"Oriental Carbon & Chemicals Limited Q4 & FY2021 Earnings Call"

June 23, 2021

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Moderator: Ladies and gentlemen, good day and welcome to Oriental Carbon & Chemicals Limited Q4 and FY2021 earnings call. This conference call may contain forward looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. 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 & Chemicals Limited. Thank you and over to you Sir!

Akshat Goenka: Good afternoon and a very warm welcome to everyone. Along with me, I have Mr. Anurag Jain our CFO and SGA our Investor Relations Advisors. Before we begin, I hope you and your loved ones are at the best of health and keeping safe by taking all the COVID related precautions. I hope you have received our result and investor presentation by now. You can view the same on our company website. I am delighted to share that the board of directors have recommended a final dividend of Rs.10 per equity share of Rs.10. This was the 100% of the face value in addition to the interim dividend declared of Rs.4 per equity share in November 2020 thereby giving a total dividend of Rs.14 per equity share for the financial year ended 2021. Coming to the performance of the company, financial year 2021 began with lots of challenges due to COVID-19 pandemic and the consequent lock down during quarter one. However, we have ended the year on a strong note. The outburst of COVID-19 pandemic had caused severe disruptions in business operations across industries. However, as the economy started to unlock gradually, we started witnessing recovery in demand. Our business operation started to pick up pace and we saw gradual improvement in our production levels.

We started seeing recovery in our business trajectory starting second quarter with normalization of replacement and OEM demand in the domestic as well as international markets. This growth momentum has sustained in quarter four FY2021 and we have reported a top line growth of 21% compared to previous year Q4. For the year 2021, the company has clocked revenues of Rs.344.7 Crores. In the current business environment, we have seen an increase in raw material prices, which continued into quarter one of FY2022 as well and hence is impacting margins in the current quarter. However, we are continuously focused on implementing measures towards controlling costs and improve in operational efficiencies.

Both our plants at Dharuhera and Mundra are running normally despite the second wave of COVID and we are taking all necessary precautions at all our workplace. Our expansion project is facing delays on account of hampered civil work, which is again due to unavailability of labor and mobility issues of procuring machines due to the localized lock down that were in effect across the country in April and May. With the unlocking and the pickup in various activities we now expect the projects to be commissioned by October 2021. Also I am very pleased to announce that OCCL has been awarded with the EcoVadis gold sustainability rating. This places OCCL amongst the top 6% of companies assessed by EcoVadis globally during the year.

This was a very good achievement and we are very focused on being responsible and sustainable. OCCL addresses the demanding requirements of the tire companies worldwide in terms of quality of product on one hand and superior service on the other often collaborating with them to work out unique solution. We are long term suppliers for most of the prominent global and Indian tire companies. We are focused on leveraging a strong execution track record to help us increase our wallet share with the existing customers. Continued investments in technology an R&D enables us to develop our product further.

We will be focused on consolidating a dominant position in the Indian market while increasing our penetration into those markets where we have low penetration right now. To conclude, it has been a good year for us despite external challenges. We believe that the short term maybe challenging both from a demand and margin perspective in view of the various disruptions caused. However, we are confident that the medium term outlook is stable. Now, I would like to hand the line over to Mr. Anurag Jain to update you on the financial performance of the company. Thank you.

Anurag Jain: Thank you, Akshat. I will take you all through the standalone financial of the company. Total income for Q4 FY2021 was up 21% year-on-year to Rs.106.9 Crores as compared to Rs.88.3 Crores in Q4 FY2020 driven by sustained demand momentum post strong Q3 FY2021. EBITDA for Q4 FY2021 stood at Rs.38.7 Crores as compared to Rs.29 Crores in Q4 FY2020, a growth of 33% year-on-year. EBITDA margins for Q4 FY2021 stood at 36.2%, margins have been affected by increased input costs.

However, our sustained focus on improving operational efficiencies and tight cost control led to limited impact on EBITDA. Profit after tax for Q4 FY2021 stood at Rs.24.8 Crores as compared to Rs.17.1 Crores in Q4 FY2020 a growth of 45% year-on-year. Our PAT margins for Q4 FY2021 improved by 390 bps to 23.2%.

