Transcript

Conference Call of Balaji Amines Limited

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Presentation Session

Moderator: Good afternoon, ladies and gentleman. I am Momita, moderator for this conference. Welcome to the conference call of Balaji Amines Limited. At this moment, all the participants are in listen-only mode. Later, we will conduct a question and answer session. At that time if you have a question, please press * and 1 on your telephone keypad. Please note that this conference is recorded. I would now like to hand over the conference to Ms. Shilpa Modi. Please go ahead ma'am.

Shilpa Modi: Good afternoon, ladies and gentleman. On behalf of Kirin Advisors, I welcome you all to the conference call of Balaji Amines Limited. We are discussing today the company's results and future plans. We have with us Mr. D. Ram Reddy, the Director, Balaji Amines Limited. I will now hand over the call to Mr. D. Ram Reddy to give you the overview of the company and the developments during this quarter. Sir, could you please take over, thank you.

D. Ram Reddy: Good afternoon everybody, this is D. Ram Reddy, Director Commercials of Balaji Amines Limited. As discussed we have just finished first quarter results and recorded net sales of 136 cores and net profit of 9.37 crores, which is 30% higher than the last year. With regard to expansions, we have finished the methyl amine project of 30,000 tonnes in March 2012 and now the di-methyl amine hydrochloride project of 7500 tonnes is in full swing, which will start by end September and for the DMF, we will be finishing by December end or first week of January for the 30,000 tonnes of dimethylformamide plant. The total project is also in full swing. That is all for this quarter. If you have questions, please ask.

Question and Answer Session

Moderator: Thank you, sir. Ladies and gentleman, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. The first question is from K. H. Batra. He is an individual investor. Please go ahead, sir.

K. H. Batra: Yes, Mr. Ram Reddy, good afternoon, sir. How are you, sir?

D. Ram Reddy: Good afternoon. How are you, Mr. Batra?

K. H. Batra: I am fine, all well. Just wanted to know how is the capacity utilization of our new capacity of 30,000?

D. Ram Reddy: Mr. Batra, this 30,000 capacity was actually created for the raw material of DMF, it was the main aim, as we have not started the di-methyl formamide plant, now we are running the plant at 30% to 40% capacity and selling the raw material of DMF, that is di-methyl amine, in the market now.

K. H. Batra: Okay, so to that extent we are utilizing the capacity.

D. Ram Reddy: Yeah.

K. H. Batra: Yeah, I just wanted to know what is the importance of the certificate of this PVPK- 30. Can you just explain me in detail about what is it?

D. Ram Reddy: You mean European certificate?

K. H. Batra: Yeah.

D. Ram Reddy: You see normally all pharma ingredients exports to EU require many regulatory certifications. Like, if you want to sell in India, you need to have Indian Pharmacopeia and then local GMP and then the next is GMP , WHOGMP, then you have this DMF, European DMF and then you have the US FDA, this is the sequence. So, we have completed upto WHO GMP and recently the European DMF, whereby we can target some of the European pharmaceutical companies, not only that, but Indian companies who are doing work for the European pharma companies can buy material from us for their European requirements.

K. H. Batra: Okay.

D. Ram Reddy: So, after this also, there is another hurdle. The buyer do their own stability data, as they call it. They take a small sample, say a small batch of 100 kg, or 200 kg and then they go for the stability data at their end product for every six months to eight months, and then they go for the bulk buying.

K. H. Batra: My second query was, how is the current price realization in the business in our domestic market and in our international market and how is the situation of our raw material and how are we sourcing raw materials?

D. Ram Reddy: See, as to raw materials, there is no problem, it is like last year. Maybe this year the new thing is BDO which was not available earlier, this may become a little easy. We are getting BDO, not only BDO, more than that we are getting GBL, gamma-butyrolactone, next to BDO, sometimes if the BDO is not available , we can close BDO operations and we can buy GBL directly. The situation has come now; we are buying some GBL from Malaysia as it is cheaper than BDO. Likewise, methanol also, there was some problem for about 15 days from the Iranian methanol because of US sanctions. Bringing the methanol to India was a problem for 15-20 days and other people have taken note and they started bringing the material from other sources and now it has become comfortable and is easily available. These are the main advances. The only other raw material I see because of the low rain and low sugarcane in the country, alcohol, which is the raw material for ethyl amine is likely to go up, has already started going up. But we are lucky that we can pass on this to the costumers because Europe is also sailing in the same boat. In the European market also there is a short supply of alcohol and ethyl amine price is high in the European markets, Mr. Batra, as I said earlier, see, the margins are fixed like 12% to 18%, situation will not allow to increase more than that. Every time this is happening, somebody is having goods and somebody will increase their capacity globally. Likewise, what I said, if there is a good market for the ethyl amine I can encash it, but within 15 days it will become the same that the raw materials are in shortage and raw materials are also going up. We may get one or two weeks or three-four weeks advantage every time, but it cannot run in today's scenario, today's competitive market, world markets.

K. H. Batra: Okay. How our product differs compared to Alkyl amine?

D. Ram Reddy: Which product?

K. H. Batra: Overall, if we compare the...

D. Ram Reddy: Alkyl is into ethyl amine and methyl amine and some of the methyl amine derivatives. The main thing is in ethyl they were having bigger capacity than us, so all these days their main focus was only ethyl amine. In methyl amine, Alkyl and RCF put together, they are less than 50% to us, they have very small capacities, both together because Alkyl maybe has some 15 to 20 tonnes of methyl amine capacity per day and RCF maybe has some 10 to 15 tonnes per day whereas we have, all old and new put together, 170 tonnes per day capacity for the methyl amine. And Ethyl amine, they may be having, I do not know what figure, may be around 20 to 25 tonnes per day, 25 or 30 tonnes per day maximum per day capacity of Ethyl amine and as against we have 15 to 17 tonnes of Ethyl amine capacity per day and with regard to derivatives, we have many other products like specialty chemicals Morpholine, NMP, NEP, PVP-K and Choline Chloride, DMU, which they do not have. I will tell you one significant thing in methyl amine, see, when you manufacture methyl amine you need to take DMA, MMA, TMA, di-methyl amine, mono-methyl amine, tri-methyl amine by default

K. H. Batra: Okay.

D. Ram Reddy: Without the adusting the plant(by default), if you simply draw these products you will get good yield. Suppose there is no market for the MMA, you want to recycle the MMA and you want to take more DMA because of the market situation, then your raw material consumption will go up, and also your cost will go up. There we are in the advantageous stage because we have the MMA consumption product; we have the TMA consumption product, whereas our competitors do not have that. Only DMAHCL they have to some extent. I think for the DMA itself they have a small capacity as against the world's largest capacity that we have.

K. H. Batra: In my last query, I had asked for how are the current price realization of your products? How is the situation of the demand and supply and how is our capacity utilization at present, overall?

