



“Balaji Amines Limited Q4 FY-18 Earnings Conference Call”

May 21, 2018



MANAGEMENT: **MR. RAM REDDY – MANAGING DIRECTOR, BALAJI AMINES LIMITED**
MS. JIMISHA PARTH DAWDA – COMPANY SECRETARY, BALAJI AMINES LIMITED
MR. ARUN MASAL – HEAD (FINANCE), BALAJI AMINES LIMITED

MODERATORS: **MR. ANKIT GOR – SYSTEMATIX SHARES & STOCK LIMITED**



*Balaji Amines Limited
May 21, 2018*

Moderator: Ladies and gentlemen, good day and welcome to the Balaji Amines Q4 FY18 Earnings Conference Call hosted by Systematix Shares & Stock 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 call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Ankit Gor from Systematix Shares & Stock. Thank you and over to you, sir.

Ankit Gor: On behalf of Systematix I welcome one and all. I thank Mr. Ram Reddy for giving us an opportunity to host this call. I would handover the call first to Mr. Ram Reddy for opening remarks post which we can have Q&A session. Thank you and over to you, sir.

Ram Reddy: Thank you, Mr. Ankit. Good afternoon everybody. I am Ram Reddy – Managing Director of Balaji Amines. With me I have Jimisha – Company Secretary and Mr. Masal, who is the Finance (Head).

This year by year ending we have done gross sales of about Rs. 877 crores as against Rs. 727 crores last year and it is almost 20.5% of growth. And Profit Before Tax was Rs. 166 crores as against Rs. 130 crores which has got about 27% growth.

Profit after tax also is about Rs. 113 crores as against Rs. 85 crores previous year for the same period. Total EPS is about 34.93 as against 26.41. Here also we have seen about 32% growth and total EBITDA we maintained about 22%. As far as growth is concerned about 20% in value and as far as volume growth is also 20%. Because of the China problems, environmental problems we still see there is a good opportunity for the Indian Specialty Chemical Industry. So unlike other companies Balaji also has got those benefits.

We feel that there is a bright future if it continues. I would like to say few positive points which are coming in the coming years. Number 1, there is an antidumping case which was pending with Government of India on one of Dimethylformamide, which just concluded personal hearing which we are expecting by June 15th to 20th we are expecting some antidumping support from the Government of India so where we can run that plant full capacities which is running presently about 5,000 tons to 10,000 tons per year capacity as against total of 30,000 tons capacity.

The same way the Acetonitrile and Morpholine, DMAHCL which we have just ready with all the plants duly commissioned, we are just waiting for the NOC from the wildlife which we are expecting by next month. And the third point is that there is a subsidiary company which we

have started about 7, 8 months back for the construction which we are expecting to go into stream by October this year where we should do about Rs. 100 crores in the current financial year for these products which has got good demand like EDA, DETA and Piperazine.

And another point that we have got approved a mega project which is called Unit 4 which we are expecting to take the land digging by September or October where the Government of Maharashtra has given about 90 acres of land and we are going to invest around Rs. 250 crores to Rs. 300 crores in Phase 1 and there we will be producing the originally, one is the MIPA, Mono Isopropyl Amine; IPA, Isopropyl Alcohol. Methyl Amine also we are thinking of adding some capacities because the current capacities completely getting utilized. And Ethyl Amine is also which we are utilizing 90% to 95% past two, three years. There also we are thinking of going for expansion in Ethyl Amine. Another thing is we will be becoming debt free in the next coming 6 to 7 months.

So the other negative thing is that the methanol price has gone up which has come stable at 30%, 32% which is the first time it is stable for three, four months at higher levels. Most of the times it was going Rs. 2, Rs. 3 up and it is coming back in a month or so but this time it has taken more than two months, of course from our side we have already passed on this to the customers. If it continues where we can sustain whatever possible and we will be maintaining the same margin levels.

Thank you very much. Now you can ask the questions. I will try to give all the answers to whatever queries you give.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session.

