Oriental Aromatics

Ref: OAL/BSE/NSE/25/2023-24

05th June, 2023

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| To | To |
| The Manager | The Manager |
| Department of Corporate Services, | Listing Department, |
| **BSE Limited,** | **National Stock Exchange of India Limited** |
| Phiroz Jeejeebhoy Towers | Exchange Plaza, Bandra Kurla Complex |
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| **Scrip ID : ** OAL | **Symbol:** OAL |
| **Scrip Code:** 500078 | **Series : ** EQ |

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

With reference to our letter dated 29.05.2023, intimating about the conference call with the Institutional Investors/Analysts on Wednesday, May 31, 2023 at 02.00 p.m. to discuss the Financial Performance of the Company for the year ended March 31, 2023, 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 KAUR GILL

Digitally signed by KIRANPREET KAUR GILL
Date: 2023.06.05 13:17:03 +05'30'

**Kiranpreet Gill**
**Company Secretary & Compliance Officer**

# Oriental Aromatics Limited
# Earnings Conference Call
# May 31, 2023

**Moderator:** Ladies and gentlemen, Good Day and welcome to the Oriental Aromatics Limited Q4 FY23 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, please signal an operator by pressing "*" then "0" on your touchtone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, Sir.

**Anuj Sonpal:** Thank you. 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 Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the fourth quarter and financial year ending 2023.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's earnings 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 belief as well as assumptions made by 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.

Let me now introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We firstly have with us Mr. Dharmil Bodani – Chairman and Managing Director, Mr. Parag Satoskar – Chief Executive Officer, Mr. Girish Khandelwal – Chief Financial Officer and Ms. Kiranpreet Gill – Company Secretary. Without much delay I request Mr. Dharmil Bodani to give his opening remarks. Thank you and over to you, Dharmil.

**Dharmil Bodani**: Thank you so much and good afternoon ladies and gentlemen. It is our pleasure to welcome you all to the earnings conference call to discuss the results of the quarter and the financial year ended 31st March 2023. Thank you for joining us today once again. I would like to now request, Mr. Girish Khandelwal our CFO to give the financial highlights for the quarter and the financial year ended 31st March 2023. Thank you. Girish Over to you.

**Girish Khandelwal**: Thank you very much Dharmil. Good afternoon everyone. I would like to welcome you all for the conference call. I would like to focus on the operating performance of the company. Let me first take you through our consolidated performance for the quarter. The operating revenue for the quarter was Rs. 195.3 crore which was an decrease of approximately 3.7% on a year-on-year basis and 2.1% on a quarter-on-quarter basis. Operating EBITDA reported was Rs. 9.3 crore decreased as compared to Rs. 14.10 crore in the previous quarter and 22.10 crore in the corresponding quarter. Operating EBITDA margin stood at 4.76% as compared to 7.07% in the previous quarter. Net profit after tax reported was Rs. 1.2 crore decreased as compared to 3.8 crore in the previous quarter and Rs. 10.5 crore in the corresponding quarter. While PAT margins were 0.61% which was a decrease of 130 basis points on a quarter-on-quarter basis.

Coming to the FY2023 performance on a consolidated basis the operating revenue was 849.1 crore which was an decrease of approximately 2.30% on a year-on-year basis. Operating EBITA reported was Rs. 54.20 crore decreased as compared to Rs. 92.5 crore in the corresponding FY22. Operating EBITDA margins stood at 6.38%. Net profit after tax reported was 19.70 crore decreased as compared to Rs. 53.3 crore in the corresponding FY22 while PAT margins were 2.32% which was a decrease of 381 basis points on the year-on-year basis. During the year manufacturing and operating cost has gone up by Rs. 6.82 crore which is mainly due to increase in the power cost by 5.46 crore and if we look at the finance cost, so the finance cost has increased by rupees 8.98 crore due to the higher utilization of working capital borrowing and increase in interest rates as compared to the previous year. Finance cost also includes the forex loss of 2.09 crore as against the 0.86 crore in the previous year.

