



ORIENTAL CARBON & CHEMICALS LIMITED

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February 09, 2024

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 Q3 FY24

This is further to our earlier letter dated February 05, 2024, regarding audio recording of Q3 FY24 Earnings Call held on February 05, 2024, 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 Q3 FY24](#)

This is for your information and record.

Thanking you,

Yours Faithfully,

Yours truly,

ORIENTAL CARBON & CHEMICALS LTD.

Pranab Kumar Maity
Company Secretary & GM Legal

Encl.: As above.

Registered Office :
Plot No. 30 - 33, Survey No. 77
Nishant Park, Nana Kapaya,
Mundra, Kachchh,
Gujarat -370415
CIN - L24297GJ1978PLC133845

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



“Oriental Carbon & Chemicals Limited
Q3 FY '24 Earnings Conference Call”

February 05, 2024



MANAGEMENT:

1. MR. AKSHAT GOENKA – PROMOTER AND JOINT MANAGING DIRECTOR – ORIENTAL CARBON & CHEMICALS LIMITED
2. MR. ANURAG JAIN – CHIEF FINANCIAL OFFICER – ORIENTAL CARBON & CHEMICALS LIMITED
3. SGA – INVESTOR RELATIONS ADVISOR – ORIENTAL CARBON & CHEMICALS LIMITED

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on February 5th, 2024 will prevail

Moderator:

Ladies and gentlemen, good day, and welcome to Q3 FY '24 Earnings Conference Call of Oriental Carbon & Chemicals Limited. This conference call may contain certain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Akshat Goenka, Promoter and Joint Managing Director of OCCL. Thank you, and over to you, sir.

Akshat Goenka:

Good morning, and a very warm welcome to everyone. Along with me, I have Mr. Anurag Jain, CFO; and SGA, our Investor Relations Advisors. We have uploaded our results and investor presentation for the quarter and 9 months ended 31st December 2023 on the stock exchanges and company website. I hope each one of you had a chance to go through the same.

For the quarter gone by, our revenues have declined. The decline can be attributable to several factors, including the diminishing realizations of insoluble sulphur owing to reduction in input costs, coupled with weaker demand and intensified competition in the market. While in the short to medium term, the situation is challenging, primarily due to excess supply in the market, the long-term industry outlook for insoluble sulphur remains promising, driven by the anticipated growth in the automotive sector.

As the demand for high-quality tires continues to escalate, the requirement of premium-grade raw materials like insoluble sulphur is poised to rise accordingly. IS plays a pivotal role in the vulcanization process, ensuring the durability and performance of tires across diverse driving conditions. With consumers facing increased emphasis on safety and longevity in the vehicles, the demand for top-tier tires is expected to intensify, thus increasing the need for IS.

OCCL has always had a strong vision for sustainability. Further emphasizing, we are happy to share that during the quarter, we have invested to participate in a group captive solar power scheme in Haryana through an SPV. This partnership would lead to reduced energy costs while contributing to a cleaner environment.

So with this brief update, I'd 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 will take you all through the stand-alone financials of the company. First, I would give you a highlight of the third quarter ended FY '24. Total income for Q3 FY '24 stood at INR88.6 crores as compared to INR102.9 crores in Q3 FY '23. EBITDA for Q3 FY '24 stood at INR16.2 crores as compared to INR23.9 crores in Q3 FY '23. EBITDA margin stood at 18.3%. Profit after tax for Q3 FY '24 stood at INR6.1 crores as compared to INR10.4 crores in Q3 FY '23. PAT margins stood at 6.8%.

Now, to give you a highlight on 9 months ended FY '24 performance. Total income for 9 months FY '24 stood at INR293.4 crores as compared to INR363.8 crores in 9 months FY '23. EBITDA for 9-month FY '24 stood at INR70.5 crores as compared to INR73.3 crores in 9-month FY '23. EBITDA margins stood at 24%. Profit after tax for 9 months FY '24 stood at INR29.7 crores as compared to INR32.2 crores in 9 months FY '23. PAT margins stood at 10.1%.



