



“Discussion with Mr. Ram Reddy of
Balaji Amines Limited”

January 27, 2017



**MANAGEMENT: MR. RAM REDDY – JOINT MANAGING
DIRECTOR - BALAJI AMINES LIMITED**

Moderator: Good day ladies and gentlemen and a very warm welcome to the Balaji Amines Limited Conference Call hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. I am now glad to hand the conference over to Mr. Ram Reddy, Joint Managing Director of Balaji Amines who will give us macro view on the overall business of Balaji Amines and his journey ahead. Thank you and over to you Mr. Reddy!

Ram Reddy: Good afternoon everybody. I think we have all six months with you like we have earlier also said that because of the higher capacities utilization and lower rate of interest and lower utilization of funds, these are the main reasons where we done good in the bottomline. As I said probably next three months also will be the same 2% here and there in the bottomline and even topline also. As we planned we are coming up with all the expansions like one is the Acetonitrile will be coming up may be next quarter and along with that Morpholine we have already taken up for the project implementation, which is about 7000 tonnes additional capacity for the existing capacity of 3000 tonnes will be coming up may be April to May will come into the production. That is all. If any questions, please you can ask.

Moderator: Thank you very much. Ladies and gentleman, we will now begin the question and answer session. We will take the first question from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.

Sangeeta Purushottam: Good afternoon Sir. It would be useful for us in we are relatively new to your Company, just get in overview of the business in terms of what is your main products and what are the contribution to sale and also any split that you have on the consumer side in terms of who your key customers are which industries how much do you export if at all, if you could just give us some to begin with broad overview of the business?

Ram Reddy: Basically we are into the Methylamines and Ethylamines and some of its derivatives for using Methylamines and Ethylamines some of the speciality chemicals. Overall product goes into 50%, 55% goes into the AP and Pharma industry around 20%, 28% goes into agrochemical industry then the rest balance will go into water treatment chemicals, animal feed, refineries, colors, dyes, textile these are the balance other sectors it is going and as you want this exports presently we are about 18% to 20% of the total sales we are doing the exports to all over world. We are having targets up to 30% we should achieve may be in the coming year if not this next year we should achieve 30% of the total sales towards exports account.

Sangeeta Purushottam: Okay and in terms of the domestic market I read one of the reports, which says that you 60%, 65% market share. Is that across could you just comment a little bit in terms of what your market share is, who are the other players along with you, who are making these for the domestic market?

Ram Reddy: Methylamines is largest in the India like 170 to 180 tonnes of gas per day capacity we have. Major contribution of the Methylamines it is like one of them is the Dimethylamine Hydrochloride which is the largest in the world, which goes into the antidiabetic like metformin hydrochloride and other drug is tramadol where we supply in the domestic as well as all over world. Along with this like there are some specialty chemicals like NMP, NEP, GBL, Morpholine, PVPK, we are only people in the country not only there apart this there are like two products like Morpholine and PVPK-30, if you take other than China, we are one amongst three in the world like if you take Morpholine, there are only one is in USA that is Huntsman, other one is BASF in Germany and third is Balaji in India, the Morpholine. The same way the other product like PVPK-30 that is one in the Ashland in USA and other one is BASF in Germany. I am talking about other than China. In china, it is very difficult to ascertain how many people, what are the names and capacities from China, so I am talking other than China.

Sangeeta Purushottam: Thank you very much.

Moderator: Thank you. We will take the next question from the line of Varij Bangur from Pico Capital. Please go ahead.

Varij Bangur: Good afternoon Sir. Sir just a couple of question from our side; Is it true that the import threat from Methylamines and its derivatives like DMF and DMA is limited due to the hazardous nature of this class of aliphatic amines?

Ram Reddy: You are talking about domestic or you are talking about, I did not get your question properly. Can you repeat?

Varij Bangur: I asked that is it true that import threat in India on Methylamines and its derivatives like DMF and DMA is limited due to the hazardous nature?

Ram Reddy: It is not like that there is many other much hazardous chemicals are imported into the country. In some of the industry, user industry like agrochemical and people used earlier DMF very apt for using, but being other biodegradable solvents are introduced the use of DMF is some part it is restricted in some other part, but for the DMF it is not one sector, it has got wide range of applications like it goes as a solvent for the API textile, colors, dyes, agrochemical, there is a lot of uses. For this product for your information in the India, last year India has imported 44000 tonnes.