Now, come on the cash flow performance. So, during the year cash profit stood Rs. 39.17 crore is compared to 70.31 crore in the previous year. The net operating cash flow was minus 22.30 crore as compared to minus Rs 0.81 crore in FY22. The decrease in the operating cash flow is mainly driven by the higher cash investment in the working capital requirement. Net debt equity ratio stood at 0.34 from 0.21 as compared to the previous year FY22. ROCE for FY23 stood at 5.32% as compared to 12.5% in the year FY22. Thank you. With this, we can now open the floor for the questions and answer session. Over to you, Anuj.

**Moderator**: Thank you very much sir. We will now begin the question and answer session. The first question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

**Ankit Gupta**: Sir can you please talk about how is the demand scenario in Aroma Chemicals and camphor currently and when do you expect the demand to pick up for these products?

**Parag Satoskar**: I will talk about the camphor when it comes to camphor in the local market primarily the fourth quarter is always a bit of off season. So, we will have to see how the demand picks up in Q1 and Q2 because that is when the season starts and I think that is when the efficiencies of the new capacities that have come online will really be tested. So with relation to camphor locally I think this is the situation where we need to wait and watch. When it comes to the terpene chemicals as well as the specialty aroma ingredients I think demand in India is stable, but if you look at global demands global demand is extremely subdued primarily driven by the factors like overstocking in supply chains all across the world as well as certain recessionary trends that we are seeing in the European and the American markets. So, at least for the next two to three quarters going forward I think we feel that the demand will stay a bit soft till we reach some levels of stabilization because I do not see a substantial destruction and demand, but I only see a lag that is being created because of the excess stocking in the supply chain.

**Ankit Gupta**: So, the kind of destruction in margins that we have seen in last year so can that also be attributed to the dumping from China or it was largely to do with demand itself was down?

**Parag Satoskar**: So I think again the reason I mean if you look at the three divisions that we have. Our fragrance and flavor division seems to be doing extremely well. I mean we have had close to 50% quarter-on-quarter growth in terms of our production volumes and almost 30% increase in our sales volume, but when it comes to camphor locally like I said that there are a variety of negative factors. The competitive landscape has changed with a lot of new players coming with new capacity and old players increasing capacity and all of them primarily coming online in Q3 and Q4 which is relatively softer part of the demand in terms of year. So, going forward we will have to see what happens, but there is a tremendous pressure on the selling price because of this oversupply of camphor in the market and globally be it camphor, be in terpene chemicals or be it specialty aroma ingredients like I said that there is a softness in demand. Our customers have the RFQ's that we were allocated for H1. I think they have been kind of honored to the extent of between 60% to 70% and the balance have either been postponed or they have been cancelled. So, I think that kind of puts pressure because we have a lot of inventory buildup which is relatively high cost. So, I think if you put all these factors together there seems to be a kind of a mixture of a lot of negative factors which are putting pressure on the demand which are putting pressure on the sale price and that is impacting profitability as well as stock.

**Ankit Gupta**: My last question was on into the capex all the three Brownfield as well as the Greenfield CAPEX given in the presentation that they will get completed by end of FY24, so you know post all the CAPEX being completed and the kind of fall in realization that we have seen in Aroma chemicals and camphor, so what kind of top line can we expect at optimal capacity utilization whenever we reach let us say in two, three years, what kind of revenue can we generate with all the capacities put together?

**Dharmil Bodani**: So, Ankit the answer to this has been given in the previous call we request you to refer that.

**Moderator**: Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

**Dhwanil Desai**: Sir, my first question Parag said we are seeing very subdued demand in the Aroma chemicals, but we have a very large product basket, so are we experiencing this kind of a slowdown across all products and if so is it only the inventory part which is playing the role or even the supply side from China has come back strongly and that is what is hurting us, can you throw some light on that?

