



Alkyl Amines Chemicals Limited

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To

BSE Limited
P.J.Towers
Dalal Street,
MUMBAI 400023.

National Stock Exchange of India Ltd.
Exchange Plaza
Bandra Kurla Complex, Bandra East
MUMBAI 400051.

Dear Sirs,

Sub: Intimation under Regulation 30 of SEBI (LODR) Regulations, 2015

Further to our letter dated May 16, 2018 please find attached transcript of our earnings conference call held on May 21, 2018.

Yours faithfully,
For ALKYL AMINES CHEMICALS LTD.

K.P. RAJAGOPALAN
General Manager (Secretarial & Legal)
& Company Secretary.

Transcript

Conference Call of Alkyl Amines Chemicals Limited

Event Date / Time : 21st May 2018, 3:00 PM IST

Event Duration : 52 min 8 sec

Presentation Session

Moderator: Good evening ladies and gentlemen, I am Krishna, moderator for the conference call. Welcome to Q4FY18 and FY18 earnings conference call for Alkyl Amines Chemicals Limited. We have with us today, Mr. Yogesh Kothari, Chairman and Managing Director, Mr. Kirat Patel, Executive Director, Mr. K. P. Rajagopalan, General Manager, Legal and Secretarial, Mr. Rahul Mehta, General Manager, Accounts and Finance. At this moment all participants are in listen-only mode, later we will conduct a question and answer session. At that time if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the floor to Mr. Archit Joshi of HDFC Securities. Over to you sir.

Archit Joshi: Thanks Krishna. A very good afternoon to everyone here. On behalf of HDFC Securities, I welcome all participants to the earnings call of Alkyl Amines. We will start with an opening remark from the management and post that the floor will be open for question and answers. Welcome Yogesh sir and over to you.

Yogesh Kothari: Thank you Archit. I have with me, Mr. Kirat Patel, Mr. Rahul Mehta, and Mr. Rajagopalan. And as you already have seen from the results, we have done reasonably well this quarter as well as in the whole year. This is because of overall market being in a better condition as far as chemicals go, the situation in the world, and improvement in our working by way of efficiency in the plants.

I would prefer if we start getting the questions from the participants, so that we can move forward in this. Okay?

Question and Answer Session

Moderator: Sure sir. Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask your question. If you would like to withdraw your request, you may do so by pressing * and 1.

Sir, we have the first question from Anubhav Sahu from Enfy Research, please go ahead sir.

Anubhav Sahu: Hello?

Yogesh Kothari: Yes Mr. Sahu.

Anubhav Sahu: Yes sir. First, thanks for the opportunity. My first question is on the...

Yogesh Kothari: Can you speak loudly?

Anubhav Sahu: Hello? Is it audible now?

Yogesh Kothari: Yes. Go ahead.

Anubhav Sahu: Yes sir. Wanted to know your comments on what are the drivers for margins this time, it has been quite great. EBITDA margin is in the range of 23% which was not seen for last three quarters, and it is quite ahead of what we are seeing from the peer's also. So, could you throw some light on how the raw material sourcing has been managed this time and is it a sustainable EBITDA margins for the fiscal year '19 as well.

Yogesh Kothari: We have been quite fortunate this year, especially the last quarter was good because of various things...partly due to things happening in China, and partly due to improvements in our customers' businesses also. And, we were able to have a better price realization and hence better margins.

Anubhav Sahu: Okay sir. So, could we get some comments on the methanol pricing, I mean, how it has moved YOY basis, and what type of contracts you have, I mean, is it a semi-annual contract or annual contract we have for the company, so that...could you give some guidance on what kind of price increase you could see for the fiscal year '19.

Yogesh Kothari: Methanol prices have not been very friendly this year and we do not enter into long-term contracts with our suppliers, and we buy from local shippers, distributors, and I mean, okay,



we paid a little bit more this year, but going forward, hopefully, prices will come down. We don't know when, but it should come down.

Anubhav Sahu: Okay, okay. And sir, on your capacity expansion plan at Dahej, so it has...the methylamine capacity which you were looking at, is it already commissioned last quarter?

Yogesh Kothari: Yeah, we have started commercial production on 24th March and we are already in the market with our product from Dahej plant.

Anubhav Sahu: Okay. And sir, what kind of utilization we are looking for the current fiscal?

Yogesh Kothari: Well, this is a new plant, and there are of course, always some infrastructural issues, but we hope that we will at least use, I mean, up to a 70% of our capacity this year.

