

Oriental Aromatics

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27th January, 2021

To
The Manager
Department of Corporate Services,
BSE Limited,
Phiroz Jeejeebhoy Towers
Dalal Street, Mumbai- 400 001
Scrip ID : OAL
Scrip Code: 500078

To
The Manager
Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (East), Mumbai - 400 051
Symbol: OAL
Series : EQ

Sub: Transcript of conference call with the Institutional Investors/Analysts

With reference to our letter dated 13.01.2021, intimating about the conference call with the Institutional Investors/Analysts on Thursday, January 21, 2021 at 01.30 p.m to discuss the Financial performance of the Company for the quarter and nine months ended December 31, 2020, please find attached herewith transcript of the aforesaid conference call.

Further, the copy of the same is also uploaded on Company's website i.e. www.orientalaromatics.com

Kindly take the information on your record.

Thanking you,
Yours Faithfully
For Oriental Aromatics Limited

Kiranpreet Gill
Company Secretary & Compliance Officer

Oriental Aromatics Ltd.

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Oriental Aromatics Limited
Q3 FY21 Earnings Conference Call
January 21, 2021

Moderator: Ladies and gentlemen, good day and welcome to the Oriental Aromatics Limited Q3 FY21 Earnings Conference Call. 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 “1” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you sir.

Anuj Sonpal: Thank you operator. Good afternoon everyone and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors, we represent the Investor Relations of Oriental Aromatics. On behalf of the company I would like to thank you all for participating in the company’s earnings conference call for the third quarter and nine months ended for financial year 2021. Before we begin, I would like to mention a short cautionary statement.

Some of the statements made in today’s con-call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management’s beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today’s earnings conference call is purely to educate and bring awareness about the company’s fundamental business and financial quarter under review.

I would now like to introduce you to the management participating with us in today’s earnings call. We have with us Mr. Dharmil Bodani – Chairman & Managing Director, Mr. Shyamal Bodani – Executive Director, Mr. Parag Satoskar – Chief Executive Officer, Mr. Girish Khandelwal – Chief Financial Officer and Ms. Kiranpreet Gill – Company Secretary. Without any further delay, I now request Mr. Dharmil Bodani to give his opening remarks. Thank you and over to you sir.

Dharmil Bodani: Thank you so much Anuj. Good afternoon, everybody. It is our pleasure to welcome you to the quarter three and nine month financial year 2021 earnings conference call of Oriental Aromatics Limited, I’m happy to report that we’ve had another healthy quarterly performance with our highest ever sales in profit reported in a quarter. The performance was

on back of healthy demand across all our product categories our Aroma Chemicals, Our Flavors, Fragrances, and Camphor. The sales volume for the quarter has grown by 7% on a quarter-to-quarter basis, and 13% on a year-to-year basis. Sales realizations for Camphor improved during the quarter on a year-to-year and on quarter-to-quarter basis. While realizations for the Specialty and bulk Aroma Chemicals and Flavors and Fragrances were flattish. The company was carrying inventory of raw materials at lower ends, which helped improve the margin profile during the quarter. Having said this, the company was on the right side of the raw material curve and on the right side of the selling price curve. And hence we've seen this exceptional quarter. The current margins I would like to state categorically are not sustainable margins.

On the CAPEX front, as you may already know, the company received its land allotment for the Greenfield capacity expansion project at Maharashtra, in the month of October 2020 and has initiated its process for application of environmental clearances and other sorts of approvals. Our Baroda expansion continues on track, and we will hopefully be in production of some of the materials by the end of this year. Now, I request Mr. Girish Khandelwal, our CFO to give the financial and operational highlights, thank you.

Girish Khandelwal:

Thank you Dharmil. Good afternoon all. So on a consolidated basis in Q3 FY21, the operating revenue for the quarter was Rs. 191 crore, which was an increase of approximately 9% on a year-on-year basis. And operating EBITDA reported was Rs. 53 crore, which was an increase of about 93% on a year-on-year basis. Operating EBITDA margins stood at 27.95% as against 15.74% a year ago. Net profit after tax reported was Rs. 36 crore which was an increase of 106% on a year-on-year basis, while PAT margins were 19.9%, which was an increase of 906 basis points on a year-on-year basis.

