Oriental Aromatics

Ref: OAL/BSE/NSE/38/2020-21

28th August, 2020

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

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

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

With reference to our letter dated 07.08.2020, intimating about the conference call with the Institutional Investors/Analysts on Wednesday, August 12, 2020 at 12.00 p.m to discuss the Financial performance of the Company for the quarter ended June 30, 2020, please find attached herewith transcript of the aforesaid conference call.

Further, the copy of the same is also uploaded on Company's website i.e. www.orientalaromatics.com

Kindly take the information on your record.

Thanking you,
Yours Faithfully
For Oriental Aromatics Limited

KIRANPREET KAUR GILL
Digitally signed by KIRANPREET KAUR GILL
Date: 2020.08.28 18:03:19 +05'30'

Kiranpreet Gill
Company Secretary & Compliance Officer

Oriental Aromatics Limited
Earnings Conference Call
August 12, 2020

Moderator: Ladies and gentlemen, good day. And welcome to the Oriental Aromatics Limited Q1 FY 21 Earnings Conference Call. As a reminder, all participant lines will be in 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 "0" then "*" on your touchtone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Thank you, Dipesh. Good morning, everyone. And a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of Oriental Aromatics Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for the first quarter of the financial year 2021.

Before we begin, I would like to mention a short cautionary statement, as always. Some of the statements made in today's earnings conference call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, I would now like to introduce you to the management participating with us in today's earnings conference call. We have with us Mr. Dharmil Bodani – Chairman and Managing Director, Mr. Shyamal Bodani – Executive Director, Mr. Parag Satoskar – Chief Executive Officer, Mr. Girish Khandelwal – Chief Financial Officer and Ms. Kiranpreet Gill – Company Secretary.

I request Mr. Dharmil Bodani to give his opening remarks. Thank you and over to you, Dharmil.

Dharmil Bodani: Thank you so much, Anuj. Good afternoon, everybody. It's a pleasure to welcome you to quarter one FY ''21 earnings conference call of Oriental Aromatics Limited.

Let me start by talking about the COVID impact on the business. As you know, in compliance with the directions issued by the Government of India, the company had completely suspended operations at all its offices and manufacturing locations in India, with effect from 23rd March, 2020, to ensure the safety of our employees and their families and to contain the spread of COVID-19. The company was granted permission by the District Magistrate to partially restart a plant located at Bareilly for manufacturing of essential commodities, and in view of the same the company resumed partial operations of this manufacturing unit from 3rd April, 2020.

Thereon subsequently, we resumed operations at all our other manufacturing facilities located at Baroda, Bareilly and Ambernath from 4th May, 2020, in accordance with the formal permissions from concerned government authorities. We have taken all requisite precautions and are adhering to complete safety measures to ensure the safety and well-being of our employees during resumption of operations at the manufacturing facilities.

Although our plant operations were disrupted for a significant part of the first quarter, the company witnessed a healthy demand across all its business segments in the month of May and June. The revenue impact in this quarter was approximately Rs. 55 crores to Rs. 60 crores as a result of the lockdown. I am happy to inform you that all our manufacturing facilities are now running at 90% utilization levels, and the volumes are back to pre-COVID levels.

Additionally, the company has further reduced its debt during the quarter. And our debt-to-equity as on 30th June, 2020, came down to 0.03x from 0.11x as on 31st March, 2020.

Now I request Mr. Girish Khandelwal, our CFO, to give you our financial highlights. Thank you.

Girish Khandelwal: Thank you, Dharmil. Good afternoon, all. On a standalone basis, in Q1 FY-21 , the operating revenue for the quarter was Rs. 113 crores, which declined by approximately 47% on a year-on-year basis. Operating EBITDA reported was Rs. 18 crores, which declined by about 49% on a year-on-year basis. Operating EBITDA margins stood at 16.15% which decreased by 95 basis points year-on-year. And net profit after tax reported was Rs. 10 crores. While the PAT margins were 8.83%.

On a consolidated basis, in Q1 FY-21. The operating revenue for the quarter was Rs. 113 crores, which declined by approximately 47% on a year-on-year basis. Operating EBITDA reported was Rs. 18 crores, which declined by about 48% on a year-on-year basis. Operating EBITDA margins stood at 16.24% which decreased by 54 basis points year-on-year and net profit after tax reported was Rs. 10 crores, while PAT margins were 8.74%.