Though revenues and profits have declined due to tough industry conditions, we are confident of our business's long-term outlook. Our expertise and strong position in the global market give and despite challenges, we are committed to our values and strategies as we navigate through challenges striving for sustained growth and success in years to come.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Prachi Sharma from ACE Investors. Please go ahead.

Prachi Sharma: I just have a couple of questions. Number one being you said that the demand has been sort of weak, so I just wanted to know which regions are we seeing a hit? And when do we expect the scenario to normalize? Secondly, how -- you mentioned right now about the energy cost savings, so how much of the energy cost savings can we expect from -- and the last question being have we been affected by the Red Sea trade? And any -- have you seen any disruption because of the Red Sea?

Akshat Goenka: So I will answer your last question first. Yes, difficulties because of the Red Sea disruption because in our export, our freight rates have gone up and also the transit time because now the ships have to navigate through South Africa. So that is why we are facing issues about it.

As far as savings from captive consumption solar power plant is concerned, we expect about 50 lakh units or thereabouts to be bought from the captive solar plant in a year per annum. So that is the amount that we will save in terms of sustainability and also in terms of cost.

Your third point was that which are the regions where we are witnessing weakness. So basically, there are 2 aspects. Europe, there is a slowdown. And therefore, the demand has come down in Europe for insoluble sulphur. Secondly, because of oversupply in China, China is dumping material in the Asia Pacific region at lower rates, and that is also affecting our supplies in the Asia Pacific region. I hope I've answered your questions.

Prachi Sharma: Got it, sir. Just a follow-up on the third question, which was on the Red Sea. Sir, do you see any normalization on that front? Do you foresee that happening in the near future as in the couple of quarters?

Akshat Goenka: I hope so because the whole of international community is affected and strong actions are being taken against the Houthis there. So hopefully, this should correct itself in a few months.

Moderator: Thank you. Next question is from the line of Dhruv Mukesh Bajaj from Smart Sync Investment Advisory Services. Please go ahead.

Dhruv Mukesh Bajaj: Yes, sir. So I wanted to understand that what is our targeted product mix, say, 5 to 7 years down the line? Based on my limited understanding...

Akshat Goenka: What is the product mix? Sorry, I didn't get your point.

Dhruv Mukesh Bajaj: Product mix, targeted production between insoluble sulphur and sulphuric division since you're already marketing it as an insoluble sulphur and if tire market grows at the, say, 3% to 4%, and



we are planning to increase our global market share from 10% to 12%. And I also think that around 6% to 7% volume growth might come. So is my understanding regarding the growth potential in the insoluble sulphur division correct? And how do we see the sulfuric acid division going forward?

Akshat Goenka: Yes. On insoluble sulphur that is the kind of growth one should expect, around 5%. And the sulfuric acid is a different thing because we expect that we'll be operating full capacity and selling our full capacity of sulfuric acid.

Dhruv Mukesh Bajaj: Okay. Sir, what is the margin difference between the 2 products?

Anurag Jain: Well, sulphur acid is a very low margin product as of today. Earlier, we used to have a good margin. But because of subsidy issues with SSP, most of the SSP plants have shutdown. So the margins have shrunk in SA, and both are not comparable because the price points are very between. Sulfuric acid sells around INR4,000 to INR5,000 a ton. Insoluble sulphur sells around INR125, 000 plus or minus INR15,000 a ton. So they are not comparable with each other.

Dhruv Mukesh Bajaj: Got it, sir. And sir, we earlier incurred heavy capex, post which the demand and pricing scenario has worsened in the last 2 years. So I wanted to know that what is our current capacity utilization for both the segments? And what is the revenue potential at current realizations in the insoluble sulphur segment?

Anurag Jain: So for sulfuric acid, since January, we are operating at full capacity. That is because of the steam and power, which is generated from the plant, we are operating that plant at full capacity. And as far as insoluble sulphur is concerned, currently, the capacity utilization would be about 74%, 75%.

Dhruv Mukesh Bajaj: Got it, sir. Okay. Sir, what is the demerger timeline? As we have already submitted the findings, so by what time are we expecting this to complete?

Akshat Goenka: We're expecting it soon. The final stage is in the courts.

