"Oriental Carbon & Chemicals Limited
Q1 FY2022 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to Q1 FY2022 Earnings Conference Call of Oriental Carbon & Chemicals Limited. 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 "*" and 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 Joint Managing Director of Oriental Carbon and Chemical Limited. Thank you and over to you Mr. Goenka!

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 safe. We have uploaded our results and investor presentation for the quarter on the stock exchanges and company website. Hope each one of you has had a chance to look at it. Q1 FY2022 was a challenging quarter with the onset of the second wave of COVID-19. We saw the demand slowing down in both domestic and global markets. There was substantial slow down during the month of April and May 2021 due to lockdown restrictions of varying degrees across different regions. The entire auto industry faced challenges of the back of demand disruption. OEM demand was also hit with many automotive companies shutting down the factory. On account of second wave, we witnessed more localized and micro lockdown and restrictions imposed other than national wide lockdown. Despite these headwinds, we have reported total income of Rs.86.5 Crores with an EBITDA of Rs.52.8 Crores and PAT of Rs.12.4 Crores for Q1 FY2022. Raw materials prices have continued the increasing trend in Q1 FY2022 as we have communicated during the last quarter. However, we see that now they have peaked. The spike in the raw material prices have impacted our margins as the pass through generally happens with a lag of 3 to 6 months. However, with our continued initiatives towards controlling costs and focused efforts on improving operational efficiencies, we have managed to limit the impact on EBITDA.

Now I would like to update you on our operations. Manufacturing facilities continue to operate normally at both our plants. We took all necessary precautions while ensuring safety and well being of all our employees. The company has also organized vaccination for all the employees and their family members. Coming to expansion project, we faced delays due to logistical challenges created by the onset of the second wave. Therefore, the phase one of 5,500 tonnes per annum insoluble sulphur line and 42,000 tonnes per annum sulfuric acid line in Dharuhera is now expected to be commissioned by October. I would also like to inform all shareholders that the board has approved revised dividend policy which is available on the website of the company. This is very good and very liberalized policy which states our intention of being close to 50% of profit after tax out as dividend. This again underlines our commitment to all shareholders and reinforces what we have been saying over the last year's that we will reward our shareholders.

Our company believes in addressing the requirements of the customer. Our company strengthens the business of its customers with development of customized grades possibly the widest global range. We intend to continue to deepen our relationship with customers strengthening our wallet share. The demand situation is also robust and it has picked up. There are some effects due to COVID maybe in Russia and far East Asia by and large demand is now robust. Our company has always given utmost importance to research. Our company's objective is to enhance product quality and performance. In order to achieve it, our company has made investments in a new R&D lab set up which will be commissioned in this year as well. Our company is also constantly committed to investing in ESG aspects strengthening its resource to compliance environment to maintain integrity talent management, ecosystem management in terms of vendors, customers and stakeholders. Our subsidiary businesses have also started performing well however, their operations were also impacted on account of the second wave of COVID-19. Our company has remained competitive across various business cycles going through every downturn and result is that our company has emerged as one of the most renowned insoluble Sulphur players across the world. The business environment continues to be a bit uncertain due to the predicted third wave however, we are well equipped to navigate the near term challenges based on our learnings last year and are confident of the strength of our manufacturing will continue to drive our business relationships and growth. We are optimistic that when the market turns to an even balance companies like us, who are invested in larger capacities at a competitive cost will be at the right place to capitalize in future.

Now I would like to hand over the line to Mr. Anurag Jain to update on the financial performance of the company.

Anurag Jain: Thank Akshat. I will take you all through the standalone financials of the company. Total income for Q1 FY2022 stood at Rs.86.5 Crores as compared to Rs.46.9 Crores in Q1 FY2021, year-on-year growth of 84%, income for Q4 FY2021 was Rs.169.9 Crores, high year-on-year growth is on account of low base of last year however demand was impacted in local and global markets in Q1 on account of second wave of COVID-19. EBITDA for Q1 FY2022 stood at Rs.22.8 Crores as compared to Rs.9 Crores in Q1 FY2021 a growth of 154% year-on-year and EBITDA for Q4 FY2021 was Rs.58.7 Crores. EBITDA margins for Q1 FY2022 were at 26.4%. Margins have been impacted due to increase in input cost whereas price pass through will happen with a lag of a quarter or six months. Profit after tax of Q1 FY2022 stood at Rs.12.4 Crores as compared to Rs.1.4 Crores in Q1 FY2021 and Rs.24.8 Crores in Q4 FY2021. Our PAT margins for Q1 FY2022 stood at 14.4%. 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. The first question is from the line of Viraj Kachariya from Securities Investment. Please go ahead.