Thank you. And with this, we can now open the floor to the questions-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have a question from the line of Rahul Jain from Credence Wealth. Line is unmuted.

Rahul Jain: Sir, a couple of questions. With regards to the CAPEX which you had spoken about in the previous call, we had mentioned about Rs. 160 crores CAPEX at Plant C. So, how is the progress on that? Are we on track or there are some delays over there?

Dharmil Bodani: So, can I just answer one question at a time, please? Yes. So, we have the Plant C, we are currently awaiting the land allotment from Maharashtra Government, which is progressing. And I think we are definitely on track on that. In Plant B, if you recall, we had mentioned we are making certain expansions during this first, second and third quarter, that continues in Baroda.

Rahul Jain: So, is that on track or any delays on that Baroda CAPEX?

Dharmil Bodani: Completely on track.

Rahul Jain: Sure. So, in the previous call you had mentioned that despite reduction in some raw material prices, we were able to hold on to the selling prices of the products which had helped our margins also in FY-20. If you could share some pricing trends as we speak today with things which have normalized even on the Chinese front, so how is the situation now and do the selling prices continue to hold or there is some reduction in the selling prices in the various segments?

Dharmil Bodani: The current raw material prices continue to remain flat, there is a considerable amount of stability coming in. In terms of the selling prices, I think there is a slight increase in the near future, but we don't know how long that will sustain. There is no dramatic reduction happening in the selling prices.

Rahul Jain: Sure. And sir, with regards to cost rationalization, any cost reduction measures or cost optimization specifically taken in last two to three months, which could be structural in nature and which could help our margins?

Dharmil Bodani: Not really, you see, currently the overheads in terms of travel and other expenses continue to be low or non-existent. It's only the fixed costs which we are incurring where the plants are being currently run through the capacities that I have mentioned. So no, there is nothing happening on that front.

Moderator: Thank you. Next question comes from the line of Ankit Gupta from Bamboo Capital. Your line is unmuted.

Ankit Gupta: Sir, I was just looking at your presentation and in that you have mentioned that we have lost close to Rs. 55 crores, Rs. 60 crores of sales. So even if we add back that, on a year-on-year basis we would have seen some decline in our revenues. So can you just throw some light on what was the reason for that?

Dharmil Bodani: I have already answered that in my first question. If you see, the revenue loss of Rs. 55 crores to Rs. 60 crores, it's in line with the number of days the plant has been completely shut. So we had no production and hence there has been no sales. So it's really that simple. It's purely related to plant shut down.

Ankit Gupta: Okay. Sir, just if we add back to these numbers, we would have reported around Rs. 170 to Rs. 175 crores of revenues. And if we compare it with last year, we did close to Rs. 212 crores of revenue. So was there any value decline in some product? Just wanted to seek your view on that.

Dharmil Bodani: So, there was a spillover, you see, we actually went into shutdown 24th of March, if I remember correctly, or 23rd of March. So, we lost almost 45 days of sales. So, if you add it up, income closer to that number. And yes, in certain products across the board, there may have been slight reduction in prices.

Ankit Gupta: Sure. Got it. And sir, second on the demand front. It is good that we are almost back to 90% of capacity utilization across our plants. Sir, any specific sectors which are driving demand or across the sector we are seeing good demand?

Dharmil Bodani: No, I think across the sector the demand is stable. There is no specific sector. Now in April May, June, what we have seen, if you look at the FMCG numbers also, all the pipeline filling of the end products have already taken place, the finished products. So now we are seeing a continuous steady demand across the board.

Moderator: Thank you. Next question comes from the line of Nirali from Dilip Asset Management. Your line is unmuted.

Nirali: Sir, so my question is similar to the previous participant. So if we add back those Rs. 60 crores of revenue that was missed in this quarter due to this lockdown and everything, still the Y-o-Y decline, so the same quarter last year the decline is of around 18.5% in revenue, which is a significant number. So, if you can just help us understand a bit in detail that, that Rs. 60 crores involves the entire COVID impact or there is something else that we are missing out? That would be my first question.

Dharmil Bodani: Thank you so much for your question. Like I have explained, again I think it is repetitive but I will still answer it. It is purely related to the plant shut down due to COVID, there is no other external factor that has caused this reduction.

Nirali: Okay. So this entire 18% decline, so earlier you had guided that we will be growing around 15% on a revenue basis over the next three to four years. So, do you still maintain that guidance?

