



ORIENTAL CARBON & CHEMICALS LIMITED

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May 31, 2022

The Manager
BSE Limited
Department of Corporate Services
Floor 25, P. J. Towers, Dalal Street
Mumbai - 400 001

The Manager
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E)
Mumbai - 400 051

Scrip Code: 506579

Scrip Symbol: OCCL

Dear Sir,

Subject: Transcript of Earnings Call Q4 FY22

This is further to our earlier letter dated May 26, 2022 regarding audio recording of Q4 and full year FY22 Earnings Call held on May 26, 2022, please find enclosed herewith the transcript of the Earnings Call. The same is also uploaded on the Company's website. Following is the link:

[Transcript of Earning Call Q4 FY22](#)

This is for your information and record.

Thanking you,

Yours Faithfully,

Yours truly,
ORIENTAL CARBON & CHEMICALS LTD.


Pranab Kumar Maity
Company Secretary & GM Legal

Registered Office :
"DUNCAN HOUSE"
31, Netaji Subhas Road
Kolkata - 700 001
CIN: L24297WB1978PLC031539

Plants :
Plot 3 & 4 Dharuhera Industrial Estate, Phase - 1
Dharuhera - 123106, Distt. Rewari, (Haryana)
SEZ Division : Survey No. 141, Paiki of Mouje Village Mundra
Taluka Mundra, Mundra SEZ, District Kutch, Gujrat - 370421



“Oriental Carbon & Chemicals Limited Q4 & FY2022 Earnings Conference Call”

May 26, 2022

(Disclaimer: E&EO- This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 26th May, 2022 will prevail.)



**MANAGEMENT: MR. AKSHAT GOENKA - PROMOTER & JOINT
MANAGING DIRECTOR - ORIENTAL CARBON AND
CHEMICAL LIMITED
MR. ANURAG JAIN- CHIEF FINANCIAL OFFICER –
ORIENTAL CARBON AND CHEMICAL LIMITED**



Oriental Carbon and Chemicals Limited
May 26, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Oriental Carbon & Chemicals Limited Q4 & FY2022 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 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 and Managing Director of OCCL Limited. 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, CFO and SGA our investor relations advisor. Before we begin I hope you and your loved ones are keeping safe and healthy. We have uploaded our results and investor presentation for the quarter and full year ended March 31, 2022 on the stock exchanges and company website. Hope each one of you had a chance to go through the same.

Firstly I am pleased to share that the Board of Directors have recommended a final dividend of Rs.7 per equity share in addition to an interim dividend declared of Rs.7 per equity share in November 2021 thereby giving total dividend of Rs.14 per equity share for the financial year 2021-2022. That is 140% of the face value of Rs.10 each. This is 35% of our PAT the highest ever payout percentage and in line with our new dividend policy. FY2022 was a year marked by COVID waves, high commodity prices, freight costs, and geopolitical issues. We have witnessed demand slowdown in domestic as well as international markets on account of the Russia-Ukraine war. Cost of our major raw materials sulphur and coating oil have been rising. Since 65% of our sales are export related we have also faced the impact of very high freight costs like all other industries. Supply led disruptions have impacted our margins and profitability during the year. We have judiciously taken measures towards controlling costs; We had also taken a few price increases during the year and have further increased prices to cover the increased cost in the upcoming quarter for both domestic and international markets.

Coming to our expansion plan I would like to mention that phase one of IS plant of 5,500 metric tonnes per annum was commissioned on December 21, 2021. The total capacity of insoluble sulphur now stands at approximately 40,000 metric tons per annum. The ramping up of this new capacity shall take a few quarters. The company has also commissioned this additional capacity of sulphuric acid plant of 50,000 metric tons per annum at Dharuhera



Oriental Carbon and Chemicals Limited
May 26, 2022

Haryana. Now the total manufacturing capacity sulphuric acid stands at approximately 90,000 metric tons per annum. We shall plan for the second phase of insoluble sulphur expansion depending on the visibility of demand and market scenario. I would also like to announce that our company incorporated a wholly owned subsidiary called OCCL Limited on March 25, 2022 it has been incorporated to carry on the business and manufacturing sale and purchases of all types of chemical products.

