Oriental Aromatics

Ref: OAL/BSE/NSE/17/2022-23

13th May, 2022

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 04.05.2022, intimating about the conference call with the Institutional Investors/Analysts on Wednesday, May 11, 2022 at 01.30 p.m. to discuss the Financial Performance of the Company for the year ended March 31, 2022, 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: 2022.05.13 18:04:15 +05'30'

Kiranpreet Gill
Company Secretary & Compliance Officer

Oriental Aromatics Limited
Earnings Conference Call
May 11, 2022

Moderator: Ladies and gentlemen, Good Day and welcome to the Oriental Aromatics Limited Q4 and FY22 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0"on your touchtone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, Sir.

Anuj Sonpal: Thank you. Good afternoon everyone and warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations 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 fourth quarter and financial year ended 2022. Before we begin, let me mention a short cautionary statement. Some of the statements made in today's concall maybe forward looking in nature. Such forward looking statements are subject to risks and uncertainties that could cause results to differ from those anticipated. Such statements are based on management belief as well as assumptions made by an 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. Let me now introduce you to the management participating with us in today's earnings call and give it over to them for opening remarks. 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 Security. Without any further delay I request Dharmil Bodani to start with his opening remarks. Thank you and over to you, Sir.

Dharmil Bodani: Thank you Anuj. Good afternoon everybody. I hope you all safe and healthy. It is a pleasure to welcome you all to our earnings conference call to discuss the results of the fourth quarter and financial year ending 2022. Talking about the performance during the quarter we manage to achieve price increase for most of our products in H1 FY22. However, the geopolitical developments in Europe and supply chain challenges resulting from various lockdown in China. Most raw material have either seen significant price increases all are showing signs of price increases. Although, EBITDA margins improved for the quarter against the previous quarter this was dampened by further pricing pressure in raw material which started in February 2022 for some overall products. Summarizing the operational highlights for the financial year 2022 the company witnessed steady command across all product category aroma chemicals, flavor and fragrances and camphor. Our production volume increase by 9% and our sales volume increase by 12% for the year. We are very happy to report that we cross the pre pandemic levels of production volumes as well as sales volumes across all our plans. Our sales realization across product category except camphor improved on a year-on-year basis. As you are aware during the year there was substantial increases in price of all input cost which impacted the profitability for the year.

With regards to the ongoing capital expenditure during the quarter company has successively commissioned the capacity expansion of Terpineol plant at Bareilly. All other capital investment programs in Baroda, Bareilly and Mahad are on track. However, they are facing moderate delays due to a combination of factors which include the residual COVID-19 impact challenges in the global supply chain, steel prices and the other current geo political situations.

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

Girish Khandelwal: Thank you Dharmil. Good afternoon all. On the consolidated basis for the fourth quarter of financial year 2022 the operating income for the quarter was Rs. 203 crores which was in decrease of approximately 8% on a year-on-year basis and decrease of 1.4% on a quarter-on-quarter basis. Operating EBITDA reported was Rs. 22 crore which was a decrease of 33.6% on a year-on-year basis and an increase of 36.4% on a quarter-on-quarter basis. Operating EBITDA margins stood at 10.89% which increase by 302 basis points quarter-on-quarter basis. Net profit after tax reported was about 11 crores which was at decrease of about 53% on a year-on-year basis and an increase of 31% on a quarter-on-quarter basis. PAT margin reported at 5.17%. On a consolidated basis for the financial year ending 2022 the operating income for the year was Rs. 869 crore which was an increase of approximately 23% on a year-on-year basis already EBITDA reported was Rs. 92.5 crore which was a decrease of about 40%. Operating EBITDA margins stood at 10.65% net profit after tax reported was about Rs. 53 crore while PAT margin was 6.13%. Thank you with this we can now open the floor for the questions and answer session.

Moderator: Thank you so much. We will now begin the question-and-answer session. We take the first question from the line of Mr. Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: I have one question so if you can breakdown our CAPEX what we have been doing and probably at the end of the CAPEX cycle so totally I think we are investing around 350 to 400 crores over next one and half years, so just wanted to understand and if you can break down the CAPEX in terms of how much we are doing for backward integration, how much it is for the expansion of the existing products and how much it is for introduction of new products in our product portfolio **bad debt**?