Dharmil Bodani: Yes, absolutely. I mean, you have to discount 2021. Because when you run a chemical business and a specialty chemical business, and if you have a plant that is shut down, you don't get that production. And these plants run 24/7 three shifts, so there is nothing I can do about the time lost in terms of actual production capacity gone. So 2020 I have also somewhere mentioned that we are targeting at least 75% of last year's revenues. But going forward, we will maintain and try to maintain that trajectory of growth that I have mentioned earlier.

Nirali: Yes, that is really helpful. And secondly on the EBITDA margin. So, we have improved our EBITDA margin from FY '17 to FY '20 by around 400 basis point. So, this entire increase is only due to operating leverage or there is something else that is contributing to this increase in the margin? And what can we take as a sustainable margin going ahead?

Dharmil Bodani: Right, so I mentioned this earlier also, we will look at 15% to 17% as a sustainable margin. I am glad you bring up the fact that we have in this quarter also maintained our EBITDA margins. And large contributors to this is our product mix. As we continue to add more and more specialty, high value, low volume materials, we will continue to see this kind of a steady EBITDA margin. So that is one of the factors.

Moderator: Thank you. Next question comes from the line of Viraj Mehta from Equirus PMS. Your line is unmuted.

Viraj Mehta: Sir, earlier in the call, did you mention that we will do essentially 75% of last year's revenue? That will be like Rs. 560 crores sales.

Dharmil Bodani: Correct.

Viraj Mehta: So, then even in the remaining three quarters, we will do roughly only Rs. 150 crores quarterly run rate?

Dharmil Bodani: We will have to wait and see, we are giving you all a true picture of what we believe. But you will have to wait and see what happens this quarter.

Viraj Mehta: Sure. Sir, the second question was regarding gross margins. Our gross margins have improved even sequentially right now in Q1. And this has been our highest gross margin in several years. So, I am just trying to get a sense, do you get a sense that our product mix change is helping us so much that these kind of gross margins are sustainable? Or these are more or less one-offs where we will have to pass on the raw material advantage to our customers sooner or later, a quarter or two down the line?

Dharmil Bodani: No, I truly believe that there will be a sustainable because of the product mix. I don't think that there is anything in the raw materials that we need to pass down in terms of price reduction to our customers. Because currently everything is flat and it's just the high technology driven products that we continue to roll out.

Moderator: Thank you. The next question is from the line of Deepan Shankar from First Line PMS. Your line is unmuted.

Deepam Shankar: Sir, just want to understand our current raw material prices, so is hovering around FY '18 levels or we are seeing even lower than that level?

Dharmil Bodani: Parag, can you answer that, please?

Parag Satoska: Sure. So, if you look at the RM prices, I think FY '18 is a long distance past, I mean, if we look at the RM prices compared to last year, we see that they are more or less stable. Yes, there is an impact on the RM to the extent of the foreign exchange where we have imported raw materials. But otherwise, in terms of the absolute numbers, most of the RMs across the board are stable, and tend to be stable in the near future.

Deepam Shankar: Okay. So, the trend I just wanted to understand, because 2019-2020 we have seen RM prices have gone up quite sharply, and now we are seeing the prices coming down, right. So I just want to compare previously during 2018-2019 was the same. At that level we have reached or we are still lower than that level, that's what I wanted to know.

Parag Satoska: Okay. So 2018-2019 probably I would like to correct, that 2018-2019 when the prices started going up, 2019-2020 at the start of the year the prices were high and then they started kind of stabilizing in the second half of 2019, although at higher price points. But they are more or less stable if you look at the last two quarters, and I think even in the current quarter, raw material prices seem to be stable. So yes, they peaked and now they are kind of at the lower price points, but stable. I hope I answered your questions?

Deepam Shankar: Yes. So the current run rate of top-line will be maintained, so that's what you wanted to say, on an absolute basis? Because realization is remaining more or less flat.

Parag Satoska: Correct. So, as Dharmil rightly said, that with the plants running at 90% capacity utilization and having a steady order book from our customers at least in the near future, we hope to kind of keep the run rate going on.

Moderator: Thank you. Next question comes from the line of Rohit Nagaraj from Sunidhi Securities. Your line is unmuted.

Rohit Nagaraj: Sir, you have mentioned in the PPT that volumes are back to pre-COVID levels. So, is there any pent-up demand which we are seeing because of the lockdown or probably the entire manufacturing activity or distribution activity was impacted, and some part of that is made up by the pent-up demand?

