



“Balaji Amines Q3 FY2018
Earnings Conference Call”

February 14, 2018



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Moderator: Ladies and gentlemen, good day and welcome to the Balaji Amines Q3 FY2018 Earnings Conference Call, hosted by Systematix Shares & Stocks Limited. 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, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Naushad Chaudhary from Systematix Shares & Stocks Limited. Thank you and over to you Sir!

Naushad Chaudhary: Good evening everyone. On behalf of Systematix I welcome all the participant logged in Q3 FY2018 Conference Call of Balaji Amines. From the management team, we have with us Mr. D. Ram Reddy on the call. I would like thank the management for giving us the opportunity to host this call and I would now like to hand over the call to the management for opening remark and post which will have the Q&A sessions. Please go ahead Sir!

Ram Reddy: Good afternoon everybody. My name is Ram Reddy, Joint Managing Director of Balaji Amines. I have with me Mr. Arun Masal, Finance Head and Ms. Jimisha, Company Secretary.

I just would like to brief the nine-month results. We have done gross sales of Rs.620 Crores, which is 16% more than nine-months of the same period last year and we have posted profit before tax Rs.126 Crores, which is 29% more than last year for the same period. Profit after tax also increased by 18.17% it stood about Rs.80 Crores as against Rs.67.7 Crores for the nine-month period.

Exports also we have done extremely well, this nine-month we have done Rs.119 Crores as against Rs.93 Crores for the nine-month of the same period, which is about 27% to 28% increased and the EPS if you see it is Rs.24, Rs.25 as against Rs.20, which is supposed 18% increased and there is overall what we could see it is value growth is around 15%, which is about what present.

I would like to brief something about developments in the company like as I said earlier the expansion projects of morpholine, acetonitrile, and di-methyl Amine HCL. In this morpholine and acetonitrile both the brands ready, which can start at anytime just waiting for the NOC from the Wildlife, which is we are expecting by end of February 2018 as regards your dimethyl Amine Hydrochloride for the expansion for 7500 tonnes for the existing capacity, which we are expecting to start the first quarter of mixed financial year.

As regards antidumping on the dimethylacetamide, which is advance stage which can attracted any moment may be in a week based and also it can attract since the final investigations is completed. On the other product dimethylformamide it is just started the initiation the government of India, which we



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are expecting may be in April and May that the possible to have to attack in the antidumping the dimethylformamide.

Other new thing is that the company has picked up 52% stake in specialty company that is Balaji Specialty Company, the progress of that company is in full swing and which is expected to come into the production by October 2018 and the new thing in the company that Government of Maharashtra has given approval for one of these mega project for which company got the allotment of 90 acres land and the land digging can take place anytime mid of the coming year that is may be around October, November we can start.

I can share the first phase where the three products coming up first product is MIP monoisopropanolamine with 15000 metric tonnes capacity and second products coming up is methyl isobutyl ketone MIBK, which is 20000 tonnes capacity, Diphenylamine which is about 10000 tonnes capacity. These all the three products either where the sustained or may be second in the country will be making.

On these products has got good demand in the agro, pharma, rubber cleaning, paste, dyes so in addition to this probably we may go some of the expansion in the exiting products also. And we have some more new products, which we will be discussing the coming months. I think I will brief already. Thank you. I especially thank you all our well wishers, their investors who are with the company for the long time so now you can ask any specific questions I will floor to answer all of your queries.

Moderator: Thank you Sir. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Thank you for the opportunity. I just wanted to first know the volumes growth of total blended volume growth in nine-months and what is the volume and what do we expect for FY2018? That is my first question. Second question means in all ammonia prices has short up so what is the delta change in methanol and ammonia prices or raw material for us and what is the delta change in the Amines realization for us now or incrementally?

Ram Reddy: Thank you Mr. Chheda. See the growth size I already mentioned there is about 15% volume growth in there and there is about 19% volume growth is there for this nine-month period.

Pritesh Chheda: What kind of volumes do you expect for FY2018?