Coming to our scheme of arrangement that the Board of Directors had just considered and approved between our company and OCCL Limited a wholly owned subsidiary and their respective shareholders and creditors for the demerger of the chemical business undertaking of the company to OCCL Limited. The appointed date of the scheme is the effective date and the scheme is subject to approval of requisite regulatory authorities and shareholders. As part of an overall strategy for the optimum running growth and development of the businesses of the demerged company, it is considered desirable and expedient to reorganize and reconstruct the demerged company by demerging its chemical business to the resulting company. It will result in the creation of two separate robust entities as the resulting company OCCL Limited which will focus exclusively on the chemical business and the demerged company being the current one which shall continue to be in the business of investments and would also intend to initiate some commodity trading business. Our chemical business includes insoluble sulphur, sulphuric acid and oleum. The rationale behind this demerger is value unlocking of the respective businesses, flexibility in accessing capital and enabling to attract business specific partners and investors. The demerger would also enable management to focus on pursuing revenue growth and other expansion opportunities in the respective business verticals in future. Upon the scheme being effective the resulting company shall issue and allot five fully paid up equity share of Rs.2 each of the resulting company credited as fully paid up for every one fully paid up equity share of Rs.10 each of the demerged company. This share swap ratio will increase liquidity in the stock benefiting all shareholders. Overall this news is great for all shareholders, it will give everyone an opportunity to be part of two distinct businesses without overlap and keep us ready to take advantage of evolving opportunities in the future for both businesses. We are also delighted to announce that the company has been accredited with RESPONSIBLE CARE logo by the Indian Chemical Council for a period of three years up to March 2025. This is a very important recognition of our sustainability, ethos and credentials. We have also received two awards from our customers on sustainability. Tyre industry outlook is positive and with many tyre companies announcing capex plans of approximately 5000 Crores for this fiscal. Strong demand expected from replacement market and OEM. Demand would be driven by higher government spending and increasing fleet utilization.



Oriental Carbon and Chemicals Limited
May 26, 2022

Also demand for commercial vehicles expected to remain favorable supported by accelerated economic activities.

To conclude we believe the current challenges and the external environment are short-term and shall taper down soon. With our completion of capacity expansions we are confident of gaining new orders and increasing wallet share. Now I would like to hand over the line to Mr. Anurag Jain to update you on the financial performance of the company.

Anurag Jain:

Thank you Akshat. I would take you all through the standalone financials of the company. Total income for Q4 FY2022 stood at Rs.110.8 Crores as compared to Rs.106.9 Crores in Q4 FY2021 a growth of 4% year-on-year. Demand was impacted initially at the start of Q1 on account of third wave and geopolitical issues. EBITDA for Q4 FY2022 stood at Rs.16.7 Crores with EBITDA margin of 15.1%, margins have been impacted due to the sharp increase in raw material prices and high freight costs. We have taken price increases to cover the increased cost and have taken further in the upcoming quarter for both domestic and international markets. Profit after tax for Q4 FY2022 stood at Rs.4.3 Crores. Profitability was impacted on account of supply led volatility and inflationary pressure on input costs. To quickly summarize the full year numbers, total net worth for FY2022 stood at Rs.393.9 Crores as compared to Rs.344.7 Crores a growth of 14%. The EBITDA stood at Rs.83.5 Crores with margins at 21%, profit after tax for FY2022 stood at 39.9 Crores and PAT margins were at 10%. With this I would like to open the floor for questions and answers.

Moderator:

Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Nikhil from SIMPL. Kindly proceed.

Nikhil:

Good afternoon. Two questions Sir, one is on this demerger two to three clarifications which I wanted. In the note we say investments will go into the demerged entity. the current investment which is in form of cash that will remain with this company or that will also go to the investment company, so on the current investment where it will go and secondly on Duncan the holding which OCCL has, which of the companies will be given the holding of Duncan?

Akshat Goenka:

One thing I would like to clarify that the investment company will be the current company as we all know it today and it is the chemical business which will go into the new company so that is one clarification for everybody. Duncan is expected to remain in the current investment company. As far as which investments and which cash go here and there this is a call that will be taken by the Board right before the actual demerger takes place the call will be taken basis looking at all the business requirements of the chemical business



Oriental Carbon and Chemicals Limited
May 26, 2022

appropriate cash will be left with the chemical business to meet all its needs and keep it safe and probably the balance will remain in the investment company, but this will only be taken at that stage, this will have quite a number of months to go and looking at the situation at that time.