Dharmil Bodani: I think the pent-up demand largely lies in the fragrance and flavour side of the business, which has been already taken care of. As you see this morning's article, we have had a 11.1% growth in FMCG. And part of the sales that we were going to do for that pent-up demand and pipeline filling is already done in the April, May, June quarter. So now what we are seeing going forward with our plants we are running at approximately 90%. We are seeing a very steady demand and our order books, as Parag was mentioned, seem to be going steady.

Rohit Nagaraj: Okay. And sir on the receivable position, anything to be concerned about? And what is the current debt on the books?

Dharmil Bodani: Sure. Girish, can you please take that question?

Girish Khandelwal: Yes. So on the receivables side, there is no concerns. We are getting the payments from the customers; there are not many delays because of this pandemic. And as of today, our debt position is very much favorable. As of today our debt is below Rs. 10 crores, I can say. And as on 30th June it was Rs. 13 crores.

Rohit Nagaraj: That's helpful. Sir, one last question in terms of strategy. So, whenever the customers are asking for brief now, what is our general winning ratio and how many competitors do we compete against during those briefs?

Dharmil Bodani: So, Rohit, look, 2021 is more of a maintenance year for the FMCG industry in terms of the large product categories. Yes, in terms of sanitizing, in terms of floor cleaners, in terms of products like that there are a few companies that are in India and globally issuing briefs where we continue to have wins. These wins also have very little meaning because one really needs to see in this space how well that particular product does, depending on several factors such as price, distribution of the FMCG company, which I have told you that we have very little control over. Our win percentages are good; I don't have an exact number on that. And I think going forward, I think 2021-2022 we will see more new product development happening. So right now, the way we look at it from our perspective, and what we see going on, that even with the FMCG company, except for these few product categories which we won't know for the next two or three quarters how sustainable sanitizers and wipes and these health soaps are, that there is going to be more or less a complete cruise control by most companies on the FMCG front.

Moderator: Thank you. Next question comes from the line of Pareen Gala from Sageone Investments. Your line is unmuted.

Pareen Gala: Sir, I am relatively new to the company, so I just wanted the first question to understand, the CapEx which you said, if you can quantify what is the kind of CapEx that you are looking for? And what kind of capacity that you will be adding, and the timelines are the same?

Dharmil Bodani: I have already extensively answered this question and it's in our transcripts. So if you were to go back to it and just refer to it, it would probably give you a complete picture.

Pareen Gala: Sure. Sir, the second question, wanted to understand, in the current capacities, how much of our products are consumed internally as captive and what is the net production which is available for sale or something like that?

Dharmil Bodani: I would say, right now about 90% of our production is available for sale in the chemical side. And on the fragrance side 100% is for sale.

Pareen Gala: Sure, that's helpful. And sir, I wanted to understand, how does this industry from an end consumer thing work? I mean, do these companies go for long-term contracts with you or they are very short-term based on demand, is there a product validation which happens? Obviously, I am sure it would be, but just to understand.

Dharmil Bodani: I mean, look, there are four verticals we do business in: flavours, fragrances, speciality chemicals and camphor. The camphor side is very straightforward, works on specification, so does the chemical side which has specifications plus odour which they approve on, and the fragrance and flavour process is a much larger process where they issue a brief, like the earlier gentleman from Sunidhi said, and then we submit a sample, it goes into consumer testing, if it wins, we get to business. The advantage in the flavour and fragrance business is, if you maintain price and quality and you have a winning fragrance or flavour, to sell it is difficult, as difficult as it is to chew iron. But the repeat sale is like a pension, so as long as the product sells, you keep getting the fragrance order. In terms of the specialty chemicals and the camphor, that is a competitive space in its own way. But it's a much easier sell because it's largely based on specifications and in the aroma chemicals front based on odour. So each of our four verticals has a very different approach in terms of how the product sells. In terms of long-term contracts, I think I have clarified to you on flavours and fragrances how it works. In the chemicals front, yes, our customers get into, Parag correct me if I am wrong, it is an RFQ for six months or three months now?

Parag Satoska: Six months with a review every three months.

Dharmil Bodani: There you go, so that answers your question on the chemicals front. And on the camphor, Parag, again, you want to take it?

Parag Satoska: I think, like Dharmil rightly said, on the chemical front, I think the longest duration contracts that we have are six months with a review every three months. On the camphor side, what goes into religious space is a price which kind of is opened up every 15 to 20 days to the market. So it's still the old fashioned way. And for a lot of the other customers that we have across the world, it's more or less on spot, when they raise a purchase order, what is the current prevailing price. So we don't have extremely long-term contracts where prices are fixed for a long duration of time.