D. Ram Reddy: Methyl we are using 100% capacity.

K. H. Batra: Okay, yeah.

D. Ram Reddy: Ethyl we are using 100% capacity, in fact it is going in short supply, Ethyl amine, because I don't know, Alkyl has got some water problem…

K. H. Batra: You mean, methyl is going in short supply at present?

D. Ram Reddy: No, our old plant is running full capacity and the new plant we are just slowly, increasing, because if I increase to full capacity, tomorrow and we start our DMA plant, then again, I will not be in a position to keep up the commitment for the DMA. So, that is the reason whatever surplus available we are giving to the other people, we are developing to that extent the market for methyl. And ethyl we are running at full capacity and Morpholine is running at full capacity, NEP is running at almost 80% capacity, NMP is running at 70% capacity, di-methyl amine hydrochloride is running at 100% capacity and this PVP-K is not running fully, the reason is these regulatories, it is running some 30% capacity, 30% to 40% capacity.***K. H. Batra:*** When you feel that PVP-K will start running at higher capacity? How is the demand-supply situation over there?

D. Ram Reddy: See now, for , demand-supply there is no issue, demand-supply there is a lot of gap, , the only thing is the people have taken small batches, like two-three big companies have taken 100 kg, 1000 kg, they have taken for their stability data, which may finish in the next two to two-and-a-half months, but we need minimum six to eight months to gear up full swing

K. H. Batra: For performance…?

D. Ram Reddy: For their individual quality, so the companies which we have given they say that they may take another two to three months' time, so once that is done, we can reach the capacity.

K. H. Batra: Okay. Who are our customers actually, internationally, for this PVP-K 30?

D. Ram Reddy: PVP, internationally, but to be direct I am targeting domestic market, all these big players like Dr. Reddy's, Aurobindo, Ranbaxy, Granules, Sun Pharma, US Vitamins, are customers for us, because they are already buying other raw materials and they are the suppliers for the European markets.

K. H. Batra: Oh, I see.

D. Ram Reddy: And we have some customers directly in Europe also, like WIEFA is one company where we have given some samples. There is one big company; I don't not know the exact through trading it is going, we have already submitted 150 kg material to the US market, around 7 to 8 tonnes material is already given to European market also.

K. H. Batra: Okay. How will be the margin from this product, overall? When we reach at higher capacity?

D. Ram Reddy: Margins are very good, but situation should permit us to encash that.

K. H. Batra: Okay. How long it will take to…?

D. Ram Reddy: Today I have taken out some import data for this material; forget about the export market, if I take the domestic market, people are buying this product at 850 rupees per kg as against an offering at 550 rupees. At 550 also we have a very comfortable margin.

K. H. Batra: Oh, oh, so fantastic potential…

D. Ram Reddy: Also we have very comfortable margin. What happens, all big companies, because there is a big gap between the user and owner, you know the user, the lower level, the QC below, he doesn't want to change the documentation, he doesn't want to take the pain to changing all the procedures. Wherever the top management is involved, they immediately take decisions I tell you one of our big customer , their executive director has visited our plant because if they buy they can save 50 lakhs per month, like that all big companies are just looking, once they start then everybody will start, so this is the situation.

K. H. Batra: Okay. That is very nice. I just wanted to know, who are our competitors now in the field, domestic and in the international market?

D. Ram Reddy: For the PVPK?

K. H. Batra: Yeah.

D. Ram Reddy: PVPK we are the only people in the country. Apart from China, China we don't consider and we don't calculate, other than China, we are only three people in the world, one is BASF, second is ISP, and Balaji, that's all. We are only three companies in the world to make this, other than China.

K. H. Batra: Okay, and what about methyl amine, who are our competitors?

D. Ram Reddy: Methyl amine, we are competing with Taminco, which is Europe's biggest company you could say and they have many locations all over the world, including China. In fact, they are looking for some footprint in India also, so we are competing with them in the derivatives as well. We will compete for DMF also, they will be main competitors for us for the DMF . Of course, Alkyl is there in India and outside they have many, BASF, competitors outside India.

K. H. Batra: Do we have any competitor in our surrounding area where our plant is situated?

D. Ram Reddy: For which product you are talking?

K. H. Batra: Overall, with any of the products?

D. Ram Reddy: No, we don't have anybody other than Alkyl. Alkyl is in Kurkumbh. We have customers. We have many people around, surrounding, who are consuming our products.

K. H. Batra: Okay. What is the total area of our unit, sir?

D. Ram Reddy: See, the old plant, that is in Tammalwadi Unit 1 we call it, it is about 28 acres.

K. H. Batra: 28 acres, okay.

D. Ram Reddy: And Unit 2 we have some 5 acres.

K. H. Batra: In Unit 2 around 5 acres.

D. Ram Reddy: 4 to 5 acres that is in Hyderabad and Unit 3, where we are starting all this products…

K. H. Batra: Unit 2 is at Hyderabad?

D. Ram Reddy: Hyderabad, that is Bollaram Industrial Area. And Unit 3 is in Chincholi, MIDC, where we are going to do all these products that we have 40 acres.

K. H. Batra: Okay, so total we have three units.

D. Ram Reddy: Yes, three facilities.

K. H. Batra: Okay, and three facilities. And the hotel project that is coming up, is it part of 28 acres or it is different?

D. Ram Reddy: That is different.

K. H. Batra: It is different. That is a different area; that is altogether different, so that has nothing to do with this area.

D. Ram Reddy: Apart from this, our company owns about 39 acres in one place and around 20 acres in another place; these were all bought for some purposes like for water shortage, we purchased 20 acres in one area where we could have water for emergency.

K. H. Batra: 39 acres at one place and 20 acres at another place?

D. Ram Reddy: Yeah.

K. H. Batra: Okay. Do we have any benefit of the particular site Solapur for our business, any locational advantage?

D. Ram Reddy: It is really not a locational advantage, but now if anything I want to do new, then it is locational advantage, because I have all these facilities in this location. If I want any new plant, rather than going to any other area, this will be the choicest of place because we have all facilities, otherwise it is not locational advantage because everything I buy from the Mumbai market and sell everything there.

K. H. Batra: Okay. And now this weakness of the rupee, how it is going to benefit or do we have any disadvantage because we have import also?

D. Ram Reddy: Earlier, all these days we are the net importer, like our imports are more than exports, so till recent, we were having some gap around 10 to 20 lakh dollars were open all the time. From last month we have made a policy, like this happens always, import and export is equal and any difference is pre-covered for the forward coverage.

K. H. Batra: Okay.

D. Ram Reddy: At this point, I will tell you, I have about 32 lakh dollars is my export receivables, so I have some 40 lakh dollars in import, so 8 lakh dollars we have already covered.

K. H. Batra: Okay. Now my last query is I just want to know about the organization chart, management chart. Can you just brief on that, so that…?

D. Ram Reddy: It is very simple. We have our MD who is based in Hyderabad, Mr. Prathap Reddy.

K. H. Batra: Okay, Prathap Reddy.

D. Ram Reddy: Under him we are three directors, myself, Mr. Rajeshwar Reddy, and Mr. Hemanth Reddy. Mr. Hemanth Reddy is assisting our MD with financials and for Unit 2, which is in Hyderabad. Unit 2 operating project is taken care of by Mr. Hemanth Reddy . I look after all commercial activities, like import, export, purchase, marketing and all. And my co-brother Mr. Rajeshwar Reddy is taking care of all execution part, like manufacturing, logistics, etc And we all report to our MD and under us we have the general managers, AGM, DGM, and under them managers.