Girish Khandelwal: Parag you can take this, but I believe this has been answered in the past you can go over a…

Nirav Jimudia: And if you can just explain in terms of the size of the opportunity for the new products what we are introducing for our product basket?

Parag Satoskar: So Nirav the CAPEX currently is being done like you rightly said in Greenfield projects which are happening in Baroda where we are putting the multi product hydrogenation facility where the investment plant is around 150 crores and these are all new products which are being developed which are in the generic specialty aroma ingredient space and which will be manufactured in this particular plant. The other CAPEX the other expansion that is happening is in the Greenfield project at Mahad where the plant CAPEX is 150 crores where you will have an element where you will have the development of that particular plant because it is a recently acquired plants where we will need to do some expense and we have all the infrastructure like electricity all the utilities in place and the remaining would be a combination of either a single product plants or multi product plants which will be kind of informed to the investor community.

Nirav Jimudia: And sir like in terms of the size of the opportunity for the new products what we are introducing could you give us some sense like what could be because what you have mentioned in our earlier earnings commentary that probably we would like to be second or the third preferred supplier for that particular product and our market share should be in between those lines 25% to 30% for that product, so what could be the size of the opportunity eventually for us what we are targeting?

Parag Satoskar: So, we always stick to the plan that if we are investing x amount of money in a projects the returns should be 1.7x if you kind of extrapolate that in the opportunity cost, the 300 crores that we are planning to invest these two facilities and plus some minor projects in capacity enhancement or utility system upgradation. We are looking at turnover of around between GK correct me if I am wrong between 470 to 500 crores coming out of this investment.

Nirav Jimudia: So that is about the asset turnover, but what I am trying to understand is from the opportunity size let us say if a product let us say if we are putting up an x capacity and size of the opportunity is let us say 20x I just wanted to understand in terms of the addressable market for the product what we are putting in our portfolio?

Girish Khandelwal: Parag you can address the available market I mean this specific products and numbers would be too long.

: Since all these products these are our multi-product plans we work on a very simple underlying philosophy that whatever is the available market outside the inventory we should be in a position to grab anywhere between 30% to 50% of that market within the first 1,000 days of commissioning and validation. So, that is the kind of opportunity that we are looking at and this goes across the products mix.

Nirav Jimudia: When had we conceive those projects probably the gross margins would have been better than our existing product portfolio it safe to assume, so in a current situation where most of the raw material prices have gone up substantially has that gross margins came down as compared to our existing gross margins or how has been the situation currently?

Parag Satoskar: To answer your question we are looking at the opportunities all these are generic products which have a life which is left in them of multiple years if we just kind of start looking at the gross margins even before we have put the plan I think it would probably be unfair we continuously look at whether the opportunity is still there and that I can confidently say that all the products that we are active and we will get active there will be substantially opportunities available in those products and then we have to there and we have to be active, we will just have to kind of match the prices and offer better value to the customer.

Moderator: Thank you. We take the next question from the line of Sudharshan N from Propriety Wealth Management. Please go ahead.

Sudharshan N: So my question will be on the renegotiation cover on agreements on contracts so out of that so you have mentioned like there will be certain clauses in the agreement where you can pass on the cost increase in the quarter, so my question will be like if there is a cost increase can it passed on entirely or most of it or some of it can be passed on?

Parag Satoskar: Sudharshan thanks for the question I think in most of the contracts we have a review clause with our customers, but normally it has been seen in the past action with the customer where the customers are opened to the idea of kind of negotiating the price and accommodating the price hikes in the future contract rather than really renegotiating the contract in the middle and having said that there is also chunk of space in our ingredient business where we are supplying in the open market where although with a little bit of lag because most of these customers are export customers. We are able to pass on the price increase.

Sudharshan N: Out of this can we take the content strike the clients you have will be negotiating the contracts on the future not on the existing?

Parag Satoskar: On the existing they take a note wherever we are able to pass on we pass on, but normally it has been the practice that when we negotiate the contract which is normally a 6-month period. So, we are now in our discussions for H 2 2022 they would probably accommodate these price hikes and give us a better price for the next 6 months.

Sudharshan N: The other question is regarding the margins of sectors so if you take camphor and F&F and aroma can you see comparing to the previous quarter not the exact numbers can you just give a idea like which margins have increased and which of their margins have decreased in the sectors?