To quickly summarize the full year numbers, total income for FY2021 stood at Rs.344.7 Crores compared to Rs.353 Crores in FY2021. The minor dip in total income was due to Q1 FY2021 being affected by the shutdown of plant due to COVID-19 lock down and no off take of material immediately after resumption of production. EBITDA stood at Rs.124 Crores as compared to Rs.108.5 Crores in FY2020, a growth of 14% year-on-year.

Margins for the full year stood at 36%. PAT stood at Rs.75 Crores for FY2021 as compared to Rs.71.5 Crores in FY2020, a growth of 5% year-on-year, PAT margins for full year stood at 21.8%. 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 Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, do you have any capacity based on whatever on Q3 and Q4 capacity utilization that you have for the ensuing year for growth? Or now the incremental growth on this on the revenue is purely dependent on the new capacity which kicks in from Q3 of FY2022, so that was my first question. my second question is, we did have a call in quarter three I think around February, we were hopeful of capacity expansion coming in the quarter ,why it has been dragged up to quarter three that is the second question and third is, is there any supply changes in the industry over the next couple of years?

Akshat Goenka: Thanks for the questions. Firstly, I will answer question two, we were always hopeful of it coming in July and then we lost April, May and a lot of June due to vendors being shut, equipments not coming, labor not there so that is the reason and even right now a lot of people are struggling in getting labor back and supplying us equipment, so the project is very dependent on external factors rather than internal factors that is the reason we are saying October. Point number three, there is no new supply side developments from my side to update on except what we have already said before and what is publicly announced. Question one, quarter three and four we were practically at optimum capacity utilization, maybe a little bit here and there, but the major growth would come with new capacity.

Pritesh Chheda: Just on that supply side, Sir in your opinion what should be the industry capacity utilization today that lets say in quarter four because lot of them would have gone to their full capacity utilization and over the next two years based on the supplier scenario what do you think should be the capacity utilization in industry.

Akshat Goenka: So, I think I will only take a clue from ours I would assume that everybody would have been at optimum capacity utilization in quarter three and quarter four. going forward capacity is coming in from us 30,000 tonnes is coming in from China Sunshine, but I think if the situation remains like it was in quarter three and quarter four and looking at natural growth rates and all those things, this capacity should get absorbed. I do not have specific data on capacity utilization for our competitors.

Pritesh Chheda: Okay, so the industry capacity utilization will not go through a c-change in the next three years, right even after the capacity addition?

Akshat Goenka: Yes, this is assuming that quarter three, quarter four things were at optimum levels and in the next one to three years regular levels of growth will normalize as increased demand.

Pritesh Chheda: Thank you very much.

Moderator: Thank you. The next question is from the line of Anuj Sharma from M3 Investments. Please go ahead.

Anuj Sharma: Just on the previous question and extension of the same, so you know how the pricing behavior can you just give some input on how the pricing is behaving and what is the outlook on pricing?

Anurag Jain: See, there was no change in the pricing during the last six months, but with the increase in raw material we are expecting prices to go up from next quarter to absorb increase in raw materials.

Anuj Sharma: Alright, but as you said on the supply side there has been a delay and the demand continues to be optimum do you expect some changes on the pricing side given that the demand is more secular?

Anurag Jain: So, that is why I said looking at this we think that the pricing from next quarter to absorb the increase in raw material prices.

Anuj Sharma: So, I am just going beyond the raw materials so just beyond the pass on there is no outlook you have on beyond?

Anurag Jain: Currently we cannot say that is the increase, if you are seeing that the whole margins will bump up from what it was in Q3 and Q4, I would not say that.

Anuj Sharma: Alright, thank you and my next question is on the cash balance how are we deciding how much cash will require and how are we thinking about the cash utilization?

Akshat Goenka: So, as of now we are looking at utilizing cash in alternative investments, which are showing up in the annual report as well. We are also keeping some cash available to offset our debt so that option is always there and we are not running a high debt environment and then as appropriate we will see what needs to done.

Anuj Sharma: So, last question on the alternate investment what is the final or the total commitment we have decided, is there any change on that and what is the expense structure of this alternative investments?

Akshat Goenka: So as of now the committed investments towards these alternative investments would be ballpark roughly Rs. 60 Crores and we are quite comfortable taking it to around 20% of our net worth gradually over time and net worth will also keep increasing. What is your second question regarding that?