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- Ram Reddy:** We are expecting it should go in the same way minimum this 10% to 15% volume growth should be there and same 15% to 20% to value growth should be there only thing is the prices are coming down. You said that ammonia and methanol yes, ammonia is still at top of the line, but methanol has started to come down for the past three to four days probably because of the oil prices which are come down almost 7%, 8% so that could be the reason and if that comes and then we will see the volumes where you growth may come down if we reduce the prices accordingly.
- Pritesh Chheda:** So there is no contraction is gross profit for KG?
- Ram Reddy:** There should not be any change what we all with EBITDA margins where we said earlier we should be in position to maintain 20% minimum and 22% maximum.
- Pritesh Chheda:** Okay for FY2019 considering utilization of DMAC HCL capacity and DMA capacity what kind of Amines volume growth do you see because I think these are derivatives of Amines right?
- Ram Reddy:** You can say the total basket like doing all those things around Rs.1000 to Rs.1050 Crores we should do in the coming financial year.
- Pritesh Chheda:** Revenue?
- Ram Reddy:** Yes.
- Pritesh Chheda:** So this will include DMAC HCL utilization, DMA utilization morpholine sales?
- Ram Reddy:** Yes.
- Pritesh Chheda:** That is assumption we have from morpholine sales if you could just tell it separately?
- Ram Reddy:** Morpholine.
- Pritesh Chheda:** How much of morpholine volume and sales value you assumed in this Rs.1000 Crores revenue next year?
- Ram Reddy:** Morpholine presently we have already doing 3000 tonnes in the present capacity, additional capacity what we are expecting what we have added at 7000 tonnes where I am expecting being first year may be around 5000 tonnes and 6000 tonnes will be doing. And prices I am taking conservatively for Rs.130 per Kg, Rs.140 per Kg.



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- Pritesh Chheda:** Did I give I correctly it has been 130 to 5000 tonnes?
- Ram Reddy:** Incremental 5000 tonne.
- Pritesh Chheda:** Is it incremental or it is total pricing?
- Ram Reddy:** Incremental and talking around 4000 to 5000 tonnes we should increase.
- Pritesh Chheda:** Okay so basically about Rs.100 Crores assuming in the 1000 Crores?
- Ram Reddy:** Rs.60 Crores-Rs.65 Crores.
- Pritesh Chheda:** Acetonitrile how much?
- Ram Reddy:** Acetonitrile is being the first product may be around 4000-5000 tonnes I am expecting the first year at Rs.150.
- Pritesh Chheda:** 5000 tonnes and Rs.150?
- Ram Reddy:** Yes. So it should be around again Rs.60 Crores to Rs.70 Crores adding to the topline. That is what I am telling if you see something goes minus and all assuming all this thing, I am expecting minimum Rs.150 Crores without any capex, what you have done already.
- Pritesh Chheda:** In margins?
- Ram Reddy:** Margins we should be in the same level on 18%, minimum 20% to 22% minimum EBITDA margins we should maintain.
- Pritesh Chheda:** Thank you very much and all the best to you.
- Moderator:** Thank you. The next question is from the line of Rajiv Rupani from Individual Investor. Please go ahead.
- Rajiv Rupani:** Good evening Ram Reddy Sir. Thank you for holding the concall for the benefit of all participants. My first question is regarding the product DMAC so you just informed is that we may get the antidumping duty in one week so could you let us know what is the current capacity utilization DMAC?