Nikhil: Secondly on the investment in your opening comment you mentioned that the investment company will have options to look at more investment so I am not clear so what would be the whole idea of purpose of this company going forward like what kind of investment, so we had this real estate investment or some of those, so those will be taken up or what would be the whole purpose of these investments?

Akshat Goenka: Let me take a step back and answer overall one of the reasons and the importances of this whole demerger. So a lot of times we have been told by our shareholders that they want to invest only in the insoluble sulphur, they do not want to have investments in other diversified businesses. They do not want to have any things in investments, so that is the reason we thought that for the shareholders it would be fair to create an entity which has only the insoluble sulphur and related businesses so they can so choose to be only a part of that and once that is created it could also become attractive for external investors or strategic investors to come into a clean insoluble sulphur entity. Now as far as the investment business is concerned, we continue to evaluate different opportunities it is too early to say today what we will get into, but there are various things that could evolve as time goes on.

Nikhil: On the business side I have a few questions. Now I am unable to connect the dots because if I look at the performance for China Sunshine Insoluble Sulphur or even for Shikoku in terms of their inorganic chemical business which majorly is insoluble sulphur, both the companies are talking about as the price increases have been significant in the industry and as a result the performance has grown improved significantly in last six months, but contrary our performance has been significantly impacted in the last six months, so our gross at the material cost itself which was around 70- 75 has now come down to 60- 65 so I am unable to connect what are the key pressure points which we are seeing and why are we not able to completely pass on the pricing when our competitors to largest competitors are saying that pricing is happening in the industry and they are actually seeing the benefit of them?

Anurag Jain: First I will talk about the competitors, the competitors have much larger businesses than we have and they have bundle of products, so for them to say that they have got increased prices does not necessarily mean for insoluble sulphur and as far as our information goes as far as profitability from insoluble sulphur goes none of them is better than us and one of the



Oriental Carbon and Chemicals Limited
May 26, 2022

reasons we were not able to increase price in the last quarter was because internationally the price did not go up. The second part is that as far as raw material costs are concerned they have risen significantly over the last year and I will just give you one example that the total cost of sulphur I was just looking at the numbers has grown up by about 123% over the same quarter last year so it is 2.25 times what it was over the same quarter last year. Similarly the total input cost has grown by 70% over last year quarter-to-quarter so this is a cost which has gone up. The prices could not be increased, we have obviously taken price increase because they happen quarter-to-quarter in Q1 of the current year. Unfortunately what was happening earlier was whenever we were able to extract as much price increase as we could the raw material prices will move up further negating those price increases so that was the sum total effect that we saw in Q4.

Nikhil: Sir I understand that what you are saying that both the companies are much larger and have more businesses but I am specifically talking on Shikoku's inorganic chemical segments where they themselves mentioned that insoluble sulphur is the largest business for them in the inorganic chemical in which they report separately, so my conclusion has come from that angle that is all?

Akshat Goenka: I am not aware of that insoluble sulphur is larger because they have CS₂ and all of those things also. If there is such a report and such a result then we would also love to review it and see what is going on in there, so maybe we have not seen it from what you are referring to.

Nikhil: So effectively if we look at it what we have passed on most of the cost increases now and what we had faced over the last six months or where are we as of now in terms of prices versus cost increase?

Akshat Goenka: As I said that earlier whatever little cost increase we could pass on, we could manage to pass on because of the competition we could not pass all of it we did, but it was not all of the cost which was passed and costs increased further in each quarter. In Q1 we were able to pass on most of the cost increases, so the level of cost increase which has been passed on Q1 is better than what it was in the earlier quarter.

Nikhil: Sure I will come back to the queue I have a few more questions.

Moderator: Thank you. The next question is from the line of Samarth Singh from TPF Capital. Kindly proceed.