Anuj Sharma: What is the expense structure of this alternate investment?

Akshat Goenka: What do you mean by that?

Anuj Sharma: What is the cost of management the fee structure?

Akshat Goenka: It is different because a lot of investments are done directly where there is hardly anything, a little bit of them are funds, which have the standard fee. It is very different, it cannot be answered in a general way.

Anuj Sharma: Alright, great. Thank you.

Moderator: Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Sir, thanks for the opportunity. Sir, just wanted to understand so large part of raw material inflation is already building into the numbers or is there some part lower to Q1 as well?

Akshat Goenka: No, large part is going to come in Q1.

Shashank Kanodia: So, in that case what will be your sustainable margin guidance that you are in that you like guide us?

Akshat Goenka: The medium term, long term guidance remains the same what we said in the last quarter, EBITDA margins in the 28% to 32% range. It is very difficult to guide on Q1 margins and Q2 margins.

Shashank Kanodia: But last three quarters you have done much ahead of the 32% upper bracket of the range right, so additional efficiency is also kicking with the Brownfield expansion, so is that 34% to 35% kind of a range sustainable for us over the long term at least FY2023?

Akshat Goenka: Okay, if you ask is it possible then you know anything is possible, but is it something that we can commit to right now, the answer is no.

Shashank Kanodia: Okay, fine. Second Sir, on the capex front out of the entire completed capex what amount have you spent till date and what is going to be spend in FY2022 and FY2023?

Akshat Goenka: Till March 31, 2021, we had spent around Rs. 120 Crores odd and in this financial year just for the current capex we probably expect to spend another Rs. 30 Crores to Rs. 35 Crores or and then for the second round of capex the amount would be roughly Rs. 60 Crores and the exact deployment depends on when you kick start.

Shashank Kanodia: Sir, is it fair to assume that by FY2023, the second stage will be commissioned as well or it can go even beyond that?

Akshat Goenka: We think we will take a call on this once this line is commissioned so from the time we take a call to do it is 16 to 18 months and the earliest we will decide on it is in October after this one is commissioned. To answer your question I would say March 2023 is the earliest that it would come.

Shashank Kanodia: Right. What is the gross debt on books and what is the trajectory going forward?

Akshat Goenka: Sorry, I did not hear the question?

Shashank Kanodia: Sir, what is the gross debt on our books balance sheet on the standalone basis and the trajectory going surplus cash on the balance sheet as well?

Anurag Jain: Total debt as on March 31, 2021, including short-term and long-term was Rs.178 Crores.

Shashank Kanodia: Any repayment in the next two years?

Anurag Jain: Next two years we think that it would be around Rs.180 Crores to Rs.185 Crores, that end of next year also considering the capex, which is there and the repayments which are there.

Shashank Kanodia: Thank you so much.

Akshat Goenka: I think there is going to be close to peak debt by September 30, 2021.

Shashank Kanodia: Right, understood, Sir. Thank you so much and wish you all the best.

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

Chirag: Sir, a couple of questions from my side. The first one is what is the total revenue potential from the new capacity and if you could break it up between soluble sulphur, Sulphuric acid and when do you expect to achieve full utilization that is my first question?

Anurag Jain: So, the total revenue potential to be about Rs.130 Crores to Rs.140 Crores for the two lines.

Chirag: And can you break it up between the two lines?

Anurag Jain: So, two lines are equal.

Chirag: No, I meant between not the two lines of 5,500 each, I meant between sulphuric acid external sales as well.

Anurag Jain: Sulphuric acid should be around another Rs.25 to Rs.24 crores

Chirag: So, total potential is 170 Crores is that the correct understanding?

Akshat Goenka: So, basically what we are saying is that line one should give around Rs. 70 Crores and sulphuric acid should be another Rs. 20 to 25 Crores and then line two should give another Rs. 70 Crores.

Chirag: Got it, that is great. The second question is in terms of growth last few years has been on the lower side, so you have grown five years CAGR revenue at 4% and in three years at around 5% and we understand that there are opportunities even in insoluble sulphur, but we also recognized the company has looked at within chemicals outside of insoluble sulphur and any thoughts on that and if you could maybe just comment on that, it will be helpful?