Anubhav Sahu: Okay. So, by the end of fiscal '19 could be reaching around 70%?

Yogesh Kothari: Yes, yes.

Anubhav Sahu: Okay. Okay and sir my last question is for acetonitrile, I think, we have the environmental clearance for setting up additional capacity for this. So, are we looking for...and currently we have 10000 metric tons, right? So, any timeline you have sir? When are we going to have...

Yogesh Kothari: What we are doing is...in Dahej we are just doing it little bit, and we are trying to see if we can put up...or first we will increase our capacities in our existing plant, which we have already done partly, and later on we will decide whether we want to put a new plant at our facility in Kurkumbh or in Dahej. We will do cost-benefit after few months and then we will decide.

Anubhav Sahu: Okay. And sir, I couldn't pick that, what is the capacity utilization right now for the acetonitrile?

Yogesh Kothari: Well, in a way, it is almost 90% and this year it was little bit tough for acetonitrile, because the raw material prices were very high. But, inspite of that we were able to manufacture and market in India, but the margins were much lower than what we wanted.

Anubhav Sahu: Okay sir that was very helpful. Thanks a lot.

Moderator: Thank you sir. Sir, the next question comes from Mr. Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead sir.

Sudarshan P.: Hello, thank you for taking my question. Sir, my question is, you know, on the gross margins which has actually seen an upward trend right from the third and the fourth quarter. One is, I would like to understand if this is driven by product mix as the high value products kind of gets sold out, and second is also if one looks at ammonia prices, I think, in the last few couple of months, it has been a bit benign. I am just trying to understand, what is the quantum of mix and what is the quantum of benefits, which you might have got on account of low cost raw material at our end.

Yogesh Kothari: Ammonia, even though is a very important raw material for us, it is not significantly a high cost raw material in the totality of our raw materials. Because other raw materials have gone up much more, like, acetic acid, methanol, even to some extent ethyl alcohol, isopropanol, all those raw material has gone up. Overall, our margins were better because we were able to get better prices for our products.

Sudarshan P.: So, we were able to kind of pass on the...more than pass on the entire benefit because of the shortage on account of China.

Yogesh Kothari: Not shortage, actually, it was because the prices in the world were also higher and customers always want to buy locally. So, we were able to get what was really due to us.

Sudarshan P.: And sir, with respect to capacities, I mean, with Dahej coming up now what is the kind of capacities that we will be having overall and if you can give some kind of capacities in terms of mix, I mean, between various segments that we have.

Yogesh Kothari: Amines capacities are quite significant now. We have various amines; we make, Ethylamines, methylamines, isopropylamines and other mixed amines. Total capacity, again, depending on the product-mix we want to make, it varies from 100,000 to almost 120,000 per annum.

Sudarshan P.: And how much of capacities have we added, I mean, if I am looking at it more on, you know, what can be the revenue growth because of the new capacities?

Yogesh Kothari: Methylamines in Dahej has been added, the new plant will be making about 30,000 tons per annum.

Sudarshan P.: And how much have we invested and what can be the peak realization of this sir, sales from these methylamines?



Yogesh Kothari: See, if I assume a price of about Rs.70 to Rs.80 in that range, and it is going to be making 30000 tons, so it will be just Rs.240 to Rs.260 crore will be the additional growth potential. Out of this, some of it we were making already in Patalganga, our existing plant. So, it may not just linearly go up to that level.

Sudarshan P.: And, how much have we spent on capex towards methylamines?

Yogesh Kothari: Well, our capex for this was Rs.150 crores and there was slight overrun on top of that because of the delay, especially because of interest and other things, so it could be another Rs.10 to , 15 crores more.

Sudarshan P.: Sir, if I am able to get some idea in terms of this year what is the kind of volume growth, and because we know the top line growth. So, I mean, off this growth, if I am going to split it between volumes and realization, I mean, how would that growth stick sir? Both fourth quarter and FY18, for the full year.

Yogesh Kothari: I don't want to give you lot more details, because we have lots of products, it becomes very difficult to go into details like this.

Sudarshan P.: Sure. But, would my assumption be right if I would believe that at least half of the growth has also come from volumes?

Yogesh Kothari: Yes.

Sudarshan P.: Sure sir. Thanks a lot, I will join the queue.

Moderator: Sir, the next question comes from M. Pritesh Chadha, Lucky Investment Managers, please go ahead.

Pritesh Chadha: Sir, I wanted to know the acetonitrile prices you would have realized in quarter 4 versus quarter 3.