Oriental Carbon and Chemicals Limited
May 26, 2022

- Samarth Singh:** Thank you for the opportunity. Just Q-o-Q on our operating expense I think there is a 6.5 Crores increase between Q4 and Q3, I believe our freight rates are stable between Q3 and Q4 so what is the reason for this large increase in the operating expenses?
- Anurag Jain:** You are talking about from 32 Crores to 38.97 Crores that is figure you are asking about? So in Q4 to Q4 the major increase is in freight and power and fuel.
- Samarth Singh:** This is Q3 to Q4 you are saying?
- Anurag Jain:** From Q4 to Q4 I am saying.
- Samarth Singh:** No I am saying Q3 so third quarter of the year our operating expenses was Rs.32.3 Crores and the fourth quarter was Rs. 38.9 and I think third quarter we had mentioned that creditors have now stabilized so I am just wondering when?
- Akshat Goenka:** So there again there was a major increase in power and fuel costs so that was major increase and then there was a change in inventory which was negative in the last quarter by 3 Crores and positive this quarter by 3.5 Crores. So these were the two major changes which has happened.
- Samarth Singh:** The changes in inventory will become the cost of goods right that will not affect the operation?
- Anurag Jain:** Major increase of about Rs.2.5 Crores is in fuel and rest was in fixed cost which mainly consists of some repairs which could not be taken earlier and which were taken during the quarter so it would be the same for the whole year but they were more concentrated in the quarter so that is the main cost and the second is the reinstatement of our foreign currency exposure which was in profit. Foreign currency exposure MTM was in profit in December and it went into loss in March so these are the two major issues where the costs have increased.
- Samarth Singh:** I am assuming the fuel costs have remained elevated and that will continue.
- Anurag Jain:** The other costs have been in the same ballpark with inflation and all.
- Samarth Singh:** I know you do not give volume numbers but if I just compare FY2022 volumes to FY2020 and FY2019 can you give me the sort of degrowth between FY2019 and FY2022 and FY2020 and FY2022?



Oriental Carbon and Chemicals Limited
May 26, 2022

Anurag Jain: Let me say that the volumes have increased slightly over last year so there has been a slight increase in volumes, but the turnover increase that you see is mostly driven by price rise, but having said that there has been increase over 2021 and 2021-2022.

Samarth Singh: But if I compare to 2019 which was like one of our best years what has been the sort of degrowth compared to 2019?

Anurag Jain: I will come back to you on that 2019 I do not have that number of 2018-2019 in front of me.

Samarth Singh: One last question on something answered to the previous participant so is the demand and the competitive scenario such that you see us at least being able to pass on all the raw material cost pressures given the lag over the next few quarters now they remain stable even though we may not be able to pass on our freight and our power costs is my understanding correct?

Anurag Jain: There are two aspects one is the freight and one is the raw material and power cost. It is very difficult to pass on the increase in freight costs because you have competitors in the respective geographies so that is something which we find difficult to pass on. As far as raw material costs are concerned we have seen that in this quarter our competitors have been increasing costs because their margins have been impacted very badly worst than us and therefore we could also increase costs. For next quarter it will depend on how the raw material and fuel costs behave in the next three months.

Samarth Singh: I will get back in queue. Thank you so much.

Moderator: Thank you.

Anurag Jain: Before you start the question there was a question which I said I will come back later on which was whether our volumes how do they compare with 2018-2019 so they are in the roughly the same ballpark in 2021-2022.

Moderator: Thank you. The next question is from the line of Anuj Sharma from M3 Investments. Kindly proceed.

Anuj Sharma: We generally see that tyre company, chemical companies generally choose to allocate their retained earnings in related or allied segments so that they could leverage relationships and synergies, however we chose a different path of investment a different path of allocating



Oriental Carbon and Chemicals Limited
May 26, 2022

the retained earnings so just wanted to understand what competencies do we have in investments that we chose to allocate capital there?

Akshat Goenka: To answer these kind of questions only now we are going for the demerger so each company will have its own relevant set of competencies built up.

Anuj Sharma: But if you were to highlight your competencies in the investment field what would they be?

Akshat Goenka: We have a separate team for it, it is not let us say for example Anurag is not doing investments there is a separate team for it. So now when there will be two companies they will be run with their own set of competencies on their own skills. The answer to this question is why demerger is very important.

Anuj Sharma: My next question is over a period of time the demerge entity which is insoluble sulphur will again start generating cash so how would this cash be allocated?