Pareen Gala: Excellent. That was very helpful. Sir, last question from my end. If you can just say, our client concentration, I mean, the top 10 clients contributing to what kind of sales for us? And geography splits also if you can give me some.

Parag Satoska: I think most of this is again covered in our previous calls, if you could please read the transcripts so that we save some time.

Moderator: Thank you. Next question comes from the line of Dhaval Shah from ICICI Securities. Your line is unmuted.

Dhaval Shah: So, I have a question on the flavour and fragrance side. So, before the merger, the F&F business was doing a gross margin of somewhere around 22% odd, and the Aroma Chemical was doing around 38%. So how's the gross margin mix right now from the F&F side? Have we seen any backward integration benefit or the synergy benefit post the integration?

Dharmil Bodani: Yes. We definitely have. As we continue to add more and more specialty chemicals to our portfolio, internally our fragrance and flavour business gets the advantage to use these at better prices than market or better prices than what we were buying earlier. So yes, and that's why we continue to maintain that our earnings, our EBITDA margins, we are going to continue to try keeping at 15% to 17%. And you have seen, in spite of this extremely difficult quarter, we still maintained our EBITDA margin.

Dhaval Shah: So, in terms of the strategy, we have seen that you are coming up with the CAPEX, so is there any plans to move up with the value chain in terms of the F&F business? I mean, you already have the value added Aroma Chemical portfolio, so that can be utilized in terms of building of some value added F&F products, and thereby this 22% gross margin can move up to around 30%, 35%.

Dharmil Bodani: Okay. So I need you to, again, visit our transcripts to get a better understanding of our business. The value addition, the CAPEX is primarily related to the specialty Aroma Chemicals and in the other chemicals and camphor space. The value addition that we talk about in the fragrance and flavour side, we continue to work towards growing that business. It's not a very CAPEX related business. And the value addition in terms of what we are doing will largely be in trying to win more and more fragrance projects or flavour projects that we get from our customers. So I don't quite understand what you mean by value added in terms of flavour and fragrance. That value addition is already coming in place and the synergy already exists because of our backward integration in the Aroma Chemicals specialty space.

Dhaval Shah: So what is our overall endeavor for the F&F business gross margin? I mean, can it move to 30% odd from somewhere around 22%, 23% odd, or is it already at 30% right now?

Dharmil Bodani: I don't know. Girish, can you answer this question? Because I don't know where he is coming up with the 22%-23% numbers.

Girish Khandelwal: I think before the merger, we filed one document and in that we mentioned the Oriental Aromatics number, and the camphor number was already there. So at that time, I think Oriental gross margin was somewhere around 22% odd.

Dharmil Bodani: Right. So I mean, look, I think that was what, four years ago, three years ago?

Girish Khandelwal: Yes, right.

Dharmil Bodani: So there has been a lot of changes in the industry in terms of correction of raw material prices, etc. And that's why you see our chemical business and our camphor business providing the margins that it is. But to answer you directly, whether I believe we can move from 22% to 30%? I mean, this is very difficult for me to say because it would be very product dependent. If tomorrow we have more wins in a certain product category like fine fragrances or deodorants where the margins are better than what they are in soaps, detergents and other products. So it would vary. So, for me to get into answering to you per vertical specific margins is going to be very difficult. All I can tell you is, across the board we will try and stay in the 15% to 17% EBITDA.

Moderator: Thank you. Next question comes from the line of Nikhil from Securities Investment. Your line is unmuted.

Nikhil: Sir, I was just going through the previous notes, I just wanted to understand, like, you mentioned that our gross margins will be sustainable. And where I am coming from is, like, in one of our previous discussions we had mentioned that the top three customers were close to Rs. 250 crores. Parallelly, based on the projects, the contract lengths is like from six months to a review of 15 days for camphor. So, wouldn't the customer be asking us to reduce the selling prices consequently as the RM cost is down? Or is it like because the industry environment is such that supply is stricter or difficult to get, that's why we are able to maintain higher prices? If you can just help me understand this.

Dharmil Bodani: Yes. So firstly, the RM prices are not down, the RM prices are flat. And Parag, the second part of the question I will leave to you.