**Dharmil Bodani**: Parag I will take the first part of the question and you can take the second part. On the first part of the question yes we have a large range of specialty chemicals and generic bulk aroma chemicals. A fragrance or a flavor like we may not have explained in the past is a recipe or a formulation. So, formulations and recipes use all the ingredients that we manufacture. So, the slowdown if it comes, it comes across the board. So, it is not chemical specific. If the demand of fragrances does slow down the use of aroma chemicals both bulk and generic do slow down and therefore the impact is felt across the board. Parag you can take the second part.

**Parag Satoskar**: So, I think Dharmil has rightly answered that when you look at a fragrance. A fragrance gets created with all these materials which are the generic specialties as well as the bulk commodities. And definitely I think the Chinese capacity coming online and the Chinese manufacturers being active after a while plays a role in terms of the ability of the customer to negotiate a little more harder than what they were doing in the past two years. So, yes it makes an impact. Having said that, I think our product development philosophy has always factored the Chinese I think in a steady state of business our product development philosophy and our product development plan has factored the presence of Chinese competitors and we will still be able to coexist.

**Dhwanil Desai**: Second question is I think for FY23 we had tied it for around 8% to 9% kind of a margin, but we ended Q4 with much lower margin, so going forward given that the demand environment is challenging, do we expect to have a 10% margin or lower or higher any guidance on that?

**Parag Satoskar**: So, I think Dhwanil to be very honest in the 25 odd years that I have been in this space I think we find ourselves in a very unique position where everything is down where the raw material prices are down where the demand is down, where the forecasts are down and the cost of borrowing money is up so there is a lot of pressure for releasing generating cash by reducing inventories. So, I think it will probably be very challenging to really give you a very definitive answers. I am sure we are taking all the steps that are possible internally to ensure that we stay at the maximum profitable level even in these current situation and when situation stabilizes which I am sure it will over the next few quarters and when it does we will be in a position to kind of get at some at better margins.

**Moderator**: Thank you. The next question is from the line of Rajat Sethia from I thought PMS. Please go ahead.

**Rajat Sethia**: So with regards to camphor you mentioned that there is oversupply that happened, so is it possible to quantify at the industry level what is this oversupply, how much is this oversupply?

**Parag Satoskar**: It is a bit challenging in terms of quantifying the exact camphor supply and demand because a lot of the new capacities that have added up are not publishing their capacities in the public domain. Having said that, if you look at camphor as a product, it is not something which is having phenomenal CAGR growth. So, we will need to see at the end of this season as to what are these capacities that have come up are really eligible and capable of supplying to the market. And the prices at which it is being supplied today, which according to us is completely unsustainable and is probably kind of not feasible. So, how long can these unsustainable prices be maintained. So, I think it is something which we will probably be in a much better position to evaluate and answer two, three quarters down the line.

**Rajat Sethia**: So is this something that you would say that happens every few years I mean every few years industry players come up with huge supply because last few quarters were very rewarding, is this how it is in camphor industry?

**Parag Satoskar**: What I feel is I think camphor probably add a good run for the past three to four years starting with 2018 when the raw material prices shot up and all the camphor manufacturers in India found themselves in a very sweet spot where we had a lot of low-cost inventory and we were able to pass the price increases to the customers who eventually then led to the street size of camphor on the on the street increasing. So, I think and post that I think camphor was looked upon as a remedy for COVID. So, I think the industry had a good run for three to four years and I think the money or the cash that was accumulated according to our estimates has gotten invested in building brand new capacity of camphor without really having a look at whether it is sustainable or not from a CAGR perspective. So I think that is the reason why this is a little different than what it has been in the past and I think this combined with a global situation where the requirement for pinene is historically down because the aroma ingredient requirement has also come. So, I think there are a lot of factors which are kind of favorable for a price reduction which have happened altogether. Having said that, I think the current prices that are being offered are absolutely unsustainable because although there is reduction in the price of alpha-Pinene, but what has been currently offered in the market is the alpha-Pinene that probably will be reaching our plans not before September.

