

“Oriental Carbon & Chemicals Limited  
Q1 FY2019 Earnings Conference Call”

July 31, 2018



**MANAGEMENT:**    **MR. AKSHAT GOENKA – PROMOTER & JOINT MANAGING  
DIRECTOR - ORIENTAL CARBON & CHEMICALS LIMITED  
MR. ANURAG JAIN – CHIEF FINANCIAL OFFICER - ORIENTAL  
CARBON & CHEMICALS LIMITED  
MR. DEVEN DHRUVA - STRATEGIC GROWTH ADVISORS PRIVATE  
LIMITED**

**Moderator:** Ladies and gentlemen good morning and welcome to the Oriental Carbon & Chemicals Limited Q1 FY2019 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantee of future performance and involve 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 Mr. Goenka!

**Akshat Goenka:** Good morning 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 the result and investor presentation by now. For those who have not, you can view them on our websites. At the onset I would like to say that we have successfully started commercial production of the second phase for expansion of insoluble sulphur of 5,500 metric tonnes per annum at Mundra-Gujarat within our schedule. I am also pleased to announce that over both the expansions we saved roughly Rs.11 Crores from our budgeted project cost.

With this expansion our total manufacturing capacity stands at 34,000 metric tonnes per annum. We have been able to optimally utilize our phase I capacity through which we have been able to cater to new markets globally. We have also been able to cater to the increased domestic demand. The global tyre industry has already done a capex of Rs.51,000 Crores on Greenfield and Brownfield capacities. This overall capex includes approximately Rs.15,000 Crores which was spent on recently completed projects while another Rs.21,000 Crores is invested in ongoing Greenfield projects. Further Rs.15,000 Crores is invested in ongoing Brownfield projects.

Among these capacity expansions, passenger car and light truck vehicles comprise the lion's share followed by two and three wheelers and lastly by the truck and bus radial segment. All these bodes well for OCCL as this would increase the demand for insoluble sulphur. We have continued to strengthen our ties with all our major customers. We continue to enhance our footprint across all domestic and global consumers and remain in a strong position to capture higher market share as the new capacity starts coming in.

As far as the newly commissioned capacity is concerned, we expect to be optimally utilized by the next financial year further sometime in this financial year we expect to come out with our concrete further expansion plan in insoluble sulphur. Currently we are on the drawing board for the same. Now I would like to hand over the line to Mrs. Anurag Jain to update the operational performance of the company.

**Anurag Jain:** Thank you. Akshat. I will take you all through the financials of the company. Revenue for Q1 FY2019 is Rs.93.6 Crores compared to Rs.78.6 Crores in Q1 FY2018 a growth of 19%. This growth was net by mix of increase in volumes as well as realization. For Q1 FY2019, EBITDA stood at Rs.28.6 Crores, a growth of 8% from the previous year.

EBITDA margins for Q1 FY2019 stood at 30.6%. Profit after tax for Q1 FY2019 was up 13% to Rs.16.4 Crores. PAT margins for the quarter stood at 17.5%. With this I would like to open the floor for questions and answers.