Now, talking about the performance of the nine months of FY21 on a consolidated basis, the operating revenue was Rs. 488 crore, which decreased by approximately 18% on a year-on-year basis. Operating EBITDA reported was Rs. 121 crore, which was an increase of about 33% on a year-on-year basis. Operating EBITDA margins stood at 24.85% as against 15.36% a year ago. Net profit after tax reported was Rs. 80 crore, which was an increase of about 28% on a year-on-year basis, while PAT margins were 16.30%, which was an increase of 577 basis points on a year-on-year basis. In the current quarter, our cash profits stood at Rs. 41 crore which is an increase of 82% on a year-on-year basis and 7% on a quarter-on-quarter basis. The net debt to equity ratio as on 31st December 2020, improved to 0.03 times from 0.06 times as on 31st March 2020. Thank you all, with this we can now open the floor to the questions and answers session. Over to you Anuj.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Varun Goel from Nippon India. Please go ahead.

Varun Goel: I would like to understand the margin profile of the company going forward considering that this year, there has been a very significant increase in EBITDA margins. Do we see them stabilizing going forward, and what will be the stable state our margins. That's question number one and second, in terms of top line while this year we lost some time in the first quarter on the top line side what kind of growth rate do we expect on top line going forward. Thank you.

Dharmil Bodani: Thank you for your question. Yes, I do believe that the margins across all the four verticals that we operate in, will stabilize in the coming quarters. We've always held with our guidance of 15% to 17% across all the four verticals. So this, again, is a guidance and, I hope that answers your first question. In terms of top line, as we've explained in the past, we are currently at almost 100% capacity utilization across all our plants and we will be making the CAPEX, we are in the process of making the CAPEX at Baroda and Bareilly. So, starting FY20, 23. For a period of maybe three to four years we would continue to see peaks and valleys in the top line because as the plants get commissioned, you will see the numbers hitting the balance sheet. So, I would say at an average if I was to comfortably take over the next three to five year window, it could be anywhere between 12% to 15%.

Moderator: Thank you. The next question is from the line of Rohit Nagaraj from Sunidhi Securities. Please go ahead.

Rohit Nagaraj: Sir the first question pertains to the raw material pricing scenario and the availability. So how are we seeing it right now and what is our expectation for the next foreseeable future. Thank you.

Dharmil Bodani: We're seeing raw material prices are definitely going up across the board, whether it's natural products, whether it's petro based products we are seeing increase in raw material prices also, we are seeing an increase in transportation cost in terms of availability of containers across the globe currently. So yes, to answer you we are seeing raw material prices and costs going up. In terms of availability, which was your other part of your question, we see no challenges in the near future, availability is not a problem.

Rohit Nagaraj: Sure, thank you. Sir second question is in terms of our user segment.

Dharmil Bodani: Say that again Rohit.

Rohit Nagaraj: From the user segment, or customer segments. So what is the change that we have seen over the past say, six or nine months and what is our expectation for the next one year, from the customer perspective in terms of the order book, in terms of the newer contracts or the newer products getting launched from their end. So how are we seeing the changes right now and what is our expectation. Thank you so much.

Dharmil Bodani: So, if you look at how it was when we lockdown in March, and as we started, getting deeper into this pandemic and now we seem to be coming out of it. And with the vaccine availability, there is a general upbeat feeling in the FMCG segment; we're seeing revival of R&D labs coming into place where we are now starting to talk about new product launches. That's for us has been refreshing after a quiet period. So we see an increased activity in the FMCG sector, which will help not only the Oriental Aromatics Fragrance and Flavor vertical, but it will also benefit our Specialty and bulk Aroma Chemicals segment. In terms of the order books, everything is stable for the near future. The demand continues to be there and I see the changes only in terms of the entire world probably getting onto their feet as only a positive.

Moderator: Thank you. The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Dharmil, you did mention about margins. So just to understand this further, we have been talking about margins for last three, four concall, right from the first concall which we started. And you have always maintained that the sustainable margins are around 16%, 17%. But my observation is that for last three quarters, leaving aside the June quarter, because not considering that being an abnormal quarter, but we have consistently delivered operating margins of well about 20% and I understand with the CAPEX now the first phase of Baroda CAPEX getting over in next two months or so. We go forward, do you feel that with better product profile going ahead, do you feel that this sustainable margin guidance of 15%, 17% we can actually see it somewhere around 20%, is there a possibility. I'm not asking for guidance Dharmil. I just want to understand is there a possibility?