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- Ram Reddy:** Thank you Rajiv for being long time with the company for believing us. See current capacity what we have is 18 tonnes to 20 tonnes per day capacity we have in the DMAC. We were around 10 tonnes to 15 tonnes we are already operating and we are expecting that it should run full capacity of 20 tonnes per day minimum, which takes to 6000 tonnes total capacity if everything goes well. Apart from utilization I am expecting that there should be improvement in the prices whereby our bottomline will improve.
- Rajiv Rupani:** Okay my next question is on DMF Sir what is the current capacity utilization per annum out of 30000?
- Ram Reddy:** See earlier we were hardly using 500 tonnes to 600 tonnes you are producing per month that is about 6000 to 7000 tonnes. This year because of some development in China environmental issues and all those things even though there is no antidumping we have reached 800 to 900 tonnes per month as of now, which is equivalent to about 10000 tonnes if everything goes well. So I am expecting it was antidumping comes in the coming year we should be in position to do at least 20000 tonnes easily.
- Rajiv Rupani:** Okay and out of the 20000 tonnes how much would be exports and how much would be for local if you could guide us?
- Ram Reddy:** This products majority will be domestic only. The reason is domestic consumption itself is about 46000 tonnes per year. As of now we are only producer in the country. So at least if 20000, 25000 tonnes itself will go even if reduce loan for the earlier old importers into the country again exports somebody is doing there even if there is antidumping if you how the exports and again export license, there is no antidumping attraction so there could be about 10000 tonnes with that type of customers so definitely this 20000 tonnes will be domestic may be 11500 tonnes should go out of the country.
- Rajiv Rupani:** Okay and Sir my next question is regarding the approvals from the Bird Sanctuary Wildlife clearance by end February for sure we will be getting that right Sir?
- Ram Reddy:** Yes that is what we could see since we are traveling along with the file. I could see the file has reached to Delhi after longtime, they are two, both the files have reached, one file is about our NOC, other file is about deleting this eco-sensitive zone on this MIDC entire industrial area zone is also that file from the government of Maharashtra is also with the central government now. So that is reason I am a little confident that either of things should happen by end of this month.
- Rajiv Rupani:** Okay. Sir my next question was on acetonitrile, have we applied for re-certificate for the same?



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Ram Reddy: No. We are just waiting. We have done all groundwork. I am just waiting this NOC the moment it comes it can be done because we have done lot of products this year. We have done morpholine also so it is not a big issue within one or two months time, it can be done.

Rajiv Rupani: Okay and a followup question on that there are competitor's Alkyl Amines is tripling its capacity from 12000 to 30000 PPA by FY2020 so how does it affect us?

Ram Reddy: I do not think that it will affect because our capacity is very small as a second supplier definitely we will have our comfort zone in the country and outside also I am not because unlike for people most of our exiting customers outside country like distribution outside country are dealing with this product. I do not think there will be any problem by selling me for about 5000 to 6000 tonnes for first year and about 8000 to 9000 tonnes in second year they should not be any problem for us.

Rajiv Rupani: Okay thank you. My second question was on morpholine had we applied for re-certificate for the same?

Ram Reddy: We have received not applied. We have also received also.

Rajiv Rupani: Received. Okay my next question was on exports, the exports have increased from Rs.28 Crores in Q1 to Rs.40 Crores in Q2, Rs.15 Crores in Q3 so what is outlook for Q4 and the whole of next year and which products have helped in increasing the exports?

Ram Reddy: It is coming almost all the products. See there is lot of dynamic change because of the China's environmental development if this situation continues in China, I am expecting it should be good boost for the exports all the chemical companies in the country including Balaji. So I am expecting what we were thinking that at least 20% to 25% of our topline should be from the outside country we were expecting, this year we may reach 20%, which we are at 17%, 18%, they are likely to reach 20%, 25% by end of March if things go like this.

Rajiv Rupani: Okay Sir my next question was on the Balaji Greentech land we have about 13.5 acres so any updates as to how you are utilizing the same?

Ram Reddy: It is still pending. We have put some papers on that land also in fact we are trying for some of the products, which are nonchemical products like engineering products, which I may not be in a position to discuss right now, but yes we were trying to utilize that land.



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- Rajiv Rupani:** Okay. My next question was on the debt, how much debt are we taking A for Balaji Specialty Chemicals and second for 90 acres mega project total debt if you could let us know?
- Ram Reddy:** See Balaji specialty, we are taking about Rs.100 acres for the total project. Mega project in the first phase we are expecting about Rs.120 Crores we are expecting into take that it is too early to say. We do not know whether we will take some internal accruals if at all we take maximum Rs.120 Crores. Existing term loans are getting nil by June 2019.
- Rajiv Rupani:** My last question was on capacity addition are we looking to do any capacity addition in ethylamine or methylamine because ethylamines we have just 6000 tonnes?
- Ram Reddy:** Yes it is too early to say. I just said in my introduction we may increase some of the existing product I said. In fact we were just evaluating what will be the future we should not land into surplus production in the country. That is the reason we are just evaluating if the situation demand needs yes we may increase ethylamine and methylamine is too early. We should give brief for next two years because the present increase capacity from the other players should give sometime for the growth what we are seeing when 15%, 17% growth. The moment gap is filled up probably yes we will go for the methylamine increase also.
- Rajiv Rupani:** Thank you so much. That is from me.
- Moderator:** Thank you. The next question is from the line of Kishan Gupta from CD Equisearch. Please go ahead.
- Kishan Gupta:** Good evening. Sir I wanted to know how much was the volume growth in nine-months?
- Ram Reddy:** It is 15%.
- Kishan Gupta:** 15% in Q3?
- Ram Reddy:** Q3 is about 17%, 18%. Little more in the Q3, which has helped us to average as 15%.
- Kishan Gupta:** For 17%, 18% you said Q3 and what is the impact you have felt?
- Ram Reddy:** 18%, 19%
- Kishan Gupta:** 18% and what impact you have felt in Q3 because of higher crude oil prices?