Yogesh Kothari: This year, acetonitrile prices were in the range of Rs.150, plus, minus Rs.10 to Rs.15.

Pritesh Chadha: Versus what it was last year?

Yogesh Kothari: Last year was, to the best of my memory, it was Rs.130, Rs.140 this range.

Pritesh Chadha: Rs.130?

Yogesh Kothari: Yeah.

Pritesh Chadha: So, you are saying Rs.150 versus Rs.130, this is full year to fourth quarter?

Yogesh Kothari: Yeah, but the raw material price were much...this year have been much more.

Pritesh Chadha: No, no sir. I am asking that quarter 4, would it be...

Yogesh Kothari: Could you speak loudly, hello?

Pritesh Chadha: Hello? Am I audible?

Moderator: Please go ahead sir.

Pritesh Chadha: Sir, will the price would be even higher than Rs.150?

Yogesh Kothari: Not really, maybe marginally.

Pritesh Chadha: Okay. I am specifically asking because the swing in numbers, especially quarter 4 is much higher than what it is for all the past quarters, so did acetonitrile price have anything to do with the higher EBITDAs that have flowed in despite...?

Yogesh Kothari: Not really, not really. Because margins have not been as good, you know.

Pritesh Chadha: Okay. Now, you...this Dahej capacity when it is getting operational?

Yogesh Kothari: Which Dahej capacity?

Pritesh Chadha: The new methyl capacity of 30,000 tons.



- Yogesh Kothari:** That is already on stream.
- Pritesh Chadha:** And from which quarter was...
- Yogesh Kothari:** It started in the month of March.
- Pritesh Chadha:** This March 2018?
- Yogesh Kothari:** Yes.
- Pritesh Chadha:** Okay. So, sir my question is, then, between the last two, three quarters we didn't have any surplus capacity on amines....very little. Then what explains the swing in the profitability between the last two, three quarters if acetonitrile is not the reason, then what do you highlight as the swing in profitability for?
- Yogesh Kothari:** We make lots more products; we have many other derivatives and specialties, which in some of them our prices have also improved, as well as our other amine products also, the prices have improved, such as esters.
- Pritesh Chadha:** Okay. Did we have any overall volume growth in FY18 and if there was a volume growth, what was it?
- Yogesh Kothari:** Well, there was a volume growth, but in totality it must be around 10% to 15% range.
- Pritesh Chadha:** So 23% revenue growth that I see for full year, about 10 to 12% would be volume growth, and balance would be price hike, in which acetonitrile would have moved from Rs.130 to Rs.150 and balance amines would have moved by whatever percentage.
- Yogesh Kothari:** Amines and other derivatives.
- Pritesh Chadha:** Okay. Lastly I just want to know the exact methanol and ammonia prices what was it for quarter 4, what it is now, and what was it for full year FY18? Methanol and ammonia prices.
- Yogesh Kothari:** I think, I don't have the information immediately, but methanol prices have been not too volatile that way, ammonia prices also have been quite steady. It was only the acidic prices have been lot more on the higher side. I have got some information here. Methanol prices currently are in the range of around Rs.33,500 per ton, ammonia price are in the range of Rs.29000 a ton, isopropanol prices are in the range of around Rs.78000 per ton.
- Pritesh Chadha:** These prices, have they cooled off after January, or there was some spike in the prices?
- Yogesh Kothari:** Last year's price, I have some here. Last year methanol was around Rs.29000, which has become Rs.33000, ammonia was Rs.34000, which has come down to Rs.29000. So, it is, ethyl alcohol has been quite steady that way. Ethyl alcohol is one of our large scale raw materials. Isopropanol was Rs.70000, it is around Rs.78000. So, there will be pluses, minuses. Acetic acid was...last year was around, average was around 48000 to this time it is Rs.54000. So, it is changing basically.
- Pritesh Chadha:** Okay and last year this 30000 ton of capacity, you know, in how many years would you think you will take to fully utilize it, or other way, what kind of volume growth should your business generate over the next two years?
- Yogesh Kothari:** I think the growth will be remaining in the same steady, 15%, 20% range.
- Pritesh Chadha:** Volumes?
- Yogesh Kothari:** Yes.
- Pritesh Chadha:** Okay. And we are fully utilized on acetonitrile?
- Yogesh Kothari:** Currently, yes.
- Pritesh Chadha:** Okay. Thank you sir.
- Moderator:** Thank you sir. Dear participants, if you would like to ask a question, please press * and 1 on your telephone keypad. Sir, the next question is from Mr. Manan Patel, Equirus PMS, please go ahead sir. Mr. Patel, please go ahead sir.
- Manan Patel:** Yeah, hello sir. Most of my questions have been answered. Can you tell me the rate of the debt that we have taken the money at?
- Yogesh Kothari:** Our average rate is in the range of...