Dharmil Bodani: So, I understand where you are coming from. So, Rahul just to let you know, we will continue with our guidance of 15% to 17% I want to correct you the Baroda expansion continues and Parag after I finish answering if you can give some kind of guidelines on our Baroda Hydrogenation project as to where it is in its process. We are hopeful we have got a very robust pipeline of R&D pilot and going into commercialization of high value, low volume specialty Aroma Chemicals. Incidentally, on January 8th we've launched three new chemicals. Again Specialty, Generic Aroma Chemicals globally and the response that we've got has been outstanding in terms of quality acceptance in terms of pricing point, and we're offering very creative strategies to our customers for long term price stability also, and when I say that, and that's where I come to, we will definitely, it's every company's goal to meet the guidance and we will continue to try towards working to that guidance, but we would also like to be realistic that as I've mentioned earlier, the raw material prices have started going up, although there is availability, there are additional costs that the business is incurring largely due to transportation also, and the selling prices continue to stay firm for now. And we will hope to beat it, but right now our guidance is going to stay at 15% to 17%. Parag if you can just add a little bit on the Baroda Hydrogenation project.

Parag Satoskar: Sure. So, based on our previous calls, we just finished our first Brownfield project, which was the expansion of the multipurpose plant and that particular project has gone online in November and we are already seeing benefits coming out of that particular Brownfield project. We have broken ground for a Greenfield project, which is for a single product and when it comes to hydrogenation, the hydrogenation capacity will come online probably in Q4 2022. So, we will see the benefits of that particular capacity coming online only in Q1 of 2023. So, these are in terms of the timelines what we are looking at, but before that, we will see the benefits of the Brownfield expansion and we will also see one more plant for a single product which will come online in sometime in Q3 2021-22.

Dharmil Bodani: And just to add to what Parag said that the single plant that we're building through a single product, that is one of the specialty Aroma Chemicals which we started marketing over a year ago, very complex process and the acceptance of the quality and prices encouraged us to now build a dedicated plant for the single product.

Rahul Jain: Sure, that was helpful. And Dharmil just with regards to the raw material. I remember last time in the quarter two concall we had mentioned, because of the recent 200 crore of inventory which was there with us and a good part of that was inventory of raw material. And we also mentioned in today couple of minutes back, the raw materials prices are going up at the same time the product price are also from. Will we still carry a good amount of inventory which would help us for next quarter or more?

Dharmil Bodani: Yes, we do.

Rahul Jain: Sure. And with regards to CAPEX?

Dharmil Bodani: We do carry the inventory, whether it helps us or not will depend on the selling price for which I have no answer at this point.

Rahul Jain: Sure. And with regards to CAPEX, in the last concall you had mentioned about additional CAPEX of 60 crores, we had announced additional CAPEX of 60 crores in Baroda. So, is there any change in CAPEX now compared to what we spoke about in the quarter two concall?

Dharmil Bodani: Sure. Girish can you please answer this?

Girish Khandelwal: Sorry, actually I missed the question, can you repeat it?

Rahul Jain: So, Girish we were earlier planning Brownfield CAPEX at Baroda and a Greenfield CAPEX at Mahad for which we have just got the approval, but in quarter two concall we had up the CAPEX guidance, we had spoken that we spend additional 60 crores instead of 60 we had made it 120 with regards to Baroda. So, just to understand, as we speak today the CAPEX remains the same as what we have spoken in quarter two concall or is there some change in

terms of the amount to be spend or in terms of the timelines with regards to both the Greenfield and the Brownfield CAPEX?

Girish Khandelwal: Actually see, there is a change in the CAPEX amount actually, our CAPEX amount now would be around 160, 180 crore and we have already started working on it and we are in talking for debt also for Baroda CAPEX. And there is no change in the timelines as Parag has already explained you there is no change in the timelines. So, it is working as the plan only, right Parag?

Parag Satoskar: Yes correct.

Girish Khandelwal: As we have added some products also. So, this is where some CAPEX cost has gone up.

