay. And sir, one more thing on this thing, like for example, as we've seen during the past, like DMF, we have introduced DMF, but we have struggled for commissioning that and currently as we have introduced DMC also, we are facing some issues. So, as we are coming up with a new product that is n-Butylamine, so we know that the domestic demand is around 8,000 metric tons and we are the only producers.

So, are we confident that as we start the plant and in a year or so we'll be able to utilize the plant, there won't be any issues of utilizing the n-Butylamine plants your thoughts on the same?

Ram Reddy: Yes, definitely. See, whenever we plan the plants, we will just look at the global capacities and also consider the domestic growth like today is 8,000 tons, maybe in coming two years it should become 12,000 to 13,000 tons and we are going by the capacity of 15,000 tons. And there will be some market outside country also maybe 2,000 to 3,000 tons and we cannot expect like what we are seeing in the DMC PG. Initially out of 15,000 tons, definitely we will sell 8,000 tons to 9,000 tons in the first year of operation. But going forward, we will definitely see in the coming one or two years. Whenever, as I said, we have to see the -- consider further 4 years, 5 years requirement of the various parts of the world, that's the reason we have taken 15,000 tons capacity. Going forward, we will see in the coming two years, it will go to the 100% capacity.

Aman Madrecha: Okay. Sir, my whole goal is to understand like for example...

Moderator: We request you to please rejoin the queue for follow-up questions.

Aman Madrecha: Yes, Yes, sure, sure.

Moderator: Thank you. We have the next question from the line of Richa Agrawal from Equitymaster. Please go ahead.

Richa Agrawal: Thank you for the opportunity, sir. I wanted to understand this demand and the oversupply situation a little bit better. So, what is your outlook, how much time do you think the situation is likely to persist await us and when you say that the perhaps worst is already here, the prices have bottomed out. What gives you that confidence, if you could just let us take us through the demand and supply situation and how it is impacting?

Ram Reddy: Richaji, you are right. We have seen all the bad time like prices lower and even the quantities volumes also lower. Now the confidence why we are getting more is the quantities lifting improvement has already started. Only thing is price we are still because people are habituated to the lower price, you are well aware that from the lower price to higher price it will take longer time making higher price to lower, it will be done very faster.

So, when we see the higher quantities have started lifting, we see the coming at least one, two quarter, it should come to the normal level of the volume point of view. Even price point of view also it should come to the stable normal levels in the coming two quarters.

Richa Agrawal: Okay. And sir on the capacity expansions that you are doing, my understanding is that you know we were going from 231,000 to 346,000 MT kind of capacity. What will be the current capacity and utilization and of this how much is actually going to the end market and what kind of capacity or production is being used actively if you could talk a little bit about that?

Ram Reddy: See, Richaji, till now what has happened in the Methylamines, Ethylamines, we were utilizing more than 60% to 70% in-house only. That is the reason we were not in a position that is the reason we have gone for the expansion. One is Ethylamines we have done the bigger capacity even though we were having a small capacity and Methyl also we are talking today additional 40,000 tons is the reason where we can sell some quantities in the market.

And today we have 231,000 tons capacity altogether like some of the products like NMP we have 33,000 tons where we are doing only 15,000, 16,000 tons and new capacities which we are talking 162,000 tons like including the Dimethyl Ether is 100,000 tons. I feel that this answer is for everybody who is listening to this. I feel, it is my personal view, the Dimethyl Ether should be big game changer for the company.

The reason is, if I calculate at least one district, two districts itself is more than 60,000, 70,000 consumption of the LPG is there. So, we are talking about the, if I take the, at one reason, at least western Maharashtra or part of the south market if I take this is not sufficient even 20%, 30% of their consumption. So, going forward, today we are running at some of the plants at 80, 90 and some of the plants at 30.

If you take the overall average is about 60% to 70% of the total installed capacity and next 162,000 tons which I was saying that total coming two years we go for the revenue point of view INR4,000 crores, while considering these capacities we were hoping that we will do minimum INR4,000 crores on the stable normal pricing levels.

Richa Agrawal: Right, so I mean two years kind of time period, I mean do you have that confidence that the situation will normalize or the pricing pressure, I mean they will improve, but still...