We take the first question from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda: Just wanted to get a slightly better perspective on your numbers for the quarter 4 on a QOQ basis. So what was the volume growth? Was there first of all higher volumes on a QOQ basis and what explains slightly lower margin despite a fairly strong topline on a QOQ basis? So if you could give some slightly granular analysis of the numbers?

Ram Reddy: See Q4 volume growth were little low. When you compare to the total year growth was 20% and for the particular quarter growth was only 10% to 11%. And that was a period where the methanol prices have started increasing. That is the reason it took almost two to three weeks to pass on the increased prices to the customers. That is the reason we have seen lower margins in that particular period if you compare to the earlier quarter to this quarter.

Pritesh Chheda: Anything in other expenditures by any chance?

- Ram Reddy:** I do not think. On an overall yes, there were some expenses increase like interest if you compare with earlier years, this quarter interest was little more because we have utilized more funds of working capital limits in this quarter because all these months we were not using working capital. We were just using our internal accruals. Now we have started investing this, we have picked up the 54% stake in the subsidiary company where we have pumped about Rs. 66 crores from the company. That is the reason we have used in this particular quarter more of the finance that is another reason.
- Pritesh Chheda:** What is the total volume sold now in FY18? And what is the volume growth?
- Ram Reddy:** Volume growth is about 20%.
- Pritesh Chheda:** What is the total volume sold?
- Ram Reddy:** This about 80,000 tons.
- Pritesh Chheda:** So last year it was 94,700 tons so I am?
- Ram Reddy:** No, last year it was only 67,520 tons and this time 80,805.87 tons. There was 19.67% growth in the volume.
- Pritesh Chheda:** All products put together?
- Ram Reddy:** Yes. Because even though we say that we have 150,000 tons but because one product which is about 30,000 tons we were not utilizing all these days. That is the DMF. Probably this year we may wish that we utilize in coming month full capacity of this 30,000 tons.
- Pritesh Chheda:** How much DMF we would have sold this year?
- Ram Reddy:** It is about 8,000 tons to 9,000 tons.
- Pritesh Chheda:** And how much Morpholine?
- Ram Reddy:** Morpholine is about 3,000 tons to 4,000 tons.
- Pritesh Chheda:** And lastly from your opening comments, you said Morpholine environmental clearance would be available now right that is how you put it?
- Ram Reddy:** No, Morpholine we have one existing plant which we are selling, and this expanded capacities they are ready. Actually, we have done trials also. So we are expecting by next month clearance then all these 3 plants DMAHCL is also coming about 7,500 tons additionally to add



Balaji Amines Limited
May 21, 2018

into the existing capacity of 22,000 tons. Acetonitrile will be about 10,000tons to 11,000 tons will be starting in one stroke.

Pritesh Chheda: And you mentioned twoCAPEXes. One in the subsidiary you mentioned.This is the subsidiary which you?

Ram Reddy: It is already done. It is already finished.

Pritesh Chheda: That is your specialty chemical, right which you took over from your promoters?

Ram Reddy: Yes.

Pritesh Chheda: And then another CAPEX is a Greenfield plant in Maharashtra. That is a different one, right?

Ram Reddy: Different one which I am talking about the land agreement will take place by September-October.

Pritesh Chheda: So that specialty chemicals will commence production during the end of this year. That is how you mentioned?

Ram Reddy: October.

Pritesh Chheda: October of FY19?

Ram Reddy: One or two months ahead of our original schedule.

Pritesh Chheda: What is our CAPEX number there?

Ram Reddy: About Rs. 190 crores to Rs. 200 crores.

Moderator: Thank you. We take the next question from the line of RahulVeera from Elara Capital. Please go ahead.

Rahul Veera: Sir, just wanted to understand which are our top5 products and what is the revenue contribution?

Ram Reddy: So one is the as a whole Methylamine you can say and its derivatives like Di Methyl Amine Hydrochloride which we produce around 20,000 tons to 22,000 tons at an average rate of about Rs. 70 to Rs. 75 and around 16,000 tons of NMP,NEP together which costs about Rs. 180. These are the main products and lastly Ethyl Amine which we have about 6,000 tons capacity which we are utilizing almost to 90%. That is also priced around Rs. 150 presently.