Parag Satoskar: As we've gone ahead in terms of our strategic discussion on this Greenfield investment, we have realized that there are certain additional untapped opportunities, which by just walking a few more steps, we will be able to get a very positive impact in our product mix and that's the reason why we have enhanced or increased the number of products in our hydrogenation plant and which has resulted in this increased CAPEX and also certain utilities which will help us reduce costs over the long run when it comes to hydrogenation. So, these two parameters have impacted the cost. However, these are all for the benefits and these do not change the timelines for the installation.

Girish Khandelwal: Right. And one more thing, the cost has gone up there is one more angle, that we are putting one product new plant. So that is why the cost has also increased. So all these are parameters, the CAPEX cost has increased, but there is no change in the timeline.

Rahul Jain: Sure, so this is just an additional 40, 50 crores of CAPEX compared to what we were mentioning quarter to concall.

Moderator: Thank you. The next question is from the line of Ritesh Poladia from Girik Capital. Please go ahead.

Ritesh Poladia: Sir just wanted to understand the math behind sales, sales growth is about 8.7%, you said volume growth is about 13% I believe in this calendar year Camphor prices have gone through the roof. So, is there realization decline in other products, because otherwise you can see about 4%, 5% kind of a realization de-growth?

Dharmil Bodani: Parag, would you like to answer this?

Parag Satoskar: So, the assumption that the Camphor prices have touched the roof, there is some element of fact to it, but it also, we also have to realize that there is also a substantial increase in the raw material price in the last quarter or so. So, just to kind of take it against the selling price when the raw material prices also have gone up. So the realization function is based on both these

parameters, and apart from that, for the other products we have seen a very steady realization pattern. Although, again on those products as well we have certain increase in the raw material price.

Ritesh Poladia: Sir, I'm just talking about the sales not about the raw material. So, if we have a 8.7% kind of sales growth, 13% volume growth, then the blended realization is about 4%, 5% decline. And I believe one third is Camphor business, at least 30%, 40%?

Girish Khandelwal: So, I want to interrupt here that, 13% growth is in that sales volume only it is on the year-on-year basis and 7% is on the quarter-on-quarter.

Ritesh Poladia: That is Y-o-Y sales growth right?

Girish Khandelwal: Yes.

Ritesh Poladia: And 13% is also Y-o-Y volume growth?

Girish Khandelwal: No, 7% is Q-on-Q sales growth and 13% is Y-o-Y sales growth.

Ritesh Poladia: Sir again to clarify, you have a volume growth of 13% Y-o-Y volume growth, then your sales revenue, total revenues is 190 crores which is 8.7%. So, definitely there is some realization decline?

Girish Khandelwal: Right.

Dharmil Bodani: Across product categories, you may have a point. That there could be a realization decline but, we may have to just go a little bit more into micro on this and come back to you on it.

Ritesh Poladia: Sir the reason is, one third approximate one third businesses is Camphor and I believe Camphor prices have risen at least 30%, 40%. So, you would have substantial decline in the other realization in the other businesses.

Dharmil Bodani: We are not seeing that.

Girish Khandelwal: No. So, actually there is a sales growth because of the inventory, but if you see in the production side, we have some plants shut down in the Baroda.

Dharmil Bodani: It could be because of that, Parag you want to say?

Parag Satoskar: Absolutely. So, I was going to interrupt, because the reduction if you are saying that the sales de-growth. In fact, if you're looking at Y-o-Y numbers in terms of the sales, there is going to be a reduction on count of two factors, #A on account of the lockdowns that we had year-on-year, which impacted this year. And also, when we were kind of completing and fulfilling our

Brownfield project, we had to take a 20 day shutdown which was planned in our Baroda site, which had an impact in terms of the production and so the sales.

Ritesh Poladia: Sir, I'll take this offline because we need some other calculations.

Parag Satoskar: Okay, fair enough.

Moderator: Thank you. The next question is from the line of Kunal Mehta from Vallum Capital. Please go ahead.