Dhruv Mukesh Bajaj: Got it, sir. And sir, I really appreciate your decision of demerging the investment business. Now, since we are generating substantial cash flows and the reinvestment opportunities in the core business at the current juncture look limited, so how do you look at the capital allocation going forward?

Akshat Goenka: Let us see what the cash flows are like and cross the bridge when we reach there.

Dhruv Mukesh Bajaj: Sorry?

Akshat Goenka: I said, first, let us see after demerger what the cash flows are like for the coming years. We even have some debt that needs to be paid down. And accordingly, we will take calls at that stage.

Dhruv Mukesh Bajaj: Okay, sir. Okay. I just wanted to understand basically directionally speaking, will our reinvestment opportunities be more in the current insoluble sulphur division? Or do we have some other divisions in mind going forward?



- Akshat Goenka:** No, once the demerger is done, that is only insoluble sulphur and nothing else in this in the new company. So only the insoluble sulphur and sulfuric acid.
- Dhruv Mukesh Bajaj:** Okay. So we are planning on demerging only in that particular segment going forward and not diversifying to other segments. So I just wanted to understand that.
- Akshat Goenka:** Correct. Correct. In the insoluble sulphur company, that's what will be.
- Moderator:** Next question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.
- Aditya Khetan:** Sir, my first question was although there was more capacity addition, which we had done in 2022...Sir, I was mentioning about the capacity addition of 5,500 tons of insoluble sulphur, which we had done in 2022. So what is the utilization level over there? And had we like started to operate the capacity? Because I think the last quarter we had mentioned that we are not adding any orders for that capacity. So how is it going over there?
- Anurag Jain:** So if you are talking about the plant, the plant is operational. However, currently, as of now, we are operating at 75% capacity. So if you look at it from that manner, obviously, the capacities are not fully utilized. However, the plant itself is operational.
- Aditya Khetan:** Sir, this 75% number of utilization, so this is for the blended, right?
- Akshat Goenka:** This is blended. But one clarification, Anurag is saying 75% going forward. Earlier it was even lower.
- Anurag Jain:** Yes. Yes. Yes, I believe I said currently as of now.
- Akshat Goenka:** We are expecting it to be 75% going forward.
- Aditya Khetan:** Okay. Sir, this 75% is in the next 2 years, right?
- Akshat Goenka:** Sorry?
- Aditya Khetan:** Sir, this 75% in the next 2 years.
- Akshat Goenka:** No, no. from this quarter onwards, we are at 75%.
- Aditya Khetan:** Okay, this quarter. Okay. And sir, you had mentioned on to the oversupply situation in China. So currently, if you can mention like from a base of 100, so the oversupply is around 110, 115, any figure that you can mention?
- Anurag Jain:** It is very difficult to say because we don't have any reliable or accurate data about the consumption in China and how much the Chinese plants are selling there. What we do know, though, is that there has been capacity expansions in the last few years in China and they remain unutilized. So if you want me to tell you as a percentage, I cannot give you accurate percentage as far as to how much of that is unutilized.



- Aditya Khetan:** Okay. So, sir, at least like if you can highlight, so that phenomenon of dumping from China, so this will continue in the near term?
- Anurag Jain:** Well, hopefully, once the demand revives in China and elsewhere, then the pressure on capacity utilization should come down.
- Akshat Goenka:** But at the same time, the Japanese are also expanding, so one really doesn't know what is going to happen.
- Aditya Khetan:** Okay. Okay. Sir, onto the sulphur prices, as you have mentioned that prices have come down, also it's like -- so the trend is now towards the downward side only or now we are expecting any sort of a consolidation at the bottom levels? Any uptick in pricing?
- Akshat Goenka:** No, there is no consolidation happening.
- Anurag Jain:** Talking about sulphur or insoluble...
- Akshat Goenka:** Insoluble.
- Aditya Khetan:** for sulphur prices, sir.
- Akshat Goenka:** No, raw material or finished products, I'm sorry.
- Aditya Khetan:** Raw material.
- Akshat Goenka:** Okay. Sorry, sorry. Anurag?
- Anurag Jain:** So in sulphur, though the prices have come down, but now I think they are in the stable stage for the last 1 or 2 months. And the short-term outlook is stable prices only.
- Moderator:** Next question is from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.
- Keshav Garg:** Sir, if we see then, in the past 2 quarters from first quarter, we did INR31 crores stand-alone EBITDA, which has halved to around less than INR16 crores in December quarter. So whereas in last quarter con call, you told us to expect growth in the second half. Instead, we have got major degrowth. Sir, so question is whether now in third quarter we have bottomed out or still things are expected to get worse before they get better? Where exactly are we?
- Akshat Goenka:** So my feeling is that it has bottomed out.
- Anurag Jain:** Bottomed out in the near future, it's very difficult to predict what is going to happen later. But if you are asking me between Q4 and Q3, then Q4 is looking better than Q3.
- Keshav Garg:** Okay, sir. Great. And sir, also, sir, what kind of volumes have we -- sir, let's say, from our peak volume, which we did in FY '21 or '15 -- FY '21, how much our volumes have fallen from there?
- Akshat Goenka:** No, they have not fallen. I would say that our volumes have been roughly flat for the last few years.