- Rahul Veera:** Okay. So these four, five products will be what percentage of our revenue?
- Ram Reddy:** It is almost 60% to 70%.
- Rahul Veera:** Okay. In terms of the internal consumption like what will be the self consumption ratio for our chemistries like the end user products versus the raw input materials? So what will be the self consumption that we do at an intermediate level?
- Ram Reddy:** See it is very difficult to say. We have a basket of 20 products, some of them are buying outside, some of them are internally but as a whole I can say Methylamine we are consuming almost 70% to 75% internal only.
- Moderator:** Thank you. We take the next question from the line of Rajeev Rupani, an Individual Investor. Please go ahead.
- RajeevRupani:** Yes. My first question is on the expansion what we have done for Acetonitrile and Morpholine. In the last con-call you were very, very confident that by February end we will get the NOC from the Wildlife Department. And now you are told we should get it June. So it is like almost a 3 months delay. Why the delay and what guarantee that this will not get further postponed from June?
- Ram Reddy:** Actually, what is happening is this is Forest Department and Supreme Court concerned issue. That is the reason it is getting delayed, every time whenever we go, whenever we meet the concerned authorities they say another 15 days, another 15 days. On Friday when we approached they said that before 25th, this Maharashtra Government headed by Chief Minister they are going to take the final meeting and they will send the proceedings to the Government of India. This is the procedure. So this is not in our hands.
- Actually, if I want, I can do that. I can start the producing and I can do that. We do not want to do that illegal thing like many other people are doing. Actually, Government of India has declared one MSE scheme also for such people who are producing the product without having any clearance. Environmental clearance, pollution clearance not there but they are still doing. For such companies they have given one date and there are 6,000 companies in the country. Then when we approached with these to take the advice and opinion from the concerned authority they said you have followed 99.9% of all regulatory. Why do you want to do at this stage a small mistake and takes a tag up that you have done some illegal things. That is the reason we are just patience and keeping mum. Maybe next month we will have to take such type of action if we do not get. Because we have given a notice to the Government of Maharashtra also saying that we have invested this much money basing on the preliminary approvals given like there will be consent to establish. The moment they give consent to establish you are authorized to construct your construction.

After that they will give consent to operate. Now we have been stopped for giving that consent to operate for which we have given a letter saying that. Actually, it is all total mistake we cannot help it because this unit is started in a designated industrial area. We have not started any agricultural area or any city. It is a very well designated as a Maharashtra Industrial Development Corporation. So In fact many other states they take the all approvals prior to allotting the land. Here it happened in different way. Anyhow now they have given the assurance that in the coming two, three weeks they said but safer side I am telling next month.

Rajeev Rupani: Okay. And regarding Acetonitrile we expect to sell 4,000 tons, 5,000 tons in first year. Am I correct?

Ram Reddy: Yes. We should sell 5,000 tons to 6,000 tons easily.

Rajeev Rupani: Okay. And at what price point are you looking to sell at? At last con call you had told about....

Ram Reddy: It is very volatile, Mr.Rajeev. I was telling earlier also, now also I am telling you because it is driven with some other product Acrylonitrile wherein Acrylonitrile is produced as a side product with Acetonitrile also will come in some of the processes. There are two processes. One is Acrylonitrileprocess and one is the direct process where we are there in direct process. So when Acrylonitrile plant is down, then the Acetonitrile product will be in short supply in the world market, then prices will go up. If you see the last two, three months back it went upto Rs. 180 even Rs. 200 also.

And today it is about Rs. 130 to Rs. 140. So it is very difficult to predict what price we will be selling I am going to the moment I start what will be the market situation and what will be the prices it will be very difficult to say today. But definitely it is not below Rs. 120; definitely it is not above Rs. 200.

Rajeev Rupani: Okay, because in the last con call you had indicated about Rs. 150?