Manan Patel: No, the incremental cost that the ECB loans that we have taken at, what is the cost of the debt?

Kirat Patel: One second. The average rate of the 100 crore borrowings is about 8.1% including the swaps in rupee terms. It is in US dollar, loan is Libor, but if you swap it in rupee terms, it is 8.1%.

Manan Patel: Understood. And, okay, thanks a lot, and best of luck.

Moderator: Thank you sir. Sir, the next question is from Mr. Srinath Srithar from ICICI Securities, please go ahead sir.

Srinath Srithar: Sir, my query is, with our capacity of 9000 to 10000 tons and you say that 85% is the maximum utilization, so do we produce around 8500 tons, out of the total domestic demand of 16000?

Yogesh Kothari: Yeah, we are producing that much quantity, yes.

Srinath Srithar: About 8500?

Yogesh Kothari: Yes.

Srinath Srithar: Okay. And, in the methylamines, till recently our capacity was 15000 tons, right?

Yogesh Kothari: Methylamine capacity, yes, 15000 tons.

Srinath Srithar: And now, we have increased it to 30000, is that right?

Yogesh Kothari: Actually it is a new plant, which is in Dahej, which is 30000 tons, plus our existing capacity 15000 tons, now the existing capacity we will use it for methylamines or other amines, depending on the demand.

Srinath Srithar: Okay, so that means, you are going into...you will be using that for value add products.

Yogesh Kothari: Well, we have the flexibility to do that.

Srinath Srithar: Okay. And the new plant as well, methylamine since you said that it trades at around 70 to 80, this new plant suppose it operates at 70%, or 30000 tons x 0.7 this year, 21000 tons, out of that 50% will be used for captive, right?

Yogesh Kothari: Yes. But when I say 21000 at Dahej, that means that time Patalganga plant is also operating, no? Otherwise, we can use, go up to 30000 tons also.

Srinath Srithar: Okay, okay. So, this you will use totally for methylamines then?

Yogesh Kothari: Correct, correct.

Srinath Srithar: Okay. And sir, what would be the market size for this, methylamines as a commodity?

Yogesh Kothari: Offhand, I think, I am not sure.....

Yogesh Kothari: 65000 to 70000 tons would be a ballpark figure.

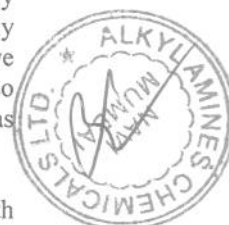
Srinath Srithar: Okay. And sir, given that your exit quarter margins were so good at 23%, what would be the ballpark range that we can estimate for next year?

Yogesh Kothari: We hope to continue, but it again depends on many factors, so we hope those good factors remain.

Srinath Srithar: So, how has the China story changed in the last quarter and what's your visibility going forward?

Yogesh Kothari: China story, to some extent it has helped, but it has helped all indirectly because some of our customers have benefited and they have taken, I mean, we have been able to supply more to them. Chinese plants are still operating....some of the Chinese plants are still operating. So, we don't have complete walk away like that. But there are other international companies which are also manufacturing, (not sure) and others, you know. So, we are always in a competitive field and that has helped us to go on improving our production methods, plus efficiencies and other things.

Srinath Srithar: Okay. And sir, if we want to have a one-on-one call or a meeting with you, who should we contact?