- Keshav Garg:** Okay, sir. So whatever sales degrowth we see, it is purely due to realization degrowth or there is some aspects of volume degrowth even though marginal?
- Akshat Goenka:** On a year-to-year basis, it's roughly the same.
- Keshav Garg:** And, sir, quarter-on-quarter?
- Akshat Goenka:** Anurag will have the quarter-on-quarter. But he is asking tonnage will be...
- Anurag Jain:** So looking at from last year, the tonnage has been roughly the same.
- Keshav Garg:** Sir, I got that. I'm trying to understand that, let's say, in the first quarter, when we did INR109 crores revenue versus INR88 crores in third quarter, so has there been any volume degrowth in the past 2 quarters?
- Anurag Jain:** Yes. Yes, there has been a volume degrowth in the third quarter if you have to -- that is what you are saying -- asking, yes. From the previous quarter, there has been a volume degrowth. Yes.
- Keshav Garg:** Sure, sir. Sir, but going forward, you are saying from Q4 onwards you are seeing some kind of volume growth.
- Anurag Jain:** Actually, we are hopeful of a better volume sale in Q4 than in Q3.
- Keshav Garg:** And sir, as far as the realizations are concerned, what is in your judgment where are we? Are they expected to stabilize now or increase or further decrease?
- Akshat Goenka:** It's very difficult to say, but, yes, we are not seeing any signs of pricing increasing.
- Keshav Garg:** Okay. And, sir, also, sir, what has been the response in the United States where we had plans to ramp up our market share? So have we made any progress over there?
- Akshat Goenka:** Yes, We have got some business, and that is why we are saying that we are expecting volume to go up from before. We have got some business. Obviously, nowhere close to how much we wanted or we expected, but nonetheless, we have made a start.
- Keshav Garg:** Sir, everywhere we are hearing China Plus One, people want to diversify their supplier base. But here, sir, we are seeing the opposite in insoluble sulphur. Sir, so what is the issue exactly? Why aren't people...
- Anurag Jain:** No. You see China Plus One you are hearing where majority of the industry was dominated by Chinese, and then, it became a China Plus One story. Here, the Chinese have only recently started entering. So if you actually look at the global market share of the Chinese, it's actually very low. It's -- what has happened is that the 3 major suppliers always had capacity to serve the entire market, that market has remained the same or shrunk. The the American, Japanese and Indian suppliers have got the capacity, but the Chinese capacity has been added to the mix. In short, that is what has happened.