Viraj Kachariya: Thanks for opportunity. I just have two to three questions. First is on the capital allocation policy. So in the last call you mentioned that we have been looking to invest up to 20% of net worth in the investment portfolio. Is there any update or rethink on that and when you say dividend policy is now being made stabilized so is 50% payout a base payout or it can vary because when you say up to 50% and it can be from say 5% to 10% so just want to get in an aspect on that?

Akshat Goenka: So I think both these aspects are very nicely covered in the note that is available on our website. What I can say is that we were traditionally paying 20% and now the intent is to pay off 50% subject to the free cash flows being available. So we have not written 50% just for writing it. It is also because we hope and expect to be paying out something close to that. As far as the investment is concerned, I think we have got a nice note there as to how we plan to utilize retained earnings and it is quite clear over there.

Viraj Kachariya: If you look our vision as you put it out in annual report and which you have communicated repeatedly is to be present in every tyre of the world right? And I would like to really congratulate the promoters, the top management on the stellar operating performance, prudent and sound capital allocation they have been making consistently single mindly to achieve this vision. But as a shareholder or a long-term investor, it is little perplexing and also you feel disadvantage given that we will still look to pursue the investment I mean the question here that we are still chemical company focused on achieving the stated vision or we are now holding company having a business from manufacturing of rubber chemicals to managing a wide set of portfolio investment. I mean an area which in the latter part we do not have any expertise per se so if the interest of promoter per se is to really pursue the latter part and why not this, then share the maximum cash or surplus cash we have to minority shareholders via much higher pay out or buyback every year so that even we get in equal opportunity to decides what is better use if you know we paid for the cash so just a feedback they are sharing. As on the business side we have done a phenomenal job in terms of having that focus and vision and we are on road to achieving that but just on the capital allocation it is just feels minority shareholders are significantly at disadvantage?

Akshat Goenka: I think let me answer your question in two parts. Firstly pretty much all the future free cash flow, we are saying we are going to pay out as dividend so that is one part. As when we say 50% of PAT that basically is very close to majority of the free cash flow that will be generated after removing money required to repay loans and capex and all those things so that is one part. Second, we feel good to maintain optionality. we may have acquisition opportunity as we may have other diversification, JV's and for those kind of things we need to retain some cash on the books and that is the reason we are not paying out the cash that is there. But most of the future cash flow is going to be paid out as dividends.

Viraj Kachariya: So basically my question is not about having a surplus cash on the balance sheet that is okay since we are looking at opportunities which may come at certain time in the future. The question is largely in terms of quality of those investments, which we are making either in terms of AIF, startups or IPOs, would not one find it more prudent in parking that surplus cash say in debt mutual fund or fixed deposit in bank account which ensures that the money stays intact 100% to make the best use of it in the future?

Akshat Goenka: See I think this is being covered by committee in the board and the board is also directly supervising it, there is no right or wrong answer to this I think this is more of a philosophical discussion. What you are saying is also right, what someone else saying is also right, what the board is doing is also right so I think this is a matter of perception.

Viraj Kachariya: Second question is on the other expenses. If you see on Q-on-Q basis, there is drop in sales but other expenses has not dropped perse, is there any one off in this or what should we understand as utilization would have been also lower?

Anurag Jain: In Q1 **FY21** in June most of the senior members had taken salary cuts, there was no increment, salary cuts were there. In this quarter salary had been restored and there has been some increments this year so there is a substantial difference because of that. Then the major difference is that other expenses also include power and fuel, packing & freight which has more than doubled, nearly doubled from last quarter because of the quantity which has been procured. So these are two major reasons where the expenses which have increased, but otherwise baseline other expenses have not increased.

Viraj Kachariya: So going forward as the utilization improves and volumes pick up, will this be the base expenses or would you not see similar increase ?

Anurag Jain: With pick up in volumes, obviously freight will go up. Power and fuel will go up, packing expenses will go up, so other expenses will go up so there is portion of other expenses which will go up in line with this.

Viraj Kachariya: Okay fine I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Aditya Khetan from S&M. Please go ahead.

Aditya Khetan: Sir my question is if you can highlight the volume growth for Q1 FY2022 and Q1 FY2021?

