



“Oriental Carbon & Chemicals Limited
Q2 FY2018 Earnings Conference Call”

November 28, 2017



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Moderator: Good morning ladies and gentlemen. Welcome to the Oriental Carbon & Chemicals Limited Q2 FY2018 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve the risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Akshat Goenka – Promoter & Joint Managing Director of OCCL. Thank you and over to you Sir!

Akshat Goenka: Good afternoon and a very warm welcome to everyone. Along with me I have Mr. Anurag Jain, our CFO and SGA, our Investor Relations Advisors. I hope you have received our result and investor presentation by now. For those who have not you can view them on our websites.

In the first half of FY2018 we have been able to grow our volumes as compared to previous year. Our new capacity of 5500 metric tonnes, which kicked in January, is still ramping up. The utilisation is expected to reach desired levels in Q4 FY2018.

With regards to our second phase of expansion the work is progressing well and is in line with the schedule and budget and is expected to be commissioned in Q2 of FY2019. Growth in the domestic tyre industry has started picking up. Global tyre companies have also expanded their capacities in India as India is emerging as a hub for tyre manufacturing. Being the only manufacturer of insoluble sulphur in India and having a long-term relationship with all of them.

Antidumping duty, which has been imposed on the cheap Chinese tyre imports, is also a big positive to the domestic industry. Demand of commercial vehicles is expected to increase driven by investment revival in infrastructure space and on overall economic upturn. This should again be another growth driver for tyres and our product.

Another growth driver is a new compound being designed for the ultra high performance tyres where requirement of insoluble sulphur is going to be higher. We have been continuously strengthening our tyres with all our customers and are well placed to take advantage of all these opportunities.

We always like sharing our success with shareholders and are happy to announce that the company has declared an interim dividend of Rs.3 per equity share that is 30% of face value. Now I would like to hand over the line to Mr. Anurag Jain to update you on the operational performance of the company.



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Anurag Jain: Thanks Akshat. I will now take you all through the financials of the company. Revenue, net of excise for FY2018 is Rs.76 Crores compared to Rs.72 Crores in Q2 FY2017 a growth of 6%. Revenue net of excise for H1 FY2018 is Rs.155 Crores compared to Rs.148 Crores in H1 FY2017 a growth of 4%. For Q2 FY2018 EBITDA stood at Rs.24 Crores, a growth of 3% from last year while for H1 FY2018 the EBITDA is Rs.51 Crores with a growth of 9% over last year.

EBITDA margins for the quarter stood at 51.5% and at 32.7% for the half-year. Finance cost has increased over previous year on account of additional term loans taken for capacity expansion. Profit after tax for Q2 FY2018 was down by 16% to Rs.12.4 Crores and for H1 FY2018 it was down by 8% to Rs.27 Crores.

This is due to higher taxes on a account of increase in deferred tax liability, provisions attributable to the new capacities, which were added in Q3 last year. PAT margins for the quarter stood at 16.3% and for the half-year at 17.4%.

With this I would like to open the floor for questions and answers.

Moderator: Thank you. We will now begin the question and answer session. We have the first question from the line of Ayush Mittal from Mittal & Company. Please go ahead.

Ayush Mittal: Good afternoon. Sir my question is about the utilisation of the new capacity that has come on stream for us - the 5500 metric tonnes and if we see your numbers like in March it was the first quarter wherein this new plant had got operational and at that time we had seen some uptick in the revenue. Since then we are not seeing any further growth and the revenue is stagnant or sort of declining. So is it that the new capacity has not been ramped up or any details on that?

Anurag Jain: There are two reasons for that. One is that the exchange rate was quite unfavorable, as you know in Q2 FY2017. The other is that any major ramp up in insoluble sulphur, will always happen in the start of the New Year because that is the time when the tyre companies would tie up the quantities and allocate plants. Normally it is not exclusively, but most of the tyre companies would allocate plants at the beginning of the year, so this is one reason, some of them do on six monthly bases, but most of them do at the beginning of the year, so therefore always the ramp up would be more pronounced in Q1 of any calendar year.

Ayush Mittal: Yes, but if you see that we have not had capacity addition move for a long time, so the industry must have known and all those things would have happened and if we see at your commentary you have talked about new customers, new geography, so still we are not able to reconcile this thing like there was the need for the capacity, but industry has not been getting utilized in two to three quarters also or we are not seeing some uptick on that?