- Varij Bangur:** Of DMF?
- Ram Reddy:** DMF.
- Varij Bangur:** Is it safe on making?
- Ram Reddy:** I will tell you negative point. We are unable to compete with the international people who are dumping in India like China and Saudi Arabia. We have capacity of 30000 tonnes for this product. The other company has closed. They are not producing. We are only people in the country to produce this product but this last one month, there is some positive in the pricing point of view that China and other countries they have improved the price in India also. So I am little confident that in coming years, we may be in a position to utilize entire capacity of this DMF.
- Varij Bangur:** You are applying for an antidumping duty is regarding DMF and DMA, what is the progress regarding that?
- Ram Reddy:** DMAC is in the progress probably it may take another two, three weeks time for the final initiation, because there are some change in the offices concerned taken place and DMF we may have to go after March we may have to take the full course of initiation. In the government, I do not know what exactly it is they say that you should prove that you have been beaten for last three years. There is some rule unofficially and officially something they have when we approached the authority they say that you prove that you have been beaten for the last three years with the outside companies. So March, we will become our third successful year for beating us, so probably after March we will be eligible for going for that as I said it is a right case for the antidumping, we have every evidence that there is a dumping is going on in the country.
- Varij Bangur:** Okay and for some case if the antidumping duty is not granted for DMF will the volume growth in prices for this product be continued to be muted?
- Ram Reddy:** It should go because one month growth I have seen we used to sell 300 to 400 tonnes, sometimes the last month you sold more than 700, 800 tonnes and this month we have still continuously orders we are getting because of the price improved outside country. So probably if this thing goes like these not only that there is a great increase in the methanol price which is main raw material for the DMF. So there is huge increase all over world. When we talked about a month back, the price was about Rs.18 to Rs.20 per kg, today it is Rs.29.
- Varij Bangur:** It is a huge increase.

Ram Reddy: Huge increase, because of this everybody increasing this, specifically in China there is more than \$20, \$25 more than India the methanol price.

Varij Bangur: If we get the antidumping duty to the great for us, because the prices are good.

Ram Reddy: Definitely that will support us like anything.

Varij Bangur: Can I get the historical volume for the last 5 to 10 years, what has been the average volume growth for a year?

Ram Reddy: It is little difficult to give such type of thing. I request not only you everybody if any specific figure base questions you have, please take a mail id and you can drop a mail and you will be given all the details whatever you require like this volume growth which you are talking along with this even some figures or some percentages if you want, you can please. I request because may not be having every figure handy. So you can write to me rawmetbalajamines.com then I will be sending to the concern person who will respond you in a two, three days time.

Varij Bangur: Thank you very much for that. One question, in the previous earning call, you have mentioned that you have one-year contract for methanol, one is price contract for methanol?

Ram Reddy: Right.

Varij Bangur: What happens in the contract like is the pricing rates are significantly who gets benefits and who gets the crunch?

Ram Reddy: I will just give you the important information about the methanol, the people who all listening everybody should know these. In methanol all over world, there is one formula people call ICS which is published every Friday. Other one is flats, so for this what happens we just signed without putting the price. My contract is like this. My price will be as per the ICS publication plus some premium may be some percentage that is a week before shipment and week of the shipment average West Coast India like this they put it in the contract. So this followed by everywhere in the world. All the contracts all over world happen like this, so we just finished our contract, we were having very attractive contract for till December. Now the new contract we just signed, it has come we have finalized the contract for the current year, which is about 70,000 to 80,000 tonnes we have finalized. But this year because of the demand in the country and China, the manufacturers of the methanol are there in the advantages position, now they are asking for the contract for the same formula instead of West Coast India they are asking, 75% India and 25% South East Asia. Normally South East Asia publication is about \$5200 more than West Coast India. So that may give some impact, but ultimate what happens this will transmit into the end price

luckily the enduser also because this being a commodity material enduser also, will be using methanol also. So everybody is knowing what is happening in methanol, it will be easy for saying that prices increase and getting end products increase also it will little easy than any other product.

Varij Bangur: Thank you Sir and one question regarding the hotel business. What is the total amount of capital that is invested into the hotel project?

Ram Reddy: Rs.108 Crores.

Varij Bangur: What is the status of the hotel right now like what is the amount like are we running in profit?

Ram Reddy: We are doing well even last month also, we had some Rs.60 lakhs to Rs.70 lakhs added into the bottomline. Only thing is you cannot calculate the interest for Rs.108 Crores.

Varij Bangur: No.

Ram Reddy: So, we were luckily, those days we are not having any major expansions, we have taken very little borrowing that about Rs.30 Crores, Rs.35 Crores which has come down to now Rs.12 Crores level may be in coming year and year-and-a-half that will be zero. So whatever comes on account of this thing after the expenses the entire thing going to the bottomline? So it is in positive this year every month, it is contributing to the bottomline.

Varij Bangur: Okay Sir. Thank you very much.

Moderator: Thank you. We will take the next question from the line of Anand Bhavnani from Sameeksha Capital. Please go ahead.