K. H. Batra: How is the now current slowdown whether it is affecting us, global slowdown?

D. Ram Reddy: No, because last quarter was worse for the European side…

K. H. Batra: I know, I know, yeah.

D. Ram Reddy: But we were not affected very badly because we have done fairly well for the last quarter also. I don't think the situation will go worse than this.

K. H. Batra: Okay, okay. What are the projections for the current year?

D. Ram Reddy: See the current year, we may do, if everything goes like this, about 550 to 600 crores for the annual turnover.

K. H. Batra: 550 to 600 crores?

D. Ram Reddy: Yeah.

K. H. Batra: And how much will be the export in the current year, approximately?

D. Ram Reddy: Presently we are doing around 22%, so we are targeting 30%. Before the end of the year we should be reaching the target of 30% of the total sale should be export.

K. H. Batra: You said 30 or 40?

D. Ram Reddy: 30%, this year we should…

K. H. Batra: 30%, okay, that's very nice, 3-0, okay…

D. Ram Reddy: Once we cross this 30%, then we will become net…

K. H. Batra: Exporter?

D. Ram Reddy: Yeah.

K. H. Batra: Very nice. Thank you, sir. Thank you.

D. Ram Reddy: Most welcome, most welcome, Mr. Batra.

Moderator: Thank you, sir. The next question comes from Bosco Menezes. He is an individual investor. Go ahead, sir.

Bosco Menezes: Good afternoon, Mr. Reddy.

D. Ram Reddy: Yeah, good afternoon, sir. Can you speak a little loudly?

Bosco Menezes: Yes. Initially I want to just ask a couple of questions regarding our diversification. First on Balaji Greentech; what was the rational for initially entering the CFL business and what is the rational for now increasing your stake in this company. And secondly some brief about the CFL industry. It is a low-margin volume game now? Thirdly, is Greentech only manufacturing its branded products under the Zora brand or does it also do some contract manufacturing for other brands? Also my last questions would be regarding Greentech, LED bulbs and LED lighting devices, is it a threat to the CFL industry?

D. Ram Reddy: LED, we are going, in fact, just let me brief, you see, originally we were having close associates started with some of our investment also, we had initially started this Balaji Greentech and there is another company called Balaji Sourcing Private Limited, so these are the two companies, Balaji Sourcing is doing only trading of the various chemicals other than our products. Like methanol which we import, we both together import and they will sell in the market and we will use for our consumption, like that we have many chemicals, now since it is not our core area, trading is not core area, when we are getting some price, today we are getting 20 rupees per share for that investment what we have done, so we will be getting about 1.8 crores by selling some 30% stake of Balaji Sourcing and with regard to Balaji Greentech, presently they are doing, job work for many big people like GE, Wipro, Cema, like four-five companies we are doing and we are also simultaneously developing our own brand like Zora. Since there is a lot of opportunity for expansion, assets are the reason we are attracted to that side, investing small money we are getting major share hence we have entered into that and with regard to LED, in fact they have a plan to go for LED also, manufacturing of LED lamp.

Bosco Menezes: Okay. The next question would be regarding the hotel project. Can you just elaborate on the nature of the deal with the Sarovar Group to manage this hotel? How exactly would revenues be shared between Balaji Amines and the Sarovar Group?

D. Ram Reddy: Actually, for the operators, they have two types of modus, one will be to just develop take the lease, lease out and you take the lease and sit, that is one way and the second is the balance sheet will be with you and we will be sharing on top line something and bottom line something, which we have opted for. We will pay some 5%-6% on the annual turnover and we will pay them 2-3% on the bottom line, net profit, so all put together it will work out some 6%-7% on the top line it will go and all expenses, like all, everything will be, they will be on our muster.

Bosco Menezes: Okay. My next question is regarding, again, PVPK- 30. Now this plant has been ready for I think three to four years and mostly producing I think technical grade PVPK- 30 and now you have got this Certificate of Suitability. First of all, why did it take almost, 3 years plus to get this certificate and were there any particular reasons for that or does it normally take this much time to get this certification?

D. Ram Reddy: Normally when you go for this certificate you need at least minimum 18 to 24 months stability data. Once we manufacture, we have to keep them stable for various tests, so until otherwise you put in 18 months, you cannot call for the auditing also. Otherwise you can do for the domestic, small, small things you can do, but at least for pharma you need this 18 months data at our end and they need for their end product data also may be six to eight months, it depends on their internal policy.

Bosco Menezes: Right. Now this plant, can you just confirm first of all what is the capacity of the plant and secondly by when would you be able to see a scale-up happening because in your earlier answer I think you mentioned that the current utilization is around 30%, so when would the scale-up happen and when could the plant be running at its rated capacity and finally in terms of numbers, what turnover can it generate at its rated capacity, if you could just mention these three points, firstly the capacity of the plant.

D. Ram Reddy: It has got 1200 tonnes capacity, annual capacity. Presently we are producing and selling around 35 to 40 tonnes per month and partly pharma grade also.

Bosco Menezes: So, when could the scale-up happen, basically?

D. Ram Reddy: It may take around six months, next year probably, next full year we will reach minimum 70% capacity.

Bosco Menezes: Okay. My next question is now, this year you have done sales of 450 crores and in your earlier answer you had mentioned that for the current year you would be aiming for around 550 to 600 crores. Now, basically, I think PVPK-30, the benefit, most of it we are going to see next year and so also the new DMF capacity, so, first of all, this 550 to 600 crores, was it a consolidated number or a stand-alone number and also could you give the projections for the next year also, on stand-alone and consolidated basis?

D. Ram Reddy: This is total consolidated I am telling you. Honesty speaking, I have not taken full capacity of the PVPK. I am just going on conservative basis and talking. See, we are talking FY13, 14 and 15, by the end of 15, if all the capacity we utilize without spending more money, once we finish this DMF expansion, we should cross minimum 800 to 900 crores annual turnover.

Bosco Menezes: Okay, 15-16?

D. Ram Reddy: Yeah, 15.

Bosco Menezes: Yeah. Thanks. Mr. Reddy I am through with my questions, thanks.

D. Ram Reddy: You are most welcome, thank you.

Moderator: Thank you, sir. The next question comes from Sarika Kukshya from Prabhudas PMS, please go ahead.

Sarika Kukshya: I wanted to understand what's the status on the pledged shares? How soon would be in a position to kind of get rid of some of the…?

D. Ram Reddy: Can you speak loudly? I am sorry, can you loudly?

Sarika Kukshya: I wanted to understand what's the status on the pledged shares…?

D. Ram Reddy: Sorry?

Sarika Kukshya: On the pledged share…

D. Ram Reddy: Pledged share, oh…

Sarika Kukshya: Yeah, yeah.

D. Ram Reddy: See, these shares are pledged with the banks where you have taken the term loans against our personal shares. These are loaned to the bank for taking the term loans to the company.

Sarika Kukshya: Okay, so what's the duration, time duration for paying them back?

D. Ram Reddy: Can you repeat?

Sarika Kukshya: What's the duration for paying back the loan to the bank?