- Moderator:** Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Alok Ranjan from L&T Mutual Fund. Please go ahead.
- Alok Ranjan:** Good morning Sir. Thank you for taking my question. My first question is regarding the recent axle load norms which have changed. Sir can you give me some update on how it will affect your business because there will be some impact on the kind of tyres will be used, so can you please update?
- Anurag Jain:** See, what has happened is that in India, the trucks were usually carrying material on overload basis, so while the axle norm is being changed what they are doing is they are actually correcting the axle load to our more realistic level. Earlier it used to be less, now it will be more. So what would happen is that some of the transport which was happening on overload will now become regularized, but at the same time which was much more overload than the earlier axle load, there space will have to cut down and maybe transport turnaround time would increase, so that would mean more usage of trucks which should mean good growth for the tyre industry and therefore for us. There is no negativity in this move. It is a good move as far as the industry is concerned.
- Alok Ranjan:** But is there any relation with that suppose assume that the overloading part is a few percentage of that and for the rest of the things assume can we say that for more strength more insoluble sulphur will be used or it does not have a correlation with the strength?
- Anurag Jain:** I do not think there is such correlation it was even now in India many tyres are used for overload, the same tyres are used which are used for under load.
- Alok Ranjan:** Okay, my second question is regarding the margins, we have seen great margins last year similar quarter, but after then the margins moderated more because of the linkage with the crude, can you give some update on how you see the margins going forward especially the gross margin part?
- Anurag Jain:** We have been able to maintain the margins to some extent even on the phase of increasing crude as you would see from our EBITDA margins this quarter. So though there has been increase in the raw material cost, it has been somewhat offset by the depreciation of the rupees which means that we get better realization on our sales also.
- Alok Ranjan:** But Sir my point is that you can correct me because last year similar quarter we have seen a gross margin of around 83%. After that last quarter, the margin was around 73% and this quarter, we have improved, but I want to understand whether it can be easily passed to the customers or with increase in crude oil price, it becomes difficult to pass it on completely?
- Anurag Jain:** That is what I said that we are able to maintain the margins which is being passed onto customers in a phased manner. So there are two things happening which has been passed onto the customer and then we are also getting gain of the weak rupee because whenever the crude prices go up the rupee weakens.
- Alok Ranjan:** Right Sir. Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.
- Kashyap Jhaveri:** Besides you globally anybody else who is expanding capacities in insoluble sulphur, I understand Shikoku was supposed to expand by about 2,0000, 30000 tonnes over the last two odd years, so anybody else who has expanded the capacity and any further capex lined up in the industry globally if you can help us with that?
- Anurag Jain:** As far as we know both the main competitors have expanded capacities, whether further expansion is lined up or not it will be very difficult to know, because they are not very open about

their plans, but yes both of them have expanded capacities Eastman has done that in Malaysia and Shikoku has done in Japan.

**Kashyap Jhaveri:** And would you know the number?

**Anurag Jain:** Shikoku after the expansion would be in the 30,000s and I think Eastman has expanded capacity by 30,000 to 40,000 tonnes, but then they have also closed down capacities elsewhere in the world. So what is the net increases difficult to say.

**Kashyap Jhaveri:** Okay and second question is on our capacities. Last year we had 34,000 tonnes of closing capacity, overall blended level what would be the utilization of that capacity?

**Anurag Jain:** 34,000 tonne is the capacity now after the expansion which has been commissioned in July. Earlier the capacity was 28,500 tonnes and the capacity utilization went up during the year and towards the end, it was optimum capacity utilization, but I am afraid we do not give you the exact numbers or percentages.

**Kashyap Jhaveri:** And you would not be able to give average for the full year also?

**Anurag Jain:** No, we do not give that, because for average if I give you percentage it will translate into the quantity we produced and sold. So I am sorry we do not give that number.

**Kashyap Jhaveri:** Sure and in terms of our gross and EBITDA margins if I were to look at not in percentage terms but let us say on per tonne basis. On per tonne basis gross and EBITDA margins, would they have expanded or contracted in Q1 versus Q1 last year, what would have been the direction?

**Anurag Jain:** Last year and this year I think they have been roughly the same, there is not much difference as you would see that even in percentage terms there is hardly 1% difference in the EBITDA margins.

**Kashyap Jhaveri:** I think in Q1 last year the margins that I am seeing on EBITDA level is about 33% which is about 29.4% now?

**Anurag Jain:** Yes.

**Kashyap Jhaveri:** So on per tonne basis, despite the fact that there is a contraction on the Gross & EBITDA Margin level, but on per tonne basis, would it maintain the number?

**Anurag Jain:** What we look at is because the sale price has gone up, so if we are looking at rupees per tonne basis I do not see much difference, basically the difference is with our raw material prices which have also gone up and therefore the sale prices have gone up.

**Kashyap Jhaveri:** Okay and in terms of net expansion, you said that you would be commercializing the plant somewhere in the mid of the year?

**Anurag Jain:** Somewhere during the year yes. Because of natural growth of the demand we do need to expand and since the space in our current Mudra plant is finished, so we need to tie up our plans we would like to tie up our plans this year that is what Mr. Goenka has said.