Anand Bhavnani: I just wanted to understand Acetonitrile, so you mentioned that you are planning to complete it by September this year?

Ram Reddy: Actually speaking we have constructed plant, which is the multiuse, so what is happening we have applied for the environmental clearance which is pending with the Government of India. That is the reason we are unable to put the diesel and start that point may be another two, three months now we got last month only it has come to the table up the meeting, they asked some queries which we have given the answers. Probably in a month's time we should be in a position to get that then immediately it will go into the production.

Anand Bhavnani: The capacity is 20,000 tonnes right am I right?

- Ram Reddy:** 18,000 tonnes we have taken, but we may not be in a position to run into that capacity, but looking at the current situation may be 10,000 tonnes, we will start operating initially.
- Anand Bhavnani:** Okay Sir, can you help us to understand what is the current size of the market for Acetonitrile and who are the players and how do we, what will be exporting some of 10,000 tonnes, how does it work?
- Ram Reddy:** Acetonitrile actually, it goes as a solvent to the various feeds, it goes into Pharma, it goes into agro, everywhere it goes, but majority of its consumption presently in the country is into the human insulin like Biocon and all, other than that it goes in the Pharma industries also, probably in the country it may not be more than 7000, 8000 tonnes may be 8000, 10,000 tonnes current consumption of the country, but outside country there is a great demand and it is very volatile sometimes it is very short supply, it is very surplus, so once in the year or thrice in the year, the cycle will come and people will get the opportunity for the selling it proper margins.
- Anand Bhavnani:** Okay, you mentioned the market size is 8000 tonnes and will be starting with 10,000 capacity?
- Ram Reddy:** We are looking for the next 10 years growth we have taken and any project we start, we will take the consideration like that. Methylamines which we were started five years back that is we were running only 10 days initially then 15 days per month, then 20 days per month, today we are running continuously.
- Anand Bhavnani:** Okay, largely would be export is it?
- Ram Reddy:** Yes.
- Anand Bhavnani:** Okay and Sir about DMAC business, there as well you mentioned that some potential for antidumping duty, so could you help us to understand what is the status and what is the likely date?
- Ram Reddy:** It is difficult for me to say because it is assess how much they are going to do it, but it is the case for the antidumping and definitely because many countries are dumping in India this product actually we are only two people along with us RCF is also producing this product. We are clear, we used to produce only 3 to 5 tonnes per day. Now our capacity about 18 to 20 tonnes per day we are producing now. So there is a demand in the country about 6000 tonnes consumption is there in the country. If we see today apart from our production, there is a lot of import is coming for this product.

Anand Bhavnani: Okay and Sir, in the AR this year there were some mentioning about our environmental licenses were not renewed. So what is the status on that?

Ram Reddy: If you can specifically tell, I will be in a position to answer.

Anand Bhavnani: There was an explanation to the observation of the secretarial auditors.

Ram Reddy: Okay and they were under process. It is submitted for renewal and as on the date are putting the paper was is not in hand. They will come. Nothing is pending. Only the expansions are pending. That is the reason we are not saying that we like Acetonitrile, the new morpholine, these are the only two which are pending for the new environment or clearances.

Anand Bhavnani: Okay, the Tamalwadi unit one and Chincholi in unit three that consent letter from MPCV expired on February 28 2017 that renewal has happened?

Ram Reddy: It is happened.

Anand Bhavnani: It has happened for Tamilwadi and Chincholi.

Moderator: Anand, I am sorry to interrupt, but I have requested you to come back in queue for any followup questions. Thank you. We will take the next question from Dhaval Shah from Girik Capital. Please go ahead.

Ram Reddy: Yes Mr. Dhaval good afternoon.

Dhaval Shah: Good afternoon Sir, how are you Sir?

Ram Reddy: Fine, thank you goes ahead.

Dhaval Shah: Just two, three questions on my end. One is that two months back US had released the name of 12, 13 chemicals which they have banned or with the plan to ban going forward. I recall that one of the products was from our product basket. So what is that can you tell me a little bit?

Ram Reddy: It is news for me, what is the product if you can tell me then?

Dhaval Shah: I just do not recollect the name, I read it somewhere, anyway I will check it in my notes and I can take it offline with you.

Ram Reddy: Nothing is there in fact everything is going to US also, as on today so far we were talking about DMF in fact I am exporting only to US, two to three containers every month this

DMF. That is a reason I am telling, DMF is for the antidumping. I am not in a position to compete in India, but I am in a position to compete in USA.

Dhaval Shah: Okay, great Sir. Second question you are mentioning last time that you might see going forward competitive intensity and we can see pressure on the margins, so what is the state right now, have you started renegotiating the prices which will impact our margins?