**Moderator**: Thank you. The next question is from the line of Kiran Chheda from Chheda Investment Consultancy. Please go ahead.

**Kiran Chheda**: Sir, I just saw their inventories the inventories have short up substantially almost by 30% from the previous year last March to this March, so what exactly is the breakup raw material work in process and finished goods please?

**Parag Satoskar**: I think across the board be it the raw materials, be it the semi finished goods as well as the finished good. I think we have seen a ramp up in the inventories because normally if you want to run these gigantic plans you kind of go with a three or a four month inventory procurement plan and hence I think a lot of your raw materials for 4 to 5 month are either they have reached your plant or they are in the ship or they are at the suppliers side ready to be dispatched. So any course correction in inventory probably will come with a lag of 4 to 5 month and all our inventory procurement happened in October and November 2022 when we received our RFQ's for H1 2023. Now the inventory pile up has primarily happened because of a lot of our global customers postponing their procurements or procure postponing their allocation which they have given to us which has resulted in the inventory piling up which was planned for them and apart from that because of the slowdown in Europe and America because of the pile up of inventories at their end. We are seeing that spot procurement also has kind of diminished substantially in the quarter that has gone by. So, all these factors put together the outcome is that we have ended up higher inventory and I think that kind of is very common currently across the board in our industry.

**Kiran Chheda**: It is almost 5 and half months of annual turnover that is really substantial and when do you think the situation could become more like normal for this?

**Parag Satoskar**: So I think like I said when it comes to the camphor and terpene chemical space we probably will have to kind of wait out at least for the next two to three quarter before we come to know what is exactly going to be your picture and I think from the feedback that we are getting on our customers and the kind of quantities that we are receiving for the H2 RFQ's we feel that we are another two to three quarters away from some level of stabilization in the specialty aroma ingredient space as well whereas I think on the fragrance side we are seeing a much a much different story where there is very strong demand especially in the markets that we operate and there is good support for our products.

**Dharmil Bodani**: I think, Parag I would like to intervene here. I think more than strong demand I want to rephrase that. I think the wins that Oriental Aromatics is getting in the fragrance and flavor area is a lot more and if you go back to our earlier calls we would have mentioned to you that we are participating in lot more projects and this is actually the reason why the fragrance division is growing. I am not sure whether the industry overall is growing. I think there is a lot of musical chairs in the business which is changing from A to B. So, our gain in volume and value in the fragrance and flavor division does not necessarily mean that the industry is growing.

**Kiran Chheda**: Any guidance for the current year Mr. Dharmil please?

**Dharmil Bodani**: In guidance what guidance?

**Kiran Chheda**: The turnover and the financial?

**Dharmil Bodani**: I do not want to at this point give a guidance because as Parag has mentioned we are seeing unusual drop in prices of raw materials on the chemical side and the guidance I would like to give you is that it is going to be a challenging next two or three quarter till we see a stabilization.

**Moderator**: Thank you. The next question is from the line of Vijay Karpe from Shriram Life Insurance. Please go ahead.

**Vijay Karpe**: My question pertaining to the camphor industry, so we talked about the oversupply, which is there, so when do we expect these new capacities to be fully absorbed?

**Parag Satoskar**: Well to be very honest I think these capacities probably have kind of surfaced in the last six months or so. So, we will have to first look at their quality and a lot of the other aspects going into the going forward, I think the kind of numbers that are floating around because we do not have the exact numbers of the others we know what we produce. I think there is a significant over capacity which will take a while to be absorbed if all of them come online and all of them have to be sold in the market.