Parag Satoskar: Like Dharmil has mentioned in his opening remarks that our sales realization across all categories except camphor has improved and we continue going in the same path so wherever we are acquiring new customers in the fragrance and flavor space we are acquiring them at much better margins wherever there is any negotiation that comes or wherever there are any thoughts in our ingredient business we are looking for margins. Camphor is one product where the prices still remain a little soft, but as the festival season will come in I think we are hopeful that we will be able to kind of see increased demand and some increase in the prices.

Sudharshan N: And another thing is whatever the margins comparing to international sales and domestic sales which side will be higher and lower not the exact numbers, can you give us like which will be higher compared to international and domestic fuel?

Parag Satoskar: I think very difficult question to really answer to you in a very broad perspective when we are certain and we are so diverse product, but I think if you look at the margins spread between both the segments it is more or less the same.

Moderator: Thank you. We take the next question from the line of Vishesha Jain from Sicomoro. Please go ahead.

Vishesha Jain: Since Privi is adding capacities in camphor and Glaxomass, will it affect our market share?

Parag Satoskar: So to answer your question competition comes and competition goes I think Oriental Aromatics has definitely the strength to really address the competitive landscape which keeps changing and we will take all the steps which are necessary to ensure that our market share stay intact and in fact those even in those new competitive landscape.

Moderator: Thank you. We take the next question from the line of Bob from Falcon. Please go ahead.

Bob: So we have been talking about input prices for quite some time and not only in this industry but most industries and everyone is hoping that they rework to normal you know this may not happen because the normal might have just changed, so assuming the input prices do not come down at all how does your business model look like?

Girish Khandelwal: To start with I would completely agree with the gentlemen that the normal has changed. So taking it from there I think you can answer the question.

Parag Satoskar: In a new normal, normally when you are rewriting the rules of the game you probably become reactive then proactive and that is what we at Oriental are doing. We have an internal checkbox where we are saying are the new products being launched the answer is yes, are we having customers for those new products the answer is yes, are they paying us in time the answer is yes and we keeping the inventories in control the answer is yes. So, you know, I think we have gone from a company where we were proactive because we probably knew the old normal to a company where we are looking at every challenge for opportunities that comes to us and then react to it in a way which will ensure that we keep adding value to our business. So, if you are saying that the input cost might never come back I think the plants have been designed in such a way where if you do not have the ability of any external advantage is coming to your place I think we will have to go back to the customers and we will have to tell them that this is the new price and I think in the aroma ingredient space where there is not too much of capacity which is being added globally in lot of products because we are not a single product company. We have a wide range of products and a wide range of chemistries in which we operate which gives us the flexibility to really move from one product to the other. If one product shows a lack of opportunity or lack of acceptance of new normal. So, I think there are a combination of factors which give us the confidence that in any normal we will be in a position to aim to take corrective actions and continue offering value to our customers.

Bob: But this particular quarter is still something of a work in progress because we do not have 15% to 17% EBITDA margins?

Parag Satoskar: I think probably are little bit contracting the first statement because what happens if you are in a new normal you probably might not look at the business from a quarter-to-quarter perspective and you probably would go back to the internal checklist that I said because we are in the business of generic specialty aroma ingredients which are used as raw materials for functional fragrances which are used for day-to-day products like soap, detergent etcetera. So, when the situation becomes normal which none of us I am sure the demand for the products are going to come back and I am not kind of generalizing it, but can be a little special because I was talking to my friend in America and Europe and they said when things started moving in a particular direction globally in the geopolitical space in fact they got a lot of material. So, you know, they are currently overstocks. So, I think there are too many factors which are in play right now and it is something which probably will need more study beyond one quarter to really come to a situation, but during that time when things become normal I think our focus in Oriental is to ensure that our relationships with our customers stay solid. We supply them material when they want at a price which is mutually win-win for all of us so that when the demand eventually comes back I think those relationships will ensure that we will continue to be the favored suppliers to these customers because in these trouble times we keep hearing stories about a lot of supplier who became transactional and who have not kind of taken care of the customers.