Ram Reddy: Yes. And after that it went upto Rs. 180, Rs. 200 also.

Rajeev Rupani: Okay. My next question was on DMF. Again, in last con call you had updated us that by April-May we will get the Antidumping duty and now you are indicating by June 20th?

Ram Reddy: I told that investigation will start. The initiation they have started definitely in the April only and they take their own process because they have issued notices to all the concerned competitors all over the world who are supplying in the country and after receipt of their replies they have given a personal hearing to all of us including all China, Turkey, Saudi everybody was representing. Everybody has appointed the lawyers and done.

Now they asked return submission which everybody might have submitted by now. And they have given the indication that around 10th June we will visit your plant. The moment they visit they will verify the records at our place and after that hardly weeks' time they will take for imposing the Antidumping. This is procedure what we have seen so far.

Rajeev Rupani: And one more update I need on DMF. Last con call you had indicated that in China 10, 15 smaller DMF players have shut down completely and only 2 big players are left. So can we have an update on that?

Ram Reddy: Yes that is continuous it is there. That is the reason I am getting good some better price today. We used to talk about Rs. 43, Rs 42 and this month I am just talking from 15th April to 15th May the price of DMF has gone up to Rs. 80 to Rs. 85 today.

Rajeev Rupani: Okay. One more thing I would like to understand on DMF. Currently we sell about 10,000 tons on a yearly basis.

Ram Reddy: We are only I think 8,000 tons to 10,000 tons we have sold but till earlier we were selling only 6,000 tons to 7,000 tons only. This year we have sold about 8,500 tons something we have sold.

Rajeev Rupani: So I would like to understand, if we get the antidumping duty and if India imports 46,000 tons post duty should it not be able to utilize full of 30,000 tons?

Ram Reddy: Yes,. Minimum 25,000 tons we have to utilize. I am telling minimum. Till there will be room for the outside country. Out of 40,000 tons to 42,000 tons we will be giving only 25,000 tons to 27,000 tons. There will be another 15,000 tons room will be there from outside.

Rajeev Rupani: Okay. My next question was on Morpholine. We have expanded from 3,000 tons to 10,000 tons. So how much are we looking to sell in the first year of expanded capacity?

Ram Reddy: I think almost total capacity we should be in a position to utilize. If not 10,000 at least, 7,000, 8,000 tons definitely we should use.

Rajeev Rupani: Okay and last con call you had indicated a price about Rs. 130 to Rs. 140 per Kg?

Ram Reddy: Presently it is Rs. 155 to Rs. 160.

Rajeev Rupani: My next question was on Export. Last year the export was about Rs. 125 crores. And this year it is about Rs. 177 crores, an increase about Rs. 50 crores. And our exports is the highest over the last 5 years. So which products have contributed to the increase in the exports?

Ram Reddy: Courtesy China. Because of this problem all over world, whoever was using the product from China. When they stopped from China, they were looking for alternate, when the chemical when they talk about the alternate to china, definitely India's name will come. Not only for Balaji, it might have done for all the companies must be getting.

You will be surprised to hear that we are exporting the marble into China now. That is the situation. So continuously like this definitely we are targeting 30% of the total revenue should be from Forex. So that we will see this year at least 25% to 27% we should do it.

Rajeev Rupani: Okay. My next question was on the Mega Project Unit4 which you just talked about. We are doing 3 products over there. One is MIPA that is 15,000 tons, MIBK which is 20,000 tons.

Ram Reddy: I just briefed in my initial call. You just note down. First, we are going for MIPA 15,000 tons. Scenario has changed in the market, that is the reason we have chosen second product as IPA. Isopropyl Alcohol, we will be producing 50,000 tons IPA. Third, we will go for Ethylamine increase capacity because we are utilizing almost total capacity now. There is a short supply we are seeing in the country and in the world market also.

That is the reason we have taken a decision that we should start Ethylamine with a capacity of 50 tons per day of Ethylamine and also I am just waiting for the other market conditions for Ethylamine. Probably we will take a call to start, the moment we start the DMF full capacity, we will be requiring additional DMA from outside.