**Vijay Karpe**: Any number that you can put to it like one year, two years?

**Parag Satoskar**: I am not so sure. So that is the reason why I mean I am sure about my capacity, but I am not very sure about the capacities of the others because those are numbers which are flying in the air. So, I do not want to make any judgments based on the numbers that I do not have, but assuming that those numbers are true it is much longer than one or two years.

**Vijay Karpe**: And the second question is we supply camphor as a solvent to our clients, so just wanted to understand the percentage of camphor that goes into the end products like your paints, adhesives, toothpaste in terms of volume and value a rough estimate if possible?

**Parag Satoskar**: So, Vijay primarily I think the camphor application the biggest application at least in India is in the religious and the praying space. So, where it is used directly in the form of formulated product like a tablet or a slab. I think the other two applications are in pain management which is where it is used in certain medicinal products or OTC products where it depends on the formulation and I am not privy to that information and the third application is primarily in cold and flu management where it is used as part of inhalers or so again I think in terms of the composition that goes there I am not very privy to that information, but these are primarily the three applications where camphor is sourced.

**Vijay Karpe**: What about paints?

**Parag Satoskar**: It is to the best of my knowledge it is not used in paints.

**Moderator**: Thank you. The next question is from the line of Rohit Nagaraj from Centrum Broking Limited. Please go ahead.

**Rohit Nagaraj**: Again delving a little bit on camphor, just wanted to have an understanding in terms of the growth avenues incrementally from different segments, so including the devotional segment and the traditional as well as the three segments that you talked about what is the kind of domestic growth rate or global growth rate we are talking about and alike question to that I understand the alpha pinene, beta pinene availability is relatively scarce, so what has changed in terms of availability of the raw material dynamics from a particular geography because of which those newer capacities have come in?

**Parag Satoskar**: So, primarily to answer your question because there are no formal studies that are done for the increase in the CAGR growth for camphor in the devotional space again based on the here say that we hear from a certain smaller consumer insight study it is at a low single digit CAGR growth so it is not a product where there is a substantial growth rate. Having said that, I think there is a healthy double digit CAGR growth in the pain management and the flu management space primarily driven by the ability of the world getting either old or trying to become more fit by doing more exercise, so more prone to kind of having bruises or you know kind of pain in the in the joints. So, these are the kind of broadly the numbers that we have when we are doing our internal calculations. I think when it comes to the alpha pinene availability it is a very unique commodity where you have a lot of pine trees in the world and they get tapped based on the demand and the supply. And primarily from a demand perspective alpha pinene gets used primarily in aroma ingredients or in camphor and certain terpene chemicals and the supply side is normally depending on what is the demand and since the offtake in like I mentioned earlier in aroma ingredients as well as camphor as well as terpene chemicals is showing a substantial drop. Although the commodity can be considered as scarce when the price goes up I mean right now the commodities available in abundance and so the prices are crashed. It is more like oil to give you a very loose comparison it is a commodity which is a natural commodity. It can be taken out depending on the demand and that the price of taking out is fixed. So, if the demand is there then it will be taken otherwise the pine trees are not tapped.

**Rohit Nagaraj**: And my second question is in terms of camphor pricing, so just a perspective from maybe past decade or 15 years how the prices have moved up in terms of the peak prices, trough prices and more stable prices?

**Parag Satoskar**: So, I think if the camphor industry per say if you look at pre 2021 was a pretty balanced industry where there was no substantial capacity addition and there was no substantial capacity deletion. I think one major change that happened was till around 2018 you had around 3,000 tons of camphor which used to be imported from China that when the capacities in India increased by just process reengineering or smaller expansions I think the Indian manufacturers were able to cobble up that that particular and so the Chinese imports stopped, but apart from that I think it was a pretty stable pricing and the main factor for the price increase or drop was the global alpha pinene prices which were not driven by camphor, but which were driven by some other factors like the gum rosen prices globally or the demand of alpha pinene in the aroma ingredients too. So, if you look at the last 10 to 15 years situation camphor prices always used to stay stable when the pinene prices were stable and there was rarely a situation where there was extreme oversupply in the market. I think that has changed post 2021 when people have really gone ahead and built this capacity and so the situation is a little different than what it has ever been in the last 10, 15 years.