Bob: The only concern is ultimately if you look at more of an overarching or part or perspective a lots of companies go through times where different times and suddenly their business model does not work I mean you have seen that, but what I hear you are saying your business model is still and we are constantly going ahead with all our capital expenses right just like you might have to signed new level?

Parag Satoskar: Correct and we have to say reactive to all the time I mean just to give you a perspective that when the steel prices were really up we kind of took a pause of 15 days to 20 days for all our CAPEX to see if really this was sustainable and it helps because we came down and now they are stable at a higher price, but lower than what they were in the month of March. So, I think this is just one example, but as a company we are extremely all projects are still a complete go and we are just hoping things come back to normal and we will be back to regular business.

Moderator: Thank you. We take the next question from the line of Mr. Aman from Astute Investment Management. Please go ahead.

Aman: My first question is on the volume growth if you can talk about what was the volume growth in export market versus what was the volume growth in domestic market as well as we are targeting for FY23?

Parag Satoskar: Girish do you have that breakup because I do not have the breakup between the volume growth in the export and the volume growth in the local market, but I can broadly say Aman that across all product categories and individual products we have seen a volume growth. So, this 9% is kind of not product driven or not category driven, but I think it has been kind of a blanket growth and it has been across customers in India and it has also been driven by customers outside India where we have acquired some customers in the fragrance space or in the ingredient space. So, I think it is kind of a broad-based volume growth across all product category.

Management: And our exports and domestic stays the same actually so it is same almost it will be plus minus, but it is similar to the last year means 30% exports we have.

Aman: And what are we targeting for FY23 since some of the CAPEX are coming online?

Parag Satoskar: I think with the overall impact of the CAPEX would probably be seen more into either H1 2023 or H2 2023 in terms of hitting the P&L till that time we will be more into the validation and acceptance stage. So, till that time we are looking at a growth of anywhere between 10% to 12% in a very conservative way which will be driven by the full capacity utilization of the new product plant plus certain internal capacity enhancement that we are doing and that should be the driver for the growth.

Aman: The next question is on our CAPEX plan so you have quite nicely elaborated the timeline in the previous call I just wanted to know any change we have because of availability of raw material and steel prices all the same so any change if you can talk about project wise wherever it is not you cannot talk about it as well as what kind of capitalization of the CAPEX do we see for FY23?

Parag Satoskar: To answer your question I think most of the delays that we are seeing in Baroda as well as in Mahad are not substantial and so we probably might have the migration of the project commissioning date by probably one quarter, but it is not moving beyond that and I think that decision was again a conscious decision to kind of see if we unnecessarily do not get into contract at much higher price of steel when we were advised that the prices of steel are going to come down and it then stabilize at a lower price point. So, I think we are not foreseeing any substantial delays we probably might see the migration of the commission debt say if we have given you a commissioning date of Q3 it might go into Q4, but I do not think it is going to be beyond that as of now.

Aman: And the capitalization we are expecting for FY23?

Girish Khandelwal: Around 180 crores, 190 crore. Our target is to complete the CAPEX by March 23 so it should get capitalize.

Aman: One clarification have we working the ECI approval as of now for Mahad?

Parag Satoskar: We are in the process of probably getting it and I think that something which has taken a little longer time than we expected it under any circumstances, but I think we are very positive and we are working with all the stakeholders in the process and we had provided them information and we should probably get it shortly in the next coming weeks, but we have not kind of been sitting idle. We have gone ahead and we have completed our basic engineering and detailed engineering for some of the projects and the plant development program for Mahad. So, we have done all our homework so we get the EC and we are ready to breakdown I think speed is going to be the key factor there.

Aman: Final question before I come in back in the queue if you can talk about the product launches plan for FY23 and what was the number for FY22?

Parag Satoskar: I think we have already stated that we have a very strong product R&D pipeline where we target between 4 to 6 products every year we kind of have achieved the target for 2022 and I think we are on our way to really achieve the target in 2023 as well and all the products that have been launched in 2022 have been commercial shipments have started to customers globally and some of them which have been developed for our fragrance division they have already started using it commercially.

Aman: What was the final number for FY22 the total product we had launched?

Parag Satoskar: 6.

Moderator: Thank you. We take the next question from the line of Mr. Saurabh from AMSEC. Please go ahead.

Saurabh: So just wanted to understand one of the volume growth in Q4 and also are you witnessing any slowdown in offtake for the volume because of the war like situation or the inflationary environment?