Ram Reddy: Till yesterday no, but tomorrow it looks like because this methanol, this is the development of last three, four weeks only of Rs.20 to Rs.29. This would go up to Rs.23, Rs.24 till last month. I do not know immediately whether the customer would like to see this some of the people may cut down, it may take sometime during transition period may give some impact on the sales may be margin. Overall as we promised, as I mentioned earlier 23%, 24% what we have seen in the recent thing, it may not be at that level, but definitely it will be around 17% to 18%.

Dhaval Shah: Okay, so product NMP if am I not wrong which I just said about US releasing?

Ram Reddy: No, NMP is very well exported even right now also to the USA. We are supplying to three, four customers in the USA and it is going all over world. It is not banned. Actually it has come into this Reach regulation and we have Reach registered we are only people from the country not from the country, very, very few people are there for Reach registration for this product to supply it to develop. Now we are also thinking up taking even for me also it is news somebody send a mail saying that USA is asking for the reached registered companies only to supplying to the US.

Dhaval Shah: If you Reach for the Europe correct.

Ram Reddy: Yes.

Dhaval Shah: So if you are registered with Reach then only you can sell it in USA is it the way?

Ram Reddy: That is in Europe as of now it is there, if you are registered only you do. Either I have to register or my buyer has to register. US people asking for this, suppose now Korea is also asking, have you had the registration, may be for their records people are asking.

Dhaval Shah: Why like that because USA is much stronger in terms of regulation, the checks that what they do before they import anything, why would they want to replicate what Europe has done?

Ram Reddy: May be that could be the reason.

- Dhaval Shah:** Sorry.
- Ram Reddy:** May be that could be the reason people are asking whether you have the Reach registration for this product. It is not like that any product in the total basket like people ask do you have ISO then that will add to your feather, right, so like that this is also it will add into your basket, you have Reach means out of 100 people there may only four, five people, then you get that importance, this company has got Reach means something special. So like that people will ask even though it is not applicable in their country.
- Dhaval Shah:** Third question is what if you could see from the government side to promote make in India and manufacturing in your industry, in your business, any positive science you see any support from the government you see?
- Ram Reddy:** In fact we are talking for this antidumping type of things we are talking, recently it is not under. I am just calling for the paper. I heard that in Agrochemical Government of India has taken about five, six days back only one decision that the products, which are produced in the country not be issued any import license.
- Dhaval Shah:** Regard to technicals, which are made in India cannot we imports outside?
- Ram Reddy:** Yes, that will give big boost for the Indian industry.
- Dhaval Shah:** That is all the capacities.
- Ram Reddy:** Because what is happening, somebody is doing manufacturing somewhere in the world where the employment everything is done and simply that is bought to India. The company, which is bringing and selling is only getting, benefit in one centre point.
- Dhaval Shah:** That will be good for you, because you also supply to agrochemical, which are used, and making for technicals.
- Ram Reddy:** Yes, 28% of my turnover goes toward the agrochemical only that. It is a great initiative. If that really implemented there will be all industries not for Balaji, for all chemical intermediates, which are supplying to the agrochemical industry will come into the boost and the smaller agrochemical companies which were not in a position to compete, the bigger people who are importing and selling, those who follow will become active and all. Unutilized capacities will come into the utilization because of this.
- Dhaval Shah:** Great Sir, okay Sir. Thank you very much.

- Moderator:** Thank you. We will take the next question from the line of Sameer Desai from Finco Capital. Please go ahead.
- Sameer Desai:** I just wanted to checkup with you what is your raw material percentage as a percentage of sales across abroad, across all your specialty chemicals?
- Ram Reddy:** It is very difficult Mr. Sameer to say handy because I have 20, 25 products.
- Sameer Desai:** How many company as a whole broadly as a mixed average?
- Ram Reddy:** If you can drop me a mail then I will give you the detail product wise, I will try to give you the answer for this question.
- Sameer Desai:** Raw material as a percentage of sales or variable cost as a percentage of sale?
- Ram Reddy:** Definitely I will give, just drop me a mail.
- Sameer Desai:** Okay and who are the domestic competitors and you have got for different products, different competitors?
- Ram Reddy:** No, that I can tell easily. For Methylamines only three people are there. For Ethylamines only two people are there. For NMP, Morpholine we are only people. DMAC two people are there like DMAE, DAE, other two, three products we are only people again. So GVL like that only people. PK 30 we are only people, so methylamines even though there are three people, our capacity is very large, the other two competitors are less than or 50%.
- Sameer Desai:** Okay, Alkyl Amine also makes some similar products like in the mono and di, triamines?
- Ram Reddy:** Yes, they also make methyl and ethyl.
- Sameer Desai:** What is export as percentage of sale? I have not studied your company detail, I just want, what is the export as percentage of sale?
- Ram Reddy:** 17%, as of now 17% to 18% we are doing as of now. Earlier it went up to 23%, 24% because values have come down and the reason total value is about 17% to 18% today.
- Sameer Desai:** What is the plan going forward next two years like, export as a percentage of sales?
- Ram Reddy:** See we dream we should do more than 50%, but realistically it should go around 30% in coming year our target.