That is the reason we are taking a decision to go for the Methylamine also about 100 tons per day capacity. In the present expansion these are the 4 products in the 1st phase program. What we are talking about MIBK, DPA, and other products will go in the 2nd phase.

Rajeev Rupani: Got it. So one thing for this MIPA, we are putting up 15,000 tons and which are the companies producing the same in India?

Ram Reddy: Probably one company is producing. I do not know name, but they must be producing some 1,000 tons, 2,000 tons only, as of now. And I have seen the country imports almost 10,000 tons to 12,000 tons every year. And outside country also there is a greater demand for this product.

Rajeev Rupani: Okay. Sir, just one last question on this. Just wanted to understand like in the case in DMF, we put up the plant three, four years. So we donot suffer the same fate as in lower capacity is being utilized. Can you just clarify for this product?

Ram Reddy: Which product?

Rajeev Rupani: MIPA?

- Ram Reddy:** MIPA, it is a short supply. India is importing, and I think there is antidumping also on this product now. There should not be any problem in selling about 6,000 tons to 7000 tons within the country and about 4,000 tons to 5,000 tons outside the country. For your question about the utilization see Rajeev, when we do any project, we will look for next 5 years scenario. So next 5 years, definitely there will be growth about 10% to 15% in each year. So after 5 years we will look back for the expansions. So there should not be any regret in the first one or two years, that is the reason we are choosing these capacities.
- Moderator:** Thank you. Next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** On the standalone basis given that we are expanding in three domains as in DMAHCL, Morpholine and Acetonitrile so what kind of top line can we generate on a standalone basis for this year and next year?
- Ram Reddy:** These three products, right?
- Shashank Kanodia:** Yes.
- Ram Reddy:** Acetonitrile even though we are created a capacity of 10,000 tons conservatively I am expecting to sell about 5,000 tons to 6,000 tons at lower price conservatively about Rs. 130, on that same like Morpholine 7,000 tons with about Rs. 140 that is also about Rs. 90 crores to Rs. 100 crores and DMAHCL will be about Rs. 70 that is another 5,000 tons in the first-year operations. So that is about another Rs. 135 crores.
- Shashank Kanodia:** Right, so additional roughly Rs. 150 crores should flow for this year, right?
- Ram Reddy:** Yes.
- Shashank Kanodia:** And next year what is your projection be FY20 at standalone basis?
- Ram Reddy:** Current running year we are expecting about Rs. 1,000 crores to Rs. 1,050 crores on conservative basis. If all the plants are running, this is I am talking about without considering the subsidiary Rs. 100 crores turnover.
- Shashank Kanodia:** Right. And so what kind of margin profile on the standalone basis? We should maintain 22% to 24%?
- Ram Reddy:** Yes.
- Shashank Kanodia:** Secondly sir, I wanted to understand what is the thought process behind going for some expansion in subsidiary mode within promoter how is the remaining equity partnership? The



Balaji Amines Limited
May 21, 2018

Balaji Specialty Chemicals the promoter holds 45% stake in the company. So what prevented us from going 100% equity ownership for that?

Ram Reddy: See actually that was an empty plot which was originally bought by the company. Some of the relatives of the promoters who wanted to start something but in the meantime we wanted some land and we have seen this. So today if I want to go for this total government will not allow us to take the empty plot. The moment we say that we want to transfer from this company to Balaji Amines immediately they will take the land into their custody and allot to some other people. So the reason we just started probably in the coming years there is a possibility that both the companies will emerge.

Shashank Kanodia: And sir thirdly on the hotel business front, so are we thinking of divesting that because that is ?

Ram Reddy: Not yet.

Moderator: Thank you. We will take the next question from the line of Sunil Kothari from Unique Investment. Please go ahead.

Sunil Kothari: Sir, broadly what you are saying is this Balaji Specialty Chemical it will start operation by October, right? And what will be the total project cost?

Ram Reddy: Yes, about Rs. 190 crores to Rs. 200 crores.