Akshat Goenka: For this you should look at the very nice dividend policy that we have come out with this year which says that 50% of PAT will be paid out as dividend which is almost the entire free cash flow, so this entity will pay out dividend it will grow in insoluble Sulphur, grow in related things, pay out dividend, pay down debt, very clean.

Anuj Sharma: So that demarcation of the demerged entity the incremental retained earnings will remain in the chemical or related fields.

Akshat Goenka: Or dividend.

Anuj Sharma: Alright and generally in terms of pricing can it be that some competitors have a better pricing than us and hence they seem to indicate better pricing power or is it a very, very homogeneous market wherein the pricing remains constant for everyone?

Anurag Jain: When you say pricing power you mean the power to price their product or power to purchase?

Anuj Sharma: The power to sell insoluble sulphur.

Anurag Jain: Power to sell would obviously, the competency will be different in different geographies for each producer. For example if you were to go to China then the Chinese producer will have an edge, if somebody wants to come in India the Indian producer will have an edge so if we



Oriental Carbon and Chemicals Limited
May 26, 2022

were to go to Japan then Shikoku will have an edge, so this competency will differ from geography-to-geography but we have managed to compete in each geography till date.

Anuj Sharma: So what I was trying to understand that can the pricing vary significantly across geographies because if some players do indicate that they are seeing an uptick in pricing alright and we do not seem to so could that be a function of different operating in different geographies?

Anurag Jain: So I have disagreed with what the earlier person said that they are enjoying the huge bumper profits while we are not on this insoluble sulphur that is not my understanding first of all. Secondly as I said that we are matching or we are competitive in each geographies obviously the margins would differ to the extent of the freight differences in each area and how we are able to deliver the material for example today if the freights are high then that hits our margin today, but whether that will remain that way or not is questionable for a long time.

Anuj Sharma: I have one question before I come back in the queue. So generally in the investments in the chemical business you would have a minimum basic IRR which you would want to generate similarly in the investment business what is the minimum IRR you seek to generate or seek to look at below which you would not contribute?

Akshat Goenka: The basic qualifying IRR for capital investments remains the same, now it changes basis the risk of that thing so if you were to ask the risk adjusted IRR remain the same. In terms of absolute IRR that differs from the riskiness of the investment.

Anuj Sharma: Alright I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Umang Shah from Sarath Capital. Kindly proceed.

Umang Shah: Thank you for the opportunity. Sir the fair value of the investments that will remain in the investment company?

Akshat Goenka: As I said in the earlier question that this final decision will be taken by the Board right before the demerger actually takes place. Apart from that there are a number of documents that are soon going to be filed with the stock exchanges which will provide some indication.

Umang Shah: The second question is, is there any plans so that these investments have come from the cash generated by the insoluble sulphur company so going forward once the demerger



Oriental Carbon and Chemicals Limited
May 26, 2022

happens will there be any cash moving from the chemical company to the investment company or that would not happen?

Akshat Goenka: These are going to become two separate companies right so once the demerger takes place cash cannot just randomly move between two companies.

Umang Shah: In terms of managing bandwidth I think the top management from the Duncan Engineering and for Oriental Carbon right now is the same.

Akshat Goenka: Me is yes. But nobody else is the same.

Umang Shah: It is just you.

Akshat Goenka: It is just me.

Umang Shah: One more question was after the acquisition of Eastman Chemicals by One Rock what has been their behavior as far as price increases are concerned in the last six months?

Akshat Goenka: The only interesting thing that I can share is that once they got to charge of Eastman Chemicals they have actually gone for a change in the top management. Their new CEO has only joined in April so it is barely been a month-and-a-half so unfortunately it is too soon for us to see what is happening or what, something must have been part of the internal strategy for them to change the CEO after a few months. So I think it will be now in the next few months what the new CEO does and how he takes the company forward.

Umang Shah: These management changes does this help our chances in increasing our market share in North America I think that is a geography they are dominant in?

Akshat Goenka: No I do not think it would be fair to comment on their management changes and link it to our prospects.

Umang Shah: One last question, some quarters back you had alluded to a fact that at today's prices of insoluble sulphur no Greenfield capacity can actually come up, which could actually mean that there is significant overcapacity in the industry. So is it the change in commercial vehicle sales, that commercial vehicles usage of tyres has it changed that back or how long do you think will this overcapacity persist if any?