- Ram Reddy:** Q3 it is somewhere part as whatever that was transition period again the crude oil has taken U turn, which has started in last one month, we are seeing dipping event everyday 1%, 2%, 1%, 2% whatever impact which is already completed and in my introduction I already told you that methanol is starting softening for the past four to five days. Probably we will see the prices should come down.
- Kishan Gupta:** But the prices were elevated in Q3 that is what you are saying right?
- Ram Reddy:** Yes that is the reason we have seen not much growth it was only almost par with the earlier nine-month under last quarter and this quarter if you see this is frame with no much growth in the bottomline that is what the reason because there was little pressure on the prices because of the hike in the raw material prices.
- Kishan Gupta:** Other expenses it has come down from Rs.51 Crores to Rs.39 Crores Y-o-Y so could you explain?
- Ram Reddy:** Which you are telling?
- Kishan Gupta:** Other expenses?
- Ram Reddy:** You are talking about the current?
- Kishan Gupta:** Yes this quarter Q3 your other expenses Rs.39 Crores versus Rs.51 Crores in the same period last year?
- Ram Reddy:** There is dynamic change in the taxation earlier there was including excise duty. Now there is change in taxation and system because of the GST that impact in even here.
- Kishan Gupta:** So this Rs.51 Crores includes excise also you mean to say?
- Ram Reddy:** Yes.
- Kishan Gupta:** Okay. Thanks indeed.
- Ram Reddy:** You are most welcome.
- Moderator:** Thank you. We have a follow up question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.



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- Pritesh Chheda:** Sir do you have the Amines capacity available with you for the next year conversion into value add that is DMAC HCL and DMF?
- Ram Reddy:** I did not get you.
- Pritesh Chheda:** What goods you buy Amines from outside?
- Ram Reddy:** I did not get your question exactly can you repeat?
- Pritesh Chheda:** I said do you have surplus capacity available for DMF and surplus amines capacity available?
- Ram Reddy:** Yes whatever the capacity we have probably we may have to stop selling whatever we are selling few tonnes of material outside as amines that will come down once we start utilizing all this capacities. DMAC that should not be a big issue, but DMF requires huge quantities and that time probably we will stop selling the methylamines, DMA and all.
- Pritesh Chheda:** So up to 20000 utilization of your DMF you have amines available internally?
- Ram Reddy:** Yes not 20000 it can be 24000 also more.
- Pritesh Chheda:** That is factored in this Rs.1000 Crores, Rs.1050 Crores revenue assumption and in outside sale comes out?
- Ram Reddy:** Automatically come in these products.
- Pritesh Chheda:** Sorry?
- Ram Reddy:** That value addition automatically comes in these products indirectly from the DMAC and DMF where the DMA is consumed instead of selling the DMA.
- Pritesh Chheda:** And is factored in this Rs.1050 Crores revenue number for FY2019?
- Ram Reddy:** Yes.
- Pritesh Chheda:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.



