Oriental Aromatics

Ref: OAL/BSE/NSE/116/2024-25

6th February, 2025

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

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

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

With reference to our letter dated 28th January, 2025, intimating about the conference call with the Institutional Investors/Analysts on Tuesday, 4th February, 2025 at 01.00 p.m. to discuss the financial performance of the Company for the quarter and nine months ended 31st December, 2024, 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

Dharmil Anil Bodani
Digitally signed by Dharmil Anil Bodani
Date: 2025.02.06 12:10:32 +05'30'

Dharmil A. Bodani
Chairman & Managing Director
DIN: 00618333

Oriental Aromatics Limited
Q3 & Nine Months Financial Year 2025
February 04, 2025

Moderator: Ladies and gentlemen, good day, and welcome to Oriental Aromatics Limited Q3 & Nine Months FY '25 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*", then "0" on your touchtone phone.

I now hand the conference over to Ms. Nupur Jainkunia from Valorem Advisors. Thank you, and over to you, ma'am.

Nupur Jainkunia: Thank you. Good afternoon, everyone, and a very warm welcome to you all. My name is Nupur Jainkunia 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 third quarter and nine months ended of the financial year 2025.

Before we begin, let me 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 the actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, let me introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us Mr. Dharmil Bodani, Chairman and Managing Director; Mr. Shyamal Bodani, Executive Director; Mr. Girish Khandelwal, Chief Financial Officer; Mr. Parag Satoskar, Chief Executive Officer; and Ms. Kiranpreet Gill, Company Secretary, of the company.

Without any further delay, I request Mr. Dharmil Bodani sir, to start with his opening remarks. Thank you, and over to you, sir.

Dharmil Bodani: Thank you, Nupur. Good afternoon, everybody. It is a pleasure to welcome you all to the earnings conference call to discuss the results of the third quarter of the financial year 2025. Our Executive Director, Mr. Shyamal Bodani, shall be briefing you all on the operational highlights for the past quarter. After which, our CFO, Mr. Girish Khandelwal, will brief you on the financial highlights.

Over to you, Shyamal. Thank you.

Shyamal Bodani: Thank you, Dharmil. Good afternoon, everyone. Thank you for joining us for the quarter three financial year 2024-'25 earnings call. I am pleased to share our operational highlights and business performance for the quarter ended 31 December, 2024.

As we move through the fiscal year, it is important to note that the third quarter has historically been a quieter period for us. This trend is primarily driven by the varying levels of impact that the Indian festival season has on all our business divisions, this year has been no exception. Despite the seasonal slowdown, we stay committed to our long-term strategic goals and continue to focus on operational efficiencies, innovations, and strengthening our market position.

Our ongoing productive initiatives, sharp focus on customer engagement, and commitment to customer growth have enabled us to achieve double-digit growth in production, sales and operating EBITDA compared to quarter three of 2023-'24. However, when compared to quarter two of 2024-'25, production volumes, sales and operating EBITDA margins have remained flat, reflecting the typical seasonality and macroeconomic conditions affecting the industry.

Business division performance. So first, I would begin with the Fragrance & Flavor division. This division has shown robust growth driven by both existing customers and new customer acquisitions. Our performance in this segment further reinforces Oriental Aromatics' position as a preferred and sustainable innovative partner, helping our customers drive growth through innovative solutions.

Despite a slowdown in FMCG demand in India, we view this as an opportunity. Our creative teams in the Fragrance & Flavor division are actively collaborating with R&D and product development teams at FMCG companies to develop market-winning fragrances and flavors. These fragrances serve as key differentiators in the market, enabling FMCG companies to enhance product appeal and boost customer demand. Our backward integration advantage uniquely positions Oriental Aromatics to deliver these high-impact solutions.

Fine fragrance has been another key growth driver and continues to be a significant and profitable part of our Fragrance division. The category has seen a surge in demand due to new product launches, social media influence on consumer preferences, and a shift in fragrance usage behavior due to global warming. With customers now using fine fragrances as a daily essential rather than just for special occasions, demand has significantly increased. OAL has secured substantial business in this category, both in India and across the globe, solidifying our leadership in this space.

On the camphene and terpene chemicals division, we have powered through camphor segments continued to face a challenging market environment affecting overall performance. However, demand and price realization for other terpene-based products stay strong. With global pinene prices firming up, we expect that camphor powder prices will eventually adjust, leading to improved profitability for this division.