Parag Satoska: Sure. So primarily, I think when we look at the selling prices for all our products in the ingredient side, it's a very unique combination of the supply demand gap, plus like you said, the contract. So it's not strictly driven by raw material, it's not strictly driven by us being the only supplier. And that is the reason why I think the product mix that we have also is very strategically selected, where we are neither into only commodities, nor are we only into specialties. So this unique combination that we have, gives us the ability to have a certain level of advantage in terms of the price. And the new product pipeline will ensure that the advantage that we have had in the past continues going forward as well. So if you look at this combination, this combination will ensure that the margins are sustainable, the ability of the customers to really demand and also to get the right price, I think, the right price is something that we normally focus on, and the right price is the price where we also make some money and the customer is also able to get the value from the product. And the ability to really have a strategic product mix gives us that possibility or the ability to do that.

Nikhil: But sir, I understand your point that the product mix has improved and that is basically helping us get a better margins. But parallelly if we look at it, our suppliers, not on suppliers but our customers, like IFF or Agan, where like almost 20% of the business is going to, and on camphor, which is another Rs. 120 crores. So, if we combine these three, almost 35%, 40% of the business is going to either large customers or where the product pricing is more on a bi-weekly basis. So wouldn't they come back on the pricing to reduce the prices? Because, if IFF is coming to us and saying that the RM prices are already down, you should consequently reduce our selling prices also, doesn't it work that way?

Parag Satoska: So, I mean, only camphor is something which is kind of a biweekly product, that too in the segment where we talk about the religious segment. I mean, when it comes to our pricing with IFF, when it comes to over pricing with Agan, these prices or prices which are fixed between three to six months, they are not prices which are discussed bi-weekly. And when these prices are fixed, there is a very careful consideration of what is our projected raw material cost, what is the demand supply situation, what is the competitive situation of the other suppliers in the world, and a price is given. And when you offer a big basket of products to an IFF or to Agan, I think there is a possibility for us to really ensure that it's a win-win situation for all. So, also one more very critical thing is, customers are not looking only for pricing, customers are also looking for raw material security, customers are also looking for sustainability. There are a lot of price points or there are a lot of other things which the customers are looking beyond just price. And that's where I think Oriental Aromatic wins over a lot of manufacturers from all over the world. So this is a very important consideration to have, beautiful DCS controlled plants to have a sustainable raw material supply, to have a derisked raw material buying strategy. All these factors play a role in pricing, and it is not just raw material price and the selling price.

Nikhil: Thanks for the detailed explanation. Just one more question, sir. You said that the orders are like six months and then on a monthly review, so this is a pricing review? And secondly, you mentioned that customers are looking at more of a stability of supply rather than the erraticism that we have seen over the last two, three years. So, would you say that a lot of new inquiries or new demand is coming because of this Chinese issue? And the China plus one, what the world over is talking about, are you seeing any benefits out of this?

Dharmil Bodani: Okay. So firstly, it's a three-monthly review, and it's an overall review of the business in terms of pricing. Pricing is anyway, a six-monthly fixed contract. But it's just an overall review whether the customer has a larger demand for material, is the product mix changing, etc., etc. And in terms of your second question, I mean, I know I have been saying you can refer to our transcripts with things that we have already answered. Maybe you could contact our IR Valorem and they will answer these questions for you.

Moderator: Thank you. Next question comes from the line of Rohit Nagaraj from Sunidhi Securities. Your line is unmuted, you may ask your question.

Rohit Nagaraj: Sir, just a bookkeeping question. What was the revenue break up in Q1 across the three segments, F&F, camphor and speciality?

Dharmil Bodani: So, it stays in the same split that we have given earlier, which is almost one-third, one-third, one-third.

Rohit Nagaraj: Alright, fair enough. And in Q1, our tax rate has been 35%. And as I understand, last concall we had said that we will be opting for the new tax rate. So just wanted some clarification on that.

Dharmil Bodani: Girish, do you want to answer that, please?

Girish Khandelwal: Yes. So Rohit, our tax rate is 25% only, in the new company which we have formed, our subsidiary, there we will try for the reduced tax rate of 15%, for the new expansion. But in the current Oriental Aromatics, our tax rate is 25%.

Rohit Nagaraj: No, but if I calculate for Q1, the effective tax rate comes at around 36%. For a PBT of Rs. 135 crores we have paid Rs. 35 crores of tax.

Girish Khandelwal: So there is a deferred tax adjustment also, because during the year the tax rate has changed, so you can see there is a deferred tax also.