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- Sachin Kasera:** Good afternoon Sir and congratulations for a good set of numbers. Sir can you give us some shares on the revenue and profit visibility from this Balaji Specialty where we are taking stake and secondly do we plan to eventually take our stake to 100%?
- Ram Reddy:** It is too early to say that about the stake but what we see in the first year operation that is after October once we do, we are expecting about Rs.124 Crores revenues in the first year operation, Rs.6 Crores to Rs.7 Crores we can see the bottomline but following year we are expecting around Rs.300 Crores to Rs.350 Crores with the EBITDA margins of about 18% to 20%.
- Sachin Kasera:** Sir what is the total capex that will need to be done Balaji Specialty to achieve the Rs.350 Crores of revenues?
- Ram Reddy:** It is about Rs.190 Crores about Rs.180 Crores, Rs.190 Crores.
- Sachin Kasera:** And have you achieved the financial closure for that entire debt and equity has been tied up?
- Ram Reddy:** Yes it is already done.
- Sachin Kasera:** Okay and give us some sales how much will be the equity of that and how much will be the debt Sir in this Rs.180 Crores and Rs.190 Crores?
- Ram Reddy:** Rs.100 Crores in the loan rest is from the equity.
- Sachin Kasera:** Okay and this includes the equity that Balaji Amines going to put into?
- Ram Reddy:** Yes.
- Sachin Kasera:** Sir you said do you expect the commercial production will start from October this year right?
- Ram Reddy:** Yes October.
- Sachin Kasera:** When do you plan to achieve this full capacity of Rs.350 Crores, year number 3 or year number 2 Sir?
- Ram Reddy:** We are in year number two we should be in position to do about 70% to 80% and year number 3 we should be in position to do the 95% and we may look that time, we may since for the expansion that for the product.



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- Sachin Kasera:** In terms of this Rs.400 Crores capex that you are planning in April for mega project, can you give us sense of how much is going to the capex towards in FY2019 and FY2020?
- Ram Reddy:** Around Rs.150 Crores to Rs.200 Crores we should be in position to spend in the first year and rest should be in the second year.
- Sachin Kasera:** So should we look like March or June 2020 as we likely did for this Rs.400 Crores to get commissioned?
- Ram Reddy:** Yes Rs.300 Crores we have taken as first phase and may be we will be adding some more even though we would have declared only Rs.300 Crores. We are trying to revise which is more than Rs.400 to Rs.500 Crores.
- Sachin Kasera:** What is the turnover we can expect to achieve from this Rs.400 Crores of capex Sir in this mega project?
- Ram Reddy:** We had expecting our own Rs.500 Crores if you spend Rs.300 Crores you can see minimum Rs.500 Crores to Rs.600 Crores annual turnover once it goes to the 80% to 90% capacity. And the products are also what we have selected the first three products, which I have just now disclosed they are all in the good demand in the country and outside country also. They are also world market products.
- Sachin Kasera:** Essentially was this mega project is done in Balaji Specialty is in full operations which you will be roughly at 2000 Crores company, which should be around three years to five years from depending and how does ramp up happen?
- Ram Reddy:** Can you repeat question and I am confused?
- Sachin Kasera:** I am saying once this mega project is fully commissioned and also Balaji Specialty runs at full capacity, Balaji Amines plus Balaji Specialty put together should do revenue from Rs.2000 Crores?
- Ram Reddy:** Yes you are right.
- Sachin Kasera:** And that should happen in around four years from now?
- Ram Reddy:** Right.
- Sachin Kasera:** How much we are expecting in Balaji Specialty of this Rs.180, Rs.190 Crores or how much actually has already been spent?



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- Ram Reddy:** We have already spent around Rs.95 Crores already spent.
- Sachin Kasera:** Sure and lastly for this both for putting equity into Balaji Specialty as well as both 4300 Crores of mega project do you think Sir we can manage from internal accruals or in debt or we will need to dilute and raise equity from the market?
- Ram Reddy:** That is too early to say. In the first phase I do not see anything is required from outside, but second phase probably we will look that option but it is too early to talk on that.
- Sachin Kasera:** Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Pratik Chaudhary an Individual Investor. Please go ahead.
- Pratik Chaudhary:** Sir my questions have been answered. Thank you.
- Moderator:** Thank you. We have a followup question from the line of Kishan Gupta from CD Equisearch. Please go ahead.
- Kishan Gupta:** What is the strategy in the hotel business?
- Ram Reddy:** Same as it is, we are not going to sell it out and we are not going to do anything newly hotels. We are just keeping as it is basis and will be running it like this.
- Kishan Gupta:** Does it make sense for you to monetize this?
- Ram Reddy:** Yes but what we could see because this is any industry in the hospitality industry people will see the fruits only after three to four years. We being the first property and first time, we could see the within three years we could see the positive things. The reason is we want to continue with us only that is number one. Number two we have much better focus on our core business chemical industry. We do not want to go to any second hotel property like this.
- Kishan Gupta:** See there is no expansion in hotels business anymore?
- Ram Reddy:** You are right.
- Kishan Gupta:** But you would not monetize as well?