Sunil Kothari: Rs. 190 crores to Rs. 200 crores and we will have 55% stake in this specialty chemical company?

Ram Reddy: Yes.

Sunil Kothari: Sir, one more thing is what about this CFL lamps and Capsules Division which is making lots of roughly 3%, 3.5%?

Ram Reddy: It is already closed. Only thing is by virtue of amalgamation of both the companies we are coming to the eligibility of claiming some depreciation this year. So there is no loss, there were few stocks were there. Actually, operations have stopped in that company and that have been merged in this company. There were few stocks the actual valuation has been done. The reason that we will see Rs. 1 crores, Rs. 1.5 crores of expenses come from that company and the other thing is only paper expenses like depreciation.

Sunil Kothari: So will it continue in current quarters also?

Ram Reddy: We will not see, from here we will see only the watch and ward expenses there and we may get the advantage of depreciation till sale of these properties.

- Sunil Kothari:** And sir, I am not able to understand the reason of fall in margin. Quarter 3 was 23% margin, our annual EBITDA margin is around 22%, and last quarter we have shown 18.6%?
- Ram Reddy:** I was telling every time if you see my past answers every time I am telling minimum 18% will be there. And normally it will come to 22% which we were maintaining earlier at this year. And beyond this if anything comes then there is a bonus what we have seen in one quarter 26% also. So last quarter I told you that there was a huge increase in the raw material prices. And today it is around Rs. 32 to Rs. 33 methanol. It was earlier Rs. 20, Rs. 22. So that while passing on that to the customer we took almost three to four weeks. During that period, we could not maintain the margins what we were maintaining throughout the year.
- Sunil Kothari:** So currently do you expect sir on a Rs. 1,050 crores revenue around 21%, 22% EBITDA margin?
- Ram Reddy:** Definitely, because Rs. 1,050 crores will be coming no further investment. There will not be any investment because everything has been done. Now we will have to just start and continue the production that is all.
- Sunil Kothari:** Right and sir this Balaji Specialty Chemical what is the revenue capability or potential when it works at 90%, 100% capacity may be next year 2019 if I say?
- Ram Reddy:** Rs. 400 crores to Rs. 450 crores. I am telling this based on the current pricing levels.
- Sunil Kothari:** So current year we are counting out of this Rs. 1,050 crores, Rs. 100 crores will be from this JV?
- Ram Reddy:** No, I am telling you excluding this Rs. 100 crores the Rs. 1,050 crores we should achieve.
- Moderator:** Thank you. We take the next question from the line of Rajeev Rupani, an individual investor. Please go ahead.
- Rajeev Rupani:** Reddy sir, I have a follow up question. On the mega project unit 4 you informed just now that we are putting up 50,000 tons IPA products. So could you also guide us who are the other producers and how much India imports for that product?
- Ram Reddy:** Presently India is importing 120,000 tons. Somebody is producing in India about 30,000, 35,000 so I think total India's consumption in the last year I have seen about 140,000 to 150,000 tons.
- Rajeev Rupani:** Okay and who is the producer, could you please tell us?
- Ram Reddy:** I think it is Deepak.