**Moderator**: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

**Ankit Gupta**: Just wanted to check on that capexhow much capex is left in Baroda, Bareilly and Mahad and how are we planning to fund that?

**Girish Khandelwal**: In Baroda our balance CAPEX is around say 100 crore and for that we are going to take the dates of around 70 crores, 75 crores and for Mahad our expected project cost is around the 92 to 100 crore and for debt also we are going to take the debt of 75% of the total project cost.

**Ankit Gupta**: So, in Bareilly anything which is left here as well?

**Girish Khandelwal**: Bareilly is a very small amount so 6 crores to 7 crore CAPEX is remained there. So, all together we are going to take 70% to 75% debt.

**Ankit Gupta**: So, 200, 205 crore kind of CAPEX we are planning to do in FY24 I think as you have mentioned in the presentation that the entire CAPEX will come in this year only FY24?

**Girish Khandelwal**: Yeah correct.

**Ankit Gupta**: Parag or even Dharmil given the kind of subdued demand that we are seeing currently how do you think you know that can impact the offtake for our capex when we completed by end of next year by the end of FY24?

**Parag Satoskar**: So, I think like I said that in terms of the sustainability of these materials going forward because we do not see a substantial destruction in demand by the virtue that none of us have actually stopped taking a bath or none of us has actually stopped using a detergent in a washing machine except some legislations which we are hearing which are coming in America where to prevent drought we are reducing the detergent cycles. So, it might have an impact on the detergent because of which it might have an impact on the fragrance, but apart from that I do not see a very substantial and a permanent destruction in demand. I think what we are seeing is kind of a recalibration because the industry is very raw material dependent for performance and so when there were supply chain hiccups in 2021 and 2020 the industry went ahead and overbought and then that was followed by a recessionary trend in the major consumer markets and so the industry will need two to three quarters of stabilization. I think we probably would be ready with our plans by then and hopefully with no further shocks happening we should see a steady demand situation, which is what we have forecasted when we did our financial and production planning for the new plants.

**Moderator**: Thank you. The next question is from the line of Rohit Ohri from Progressive shares. Please go ahead.

**Rohit Ohri**: I understand that we are still in the VUCA world and there are quite a lot of negatives which are there in our market, but what I wanted to understand was the strategy that we will be going forward with the upcoming year whether this will be a volume based or will it be a profitable volume based?

**Parag Satoskar**: Can you ask the question again I mean if I have understood your question correctly you are saying that as a company will our focus be on volumes or will our focus be on profitable volumes.

**Rohit Ohri**: Yes sir.

**Parag Satoskar**: So, I mean as an internal philosophy Oriental Aromatics always believes in the philosophy of profitable growth. So, we will continue and strive to ensure that by whatever means possible in terms of efficient raw material procurement, reduction in our conversion costs or process reengineering we will try to ensure that we continue to stay as profitable as possible in the context of the market and continue to sell.

**Rohit Ohri**: And we will be at par with the FY22-23 kind of revenue, is it fair to assume that or do we see a slight decline in that?

**Parag Satoskar**: I think like Dharmil has also mentioned that like too much of looking into a crystal ball because we are seeing a substantial attack on our sales price which will impact the top line and the slowness will impact our volumes and although there is reduction in the raw material costs, but if because of the excess supply if the selling price starts reducing even further we might have. So, I think putting all this together we probably will be in a more clear position to answer that two to three quarters. Having said that, I think one thing is for sure that it is going to be a tough year and we have to be resilient and we have to be watchful and we are taking all the precautionary steps that are taken.