On the Specialty Chemicals division, we have delivered a strong quarter, continuing its growth trajectory. As highlighted in our earlier investor call, our newly commissioned multi-product hydrogenation facility at Vadodara and a single product plant at Mahad have been ramping up production month-over-month, further strengthening our Specialty Chemicals portfolio.

Input costs and market outlook. We foresee a firmer output for input costs across our supply chains and business divisions. While we expect these impacts to be mild to moderate for now, we are closely watching key macroeconomics factors, including the depreciation of the Indian rupee, which could have cost implications in the near-term; the recent tariffs imposed by the USA on certain countries, which may influence global trade dynamics; and pricing trends in the upcoming quarter.

Regulatory update; U.S. FDA certification secured. On the regulatory front, we are pleased to inform our investors that we have successfully defended our U.S. FDA certification for camphor during a recent concluded U.S. FDA audit at our Bareilly facility. This reaffirms our commitment to maintaining world-class quality standards and regulatory compliances across our operations.

In closing remarks, in the summary, while this quarter has had its challenges, we stay optimistic about our long-term growth trajectory. Our strategic initiatives, market positioning, and operational strength continue to drive resilience and growth across all divisions. We thank our investors for their continued trust and look forward to delivering sustained value in the coming quarters.

I would like to now request our CFO, Mr. Girish Khandelwal, to give the financial highlights. Thank you, and over to you, Girish.

Girish Khandelwal: Thank you very much, Shyamal. I would like to welcome you all to the conference call. Let me first take you through our consolidated performance for the quarter.

The operating revenue for the quarter was Rs. 223 crores, which increased by approximately 13% on a year-on-year basis. In terms of profitability, EBITDA was reported at Rs. 23 crores, which increased by 60% year-on-year. Our EBITDA margin stood at 10.15%, representing a 301 basis points improvement year-on-year. Net profit was reported at Rs. 7 crores, which has increased more than 174% on a year-on-year basis, with PAT margins at 3.19%.

Now coming to the nine months of FY '25 performance on a consolidated basis. The operating revenue was reported at Rs. 675 crores, representing an increase of 9% year-on-year. EBITDA stood at Rs. 73 crores for the period, which has grown more than 181% year-on-year. EBITDA margins for the period stood at 10.86%, vis-à-vis 4.19% in the corresponding nine months FY '24. And net profit stood at Rs. 33 crores, vis-à-vis a net loss of Rs. 1 crore in the corresponding period of the previous year, with PAT margins reported at 4.87%, demonstrating the impact of our efficiency measures and product mix optimization.

From a balance sheet perspective, we continue to maintain financial discipline. Our net debt-to-equity ratio on a consolidated basis stood at 0.45x as of December 31, 2024, ensuring a stable financial position to support our growth ambitions. We remain committed to driving operational efficiencies, strengthening our product portfolio, and capturing new market opportunities to create long-term value for our stakeholders.

With this, we can now open the floor for the question-and-answer session. Thank you.

Moderator: Thank you very much. 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: Yes. Thanks for the opportunity. Sir, my question is on the volume growth that we have seen and how do you see the volume growth panning out. So, in this quarter we have seen a 6% increase in our volumes on a Y-o-Y basis. So, given the industry situation currently and given both the expansion at Baroda and Mahad that we have done, how do you see the volume growth panning out for us for FY '26?

Dharmil Bodani: Hi, Ankit. So, primarily when we look at all the divisions, I think we are seeing a substantial growth in terms of value as well as volume for the Fragrance division, as well as for the Specialty Aroma Ingredients division. In terms of the new products that have been launched, we are glad to inform you that they have been accepted by customers in India as well as globally. So we are pretty confident assuming that the demand now is more or less stable globally, we will have volume growth in our current set of products as well as the new products that are being launched in the recently commissioned plants.

Ankit Gupta: Got it, sir. Can we expect volume growth to be in double digits, assuming the new product that we are launching from the new plants that we have completed? So, at least double-digit growth is what should we be looking at in FY '26?

Dharmil Bodani: So, I think, it would not be prudent to really give any guidance per se. What I can safely say that the products that are being launched are generic in nature. We know that the product has usage globally. I think we have our cost sheets more or less sorted out on these products. And as customers are accepting the products more and more, we always normally go through a transition where they do allocate part of the volumes to us for two or three cycles before they really give us substantial volumes. So, I can guarantee you, I can assure you that we are trying our best to get as much volumes allocated to us, and we are pretty confident of achieving it.