Anurag Jain: For insoluble sulphur it is not like you push a button and everything goes out in one go, so we saw a significant addition to our sales in Q1 Calendar Year 2017, which was the first quarter of



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the capacities addition and then we have been seeing additions and we are talking with customers and as Akshat mentioned when we come to Q1 of Calendar Year FY2018 that is January, March then we are hopeful of reaching the optimum capacity utilization for the capacities added.

- Ayush Mittal:** Has there be any price decline of our end products?
- Anurag Jain:** The price decline if any in rupee terms is related to the adverse foreign exchange, which was prevalent in Q2 FY2017.
- Ayush Mittal:** Q2 FY2017 or 2018?
- Anurag Jain:** Sorry I correct myself Q2 FY2018.
- Ayush Mittal:** Okay Sir and that must be due to Euro?
- Anurag Jain:** Dollar and Euro, both.
- Ayush Mittal:** It has not change too much like it is earlier 3%, 4% change?
- Anurag Jain:** No, what happens is because we take forward cover, so there is a lag, so the dollar depreciated in Q1 of FY2018, which was on a higher side in January and then started depreciating in the end of financial year 2017, so that impact came in Q2 FY2018.
- Ayush Mittal:** Okay Sir. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Abhisar Jain from Centrum Broking. Please go ahead.
- Abhisar Jain:** Sir my question also is related to the revenue trajectory and the ramp up of the Mundra line, so Sir just wanted to understand that on the new customers and the new geographies that we wanted to place the new line in, is that exercise going as per plans or is there some minor hiccups and some adjustments there that you are encountering, which is if it all changing the plans for us?
- Anurag Jain:** So it is going as per plans, but then minor hiccups and adjustments are always a part of the plan and there are always backup, so for example if we need to tie up for 5000 tonnes we do not target 5000 tonnes, we target more than that, so that our conversion factor comes down to what we want to do, so if you look at in a broader sense then it is going as per plan.
- Abhisar Jain:** When you mention that the phase 1 should reach the desired utilization levels by Q4 FY2018 then do we mean that it should be close to a full utilization on that line by that quarter?



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Anurag Jain: As you know Abhisar we do not discuss numbers in terms of quantities and capacity, when we say desired we mean that whatever makes the line profitable that is the desired level and we will reach that.

Abhisar Jain: Sir, this line at that desired utilization would be selling largely to the new geographies of US, China or it will be across the world basically that we would have placed this line?

Anurag Jain: So, the new line was meant to feed the increasing demand of the existing customers as well as new geographies and it is what we will be doing. Even now whatever increase we have seen it corresponds to new customers as well as increase in demand of existing customers for example, domestic and existing international customers.

Abhisar Jain: Right, but Sir it will be largely for exports right, not for the domestic market?

Anurag Jain: No, domestic market is growing at 12% right. So, obviously quantities will increase in domestic market. As I said, when we look at quantity it is the total quantity we have, how much I have to allocate to which plant is a separate issue. So, once we were fully utilized in our existing capacity and the domestic demand is growing at 10 plus percentage obviously that quantity has to come from somewhere. It would be a mix of both.

Abhisar Jain: Sir, now the domestic volume share in the overall volumes for FY2018 can you give some indications how much would be the domestic volume share, without sharing the numbers of course?

Anurag Jain: So, as always it is between 55% and 60%.

Abhisar Jain: Sir, the other question I had is on the other expense line, so since in the expansion we were looking at some economies of scale as well as we had this saving related to the boiler that we had installed last year, but overall the other operational expense, which includes the power and fuel cost also seems to be trending substantially higher year-on-year in the H1 FY2018, so do you have any comments there, is it more because of marketing and rate or is it something else?

Anurag Jain: I just explain to you. When we are looking at H1 FY2017 and H1 FY2018 both were running on coal boiler, so there is no impact of coal boiler when we consider these two years. Now, there is a jump and the jump is mainly because of freight, power and fuel of course because there has been an increase in production. You would see that last year there was a decrease in inventory. This year there is an increase in inventory, so there has been an increase in production, so there is a significant cost increase in power and fuel and freight. So, there are three major components, one is the freight, one is expense on power fuel and one is the exchange rate losses.