**Rohit Ohri**: My second question is related to the declining ratios and the ROE and ROCE and we currently are in the trough phase, so by when do you think that we start inching towards the recovery mode or maybe towards the expansion maybe in like 6 quarters or maybe 8 quarters so that the trajectory start moving towards the north there?

**Parag Satoskar**: So, I mean to answer your question I probably will divide it into two parts. I will probably divide it into the first phase which will be the next three to four quarters where we will probably know directionally where is our fragrance division, our specialty aroma ingredients and camphor and terpene chemicals division and I think because in those three to four quarters we will also have substantial new product lines as well as capacity is added up and I think once we are at that phase then we will be in a position to look at the next four quarters and see if there is a stable business environment then we should be in a position to kind of achieve the stable EBITDA that we always been talking.

**Moderator**: The next question is from the line of Saket Saurabh an individual investor. Please go ahead.

**Saket Saurabh**: So first question the two divisions that are currently struggling like camphor and specialty, so are we breaking even on operating level at least or we are making loss there?

**Parag Satoskar**: So, I think if you look at the specialty aroma Ingredients division we are in fact breaking even on both the sides as well, but I think there is a lot of pressure in terms of margins more on the camphor and the terpene chemical space for now then probably it is on the specialty aroma ingredients, but we are kind of breaking even as of now.

**Saket Saurabh**: And when you are saying breaking even it is at EBITDA level or gross margin level?

**Girish Khandelwal**: At the EBITDA.

**Saket Saurabh**: Now second question is to Dharmil and last calls also we discussed that it seems to have slow down that we are into might also have some structural aspect even that increased competition, but what are for the strategic initiatives the big things that we are trying to do say at a company level navigate through these things because right now it seems that we are waiting for things to happen and I understand that this is a complex scenario, but like say some of the peers when I see they have gotten into long term contract or some are trying to talking about you know long term RFP's with some major customers, so just wanted to explore what are we say exploring to really see if in case this becomes structural, do we have some bigger ideas or bigger plan to navigate this because what I see and I am an investor in this company since camphor days or camphor allied days so our free cash flow sooner or later it is very volatile in fact last three years it has been negative, so any ideas or thoughts that you can share with us investor just to get a sense to get some comfort of things that we are doing to address some of these concerns maybe when it is say for the near or the long term beyond of course just outlining capex plans and all those things?

**Parag Satoskar**: So, I think to probably answer your question Saket I think we are looking at these challenges as a very big opportunity for our fragrance and flavor division. Dharmil has just said that the team there has done extremely well and we have kind of managed some very interesting strategic wins in that segment and these wins are with extremely large FMCG companies in India and abroad. So, I think that that is something where we are kind of in fact looking at this challenge as an opportunity and also the ability of being probably with the very few companies in the world who are backward integrated using all our strengths of the ingredients division to get more and more wins in the fragrance business is something which is a very, very important strategic move which was for many years in building and now it is in play. I think apart from that about the RFQ's I think when the customers have kind of picked up only 60% to 65% of their committed allocations to really go and ask them for longer allocations probably it is something which is at least in the current situation is not going to happen. When the stabilization comes we will definitely try to use that, but till the time that the external factors are looking a little challenging on the ingredient side. However, they are very, very positive on the fragrance side. On the ingredient side we are looking a lot of things that we can do structurally internally. So, we as management are spending a lot of time internally in our plants. We are looking at our processes, we are looking at our thoughts, we are looking at productivity at each level and that is how we are trying to differentiate ourselves because as we say that there is no destruction in demand. So, when the demand comes back we want to be a very leaner, meaner machine to go and fight in the market. So, these are the two strategic moves we are not very keen on the external side.