Akshat Goenka: See how long overcapacity will remain is very difficult to predict, predicting the exact growth rates and all of these things, I still maintain that investment economics is even worse



Oriental Carbon and Chemicals Limited
May 26, 2022

today than what it was a year or so ago when I made this statement it has only worsened it has not improved from that day.

Umang Shah: So Sir is that worsened because the volume of insoluble sulphur is being sold is less or is it because new capacity from China is selling in the global market?

Akshat Goenka: No, I think it could be for various reasons firstly I am not aware of Chinese quantity being sold in the global market so I would like to clarify that upfront I have not heard of Chinese quantity being sold in the global market, but China itself was a big consumer where our competitors have been exporting to China maybe that has dried up, maybe various things have happened, costs has gone up, freight, there is a lot of turmoil that is happening in the market I do not think right now is the time to draw any long-term trends.

Umang Shah: Alright Sir these are some of the questions. Thank you so much.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Kindly proceed.

Anurag Patil: Thank you for the opportunity. Sir in Q1 can we say the demand has actually improved sequentially compared to Q4?

Anurag Jain: We are seeing some positive growth indications; we expect to sell more in Q1 than in Q4 so we are seeing some positive trends in Q1.

Anurag Patil: This phase one capex can we say for utilization will be possible by the year end FY2023?

Anurag Jain: Yes that is what we feel that we should start utilizing that capacity gradually by Q4.

Anurag Patil: Okay that is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Ranjan from Nirvana Ventures. Kindly Proceed.

Ranjan: Thanks for the opportunity. I have a very basic query on the demerger. So as I understand for everyone said that the current company's investors will get five shares of OCCL Limited and OCCL Limited will be eventually listed and what happens to the listing status of the current company that remains to be listed?



Oriental Carbon and Chemicals Limited
May 26, 2022

Akshat Goenka: No no, current company current assets regarding plans to take it private or not, see these again, this is nothing to do with the demerger but as part of the demerger scheme is concerned the new company will be listed and the current company will also be listed.

Ranjan: In terms of P&L 97% is the contribution of the chemical business that could go to OCCL can you share the percentage of assets in terms of fair value if you have to bifurcate between the current company and the chemical business?

Akshat Goenka: I have answered those questions final decision would be taken by the board and we cannot decide today and that would be filed with the stock exchange soon so that would provide some indications as to what is the situation.

Ranjan: Sure Sir thanks. Thank you.

Akshat Goenka: One important point I would just like to make that you alluded to. So in this share swap ratio of five shares against one so this is again another very shareholder friendly move for all shareholders because for quite some time we have been getting feedback that shareholders would like more liquidity in our stock so that is also something we have taken care of in this demerger scheme.

Moderator: Thank you. The next question is from the line of Mohit Kumra from Kumara Investment Company. Kindly proceed.

Mohit Kumra: As of this moment I am just trying to look back a little on your balance sheet on the noncurrent investments it is around Rs.70 Crores and current investments is around Rs.110 Crores right, as far as I understand from your previous annual report the current investments are cash and equivalent liquid funds, debt funds, so is it right to assume that even this year this is around the same like Rs.110 Crores of cash/liquid funds which you have?

Anurag Jain: We have already published the balance sheet and it shows the investment of Rs.102 Crores in current assets and Rs.84.4 Crores in noncurrent assets.

Mohit Kumra: So my point is that for your noncurrent assets last year it was given as private equity/venture capital funds, which you were investing in and a few quarters before that you said that your final aim for such investments was around Rs.100 Crores this is what you said.

Akshat Goenka: No, I would like to clarify I said that we will go up to 20%-25% of net worth this is what I had said I never said 100 Crores.