Anurag Jain: So what I have said already, that the volume has nearly doubled so that I already indicated, it is not totally doubled. It is nearly twice last year.

Aditya Khetan: Okay and what was FY2021 volume growth figures?

Anurag Jain: No we do not give exact volume.

Aditya Khetan: Okay. Sir what is the current penetration level in the United States because we are targeting there majorly. Also if you can tell us what is the market size in the United States currently which we are targeting?

Anurag Jain: Market size in United States is around 35,000 to 40,000 metric tonnes and we have started making inroads. So we are still in early stages and hopefully we will increase our market share.

Aditya Khetan: Okay Sir would it be about 1,000 to 2,000 tonnes. can we take that as a figure as of now in the US which we could be doing right now?

Akshat Goenka: It is higher base. Currently we already doing a bit higher than 2,000 metric tonnes.

Aditya Khetan: Okay. My third question Sir we are manufacturing almost all kinds of grade that is higher dispersion, high stability and special grade. If you can split this into percentage as to how much is high dispersion, high stability and special grade?

Anurag Jain: So if all these put together are now I would say 90% or more over the quarter production. I cannot split off hand between HS and HD but if you look at HS and HD and special grades they would constitute more than 90% of our total production..

Aditya Khetan: Okay so that special grade component would be much higher as compared to the high dispersion or would it be lower or similar?

Anurag Jain: HD would constitute the major part and speciality grades are less.

Aditya Khetan: Our exports is roughly around 65% to 70%, so have you witnessed any freight related challenges particularly in United States, EU and other economies?

Anurag Jain: Yes so freight has gone up and that has been a challenge. We have been managing this in fact if you are aware that even container availability is becoming an issue for many people. Fortunately we have also managed that well and I think the freight rate will normalize, which should happen.

Aditya Khetan: Okay.

Akshat Goenka: This is one thing that as you know it is big question mark even looking at Q2 and Q3 onwards because there is a very little we can do about that this container availability and freight rates and all that and it is an external aspect which will have significant impact on P&L and there is little we can do about it.

Aditya Khetan: Okay Sir just on earlier participants question on a sequential basis the revenue has fallen but still the other expenses have gone up so you have said that power and fuel cost has almost doubled and now going ahead considering volumes will go up, so are you expecting power and fuel to go from here on?

Anurag Jain: What I said was the power and fuel and I did not say doubled, I said that this constitutes power and fuel, packing expenses and freight and my sales have gone up then all these things will go up so going forward also there they will not go up on per metric tonne basis but they would go up on absolute basis. For example if were to produce double the quantity as we are producing now all these expenses will double because these are more of variable nature.

Aditya Khetan: Okay Sir one last question. Sir which are the two to three major raw material and also if you can help that split into percentage wise if possible?

Anurag Jain: So our major raw material is sulphur and then we have coating oil. Our standard product that we sell in the market is 80% by weight is sulphur and 20% by weight is oil.

Aditya Khetan: Okay Sir. In the initial commentary you said that because that are raw material prices had gone up so you not been able to pass on the same and similar impact has been seen in the margin. Then you also said that raw material prices have peaked, but consider if the crude prices again start inch up from $70 to around $90 so again we could see further like increase in the raw material prices or what is your sense?

Anurag Jain: Sulphur and oil that we use do not carry a direct correlation to crude oil and if you look at it historically, the price of sulphur and oil used to be lower even when the prices of crude was higher than this. There is no direct correlation, they have their own supply demand dynamics that is why looking at every aspect we feel that we have been closely monitoring the global prices indices strength, production parameters and how the production is happening across the world and our analysis is that they might peak and we should be having better prices in the future.

Aditya Khetan: Okay and from where are we taking Sir coating oil from?

Anurag Jain: We have domestic supplier as well as global suppliers so we buy globally and we buy from India also.

Aditya Khetan: Okay so 50% would be exports and 50% domestic would that be okay?

Anurag Jain: No I think domestic is more, import is less.

Aditya Khetan: Okay got it. Thank you Sir that is all from my side.

Moderator: Thank you. The next question is from the line of Dhruv from HDFC Asset Management Co. Please go ahead.

Dhruv: Sir in the earlier comment you mentioned that large part of your cash flow will now be paid as dividend and if I also probably see your dividend policy...

Akshat Goenka: Large part of free cash flow.

Dhruv: Free cash flow and dividend policy, is it fair to say that the alternate investments or other investments that we are planning to do, on incremental basis we will not be actively considering them except for what we have already committed I believe, will not be considering them if I read the statement in your earlier comment correctly?