D. Ram Reddy: This is you see, we have kept, to give them more comfort, probably once we finish this hotel project, we may give the hotel to them, because why I am telling, hotel, we are taking a very small loan about 30 to 33 crores and this will become 100 to 120 crores property very next one and one and a half year, by that time we may request all the banks to release the shares and for their comfort we can keep this hotel block.

Sarika Kukshya: Okay. So, probably one year down the line it could be possible that we be will kind of in a position…?

D. Ram Reddy: You are right.

Sarika Kukshya: Any benefits from the disinvestment also? It is possible that some amount, which we probably would kind of gain from the disinvestment of our holdings?

D. Ram Reddy: No, not really. We have not started.

Sarika Kukshya: All right, thank you.

D. Ram Reddy: You're most welcome.

Moderator: Thank you. Next question comes from Ajit Surana from Dimensional Securities. Go ahead, sir.

Ajit Surana: Hello, Mr. Reddy.

D. Ram Reddy: Hi, Mr. Surana. Go ahead.

Ajit Surana: What is the cost advantage that you have over the international competitors? I mean, I am talking average across the products.

D. Ram Reddy: Probably you must be listening to my earlier answers. The main things are very simple. There are only one and two procedures. If you talk about any international company like BASF, if they want to sell about 10 tonnes there will be at least six to seven people coming for this talk. There will be manager, AGM, DGM from the market side, etc. This is one main reason I am telling why we have low overheads. Second thing, we have our in-house R&D, so many products we have this low raw material emulsion, in spite of our being in a remote place, if you take up our methyl amine, our raw material consumption and technology is equivalent to top companies in the world who are producing methyl amine. Like if I tell you, PVPK- 30, it is just a latest product. We have produced this product without using one raw material whereas my competitor BASF is using one additional raw material in this product, so like that we have some technical advantage and some Low cost overheads.

Ajit Surana: So, what is the CAPEX expected in 12-13 and 13-14?

D. Ram Reddy: 13-14, nothing is there. As of now we have not decided anything, but this current year, only ongoing projects are there because about 15-20 crores is left to be spent for this DMF plant, which we will be finishing by March and around 20 to 21 crores is for this hotel project, which will be finished again before 31st March. After this we have not thought of going for any CAPEX until otherwise we bring down the debt, because you are going on spending continuously and now we will take some break and we want to run full operation of all these plants, 100% capacity, as I said for the earlier queries, we want to reach 900 figure and then we may think of for going of any new CAPEX.

Ajit Surana: So, you are saying that you can do 900 crores turnover with the existing capacities?

D. Ram Reddy: You are right. Once we finish this expansion, we can do 900 crores.

Ajit Surana: Okay. See, what was the rational of going for a hotel project?

D. Ram Reddy: We had, about 3 to 3.2 acres in the center of Solapur city and Solapur is short of rooms. Even today we will not get the rooms, and there is a good budget business in Solapur that is number 1. Number 2, we would like some sort of de-risking also you can say, like if you go for a chemical plant, when you provide for the depreciation actually there will be some depreciation, whereas in the hotel project other than some equipment, there will be appreciation for the land and building. Like you see, I will tell you an example. When we bought his property, 3.2 acres it was almost 1.5 to 2 crores for the entire piece of land. Today, that land cost itself is 25 crores, market value of that land cost, and the building and all the investments, which we are doing for building the hotel, that is another 50 crores, so it will become 80 to 90 crores over a period of one and one and a half years, this will become 100 to 125 crores block as against a small debt of some 30 to 32 crores.

Ajit Surana: What are the ARR expected for the Solapur hotel, average room rate?

D. Ram Reddy: Average room rate, we are looking for 4000 to 5000, 4000, 4500 we are looking at.

Ajit Surana: That high in Solapur, 4000 to 5000?

D. Ram Reddy: It is already there.

Ajit Surana: It is a 5 star hotel, this one?

D. Ram Reddy: Yeah, yeah. Three star hotels are there, they are already charging 4000 rupees, and we will be matching by giving 5 star facilities.

Ajit Surana: And what are the occupancy you expect in 13-14, 14-15?

D. Ram Reddy: First year it may be 40%…

Ajit Surana: 30?

D. Ram Reddy: 40% and next it will be definitely 60% to 70% and we are more targeting on the banquets, we have very big banquet facilities. Here in Solapur you will see lot of banquet business for the marriage and conferences…

Ajit Surana: In that case, what will be the radio between F&B and rent, I mean ARR in the first year and the second year, approximate figures?

D. Ram Reddy: Give your email ID and I can send it in detail.

Ajit Surana: Okay fine. We will send you a questionnaire afterwards. Okay, in terms of projection, what turnover you expect in 13-14, 14-15?

D. Ram Reddy: See, this year I said its 550 to 600 crores, and then 600 to 650, over a period of next year we will reach 900 crores that is the target.

Ajit Surana: Fine. Do you think you will be able to manage your existing EBITDA margin?

D. Ram Reddy: Yeah, we will. We should be better and that is the reason I am telling you, reducing the debt…

Ajit Surana: Okay, what is the current debt in the books at the moment?

D. Ram Reddy: It is about 115…

Ajit Surana: Okay and what is the interest liability, what is the rate of interest?

D. Ram Reddy: Rate of interest is about 12.75.

Ajit Surana: And how much of this interest is not charged to revenue in 12-13, 13-14, because you will be having some expansion plan, so the properties or the added benefit…

D. Ram Reddy: See, by 31st March all expansion will be finishing. There will not be any…

Ajit Surana: Part of the interest will go towards capital expenditure, so what will you charge to revenue?

D. Ram Reddy: Yeah, that will go, some part will go to the capitalization into the project.

Ajit Surana: So, what will be the approximate charge to revenue?

D. Ram Reddy: That we will have to bifurcate, because one plant is already commissioned, one will be on September end and one will be by December end…

Ajit Surana: That's why I am saying, what will be the approximate figure? Okay, I will send you an email, so that you can answer that later.

D. Ram Reddy: I will send you the correct, exact figures.

Ajit Surana: And depreciation figures for the next three years, 2012-13, 2013-14, 2014-15, because the plants, they are coming at different stages, so it becomes difficult to calculate the depreciation.

D. Ram Reddy: Yeah, this year only it will be difficult. Next year there may not be any addition.

Ajit Surana: Yeah, this year will be approximately how much?

D. Ram Reddy: This year you are talking?

Ajit Surana: This year, 2012-13.

D. Ram Reddy: This year, about 40-45 crores And for this it will be one will be half year and one block will be only three months. So, we will be getting about, hello?

Ajit Surana: Okay fine, I am listening.

D. Ram Reddy: See, around 12.

Ajit Surana: 12 crores?

D. Ram Reddy: 12 crores will be there.

Ajit Surana: Okay. And do we have any patents? You said you have R&D facility, you have your technologies as good as the best in the world; do you have any patents?

D. Ram Reddy: We have filed for all our latest products . We have filed even including TEBAC we have filed.

Ajit Surana: Sir, there was an inventory buildup last year from 70 crores to 107 crores, what could be the reason for this?