- Ram Reddy:** No.
- Kishan Gupta:** Okay and this DMS you said next year your volume target is 20000, this is what you said?
- Ram Reddy:** Not 20000, we would allow to do 30000 I just told you that it is possible easily 20000 tonnes. Basing on the current situation if this support like antidumping comes easily we can do 20000 tonnes I cannot say 46000 tonnes, I cannot prevent in one night which the people are doing the business for the years together in the country.
- Kishan Gupta:** If antidumping does not come then what would be your projection then?
- Ram Reddy:** 10000 to 15000. Today, I am already reaching 10000 tonnes without antidumping, we have done last three to four months 800 tonnes and 900 tonnes per month. This is really possible and coming years also is antidumping does not come basing on this cost price may come down further so we may be have position to utilize the full capacities additional capacity than the 15000 to 20000 tonnes. By getting antidumping not only capacity utilization, there is a possibility that our bottomline will improve. Because presently instead of stopping the production instead of closing down the plant, sometimes we are earning cost to cost also to keep the plant running. Once the antidumping comes that situation will go and there will be nominal margins will come and bottomline will improve.
- Kishan Gupta:** In that when do we expect this to come this antidumping?
- Ram Reddy:** May be April, May I am expecting because everything goes well April may we should get.
- Kishan Gupta:** Thanks.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.
- Sachin Kasera:** What is the maximum revenue that we can achieve from the existing capacity without including the new capacity comes from the mega project?
- Ram Reddy:** I told you the next year we will be doing Rs.1000 to Rs.1050 Crores without any new investment. Investment what should have to be done we have already done without any new capex in the existing capacity even on the conservative basis we can do Rs.1000 Crores to Rs.1050 Crores.



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- Sachin Kasera:** That I understood in one of the previous queries you mentioned but beyond this Rs.1050 Crores can we further scale from the exiting capacity and then we will need this new mega project for further turnover increase?
- Ram Reddy:** It is a possibility. See, Rs.1050 Crores I am telling figure, I am telling you sure figures I am telling you, probably it may go up also and second thing which is also again sure shot is Balaji Specialty's operation it should come about Rs.120 Crores and following year it will go about Rs.300 Crores.
- Sachin Kasera:** That is understood. I am talking from the exiting facility other than Balaji Specialty in the mega project existing capacity of Rs.1000 Crores, which can each plan to do Rs.1000 Crores?
- Ram Reddy:** It can go Rs.1100 Crores also.
- Sachin Kasera:** Rs.1100 Crores. Okay thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Puneet Mittal from Global Code Capital. Please go ahead.
- Puneet Mittal:** Thank you Mr. Reddy for taking the time for the call. I think you answered some of the questions that I have, but if you can just reiterate some of the thing so what we are saying is on the exiting capacity we will do about Rs.1000 Crores, Rs.1050 Crores that does not include the Balaji Specialty is that correct?
- Ram Reddy:** You are right.
- Puneet Mittal:** And the Balaji Specialty, if you can just reiterate the capex, total capex that we want to do and what is the revenue expectation in year one and year two on that?
- Ram Reddy:** We are doing about 180 Crores to 190 Crores total capex we are doing, but which 90 Crores is already moved in and we are expecting the first year of operation that is this coming year we may do about 100 Crores to 120 Crores and the following year we should look for about 300 Crores, next year it will be 400 Crores.
- Puneet Mittal:** So, this 100 Crores to 120 Crores that you are telling for this year, which is FY2019, is that 1000 Crores to 1050 Crores revenue in topline that are mentioning it does not include that 100 Crores from Balaji Specialty, is that correct?
- Ram Reddy:** You are right.



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Puneet Mittal: Same of the mega project, again I think you did mention that the total capex, but if you can just reiterate the capex on phase 1 and phase 2?