Ankit Gupta: Okay. How is the pricing scenario from China currently? Have we seen some stabilization in prices on the aroma chemical and on camphor front, or the situation remains like that the pricing remains a bit challenging?

Dharmil Bodani: So, I think as Shyamal mentioned in his opening remarks, the last few quarters have been a situation, where the prices have stayed more or less flat except a few materials on the fragrance side of our business. But they have stayed more or less flat. I think the impact of any macroeconomic factors like sanctions or currency depreciation needs to be seen going forward. And whether they would lead to a reduction in prices or increase in prices, it's something that needs to be seen. But more or less, across the board we are seeing relative amount of stability in pricing on the input costs, except pinene which has firmed up, but not in the form of spikes as we have seen in the past.

Ankit Gupta: Sir, my third and last question before I come back in the queue is on the depreciation and finance cost. So on a consolidated basis we have seen some jump in both the figures, so can we assume that the figures of Rs. 6.4 crores on depreciation and Rs. 6.5 crores on finance cost is including the impact of the CapEx that we have done at Baroda and Mahad? And it will be like Rs. 6.5 crores run rate going forward as well, like this quarter was fully reflective of the CapEx that we have done at both the locations?

Dharmil Bodani: Girish, you want to answer it?

Girish Khandelwal: Yes. Finance cost includes, yes, the finance cost related to the project also and depreciation will go up little bit to the tune of Rs. 7 crores, because this quarter partially depreciation of Mahad CapEx is captured partially .

Ankit Gupta: Okay. So, Rs. 7 crores will be the depreciation on a quarterly basis with both the CapEx's depreciation being factored.

Girish Khandelwal: Correct.

Ankit Gupta: Sure. Okay. Thank you, and wish you all the best. I will come back in the queue.

Moderator: Thank you. The next question is from the line off Chetan Doshi from Tulsi Capital. Please go ahead.

Chetan Doshi: Good afternoon, gentlemen. I have two questions. One is, for the nine months, we have ended roughly around Rs. 680 crores. So, can we expect that by March, we should be able to achieve a milestone of Rs. 1,000 crores for this financial year? And second question is regarding the finance cost, in the notes you have mentioned that GST penalty of Rs. 2.4 crores is there on this. So, if that would not have been there, then the profit would have been around Rs. 12 crores for this quarter?

Dharmil Bodani: So, Chetan, I will try to answer the first question and leave the second one to Girish. I mean, we, as we say in Hindi, aap ke muh main ghee shakkar. I mean, the endeavor of the whole team is to ensure that we reach to this milestone as early as possible. However, we also have an objective that we have to reach that milestone in a very sustainable and a profitable way. So, just to kind of answer your question, I think all efforts are on to see if we can kind of reach that milestone as early as possible. Whether we do it in the current financial or probably we will have to wait for one more year, it's something which we need to wait and watch.

Chetan Doshi: Sorry to ask, one thing is that, after the expansion what we have done in Baroda and in Mahad, and the existing product range what we have, your internal target is to achieve this or it is not for this financial year, that is the question.

Dharmil Bodani: Absolutely. So, like I said that, the plants that have been recently commissioned in Baroda as well as in Mahad, the objective was to kind of get them commissioned as early as possible. We have had some minor delays in the Mahad commissioning, and because of which the projections that we had in terms of production and sales stand a bit skewed, matters get a little complicated because of the cost pressure that we have on the camphor division as well. Having said that, across the board, if you add up all the divisions, all the divisions seem to be doing pretty well. Therefore, minor these fluctuations, we should be very close to the numbers is what our expectation is. But whether we really cross the line or not, it's something, which we will need to see.

Girish Khandelwal: Yes. I want to answer regarding the finance cost, that Rs. 2.5 crores interest cost related to the IGST, it is included in the corresponding December '23 quarter as well as nine months of the corresponding period, not in the current quarter.

Chetan Doshi: Okay, it is in last quarter.

Girish Khandelwal: The corresponding quarter, December '23.

Chetan Doshi: That is last financial year, not the current financial year.

Girish Khandelwal: Yes, not in the current financial year, right.

Chetan Doshi: Okay. Yes, thank you.

Dharmil Bodani: Thank you.

Moderator: The next question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: Hi, sir. Thank you for this opportunity. Can you please share the price trend for camphor? So, what is the current price of camphor, and how have they trended as compared to last quarter, and as compared to last year as well?