Parag Satoskar: Girish if you can give the Q4 numbers I do not have them right now in terms of the volume growth. So, Girish probably will inform that, but Saurabh in terms of the whole new coined term of demand destruction I probably will not kind of concur or infer that has been initiated at least in our space I mean we are just seeing probably people delaying their purchases a little bit because they have a situation where they overstocked in Q1 of their quarter which is Q4 of our quarter. So, I am talking to friends in America and in Russia and in Europe and all of them are saying that what we have stock. Once they liquidate I am sure there will be demand coming back.

Saurabh: My next question is on the price hike you mentioned that may be half yearly you will be able to renegotiate a contract, so is it possible to take pass on the entire cost and also how is the situation of the logistic side, so are you still facing issue in terms of logistic and also the cost wise how should we look at?

Parag Satoskar: So, I will first answer the logistic question and then I will probably go to first part. On the logistic side on the RM procurement strategy most of our contracts are safe. So, we are relatively insulated because I think all the risk then gets added on to my supplier side. On the sales side wherever we have shift contract we have seen that the shift contract again are divided into two elements where we are talking to where we are looking at the spot sales there I think the increase in the freight cost has already been recovered where we have gotten in to the RFQ prices and we are seeing not significant, but some increases in freight in some geographies I think that is something which probably stays unrecovered and which we will factor it into our H2 RFQ when we go and talk to the customers.

Saurabh: Just to understand from your question perspective so are they also into the long term contract with their customer or they are into the short term contracts and any increase in the you're your customer we will be able to take on that price hike as well?

Parag Satoskar: I do not think Parag we are not privy to this information.

Moderator: Thank you so much. We take the next question from the line of Rita Mukherjee from SR Investments. Please go ahead.

Rita Mukherjee: I just wanted to ask the flavor and fragrance plant is not working at full capacity utilization, when can we expect the utilizations to increase?

Parag Satoskar: I mean it is not really a true statement that is not working at full capacity. We run the plant one shift to full capacity and right now this plant has the capability to run three shifts and at the single shift so far we are able to manage the volumes we are moving and also in the fragrance business and the flavor business it is about compounding, it is not about reactions, it is about simple blending business. The capacity utilization in the fragrance and flavor plants is not necessarily calculated with the same methodology that we would use in the chemical plants. So, right now I think the plant is running for what it was designed and if need be we can in the same plant without additional CAPEX increase the capacity when required. Also it is a multiple batches you know you are producing from 5 kilos to 20 tons a batch when you talk about capacity it really does not add up because you have to then figure out which vessel, which batches, how many batches a year. So, it is a very complex calculation and it is not necessarily looked at the way it is put by in the question and fragrance in greater side at least to the best of my understanding.

Rita Mukherjee: Just to add in the follow up questions, how are we tackling the increase in raw material price problem are we storing high inventory now?

Parag Satoskar: So, we have taken a conscious decision and Mr. Mukherjee we are not really going into high inventories because the problem right now is not only about price increasing. We have seen situations where we have used this model 6 months back or in Q3 when you suddenly had the China electricity situation and some raw material suddenly went short and we kind of overstock and then the prices corrected within no time. So, in the new world order as we speak I think we are more in the reactive mode, we are more in the listening mode wherever we see an opportunity that a material is available at the right cost we buy where we need to buy the raw material to ensure business continuity for our customers. We buy it at the market price and so I think it is a combination of a lot of factors which is depending on the inventory and so if you look at our inventory numbers at the end of the year in fact they are down by 15% in terms of quantity although they are up by close to 55 crores in terms of value because of the increase in the raw material price.

Moderator: Thank you. We take the next question from the line of Mr. Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: So first question on the revenue breakup so if you can help us understand how does it get broken up into spot as well as contractual across the domestic and export and extension to that question will be that how do we decide on our pricing, is it cost plus basis or a percentage margin basis?

Girish Khandelwal: In fact we can answer this on the flavor, fragrance vertical. On the fragrance flavor vertical we look at giving fixed pricing to our customers for at least 6 months period and then we review it with them and accordingly in the fragrance side we do cover raw material which are critical for that entire period and the commodity is we also contract out. So, on the fragrance and flavor side we had stability in pricing and also in terms of the cost I mean looking at the current situation unfortunately even if going into long term contracts there is pricing issue which is an usual scenario, but if this is going to be the new normal then going forward we will also correct our prices accordingly.