Rohit Nagaraj: Okay, fair enough. And just one last clarification in terms of guidance. So, you have mentioned that FY '21 we will be doing something like 75% of the FY '20 revenues. So if all things come back to normalcy, FY '22 will be doing something like FY '20 revenues, is that a correct assumption to work around?

Dharmil Bodani: You mean FY 2019-2020?

Rohit Nagaraj: Correct. So Rs. 760-odd crores we have done and that that will be reflected.

Dharmil Bodani: Yes. We are hoping that 2021-2022, the financial year that you refer to, we do see some growth.

Moderator: Thank you. Next question comes from the line of Dinesh Kotecha from Kric Investment. Your line is unmuted.

Dinesh Kotecha: First of all, let me wish you a Happy Janmashtami. I wish you all the best. I had attended your earlier concall, and as you have been saying, earlier transcripts I have gone through. I just wanted to know, in spite of and despite of facing all these uncertainties in the present environment, I mean, your EBITDA margin is more or less maintained, now you have started producing at 90% capacity at all the plants. And you said that everything currently is flat, in one of the earlier questions what was asked to you, the order book is steady.

Now, I would like to know, basically, any major challenges you are facing adapting to this uncertain environment problem? Because logistics problems or raw material or finished goods or something of that type?

Dharmil Bodani: So, when we refer to as flat, what we referred to was raw materials and specific answer to somebody else's question. In terms of selling price, we have seen stability and in some cases even increases. In terms of challenges, yes, there have been a lot of challenges in terms of adjusting to the new way of working, in terms of the precautions that we need to take, I mean, the list can go on and on. But I think the team has met those challenges very well. And hence, we are already back on track in terms of our production. And we just see how things go as the days go by.

Dinesh Kotecha: Sir, my second question is, any central commitment which were deferred as of now, and any product reshuffles in the four verticals for business continuity?

Dharmil Bodani: I mean, can you repeat that?

Dinesh Kotecha: Any execution commitment that you have deferred as of now, and any product reshuffle among the four verticals for business continuity?

Dharmil Bodani: **No,** everything seems to be okay. I mean, Parag has already mentioned that a little earlier, the division of sales across the four verticals is more or less the same.

Dinesh Kotecha: Thank you very much, sir. And wish you all a Happy Janmashtmi. And I think despite of the COVID situation and this pandemic problem, I think the balance sheet structure, I mean the profit and loss structure wherever is possible you have saved the cost, your interest or finance cost has come down. Your depreciation is also more or less in line, your other expenses are substantially down, nearly one-third. And again, I hope and pray, because in your company what I found is that you people are 100% passionate and committed to the business. And I wish you all the best. And in future I would like to come and meet you and see you in the AGM also.

Dharmil Bodani: Thank you very much. So if you can contact our IR, Mr. Anuj Sonpal, he will help you with it. Thank you so much.

Moderator: Thank you, Mr. Kotecha. Next question comes from the line of Amit Bagadia, he is an individual investor.

Amit Bagadia: Dharmil, a couple of questions on this 1,000 day pension plan that you spoke about in the past. I just wanted your perspective that in FY '20 we made a ROE of close to 18%, 19% and are increasing focus on specialty chemicals. So, after FY '22 once this CAPEX is over, what kind of ROEs internally we are looking for?

Dharmil Bodani: Girish, do you want to answer that?

Girish Khandelwal: Yes. So, our target is to maintain the ROE also, after the CAPEX.

Amit Bagadia: Okay. So it will remain in the range of 18%, 19% only?

Girish Khandelwal: Right.

Amit Bagadia: Okay. Dharmil, the second question is like, last few years you have done a lot of corporate restructuring acquisitions, and all of them have now started showing up in the numbers. At what point of time would you like to increase the dividend payout, because it's still in the low 10%, 12% which is on the lower side is for a company like yours.

Dharmil Bodani: We did 50%, right, last year, Girish?

Amit Bagadia: No, no, I am saying as a percentage of the profits.

Dharmil Bodani: Girish, can you answer that?

Girish Khandelwal: As a percentage of the profits, if you see, last year we have given around 10% to 12%. We have to review the situation, we also have to review the financial position of the company and then management will decide, board will decide actually. I also can't comment.

Moderator: Thank you, Mr. Bagadia. Next question comes from the line of Krishna from Sameeksha Capital. Line is unmuted, you may ask your question.

Krishna: I wanted to ask, what was our maintenance CAPEX for FY '20?