- Sameer Desai:** You are having aspiration for 50%, but 30% is possible by which year FY?
- Ram Reddy:** 2018.
- Sameer Desai:** And your R&D centre is also based near your factory?
- Ram Reddy:** We have two, three locations, everywhere we have R&D.
- Sameer Desai:** And all these products are developed in house by and large?
- Ram Reddy:** Most of them.
- Sameer Desai:** And what is the average capacity utilisation across the board. I presume you are all having a multipurpose plant right?
- Ram Reddy:** 60% to 70% you can take.
- Sameer Desai:** You have multipurpose plants right?
- Ram Reddy:** Yes, you are right.
- Sameer Desai:** So now of course I do not think you have any requirement to increase capacity further in next two, three years.
- Ram Reddy:** No, that is what I am telling. I think you have not heard the earlier.
- Sameer Desai:** Sorry I came in a little in the call, I just came in five minutes back.
- Ram Reddy:** There are two products, which were Acetonitrile, Morpholine, both we have taken the expansion, which will come by April, both the products will come into the streamline capacities.
- Sameer Desai:** Okay. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Sangeeta Purushottom from Cogito Advisors. Please go ahead.
- Sangeeta Purushottom:** Sir my question is with respect to the margin in Morpholine I understand that there was an anti-dumping duty, which was recently been removed, is that likely to have any impact on realizations and margins that is the first question. The second question is a followup on the discussion, which was happened earlier that you mentioned that the methanol prices that has

risen considerably and it may, if I am understanding right that it may take you a little bit of time to pass that on completely to your customers, does that mean that for a quarter or so we could see some pleasure on margin, just wanted to understand that?

Ram Reddy: Question number one that Morpholine, yes. This anti-dumping has been removed almost a month back – one month, one-and-a-half month back, it is September 18, 2016 I think they have removed, from that day we have not seen great difference in the margins, actually during the anti-dumping period also we were catering to the customers who are not affected with the anti-dumping. There are few companies who do the exports, for them the anti-dumping is not applicable, because they do not pay the duties. For those customers also we were catering by competing international without duty impact that means we have seen two, three months and earlier all these things taken into consideration, this is reason we have gone for the expansion of additional 7000 tonnes. Even today also in spite of this month's consumption we have lot of export customers to whom we are giving one or two containers now every month. Those people will come into the line and margins I do not think there will be any impact, as on today it does not look that there will be any great impact for the margins.

Sangeeta Purushottom: Yes, the second question please.

Ram Reddy: Methanol prices, yes you are right, it may take sometime for the passing, this will take, it is a matter of two weeks time, because majority of our raw material goes for the every essential commodities, it is bulk, I do not think anybody will afford to stop the production by looking into the price increase. They may reduce the capacities, they may wait for the opportunity to cut down the price, but people do not stop the production. So it will not have that great impact, maybe 4% to 5% that as I said in the earlier question answer, 24% may come down to 17% to 18%, but it will not go to negative.

Sangeeta Purushottom: Sir if it comes to 17%, 18%, is you saying that for the entire company or will it be limited to certain specific products?

Ram Reddy: This quarter, I am talking about this quarter.

Sangeeta Purushottom: This quarter.

Ram Reddy: Coming quarter it may happen.

Sangeeta Purushottom: Right, okay and Sir I had one more question that I think you have in your earlier calls you have somewhere guided to a 20% plus volume growth going forward for the next two to three years, if you could expand a little bit on that, so that we understand better what are the

drivers for your volume growth going forward and also over a longer term, which is say next two to three years, how do you see your margins panning out?

Ram Reddy: Overall growth, I told basing on the market growth. Total world market is growing around 10% to 15% in all the amines and specialty chemicals what I could see in last one, two years, looking into this our estimates it should go minimum 15% to 20% volume growth should take place that is what our assumptions and as regards margins earlier also I said even now also I am assured and now also I am telling the same thing, we may not dream for the same 24%, 26%, but definitely we are looking for this 17%, 18% we should stick.

Sangeeta Purushottom: Okay, alright. Thank you.

Moderator: Thank you. We will take the next question from Runjun Jain Individual Investor. Please go ahead.

Runjun Jain: Thank you for the opportunity. Sir just two, three questions, one is you said the methanol prices have increased, this is due to with the BASF facility got fire last quarter, so that is put on stream now or is it still out of production?