- Keshav Garg:** Okay. Okay. Okay. So for now like we are seeing China started dumping in Asia Pacific. So in future, China can start dumping in European markets and the U.S. also I mean where do we go from there then?
- Akshat Goenka:** Look, it's very difficult to predict the future and what the Chinese will do and what the view of the customers will be, whether they will allow it or not. So this is something so hypothetical that I would not like to comment on it.
- Keshav Garg:** Okay, sir. And sir, is the demerger on track to get completed by, let's say, beginning of FY '25 or FY '24 end?
- Akshat Goenka:** We feel so. We feel so.
- Keshav Garg:** Sir, so just one request, sir, since we are going through such a severe down cycle, and thankfully, our balance sheet is intact and we are debt-free on a net basis, sir so please consider a share buyback, sir, because this is the most opportune time to extinguish our share so that our earnings per share can permanently increase going forward. Thank you very much.
- Moderator:** Next question is from the line of Gurvinder Juneja from Fortuna Investment Advisors. Please go ahead.
- Gurvinder Juneja:** My question is about your threat from any substitutes to the insoluble sulphur that is our core market. Are you seeing any significant product emerge that are challenging the use of insoluble sulphur in your core customer base?
- Akshat Goenka:** Currently, there are no viable substitutes to insoluble sulphur, which are being manufactured. And we do not see something happening in the near or medium-term future about it.
- Gurvinder Juneja:** Okay, sir. My second question is about signing up new customers and any updates on getting new onboarding, whether Indian or outside?
- Anurag Jain:** Signing of new customers or new onboarding.
- Akshat Goenka:** No, as I said that the cycle for this year is over, and we have onboarded some new customers out of our targeted list. We will continue to be working on onboarding more as we move forward. So product is approved and many customers -- work is happening on many customers. So now it's about getting the allocations more than anything else. And it's very difficult to predict on the allocations.
- Moderator:** Next question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.
- Aditya Khetan:** Yes. Sir, I was asking on to the North America market. Sir, any sort of a market share number if you can give? Because earlier, I believe you used to share that we are planning around 10% of the market share into the North American market. So any number that currently we are standing at?
- Akshat Goenka:** No, no, we cannot get that number out.



- Aditya Khetan:** Okay. Sir, on to the volume degrowth, as far as mentioned, in this quarter, can we figure out what they're like? How much was that for volume degrowth?
- Akshat Goenka:** See, I'm saying on a year-to-year basis, the volume is going to end up roughly the same. So if you look at it from a year-to-year basis, it's going to be within a very -- just here or there.
- Aditya Khetan:** Okay. And sir, on to the prices, as you mentioned, so because of oversupply, so prices are going down. So can we -- it could be a good thought to take, but -- so these prices will be the new normal, at least for the next...
- Akshat Goenka:** Sorry, you are saying the prices will be the new normal for?
- Aditya Khetan:** Sir, for the next...
- Akshat Goenka:** For the next? Sorry, I got the gist of your question, I can't hear you clearly. I'll answer it basis what I understood. In the near term, the prices are going to be at these levels. It is very difficult to predict when it will change. So for the foreseeable future, prices and margins will be at these levels.
- Moderator:** Next question is from the line of Saravanan Balakrishnan an Individual Investor. Please go ahead.
- Saravanan Balakrishnan:** The first question is, sir, what's the current debt as of today?
- Akshat Goenka:** Current?
- Saravanan Balakrishnan:** Debt.
- Akshat Goenka:** I think the current long-term debt is around INR70 crores.
- Anurag Jain:** INR73 crores.
- Akshat Goenka:** INR73 crores. Okay, INR73 crores,
- Saravanan Balakrishnan:** And are you like sort of looking into nullify this INR73 crores, sir? Or is there any guidance that you can provide on this front?
- Akshat Goenka:** Please repeat the question.
- Saravanan Balakrishnan:** So any target guidance on the debt reduction plan?
- Akshat Goenka:** See the normal debt repayment is going to be roughly INR20 crores a year.
- Saravanan Balakrishnan:** Got it. And the other question I have is on the private investments, sir. Sir, earlier, I think, sir, we have made multiple private investments on Bira and a few other companies. So how are those private investments performing as of today?
- Akshat Goenka:** Till private investments are not realized, it is very hazardous for me to say this kind of a statement on an open call. See the list of investments are known to everybody. The date of



investments are known to everybody. How these companies are doing is also known to everybody, what are the latest rounds that are happening. So I think people can guess how they are doing. So if I try to make a statement like this without realizing the money, I think it would be a little bit irresponsible.