Abhisar Jain: Exchange rate losses?



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- Anurag Jain:** Yes. Because we need to restate and mark-to-market our open positions at the end of the quarter, right.
- Abhisar Jain:** Right and Sir, could you quantify that exchange rate number if at all for H1?
- Anurag Jain:** For H1, the exchange rate loss was between 1.5 Crores and 2 Crores.
- Abhisar Jain:** 1.5 Crores to 2 Crores, and Sir, just lastly in our efforts of looking at diversification, so Akshat Sir, would you like to make any comments on that effort that where we would stand and in what timeframe could we looking at a decision on that regards?
- Akshat Goenka:** No, as I explained in the earlier calls, we are still following our system of trying to search for opportunities in the defined space and we do not have any concrete update to give as of now and whenever we do we will definitely announce it.
- Abhisar Jain:** But Sir, any cutoffs on the size of the opportunity or on the return matrix, margin matrix it will be largely similar to our insoluble sulphur and complimentary to it or something else?
- Akshat Goenka:** Size, I would not comment on except for saying that eventually whatever we get into we would like it to grow to a similar size to our current business, so it would have scalability, but at what size we start on is not something that I can say, even I do not know. It depends on the opportunity whether it is an acquisition or whether it is technology and regarding the return on capital and the margins, we will be sticking to our principal of current business. We would not be getting into any kind of commodities where there are wafer thin margins.
- Abhisar Jain:** I understood Sir. Thank you so much for this clarity on everything and best of luck Sir.
- Moderator:** Thank you. The next question is from the line of Piyush Mehta from KT Commodities. Please go ahead.
- Piyush Mehta:** Sir, did the company lose anything from the dollar exposure? There would be an impact on the profits because of this?
- Anurag Jain:** There is no impact on the profitability because of decrease in the dollar rate which has happened for us on per tonne, but if you see the EBITDA margins, the margins has not come down.
- Piyush Mehta:** Is there any impacts on the shoot up on the crude oil?
- Anurag Jain:** That is a different thing. There is a small impact in the crude oil, but if you see at the EBITDA level then the impact is very low.
- Piyush Mehta:** Sir, do you have any impacts on the crude oil do you have see any difference for the company?



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- Anurag Jain:** Yes, if the crude oil prices go up very drastically then obviously our raw material prices will go up and if it is in the same selling price then we have to see how soon it gets passed on.
- Piyush Mehta:** So, do you give any long-term contracts that you supply?
- Anurag Jain:** The price contracts which are there is normally quarterly or six monthly. Quantity contracts are long-term and price which is there is either quarterly or six monthly depending on different people that we negotiate with.
- Piyush Mehta:** Sir, any plans are there in mind that you would like to enter into new products or do you think you would be happy with the same products. For eg: do you plan to go into electric cars as we see a lot of demand there ?
- Anurag Jain:** No. Now what you said about electric cars is right, but the products which we are having there is no link with the electric cars, our product go in the tyres. And as far as diversification, which is there, as Mr.Akshat was telling you all, yes you are right in saying that there is a world of opportunity which has opened up, but we are not being fixed to one, but let the time come and we will plan in the overall fitment.
- Piyush Mehta:** If I have missed any questions or if I have forgotten, can we email you?
- Anurag Jain:** Yes.
- Piyush Mehta:** How will I get in touch with you?
- Anurag Jain:** If you have SGA Investor Relations email, you can get in touch with us.
- Piyush Mehta:** Thank you so much.
- Moderator:** Thank you. Next question is from the line of Surat Shah who is an Individual Investor. Please go ahead.
- Surat Shah:** Thank you for the opportunity Sir. Sir, I would like to ask a few questions. Sir, the first question would be, can you give us a broad number of the capacity utilization levels?
- Anurag Jain:** We do not discuss that please. I am so sorry, but we do not discuss capacity utilizations and numbers in terms of tonnages and quantities.
- Surat Shah:** So, have we started selling our products in the North America and China?
- Anurag Jain:** Yes, we have started.



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Surat Shah: If yes, what would be the current selling and how much should we expect from these two geographies going ahead?

Anurag Jain: Again, numbers we cannot discuss, but obviously we have plans.

Surat Shah: Sir, can you give some broad number?