**Kashyap Jhaveri:** And would this be Greenfield or Brownfield for us now?

**Anurag Jain:** So that is something that we need to decide on.

**Kashyap Jhaveri:** This capex that you mentioned in terms of tyre industry about Rs.5,1000 odd Crores and I am just trying to reconfirm the numbers, Rs.15,000 Crores is completed Greenfield, Rs.21,000 Crores is ongoing Greenfield and Rs.1,5000 is completed Brownfield?

**Anurag Jain:** Rs.51,000 is on Greenfield and Brownfield capacity globally.

**Kashyap Jhaveri:** I am just trying to reconfirm the breakup that you gave, you said Rs.15,000 Crores is Greenfield capex which is completed.

- Anurag Jain:** No just a moment, Rs.51,000 Crores is Greenfield and Brownfield out of which Rs.15,000 has been spent on recently completed projects.
- Kashyap Jhaveri:** Right.
- Anurag Jain:** There is no bifurcation whether that is a Greenfield or Brownfield.
- Kashyap Jhaveri:** Okay.
- Anurag Jain:** Another Rs.21,000 is invested in ongoing Greenfield projects, so Rs.21,000 is in Greenfield projects and Rs.15,000 is on Brownfield projects.
- Kashyap Jhaveri:** Okay.
- Anurag Jain:** This total comes to that, these are basically figures which come out from various reports that we buy, so this is not a first time and this is what we buy from report market research.
- Kashyap Jhaveri:** Right and would you be able to quantify this Rs.15,000 Crores in terms of number of tyres or tonnage?
- Anurag Jain:** I am so sorry, it is very difficult to say that, but it is a significant number that much I can tell you I will not be able to quantify the number of tyres because the capacities would vary vastly per dollar invested depending on the kind of tyre being produced the size, the quality and all those parameters.
- Kashyap Jhaveri:** Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Good morning Sir and congratulations for good set of numbers. Firstly were there any one-off in the other expenses like the one we witnessed in Q4, any M2M losses or anything of that sort?
- Anurag Jain:** Nothing in particular. You are talking about the current quarter right?
- Shashank Kanodia:** Yes.
- Anurag Jain:** There is not any one-off, the only thing is that there was annual shutdown of sulphuric acid plant. So annual shutdown happened in the month of April, because of which there is a cost associative of that annual shutdown of Rs.2 Crores out of which about Rs.1.20 Crore is because we had to use the boiler because steam bath was not available from the acid plant and 40, 50 lakhs were the annual shutdown cost. So these Rs.2 Crores is the one-off expenditure that is there I mean basically it is annual expenditure it did not happen last year because the shutdown was deferred and it happened in April, normally it happens once a year, so it had happened in April. So this is something which will not be repeated in rest of the year, it would be divided over the year.
- Shashank Kanodia:** And secondly because of increasing raw material cost, will we able to take a price hike in some of the sectors, key players?
- Anurag Jain:** I think I answered that in the very first question that some of the raw material increase has been offset by the depreciation in rupee and whatever is left we are working on price hikes. We have got some price hikes on there and wherever the formula is there, they will get it naturally on account of the formula and the rest has been taken care of by depreciation into this.
- Shashank Kanodia:** Okay and Sir, thirdly on the border side, your PPT mentions that insoluble sulphur demands on increased by 50KT by 2021 right from 260KT odd tonnes to 310KT, so does the industry have sufficient capacities cater to that, I think if Eastman had a net addition of 25KT we have done 11KT. So is the industry well placed?