Ram Reddy: See, actually we got the approval for about 300 Crores for this mega project, but I think we are going to change this, which may go to more than 400 to 500 tonnes in which first phase will be around 200 Crores. We will start planning again by may be September, October the land will start for this mega project of the first phase where as I mentioned there is a new niche products that MIPA, MIBK, BPA these three products will be coming in and on the second phase we have some of our existing products and some of the new products again like this, which may be substitute for the first time country those type of products we are actually evaluating those products, so that also come in the second phase, which will start in the next financial year.

Puneet Mittal: In terms of the Balaji Specialty, in terms of the working capital requirement would it be the same as the existing business or would it be different?

Ram Reddy: For the Specialty, I told you these 100 Crores of term loan and we have been sanctioned by the banks around to 20 Crores to 30 Crores on the working capital also. Probably in any industry, which requires 25% of your total turnover is the base requirement as a working capital. For the past three, four we did not do much of expansions because of the internal accruals we are not utilizing full of working capital that cannot be taken as a line of regular working capital requirements.

Puneet Mittal: That makes sense. The next question what are the downside risks that we have, so I think we do have certain expectations for the antidumping duty on these two products that you mentioned about plus we do have an expectation of the NOC coming in for your capacity expansion. What is the downside risk and if things get delayed then what is the downside risk on your revenue for next year or the growth starting?

Ram Reddy: I do not think any problem because this NOC issue is not for Balaji. It is for the entire industrial area. The reason the Government of Maharashtra has taken on top priority. According to my knowledge 100% it should be flat, I am talking about this month end. If not month end, before year-end that is March, 100% it will be done.

Puneet Mittal: There are other projects from other companies also waiting for NOC because of the same issue?

Ram Reddy: Yes, other projects I should not say, but some of the other companies are already doing the production without that also and their hands are saying that we applied and you did not, it is not our mistake. We being a good track record company we do not want to set aside the mistakes, we are just waiting. This



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is a unnecessary scheme declared by the Government of India for the people who did not have such type of the approvals those people can do and go to government saying that we have done this mistake, please give us your approval, so there is a scheme also, these things are not working out end of the day so that scheme is still open for us.

Puneet Mittal: Right, I think that is it from me. Thank you so much for your time and we do really like the path that Balaji Amines is taking, so we hope things work out very well and all the best for your future projects.

Moderator: Thank you. We have a follow on question from the line of Pratik Chaudhary an Individual Investor. Please go ahead.

Pratik Chaudhary: Sir, on Balaji Green Tech we have filed an environmental clearance sometime back for some of our existing products, but you told today that you would not be doing any chemical expansion over there, but you would rather probably go in for some engineering products, could you please clear that?

Ram Reddy: You are right. You see that situation when we have put the papers for that we were not having this 90 acres from the Government of Maharashtra. At one point of time, we applied the three places, one is Government of Maharashtra for the 100 acres, which we got the 90 acres land, one is the Green Tech land, one is the Telangana Government, which is still pending, we are expecting something. We are not declared so far, but we are expecting something in Telangana also we have may get some allotment where we will be doing something new in Telangana also. Since we have in the notified areas like MIDC for this 90 acres and Telangana that Pharma City, I do not think that we should take risk of going to that green area of Balaji Green Tech for going chemical industry so that is the reason the company has internally discussed and in the opinion that we should go for one engineering industry in that area.

Pratik Chaudhary: What do you exactly mean by engineering industry?

Ram Reddy: We have something in mind, but I do not want to disclose the product as a commercial issue, probably we will come out with something.

Pratik Chaudhary: And would it require very large capex or something?

Ram Reddy: Yes, maybe nearby 100 Crores to 150 Crores capex is required for that.

Pratik Chaudhary: But this should not be coming before two or three years at least?