Akshat Goenka: Again what I said is that we have certain retained earnings in our company I said I do not expect the retained earnings to grow by much because most of the free cash flows is going to be paid out.

Dhruv: Okay so that does also imply that on an incremental basis what I was wondering from the alternate investments or the other investments are doing that would not actively considered now?

Akshat Goenka: I am sorry I do not get your question.

Dhruv: Sir on an incremental basis, we will not be allocating further the capital to be investments, other kinds of investments that we were looking at earlier?

Akshat Goenka: I do not think I made such statement.

Dhruv: Okay got it. Sir the second thing was on the volume outlook now you said that the outlook has improved currently so should we assume broadly kind of full utilization from the current times?

Anurag Jain: So what kind of levels did you say again please?

Dhruv: You said demand also can improve significantly now given everything restarted largely so it should be assumed broadly full utilization or broadly if you can give some thoughts on demand outlook now?

Anurag Jain: So obviously we are hoping for much better demand outlook and therefore better offtake from our facilities and certainly the consequence will be better capacity utilization, was that your question?

Dhruv: Yes got it and Sir lastly we export quite a significant portion now if what we sell is on CIF basis or we sell on FOB basis, I am trying to understand does the freight cost impact in terms of realization or it is cost to the customer?

Anurag Jain: No mostly our exports are on CIF basis.

Dhruv: So temporary increase in freight cost will have some implication for us?

Anurag Jain: Yes it will have implications for us obviously our customers also do realize and we are seeing some price traction on that impact, but overall even now in July also freight has increased so let us see how it goes?

Akshat Goenka: August again there is a major further increase because there are lot of containers which are held up in China and free flow has been further affected so let us say how this scale up.

Dhruv: Sir how frequently do your revise your contracts with the customers I mean what duration are there in terms of say for example when is the next price change happens, the new contracts you will get the new freight rates but for the older contracts?

Anurag Jain: So what has happens is that most of the contracts are either on quarterly or half yearly basis so if you look at tonnage wise, it is kind of equal split with a little bit bias on the quarterly side so these are that at least for the quarter the prices are fixed.

Dhruv: Okay got it and part of this higher shipping cost impact would also be visible in Q1 numbers also part of the impact is there in Q1?

Anurag Jain: It will reflect in the numbers.

Dhruv: Got it sure Sir. Thank you so much.

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

Nikhil: Sir coming to your annual report you had mentioned that the industry dynamics over the last three to four years have been very bad and there was no much pricing which was happening and there were excess capacity which were created if you look at like last quarter or with the sale of the insoluble sulphur plant from Eastman to PE have we seen any plants shutdown and consequently the increase in the cost structure which we are seeing, do you see that considering the strong demand we are in position to pass on that increased cost structure to the customers or we are still some bit far away from that?

Anurag Jain: To answer about the cost structure, cost structure has increased and is hurting all the manufactures of insoluble sulphur. Our tire companies also understand that there is a substantial increase in cost structure and wherever we have talked about it they have been happy to give increases so it is not that the tire company will say that though the prices are going up they will not take increases. Secondly since it is hurts everyone, everybody is looking to mitigate their cost across the board. As far as your first question is concerned about shutdown whether there has been any unscheduled shutdown because of this thing I am not aware of that obviously because of COVID if there has been less supplies people might have produced less but shutdowns of total plants we are not aware as such.

Nikhil: Okay so just coming to the second point first point you mentioned that the price increases are happening the reason I am asking is because I understand this freight cost and all this has increased has impacted Q1 but if you look at our long-term EBITDA per tonne or gross profit per tonne which we were making do you think like Q1 or Q2 once the price increases and the raw material prices stabilizes we should be to back to that level?

Anurag Jaim: Subject to freight because we do not know how the freight is going to play out in future for example I go and ask for a price increase, in the month of June with my customers and I get substantial part of it and then again the freight keeps on increasing in July and August so that is something which will impact our profitability going forward till the whole thing stabilizes.

Nikhil: Sure got it and last question on the new Brownfield capacity which will come in October, are you seeing any tie-ups or like any fillers in terms of utilization or capacity being tied-up with the customers or would it be like once it is in place and then only the marketing starts or how does is it?

Akshat Goenka: Marketing is already started and we have started seeing traction with product getting approved at different customers now it is more about taking this process with logical conclusion getting final approvals and then actually converting into business. But I would say we are making progress on that front.