Kunal Mehta: Most of the questions I have, have been answered by the previous participants, I wanted to clarify the timelines a bit. So, just wanted to understand firstly on the Baroda CAPEX, both Brownfield and Greenfield, so in the next 12 months we have this specific Brownfield project coming up if you start contributing the revenue and the first phase of hydrogenation plant will start contributing to the revenue from FY23, which will then gradually scaled up throughout the year and by FY24 we would have a fully scaled up 180, this will be scaled up Baroda Greenfield plant we could sense that it will have full year benefit of the four plant. That's the way we should be, if you play out it will give us a timeline?

Dharmil Bodani: So, Parag do you want to take this in terms of the timeline?

Parag Satoskar: Sure. So, let us clarify in terms of the timelines, I'll reiterate because I've said this before, but say the Brownfield project which was completed in November 2020, starts contributing to the top line from say Q1 2021-22. That's point number one, point number two is a Greenfield single product project, which Dharmil just spoke about, should be commissioned by Q3 2020-2021, which will start contributing to the top line, say again Q1 2022-2023, because it will take a quarter to stabilize in terms of getting the production volumes up and running. So these are the two things there is one Brownfield, which is already completed, there is one single product Greenfield, which is not hydrogenation, which will be completed by Q3 2021,-2022 sorry, in terms of the numbers, I'm a little confused. The hydrogenation project will be commissioned in Q4 2021-2022. So that's one year from now. So giving it a quarter to stabilize, that will start hitting the numbers in Q2 2022-2023. So these are the timelines for the Baroda project going forward.

Kunal Mehta: Understood. And Mahad continues to be quarter four of financial year 23, it is two years away from the project starting to generate revenues from us or for us?

Parag Satoskar: So, for us, we have an internal target of December 2022 to probably kind of have some numbers from Mahad. And again, giving it a quarter to stabilize so the numbers will start contributing in 2023-24. Yes, from Mahad.

Kunal Mehta: Got it. And sir the ability to understand now, something on the margins and I'm sure Dharmil sir has clarified that where you expect the margin to be, but could you please understand especially on the Camphor side of things because, from what I can see is that we have benefited from the reward GTO prices. So, I would just wanted to understand from the cycle perspective where do you feel we are in the Camphor cycle, and so with this level of spreads, stabilizing even when they stabilize you expect them to revert back to the normal levels, considering where we are right now in the supply demand execution of the Camphor product because I have been told that these products right now are in a tight supply situation. So in any, I would say any understanding of the spread, which you could give to us would be very helpful especially on the Camphor side?

Dharmil Bodani: I'll again want to refrain from any kind of crystal ball questions because, we don't have an answer to this, like we've said the availability is there, the prices of raw materials and transportation cost is going up, the selling prices do continue to hold, we are not seeing it breaking through the current levels. And therefore, we stay with our guidance for 15% to 17%.

Kunal Mehta: Sure. And just this final question from my end is, so could you please give an understanding of the pricing which you see on the ingredient side, did the thing continue to be firm. I'm sure it's based on the contracts you have on hand, indication on pricing?

Dharmil Bodani: So on the Specialty and the bulk Aroma Chemicals also there is stabilization, there is no drastic reduction in the selling prices at all. They stay stable and going forward, it's most likely going to stay stable as where it is. This one is the raw material prices going up.

Kunal Mehta: And sir the volumes we don't expect them to, since we are operating at this level of inflation and volumes, so given that we are right now in terms of the whole utilization cost, do we believe that over the next, in the next 12 years at least these set of base volumes would we be able to sustain in terms of the metric tons per option which we have, we will see, is there a possibility that we may see some reduction in volumes going further as the demand normalizes?

Dharmil Bodani: So, I can give you guidance based on that, based on our order book. We don't see any kind of reductions in the volumes and we will be at full capacity.

Moderator: Thank you. The next question is from the line of the Deepan Shankar from Trustline PMS. Please go ahead.

Deepan Shankar: First of all wanted to understand how has been the demand for front end business of ours and also as the demand for Fine Fragrance has improved across the globe?

Dharmil Bodani: So the Fine Fragrance continues to be on pressure because duty free is a very important part of Fine Fragrance sales. In terms of the Indian subcontinent demand of FMCG it currently is across various categories it differs and we see stabilization. We did have a peak due to the pent up demand which the pipeline needed to be filled, but we see it stabilizing.

Deepan Shankar: Okay. Demand for front end business?

Dharmil Bodani: That's the front end business which is the FMCG, because all our products go into FMCG use.