- Moderator:** Excuse me participants, the management lines has got disconnected, we will reconnect them. Please be on line Mr. Chaudhary. We have the management line back on. Sir, we have Mr. Chaudhary on the question queue.
- Pratik Chaudhary:** Would this be coming say before two to three years, this engineering division expansion?
- Ram Reddy:** Mr. Chaudhary, again it depends upon the priority with good attachment and good things from Telangana and where we have the good products, so probably this will go to that being done. In the meantime, if somebody comes with the good deal for the total, with the plant, shed, with plant machinery and these things we are always willing to dispose of that property for the development of the company.
- Pratik Chaudhary:** Sir, on this one of your products PVP K-30 could you just explain more about this product, what is our capacity, what are the prices like, what is the future potential for this product?
- Ram Reddy:** Our capacity is about 2 tonnes per day presently and which can be done about 2.5 tonnes by doing some small debottlenecking and this product as I said earlier also this is a little regulatory concern product, which goes to pharmaceutical company and any company they want to use this product they need to do lot of changes in their process, DMF filing all those things, that is the reason it has taken long time for doing, but still we are doing technical trade, which goes into our cosmetic and agro and all areas which we are already utilizing. We are doing almost 45 to 50 tonnes every month in that only thing is we are not doing full of pharma grade, we are doing with more of technical grade.
- Pratik Chaudhary:** And how much is this price, this product priced in terms of per kg for the technical grade?
- Ram Reddy:** Technical grade is about Rs.300 and pharma grade goes to more than Rs.500. This is our price. If you see the outside country for your information this product other than China in the entire world there are only three people including Balaji other that China.
- Pratik Chaudhary:** Who are these three people?
- Ram Reddy:** One is the BSF, Germany, other is Ashland, USA and third is Balaji, India and the other two people, which you see that price because they are being monopoly for the years together and they are the established and registered in the regulatory by the user side so they are definitely selling it more than Rs.1000.
- Pratik Chaudhary:** This 1000 is for the technical grade unit?



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- Ram Reddy:** No pharma grade as against our Rs.500.
- Pratik Chaudhary:** What would be a similar Chinese product price?
- Ram Reddy:** Chinese, it is very difficult to day because sometimes they sell technical grade saying it is the pharma grade which are stopped now. That also has become a problem now we are expecting some good things that who have taken the pharma of China most people have started looking at the products.
- Pratik Chaudhary:** How big this, is it contributing around 15% to 20% of our sales as of now?
- Moderator:** I am sorry to interrupt, Mr. Chaudhary it seems that the line again got disconnected, please be on line. We have the management line back on, please continue Mr. Chaudhary.
- Pratik Chaudhary:** Sir, are we doing around 15% to 20% of our sales from this product PVP K-30?
- Ram Reddy:** I do not think is in calculate average is 300 to 500 you can take my product as a Rs.350 to Rs.400 and average 40 to 50 tonnes per month, you can take 500 to 600 tonnes at the rate of Rs.375 you can take, so that is the total topline figure, which you can take.
- Pratik Chaudhary:** You said our capacity would be around, how much is that total capacity for this?
- Ram Reddy:** This is 2 tonnes easily and 2.5 tonnes, little changes we can do that means 75 to 80 tonnes per month we can do.
- Pratik Chaudhary:** Is that the limit for the environmental clearance as well?
- Ram Reddy:** That can be taken because it is not a very hazardous product. Taking and adding the environmental is not the issue, we are only looking that the approval by the user industry anything new industry is coming up, they take our product and they take the approvals for their user side, so like that if you get some of the clients and the capacity then definitely we can do usually additional of the capacity.
- Pratik Chaudhary:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rajiv Rupani from Individual Investor. Please go ahead.



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- Rajiv Rupani:** Ram Reddy, I had a follow up question on DMS at what price are we selling DMS currently and if the curtailment of Chinese production continues we expect better price is going forward till the antidumping duty?
- Ram Reddy:** Yes, already we are getting better than the earlier years, so current size level for Rs.68 to Rs.70, so we should expect the same prices if we do not get this antidumping. The antidumping comes early another 5% to 10% also it is a great support for the industry.
- Pratik Chaudhary:** Thank you. That is it.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Naushad Chaudhary for his closing comments.
- Naushad Chaudhary:** As there are no further questions in the queue, we should end the call. I would like to thank the management for taking the time out and answering all the questions. I would like to thank all the participant for attending this call. Thank you. Over to you Sir!
- Ram Reddy:** Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Systematix Share and Stock limited that concludes today's conference. Thank you for joining us. You may now disconnect your lines.