Anurag Jain: So, if you want to have some idea roughly American market has a demand of about 30000 tonnes per annum of insoluble sulphur and China again has around 35000 tonnes to 40000 tonnes of insoluble sulphur demand, so both of them put together would be in the range of 70000 tonnes of insoluble sulphur demand.

Surat Shah: And have we been seen any pressure through any of our competitors while entering the newer geographies?

Anurag Jain: So, what kind of pressure you mean, I am unable to understand?

Surat Shah: Any kind of competitive pressure, any kind of?

Anurag Jain: Any price war or cutting, I do not think this the product where this happens normally, so we have not entered into new geographies by way of cutting prices.

Surat Shah: Have we been able to increase our customer base in the last six months?

Anurag Jain: If you are asking whether we have acquired new customers?

Surat Shah: Yes.

Anurag Jain: We have acquired new customers and more plants of the existing customers. You have to understand one thing that once you are catering to nearly most of the major tyre companies in the world then acquisition of new customers per se is not the correct barometer. One that we should look at is whether we are getting new plants.

Surat Shah: Okay Sir, last question from my side any guidance on revenue growth and EBITDA margin levels?

Anurag Jain: EBITDA margin level guidance is late 20% for revenue growth as we have said that this capacity that we are having should be optimally utilized in Q4, so there we will have a revenue growth. We cannot talk about number, because number is a product of so many things including exchange rate and so many other things, but yes, there would be a growth.

Surat Shah: Thanks.



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- Moderator:** Thank you. We have the next question from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.
- Charulata Gaidhani:** Thanks for taking my question. I wanted to know what percentage of your revenue is from India?
- Anurag Jain:** About 30% of our revenue is domestic and about 70% of our revenue in a broad term is exports.
- Charulata Gaidhani:** Okay and how do you see it is going forward?
- Anurag Jain:** I think once sales from both the plants, the one that obviously we have now and the other which is going to be operational in Q2 FY2019 kick in the percentage will tilt towards more on the side of the exports at that point of time.
- Charulata Gaidhani:** In terms of price differential for insoluble sulphur, how are we priced in Indian customers vis-à-vis the exports?
- Anurag Jain:** If we look at factory gate price because for exports sometimes CIIF and sometimes it is delivered duty pay so the right comparison would be what is the factory gate price, then there is no significant difference between the average price for the customers in India and the average exports price.
- Charulata Gaidhani:** Okay and who are your competitors or how are you placed in the market?
- Anurag Jain:** Our major competitor is Eastman Chemicals and they hold about 70% to 75% of the market share worldwide and then there is one Shikoku Chemicals in Japan, which is slightly more than ours and then we are there.
- Charulata Gaidhani:** Okay, are there environmental issues in manufacturing insoluble sulphur?
- Anurag Jain:** No, there are no environmental issues and our plants are fully compliant with pollution and environmental norms and there are no environmental issues.
- Charulata Gaidhani:** What has led to the decline in profit margins in the current quarter?
- Anurag Jain:** There is a decline in profit per se in the current quarter profit before tax, but there is no decline in margin. The major reason for decline is the finance cost and the depreciation because of the new capacity, which kicked, in last year in December, so if you would notice finance cost has gone up by about Rs.1 Crores and depreciation has gone up by about Rs.50 lakh.
- Charulata Gaidhani:** How long do you think it will take for you to see a growth in profits?