Ram Reddy: That they might have started. Actually this is not for entire product, only one product line that is basing at the EvoBase products like in our basket there are three products, dimethylaminoethanol, these are the few products that what has happened I will tell you indirect benefit even though they might have started now they might have streamlined after this accident, but during this two, three months period when the people were not getting the materials in short supply they identify us a second supplier, so that benefit we are getting it and where the shortage time we might have supplied 100 tonnes where we are supplying 20, 30 tonnes to each and every customers as a second supplier, where earlier nobody was knowing us that for this product there is another producer.

Runjun Jain: So you got benefited indirectly, but for a short duration, but do you think that you would be there in the books of the customers?

Ram Reddy: Definitely, this is very important product for everywhere, we are supplying this to US, Australia and Europe.

Runjun Jain: Great and Sir for methanol do you see that the prices to remain this way and what are the drivers could be for this price to go so high and so steeply?

Ram Reddy: I do not know this time I am unable to understand because there are, in Iran there are two, three plants taken the shutdown, normally they take one, two months shutdown, annual shutdown and this time that extended, people say that from April onwards the plants which

have gone for the shutdown will come into the stream and which are long pending will take turnaround with additional capacities, with debottlenecking and schemes of things and that may give some positive in the price point of view for I am expecting that May onwards prices should ease and should come down to the original level of Rs.17, Rs.18 because of the additional capacities, which will come into stream from Iran.

Runjun Jain: Sir for DMF just I missed the point you said that currently we are supplying now 700 to 800 tonne per day.

Ram Reddy: Per month.

Runjun Jain: Sorry per month and that kind of sales we are doing currently and have you seen any uptake in the prices, what is the price scenario currently?

Ram Reddy: That is the reason it is increased because the losses up to what extend we will sell, earlier we used to make even cost to cost, sometimes below cost also we sold 300 to 500 tonnes every month in earlier years. Last two months because the price has increased, so we are in a position to increase the offtake into the market and even for the exports also.

Runjun Jain: But still the prices are not reached to where you would like to be?

Ram Reddy: Right, we are expecting, maybe if continues like this for increasing, even methanol goes like this, how long they will do at lower prices, whoever is dumping in the country, they will have to take a call for increasing prices and that will automatically turn into the benefit to us also.

Runjun Jain: And even with this methanol prices going up that would also hurt them right?

Ram Reddy: Yes, methanol is the main major...

Runjun Jain: Raw material for it and Sir what is the reason that we have been taking so much time for the environmental clearance to come for Acetonitrile?

Ram Reddy: Not only Acetonitrile, I will just tell you for the location where we are there, still what happened, there is one bird called Indian Bustard, famous bird, which is only available in India, Rajasthan and in Maharashtra, in Solapur, and Ahmednagar. Unfortunately that bird Sanctuary is very near to this industrial area, after long time these people have recognized and they are declaring as a eco-sensitive zone, so during this process there is Supreme Court guidelines, if they not decided the border of that eco-sensitive zone, so you will have to consider automatically 10 kilometers from the border of current situation as a eco-sensitive zone where you are not allowed to do anything, even a small flour mill also is not possible,

so entire industrial area of Solapur, entire city, I can say city also has come into the eco-sensitive zone presently, so for that government of Maharashtra has already taken the initiative and even for us also we got the Acetonitrile with a condition that we should get this clearance from the National Wildlife Department, so that is in the process that is the reason it is taken long time for this thing, otherwise earlier years we used to get - within two months, three months we used to get, because of this bird issue it has taken long time now, once that is finished probably there will not be any hurdle for this area, not only for Balaji Amines, but any industry in Solapur that hurdle will go.

Runjun Jain: So you are hopeful that it would be get cleared by Q1?

Ram Reddy: It has to, they already given the clearance with a condition.

Runjun Jain: And Sir last thing, this you was explaining the cycle of Acetonitrile you were saying that it fluctuates and once in about three or five years it peaks or something?

Ram Reddy: Last two years I have seen two times, every year I was seeing there is a great change, Rs.110 to Rs.180, Rs.200 without any great impact in the raw material.

Runjun Jain: Though it is a very profitable business, but it would be a quite volatile.

Ram Reddy: Yes.

Runjun Jain: Okay Sure. Thank you Sir.

Moderator: Thank you. We will take the next question from the line of Anand Bhavnani from Sameeksha Capital. Please go ahead.

Anand Bhavnani: Thank you for having me back Sir. My question was about capex, so Sir you mentioned we have Morpholine and Acetonitrile facility which we have, over the longer in next three to four years what are the other areas where we might need capex and what could be the potential quantum?

Ram Reddy: As of now we have something in the pipeline, it is too early to disclose any of the new products, as of now I can only say that we will finish up these expansions in the next year then we will consolidate all the capacities of the entire three locations maybe 2018 and 2019 we may look for some new products and new expansions.