Deepan Shankar: Okay. And second question is on the final base raw material availability. So, across the globe we are seeing structural slowdown visibility due to lower production in China and China has already changed from an exporter to an importer. So, are we seeing structural slowdown in availability of final base raw material thereby the raw material prices.

Moderator: We will move to the next question, which is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: I just wanted to understand on this CAPEX part, the Baroda expansion that we are taking which has now increased from 60 to 120 to almost 150 to 180 crores now, what kind of asset turn can we expect from this entire CAPEX at Baroda?

Dharmil Bodani: So, Parag we just did that maths.

Parag Satoskar: So, what do you mean by asset turn is the yields that we?

Ankit Gupta: Yes.

Parag Satoskar: Okay. So normally most of our CAPEXs is in a very kind of, in a very broad term we are expecting a 1.7x in terms of the investment that we had made. Between 1.5 to 1.7, it will normally be more, but this is a very conservative.

Ankit Gupta: Right. And normally, how much time do you expect that this new cap CAPEX that we have built, how much time will it take for us to reach, let's say 80% to 90% capacity utilization?

Dharmil Bodani: Parag has given the entire timetable in a previous question. In terms of stabilization, it normally takes us a quarter and then in the following two to three quarters we would be at easily at 80%, 90% utilization.

Parag Satoskar: Another point here is since most of these products are generic Specialty Aroma ingredients. We are not kind of creating a marketplace for them, there is a marketplace where we would like to go with a differentiating strategy and offer that to the customer.

Ankit Gupta: Okay, that's really helpful. And secondly, on the new product introduction Dharmil as he was saying we have introduced the new products in January. In the last call you had mentioned that we're already planning to introduce 25 to 30 new products in FY22. So do we stay with that guideline?

Dharmil Bodani: Absolutely.

Ankit Gupta: Okay. And on the new product that we're introducing all this 25 to 30 products that we are planning to introduce these are the new products that we have developed the R&D, and these are low volume, high value kinds of products?

Dharmil Bodani: Correct. And I also want to correct you there is, we've launched three in January, and we've launched eight in in the last quarter. So we're already up to 11 of those 22 products.

Ankit Gupta: Okay. So the remaining 11 we are planning to launch over the next 15 months?

Dharmil Bodani: Correct.

Moderator: Thank you. The next question is from the line of Deepan Shankar from Trustline PMS. Please go ahead.

Deepan Shankar: Sorry, my line got disconnected. So the question is on this side, so are we seeing structural slowdown in this final based raw material availability because of production in China going down and also China has now pulled as an importer from an exporter earlier. So are you seeing structural slowdown there?

Dharmil Bodani: Sure, thank you. So I've mentioned this in some of the earlier answers, the availability is not a challenge for Oriental Aromatics, the slowdown does exist as you have mentioned which has an effect on the price. In terms of availability we see absolutely no issue.

Moderator: Thank you. The next question is from the line of Dipan Shankar from Trust Line PMS. Pleases go ahead.

Dipan Shankar: Most of the questions are answered; I just have two, three questions. So one was, like as you said the raw material prices have increased if you could quantify the percentage increase in the raw material and how do you feel the trend going forward and what kind of impact this would have on our margins?

Dharmil Bodani: So, I'll start with the last question first, in terms of impact on margins yes, that is why we continue to go back to our guidance of 15% to 17%. We are still seeing the selling prices holding, we don't know in the future whether that has room to move upward. So this is a wait and watch quarter for us coming up.

Dipan Shankar: Okay. And sir can you give segment wise EBITDA margin like for Camphor business and Fragrance division?

Dharmil Bodani: So, I have in the past, we still stay with the mix hasn't changed. It still is one third, one third, one third, and across it would be 15% to 17%. And the peaks and valleys that you are seeing today is Camphor related.

Dipan Shankar: Okay. And so just few numbers if you could give me, receivables as on 31st December, cash and working capital days?

Dharmil Bodani: Girish?

Girish Khandelwal: I will give these numbers separately.

Dharmil Bodani: So, I don't think he has it in hand actually. Maybe you can reach out to Anuj and we will share.

Dipan Shankar: Sure. And sir just last clarification on the Baroda plant to the Greenfield you said the product will be, the line would be commissioned by Q3 FY22 right sir?