D. Ram Reddy: That was only because one raw material was in short supply volume that is BDO, which is raw material for the NMP, EP and PVP K. Now, the situation has improved, so we need not do that. Last year, last before it was available and last sometimes it has come to zero level, then we procure this over a period. Because there was uncertainty in the availability and that is the reason we were having more inventory.

Ajit Surana: Okay, globally do you see a trend where chemical manufacturing is shifting from developed world to developing world, because of the pollution problems?

D. Ram Reddy: For your information in all our three plants have zero discharge. We spend lot of money on preventing the pollution, because it is not short term, it is a long term business. So, we have to look for the next ten-fifteen years. We don't want people to point a finger at us, so that is the reason we have to spent lot of money on the environmental aspect. So, there is no question of shifting as long as you maintain it environmental friendly ,further for example in Methyl Amine the people who spent earlier and who created the facility, tomorrow the new comers will not be able to create it at that cost and with those advantages.

Ajit Surana: Okay. And one last question, are you going to start your R&D activity for other products or we are going to just stick to the three products we have at the moment?

D. Ram Reddy: We have many in the pipeline. I cannot disclose it, but many are in the pipeline. We have a full fledged R&D, where the products are in pipeline. But because every time we are going on adding the capacities and going on spending the money, we are just taking the decision only that this time we want to give holiday for a year, then we will come out with those products which are under R&D.

Ajit Surana: Okay. Thanks a lot Mr. Reddy, really appreciate your answers. Thank you.

D. Ram Reddy: Most welcome. Thank you.

Moderator: Thank you sir. The next question comes from Mr. S Venkatesh from INGA Capital. Please go ahead.

S Venkatesh: Hello.

D. Ram Reddy: Yeah, go ahead.

S Venkatesh: Yeah, this is Venkatesh here from INGA Capital, INGA Capital.

D. Ram Reddy: Yeah, Mr. Venkatesh. How are you?

S Venkatesh: I am fine sir. Just couple of questions basically, I just have your cash flows for the first quarter, so I just checked out the cash flows for the 2011-12, so I had a couple of queries regarding cash flows in FY11-12, is it okay to take it up at this point of time?

D. Ram Reddy: If it is handy I will tell you, otherwise I will ask you to send an email.

S Venkatesh: Sure. Sir, basically one thing regarding capacity utilization, nothing has been mentioned in the annual report, what is the reason for the same? In the annual report there is no mention about the capacity utilization, so as an investor one would want to...

D. Ram Reddy: Earlier we used to mention.

S Venkatesh: But, isn't it mandatory?

D. Ram Reddy: It was mandatory earlier.

S Venkatesh: Even now it is mandatory.

D. Ram Reddy: Revised, it is not mandatory.

S Venkatesh: No, but it gives at least a bird's eye view of the total capacity utilization and the kind of CAPEX which you are going through would help us at least in evaluation of further need of CAEPX.

D. Ram Reddy: Yeah, it may give some positive for you as a banker, but it may give information also to my competitors and the upcoming new competitors.

S Venkatesh: Okay. I hope this year we should get all the details.

D. Ram Reddy: You can send a mail, I will reply you. And new product wise, how many tonnes and how many phases also I can send you, no problem.

S Venkatesh: Okay, fine. And my second question is actually regarding the cash flow, what I am looking at is the operating cash flow 53 crores last year against which we had a CAPEX of 59 crores. So, the entire operational cash flow we are spending towards capacity that may be part towards your hotel project and part towards your new plant.

D. Ram Reddy: You are right.

S Venkatesh: The secured loans of 21 crores which will be taken, is exactly to the extent of the interest to be paid of 21 crores. So, are we just refinancing our interest, is that to be assumed?

D. Ram Reddy: No, no.

S Venkatesh: Because that is what I could make out from the cash flows.

D. Ram Reddy: No, no. Can you send a mail? I will send you the detailed reply. You just note down my email ID ram@balajiamines.com.

S Venkatesh: Okay, sure. I will send them. And finally sir, regarding this hotel project, that is my last question, only one concern I have got. In TripAdvisor if you go and see today, the rates are like Rs.1500 to Rs.2000 for a hotel in Solapur. I don't know what kind of IRR we would have.

D. Ram Reddy: That is Rs.4000, I am sorry that you do not have the updated information.

S Venkatesh: No, no, I have checked it, TripAdvisor, even a day or two ago, three star to four star hotels we are getting almost around Rs.2000 per day room rate.

D. Ram Reddy: You may get in Hyderabad; you may get in Bombay, because of the competition, but not in Solapur.

S Venkatesh: Okay, fine. Whatever is the details sir, should I send a mail to you in the same address?

D. Ram Reddy: You can send Mr. Venkatesh. One more thing I want to tell you. You are part of the consortium member ING Vysya?

S Venkatesh: No, no, I am not part of ING Vysya. It is a different merchant banking outlet, it is INGA Capital.

D. Ram Reddy: Okay, okay.

S Venkatesh: We are not part of ING Vysya group.

D. Ram Reddy: Not ING Vysya. ING Vysya will not give the money like that for refinancing interest and all.

S Venkatesh: Okay, fine enough. I will send you my questions.

D. Ram Reddy: Okay, okay.

Moderator: Thank you sir. The next question comes from Mr. Manav Vijay. He is a private investor. Go ahead please.

Manav Vijay: Sir, good afternoon. Just a couple of questions.

D. Ram Reddy: Yeah, very good afternoon.

Manav Vijay: Sir, I have to understand first of all, I believe we had approximately 216 crores of debt as of FY12 end, both short term and long term, now what is the current debt that we have as of now or maybe let's say end of quarter one?

D. Ram Reddy: See, out of these, about 116 we have as working capital. And as I said in my last question, around 100-110 crores is in term loans.

Manav Vijay: That means from year end nothing much has changed as far as loan is concerned.

D. Ram Reddy: Yeah, there are repayments. Even now also I will tell you, this year also there will be about 40-45 crores because of the hotel, 40 crores, 30 to 40 crores addition will be there and there will be 20-25 crores repayment will be there. Again, there will be 10 crores will be addition only. Next year when you see, by 31st March 2013, we will see 125 as against 115 today. So, that is the reason I was telling in my last question also I said, there will not be any expansion and CAPEX for the next one or two years to reduce the debt further.

Manav Vijay: Okay. So, that means, so you are saying that maybe by the end of this year, the FY13, our debt level should not move dramatically from the current levels, am I right?

D. Ram Reddy: It will grow; it will grow 7 crores more.

Manav Vijay: 7 crores more, but not dramatically.

D. Ram Reddy: No.

Manav Vijay: Okay. Because, what I understand is that considering let's say the sales of around 600 crores and the operating margins that we had in FY12 and the PAT margins, it seems that and whatever inventory buildup that we had to do in FY11 and FY12, if we take that into account, then I believe that the addition in debt could be more than 40 to 50 crores.

D. Ram Reddy: Yeah, that is within the purview of the working capital limit.

Manav Vijay: So, that means 10 to 15 crores of long term and we could be adding another 30 to 40 crores of short term working capital debt?

D. Ram Reddy: For the next year you are talking?

Manav Vijay: I am talking for FY13.