Oriental Carbon and Chemicals Limited
May 26, 2022

- Mohit Kumra:** So what is that value now?
- Akshat Goenka:** In the future this is not relevant right because now there will be two separate companies so this whole conversation will not be applicable. The chemical company, we will be not investing anything in that, it will be purely chemical and dividend and those kinds of things and the investment company will be entirely in these activities and various kind of things.
- Mohit Kumra:** So anyhow as far as your noncurrent investments for the previous year were concerned they were mostly into what I understood was very high tech this private equity venture capital or all of that kind of stuff right am I correct in that it was not that run-of-the-mill equity investments or run-of-the-mill property investments it was not like that?
- Akshat Goenka:** We are not doing any run-of-the-mill stock that I will agree with you.
- Mohit Kumra:** As of this date's investments which you have made have shown as noncurrent investments basically are funds of private equity..
- Akshat Goenka:** First I would like to clarify the figure in the balance sheet also probably includes things like shares in Duncan and all of those things so the Rs.84 Crores that we are referring to includes subsidiary and all that, so leaving all those routine things that have been in the books historically aside all the fresh investments in the last two, three years have all taken place in specialized things.
- Mohit Kumra:** In non-listed private equity and venture capital funds right?
- Akshat Goenka:** And also direct and non-listed not just through funds.
- Mohit Kumra:** So I understand this is what I am trying I am just trying to sort of get a grip on what your outlook towards investments is so basically it is not what can be described as listed market you are basically yourself becoming a private equity firm now or a venture capitalist firm am I correct?
- Akshat Goenka:** No I cannot say that is correct but what I can say is that yes we are not investing in listed entities and listed equity at all.
- Mohit Kumra:** But you started a couple of years ago has not this been a very, very, very, very bad time for you looking at the overall for example if you take the NASDAQ as a benchmark, is this a good time to do?



Oriental Carbon and Chemicals Limited
May 26, 2022

- Akshat Goenka:** It is a fantastic time, see these things will take time to reflect on the balance sheet, there are certain exits that we have made in this last year which go and sit straight into the networth and it is not routed through the P&L because of Ind AS requirements so we have had some exits also in this past year, our portfolio is doing well but these are all long-term debts and will take time to reflect.
- Mohit Kumra:** One small other question which is unrelated to this now that your capacity expansion is completely done what was the final expense done like what was the final expense on sulphur and what was the final expense on the insoluble sulphur like what was the final breakup of your capital cost?
- Anurag Jain:** The first thing is you are saying that all our expansion is not correct. The phase two will be taken up at the appropriate time looking at demand. Now the expense is in line with the budget, we had earlier shared with you. In spite of the delays there has been a very marginal increase in the cost so we are happy to share that it has not impacted the cost.
- Mohit Kumra:** What was the final cost of your capital expansion now phase one?
- Anurag Jain:** So the final cost is somewhere around 155 to 160 Crores.
- Mohit Kumra:** Out of this how much was your expense on the insoluble sulphur and how much was sulphuric acid?
- Anurag Jain:** That breakup we could not have here to share because it was done all together so there are many common expenses so that is not a very clear cut breakup on that.
- Mohit Kumra:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Saravanan Balakrishnan an individual investor. Kindly proceed.
- Saravanan B:** Thanks for giving me the opportunity. The question is what is the insoluble sulphur capacity in the market and specially the market capacity in North American market?
- Akshat Goenka:** You are talking about demand?
- Saravanan B:** No I mean the capacity on the ground like comparing all the players.



Oriental Carbon and Chemicals Limited
May 26, 2022

- Akshat Goenka:** So we have Flexsys who have a plant in North America so they are the only people who are present there and they have enough capacity to beat the American demand and then exports.
- Saravanan B:** So what is the total insoluble sulphur capacity?
- Akshat Goenka:** North America our estimate is that we have roughly 40,000 tonnes of capacity.
- Saravanan B:** Any direction like where again the supply is sort of again coming down since last time when we spoke like Flexsys was again selling off some insoluble sulphur capacity right so any direction on this supply coming down?
- Akshat Goenka:** Any direction on what?
- Saravanan B:** On the supply coming down.
- Anurag Jain:** Supply coming down?
- Saravanan B:** Yes, correct.
- Anurag Jain:** I am not aware of any supply coming down as of now and maybe I do not think the supply will come down.
- Saravanan B:** Also on the other question primarily on the buyback side now seems like the demand also looks futile now should we sort of consider a buyback which will sort of again help in bringing the float down?
- Anurag Jain:** Buyback you mean?
- Saravanan B:** Correct.
- Anurag Jain:** So we are splitting the company today and we have two separate entities so these two companies are going to take their own decisions going forward as to what to do and what not to do. Today we have very clearly said that whatever investments are there that will sit in the company which is there for investment and the other company will continue to do that insoluble sulphur business.
- Saravanan B:** In terms of the capital allocation, what is the roadmap that we have right now since the phase two of insoluble sulphur is sort of again put on hold?