- Yogesh Kothari:** Mr. Kirat Patel, our Executive Director.
- Srinath Srithar:** Okay sir. Thanks a lot.
- Moderator:** Thank you sir. Sir, the next question is from Mr. Jatin Kalra from J F Investments. Mr. Kalra, please go ahead.
- Jatin Kalra:** Hello sir, congrats for a good set of results. My first question sir would be on this new capacity of methylamines. Your margins will be similar or higher or lower than our existing products?
- Yogesh Kothari:** Existing products, we have a very large number of products, first of all, and each has a very different range of margins. So, I mean, it is difficult to compare like that. But some of our other products do have better margins. But, volume-wise, methylamine is a big volume product.
- Jatin Kalra:** So, blended company-wise margins, methylamines are higher than blended company margins or lower?
- Yogesh Kothari:** They would be lower.
- Jatin Kalra:** So, how much, any guesstimate sir?
- Yogesh Kothari:** Sorry, I mean, I have not understood your question.
- Jatin Kalra:** As in, some ballpark figure of how much would be the margins of this new capacity?
- Yogesh Kothari:** Methylamine have a very steady margin there are Monomethylamine, Dimethylamine, Trimethylamine, again depending on what product of that you sell more, your margins will depend on that. As well as, since methylamines are not easily importable, so there is definitely a value base which the Indian producers get, and it again depends on the international prices and other things, but normally the margins of methylamine would be anywhere more than Rs.20 per kg at least.
- Jatin Kalra:** Okay. And sir, how does pricing work for our company, as in, raw material also quite fluctuating and our products are also quite volatile, so do we work on some long term demand and we work on some long term pricing, or it is kind of spot market and we have to follow that spot prices?
- Yogesh Kothari:** Well, some of the things we do import and we cover up for the next few months, like methanol and all we buy month to month basis, ammonia, of course, we don't have much control, so we have to pay what our suppliers ask for, that is mainly the government bodies like RCF and others. So, yeah, it is like that. Isopropanol and all are imported, so it is again this, we don't have much choice in that.
- Jatin Kalra:** Okay. And sir, our gross margins have increased in Q4 quite a bit, as in, methanol hasn't gone down, so what is the key reason for our gross margins going up in this quarter 4?
- Yogesh Kothari:** Largely, I think it is, we have been getting better price realizations, because of maybe the markets, maybe the demand has improved; for various reasons our customers are doing better; so all this is added to our benefit.
- Jatin Kalra:** And this sector realizations are continuing in current quarter also?
- Yogesh Kothari:** So far it looks like that and we hope that it will continue.
- Jatin Kalra:** Okay that's it from my side sir, all the best thank you.
- Moderator:** Thank you sir. The next question is from Mr. Ankit Gore from Systematics. Please go ahead sir.
- Ankit Gore:** Thank you sir. Thanks for taking my question. My question was with regards to the Dahej facility, are we also setting up ethylamine facility there? If yes, then what would be the quantum of that capacity sir?
- Yogesh Kothari:** We are not planning to make ethyl amines in Dahej.
- Ankit Gore:** Okay, currently do we have ethyl amine capacity sir?
- Yogesh Kothari:** Yeah we make it in Kurkumbh plus we make also in Patalganga.
- Ankit Gore:** Okay, in these the pricing scenario was very much similar with ethylamine as well as you have seen with methylamines?



Yogesh Kothari: Well ethylamines, prices have been better in a way compared to what they were last year...

Ankit Gore: Okay but not as better as methylamines?

Yogesh Kothari: They are two different range of products so I think, ethylamines were slightly better.

Ankit Gore: Okay and sir can you name a few derivatives which is a top grosser to you? Top 2, top 3 ones which combine a lot of methylamines or ethylamines?

Yogesh Kothari: From Methylamines we make dimethylamine hydrochloride which goes for Metformin, that is a very good product.... Derivative that we make. Dimethylaminopropylamine which is a demarker which goes for the manufacture of betains as well as it goes for some dye stuffs, it also goes for retail manufacturing. So these are good products that way

Ankit Gore: Okay and I understand this DMA HCL is along with it there are three, four players who govern good market share, so how do prices behave in DM HCL sir in the last one year or probably the last quarter, Q4?

Yogesh Kothari: To some extent they have gone up slightly because of maybe the methylamine costs also their prices have gone up. The margins have been quite decent.

Ankit Gore: Margins in terms of....can we assume it is kind of a plus of 30%, 35% of the EBITDA margin coming from DMA HCL?

Yogesh Kothari: I would not be able to tell you that.

Ankit Gore: Okay, no issues. Thank you very much sir.

Moderator: Thank you sir. The next question is from Ms. Neha Agarwal from Edelweiss Broking. Please go ahead ma'am.

Ms. Neha Agarwal: Thank you for taking my question sir. My question is again with respect to methylamines only. So my first question is that is there any downstream product expansion plan that we have may be DM HCL or DMF further?

Yogesh Kothari: Well we don't plan to go into dimethylformamide....of course dimethylamine hydrochloride we are increasing the capacity further. We are also looking at some other products based on methylamines which we'll announce once we get into the designing and implementation.

Ms. Neha Agarwal: What kind of capacity expansion we are doing in DMA HCL?