Nikhil: Sir this would meaningfully contribute only in next year right?

Akshat Goenka: This will meaningfully contribute only in the next financial year.

Nikhil: Okay thanks a lot. Thanks for your time.

Moderator: Thank you. The next question is from the line of Dhruv from HDFC Asset Management. Please go ahead.

Dhruv: Sir just follow-up on the earlier one if I look at annual report, this freight and forwarding cost used to be around 7% to 8% of our sales earlier so how has it changed now I mean what is the proportion now?

Anurag Jain: Currently it is about 9% to 10%.

Akshat Goenka: But that was Q1 and Q2 has further gone up. July and August has not been good

Dhruv: Okay so Q1 FY21 was not significant but we are seeing further increase from Q1 level? Sir is it fair to assume say for example when the next contract reset happens the pricing would be reset including freight, so all the increase in freight cost can be absorbed then by the customer or it will depend upon market dynamics.

Anurag Jain: As I pointed out earlier most of the contracts reset have happened in the month of June, So these contracts reset are either for July, August, September or July to December. so the next contract reset would be from October.

Akshat Goenka: No but the majority will be from January. I think we will have to talk at that stage. Situation is very volatile to predict what will happen. We have to cross check at that stage.

Dhruv: That is very helpful. Thank you so much.

Moderator: Thank you. The next question is from the line of Amit Shah from ACE Securities. Please go ahead.

Amit Shah: Sir I have couple of questions. Sir how has export market performed during the quarter? Have we started seeing demand traction from North America and Europe and have we added any new customers here or gained more business from existing customers?

Anurag Jain: Demand from Europe and USA has been normal, we did not see any downturn because of what was happening in India. The downturn was mostly in India and Asian countries so it is mostly been normal and yes we are adding new customers worldwide so that is continuous process that we have added new customers during the current year also.

Amit Shah: our phase I of the expansion plan is expected to commissioned by October 2021. So what is the order book visibility post this capacity and by when do we expect the capacity to ramp up?

Anurag Jain: So what is going to happen is obviously there will be some new orders which will happen from Q1 of calendar year 2022. But looking at the new added capacity of phase I, I think the utilization of that capacity should start from Q1 of FY2022-2023 as Akshat pointed out earlier.

Amit Shah: Okay and Sir lastly of this Rs.216 Crores capex plan how much has been incurred till June 2021 and what is the expected revenue potential from the entire capex?

Anurag Jain: The first phase capex to about Rs.150 Crores and out of which Rs.135 Crores has been spent till June 2021. What was your second question?

Amit Shah: What is the revenue potential from this entire capex?

Anurag Jain: So that revenue potential would be somewhere between Rs.70 Crores to Rs.75 Crores if whole of this was sold.

Moderator: Thank you. The next question is from the line of Manish an individual investor. Please go ahead.

Manish: In the annual reports you have give the statement that initially with Sulphur cycle has bottomed out and in the future date to come, the prices can go up?

Anurag Jain: No it is other way round, what I had said was that the sulphur pricing appears to have peaked, it is not rising anymore so.

Akshat Goenka: I think I know what you are referring to and what I meant is that margins and the whole economics of the industry had actually bottomed out and investment economics had disappeared. So now is what your question regarding that price.

Manish: No I was asking about insoluble sulphur cycle has bottomed out and the insoluble sulphur market going forward will go up?

Akshat Goenka: When it will go up and how it will go up is a different chapter.

Manish: The question was has it bottom out that was the question?

Akshat Goenka: Yes in my view we had reached the bottom. It is very difficult for it to go further down.

Manish: That is my question and second question was about price hikes, how you taken the price hike from July 1, 2021?

Akshat Goenka: Some of them have been taken.

Manish: Okay Sir thank you.

Moderator: Thank you. The next question is from the line of Ashay Jain from Jain Capital. Please go ahead.

Ashay Jain: I have a couple of question firstly how is the scenario on supply side for insoluble sulphur, any new capacity coming up globally and secondly what is the outlook on tire industry with the current COVID scenario in the domestic market?

Anurag Jain: To answer your first question I think whatever capacity yet to come up have already come up, we are not aware of any new capacities which are going to come up now, which are under implementation. To answer your second question I recently read somewhere that in Europe the secondary market for tires is booming now because of the preference for the personal travel so that augurs well for the tire consumption. So we are looking at a healthy demand for tires worldwide. As far as domestic demand is concerned again the same holds true with greater personal mobility, the secondary tire demand appears to be on the rise so we should be looking at a healthy demand in domestic sector. Also which we feel should be growing in double digits.