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- Anurag Jain:** As Akshat has pointed out in Q4 we should see the growth coming in when we say growth in profit I assume that you are talking about PBT and not EBITDA level margins.
- Charulata Gaidhani:** Yes, right.
- Anurag Jain:** Because PBT growth is already there, but on EBITDA level it will be there.
- Charulata Gaidhani:** Okay.
- Anurag Jain:** If you see the six-month figures they are already achieved, so this growth is already there. It is not that it has come down.
- Charulata Gaidhani:** Okay and what type of revenue growth do you anticipate going forward for FY2019?
- Anurag Jain:** I would not like to comment on FY2019 revenue growth just now.
- Charulata Gaidhani:** Okay, fine. I will join back.
- Moderator:** Thank you. The next question is from the line of Riya Shah from Niveshare. Please go ahead.
- Riya Shah:** I wanted to ask that do we see any trend in the insoluble prices in the coming quarter like as you are expecting an increase in the prices of insoluble sulphur?
- Anurag Jain:** The prices have been quite stable. Currently we do not see anything which indicates otherwise except for the fact that if raw material prices increase further then there could be a correction in prices but then it depends on so many variables whether it will increase further or not, but as the things stands we look at them being stable.
- Riya Shah:** My next question is that what will be the lag period for passing on the prices of raw materials in case they increase to the customer?
- Anurag Jain:** As I said that the rate negotiation happens on quarterly and six-monthly basis and if you have gone through our balance sheet you will appreciate that the raw material prices are not hugely significant in terms of turnover, so minor increase and decreases are not passed on. It is only when there is a decrease or increase, which is sustainable which is there for some time, and which is significant then we talk about passing on those.
- Riya Shah:** My last question is any updates on the investment in our subsidiary? We were trying to cut a lot of cost and make it profitable, any updates on that?
- Akshat Goenka:** It is still work-in-progress but as you would have seen in Q2 we actually declared profit.



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- Riya Shah:** We have a declined profit rather than...
- Akshat Goenka:** No, we have declared profit for the first time after many quarters, Q2 was the first quarter where we have declared a profit in some years.
- Riya Shah:** Sir, do we see forward to have a sustained profit in that segment?
- Akshat Goenka:** The first objective was to bring it on cash sustainable level where the parent company being OCCL did not have to support it. We have not had to support it for the last one year and I hope and believe that this situation will continue. Now once that stabilizes, profit will be the next progress, but I would still say that let us see, let us wait another couple of quarters and see how it shapes up then we will be able to see definitely which direction it is going.
- Riya Shah:** Thank you very much.
- Moderator:** Thank you. We have the next question from the line of Shrikant PVS from Spark Fund. Please go ahead.
- Vijay:** This is Vijay here. I had a couple of questions. The first thing we are trying to do is trying to rebuild your financial performance Q2 FY2018 versus Q2 FY2017 and we appreciate that you do not give numbers like capacity utilisation in volume, but some of it is introduced is probably a little bit a struggle to deal with in terms of reading the financial performance otherwise, so let me ask and I am seeing that there has been a 6% increase in income or revenues. I am just trying to understand is that increasing primarily a value increase or a volume increase?
- Anurag Jain:** It is primarily a volume increase.
- Vijay:** So, and if I heard you correctly, you were mentioning that the losses due to foreign exchange was to the order of around 1.5 Crores. So that would not have significantly impacted the numbers for FY2018, Q2 FY2018 is that all coming in Q2 FY2018?
- Anurag Jain:** Yes.
- Vijay:** Fair enough. Again, we were saying that the prices during this period as you were mentioning that the prices were relatively stable global prices in insoluble sulphur but just to understand if you were comparing the two periods Q2 FY2018 versus Q2 FY2017 have prices of sulphur remained stable during that period as well?
- Anurag Jain:** They would be more or less stable, may be a slight increase, but not very significant and prices of sulphur you are talking not insoluble sulphur, right?
- Vijay:** No, sorry prices of insoluble sulphur?



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- Anurag Jain:** They have remained stable, but obviously if you look at it in Rupee terms they have come down a little because of the exchange rate.
- Anurag Jain:** Yes, because of the exchange rate.
- Vijay:** Fair enough. Also, you had mentioned that the prices of raw material for you would be impacted by crude price increases, so I am just trying to understand the raw material price has increased but would that be due to volume increases or also due to cost inflation?
- Anurag Jain:** Raw material prices?
- Vijay:** Yes.
- Anurag Jain:** So it is not about volumes, you are talking about our cost of raw material?
- Vijay:** That is it.
- Anurag Jain:** That is because of volume.
- Vijay:** Not really because of any price increases in crude?
- Anurag Jain:** It is mostly because of volumes.
- Akshat Goenka:** One thing you should always read together with the RM price is the change in inventory. So last time inventory in that quarter went up by 55 lakhs, this time it has gone up by 191 lakhs. So that cost also comes into the RM.
- Vijay:** Fair enough.
- Akshat Goenka:** That also has an impact on other expenses because power and fuel goes and sits over there.
- Vijay:** Sir just wanted to understand also what was the reasons for increased in finance cost?
- Anurag Jain:** See our new capacities kicked in December last year so the loans for that capacity are now being charged to profit and loss account. So obviously that much loan is now sitting on the books on which we are paying finance costs as well as depreciation so both increases on account of new capacities.
- Vijay:** Fair enough. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Sachin Parekh who is an Individual Investor. Please go ahead.