Dharmil Bodani: So, did I get your name right, is it Gunit?

Gunit Singh: Gunit. Starts with G.

Dharmil Bodani: Yes. So primarily, rather than getting into the specific per kilo price, because that may vary from customer-to-customer and supplier-to-supplier, I think if you look at the overall competitive landscape in the camphor powder business, there seems to be a lot of overcapacity that's there, which is driving a lot of players, current as well as old, to be very, very aggressive in terms of the pricing. And hence, I can summarize by saying that the current selling price of the camphor in the market does not reflect the actual cost of production.

Gunit Singh: All right, sir. But just in terms of broad range, if you can give a broad range of prices right now, and how have they been trending compared to last year or last quarter, that will be really helpful.

Dharmil Bodani: So, I think currently in the current situation, the powdered camphor prices would range anywhere between Rs. 450 to Rs. 500. And if you looked at the similar time last year, they were at around Rs. 380 to Rs. 420.

Gunit Singh: All right. So, the situation has been improving.

Dharmil Bodani: Yes.

Gunit Singh: So, sir, what is the current capacity utilization on a consolidated basis? And what is the, I mean, maximum revenue potential with the current capacity? And do we have any further CapEx plans for FY '26? And in case we do, do we plan to raise any debt for the same? So, what should be our peak debt in the coming years? I think that I would like to understand.

Dharmil Bodani: So, if you look at our current capacity utilization for plants which are already existing, I think all of them are running at optimal capacity. When I say optimal, we are looking at anywhere between 80% to 90%. For the plants that have been recently commissioned, which are plants at Mahad and the multi-product hydrogenation facility, those have capacity utilization which is relatively less. But no plant currently is running at less than 50% of its planned capacity, point number one. And point number two, we are going to now focus more on the consolidation of the products that we have currently launched. And if there is any new information about capacities or plants that we would be putting up, we will definitely share it with the investor community.

Gunit Singh: All right. So, there are no plans as of now. So sir, what is the revenue potential of the --

Moderator: I am sorry to interrupt, Mr. Gunit, can you please fall back in the queue?

Gunit Singh: Just a follow-up, yes. Just a follow-up, I can join back the queue.

Dharmil Bodani: Hello?

Gunit Singh: Yes, sir. So, I mean, what is the maximum revenue potential from the new unit? And as of now, as I understand, there are no upcoming to this program, right?

Dharmil Bodani: So, what you can do is, Gunit, if you could just reach out to Valorem and send us the question, we will internally discuss about it and we will revert back to you for sure.

Gunit Singh: All right, sir. Thank you very much. I will do that.

Dharmil Bodani: Thank you.

Moderator: The next question is from the line of Richa from Equitymaster. Please go ahead.

Richa Agarwal: Sir, thank you for the opportunity. Could you just give me the gross block at present end of December quarter, maybe by the end of this year?

Dharmil Bodani: Girish?

Girish Khandelwal: Sorry, I missed the question.

Richa Agarwal: The gross block by the end of FY '25 or by the end of December quarter?

Girish Khandelwal: Gross block of the asset?

Richa Agarwal: Gross block, yes. Your gross block of the company?

Girish Khandelwal: Okay, I will just give you.

Richa Agarwal: Sorry?

Girish Khandelwal: One second.

Dharmil Bodani: If you do not have it, Girish, you could probably reach out and get that number and/or you could give it later.

Girish Khandelwal: Yes.

Richa Agarwal: Sure, sir. And, sir, my question is also on other income, there seems to be a sharp decline. So, is this the normalized run rate for the coming period?

Dharmil Bodani: Ma'am, we missed your question in the middle, can you repeat the question again?

Richa Agarwal: My question is regarding other income, which seems to have declined on a sequential and year-on-year basis. So, is this a normalized expectation for the other income and what is the reason for the decline?

Dharmil Bodani: Girish, you want to take this?

Girish Khandelwal: Sorry, gross block I was just checking. So, net block is around Rs. 425 crores.

Richa Agarwal: Okay. Thank you.

Girish Khandelwal: Yes.

Dharmil Bodani: Net block, okay.

Richa Agarwal: Yes, yes this is net block, okay. Sir, could you also talk about the fall in the other income, the reason for the same and what can we expect going forward?

Girish Khandelwal: So, see, the drop in the other income because is this quarter we do not have the Fore x gain, so this gain is adjusted against the loss, Forex loss. So, that is why that other income is reduced.