Girish Khandelwal: Can you repeat the question please?

Krishna: For FY '20, what was our maintenance CAPEX, the CAPEX required to maintain the capacities at the same levels? There will be growth CAPEX and there will be maintenance CAPEX, right?

Dharmil Bodani: Correct. So, I don't think we have a very significant figure, I mean, I don't have the exact numbers with me but I can probably, if needed, ask our finance team to get back to you. Or if GK has it, GK can share it with you now. But not significant.

Girish Khandelwal: Correct. It is very low.

Krishna: Okay, so mostly insignificant.

Girish Khandelwal: Correct. You can consider around 1% max to max.

Krishna: 1% of?

Girish Khandelwal: 1% of top-line.

Moderator: Thank you, Krishna. The next question comes from the line of SIddhant Shah from KBS. Line is unmuted.

Siddhant Shah: I will try to keep this short. You made some comments about the pent-up demand on the F&F side of the business. So, I just wanted to get a sense on how demand is sort of shaping up now? And if you could give some guidance on the growth for the next few years, is it similar to your consolidated guidance of 15%? What would sort of be the normalized growth rate for the F&F side of the business? And I have a follow-up.

Dharmil Bodani: In terms of the pent-up demand I was referring to was largely the pipeline filling, because when we went into the lockdown the country didn't probably know when we could go out and buy soaps and detergents and things like that. So I think most of that is now clarified, you have seen the FMCG numbers also. I mean, in the last two years, we have seen this quarter the highest ever at 11.1%. So that part of the demand now, the pipeline filling is done, so we will go back to a normal trajectory of what the country was consuming and then on the FMCG side we will continue to see, from what we see, in terms of the fragrance and flavour demand, a steady growth. Now, whether that's single-digit, double-digit, I am not in a position to answer. What was the second part of your question?

Siddhant Shah: Got it. Sir, the second part of my question, I am just trying to understand this, because even if I see the other players in the industry, you are the largest player for the last sort of five years, on the fragrance side, revenue growth has sort of been flat. So I was just trying to understand maybe are we gaining market share? What is the market dynamics sort of in the last five years?

Dharmil Bodani: So, like we mentioned, 2021 is more in cruise control. I think the new products that we are seeing are just in few areas, you don't see many deodorants or many other category products being launched or relaunched, etc. So 2021 is a consolidation in terms of what the FMCG companies have to maintain it and to continue to grow it. So once we go in on the other side of this pandemic, I think that would be probably a better time to answer a question like this. In terms of market share, yes, of course, we continue to try to gain ground on that area.

Moderator: Thank you, Mr. Shah. Next we have Viraj Mehta from Equirus PMS.

Viraj Meta: Sir, just wanted to understand, you said that our volumes are back to 90% of our utilization, and we are back to pre-COVID. But on the other side, you are saying that we should be able to do Rs. 150 crores kind of revenue run rate for the rest of the year. So both things don't really add up. So that's why I am kind of confused, I mean, are we seeing demand challenges going forward, is that we are guiding downwards? That's the only thing I want to understand.

Dharmil Bodani: It's very difficult in these times to give you a specific answer to that. We are putting it, let's put it this way, we are being cautiously optimistic. So we are confident when we tell you that our plants are up to 90% in terms of capacities, in terms of how we see the demand. I think it's more of a wait and watch situation.

Moderator: Thank you, Mr. Mehta. Next question comes from the line of Rajendra from Fidility Management.

Rajendra Shah: Is there additional capacity coming on stream from the rest of the year, which could help you make up some of the loss of sales?

Dharmil Bodani: Yes, there is. I have mentioned this in the past also, yes, there is additional capacity coming. Parag, correct me if I am wrong, we are looking at maybe third quarter, early fourth quarter, right?

Parag Satoska: Yes. For the first project to be commissioned.

Dharmil Bodani: Correct. And yes, that would, of course, help in the deficit of revenue that we have given a guidance for.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Dharmil Bodani from Oriental Aromatics Limited for closing comments. Over to you, sir.

Dharmil Bodani: I would like to thank you for participating in the earnings call. I hope we have been able to answer most of your questions satisfactorily. If you have any further questions or would like to know more about the company, we would be happy to be of assistance, you can do so by reaching out to our Investor Relations managers at Valorem Advisors. We are very thankful to all our investors who stood by us, and also who had confidence in the company's growth plan and future. Have a great evening. Thank you very much again.

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