Akshat Goenka: Chirag, thanks for the question, so we did review various things outside insoluble sulphur, but none of them in a related space fructified and we dropped the idea of doing anything in the related space. Now the question then comes is are we going to do something in an unrelated space and frankly as per our internal deliberations and discussions right now, we are not poised to do anything in a totally unrelated space.

Chirag: You are ppose or unappose?

Akshat Goenka: No, we are right now not keen on venturing into an unrelated space

Chirag: And going back to earlier question when do you expect to achieve full utilization of both line?

Akshat Goenka: So, the first line the hope would be in the next financial year depending on how the growth rates are and how many approvals come.

Chirag: End of FY2023?

Akshat Goenka: Correct, by the end of calendar year 2022 and early calendar year 2023 is when we expect to achieve full utilization for the current line and I think it is a bit early to talk about when we expect to achieve full utilization of the next line because we are going to review the scenario in September and October that is when a lot of approvals and orders are supposed to come in for calendar year 2022, so now as everything comes in smoothly and we have very good visibility from the current line that is when we will pull the trigger to expand the other line and then that would basically be commissioned by March-April 2023 assuming w started at the end of this year and then that would take its own few months to ramp up.

Chirag: Sure, could you speak about the alternative investments what are they in right at the moment?

Akshat Goenka: Sorry, please repeat.

Chirag: You have mentioned alternative investments I think 60 Crores odd, so what is the format and in which funds, what type of funds we have invested in?

Akshat Goenka: So, I can speak about it when our annual report is published in the next few weeks, all the data as on March 31, 2021, which is around Rs.60 Crores odd along with commitments But these are various I would say a lot of opportunistic investments that have come about as well as some focused ones, would you like me to go through each one right now?

Chirag: The meaningful one should be helpful, Sir, at the commitment of 30 Crores what are the larger investments?

Akshat Goenka: So the larger ones out of the commitment of 60 Crores would be funds like fireside ventures, funds like India quotient and some high yield debt funds which are doing very well.

Chirag: These are all either high yield private equity or some form of equity funds?

Akshat Goenka: Correct, there is no public markets firstly, there is nothing in public markets, now if you want some other marquee names that you are familiar with which has actually given a steller return on paper is Sharechat that has been in the news recently, we have gotten at a very good valuation that has already gone to 2x to 3X in six months similarly things like Blue tokai and bira have doubled in six months from when we invested,.

Chirag: These are directed invested in the company, for example you have invested directly into the company not via a fund?

Akshat Goenka: Chirag, did you catch my entire answer?

Chirag: No, I got part of it, but my question followup to that was to companies you would have invested directly not through a fund?

Akshat Goenka: Correct, so the large investments would be through funds, smaller cheques would be direct.

Chirag: Sure, and this is a Rs.30 Crores investment at present with the additional Rs.30 Crores commitment?

Akshat Goenka: That is correct and also the reason for that is because as you know in the fund structure you make a commitment which is drawn down over four years.

Chirag: Understood, and my followup is that obviously our base business is manufacturing entity and our payout is still extremely low despite the fact that you have paid Rs.14, the payout percentage of profit remains very low and hence wanted to understand the rationale, we understand this commitment of Rs.60 Crores has already been made, but the comment that you will go up to 25% of net worth and last year's net worth will take you to around 100 Crores investment, so the justification for increasing investments further from here is what we would like to understand when the payout ratio is lower and is as it is.

Akshat Goenka: Look it is a valid point, I would say that one has to look at it from a point of view of returning money to shareholders versus earning a good return for shareholders.

Chirag: We would look certainly I think all minority shareholders these kind of investment we understand the commitment of Rs.60 Crores, but we would look to see that any investment above the Rs.60 Crores is done in an individual capacity, so you can payout the money as a dividend and then individually promoters can do that in their own individual capacity because the shareholders we are keen to invest in Oriental Carbon, we are necessarily keen to participate in others, so I would urge management to think about restricting this investment to Rs.60 Crores and not enhancing it to 20% of net worth, which is a very, very substantial number in our minds.

Akshat Goenka: I think it is fair enough and the point well taken Chirag and I made a note of it.

Chirag: Sure, the last question I had was I believe Eastman has sold out their insoluble sulphur business to One Rock Capital so do you see any impact of that?