- Rajeev Rupani:** Okay and sir one last question. Regarding the Balaji Specialty Chemicals the products you had informed us is EDA, PIP and data. So could you give us a break up how much capacity of each we are putting up?
- Ram Reddy:** Yes, see it is not an individual capacity. By virtue of its action itself you will get all these three products. It is not that we are producing individually out of which maybe about 18,000 tons to 19,000 tons will be EDA, 4,000 tons to 5,000 tons of piperazine and rest will be data.
- Rajeev Rupani:** Okay. And again, you said India is importing this in huge numbers so it should not be a problem selling them?
- Ram Reddy:** No, last year country has imported about 33,000 tons of EDA, about 900 tons or 1,000 tons of piperazine. So out of 33,000 tons I am talking about 15,000 tons to 18,000 tons we are going to sell. There should not be any problem and all the consumers of this EDA everybody is talking about capacity increase. Probably we will have to increase our capacity. Everybody is doubling their capacity of the end product.
- Moderator:** Thank you. We take the next question from the line of Sunil Kothari of Unique Investments. Please go ahead.
- Sunil Kothari:** Sir, what will be our tax rate because last four quarters if you take, our last quarter tax rate is very low compared to previous quarters and annualized we are paying some 30%, 32%?
- Ram Reddy:** What happened last quarter, see earlier all quarters were estimated? You might have paid more tax and all the depreciation and here I told you in your earlier question also, where we got some additional advantage of depreciation of that bulbsfactory. That has come in the last quarter only.
- Sunil Kothari:** So next year we should count with what 30%, 35%?
- Ram Reddy:** For everybody it is the same. Only thing is probably those three plants Morpholine and other plants may come into the additional depreciation may come into the force.
- Sunil Kothari:** Correct. And sir how much CAPEX we have done in current year and what is the plan for FY18-FY19?
- Ram Reddy:** Current year we have not done anything I think that has come in the last year only. Earlier we had done some Rs. 8 crores to Rs. 10 crores in this year for this finishing of Morpholine and Acetonitrile. Rest everything has come in the earlier year only. This year majorly this Rs. 66,000 crores has gone back to Balaji Specialty Chemicals state purchase.

- Sunil Kothari:** And so total CAPEX will be Rs. 200 crores because of this project Balaji Specialty Chemical and our share is just 55%, So our contribution will be roughly Rs. 100 crores?
- Ram Reddy:** There is Rs. 100 crores of loan is there from the financial institutions.
- Sunil Kothari:** So total CAPEX will be on a consolidated basis for current year will be what?
- Ram Reddy:** The coming year we are talking or what we have done in FY17, FY18?
- Sunil Kothari:** FY17, FY18 and FY18, FY19 both?
- Ram Reddy:** See end FY18 March 31st 2018 we might have done including the subsidiary investment around Rs. 75 crores to Rs. 80 crores and coming years we are expecting to do this new project maybe when I am talking about Rs.300 crores probably Rs. 100 crores, Rs. 120 crores we will put in from our internal accruals rest we will go for financial institutions in the first phase I am talking. And this Rs. 120 crores may be spread into partly this year and partly to the next year.
- Sunil Kothari:** So current year will be furthermore may be Rs.60 crores, Rs. 70 crores total?
- Ram Reddy:** Maybe Rs. 60 crores, Rs. 70 crores.
- Moderator:** Thank you. We take the next question from the line of Neha Agarwal from Edelweiss. Please go ahead.
- Neha Agarwal:** Sir, I have a doubt with respect to the quarterly volume and value growth. Could you please just specify for Q4 how much exactly was the volume growth and how much was the value growth?
- Ram Reddy:** We have already answered but anyhow we had only 10% growth in the last quarter when you comparing it with 20% growth total EO.
- Neha Agarwal:** Last quarter 10% for value you are saying?
- Ram Reddy:** Volume I am telling.
- Moderator:** Thank you. We take the next question from the line of Anubhav Sahu from MC Research. Please go ahead.
- Anubhav Sahu:** One is regarding the NOC for the Acetonitrile and Morpholine, what gives us confidence that we can get it soon like in one month or two because earlier also we got this and the kind of indication but what is that?