Richa Agarwal: Okay. And, sir, in the new plants, Mahad and hydrogenation plants, by the end of FY '25 and FY '26, what kind of utilizations do you expect?

Dharmil Bodani: I think we should, by the end of '25 in the hydrogenation facility we are already seeing utilization between 60% to 70%. And when it comes to by end of FY '26, we should probably be running that plant at optimal levels. And Mahad is less, Mahad is anywhere between say 40% to 50%, because it's recently commissioned. But I am sure we will have substantially higher capacity utilization in the coming quarters.

Richa Agarwal: Okay. And sir, what kind of risks do you see --

Moderator: Sorry to interrupt Richa ma'am, can you please fall back in the queue?

Richa Agarwal: Sure, I will come back.

Moderator: Thank you. The next question is from the line of Saket, an Individual Investor. Please go ahead.

Saket: Hello. Am I audible?

Dharmil Bodani: Yes.

Saket: Yeah. So, thanks for the opportunity. So first question would be, Parag sir or Girish bhai, there is a purchase of stock in trade almost of Rs. 7.5 crores that has popped up in this quarter, so what really explains this?

Dharmil Bodani: Parag, you can answer regarding the trading division.

Parag Satoskar: So primarily, I mean, we have also initiated one more activity as part of our ongoing business, where we see an opportunity in taking positions on certain generic materials which are used regularly by our Fragrance Creation division, as well as they have a substantially large outlet in the Indian F&F space. And that's where we have taken certain positions on these fragrance raw materials which we have either imported or bought locally. And we are going to sell it as our trading division materials in the Indian market and also consume it in our Fragrance division.

Saket: Yes. Okay. So, basically has it already broken even this trading aspect, or we are looking to breakeven say in the coming quarters?

Parag Satoskar: So, I think it's an activity which is ongoing. I am sure it's definitely profitable and we will see more action happening in this space in the coming quarters.

Saket: Okay. Fair enough. Now, the new Mahad facility is part of consol, right, it's not part of standalone?

Parag Satoskar: Yes, it is part of consol.

Saket: And there was no revenue from Mahad then, because there is no difference between the top-line?

Parag Satoskar: No.

Saket: Okay. And we as I think numbers in the footnotes were, we incurred around Rs. 3.5 crores losses in the Mahad facility. So, are we given the utilization and all, so because it seems there was no utilization at all in Q3. So, in Q4 given whatever utilization that Parag bhai is guiding for, do we expect it to breakeven in Q4, or at least contribute to EBITDA?

Parag Satoskar: So, I think, Girish, correct me if I am wrong, because I am kind of getting into a quasi-financial question. But I think the plant is recently commissioned, the plant is running at capacity. We are in the process of getting the products right for our customers based on the sampling that has been done from the trial commercial production, the customers are happy. So going forward, it should definitely start contributing towards profitability. Girish, correct me if I am wrong?

Girish Khandelwal: Yes. Correct, sir, correct. And we will see the revenue incoming from the June quarter or September quarter, because September quarter will be the H2 for the MNCs.

Saket: Just to be sure that in Q4 there will be revenue from the Mahad plant, and it will be margin accretive, because in Q3 it was not, right, no revenue and no profitability either?

Parag Satoskar: So, in Q4 we will definitely have revenues. How significant they will be, etc., etc. I mean, like Girish said, that when we will have the commercial lots, which are approved to be sold, the first shipments are going to probably go to our spot customers. And the actual contracts, etc., will start happening in Q1 of next financial year. That's when we go and bid for the H2 contracts of 2025 calendar with our global customers. So, that's when there will be significant, but we are going to use all the Q3 and Q4 of this year to produce and keep it in stock and to start selling it to people, who want to buy it in spot.

Saket: Okay. Fair enough. And, just last question, so Parag bhai, when do we expect to say, come back to that, say and moving to the new plants, 14% to 17% kind of a long-term EBITDA that is part, because our competitors or say peers have already started to go back to those numbers, their normalized margins, but ours is still struggling. Now, is it like there has been some issue with the product of any particular portfolio that is causing this, or is only camphor-driven and when do we expect to get back to that normalized margin?

Parag Satoskar: So Saket, primarily, if you look at Oriental's program of growth, the period has to be taken from 2018 to 2025. The whole aroma ingredient piece, as well as the backward integration piece with our Fragrance division was conceptualized in 2018 and then from that time onward, we have been continuously building plants. We have been standardizing the products. We have been achieving growth in those products and in the meantime, we have had a new plant that was coming in where this whole cycle had to be repeated.