Anand Bhavnani: Sir, just trying to understand what is the current revenue potential of the company as of the capacities built today including the Acetonitrile, ballpark revenue potential?

Ram Reddy: If everything goes well, if all these plants run with full capacity that is including the DMF, which I am talking presently Rs.1000 to Rs.1100 Crores achievable capacities we have.

Anand Bhavnani: This is the figure, but we already hitting this, is not it?

Ram Reddy: Presently we are at 650, 700 level because the values have come down.

Anand Bhavnani: Okay, because the realization has fallen?

Ram Reddy: Right.

Anand Bhavnani: And Sir, given that, at this moment, we have plans just in the blueprint, so have you formulized any dividend policy, do you know cashing with the shareholders or is there an informal principle to which you adhere to when giving your dividend?

Ram Reddy: It is very difficult question. I cannot answer alone. It is a question of board has to take call for this.

Anand Bhavnani: Over the last couple of years we have seen some food color companies and dyestuff companies facing reduced competition due to stricter environmental norms in China and Sir for our sectors have we seen in Amine space lesser price competition because of these reasons?

Ram Reddy: Regarding this Amine, there is no competition from China, for your information methylamines, I think they have some regulation exporting from their country to outside country that is the reason methylamines has not been disturbed by them.

Anand Bhavnani: For you even derivatives like DMF we face some competition in China and Saudi Arabia?

Ram Reddy: Yes.

Anand Bhavnani: So there Chinese competition in DMF, has it sort of reduced over the last two years due to, let us say, shutting of plants because of environmental norms being strictly implemented in China.

Ram Reddy: That is already there, on and off every time they are doing unlike India, they have sometimes, not only that, even benefits also, as I said earlier I just checked in the China why they are dumping the DMF in India at a lower price because it is not that our technology is not good, we are not competitive and our cost of production is higher, it is not like that, even we are \$20, \$25 lesser than our China price for our methanol purchase, still it is happening, when we investigate this why it is happening then we came to know that one

interesting thing in China they change the export benefit very often like when I spoke to them for this product once it was 13%, once it was 9%, means Rs.100 of DMF is going outside China then they will be credited Rs.9 into their account and there in China, you know the people, because of their higher volumes, they are happy with 2% to 3% profit. They can go 6% below to the RM cost.

Anand Bhavnani: Yes that is very interesting insight that you said.

Ram Reddy: Managing all these days.

Anand Bhavnani: Yes.

Ram Reddy: Whereas in our country everything is pulled in one place, there I think they will monitor the inventory in the country also which product inventory and these are all interrelated they are doing it.

Anand Bhavnani: Okay and Sir in terms of margin targets how do we think of internally, do we target margins in rupees per tonne or do we target as a percentage of sales?

Ram Reddy: As a whole percent because when we have a lot many products, every product has got its individual dynamics in the market, some product does better in sometimes and some product does bad in sometimes, so that is the reason we go as a whole company, to target I cannot say the target, I dream that I should get 40%, but whatever is realistic, what we have seen for the past many years experience in the growth part and as well as the conjunction and user industry all these considerations taken into the thing, it cannot go beyond 20%, 24% maximum EBITDA margins it can be taken and below 10% also sometimes.

Anand Bhavnani: Okay, I will come back if I am more questions. Thank you Sir.

Moderator: Thank you. We will take the next question from the line of Kalpesh Gothi from Veda Investment. Please go ahead.

Kalpesh Gothi: Good evening Sir. So, how are the DMF prices are moving?

Ram Reddy: It is going a little, little going up, that is what I was telling in the earlier question, and there is some improvement in past one month.

Kalpesh Gothi: So it is going to reflect in Q4 only.

Ram Reddy: Yes.

- Kalpesh Gothi:** Sir what is the total capex for this year and next year?
- Ram Reddy:** Acetonitrile, I think we have already done, Rs.18 Crores was there, it is already spent. This is the plant being jewel plant, we cannot do the other products can be done in the same plant that is the reason, we already spent that money for the plant and Morpholine yes there will be Rs.25 to Rs.30 Crores total, which we are going to meet from the internal accruals. We are not going for any borrowings for this.
- Kalpesh Gothi:** For this full year it will be Rs.50 Crores.
- Ram Reddy:** Yes.
- Kalpesh Gothi:** Sir any outlook for the next year?
- Ram Reddy:** It is too early to say, only in the 2018 we may take up something. Some are there in the pipeline; we are doing some R&D in some of the products, which may take sometime.
- Kalpesh Gothi:** Okay, but not major capex?
- Ram Reddy:** Not this year because we have to consolidate that amalgamation is going on that Balaji Greentech issue was there, we just stopped that and that amalgamation thing is going on, so that is the reason it is may not possible this year to doing any other this thing, probably next year only we may think of any new thing.
- Kalpesh Gothi:** So when this amalgamation going to close?
- Ram Reddy:** By this quarter ending, by March 31, 2017 everything will be closed.
- Kalpesh Gothi:** Okay. Thanks a lot Sir.
- Moderator:** Thank you. We will take the next question from the line of Varij Bangur from Pico Capital. Please go ahead.
- Varij Bangur:** Thanks for the opportunity. I was asking that how easy is it for your process industry and market share, what is the switching cost to your customers, we are seeing that Alkyl Amine is also coming up with the capacity expansion in methyl amine with 5000 tonne per annum I guess, so is there any threat from that?
- Ram Reddy:** Which product and how many tonnes you said?
- Varij Bangur:** It is approximately 5000 tonne per annum Alkyl Amine?