- Ram Reddy:** We are trying but I do not how I should make you fully satisfied. But last time also we have done the same type of attempts to the government authorities but this time I myself went personally up to minister's level I met personally. I fought with them saying that this is a mistake from the government. They should do it. They say that there is a procedural delay and even now as I said in my earlier answer, we are trying to take some legal support also.
- Anubhav Sahu:** Secondly sir, on the Dimethylacetamide, where now we have an antidumping duty and earlier I think you mentioned about 60% to 70% being the capacity utilization. So are we at the same run rate or is there a different number now?
- Ram Reddy:** We are running to maximum capacity, it is running at 18 tons per day capacity we have so we are running almost to 20 days per month we are running this.
- Anubhav Sahu:** And incrementally what kind of margins we can look at I mean have there been any change in the margin profile for this product after?
- Ram Reddy:** No. See actually we were doing at below our regular standard margins in this particular product. After antidumping it has supported us getting the corrected price, number one. Number two, the China episode is also helping us in getting the proper price.
- Anubhav Sahu:** And sir, what is the situation with DMAHCL now with the new capacity?
- Ram Reddy:** Yes, whatever present capacity we have 22,500 tons we are utilizing. 90% to 95% we are utilizing.
- Anubhav Sahu:** And the additional capacity?
- Ram Reddy:** That will come into after this NOC things are ready, probably that will come in coming months.
- Anubhav Sahu:** Okay in the Q2 can we expect that?
- Ram Reddy:** Yes, partly in Q2 it will contribute.
- Anubhav Sahu:** Okay sir and a final question on Dimethyl Formaldehyde. On the antidumping side, has there been any change on the status, I mean?
- Ram Reddy:** Yes there is a one personal hearing already taken place with the government authorities and we are expecting that the team will visit our plant around 10th June and after that maybe in a week to ten days government should support and impose in some duty.
- Anubhav Sahu:** Okay sir and here we have a utilization of around 33%, right?

- Ram Reddy:** Below that only, 8,500 tons we have produced this year.
- Moderator:** Thank you. It is from the line of Sachin Kasera from Lucky Investments. Please go ahead.
- Sachin Kasera:** Sir, just two questions. One you mentioned that this March quarter the volume was only 10%, any specific reason why this volume growth was lower than the full year average?
- Ram Reddy:** Because that particular quarter there was abnormal price increase in the raw materials and it could not sustain by the customer level buying the total quantities and there was one plant to shut down also partly.
- Sachin Kasera:** How much have been the loss in volume because of the plant shutdown, sir?
- Ram Reddy:** Plant shutdown very small only six to seven days.
- Sachin Kasera:** So mainly the volumes were lower because the consumers could not lift bigger quantity at higher prices?
- Ram Reddy:** Yes.
- Sachin Kasera:** And second question is you indicated that you are hoping that some antidumping should come through in the month of June. You guided for this current year margins being around the same level as last year. So thus that indication of the current year margin sustaining is building in the benefit of antidumping duty or that is without building in the off set of antidumping duty?
- Ram Reddy:** Actually, see when you utilize full capacity on our normal margins levels, we will be maintaining because the additional increase in capacity is going to increase the revenues with the same level of 22% what we are talking.
- Sachin Kasera:** The antidumping will be if it comes in may be the margins could be slightly better than 22?
- Ram Reddy:** Maybe some improvements because this time whatever we have on in other products here we might have not maintained the same 22% maybe some 16%, 17% the other average out was done because of this lower price and higher price. Suppose in the current year the antidumping comes and this additional revenue also will come from the proper margin. You are right that there is a possibility that it should improve from 22%.
- Sachin Kasera:** And my final question is regarding this green field that you mentioned. By when do you expect to complete this green field and when can we see the full ramp up?
- Ram Reddy:** We will see something by end of FY20.



Balaji Amines Limited
May 21, 2018

- Sachin Kasera:** Two years it will take to commission the project?
- Ram Reddy:** No, I am telling part. See FY20 there will be some revenue will come from this green field.
- Sachin Kasera:** Okay financial year 20 you are meaning?
- Ram Reddy:** Yes, FY19, FY20.
- Sachin Kasera:** And the full benefit will come in FY21?
- Ram Reddy:** Yes,
- Moderator:** Thank you. Well, that seems to be the last question. I would now like to hand the floor over to the management for their closing comments.
- Ram Reddy:** Thank you friends. What we have achieved is because of support from the well-wishers like you all. So, I thank you all once again. You are always welcome for any type of queries you can always send a mail my team will love to answer all of your queries. Thank you very much. Thank you, Ankit. Thank you once again.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Systematix Shares & Stock, that concludes this conference. Thank you for joining us and you may now disconnect your lines.