Oriental Carbon and Chemicals Limited
May 26, 2022

- Anurag Jain:** It is not on hold whenever the need arises, in terms of quantity we will immediately get that expansion done.
- Saravanan B:** What is the cost of capital for the new capex like anything on that?
- Anurag Jain:** So at the time when we made the budget it was Rs.60 Crores before the expansion so that was the budget but obviously we will reevaluate the cost when we get into the actual expansion time.
- Saravanan B:** We got it. We had a mix of debt rate for the phase two of expansion so since the cost of borrowing also has gone up. So will we sort of again revisit that one in terms of if we want to make sort of goal in from the phase two of insoluble sulphur expansion?
- Anurag Jain:** I could not get the second part of question.
- Saravanan B:** Yes mainly again the cost of borrowing going up.
- Anurag Jain:** Obviously it will go up in line with the increase in the global rates of interest so that will be there but as of now we have not seen any increase, but yes it will go up shortly whenever the reset of the interest arises in terms of the increase in lending rates by Central Banks.
- Saravanan B:** Got it and also at this point what is the current market share that we have in the North American market?
- Akshat Goenka:** Globally we believe that we have a market share of around 10%.
- Saravanan B:** So again eventually we would want to again hit the 10% number is it on the North American region?
- Akshat Goenka:** So you are asking whether it will be 10% or more is that your question?
- Saravanan B:** Exactly so because since currently Flexsys is having 40000 MTA capacity on the ground rate.
- Akshat Goenka:** What we do plan is to grow at a pace which is higher than the demand growth in insoluble sulphur so that means that obviously we are looking at an increase in our market share in coming years.
- Saravanan B:** Got it makes sense alright. That is it from my end. Thank you very much.



Oriental Carbon and Chemicals Limited
May 26, 2022

- Moderator:** Thank you. The next question is from the line of Samarth Singh from TPF Capital. Kindly proceed.
- Samarth Singh:** Thank you for the followup. Conservatively estimated what is replacement cost per tonne for a Greenfield IS plant today?
- Anurag Jain:** It is very difficult to say let us first complete the next phase of expansion and once we have done that then we will review based on the payback that is there at that point of time then what will be the opportune time to go for future expansion.
- Samarth Singh:** No I was not asking for when is the future expansion I was just asking you what is the replacement cost per tonne if you were to estimate today for Greenfield insoluble sulphur plant.
- Akshat Goenka:** I think it could be as high as Rs.3 lakhs a tonne.
- Samarth Singh:** That was I think was about 1.8, 1.75 lakhs about two or three years back is the number you have given is that right?
- Akshat Goenka:** That may have been without taking land and all since we did Brownfield. Now you are asking Greenfield so I have added cost of land this is minimum I think it could even be higher.
- Samarth Singh:** Okay that is very helpful and just one I think Anurag made a statement that Q4 of this year we would be utilizing the new capacity is that correct?
- Anurag Jain:** We said that there is a chance that some of it could start getting utilized by Q4. It all depends on how the allocations and all come through, in terms of accruals we are sitting pretty well now earlier accruals is a challenge we have decent amount of accruals now it is about getting the allocations.
- Samarth Singh:** This expanded capacity is largely for the North American market is that right?
- Akshat Goenka:** No, global market.
- Samarth Singh:** But we are not looking to largely grow in North America that was my understanding?
- Akshat Goenka:** North America obviously is going to be a focus area of growth.
- Samarth Singh:** Last question what is the expected timeline for the demerger?



Oriental Carbon and Chemicals Limited
May 26, 2022

Akshat Goenka: I think a year from today we should have two separate entities. But it all depends on how long NCLT takes and all of those things anywhere from 10 to 12 months is what people said is the time taken to have the new entity and listed and up and running.

Samarth Singh: Okay very helpful thank you very much.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was the last question. I would now like to hand the conference over to the management for 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 reach out to us of SGA our Investor Relation Advisor. Thank you once again.

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