Ram Reddy: Definitely.

Richa Agrawal: And sir this product I think DME that you are talking about as a LPG substitute. So, from the end user point perspective, is it the shortage LPG or is it the pricing differential that will encourage them to shift from let's say LPG to this product, if you could talk about that?

Ram Reddy: Both are there, both are there. Actually, we were in touch with the government of India with the Niti Aayog for the past 1 and 1.5 year, we were corresponding with the government. Recently, that is about a month back, government has already initiated that in all respects, the LPG companies should mix 25% of this product into the LPG, which you will see in the coming two weeks, three weeks, we should see the order should come out. They have already given this instruction to the BIS, Bureau of Indian Standards to check the storages using like LPG storage, storages can be used for the DME and all.

In our point of view, we have seen in China, they are already using more than 300,000 tons 400,000 tons, they are using, they are mixing in the LPG. They are mixing more than 30% 40% in China. So definitely, we looking into all these situations, we see that there will be bright future for this product.

Richa Agrawal: Thank you and all the best.

Ram Reddy: You are welcome.

Moderator: Thank you. The next question is from the line of Harsh from Marcellus. Please go ahead.

Ram Reddy: Yes Mr. Harsh.

Moderator: Harsh, the line for you has been unmuted. You may proceed with your question. Harsh, if you're speaking, you are not audible. Ladies and gentlemen, as there is no response from the line of the current participant in the queue, we will move on to the next question, which will be from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Ram Reddy: Yes Mr. Jhaveri.

Darshil Jhaveri: Hello, hi. Good evening, sir. Thank you so much for taking my question I hope I am audible.

Ram Reddy: Yes go ahead.

Darshil Jhaveri: So, sir, I just wanted to ask like as the previous participant, you said maybe around INR4,000 crores revenue we can do on stable raw material prices. But as a layman who's not in the industry, what part should we be able to track so that we know that the prices have started correcting or what do you see maybe coming quarters or somewhere like something that would be easier for us to be able to check upon or maybe what do you see that maybe the start of calendar year FY '24 things will become normal, so a bit color or flavor on along those lines?

Ram Reddy: Yes. Mr. Darshil you see may maybe by end of this current financial year, I mean, last quarter of the financial year, we are expecting the prices should go to the normal level. It may not go to the levels of 21-22, because there was a special period, but normal level. For example, that product today we are talking, Ethylamine, last year it went up to INR500. Today it is INR160, INR170. I am talking about it should be somewhere INR200 to INR225 should be the normal level.

Same way with Methylamines on 100% basis earlier we sold up to INR150, INR200 also. But normal level we felt it should be somewhere INR100 which is today INR85 INR90. If this

situation takes, I am talking about only 15%, 20% improvement in the current prices. If that takes place, yes we are confident that with the additional capacities what we are creating and the old plants running at reasonably higher capacities, we should be definitely in a position to reach INR4,000 crores level of revenues in coming two years.

Darshil Jhaveri: So, that's very good to know, sir. And sir I also wanted to know any other risk that you see that maybe that can hamper us or is the worst behind us that like any other that we might not understand or something that you see that can also again put a speed bump and just want to know sir so maybe this year can we consider a bit flattish in terms of profits and next year we'll have a maybe non-linear growth in profit that can compensate for this year?

Ram Reddy: I think this two quarters, one quarter we got some better taste and this current quarter also may go little and next two quarters that is three and four quarters, if they do greater than the normal, then averaging about it should be flat, but not sluggish as you said. This is my personal view I'm telling you. And other thing like bottom prices, bottoming up which you are telling is what we have seen the totally bottom has already happened.

I do not think the countries like China will go further in losses and some of the plants we have already seen who are doing lower prices in last three, four quarters, one or two plants already closed, like especially in the BDO 1,4-Butanediol based products, they are already closed.

So, like that, how long they will do once they come to the realization, once they come to the real thing in the market and other thing like U.S already stopped taking from the China that advantage as an alternate India will get. Looking into all these points, I feel it should be improved in coming two quarters.

Darshil Jhaveri: Sir, one last question if I may, sir.

Ram Reddy: Yes.