Parag Satoskar: So, Ankur to answer your question at a group level if we look at the business the business has close to 30% of our sales which are in the contract stage and the remaining 70% plus minus some percentage point every year is in the open to sale. Having said that in this 70% also includes our fragrance and flavor sales where we do not have a kind of a written contract with the customer, but it assumed that a price once given is not going to be changing for the next 6 to 9 months. So, broadly this is breakup and in terms of how our contract versus free to operate sales are and what was your second question.

Ankur Periwal: Just on the extension or a clarification here when you say 6 to 9 months pricing wherein our finished goods as well as our raw material is more or less contractual on a similar timeframe this part of the business F&F business will not be susceptible to the RM volatility, will that be right?

Parag Satoskar: You cannot probably kind of summarize it across the board like Dharmil said most of the critical raw material you would have a stock position which is equivalent to what he is offering as a price stability to the customer, but there are 2,000-line items in the fragrance and flavor division purchasing list. So, it is impossible for you to really have a 9-month inventory for all of that. Yes broadly speaking it should be kind of insulating in terms of its margin development capability, but in the current situation where everything is going up you have a little bit of an unusual situation.

Ankur Periwal: The other question which I had was on the pricing of a products, so when you price it is largely on a cost plus basis or we typically on a percentage margin here and their RM inflation that we are talking of whether this pass through being absolute pass through or you will take a 20% or a 30% price hike depending upon the RM inflation?

Parag Satoskar: I think it is extremely broad question I think we do a bit of everything that you just said since we are a multiproduct company on the ingredient side and a multi product company on the fragrance side I think our pricing decisions are based on all the models that you just mentioned and I think the dream is always that the objective is always to achieve ultimate pass through you are not successful every time, but I think because we have created a reputation of being a very responsible supplier who has kind of stood with the customer during the good times and the bad times. One thing is for sure that we always get an extremely fair and a patient hearing from our customer all of them across the board.

Moderator: We take the next question from the line of Saket Saurabh an Individual Investor. Please go ahead.

Saket Saurabh: So I have two questions so one if I compare to say versus Q3 in Q3 we had a partial plan closure and there was a debottlenecking capacity also that came up and then we took price hike as well then still why do we have Q3 and Q4 slot in terms of sales so that is one question and second is our operating cash flow has again become negative even though I was just told that inventory levels have come down, so what explains that and how do we intend to improve that because even in the last call we discussed and that is one area that were because I have been investing in the company for close to 7 years, 8 years now so that is one area where I still see soon every now and then that cash flow becomes negative so these are my two questions?

Parag Satoskar: From a non-finance perspective I can answer and Girish you correct me if I am going wrong which is Saket although our inventory quantities have gone up, but I said in terms of the value of the inventory has gone up by 55 crores so I think the negative cash flows are a net outcome of using working capital for kind of ensuring that we have the inventory and we are ensuring business continuity to our customers and the other aspect of the use of the cash flow is for our CAPEX expansion which is where the capital. So, Girish am I correct in terms of summarizing.

Girish Khandelwal: Yes Parag absolutely right.

Parag Satoskar: So, if these two elements were not there it probably would have ended up with a positive cash flow, but I think for a company which is continuously growing in the number of products and the customer acquisition I think it is probably a healthy sign.

Saket Saurabh: See free cash flow being negative is fine because then CAPEX come in, but I think when our operating cash flow went down or negative so that is why this question came up even day-to-day operations are sucking bit more cash than what we would have expected?

Girish Khandelwal: Because of the price increase you can see the entries in the inventory values as well as increase in the receivable, but if you see my debtors day in the inventory days which has come down. Debtor days has come from 88 to 81 days and inventory days has come down from 129 to 121 days. So, there is improvement, but in terms of the value yes our working capital is blocking there.

Saket Saurabh: And the question regarding Q3 versus Q4 sales being flat despite some of the issues that we have last quarter?

Girish Khandelwal: Sales volumes are little bit positive, but if we see the manufacturing expenses input cost like coal prices, gas prices.