- Anurag Jain:** Though we do not know the exact capacities, but to my mind it will include Eastman and Shikoku. I think the global capacity versus demand would be around 85% and if the demand is 258KT to 275KT so that means that we have about 40,000, 50,000 tonnes capacity which should take care of the increase in demand. I am sure that by 2021 there should be further increased in capacities to take care of the growth. The growth basically is about 3.8% CAGR, which is what we have been expecting for the last four, five years.
- Shashank Kanodia:** Okay and Sir in the last con call you mentioned that in two, three months' time we will have the next phase of expansion or some colour on the Greenfield capex, so what is exactly causing the delay in finalization of plants?
- Anurag Jain:** No, we did not say that we are going to have it in the next two, three months. Once this is commissioned in the next two, three months, and then we will look into that. Since this capacity has been commissioned recently, we have now started looking into future expansion.
- Shashank Kanodia:** But this is going to be in the same line or are we going to expand the domain in the tyre chemicals or other chemicals domain?
- Anurag Jain:** We are looking at all the options. **Shashank Kanodia:** Okay and Sir just lastly in the presentation you mentioned because of this Brownfield nature of expansion, our fixed growth will get apportioned. So if you can throw any colour on the expansion of margin that we can witness because of the Brownfield nature of expansion?
- Anurag Jain:** For the future obviously they would be savings in the overheads, but we do not advise expansion on margins, because always our outlook is that EBITDA level should be considered in the mid 20s. Let us say that this is something that we have to offset for any increase in future cost or something.
- Shashank Kanodia:** Okay. Thank you and wish you all the best.
- Moderator:** Thank you. The next question is from the line of PVS Sreekanth from Spark Capital. Please go ahead.
- PVS Sreekanth:** Good morning gentlemen. First question is that can you breakdown your numbers of the first quarter into volume and value growth, please?
- Anurag Jain:** No, we cannot talk about volume as I have said earlier, as a policy we do not talk about volume.
- PVS Sreekanth:** I do not want the volume number, I am saying break it down between volume growth in percentage terms and value growth in percentage terms? I do not want your volume numbers.
- Anurag Jain:** We have witnessed about 7% growth in sales realization per tonne.
- PVS Sreekanth:** And the rest is volume growth?
- Anurag Jain:** The rest consists of so many other things, so I have answered your question to the best I could.
- PVS Sreekanth:** Okay, thanks. The second question was on this capacity expansion that you did in FY2018 of 5,500 tonnes, I just wanted to understand for what duration of the last year was this capacity operational?
- Anurag Jain:** This was operational for the full duration of the last year 2017-2018, because it came online in December 2016.
- PVS Sreekanth:** Okay, so it was available entirely for the last year?
- Management:** It was available entirely for the last year.
- Akshat Goenka:** We have done one more expansion that has come online in July.

- PVS Sreekanth:** Yes we got that from your presentation I wanted to understand the previous capacity expansion, so you are saying it was operational for the whole of last year?
- Anurag Jain:** Yes.
- PVS Sreekanth:** Okay and on sulphuric acid you did mention that you took a one-month shutdown in April, so what percentage of revenue is it for this quarter?
- Anurag Jain:** That I will not be able to say specifically, what I can tell you is that the overall turnover is less than 10% of the total turnover.
- PVS Sreekanth:** Okay. Thanks gentlemen.
- Moderator:** Thank you. The next question is from the line of Abishar Jain from Centrum Broking. Please go ahead.
- Abishar Jain:** Good morning Sir and congrats for the project savings that you have been able to make across the two phases that is I think a good commendable job, Sir my question is related to the exports and domestic mix because of the new lines, which have got commissioned and are going to cater to the newer markets. So Sir what mix would be in exports and domestic as per your estimate for FY2019?
- Anurag Jain:** One-third would be domestic, two-third would be export, roughly.
- Abishar Jain:** So is that continuing at the same level, I believe that has been our level even before, so with the new lines going more into the export market, is the mix still remaining same?
- Anurag Jain:** So I was talking about this year, when we talk about the new line it could go up a few percentage points in favour of the export, but fortunately we have been witnessing good growth in the domestic demand and therefore it has been maintained at this level.
- Abishar Jain:** Right and Sir just one more follow up on that in the annual report it is mentioned that for FY2018 the volume growth was in double digits for both export and domestic, but would it be more for export versus domestic still?
- Anurag Jain:** No, the volume growth in terms of percentages is definitely more in domestic.
- Abishar Jain:** Understood and that trend you would foresee it to be continuing even this year, for our volumes I am saying, not for the industry, but just for our volumes?
- Anurag Jain:** What we have been saying is that the domestic demand for insoluble sulphur has been growing at a level, which is 10% or more and we hope that this will continue this year as well.
- Akshat Goenka:** You are right, for us the domestic growth this year would be higher than the export growth, in percentage terms
- Abishar Jain:** For us also right Sir?
- Akshat Goenka:** Next year let us see, but this year that will be the case.
- Abishar Jain:** That was the case actually Sir for last year also, the domestic growth for us was also higher than the export growth and both were in double digits, right Sir?
- Anurag Jain:** I am not saying that.
- Abishar Jain:** But Sir your annual reports says that? Sir, the volume growth?
- Anurag Jain:** I will read what it says, it says with additional capacities available for sales the company achieved a growth of about 10% in insoluble sulphur sales during the year
- Abishar Jain:** Right, but Sir, there is a additional comment that I will just refer to the exact page where I have read that, so I will just refer to that Sir, if I am able to find it in time, but just my other question Sir that do we enjoy a better EBITDA per tonne after expansion at the Mundra plant versus the