D. Ram Reddy: No. See, actually it is not like that. There is not that much. We are talking about these last two years, that is 31st March, but now it is not there. There was some inventory which was cleared in the last quarter. And working capital you cannot consider as this thing. This is need based, as and when required we will need. Like if I have one tender business where I supply some material to HPCL, Hindustan Petroleum, I need to hold stock of 400 to 500 tonnes which works out to almost 10 to 15 crores finished product itself. So, in such situation my working capital drawing power definitely will be more in that particular period. And it doesn't mean that it is calculated with all the debt together.

Manav Vijay: Okay, fair enough. Sir, my next question would be that you mentioned that as far as your Methylamine plants which became operational in the month of March, you are running that plant intentionally on a low capacity and you are waiting for your DMA HCL plant to become operational, am I right?

D. Ram Reddy: Not only DMAHCL, DMA HCL as well as DMF, Dimethylformamide.

Manav Vijay: DMF, okay. So, and I believe that both these plants are expected to become operational sometime during second half of this year.

D. Ram Reddy: Yeah.

Manav Vijay: So, what kind of and that Methylamine plant currently is running at around 30% to 40% capacity?

D. Ram Reddy: You are right.

Manav Vijay: Okay. So, what kind of let's say extra sales this, I should say 60% to 70% utilization can generate?

D. Ram Reddy: But, that will not come off, that will go as raw material for those products, which is the reason I am telling. And that will not come in this year. We will be starting, one will be started by September and the other will start only by January,

January and February. So, that is the reason considering all those things I am telling that our sales will grow between 550 to 600 crores by 2013.

Manav Vijay: Sir, I agree. All I am saying is that, I agree that yes, that this year the additional sales would be limited to the extent of the plant being operational. Now, all I am saying is that, so even if let's say in the next year when we ramp up to the 100% utilization of our Methylamine plant, what kind of additional sales, this additional 60% to 70% capacity utilization can generate for us?

D. Ram Reddy: That if you see, it is going as the raw material, as the raw material for the DMF, DMA HCL. Those plants will run 100%. Any plant will not run immediately 100% the following year. We are commissioning plant this year, probably next year it will run at about 60% and thereafter it may go to 70%-80%. When we run it at 85% to 90%, that time our sales will become 900 crores.

Manav Vijay: Okay. Sir, as far as our PVPK is concerned, you said that about 1200 tonnes capacity we are doing I believe 30 to 40 tonnes per month? I believe that is the number you mentioned.

D. Ram Reddy: Yeah.

Manav Vijay: So, let's say that comes to around 30% kind of utilization. What kind of utilization levels are you targeting by the end of this year and let's say by the end of FY14 as well? What kind of numbers can we expect?

D. Ram Reddy: We may reach to 40% to 45% by 31st March of 2013 and by end of 2014, 31-03-2014, we will reach minimum 80%.

Manav Vijay: How much?

D. Ram Reddy: Around 40 crores we will adding. Around 38 to 40 crores we will be adding to the top line from only this product.

Manav Vijay: Okay. Sir, I got the 40% to 45% for FY13, what was the number for FY14 that you mentioned?

D. Ram Reddy: 80%.

Manav Vijay: Okay. Sir, one more thing because of all the expansion that we have done in the last three, four years, our dividend payout ratio has been quite low. It has in fact never crossed I should say double digit number as well. Now, considering the fact that we are, there is a conscious step on the management part to actually put the CAPEX, the future CAPEX on hold or you defer it and maybe consolidate it or whatever we have done so far.

D. Ram Reddy: That's what I am telling. If you heard my last query that I answered, there will not be any expansion, any CAPEX from the 31-03-2013 onwards for a year or so. We are not paying more dividends, because we are having many projects in hand, many expansions in hand, in pipeline. So, we could not give. Once we finish this, yes, whatever we earn we have to give the maximum extent to the dividend.

Manav Vijay: So, that means we could expect, if not in 2014 a better dividend payout ratio?

D. Ram Reddy: Definitely, definitely.

Manav Vijay: Okay. And sir one more thing is that, I believe that this is the 25th year of our company. Any additional plans that you have to award shareholders either, let's say either by…

D. Ram Reddy: You will hear next year. 25th year you will hear something good for all the shareholders.

Manav Vijay: In FY14 we will hear something?

D. Ram Reddy: FY13 only.

Manav Vijay: FY13, okay. Sir, and the last question from my side is that our debt equity ratio as of now is not I should say very comfortable, plus we will be adding further debt this year, any plans to raise equity?

D. Ram Reddy: Can you speak loudly?

Manav Vijay: I am saying that any plans to raise equity in the foreseeable future?

D. Ram Reddy: No.

Manav Vijay: None whatsoever?

D. Ram Reddy: No.

Manav Vijay: Okay, I believe that's all from my side. Wish you all the best and thank you.

D. Ram Reddy: Thank you very much. Thank you.

Moderator: The next question comes from Mr. Surya Narayan Nayak from Networth Stock Broking. Go ahead please.

D. Ram Reddy: Yes, Mr. Surya Narayan, good evening.

Surya Narayan Nayak: Yeah, good afternoon Ram. Just from my side is, I just want to understand how this raw material side has panned out in recent quarters. Because I believe your raw materials might be linked to the fuel prices which has been of late has again inched up to 116 dollar per barrel. So, how is it linked to the crude and can you give a color of it?

D. Ram Reddy: See, this has not happened in one night, we are observing this for last three, four years, even dollar and as well crude prices also. Now, we are variegated for that. And crude prices, our main raw materials are Methanol. So, being a commodity product, it is not that volatile as crude. So as regards to dollar, I explained in my earlier query, we are also exporters and importers. There is a small gap between imports and exports, as an importer, we will be having the forward coverage all the time, not to fix any type of hidden cost

Surya Narayan Nayak: Sir, my objective of asking you is not regarding the hedging, but with respect to the pressure from the raw material side to whether there is some pass through clause is available in your sales to your customers, so that kind of facility is there or not, that is what I want to understand.

D. Ram Reddy: Yeah, it is, basically maximum there will be a paucity of fifteen days. We do not have the, I can keep the price up of whatever I am selling live to fifteen days. Then there is change in the raw material prices, including your forex gain, I have to pass on this to the customers.

Surya Narayan Nayak: Is it automatically passed through or you have to take approval prior?

D. Ram Reddy: There are few customers. Those customers, who work on formula basis, because automatically rolling over whatever changes it will take, automatically based on certain formula. Otherwise also we have a policy to review the price every month.

Surya Narayan Nayak: How much is automatically calculated as per the formula, if you can give some ballpark figure?

D. Ram Reddy: It is very, very small.

Surya Narayan Nayak: Let’s say 20%, 18%, to get an idea.

D. Ram Reddy: No, it is not like that. Maybe 10% to 20%, if they are big customers, who are very broad minded customers. In India in fact we have very big customers also. When we sign as per the contract, when we sign a formula, the moment the prices goes down in the market, somebody wants to sell at lower price, they tend to say that my plant is down and they will buy from my competitor. There are only few overseas buyers, with whom we have signed for the formula. And even I am buying my raw material on formula basis. Raw materials I buy 100,000 tonnes per year. We have simply signed a contract; we have not kept any price. Based on the published price every week, we will finalize the price.