Saket Saurabh: I am talking about sales only revenue only, I am not talking about the bottom line that I am fine we have explained, but the quarter-to-quarter sales are also flat even though our last quarter we had slight plant closure than our debottleneck capacity also came up as we also took price hikes?

Girish Khandelwal: Parag does not it have to do with the camphor prices which I have said in my opening statements.

Parag Satoskar: I think Dharmil you are correct I think Saket in terms of the sales looking a little flat first is the debottlenecking that came in Q3 all the sales realization has not happened. We are in the process of developing customer for this new capacity. So, that is going to take time point number one. Point number two I think Dharmil has made it very clear in his opening remarks and we still see a situation where there is a softening of the pricing in terms of the camphor. So, I think these two factors put together is a combination where although the volumes have kind of stayed or grown a little bit, but the sales look at a little flat.

Saket Saurabh: What is the current camphor is that improving or is it further going down because I think it is one-third of revenue that camphor accounts for our one-third revenue and also what was the erosion if you can help me with these two?

Parag Satoskar: So Saket it is not just camphor which is one-third I think along with camphor there is a huge basket of other terpene chemicals which add up to one-third and where we are seeing relative growth in terms of our ability to pass on the price hikes. In terms of camphor, I think normally Q4 is an off season. So, the camphor sales are a little subdued and hopefully going forward once the festival season comes in we should be in a position to probably see that.

Moderator: Thank you. We take the next question from the line of Mr. Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: What we have seen is decent improvement in the margin side for this quarter, but somehow the top line has been flat as explained in the previous answer, so what to carry further from there in our previous call we had mentioned that though we are running at almost 230 crores of quarterly run rate of top line plus 40 crores coming in from the additional new specialty chemical and thereby Parag we had guided that for FY23 somewhere around 1,100 crore top line is doable. Given the current scenario do we stick to that kind of doable or not?

Parag Satoskar: So, Rahul I think you are referring to the numbers that was given in the last investor call and that number is kind of summarization of lot of these projects having some sense of sales contributing to the topline and like I said that we find ourselves in a very tricky situation where there are too many unknowns in the field and so when you actually are navigating a field which you are exploring although we are confident and we are endeavor to reach that number, but we feel that 10% to 12% growth is something which is definitely doable and we will try to kind of reach that number over here.

Moderator: Thank you. We take the next question from the line of Mr. Sudharshan N from Prosperity Wealth Management. Please go ahead.

Sudharshan N: So my question is regarding margins guideline so previously the margin guidelines were 35% for gross margin and between 15% and 17% for EBITDA margin so I can see from this FY22 finances the gross margins we have achieved the target of 35%, but EBITDA is at 10.3 we can say 11 so my question is the dent in EBITDA like the guideline was at 17 and 15 and the achieved EBITDA is 10, can we say this is mainly because of increase in operating expenses rather than raw material cost or something or can you shed some light on that?

Parag Satoskar: Girish correct me if I am wrong because even our gross margins I mean because we have had a increase in our material consumption as well signifying that there has been an increase in the raw material cost as well. I think the reduction in EBITDA margin is primarily driven by in the past year is primarily driven by increase across all input cost which also includes raw material cost. So, I think as we move on and hopefully the situation stabilizes with our relationship with all our customers intact we should slowly be in a position to kind of get back to our margin expectation of between 15% to 17% across all the segments that we operate in.

Sudharshan N: Do we still stick to this gross margins at 35 or any revised guidelines?

Girish Khandelwal: Yes in the Q4 we achieved this 36%, but we have look in the current scenario of the raw material price fluctuation.

Parag Satoskar: So to answer your question our endeavor is to get to what we had given as guidance and I think in a quarter or two we will relook at that, but right now we stay committed to trying to achieve those numbers which we have given as guidance.

Moderator: Thank you. This was the last question. I now hand the conference over to Mr. Dharmil Bodani from Oriental Aromatics Limited for closing comments.

Dharmil Bodani: Thank you so much. Thank all for participating in this earnings call. I hope we have been able to answer your questions satisfactorily. If you have any further questions I would like to know more about the company. We would be happy to be of assistance. We are very thankful to all our investors who has continued to stand by us and also have confidence in the Company's growth plan and focus and with this I wish everyone a great evening. Thank you very much.

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