Ashay Jain: Okay that is all from my side. Thank you.

Moderator:: Thank you. The next question is from the line of Keshav Garg from CCIPL. Please go ahead.

Keshav Garg: Sir wanted to understand that there has been some news that some private equity has bought over Eastman who is our competitor so any impact on the pricing of the product or are they basically aggressively looking up to take market share or increase volumes or any other impact that you see due to this transaction?

Akshat Goenka: I think it is too early on comment on these things, they have not even taken control of the asset to the best of our knowledge. We will only know how they will behave once they have actually taken control.

Keshav Garg: Okay Sir and also Sir as the Chinese insoluble Sulphur manufactures have been able to get some approvals and enter our customer base?

Akshat Goenka: No to the best of our knowledge .

Keshav Garg: Okay Sir and Sir is there any possibility of us entering the Chinese market?

Akshat Goenka: We keep tabs on it but if you ask me in the near future, I do not have that visibility if we are going to be getting a lot of sales from them. .

Keshav Garg: And Sir which are the other major geographies that you are not present as of now and in future you would like to enter?

Akshat Goenka: North America which is what we have been saying. Lot of focus is going into North America.

Keshav Garg: And Sir Japanese market, it is the third largest automobile market in the world?

Akshat Goenka: I missed mentioning that, more than the Japanese market, the Japanese tire manufacturers also continue to be on the radar, wherever our presence is low and as we get volumes then they may even allot volumes in Japan.

Keshav Garg: Sir lastly EBITDA has been flat since the last four years and understand due to COVID and other factors, but going forward Sir you think that we will be able to sustain quarterly run rate of over Rs.100 Crores topline and around Rs.30 Crores EBITDA per quarter?

Akshat Goenka: I think definitely we should. Definitely once things turnaround we should certainly start hitting Rs.100 Crores plus topline and if we get Rs.100 Crores plus topline, for EBITDA there is no reason why it could not be Rs.30 crores plus.

Keshav Garg: And Sir coming to the pricing arrangement with our customer. Sir what all is pass through Sir like for example is the currency pass through and raw material?

Akshat Goenka: Nothing is pass through, it is all basically negotiated every quarter. You are asking me contractually what is pass through and contractually no.

Keshav Garg: What are the factors which cause raw material prices to increase and decrease like you mentioned that even in the past and crude was above $100 and sulphur prices were under control so what is basically causing sulphur price is to move?

Anurag Jain: Sulphur has its own demand and supply. Sulphur as you know it is also major component of fertilizer. One of the biggest consumption of sulphur is fertilizers. So that is one thing which determines the price of sulphur. There is also certainty for huge production of fertilizer and there is no corresponding increase in availability. The other is operation on the refinery per se so there is no exact formula or method to say I think this is what will impact. But two major thing which impact the pricing of Sulphur is refinery operations overall if the economy goes down and overall refineries are not running to the capacity then that normally would result in lower supply of sulphur and consequently the pressure on sulphur prices. Secondly if there was a certain increase in consumption, due to increase in fertilizer production for example then that could have an impact on sulphur price.

Keshav Garg: Great Sir and Sir lastly just suggestions that instead of dividend please do regular buyback so that earning per share can increase permanently. Thank you very much.

Moderator: Thank you. The next question is from the line of Aditya Khetan from S&M. Please go ahead.

Aditya Khetan: Sir my question is in which manufacturing unit of Dharuhera or Mundra where we manufacture insoluble Sulphur, is the EBITDA per tonne higher?

Anurag Jain: No that is very difficult to say. It depends on the area that we service, where it is sold so that will be unfair comparison to say where EBITDA is higher.

Aditya Khetan: Okay but Sir as per the raw material availability, like to which manufacturing unit of the raw material availabilities closer and freight cost and power cost are low so based on that?

Anurag Jain: Let me put it this way that we have raw materials for example Sulphur available in Mundra from Reliance and in Dharuhera from Panipat refinery of IOCL. So freight wise except for imported raw material, wherever it is to a little extent there is not much difference in raw material prices.

Aditya Khetan: Okay so our expansion of 11,000 metric tonnes of insoluble Sulphur is to which manufacturing unit?

Anurag Jain: It is in Dharuhera.

Aditya Khetan: Okay Sir thank you.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. 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 or Strategic Growth Advisors. Thank you once again.

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