Surya Narayan Nayak: So, depending on the majority of your revenue, you have pass through clause, am I right sir?

D. Ram Reddy: Yeah, yeah.

Surya Narayan Nayak: Okay. And secondly, just to understand the composition of the product in broad terms, what is the contribution from currently from amines and specialty chemicals and derivatives?

D. Ram Reddy: It is almost 30, 30, 30. You can take 30% for the base chemicals and 30% on the specialty chemicals and 30% on derivatives.

Surya Narayan Nayak: 30% from amines?

D. Ram Reddy: Yeah, that is the base chemical, because we produce derivatives; we produce specialty chemicals also from that base raw material.

Surya Narayan Nayak: So, 30% is from the specialty chemicals and 30% from the amines and rest from the derivatives.

D. Ram Reddy: Yes.

Surya Narayan Nayak: Okay. And regarding the hotel project, when can we expect the revenue to kick in, which quarter?

D. Ram Reddy: Our aim is to take out at least few bills before 31st March of this year.

Surya Narayan Nayak: You just want to cash in the busy period of the hotel industry.

D. Ram Reddy: Yeah. In fact is the original proposal was to start by December. But, because of certain reasons and labor problem and all, it has been postponed. Two to three months it has got delayed. So, before 31st March, yes, definitely

Surya Narayan Nayak: You have clarified earlier that you will be getting 6% revenue from the Sarovar Group, whatever they have managed. I mean if they managed turnover, 6% of that you will be getting as other income?

D. Ram Reddy: No, no, you have taken other ways. The question was, how you are paying, at what rate you are paying to the operator. Answer was that around 5% to 6% from the total revenue will go to the Sarovar as a fee for the operation.

Surya Narayan Nayak: Okay. Balance is yours?

D. Ram Reddy: Yeah, yeah, balance everything; profit and loss account will be ours.

Surya Narayan Nayak: There is a management fees you will be paying to Sarovar Group as 5% to 6% of the turnover.

D. Ram Reddy: It is brand fee you can say, franchisee brand fee I can say.

Surya Narayan Nayak: Okay. At peak capacity, if let's say 100% is not possible, what would be the feasible capacity utilization?

D. Ram Reddy: 35%. 35% to 40%.

Surya Narayan Nayak: 35% to 40%? And 40%, what would it generate for the full year?

D. Ram Reddy: That depends upon, there are three-four things are involved in that. Number one, is the room, occupancy. Number two is the food and beverages.

Surya Narayan Nayak: I understand sir. Just to get an idea from you…

D. Ram Reddy: Can you send a mail? I will give details for that. The bifurcation I can send it to you. Can you send it by mail?

Surya Narayan Nayak: Okay, not an issue sir. And secondly whether do you have any stated or dividend payout policy or is the management thinking on that direction in the future? I understand that for the current expansion project you are not declaring, so is there any stated policy which the management is thinking?

D. Ram Reddy: Definitely, definitely. After next year we will be getting some policy that to some extent, some percentage of net profit should be paid towards the dividend, which we are going to decide. We will be discussing it soon.

Surya Narayan Nayak: Okay sir. I will be sending a mail to you, because now the quantitative data is not mandatorily be given in the annual report. If you can send me the quantitative detail, I will be glad to have it.

D. Ram Reddy: Definitely, definitely.

Surya Narayan Nayak: Okay sir. And one thing sir, do you have any relationship with Smruthi Organics, because both these companies happen to be in the same premises.

D. Ram Reddy: Yeah, they are in the same building . Actually we have a common landlord. So, we are in the same building and they are our customer, b they make Metformin where we sellthree, four raw material required for the same and they are buying from us.

Surya Narayan Nayak: Okay, thank you sir.

D. Ram Reddy: Thank you.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question please press * and 1 on your telephone keypad.

The next question comes from Mr. Janak Merchant from Validea Private Limited. Go ahead please.

Janak Merchant: Good evening Mr. Reddy.

D. Ram Reddy: Good evening.

Janak Merchant: Yeah, actually I think most of my questions have already been asked by the other participants. I just had two-three more queries. How big is Taminco compared to Balaji in terms of installed capacity and quality and pricing?

D. Ram Reddy: It is very big, it is very big. We are very small to compare with Taminco or BASF. I can tell you only one plant of Methylamine, I have visited one plant in Belgium, they have 250 tonnes. They were having 200 tonnes and they were adding 50 tonnes at that time. 250 tonnes per day capacity they were having, Methylamines capacity in the giant Belgium plant as against our 170 tonnes day. And they have plants like this in USA, they have in China. They have many, many plants.

Janak Merchant: I see, okay. Sir, in terms of market share, how much percentage of the market they are dominating?

D. Ram Reddy: They may be doing almost 40%-45% and another 30%-40% maybe the BASF and there are many other small people like us, small, small like Arkema, and many other small companies , are there, they are also doing.

Janak Merchant: Okay. And is incremental capacity possible for the existing products at lower CAPEX going forward in coming years? Is the company able to expand more with lower CAPEX?

D. Ram Reddy: Yeah, that's what happened. Now, this is the base in the new facility what we are doing. In the next if you want to add some additional capacity, you can add only few equipments and then you can get more material.

Janak Merchant: Okay. And will it be possible to start reducing the debt from the cash flows of the next year.

D. Ram Reddy: Definitely, definitely, that's what I was telling right from the initial.

Janak Merchant: Okay, thank you very much Mr. Reddy.

D. Ram Reddy: You are most welcome.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question please press * and 1 on your telephone keypad.

The next question comes from Mr. Ajit Surana from Dimensional Securities. Go ahead please.

Ajit Surana: Mr. Reddy.

D. Ram Reddy: Yeah Mr. Surana, go ahead.

Ajit Surana: Can I have your email id, I forgot.

D. Ram Reddy: ram@balajiamines.com.

Ajit Surana: Thank you very much.

D. Ram Reddy: And you can mark a copy to finance, finance@balajiamines.com.

Ajit Surana: Okay, thanks a lot.

D. Ram Reddy: Thank you.

Moderator: Thank you sir. The next question comes from Mr. K. H. Batra. He is an individual investor. Go ahead sir.

D. Ram Reddy: Yeah, go ahead.

K. H. Batra: I just wanted to know whether you have any plans to keep analysts meet in Bombay?

D. Ram Reddy: We have. Maybe in next quarter, before next quarter we will come.

K. H. Batra: That will be fine I think. Thank you sir, thank you.

Moderator: Thank you. Ladies and gentlemen, if you have a question please press * and 1 on your telephone keypad.

The next question comes from Mr. Surya Narayan Nayak from Networth Stock Broking.

D. Ram Reddy: Good afternoon Mr. Surya Narayan.

Surya Narayan Nayak: Yes sir. Sir, I just want to understand whether any scope of margin expansion during the year or coming year is there?

D. Ram Reddy: Next year you are talking?

Surya Narayan Nayak: Yeah, next year or this year or even three quarters of next.

D. Ram Reddy: See, this year as I said there are some expansions in the pipeline which are to be completed by 31st March and the pending disbursement which will be finished by 31st March. And there will be as I said earlier; again I am telling there is holiday for a year for any CAPEX.