Dharmil Bodani: Parag?

Parag Satoskar: 2021, 22 correct, Q3. A single product line.

Moderator: Thank you. The next question is from the line of Puneet Jain from Fair Value Capital. Please go ahead.

Puneet Jain: So, basically, I wanted some clarity on our Mahad CAPEX, what is the estimated CAPEX amount and what would be the product line that we are putting there?

Dharmil Bodani: So, in terms of the product line, I will not be able to share because that is, information at this point we don't want the market to know. It would be in in Specialty and bulk Aroma Chemicals. This all I would be able to share with you at this point. In terms of the CAPEX, it would be a phase wise CAPEX, and I'd ask Parag or Girish one of them to answer this.

Parag Satoskar: So, right now in terms of the clarity that we have about the project that we would be putting in phase one, we are looking at an investment of anywhere between 125 to 160 crores depending on any add on utilities that we want to put in the plan. So, this is the kind of CAPEX that we are looking for in the first phase, and as we move on, as we see more and more opportunities coming our way, because of the new R&D products that come in the pipeline we will keep expanding.

Moderator: Thank you. The next question is from the line of Pavan Kumar from Ratna Traya Capital Partners. Please go ahead.

Pavan Kumar: Sir can you help us understand the movement, I am not asking any kind of guidance, but the reason for the Camphor prices being up, is it a production shortage in the domestic industry or the demand has gone up or what is that exact reason?

Dharmil Bodani: It's related to two parts, there was a period where the prices of the Alpha-Pinene were going up. And we were of course, on the right side of the curve. And as these went up being a commodity product automatically the selling prices were going up. The second part, we definitely feel that there has been a healthier demand reasons, maybe people are staying home more, there's more puja activities happening at home than at temples. So, being directly linked to the puja platform, we felt that the demand could have gone up because of that.

Pavan Kumar: But is there any case of a production cut down by any of the existing players?

Dharmil Bodani: Not to my knowledge. That won't affect us because we are anyway at full capacity.

Pavan Kumar: Okay, but to your understanding all the capacities are functional?

Dharmil Bodani: Correct. To the best of my knowledge they are all functional.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment. Please go ahead.

Aman Vij: My first question is on the hydrogenation plant. So, if my understanding is correct, we already have one plant hydrogenation plant and then we are expanding. So could you quantify in terms of what will be the hydrogenation capacity post expansion and how many of our products are coming from hydrogenation, because my understanding and you would explain it, two, three AGM also this is a most technically sophisticated among other chemistry which we operate, could you talk more about this?

Dharmil Bodani: Okay, so Parag I don't know if we can share the capacities, but besides that if you want to, at this point because again this is sensitive information.

Parag Satoskar: Correct. So, just to give you a comparison the old hydrogenation facility that we had was #A, a very, very small facility, was #B a completely manual capacity. And #C, what's coming up now is probably a more secure capacity, a more sustainable capacity, a more modern capacity, and which will be able to handle a wide range of chemicals which can be made with hydrogenation in a more sustainable way. So, to safely put it this will be probably hydrogenation 2.0 for Oriental, and I wouldn't be going into the products and the capacity

because that is sensitive information, which we would not be very, very keen to share as of now.

Aman Vij: Sure sir. So, I am not asking exact numbers, but has it made our hydrogenation capability like 2x or 3x, if you can quantify in that term?

Parag Satoskar: Again, not an apple to apple comparison, because the old hydrogenation plant that we had was extremely tiny and used to handle a lot of bulk Aroma ingredient, whereas this new capacity that we will have, we will have a nice combination of bulk as well as Specialty aroma ingredients. So, it probably wouldn't be more driven by volume, but it will be more driven by value.

Aman Vij: Sure Parag sir. My second question is, on this single product plant. So, sir is rich for one customer only broadly or is it across customers and one or allied question to this is, you had talked in FY19 AGM that we are coming to that stage where we will be setting up like one plant every year almost like that. So, is this the strategy going forward to set up dedicated one single product plant, if you can talk about so?

Dharmil Bodani: So, first question no, it is not going to be for one customer, it is going to be for the entire marketplace globally. The kind of chemistries that were involved in and the kind of volume involved in the products that we are going to do. Many of them won't require single plants, in the launches that we are planning 11 done and about 22 to go, maybe 10% of those products maybe would need a dedicated plant.