That is the reason, why if you look at broadly the numbers from a quarter-to-quarter perspective, you have some products, which have now seen normalized profit margins contributing to the overall group P&L. But you also have certain products, which are just launched and there we have to because they are generic products we have to kind of face the market forces and create a space for ourselves.

And that is the reason, why you see that multiple quarters, we have had a situation, where yes we are getting normalized profit in the products that are launched a little in the past, but the new products are still getting streamlined. So, and then we had two years of disruptions, because of COVID etc. So, I think, we still stick to the guidance, we like to under commit and over deliver. And we aspire to achieve these normalized numbers, which is what you just mentioned and we can only talk about ourselves. So, that's the overall piece if you look at our journey from 2018 to 2025.

And that's why we are now looking more at consolidation, because I think that whole program, which was charted out has now seen the light of the day. And hopefully, as we go and become more mature in all the products, we should see more normalized margins, but we will stick to the guidance of 10% to 12%.

Moderator: Thank you. Mr. Saket, please fall back in the question queue for further questions. The next question is from the line of Abhinandan, an individual investor. Please go ahead.

Abhinandan: Hello, am I audible now?

Moderator: Yes.

Parag Satoskar: Yes, you are.

Abhinandan: Sorry. Thank you, sir. Thanks for the opportunity. Sir, just wanted to understand your business model a little further. So, do you have some kind of, I mean, a partnership or some kind of collaboration with the innovators like Givaudan or Firmenich, for example, to supply them with the, let's say, the molecules, which are under patent or something like that?

Parag Satoskar: So, Abhinandan, primarily, I think, like we have always mentioned that, when it comes to our Specialty Aroma Ingredients and the camphor and the terpene chemical division, we focus more on the generic materials, point number one. Point number two, I think, it's a very clear strategy from Oriental Aromatics that we like the freedom to operate, since we are into generics. And so we are more than happy to kind of be a global supplier to all the companies that you just mentioned. And having said that, needless to say, that we have a lot of programs, where we work with one or many of these companies on individual products, which I will not be able to kind of share it with you on this platform.

Abhinandan: Agreed. So, basically what I am trying to understand here is that, there is some kind of, I mean, disruption in Europe. And owing to that, are you seeing some kind of increased inquiries for some of their molecules that they might want to outsource to you people, something on those lines.

Parag Satoskar: Disruption in what exactly?

Abhinandan: European sir, I mean, this European chemical companies, they seem to be struggling a little. So, in response to that, are you seeing some kind of increased inquiries there from them?

Parag Satoskar: So, I mean, I wouldn't make it as a broad answer, but I would say that generic suppliers from various countries in the world are really challenging the overall cost structure that has been lying in the fragrance and flavor space globally. So, we are no different. So, I am sure that I mean a lot of the products that we offer to our European customers, they buy it from us because it's of a sustainable quality and at a very competitive price. I hope I have answered your question?

Abhinandan: Yes sir. Yes, sir, that's helpful. That's pretty helpful. And just one more follow-up. So, now looking at your last three, four quarters of gross block, I think, they have been fairly stable and we have seen camphor prices going up and down as well during this period. Given that the raw material prices, they have kind of stabilized, do you expect that your gross margins will continue to be in the range of 40%, 41% that we have been reporting for the last four quarters? Is that a fair assumption, or do you still see some kind of, I mean, volatility there?

Parag Satoskar: So, we have always maintained it in multiple investor calls that for this industry a steady state of business was never achieved for multiple years. I think when we have seen that steady state of business in two of our three divisions that we operate, we've been able to kind of maneuver between the three divisions and get some level of stability in terms of margins, assuming that this stability remains, we are pretty confident that we will be able to have these sustainable numbers and aspire to make them better.

Abhinandan: And sir, is it fair to assume that your gross margin is not significantly better, at least slightly better in these aroma chemicals and fragrances compared to camphor, the gross margins part?

Parag Satoskar: For now, yes, cannot be generalized.

Moderator: Thank you. The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Sir, I am trying to understand, what is our camphor total capacity, and what is the total installed capacity of camphor in the country? And sir because I understand that is the weak link in our business, like you mentioned, due to overcapacity, etc. Sir, and by how much is there overcapacity by like in terms of percentage? Sir cannot the domestic industry export out of this overcapacity?