Dharuhera plant considering the Mundra plant now is a much bigger size wherein we have fixed cost there in.

**Akshat Goenka:** That was the case even before the expansion. We are consistently saying that Mundra plant is amongst the lowest cost plant of insoluble sulphur in the world.

**Abishar Jain:** Right Sir and that position would have only got strengthened?

**Akshat Goenka:** That would include freight also.

**Abishar Jain:** That is right Sir, yes that is about it Sir from my side, if I have a follow up I will come back in the queue and best of luck.

**Moderator:** Thank you. The next question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

**Riddhesh Gandhi:** Could you just explain the hedging policy you have on your exchange rate?

**Anurag Jain:** So the hedging policy that we have is 75% of our net receivables over six months.

**Riddhesh Gandhi:** Got it and the other question was that how quickly do you expect it to be able to ramp up the utilizations of existing capacity?

**Anurag Jain:** Normally for any new capacity to get it to optimum level it should take about one year.

**Riddhesh Gandhi:** On the demand side you do not see any kind of constraints with regards to being able to utilize the capacity, it is primarily around getting it stabilize the plant is it?

**Anurag Jain:** No it is about whenever a new plant comes we have to tie up new capacities with new tyre plants and the new areas where we have to take approvals, tie up things that takes the time. As far as the plant is concerned we can run it full even today.

**Riddhesh Gandhi:** So in a year though you would be expected to be able to run this at complete utilization?

**Anurag Jain:** Yes whenever we had a new plant and we have to sell additional quantities to get those approvals and to be able to sell that quantities in total, it takes about a year.

**Riddhesh Gandhi:** Got it and do you also hedge the raw material cost at all?

**Anurag Jain:** No there is no possibility of hedging the kind of materials that we buy, so basically sulphur and oil, no hedging is available in the market for them.

**Riddhesh Gandhi:** So every three to six months then effectively you have a price equation based on which you revise the prices?

**Anurag Jain:** Basically, yes we have quarterly, six monthly price contracts and whenever there is a appreciable increase or decrease in the raw material prices, then obviously the prices are adjusted accordingly, but for minor changes we do not adjust the price.

**Riddhesh Gandhi:** Got it, all right that is all from me. Thank you.

**Moderator:** Thank you. The next question is from the line of Rohit Sharma from VC Corporate. Please go ahead.

**Rohit Sharma:** I would just like to ask till which year shall we enjoy SEZ tax benefits for our plants?

**Anurag Jain:** So there were two tax benefits, one is 100% and one is 50%, 100% tax holiday is already over, 50% tax holiday should be over in 2021-2022.