Akshat Goenka: Yes, this is certainly there, they have sold it out. I believe the price that is being declared is around $725 million, impact on that I think it is too soon to say how it is going to shake out, as the deal has not closed,. It is expected to close in the next few months and then we have to see what happens in the market with that. I think the deal value certainly seems quite less to me if I had to say that.

Chirag: Do have idea in terms of what would be the revenue or profitability of the business sold because I know it is not just insoluble sulphur that also includes something else?

Akshat Goenka: We do not have the exact figures, but if I had to make a wild guess this seems to be in a EBITDA multiple of maybe 6 to 8 you know somewhere in those single digit regions.

Chirag: Sure, thank you very much and all the best for the coming year.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Thanks for the opportunity. Most of the questions have been answered, just a couple of small things, what will be cost of debt currently and you mentioned that our capacity of 11,000 is coming and Sunshine is coming up with 30,000 tonnes. what would be the current global capacity?

Anurag Jain: The cost of debt would be somewhere at an average of about 7.2% to 7.4% and as far as global capacities are concerned they should be around ~300000 tons.

Dixit Doshi: And one more thing the last time you mentioned that this 41,000 tonnes of capacity is coming between OCCL and Sunshine, but there is some reduction also going to happen in one of the Japanese plant and Eastman plant, so post this expansion do you think that reduction will happen in the deal of Eastman, and we are looking for shutting down the plant or it may not happen?

Anurag Jain: I think the Japanese plant has already happened, but we do not know what will happen in future because it has already been taken up by so it will not be right to speculate just now what steps they will take with that company in the near future.

Dixit Doshi: Okay, thanks. That is it from my side.

Moderator: Thank you. The next question is from the line of Avishek Datt from Prabhudas Lilladher. Please go ahead.

Avishek Datt: Sir, I just wanted to know has there been any significant disruption in the month of April and May and how is it looking like in the current month?

Anurag Jain: Yes, there has been an impact on sales especially in the month of May, which is going to continue in June. April was okay, but in May there was a reduction in demand especially in the domestic market and that reduction continues in the month of June. But we hope that with everything opening up and the auto companies now started to manufacture again, it should again ramp up from July onwards.

Avishek Datt: Okay, just in percentage term from Q4 levels what would be the impact just ballpark, what kind of down set will there be in month of May?

Anurag Jain: Further reduction and the price will not be able to catch 10% because we do not discuss the quantities here. Okay, I will tell you in the domestic market there has been a reduction of more than 20%.

Avishek Datt: Sir, on raw materials side is pricing still rising or has there been some softening because there has been softening in prices of other chemical products also?

Anurag Jain: No, unfortunately in our case what has happened is we attained stability in the last three months, but we do not see any softening as of now, so they have been increasing for the six months till April and now they have been more or less stable since then, but we have not seen any softening. We were expecting some softening in the month of May or June, but unfortunately it did not happen till now.

Avishek Datt: Thank you so much.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Thanks for the opportunity. Sir, pardon for my limited knowledge in terms of our capacity expansion these have happened at the 5,500 metric tonnes on a consistent basis is there any thumb rules to this, since we have reached at a level where the growth probably will reach relatively faster again then why are we going at just 5,500 tonnes of two line instead going in for a little higher expansion which can probably give us the benefits of scale, thank you?

Anurag Jain: No, the only thumb rule is that you know our lines are designed this way that one line have approximate capacity of 5,500 so these are the lines that we keep adding one by one, there is no other thumb rule on that in terms of demand, etc.. We have seen if the demand is more or less we can pace the lines accordingly to meet the demand.

Rohit Nagraj: Right, but as I can see historically every after a couple of years we have seen that there has been a capacity addition so is it not possible to do it at one go instead of going it on a yearly basis, which would probably be good in terms of benefit of scale so instead of having the 11,000 tonnes capacity directly going for maybe a 22,000 tonnes capacity, which can give us those kind of benefit?

Anurag Jain: When we buy the land, we do the schedule work etc. and commonly utilities are set up for to make 11,000 tonnes. So that is why whenever we do the capex the first phase is much more expensive than the second phase because in the second phase only the line comes in, the common utility etc., is done in the phase itself.

Rohit Nagraj: Right and generally how much time does it take to put up a line?