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Sachin Parekh: Sir when I joined, a similar question I think in last call, so my understanding was import and export the percentage wise was around 60% and 40% and not just 70%-30% so first question is there any change in these numbers in last quarter or so any change in that sort of number amount which are import and export that is what I wanted to ask?

Anurag Jain: Both the numbers are correct when I say 70:30 that is basically on insoluble sulphur part and when I say 60:40 that is company as overall that's the difference. Thus both numbers are correct.

Sachin Parekh: Okay understood. Thank you. And the second question so when you talked about price in import and export let say if you have same client XYZ client and they have domestic market as well as market outside in India and if we are delivering insoluble sulphur to both the clients whether it is India or whether it is outside India so are they price differential where we are giving insoluble sulphur product between these two?

Anurag Jain: I would not like to answer that question directly, but what I have said before is that there is no significant difference in average factory gate price whether it is in domestic or in exports.

Sachin Parekh: Okay understood and lastly Sir as we understand our capacities differently, are not optimally utilized at this moment as and when like capacity are ramping up. So, in this case what we are reading is there is a huge demand at India levels so lot of tyres are done with huge plants so if we are given opportunity domestic versus international and as is bring other plants to optimum utilization so do we go for the domestic by sacrificing some amount of margin just for a sake of reach optimum level or is it something like always gone to keep that ratio between export and import no matter where are capacity utilization are?

Anurag Jain: There is no intention of keeping ratio of export and domestic. Our intention is to cater to our existing customers and their increased demands that is our first priority. So whether those customers are in India or abroad if those customers have increased demand we will cater to it first so that is our first priority.

Sachin Parekh: That is it from my side. Thank you Sir.

Moderator: Thank you. The next question is from the line of Chirag Vekaria from Budhrani Finance. Please go ahead.

Chirag Vekaria: Good afternoon Sir. Just wanted to get sense from you in terms of competition that you have told Eastman and Shikoku could you throw some light on whether is there any capacity expansion at their end whether internationally or locally for the market that you are operating?

Anurag Jain: Both of them have recently undergone capacity expansions, which have been discussed earlier also. As far as fresh capacity expansions are concerned over and above that we do not have any news.



- Chirag Vekaria:** Okay and Sir in terms of positioning how do we position our product vis-à-vis with the competition?
- Anurag Jain:** I did not get your question can you be more explicit please?
- Chirag Vekaria:** Sir basically we are supplying insoluble sulphur and if the competition does the same I mean what differentiates our product from their offering?
- Anurag Jain:** No. There is no differentiation if you are talking about the quality of the product.
- Chirag Vekaria:** Then how do we enhance the market share?
- Anurag Jain:** We enhance the market share for two reasons, one is serviceability, flexibility and also giving customers and new geographies an alternate supplier. As you know that more than 70% is flexibility so everybody wants at least two or three suppliers so that is our USP and then obviously serviceability and flexibility in terms of product.
- Chirag Vekaria:** Sir just last thing the margins I do not know if I miss that the margins in domestic and exports are similar or would there be different?
- Anurag Jain:** There are in similar range.
- Chirag Vekaria:** Thank you Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Piyush Mehta from KT Commodities. Please go ahead.
- Piyush Mehta:** Sir, I needed to ask you what is the requirement for domestic market yearly for the insoluble sulphur?
- Anurag Jain:** See, the estimate that is required for the domestic market is anywhere in between 17000 tonnes and 19000 tonnes.
- Piyush Mehta:** It will be between 17000 tonnes and 19000 tonnes?
- Anurag Jain:** Yes.
- Piyush Mehta:** Are there any other companies apart from us who are catering to this product?
- Anurag Jain:** Whatever our market share is there that I have already told you the rest are all imported.
- Piyush Mehta:** So rest is all import, so what is the price difference between the imports and our price?