Yogesh Kothari: DM HCL, we will be expanding our capacity by another by about 35% to 40%.

Ms. Neha Agarwal: So current is close to 10,000 if I am not mistaken.

Yogesh Kothari: No, no we are more than that.

Ms. Neha Agarwal: Could you specify that?

Yogesh Kothari: You want to know the DMA HCL capacity?

Ms. Neha Agarwal: Right sir.

Yogesh Kothari: DMA HCL is around 12 to 13000, you were right it was around 10000.

Ms. Neha Agarwal: So around that much only. And considering that the overall market in India with respect to methyl amines is 65,000 to 70000 as you stated now; will pricing post the commissioning of your plant was the pricing impacted?

Yogesh Kothari: We have not seen it change much.

Ms. Neha Agarwal: So it is ranging between Rs.70 to 80 rupees only?

Yogesh Kothari: Yes.

Ms. Neha Agarwal: So sir when you say 65,000 to 70,000 MT of estimated market in India, does it include the end off take only or it includes overall consumption be it for all down streams together? Like for example your competitor Balaji, suppose they have some internal consumption also, is it included here or is it excluding that?

Yogesh Kothari: I think it is included in that.



Ms. Neha Agarwal: Then sir, what I wanted to understand was, the existing was close to 60000 already and so you having added another 30000 and make sure 90000 KPS out of markets. Then you are suggesting that overall you expect 70% plus of utilization for yourself....so does it go with the estimate that you are expecting the market to expand by about 10% to 12% on an annual basis?

Yogesh Kothari: Now we will be able to utilize for our downstream derivatives plus we will look at some other products also.

Ms. Neha Agarwal: Downstream derivatives you are saying DMA HCL and what other derivatives?

Yogesh Kothari: We are also making DMAPA

Ms. Neha Agarwal: Yes, yes. And sir what is the current utilization of DMA HCL which you have?

Yogesh Kothari: 100% utilized.

Ms. Neha Agarwal: So what is not utilized then as you said that some of the downstream derivatives are affected because of shortage?

Yogesh Kothari: DMAPA

Ms. Neha Agarwal: Okay for the additional one you are saying that will get utilized.

Yogesh Kothari: Some new one (not clear) starting also after some time so that...

Ms. Neha Agarwal: Okay. Sir one last question sir, what is right now the monthly production list for methyl amines overall? So 30000 plus 15000....about 45000 (not clear) annual capacity out of which on a monthly basis how much are we producing right now?

Yogesh Kothari: I think this information I would not be able to say right now.

Yogesh Kothari: I think the total capacity of methyl amines for us though it is 15000 plus 30000; the 15000 tons in Patalanga will be converted to making other amines. So 30000 tons, so the additional is only 15000 tons not 30000 tons. So the overall capacity is not 90000 but 75000 tons.

Ms. Neha Agarwal: Okay understood. That was very helpful. Thank you so much.

Moderator: Thank you ma'am. Sir the next question is from Mr. Archit Joshi from HDFC Securities. Mr. Joshi please go ahead.

Archit Joshi: Thanks for the opportunity sir. Do we have mono-isopropyl amine in production in our plant? If so, what might be the capacity because in March I believe there is an anti-dumping duty placed and what is the benefit we are getting out of that?

Yogesh Kothari: We are producing isopropylamine at Patalganga and we have capacity of about 10,000 tons per annum.

Archit Joshi: Okay and sir, one more thing; now that we are on the topic of expanding the utilization at the Dahej plant which is a 30,000 MTPA methylamine plant and we are going to go into some of these derivatives at the Patalganga facility which is currently manufacturing 15000 TP of methylamines. Can you just throw some more light on what is the product profile we will be selecting and what could be the likely products we will be manufacturing there?

Yogesh Kothari: We have two plants at Patalganga, both are flexible to make many other amines like _____ ethylamines, isopropylamines, we also make morpholine also over there, we can increase our morpholine capacity, we can also make ethylamines also. So it will all depend on market situation. Suppose methylamine requirement is higher, we can continue making methyl amines also there. So that flexibility we are going to retain.

Archit Joshi: Okay, that was helpful sir. Sir just one last thing, while we are seeing a strong expansion in the gross margins, our competitor has reported a gross margin decline so I just wanted to get a sense of is this EBITDA margin of 23 odd percent sustainable? What might have been the reason that you were able to record an expansion at the gross and EBITDA margin level?

Yogesh Kothari: We are making a large number of products, so some of the products have done quite well. It all adds up and we hope we will retain that type of gross margin, but it will all depend on the products in the end.