Anurag Jain: So, it takes around 18 months for a line to come up.

Rohit Nagraj: Right, so we have to plan probably a couple of years in advance if we gauge back there would be certainly a demand increase?

Anurag Jain: Again, you would like to see that you have 2 years ahead and then put up a plant.

Rohit Nagraj: Correct and you explained in the earlier answer that we expect that sometimes in mid 2024, we see the incremental capacity utilization being absorbed at the optimal level so effectively it seems that every single year we will have to add another 5,500 tonnes of line?

Anurag Jain: It depends on the growth, what growth we see in future, so based on that we have to time our expansion. We have to take into account what is the market growth that we are anticipating and possibly the time to expansion.

Rohit Nagraj: Right and just a small clarification so maybe sometime in 2017, what was the cost to put up 5,500 tonnes of line and what has it been now just to understand what has been the price inflation in terms of the equipments and the capital expenditure?

Akshat Goenka: So, when we started off the expansion there was not much inflation at all. Thankfully, a lot of equipment and expenditure was done before COVID. Lot of the commitments were made, after this COVID has come and it is going through the roof. There has been massive inflation maybe even 30% just the last one year. But we feel protected from a major part of it because we had our orders before COVID.

Rohit Nagraj: Sure, that understood. Thanks a lot and best of luck, Sir.

Moderator: Thank you. The next question is from the line of Niraj Mansingka from White Pine Investment Management. Please go ahead.

Niraj Mansingka: Sir, just wanted to know how Duncan Engineering doing and what your thoughts on it going ahead and how you see the investments going there and how is the business there, If you could give some more color on that?

Akshat Goenka: The line was not very clear, but basically what you are asking is how Duncan engineering is doing and what the way forward is, am I correct?

Niraj Mansingka: Yes, Sir.

Akshat Goenka: So, Duncan Engineering performance continues to improve as is evident from its numbers. The cash position also keeps improving and last year we beefed up the team, we got new people in engineering and procurement and all these kinds of areas and now growth for that company will come from new products, and new approvals, , so we are working towards that

Niraj Mansingka: Can you give more colour on whether you are planning to invest the money in the firm?

Akshat Goenka: We are not planing on investing more money from here that I can tell you.

Niraj Mansingka: Okay and long-term prospects of having this business as your core business or ultimately sale off or hive off?

Akshat Goenka: When that is decided you will be the first to know.

Niraj Mansingka: The reason I am asking is because sometime back that you just mentioned that your are not having much ideas of investment, you are going to enter to unrelated space, but this is space you have presence so that is why I was wondering?

Akshat Goenka: No, there is nothing on the table to invest further over there right now.

Niraj Mansingka: Thank you very much.

Moderator: Thank you. The next question is from the line of Shiv Chanani from Elara Capital. Please go ahead.

Shiv Chanani: Good afternoon, Sir and thanks for the opportunity. Sir, just wanted to have your view on how do you see Oriental Carbon let us say over a five year time frame the reason I am asking this question is that you know clearly let us say once the new capacity is on stream you know the company will be generating anywhere between Rs.150 Crores to Rs. 200 Crores kind of an EBITDA number I mean depending on cycle and whole lot of other things, but which will sort of you know make it self sufficient in terms of the new expansions going forward. So how do we see Oriental Carbon, is this a company which grows along with the underlying industry growth, which generally just single digit kind of a number and hence consequently throws out a lot of cash and of course the management takes a call on how and where to deploy that cash or there are some other thoughts around it so if you can just give me a colour like how should we look at this company over a five year period?

Akshat Goenka: So, right now we are basically focused on selling out the capacity that is going to come on stream and if we look at our overall tonnage numbers that we sold in year ended March 31, 2021 gone by and if you look at the potential capacity that we will have three years from now, there is still a huge, huge delta to cover and covering that delta on its own is also going to give a lot of growth. beyond that we have not thought of anything else, so if you had to push me to pick one of the two options that you suggested, then the first option is the company grows with the underlying growth and throws up cash.

Shiv Chanani: Right and again I mean a follow up to that is and again which is probably an extension of what Chirag asked earlier, I mean is the company at some point of time going to decide on its capital allocation policy and say that we are going to payout this much as a percentage of profits to the shareholders, which can be a mix of dividend and buyback and this is a kind of cash we are going to deploy in surplus investments?