**Rohit Sharma:** Thank you. That is all from my side.

**Moderator:** Thank you. The next question is from the line of Yogansh Jeswani from Mittal & Co. Please go ahead.

- Yogansh Jeswani:** Thanks for the opportunity. Sir in the annual report we have mentioned that US and China have been two new markets and we have been successful in the past and these could be your major growth driver, so just if you could share some more insights on these two markets and have there been any meaningful offtake from these markets in the larger scheme of things for us so far?
- Anurag Jain:** US and China put together are the major markets of insoluble sulphur and yes we have been able to make inwards and now offtake have increased in these areas and though there was some delay earlier, but I think things are going as per plan now.
- Yogansh Jeswani:** Any quantitative detail that you could share on these markets, just a percentage?
- Anurag Jain:** No I am sorry we cannot share details, it is sensitive information.
- Yogansh Jeswani:** Understood, so is it safe to assume that it has been grown from past years, whatever percentage or whatever share it had, it has grown from that?
- Anurag Jain:** It is growing, the only thing is that there was a little delay earlier.
- Yogansh Jeswani:** That was due to Sir?
- Anurag Jain:** This is a nature of product like insoluble sulphur to get appropriate approvals and get the plant trials in and to get the material going, it is a time-consuming project and depending on the requirement of the tyre companies, the detail could vary for a new customer from one year to one-and-a-half year or may be two years.
- Yogansh Jeswani:** I understood, fair enough Sir and secondly on the subsidiary I think it was marginally profitable this year, so how has been the things on subsidiary front for us so far and what is the outlook for it for the full year?
- Anurag Jain:** You are saying that there is a marginal profit last year, so how is it going forward.
- Akshat Goenka:** In the subsidiary yes. No subsidiary is doing well, I think the Q1 results are going to come out next week, this week on Friday and that will give a good indicator, but now I think the worst is behind us and we should be on an upward trajectory as far as the subsidiary is concerned.
- Yogansh Jeswani:** I understood Sir. Thank Sir, best of luck. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Puram Mehta from AM Investment Group. Please go ahead.
- Apurva:** Hi Sir. This is Apurva here, Sir just wanted to ask that the new capacity which you are planning will typically focus on export more?
- Anurag Jain:** you see what will happens is we have got additional tonnages right and we do expect the domestic market to grow by 10% to more in the year, so obviously that much quantities will go to domestic and the rest will go to export.
- Apurva:** So typically around 80% of the new capacities will be targeting exports only?
- Anurag Jain:** You could say around that.
- Apurva:** So that area would be more towards this US and the European region, which we will be targeting?
- Anurag Jain:** Yes may be 50% of that, 50% would go in the increase in the requirement of the current customers.
- Apurva:** And typically what would be the contract duration for your exports or for your demand would be typically for around three to six months' time?
- Anurag Jain:** Normally when a tyre company allocates a plant to us it is allocated for at least a year and sometimes with some tyre companies we have contracts, which run for five to six years. Therefore, there are no short time contracts because nobody likes to change insoluble sulphur

whimsically or overnight. It is a sensitive product, so the pricing happens on a quarterly or a six monthly basis.

**Apurva:** Okay, pricing would be quarterly or six monthly and when can we reach to the optimum capacity of this new plant which has commissioned of by Q4?

**Anurag Jain:** I just said earlier, normally it takes about a year to fully sell off the new plant.

**Apurva:** How is the demand scenario, which you are looking around for next one or two years going forward?

**Anurag Jain:** The demand scenario is that we expect the international, the global demand to grow, from about 3.5% to 4% per annum and domestic demand to grow at about 10% to 12% per annum.

**Apurva:** But for us how do you see, this is a global demand, so for us typically how do you see the global demand coming in relation with new customers, new engagements?

**Anurag Jain:** So we will get our share of the growth from the demand may be a little more.

**Apurva:** Okay. Thanks a lot and wish you all the best.

**Moderator:** Thank you. The next question is from the line of Piyush Mehta from KP Commodities. Please go ahead.

**Piyush Mehta:** Hi Sir. I am an individual investor investing in company since 2005 or 2007 I invested I do not remember, my question to you is like what is the rate of interest that the company is paying as a loan that has been taken by company recently?

**Anurag Jain:** It varies because there are different kinds of loans, but it would range from 8% to 9.5%.

**Piyush Mehta:** Okay and I would like to ask that we are paying dividend from last like 7, 8, 9 years, so cannot we?

**Anurag Jain:** Paying dividend for more than that years.

**Piyush Mehta:** So can't we just pay that loan back and get the company debt-free?

**Anurag Jain:** We could do that, but we want some war chest in case we want to diversify and that is why we are conserving some equity money.

**Piyush Mehta:** Okay and is there an increase in the salaries of the employees?

**Anurag Jain:** Yes the salaries of employees we increase annually.

**Piyush Mehta:** Can you mention in percentage terms what is the increase?

**Anurag Jain:** Terms it could vary from different year, it could vary from 8% to 10% or 11% maybe depends, because whenever a new capacity come in, some additional employees come in and then there is annual increase.