Surya Narayan Nayak: Okay. So, that is fine, holiday for the year that is CAPEX side. But, I am asking for profit and loss account side whether any margin expansion is possible due to introduction of the newer projects?

D. Ram Reddy: It should. The aim we are doing all the new products to reduce the cost and increase the margins only. If everything goes well, yes, Earlier if you see, earlier year there was maximum of 18% bottom line we have done. Today up to 18% we are doing in the worst days also. So, we are aiming for that. If everything goes well, we will do definitely.

Surya Narayan Nayak: Okay. So, what kind of expansion in margin you are foreseeing?

D. Ram Reddy: It is too early to say that. What we can do is 31st March, March 31, 2013; the bottom line should be around 60.

Surya Narayan Nayak: 60 crores, 6-0?

D. Ram Reddy: 6-0.

Surya Narayan Nayak: Okay. And what would be your taxes in this year?

D. Ram Reddy: This year taxes, it is too early to say, but depends , if the expansion is compete and depreciation available.

Surya Narayan Nayak: So, any figures like 25% or so?

D. Ram Reddy: As on today we have planned for 21 crores. But we do not know, by the time it's finished, if something comes as a special exemption for the depreciation, then that will come down. And if some profit goes also, it will go up.

Surya Narayan Nayak: Okay. And sir any sort of company information brochure for the investors, so that we can get some information?

D. Ram Reddy: You can just see the website. Majority of the information is available on the website.

Surya Narayan Nayak: Yeah. I checked it, but nothing is there except the annual report and the results.

D. Ram Reddy: What exactly you want you can drop a mail and maybe we can send you whatever information you want.

Surya Narayan Nayak: Okay sir, fine. Thank you.

Moderator: Thank you. The next question comes from Mr. Karthik Aithal from Red Prairie. Go ahead please.

Karthik Aithal: Yeah, good evening Reddy.

D. Ram Reddy: Good evening.

Karthik Aithal: So, I have a couple of queries. What are the main reasons for disinvestment in Balaji Sourcing Private like? What is the correct valuation of it and how you will be proceeding for addition?

D. Ram Reddy: See, actually we have started in a small way, but if you see today, with many expansion and with manufacturing being the core area for us, and trading is not our core area. When we were given a choice of both, Greetech and Sourcing, we thought that since this is not our core area, so we have decided to get out. And as regards to the valuation, it is given to some three-four independent agencies who has given the reports like it should be between Rs.18, Rs.14, some had given even Rs.19. So we are selling at Rs.20, 19.80 or something which is coming, Rs.20 per share we are selling.

Karthik Aithal: Okay. So, how it will impact the current business for you, like current balance sheet by selling, so how it will impact? Is there any impact on the balance sheet?

D. Ram Reddy: That money will come to our cash flow.

Karthik Aithal: Yeah. But, still we are losing any revenue so that particular trade will be over, from the Balaji Sourcing Pvt. we won't be getting any.

D. Ram Reddy: We are just going on, whatever we have invested, we have invested; we are not getting any dividend from there. So, it doesn't give any impact on the revenue side, rather it will give 1.8 whatever we are getting, it will give more flexible in the cash flow because of this addition.

Karthik Aithal: Okay, got it. Another question about the investment in the Balaji Greentech Products, so what is the main positive or negative to Balaji Amines?

D. Ram Reddy: I will tell you. See, the reason is since we have, by spending about 3 crores in that by investing few more crores we are getting majority stake. Around 66% of the stake we are getting it from that company. And that company as on today, it is already doing, for many of the OEs like Wipro, Crompton and Cema, all these big companies they are doing 80% to 90%, they are doing for them only. And simultaneously they are developing this own brand of Zora and apart from all these main attraction for us is we got lot of assets in that company like they have 13 acres land in NH9. So, whereas the company is using only, I think 1-1½ acres only they are using it. That is almost 10 acres is idle which can be used for many other things and it is very good.

Karthik Aithal: How you will be proceeding like is there any CAPEX plan for that or you have sufficient CAPEX?

D. Ram Reddy: No, as I said we will be buying by investing 3 crores, some stake we are buying whereby our stake will become 66%.

Karthik Aithal: Okay. Is that transaction done in the current fiscal?

D. Ram Reddy: It may be. We will start the procedures, legal procedures will start now.

Karthik Aithal: Okay. So, I have one more, is there any plan to improve the export market sir from 20 around 25?

D. Ram Reddy: Now it is 22, my personal target is to reach 30%. That is in 2013 we should do 30%. That is the main aim.

Karthik Aithal: For the current fiscal?

D. Ram Reddy: Whereby our import and export will balance.

Karthik Aithal: Okay. Sir, what is the current exposure to UK?

D. Ram Reddy: Exports we have 22% something we have as of now.

Karthik Aithal: No, only to UK, what is the exposure, 22%? Europe countries?

D. Ram Reddy: Europe countries you are talking. It is about 60% to the Europe countries.

Karthik Aithal: 60%. 6-0.

D. Ram Reddy: Yeah.

Karthik Aithal: I heard that you have too many assets like land, so is there any plan to going to some realty business?

D. Ram Reddy: Not really. But, one we had which was suitable, but the hotel we have already started constructing the hotel. Now, other lands are not suitable for any real estate.

Karthik Aithal: Okay, so you will be planning to sell those things?

D. Ram Reddy: So, we thought of going for some project, but it is not attractive as it was earlier.

Karthik Aithal: Okay, is there any plan to invest more on hospitality business, the hotel business?

D. Ram Reddy: It is too early to say. Let's see. Once we see this, if things go well, we may do some projects in tier 2 cities like Solapur.

Karthik Aithal: Okay, thanks for that.

D. Ram Reddy: You are most welcome.

Moderator: Thank you sir. The next question comes from Mr. Manav Vijay. He is a private investor. Go ahead please.

Manav Vijay: Just wanted to know one thing is that what were the PAT numbers that you mentioned for FY13 that you can expect to achieve?

D. Ram Reddy: I said 55 to 60.

Manav Vijay: 55 to 60 crores number for FY13?

D. Ram Reddy: Yeah, this is before tax.

Manav Vijay: Okay, before tax, 55 to 60 crores kind of number. Okay, sir one more thing is that the analysts meet that you mentioned, would that be for the quarter two results or for quarter three results?

D. Ram Reddy: Maybe near to the quarter two I want to plan. We will give you the information. Mr. Batra will be intimated and other Mr. David will be intimated. We will give advance information, nothing to worry.

Manav Vijay: Definitely sir. It will be good to see you in Bombay. Thank you.

D. Ram Reddy: Thank you. Thank you very much.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad.

There are no further questions. Now I hand over the floor to Ms. Shilpa Modi for closing comments. Go ahead ma'am.

Shilpa Modi: Thank you very much. I would like to thank all of you on behalf of Kirin Advisors for participating in this teleconference. If you have any further questions, please drop in an email at shilpamodi11@gmail.com. Thank you once again everybody.

Moderator: Thank you ma'am

D. Ram Reddy: Thank you, bye, bye.

Moderator: Ladies and gentlemen, this concludes your conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

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