Darshil Jhaveri: So sir, with this FY '25, can we assume maybe we might be able to do INR3,000 crores revenue and then 4,000? The two-year plan target is about FY '26 or '25 I just wanted to clarify that, sir in normal case scenario?

Ram Reddy: Current year you should not consider, yes, you are right, that '25, that is 24-25 you should touch plus or minus INR3,000 crores. Then 26-27 we should be in a position to touch INR4,000 cores.

Darshil Jhaveri: Okay, okay. So, that helps me a lot. So, all the best, sir, and hope for great results. Thank you.

Ram Reddy: Thank you, Mr. Jhaveri.

Moderator: Thank you. We have the next question from the line of Harsh from Marcellus. Please go ahead.

Harsh: Yes. So, sir my question is basically we have been hearing for some time now that China is setting up some large capacities. So, I just want to know that are you hearing some large capacities will setup in our products methyl, ethyl, Acetonitrile?

Ram Reddy: Can you repeat your question I didn't understand.

Harsh: So, basically we have been hearing that China is setting up some large capacities which will be coming online sometime in late 2023 or in 2024. These capacities are across a whole bunch of products. So, just want to know from you that, are you hearing as well about some capacity which will come online in any of our products, that is methylamine, ethylamine, or Acetonitrile magnifier specialty chemicals?

Ram Reddy: Fortunately, I have not seen any new capacities coming in China for the methylamines and ethylamines. Methylamines they are already in short of ethanol. They are depending on the USA, which has become a little tight. So, that's the reason I don't think ethylamines they will come. And methyl it is licensed in their country. If they want to export, they need to take the license from the government of China that is the reason many of the companies are not thinking of it.

If anything comes, maybe smaller capacities. But for the methylamines there is a entire world is open. So, I don't think that will impact at least for the methyl and ethylamines. Yes, like Acetonitrile if they go like go like this dumping it will definitely impact on the domestic companies for the acetonitrile, but not on the methyl and ethyl.

Harsh: Okay, and are you hearing any new capacity coming up for acetonitrile in China?

Ram Reddy: That also we have not seen, but existing they have huge capacities. Like acrylonitrile capacities are coming up, the existing acrylonitrile and acetonitrile as I said earlier, that new technology, yes there one plant is coming up with a new technology which we were declared that we will be coming up with a new technology. Similar technology I heard somebody is coming in China. If that comes into the pipeline probably that gives more tough competition for the Acetonitrile in domestic market.

Harsh: Okay, this helps sir. Thank you a lot.

Ram Reddy: Thank you.

Moderator: Thank you. The next question is from the line of Rajiv Rupani an Individual Investor. Please go ahead.

Rajiv Rupani: Yes sir, I had a follow up question on DMC. Sir, earlier you had talked about DMC blending in diesel. So, could you throw some light on that and also I'm reading about Amara Raja Batteries and Exide forming up plans for lithium-ion batteries. So, are we in talks with them and by when do you think they will start their plans?

Ram Reddy: We are very much in advance with both the companies. Discussed in one of the company we have sent the samples also, not only for the DMC. They may not use much of DMC, but they will be using more of NMP. We were discussing more on the N-Methyl-2-pyrrolidone and part of the DMC also. So, the moment they start, definitely we are first in touch with them for the raw material for both the companies.

Rajiv Rupani: And DMC blending in diesel?