Akshat Goenka: No, I think that is a fair point that Chirag has raised and now that you followed up upon, sooner rather than later it appears we will have to chalk out a policy and come out with that for the shareholders.

Shiv Chanani: Sure, fair enough. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Apurva Mehta from AM Investments. Please go ahead.

Apurva Mehta: Sir, just wanted to ask for this new capacity what will be the timeline for this capacity that we can ramp up if it starts in October? will it be in a months' time or two months time if the demand is there or it will take some time to ramp up?

Anurag Jain: What Akshat has also pointed out that once it starts in October we hope to ramp up substantial part of it by 2022 when the anticipated orders should flow in for the next year, so the dispatches of that should start from November, December for exports or January.

Apurva Mehta: And on the customer front you know you are telling we will be ramping up and exporting more to US, are we still in place and getting new customers from the US, or what is your take on that?

Anurag Jain: Yes, we are looking at new customers from US, but not new customers globally, most of them would be plants of the customers where we supply also, but not in US, so that will be there.

Apurva Mehta: And a request to the management to think about giving dividend, which is taxable very high now a days for HNI kind of thing and everybody. So it is better to have a buyback kind of a thing which will be sustainable that the management having 51% to 52% kind of volume, would that can also be up or in the management part it is in that same buyback and the company is still trading at very reasonable or a fair value kind of thing, so it is better to have a buyback kind of thing that would be more tax friendly also.

Anurag Jain: Okay, we have noted what you have said.

Apurva Mehta: Thanks a lot.

Moderator: Thank you. The next question is from the line of Rajat Setiya from I Thought Financial Consulting. Please go ahead.

Rajat Setiya: Thanks for the opportunity. Sir, my first question is what will be the blended tax rate after the new capacity comes in line?

Anurag Jain: Are you talking about tax rate after the new capacity?

Rajat Setiya: Correct, from the new line.

Anurag Jain: Tax rate applicable to now is 25% plus surcharge so that is the rate, which will be applicable to us. So obviously we have some MAT carry forward so the outflow would be on MAT basis only.

Rajat Setiya: So, which is around 22%?

Anurag Jain: That will be around 18%.

Rajat Setiya: Sir, my second question is about the capacity expansion so what we have done with the ongoing Brownfield capex is there room to grow in a Brownfield manner after this?

Anurag Jain: I did not get your question, there is no room to grow Brownfield after this.

Rajat Setiya: And just after a couple of year you decide to grow in a greenfield manner, so the kind of cost difference that comes so today we are spending around Rs.220 Crores for 11,000 tons so what kind of capex can it take for the similar capacity in greenfield?

Anurag Jain: I think in today's prices for greenfield at Rs.220 crores would ballpark become ~ Rs.300 crores or more.

Rajat Setiya: You have committed that so are there IRR at that cost?

Akshat Goenka: There is no payback for greenfield today for anybody.

Rajat Setiya: Okay, how do we envisage the supply scenario for in our capacity and all after five years, if there is no payback then are we not going to grow after five years?

Akshat Goenka: That bridge will have to be crossed when we reach there, today situation is what it is, today situation is 47,000 tonnes Brownfield expansion and greenfield expansion is not viable.

Rajat Setiya: I appreciate. Thank you so much.

Moderator: Thank you. The next followup question is from the line of Pritesh Chheda From Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Just I have one followup in the quarter gone by which is the current quarter, were our plants operating or they were shut for some days?

Anurag Jain: No, the plants were not totally shut for any days, so they were operating at a lower capacity because of the fall in demand, but they were operating, we took shutdowns more because demand went down right, so we did not run plants at that time.

Ritesh Chheda: So, plant was un-operational for how many days in the quarter?

Anurag Jain: We took shutdown of lines, the plants were operational.

Ritesh Chheda: Understood and for us the export should have been done, we have been doing well right?

Anurag Jain: Yes, the exports did well in April, there is a slight decrease in the month of May and June, hopefully it should come back in July, the decrease has been more remarkable in the domestic market.

Ritesh Chheda: Thank you, Sir.

Moderator: Thank you. Due to the time constraint 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 Advisor our investor relations advisor. Thank you once again, take care.

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