Parag Satoskar: So, I will not be able to give you extremely specific numbers, because a lot of the companies, who are active in this space are not publicly listed. So I mean, we do not have any way of getting to those numbers. What I can talk to you about is our capacity. And like we have always mentioned that our capacity is currently at optimal level.

And to answer your second part of the question, that can be industry work its way out of overcapacity by exporting out? Unfortunately, if you look at camphor as a product, apart from nominal medicinal use in Chinese medicine and some global medications, it has very limited usage globally outside these two known applications.

I mean, the next big usage is in India for religious purposes. And so, it's going to be a bit challenging to really export our way out, because the Chinese medicine market is fairly saturated with the Chinese camphor suppliers. And if you want to be part of the global medicinal segment of camphor, it's heavily regulated, which makes it as a very key challenge or an entry barrier.

Madhur Rathi: Right, sir. So, sir basically then what is the way out? Sir, where is the light at the end of the tunnel as far as Camphor division is concerned? And sir, are we breaking-even over there? And what kind of return on capital are we making in that division?

Parag Satoskar: So, like I said that, we definitely are breaking-even in our Camphor division, point number one, okay. I don't know if we kind of share individually division-wise ROCE number. So, if that is a specific question, you can send it to us if you can, we will respond to it. But I can assure you that we are not only breaking-even, camphor also contributes to the overall performance of the company.

Madhur Rathi: Sir, so is some improvement expected from this division or the rest of the business, we have hopes and this is possibly like, things will continue as they are?

Parag Satoskar: No, I think this, like I said, that for us, apart from the camphor piece in the Terpene Chemical division, we have other materials, where the demand seems to be pretty stable and growing. So, we will continue our efforts of kind of putting this whole division together and making it more profitable. I mean, even today, it's still contributing. I mean, it's not that it's kind of pulling the other divisions down. So, and as a company, which is focused on innovation, sustainability, we will look at how we can kind of make that whole division work in a better effect.

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

Ankit Gupta: Yes, thanks for the opportunity again. Sir, if you can please talk about, when do you expect the Mahad plant to reach, let's say, optimal capacity utilization of around 70%, 80%? Any timeline that you can indicate to us?

Parag Satoskar: So, like I had mentioned in one of the previous questions, Ankit.

Ankit Gupta: Yes.

Parag Satoskar: I mean; the product is very generic. The product has extremely large scale usage globally. The product has been well accepted by the customers, when sampling has been done. We've also used it in our internal fragrance division and it's perfectly well. So, I think, it's a matter of time, where, like I said, that we need to take more batches. We need to have inventory. We need to go and have conversations with the customer with the inventory and a very strong cost sheet. And I think, as we have mentioned in the past, that we have this 500 to 600-day transition, where people give us first very limited allocation just to test our ability to supply. And then based on our performance, we will have more allocation. So, to answer your question, we probably are anywhere between four to six quarters, where we will be able to achieve optimal capacity.

Ankit Gupta: Sure. And any timelines on when we can breakeven on this plant, because currently it seems that, given just started the plant and capacity utilizations are just picking up and we are ramping up our production facilities. So any timing, when we expect this plant to break-even and start contributing positively on the EBITDA front?

Parag Satoskar: Sure. So, I think, which Girish will answer that. But I also want to kind of advice the investors that or inform the investors that this is a large greenfield site. And this site, when it was kind of developed, I mean, this is just one plant in this site. So, there's been expense that has been done for site development for kind of building the basic infrastructure, and then we have built this plant. So, this is the background for this site and this site is going to take care of our future expansions in the coming years. So, everybody should be mindful of that. Having said that Girish based on projections, do you have any numbers on break-even or would you want to share it later?

Girish Khandelwal: Yes. Parag, I will say, around 60% maybe.

Parag Satoskar: Girish your voice --

Ankit Gupta: Your voice is low, yes.

Girish Khandelwal: Hello. Can you hear now?

Parag Satoskar: Yes.

Ankit Gupta: Yes. It's better.

Girish Khandelwal: Around at 60% or this plant will be at break-even in the plant perspective.

Ankit Gupta: Okay. So, let's say around second half of next year is when we can optimistically assume that we should break-even here?

Parag Satoskar: Should be a fair assessment, but we will keep you posted.