Archit Joshi: Right sir. Actually we have been in the range of 17% to 19% of EBITDA margin and 23% EBITDA margin this quarter, so just was wondering if it is sustainable going ahead?

Yogesh Kothari: We will know only at the end of the second quarter how the direction is.



- Archit Joshi:** Sure sir. That's it from my side, thank you.
- Moderator:** Thank you sir. The next question is from Mr. Sunil Kothari from Unique Investments Consultancy. Sir, please go ahead.
- Sunil Kothari:** Thank you for the opportunity. Sir when you.....in your opening remarks you talked about situation change in the China situation....all I heard is you talked about some European and non-Chinese customers also giving more orders from India. So with your many years of experience in this industry and this company, how do you look at this change in situation? Is it sustainable and structural change or you say it is temporary demand and things are changing?
- Yogesh Kothari:** I think I would say this is a temporary situation but not definitely short-term, it may remain for a year or two but knowing anybody who is already producing things is going to either improve his environment issues or improve his technology or..... So we are not sort of taking it as if it is going to be remaining like this continuously.
- Sunil Kothari:** Right and sir, the interested customers are choosing India as a second source for supply to China or that also you are not (not clear)?
- Yogesh Kothari:** Customers will always look at better options. So people are definitely looking at Indian suppliers also. They were always looking if they can get things cheaper from their end they would always buy from them.
- Sunil Kothari:** Currently India is cheaper than other sources?
- Yogesh Kothari:** I am not so sure.....it is....we are exporting about 20% of our sales are in exports. But we hope to retain that and even increase it of course. This could not be permanent situation.
- Sunil Kothari:** Right. And sir what type of CAPEX we will be doing for any further expansion in the current year?
- Yogesh Kothari:** I think we have....at least we feel in the next two, three years, we will be spending every year anywhere between Rs.50 to 100 crores in CAPEX.
- Sunil Kothari:** Thanks a lot sir, thank you very much.
- Moderator:** Sir the next question is from Mr. Srinath from ICICI Securities.
- Srinath:** Thanks for taking my question again. In Dahej I understand that incrementally we have about 15000 metric tons which has come and you say 70% utilization in FY19, about Rs.75 per kg realization incrementally we can achieve sales of about 80 crores from this facility.....?
- Yogesh Kothari:** Okay, so what's the question?
- Srinath:** Is that a fair assumption?
- Yogesh Kothari:** Yes and no because in your assumption you are just looking at methyl amines but not derivatives out of that which will be more value addition.
- Srinath:** Okay so according to you what could be the incremental sales now with this expansion?
- Yogesh Kothari:** I think after this Dahej plant starting plus even utilization of our Patalganga for other products as well as availability of methyl amines for our own use....about Rs.150 to 200 crores increment is possible.
- Srinath:** Sir this is only Dahej facility right?
- Yogesh Kothari:** Well I am talking about the total company.
- Srinath:** Okay. Thank you.
- Moderator:** Thank you sir. The next question is from Mr. Anubhav Sahu from Enfy Research. Please go ahead sir.
- Anubhav Sahu:** Just one clarification. The value added products after the new capacity expansion we had in Dahej the new set of value added products which we are talking about, so this will come in Patalganga plant right? Not in Dahej?
- Yogesh Kothari:** They will come up in Dahej also in Kurkumbh also as well as in Patalganga also.
- Anubhav Sahu:** Okay. And sir what is the export contribution for this quarter?



Yogesh Kothari: Normally we have been doing exports of 18% to 20% every year and we think we will retain that.

Anubhav Sahu: Okay that's fine thanks a lot sir.

Moderator: Thank you sir. The next question is from Mr. Naushad Chaudhary from Systematics. Sir please go ahead.

Naushad C.: Hi, thanks for the opportunity and congrats to the management for a decent set of numbers. If I heard it correctly, your acetonitrile capacity is running at optimal utilization. So any plan there to expand that capacity? That's the first question.

Yogesh Kothari: Yeah, we are just now de-bottlenecking the existing plant further and that will give us a few thousand tons more and then we will look at to put up a new plant which will be either in Dahej or in Kurkumbh.

Naushad C.: How much you would spend for de-bottlenecking sir?

Yogesh Kothari: Around maybe Rs.5 to 6 crores at least.

Naushad C.: How much percentage of capacity it would add to your ___ existing capacity?

Yogesh Kothari: About 15% to 20%.