Saravanan Balakrishnan: Yes, I can understand. Like the reason I asked is like I encountered -- promoters investments in AG Ventures, right? But also like we are making private investments through Oriental Carbon. So I just wanted to know like how -- is there any correlation or alignment with the group like that was the past process?

Akshat Goenka: See, AG Ventures is the brand name. And as we all know that the company is going to be demerged. So definitely, I would assume that Oriental Carbon & Chemicals Limited would not be an appropriate name to have for an investment company. So AG Ventures is basically the family brand name. And I can assure there is no conflict between -- and that is your basic question, if there is any kind of conflict that is happening. I can assure that there is absolutely no kind of conflict that is happening. But one needs a brand name when one does a business properly. And AG Ventures is the brand name that we are going to move forward with in life.

Saravanan Balakrishnan: Got it. Got it. And like a few quarters back, so I was under the belief that -- so there was a hiring that has been taking place for Duncan Engineering, right? Sir, is the hiring process complete for the next set of growth for Duncan Engineering segment?

Akshat Goenka: Yes, yes. The hiring process is complete, and the future looks good for Duncan Engineering...

Saravanan Balakrishnan: Got it. Got it. Got it. And 1 last question, sir, on the North American front. Sir, there are a few - a couple of customers who we are not able to engage a few years back, right, due to the capacity that we are not going to cater them. So how is that shaping up in the Indian market?

Akshat Goenka: As I said earlier in the call, we have got some -- in terms of approvals, we have got a lot of approvals. In terms of allocation, we have got some new allocations, which we have started dispatching from January onwards. Of course, the allocation is nowhere close to how much we were hoping for or expected, but we have certainly made a start, and we have got 1 or 2 new plants in the Americas. And we are very happy have made this start. And, hopefully, as we serve the customers better and they get more confidence on us, the relationship can grow going forward.

Saravanan Balakrishnan: Got it. Sir, typically, like what's the timeline for this onboarding, like customer life cycle is concerned? Like any estimate, is it like 12, 18 months sort of period?

Akshat Goenka: It all depends on how badly the customer wants you. If they don't want you, you will not sell for 5 years. If they want you, you can start selling in 6 months.

Moderator: Next question is from the line of Dhruv Mukesh Bajaj from Smart Sync Investment Advisory Services. Please go ahead.



Dhruv Mukesh Bajaj: So I just had 1 question. Like going forward post-demerger, what are your plans with the investment company? So do we plan on doing more investments in other private entities or this demerger is happening solely to unlock the value creation?

Akshat Goenka: So I think the answer to your question is both. First and foremost, it is -- demerger is very, very important to unlock value and give our shareholders and investors clean companies to invest in so that there is no hotchpotch in which they are investing. So people who are interested in investments in Duncan, etcetera, can invest there. People who are interested only in insoluble sulphur and sulfuric acid, can invest there.

Now, it is but natural that the investment business will keep undertaking investments. It could be of a private nature. It could be incubating a new company. It could take many directions. It's purely going to be a company which is going to operate to generate maximum returns for the shareholders.

Dhruv Mukesh Bajaj: Got it, sir. And sir, so if we plan on doing new investments in that particular division, then how will we get the funding for the same -- since the sulphur division is a cash flow generating business currently? So is there a scope for funds getting diverted from manufacturing entities to the investment business? So, again, we don't have any..

Akshat Goenka: So once the demerger is done, there is absolutely no scope for any kind of funds moving from here to here. Diversion is the last word I would use because it's a very dirty word. So we should not always talk about diversion at all. And once both the companies are separate, there is absolutely no question of any kind of fund moving from one company to the other outside of things which may be in the normal course of business.

This company, let us see how much money it is left with, and don't forget the investments and all of the things that already reside -- that are already invested. They are going to be exited with good returns, and that money will be there to redeploy it, that it should become a self-sustaining, self-generating business. They should not need external cash flows.

Dhruv Mukesh Bajaj: Definitely, sir. So I just wanted to understand that if we don't have any major reinvestment opportunity in the insoluble sulphur division, so we will give the excess funds back to the shareholder in the form of dividends or preferably buybacks, right?