Ankit Gupta: Sure. Sure. Just my last question on the kind of products that we will be manufacturing from the Mahad plant as well as the hydrogenation plant at the Baroda facility. So, are the realization of these products higher than our existing product basket, or it's the same, let's say, does the new products that we have introduced from this plant include some of the products, which are, let's say, comparatively high realizations are much higher compared to our existing product basket?

Parag Satoskar: So, I think, if you look at Mahad, Mahad is a single product plant. So, it's a mid-value product. If you look at the hydrogenation facility it's again a multi-product plant, where you have certain products, which are relatively high value, I mean, close to $80, $100. And then you have certain products, which are bulk, bulk commodities, which are like $7 to $10. So, if you look at the product mix in the hydrogenation, it's a very nice mix of value and volume. Mahad is a single product, where it's mid-value and mid-volume, a few hundred tons and say 30 --

Ankit Gupta: So, sir Mahad, let's say in the second or the third phase will be introducing MPPs and other larger plants, let's say in the second or third phase of expansion, whenever we do that. Is that --

Parag Satoskar: Absolutely.

Ankit Gupta: Currently, just one product, which we are producing from there and the plant also is designed like that, we cannot use it for other products. Is it like that?

Parag Satoskar: So, no plant that we design. We start with a single product plant, but eventually we find, thanks to the technology backbone that we have. We always find some synergies between some processes that we are doing in that plant and we could utilize this, because unlike hydrogenation, this is not a fixed chemistry plant.

Ankit Gupta: Sure, okay. Okay. Thank you, and wish you all the best.

Moderator: Thank you. The next question is from the line of Richa from Equitymaster. Please go ahead.

Richa Agarwal: Thank you for the opportunity again. Sir, my question is related to all these protectionist measures that are being taken by the U.S., how do you expect this to play out for our business? Do we get better opportunities in the export market, or is there a risk of further price erosion if China dumps it in other geographies? Just, if you could just give a qualitative commentary on that.

Parag Satoskar: So, I think, Richa, it's a very broad-based question and for me to really kind of comment on it in a very specific way becomes challenging. I can very safely say that none of our business strategies are designed around any of these macroeconomic factors. That's point number one. Point number two is, if and when these come into play and you have certain markets, where the Indian products might have an advantage and certain markets, where you will have an eventuality of the other country dumping the material. I think our cost sheets and our business relationships globally should be more than capable to handle all these situations if and when they arise.

Richa Agarwal: Okay. So, on a conservative basis, you are confident of maintaining at least 10% to 12% margin until the plants get optimally utilized in capacity. Is that a fair assumption?

Parag Satoskar: For now, yes.

Richa Agarwal: Okay. And sir last question, are the margins in export in line with what we have in domestic, or is there a significant difference?

Parag Satoskar: Again, I mean, because we have three different divisions and all of them between them are of multiple products. I think we can very broadly say, that in most of the products, the export margins are in line with the local margins. Girish, correct if I am wrong?

Girish Khandelwal: Yes, sir.

Parag Satoskar: Yes.

Richa Agarwal: Thank you.

Moderator: The next question is from the line of Chetan Doshi from Tulsi Capital. Please go ahead.

Chetan Doshi: Thank you for the opportunity. Do you expect a one-time sale because of Maha Kumbh, which is taking place at Prayagraj for camphor sales?

Parag Satoskar: So, I mean, Chetan, good question. We have a very substantial presence in the Prayagraj complex, where we have our own booth, where we are selling camphor. And we also have some advertising material that's being displayed there. Having said that, I think, the learning has been that, a lot of the people, who've come there in terms of their purchasing power, we've had massive footfall to the booth. But I think to convert that into actual sales has been a challenge. But from a visibility perspective, I am sure that, when these devotees or pilgrims go back, we will have -- they will have a better understanding of our formulae product.

Chetan Doshi: Okay. So, we expect some gains out of this particular event coming place in this quarter.

Parag Satoskar: Yes, I think if you have 40 crore people coming and visiting a place and if you are visible there, I am sure it will kind of help us garner more eyeballs than what we've had before the event.

Chetan Doshi: Wish you good luck, yes.

Parag Satoskar: Thank you. Thank you, Chetan.

Chetan Doshi: Yes. Bye.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I now hand the conference over to Mr. Dharmil Bodani for the closing comments.

Dharmil Bodani: Thank you all for participating in the earnings conference call. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, please reach to our IR Managers at Valorem Advisors. We are thankful to all our investors, who continued to stand by us and have also shown confidence in the company's future growth plans. Thank you very much.

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