**Dharmil Bodani**: And Parag I would like to add is that these long-term contracts which you are referring to I do not think in a buyers' market today there are many companies that are getting into these long term contracts and what we are looking at is continuing to stay nonaligned so that we can offer our products both bulk and specialty across the industry. So, which does not really help us to take a new plant where we are making a product and selling it out to just one customer. And having them do a cost plus or taking majority of the margin. So, to answer you we will continue to stay on non-alliance, we will continue to focus on our strategy of both bulk and specialty aroma chemicals. We have a large expansion going to be going online. I believe 23-24 financial year we would have completed all our expansions except for our CST expansion unless we are able to even finish that in this financial year. So, I think there is going to be an addition of many more products in our repertoire to offer to the industry and the long-term contracts I do not believe exist beyond the current RFQ's unless you are in a complete buyback situation which we do not want to do.

**Saket Saurabh**: Just one small request and all it would be great we keep the sequence of having a Dharmil has given an opening remark. It gives a lot of confidence to the investors.

**Dharmil Bodani**: I have made a note of the comments and I will do it next quarter in the following quarters and our idea is primarily for not giving the opening remarks to give more time to the question and answer.

**Moderator**: Thank you. We have the next question from the line of Rajat Sethia from I thought PMS. Please go ahead.

**Rajat Sethia**: One clarification on Mahad capex so you are saying 100 crore is left so how much is already done?

**Parag Satoskar**: So, 100 crores is going to be the planned investment in the whole Mahad project because it is a Greenfield project. We will also have to do some support structure.

**Girish Khandelwal**: I just wanted to add actually we have already infused 32 crores into the Mahad subsidiary and as of March we have already invested whether you say the preoperative cost were less, some revenue cost as well as the land cost and land development cost total altogether is 25 crore, 26 crore we have already invested.

**Rajat Sethia**: Actually, the context is I think sometime in the previous call we mentioned that Mahad will probably take 200 to 250 crores, so right now we are going to spend this much and then probably later on we will spend more money, is that how it is?

**Parag Satoskar**: Rajat primarily is a phased investment where like Dharmil said that we are still in the process of piloting the whole CSTP once we are ready with that we will probably be doing the next phase of investment.

**Rajat Sethia**: And so we can say that peak debt I mean at the end of this year probably our debt levels will probably be 400 to 450 crores?

**Girish Khandelwal**: We are expecting around 370 crore, 380 crores.

**Rajat Sethia**: And how long will it take once all the CAPEX is done, how much time does before plant stabilization and to be sure that we are in the mass production?

**Parag Satoskar**: So since Rajat we are in the generic specialty aroma ingredient space. In fact, I think we have already kind of had some initial chats with our customers and they are very keen. So, we normally give ourselves between say three months to six months for validation followed by another three months for getting the sample approval. So, we should be looking at least capturing 40% to 50% of the available market in the first two and half years.

**Rajat Sethia**: And do you fear a scenario wherein because current demand is anyways low and capex is going to come in a year when the demand is low or there is pricing pressure, do you imagine a scenario that next one year when our plant is ready to fire, but we may not have enough demand?

**Parag Satoskar**: So, I think these are generic materials. I think having a fragrance division as the front end of the group always helps because we know which are the kind of fragrances in which it is used. We already have built solid relationships with most of the top consumers of these materials globally. So, demand or no demand there will be consumption of this material. As a strategic derisking and China Plus One it still stays in play albeit at a more challenging sale price. I am sure we will be well accepted globally in terms of the product sale at least and as the demand becomes more and more stable because our simulations have been done at various cost price from very good to adverse situation.

**Moderator**: Thank you. Ladies and gentlemen, that was the last question for today's conference. I now hand the conference over to Mr. Dharmil Bodani from Oriental Aromatics Limited for the closing comments. Over to you Sir.

**Dharmil Bodani**: Thank you so much. Thank you all for participating in this earnings conference call. I hope we have been able to answer your question satisfactorily. If you have any questions or would like to know more about the company, we would be happy to address the same. We are thankful to all our investors who continue to stand by us and also have shown confidence in the company's future growth plan. And with this, I wish everyone a great evening. Thank you so much.

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