- Ram Reddy:** 5000 is very small, something wrong you are talking.
- Varij Bangur:** Alkyl Amine is still coming with good capacity in methylamine product?
- Ram Reddy:** As I said earlier technology and investment plays a major role in this. Suppose somebody has invested about Rs.50 Crores for producing 100 tonnes capacity per day methylamine a year ago, today they have to spend almost Rs.200 Crores for that same capacity, so you are seeing that margins 10%, 12%, 15% you are talking, if you take that interest into the consideration, so that itself is a great edge for the older companies than the newer companies.
- Varij Bangur:** We have learnt in the previous concalls that this Balaji Amines have a cost advantage from most of its product compared to other domestic manufacturers and as well as global manufactures like BASF, is it correct?
- Ram Reddy:** You are right, we have the lower, because our plants are very old and we are running very efficient and very bigger capacities like I said methylamines we have two plants, one is about 70 tonnes per day and another is 100, 110 tonnes like that 180 tonnes per day gas we produce, probably in BASF is having only one plant this type of capacity, you understand and that to with the same management and same team, same finance, we do not have the additional over edge, so that make a lot of difference for us in the competition, this thing.
- Varij Bangur:** I am still little confused about the methanol pricing contracts like H1FY2017 you said that we had a volume growth of about 20%, till our sales were flat in H1FY2017, so was there a price decline of say 20% and you could not pass it on to the end customers?
- Ram Reddy:** Both the reason power cost you can take, one reason we could not pass on total, full, whatever it is, actual this methanol increase has come, taken place in this month only, I can say it is only in the majorly in the January, till December it was good, it was below 17, 18 only because there was no value hike earlier, now you will see this value hikes from this month onwards.
- Varij Bangur:** So if the prices are on a rising track then you can get benefits from your supplier?
- Ram Reddy:** Either both ways sometimes you will get benefit sometimes customer gets benefits.
- Varij Bangur:** Thank you very much Sir.
- Moderator:** Thank you. We will take the next question from the line of Anand Bhavnani from Sameeksha Capital. Please go ahead.

Anand Bhavnani: Thank you Sir again for the opportunity. I just wanted to understand a bit more clearly about Great Indian Bustard Sanctuary, which you are telling has currently led to plant not being operational?

Ram Reddy: I am sorry while talking you just listen properly this creates a problem. I am not telling plant non-operation, every plant is running, whatever is there, I am telling about the new expansions, environmental clearance are getting delayed because of that.

Anand Bhavnani: That is what Sir, I mean, for the new plant the environmental clearance is being awaited, so Sir, what is the stage of it, is it likely to be...

Ram Reddy: To be done in next two, three months maximum time it will take, it maybe coming up the next meeting, they have already issued the clearance with the condition that you should go from this eco-sensitive zone should be declared, which is already in the process.

Anand Bhavnani: Okay, fine Sir. That is it from my side.

Moderator: Thank you very much. As there are no further questions from the participants I would request Mr. Reddy to conclude with his final thoughts.

Ram Reddy: Thank you, Mr. Vipul. Thank you everybody for asking the questions and understanding the things, I hope that everybody has got clear idea of the company and if any further questions like figure base, percentage base, if you have anything please you can send a mail whereby the concerned person will answer you exactly whatever is your requirement, so anytime whenever you have any doubts, because sometimes it happens, I have seen earlier, in understanding the answers, it is misinterpreted and it has gone misunderstanding over the entire community, so if anybody has got in a small doubt also you are always welcome to ask us, drop a mail, we will love to answer all of your queries and once we finish this amalgamation things probably everything will be on the right track, so thank you. Thank you very much. Thank you everybody.

Moderator: Thank you. Ladies and gentlemen on behalf of Ambit Capital that brings us close to the end of the conference. Thank you for joining us. You may now disconnect your lines.