Aman Vij: Okay, so we'll continue that multipurpose strategy which you have talked about?

Dharmil Bodani: Yes, multipurpose strategy continues.

Aman Vij: One of things?

Dharmil Bodani: No, multipurpose strategy continues as the products gain the volume and we feel that there is an opportunity for us to gain more market share, then we would consider it going into a single plant or product. Having said that yes, even in the current R&D pipeline and what we are coming, there are already a couple of products that will need specific plants. So the strategy will be multipurpose and dedicated.

Aman Vij: And sir just last thing on this product itself, is it a replacement to our customers has replaced us from one of the suppliers to say Oriental now, or else is it a separately new product for the customers?

Dharmil Bodani: So, we're in the business of manufacturing, creating generic Specialty Aroma Chemicals. So the market already exists. So it's for us to like Parag said earlier, gain our piece of the pie with a differentiating strategy.

Moderator: Thank you. The next question is from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead.

Bhavesh Chauhan: Just wanted to ask for on your sustainable margins after we are done with our CAPEX both Brownfield and Greenfield. Should it be more than 15%, 17% that we are guiding today?

Dharmil Bodani: Look, we are guiding at 15% to 17% everybody would like it to be more including me, I assure you, but we will stay at 15% to 17% guidance.

Bhavesh Chauhan: Okay, and sir secondly with the Camphor price is going up and significant cash accrual will we have higher dividend payouts?

Dharmil Bodani: I can't answer that at this point, but this year our interim dividend has been pretty healthy. So we will see, we are here to progress with being a healthy dividend paying company and we will see how that goes.

Bhavesh Chauhan: And sir lastly our Mahad plant equity that we earlier targeted 30%, 70% that remains positive?

Dharmil Bodani: Girish, Parag?

Girish Khandelwal: Yes, it remains in the same proportion.

Moderator: Thank you. The next question is a follow up question from the line of Rohit Nagaraj from Sunidhi Securities. Please go ahead.

Rohit Nagaraj: Sir, my question relates to the export market. So we have seen that there has been an issue of container availability through it so did we get impacted? So my question pertains to the exports market. We have seen there is an issue of container availability as well as freight rates going up. So has it impacted our exports revenues in Q3 and what do we see it in terms of the current quarter Q4?

Parag Satoskar: So there's definitely an impact, we as a company we are trying multiple strategies to explore how we can kind of mitigate that by a kind of doing some forward contracts but they not et cetera, et cetera, multiple options are being explored. Having said that, there will be an impact, as we kind of see the other side of the world with vaccinations happening, I'm sure with the shipping lines opening up to somewhere close to pre-COVID levels. This is a temporary blip which should get corrected. And when it gets corrected, we'll come back to our original, but till that time we will definitely have that impact.

Rohit Nagaraj: Thanks. Sir second question is slightly on the growth side. So, we know that globally the F&F market grows by about 4%, 5% in India the growth rate is higher at say maybe 8% to 10%. But we have guided about 12% to 15% growth rate. So what is the rationale behind it, we are

gaining market share from some other players or there is any shutdown of some of the, probably not so efficient capacities. So what gives us this confidence of achieving 12% to 15% growth in the foreseeable future. Thank you.

Dharmil Bodani: So it goes back to our CAPEX, if you look at Baroda and Mahad and based on what Parag has mentioned that it's a 1.5, 1.7x. If you divide that number in the next three to five years, you would arrive at 10% to 12%. And this is largely because the Specialty and generic Specialty and bulk Aroma Chemicals that we are investing into. We will get our market share for those materials.

Moderator: Thank you. As this was a last question for today, I would now like to hand the conference over to Mr. Dharmil Bodani from Oriental Aromatics Limited for closing comments.

Dharmil Bodani: So, thank you all for participating in the earnings call. I hope we've been able to answer your question satisfactorily. If you have any further questions or would like to know more about the company, we would be very happy to be of assistance. We are thankful to all our investors who stood by us and also had and continue to have confidence in the company's growth going forward and with this, I wish everyone a great evening. Thank you.

Moderator: Thank you. On behalf of Oriental Aromatics Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.