- Ram Reddy:** Blending in diesel, yes we are still in corresponding with the government of India. We have done some trial with one of our vehicle with the Automotive Research Center in Pune that is in Innova we sent a vehicle and that has given good result. But still government has to give clearance for that. Before that they gave the more positive on this Dimethyl Ether. So, that is the reason we are working on the Dimethyl Ether, but DMC they are not full confident for the mixing in the diesel. In China, they are using in many places they are using it.
- Rajiv Rupani:** Okay that was helpful and DMC you had last time intimated that three more carbonate are planned and product is ready. So any update on that?
- Ram Reddy:** No, no, until otherwise this battery starts, battery manufacture starts, we are not going to touch that. We have the technology. Things are ready at the table. The moment they start manufacturing this lithium battery, I do not know how many people will start for the full up manufacturing, how many will go for the N minus 1. Many people will bring and assemble their manufacturers. We do not know 100% until otherwise they start buying from us. So, we will have to wait to kick start their manufacturing facilities.
- Rajiv Rupani:** Thank you.
- Ram Reddy:** Thank you Rajiv.
- Moderator:** Thank you. The next question is from the line of Aman Madrecha from Augmenta Asset Managers LLP. Please go ahead.
- Aman Madrecha:** Yes. Thank you for the opportunity again. Actually, I missed the first half of the call. So, could you please highlight why was the BSCL IPO called off?
- Ram Reddy:** See, that is taken by the Balaji Specialty Board because of the current market situation. The valuation expected valuation did not come and they were not having market was not favoured. So, that is the reason I think they have deferred it. Probably they will take the next course of action in coming quarters and which he will be informed.
- Aman Madrecha:** Okay. And also sir what has happened with the board now who is in Balaji Specialty Chemicals and who is in Balaji Amines?
- Ram Reddy:** You can see on the call on the website there, but still I can tell you that in Balaji Amines A Prathap Reddy is there, D Ram Reddy myself, A Srinivas Reddy and N Rajeshwar Reddy these four are the Executive Directors and same equally four Independent Directors like Dr. Suhasini Shah is there and Dr. Uma Pradhan is there and Mr. Adabala Seshagiri Rao is there and Mr. R Mohan Kumar. These are the four Independent Directors and four Executive Directors in Balaji Amines Limited.
- And Balaji Specialty Chemicals again Mr. Prathap Reddy is there and Mr. Rajeshwar Reddy is the Managing Director of the company and Mr. Hemant Reddy will be the Whole-Time Director for that company. And the Independent Director, one is Mr. Rajendra Tapadiya and the other again is Amarender Reddy is there as an Independent director. Again Dr. Suhasini Shah is common in both the companies. She is the Independent Director.

- Aman Madrecha:** Okay, okay sir. That's all from my side. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, we will take one last question from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.
- Ram Reddy:** Yes, Mr. Rohit.
- Rohit Sinha:** Yes. Thank you for the follow up. Just one thing, we are also anticipating some recovery. And since we have, I think, close to 50% exposure towards...
- Ram Reddy:** Not clear, Mr. Rohit can you speak out clearly and loudly?
- Rohit Sinha:** So, as we are talking about some kind of, you could say, recovery from the second half and we have close to 50% exposure in pharma and roughly around 25%, 26% in the agro side. So, where initial you can say recoveries signs are visible as of now and where we should be keeping close eye on?
- Ram Reddy:** Yes. Thank you. See as I am telling you are also telling the same board that we have seen some improvements in the AP and pharma market where our exposure is more than 55% to 60% and agrochemical also as I said the improvement we have seen the quantities have started moving more than the earlier quarters. Only thing is prices, we will have to change the improving the margins and prices in the coming weeks and months.
- Probably in four weeks, five weeks, we should be in a position to convince the customer end for bringing back to the normal levels prices as the raw materials also are going up. So, we look forward in coming two quarters, definitely by end of the year, we all should cheer up and talk about the improvement in the total market, raw materials and as well as finished products.
- Rohit Sinha:** Okay. Okay. That's it from my side. Thank you.
- Moderator:** Thank you. I would now like to hand the conference over to the management for closing comments. Over to you, sir.
- Ram Reddy:** Thank you very much. Thank you for taking all time and participating in our conference call. The overall outlook for Indian pharmaceutical companies and agrochemicals is expected to improve further as companies in Western economies support the China plus One policy and the pharmaceutical and agrochemical industries account for the vast majority of our end user clients' needs for aliphatic amines and specialty chemicals. Given the strong correlation between demand for our products and demand for the products from our end-user industry. We anticipate a strong growth potential for our company in the coming years.
- At the same time, we are constantly working to expand and diversify our products portfolio in order to address more segments of our end-user markets and thank you once again to all the shareholders, stakeholders who are showing confidence at our company, even at the bad times. So, you stood with us. I'm really thankful to you all. Thank you very much.
- Moderator:** Thank you. On behalf of Nuvama Wealth and Investment Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.