Akshat Goenka: As I already said that in the insoluble sulphur and chemicals business, there is no plan to make any kind of investment in anything outside of insoluble sulphur. So let us see how things move ahead, what the cash flow comes out. And, yes, whether we should pay debt first, whether we should give dividend first, so -- prudent and suitable calls will be taken.

Moderator: Next question is from the line of Keshav Garg from Counter Cyclic PMS. Please go ahead.

Keshav Garg: Sir, just one thing, sir, the investment entity post-demerger will continue to hold our promoter stake in Duncan Engineering? Sir, so...

Akshat Goenka: I have never said that. Now, you're asking me for advanced information. As we always said that -- is expected, but it will be decided by the Board at the appropriate time.



- Keshav Garg:** Okay. Good. That Duncan Engineering investment stays with the insoluble sulphur entity or goes to the investment entity?
- Akshat Goenka:** It is logical for it to go to the investment entity, but nothing is confirmed till the last minute. So it will be very -- I cannot make such a statement confirming anything. I would say it is logical and appropriate that the Duncan Engineering share will be in the investment entity.
- Keshav Garg:** Sir, actually, it does not matter because the promoter shareholding will remain the same in both the entities, correct? So my suggestion...
- Akshat Goenka:** Even your shareholding, everybody's shareholding will remain...
- Keshav Garg:** Sure, sure. Exactly. Sir, exactly. So my point was that since currently, our investment is suffering from a holding company discount. Sir, I think promoters are directly holding 25% in Duncan Engineering and approximately 52% in this entity. Sir, so if the company distributes those shares held by OCCL in Duncan Engineering directly to the shareholders, so the promoters will directly own approximately over 50%...
- Akshat Goenka:** Are you suggesting that, that it is dividend out?
- Keshav Garg:** Yes, sir. Sir, the shares of Duncan Engineering held by OCCL can be directly given to the shareholders?
- Akshat Goenka:** That would be considered a dividend. That way it cannot be just given like that. There is an entire process. Anyway, see, let this one demerger happen, then what other suitable calls, when and how they need to be taken, what needs to be done, we will keep taking them. Just to clarify, that shares and anything cannot just be given like that to shareholders. It is all considered a dividend and subject to dividend tax.
- Keshav Garg:** Sir, the whole idea is to unlock value. That is the whole purpose, sir. That was...
- Akshat Goenka:** Absolutely. So we will keep doing what is in the best interest of all shareholders to keep increasing our value.
- Moderator:** Next question is from the line of Sarbhav Mittal, an individual investor. Please go ahead.
- Sarbhav Mittal:** Can you give me some idea on why the fixed asset turnover of the business is so low?
- Akshat Goenka:** The reason is because the capacity utilization is very low. And the fixed assets have been already put in place, and we are operating at such a low capacity utilization; therefore, the ratio is bad.
- Sarbhav Mittal:** Sir, on the long-term basis also the fixed asset turnover comes somewhere around 1x.
- Akshat Goenka:** Yes, yes. So that is how it's always been. I mean, it's in a higher margin business with low fixed asset to turnover ratio.



- Sarbhav Mittal:** Okay. So, however, I wanted to get some idea why that fixed asset turnover is low. Are there separate production lines for different customers or these are specially designed plant and machinery as per your requirement?
- Akshat Goenka:** This is the nature of the industry.
- Anurag Jain:** This is the nature of the industry where the product sells at a higher margin, and the reason it sells for a higher margin is because the asset turnover ratio is low. So to make the returns it has to sell at a higher margin.
- Sarbhav Mittal:** Okay. My second question would be, what is your distribution channels? Do you directly supply your products to customers or you first sell to your distributors and then they supply to customers?
- Anurag Jain:** Majority of our sales is directly supplied.
- Sarbhav Mittal:** Directly supplied to the customer's plant?
- Anurag Jain:** Yes, majority of them...
- Moderator:** Thank you. Ladies and gentlemen, that was the last question of the day. I now hand the conference over to management for closing comments.
- Akshat Goenka:** I'd like to thank everyone for being part of this call. We hope we've answered your questions. If you need more information, please feel free to contact us or SGA, our IR advisors. Thank you.
- Moderator:** On behalf of Oriental Carbon & Chemicals Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.