**Piyush Mehta:** So have you added new employees or just old employees have been – the salary has been increased or have you added new?

**Anurag Jain:** Both the things happen simultaneously right.

**Piyush Mehta:** Okay and what is the total requirements of the chemical whatever we are producing, what is the total requirement in the whole world?

**Anurag Jain:** The total requirement of the whole world today should be around 275,000 tonnes.

**Piyush Mehta:** 275,000 tonnes?

**Anurag Jain:** That excludes above 30,000 odd tonnes, which is used in China.

**Piyush Mehta:** No I did not get you 30,000 tonnes right, what I did not understand?

**Anurag Jain:** In China there is insoluble sulphur demand met by local tyre companies and then there is insoluble sulphur demand which is met by the global insoluble sulphur manufacturing

companies, so that local demand, which is met by the local insoluble sulphur manufacturer was not able to sell that globally because of quality issues that demand is separate is what I am saying.

**Piyush Mehta:** Okay. So you mean to say organized players and unorganized players are there?

**Anurag Jain:** Yes.

**Piyush Mehta:** What is the plant wise percentage production capacity, we have two plants right now right?

**Anurag Jain:** Production capacity of 12,000 tonnes is the production capacity Dharuhera and 22,000 tonnes is the production capacity in Mundra after the commissioning of the fourth plant?

**Piyush Mehta:** New plant?

**Anurag Jain:** Yes.

**Piyush Mehta:** Right and what is the per tonne price or per kg price for our commodity?

**Anurag Jain:** Sorry, we cannot divulge that

**Piyush Mehta:** Individual investors keep reading about company, so I have come across a few questions, which investors have in their mind it is like over last 10 years the fixed assets have grown faster than the growth of sales, asset has increased by 5 times while sales increased by only 2.5 times?

**Anurag Jain:** No, that is not correct, but I will tell you one thing that the sales to turnover ratio is insoluble sulphur is low and that is the reason that for increasing sales, for doubling the sale, I have to invest that much more money into the...

**Piyush Mehta:** Okay, you have to do capex for that okay?

**Anurag Jain:** Yes because it is very low, it is less than 1.

**Piyush Mehta:** There was one more question by some analyst, in financials tangible assets decreased suddenly from Rs. 305.6 Crores to Rs. 181 Crores reduced by more than 40%, what was the reason behind that?

**Anurag Jain:** Tangible assets?

**Piyush Mehta:** Yes I was on some value picker, there is a forum?

**Anurag Jain:** I cannot talk about the value pickers.

**Piyush Mehta:** No, I just read it somewhere on the forum, so it is just a, can you clarify on that. Is it correct or what?

**Anurag Jain:** No, there is no...there should not be sudden decrease in tangible assets. The only decrease that is happening in tangible asset is on account of depreciation.

**Piyush Mehta:** Okay because of depreciation and what is the domestic margin and international margin?

**Anurag Jain:** They are roughly the same. There is no appreciable difference.

**Piyush Mehta:** Okay and can you highlight on this thing that will we able to continue this growth for next two, three years or will it be possible to have the same kind of growth in the coming year?

**Anurag Jain:** It is very difficult to say because in percentage terms it becomes more and more difficult because now you are talking about a rider base. So maybe if you are talking about next two years I think we should be able to sustain, but then we do have a rider base after that, so in tonnage terms, it would be better than before, but it might come down a little in terms of percentage.

**Piyush Mehta:** What is our dividend distribution policy is there any policy that we have so that we can understand better?

**Anurag Jain:** I think what we do is we would like to distribute about 20% of our profits.

**Piyush Mehta:** 20% of our profits and can you tell that...?

**Moderator:** Sorry to interrupt Mr. Mehta, Sir due to time constraint that was the last question we will take from you. Thank you. Ladies and gentlemen due to time constraint that was the last question. I now hand the conference over to the management for their 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 strategic growth advisors or anybody on our team for the assist. Thank you once again.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Oriental Carbon & Chemicals Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.