Naushad C.: And the Greenfield you would be starting in FY20 or....?

Yogesh Kothari: yes FY20.

Naushad C.: And how much money would you spend there?

Yogesh Kothari: It would be in the range of about 70 to 80 crores for expansion we hope that we will start by FY21.

Naushad C.: Okay and the debottlenecking of this product which you are planning, when is it expected to be 15% to 20% additional capacity of your acetonitrile?

Yogesh Kothari: By this September or October.

Naushad C.: Okay. Last thing in terms of margin if I look at your last 12 – 14 quarters, just wanted to check if there is any seasonality; because every two, three quarters we see 20%, 25% of EBITDA margins and we go back to 17%, 18%, so just wanted to confirm with you is there any seasonality there?

Yogesh Kothari: I think it must be because of market situations as well as raw material availability situation and pricing situation but there is no cyclicity in that to the best of my understanding.

Naushad C.: Okay, got it, thank you sir.

Moderator: Thank you sir. The next question is from Mr. Parag Prasad from Idle Capital Management. Please go ahead sir.

Parag Prasad: I had a quick question on the rupee depreciation. Basically rupee is depreciated in the last two months. So does that help the methyl amine derivatives market domestically? Basically, exports become more expensive, so are you all able to increase prices or get a larger share of the derivatives market, domestically?

Yogesh Kothari: Not really because we are importing methanol and our methylamines are not getting exported except its derivatives. The derivatives are mainly are locally consumed except some exports which takes place also of the derivatives. But overall it is not really changing the situation except that the prices go up a little bit because of methanol price going up.

Parag Prasad: Got it. You mentioned that a lot of your customers are also doing well so you've been able to increase prices for certain products. Now, what industry are you referring to?

Yogesh Kothari: Mainly pharmaceutical as well as agro chemicals.

Parag Prasad: Okay and intuitively I would have assumed that far from the pharma industry, you would see certain pricing pressure as the industry itself suffers globally. Are you not seeing any pressure from your pharma customers who ask you to reduce prices?

Yogesh Kothari: We do always get pressure on pricing. What is happening is that they can buy from us as well as from others. Overall the prices have gone up so that has helped us to increase our prices to some extent because they would prefer to buy from a local supplier rather than import them.



- Parag Prasad:** Got it. Okay thank you, that's all from my side.
- Moderator:** Thank you sir. The next question is from Jatin Kalra from JF Investments. Please go ahead sir.
- Jatin Kalra:** Hello sir, a little clarification; I got a little confused. Our methylamine new capacity is 30000 tons, but to a previous participant you said, incremental is 15000; so can you please clarify because I got a little confused on that?
- Yogesh Kothari:** We have a plant running in Patalganga to make methylamines which has a capacity of 15000 tons. That's why when Dahej is fully operational, it will be 30000 tons. The incremental capacity will only be 15000 if we do not run the Patalganga plant. But that will all depend on whether we want to run the Patalganga plant based on the circumstances.
- Jatin Kalra:** So if we do not run that Patalganga plant, what....as in we will plan to move it to some other product other than methylamine?
- Yogesh Kothari:** Yes, we have several products in the pipeline which we can make in Patalganga.
- Jatin Kalra:** Okay so nothing concrete as of now? We haven't decided whether we will do that or not right now.
- Yogesh Kothari:** No, we already are investing in some CAPEX in Patalganga also towards that so that we are ready for switching over to other products.
- Jatin Kalra:** Okay and sir Dahej was operational as in how much revenue contribution came from Dahej in this Q4?
- Yogesh Kothari:** Practically only towards the end of March it was commissioned.
- Jatin Kalra:** Okay so almost nothing?
- Yogesh Kothari:** Yeah.
- Jatin Kalra:** Okay, that's it on my side sir, thank you.
- Moderator:** Thank you sir. That will be the last question for the day. Now I hand over the call to Mr. Archit Joshi from HDFC Securities for closing comments. Mr. Joshi you may go ahead sir.
- Archit Joshi:** Thank you. On behalf of HDFC Securities we would like to thank the management to letting us host the call. I would now hand over to Mr. Yogesh Kothari, Chairman and Managing Director of Alkyl Amines for his closing comments. Over to you sir.
- Yogesh Kothari:** Thank you Archit and team at HDFC and also all the participants. I am glad that there is a lot of interest in our Company's products and how we are doing. I am glad to tell you that we are doing quite well and hope to do well in the future also. Thank you.
- Moderator:** Ladies and gentlemen this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

Note:

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.