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- Anurag Jain:** I do not think there is any big difference because if import becomes cheaper than they will not purchase the materials from us.
- Piyush Mehta:** That is what I wanted to know if we could increase 30%?
- Anurag Jain:** What is it?
- Piyush Mehta:** Whatever domestic market, we would be importing it in Rupee terms, isn't it?
- Anurag Jain:** Yes, we quote it in Rupee terms, you are absolutely right.
- Piyush Mehta:** We require about 17000 tonnes and we can say this can cater up to 30% in domestic market?
- Anurag Jain:** We do not do 30% but we do around 55% to 60% in between.
- Piyush Mehta:** Do we have any headroom in domestic sales?
- Anurag Jain:** If you are telling me in percentage terms inside India it is also right, each tyre company will have two suppliers and as you know the market is growing and we will have to see whether our market share grows or not.
- Piyush Mehta:** Now is there any impact on the GST on working capital?
- Anurag Jain:** We do not have any significant impact because in domestic we used to have CST and excise, and now GST has come in. So we do not find any significant impact.
- Piyush Mehta:** Is there any improvement while implementing GST?
- Anurag Jain:** No, since my exports are around 70%. So in that we did not have GST impact in the beginning and now also it is not there. The 30% which was there it would carry some marginal impact, again it is not significant, but we can say that due to GST ease of doing business is a little bit better for us and the teething problems are there, after that it should be better and if you are saying in terms of money is there any tremendous impact? It is not like this. There is a minor positive impact.
- Piyush Mehta:** Have you seen any interesting companies, like Eastman is there would they be interested?
- Anurag Jain:** No.
- Piyush Mehta:** Nothing. Have you done any acquisitions?



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- Anurag Jain:** No, Akshat Ji had already said that we are on the look out. We are looking at any suitable partners for our diversification so as we know we will tell you.
- Piyush Mehta:** The subsidiary, which you have of Duncan, is there any improvements in their products?
- Anurag Jain:** Improvement is being done and likewise you have had seen in the last quarter we had shown profit we are working a lot in that area and we need to consolidate and improve it, so it is a consolidation phase. Once the consolidation phase is over then we will hopefully increase it.
- Piyush Mehta:** Sir, what does Duncan do?
- Anurag Jain:** Duncan is into engineering products, pneumatic valves, actuators, cylinders, basically project input at the time of plant setup these things is used. They also make tubeless tyre valves.
- Piyush Mehta:** Sir, is there any infrastructure related like you call it as engineering products, so do you services the bullet trains also?
- Anurag Jain:** No I do not have any such idea. Bullet trains will all come in built. Bullet trains are not going to be manufactured in India
- Piyush Mehta:** Thank you.
- Moderator:** Thank you. Due to time constraints, we will be able to take one last question. The last question is from the line from Abhisar Jain from Centrum Broking. Please go ahead.
- Abhisar Jain:** Thanks for the opportunity again. Sir just wanted to know the capex number which you would have been incurring for FY2018 and may be rough number for FY2019 also?
- Anurag Jain:** The new project is about Rs.65 Crores whatever the expansion is there, apart from that there is no significant capex. As per my knowledge, the capex will be more in this expansion and rest will be normal capex.
- Abhisar Jain:** So basically, Sir Rs.65 Crores spread over both FY2018 and FY2019 because the capacity comes in Q2 2019 right and maintenance capex other than this correct?
- Anurag Jain:** That is right, maintenance capex is normal which is little and will be there.
- Abhisar Jain:** Sir one more last thing that you mentioned that North America and China, these two markets that we are majorly entering through both these phases of Mundra, they are around 70KT in total so eventually what is our kind of target of what percentage we would like to have in this market out of this 70KT eventually say in two to three years?



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Anurag Jain: I am bringing out 11000 tonnes capacity from there we will cater to my existing customer's increased demands we will cater to increase in domestic demands and the balance we hope to sell in this area.

Abhisar Jain: Thank you so much and best of luck again.

Moderator: Thank you very much. We will take that at the last question. I would now like to hand the conference back to the management for any closing comments.

Akshat Goenka: I take this opportunity to thank everyone for joining on the call. I hope we have been able to address all your queries. For any further information, kindly get in touch with Strategy Growth Advisors, our Investor Relations Advisor. Thank you once again.

Moderator: Thank you very much on behalf of Oriental Carbon and Chemical Limited that conclude this conference. Thank you for joining us. You may now disconnect your lines.