

# *Oriental Aromatics*

Ref: OAL/BSE/NSE/99/2024-25

19<sup>th</sup> November, 2024

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 11<sup>th</sup> November, 2024, intimating about the conference call with the Institutional Investors/Analysts on Thursday, 14<sup>th</sup> November, 2024 at 01.00 p.m. to discuss the Financial Performance of the Company for the quarter and half year ended 30<sup>th</sup> September, 2024, 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](http://www.orientalaromatics.com)

Kindly take the information on your record.

Thanking you,

Yours Faithfully

**For Oriental Aromatics Limited**

**Dharmil A. Bodani**

**Chairman & Managing Director**

**DIN: 00618333**

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**Oriental Aromatics Limited**  
**Oriental Aromatics Limited Q2 H1 FY'25 Earnings Conference Call**  
**November 14, 2024**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Oriental Aromatics Limited Q2 and H1 FY'25 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 Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you, ma'am.

**Purvangi Jain:** Good afternoon everyone and a warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent 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 Call for the 2nd Quarter of the financial year 2025. Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature, such forward-looking statements are subject to risk 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 the 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 call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. Now let me introduce you to the management participating with us in today's earnings call and hand it over to them for their opening remarks.

We have with us Mr. Dharmil Bodani – Chairman and Managing Director, Mr. Shyamal Bodani – Executive Director, Mr. Girish Khandelwal – Chief Financial Officer, Mr. Parag Satoskar – Chief Executive Officer and Ms. Kiranpreet Gill – Company Secretary.

Without any delay, I request Mr. Dharmil Bodani to start with his opening remarks. Thank you and over to you, sir.

**Dharmil Bodani:** Thank you, Purvangi. Good afternoon everybody. It is a pleasure to welcome you to the Earnings Conference Call to discuss the results of the first half and of the financial year 2025.

Our Executive Director, Mr. Shyamal Bodani, shall be briefing you all on the operational highlights for the past quarter, after which our CFO, Mr. Girish Khandelwal, will brief you on the financial highlights.

Over to you, Shyamal. Thank you.

**Shyamal Bodani:**

Thank you, Dharmil. Good afternoon, everyone. It is a pleasure to welcome you to the Earnings Conference Call to discuss the results of the first half of the financial year 2024-25. The second quarter of every year is a time of celebration as our country enjoys the Indian monsoon and prepares for the festive season. This year was no exception. With a favorable monsoon and increased demand across various sectors, our sales have seen growth across all three verticals. In our previous investor call, we highlighted the steady growth we were experiencing. I am pleased to report that the company has continued this momentum, achieving increase in both production and sales across the verticals compared to the preceding quarter of Q2 of last year. Our sales for this quarter marked a 6% increase quarter-on-quarter and remained consistent on year-on-year basis. Our production has also shown positive growth at 15% increase quarter-to-quarter and a 23% increase year-on-year.

EBITDA for the quarter has shown a substantial improvement and resulted in 12.08% as compared to 10.29% on quarter-to-quarter and 4.8% on year-on-year. The Camphor and Terpene Chemical Division performed historically well in Q2, mainly due to robust sales and better realization. The first half of the year in our Speciality Aroma Ingredients Division also showed good performance, recording double-digit growth in both production and sales compared to year-on-year basis.

The sales forecasted for this division remains strong and we are encouraged by the demand outlook for H1 2025. The Fragrance Division continues its growth trajectory driven by new customer acquisitions in India and international markets. Existing customers, both domestic and international, have shown healthy growth.

Notably, smaller and regional customers have also contributed significantly, underscoring the resilience of the India growth and consumption story. On the CAPEX front, the contribution of our hydrogenation plant at our Vadodara Facility that commenced production in July 2024 is expected to support the top line going forward. We have currently achieved approximately 30% production capacity of the planned capacity only in our third month of operation. The onboarding of RFQ customers is expected to be in H2 2025.

In the meantime, there is substantial interest for hydrogenation products shown by our global distributors and our spot customers, to whom we have already started commercial sales. We are also happy to announce that on the 12th of November 2024, we commenced commercial production at our Greenfield site located in Mahad, Maharashtra, dedicated towards production of a speciality aroma ingredient called Evermoss. This project will be a significant

driver for the company's future growth, supporting our mission to deliver complex and high quality products.

With this, I will hand over to our CFO, Mr. Girish Khandelwal. Girish, go ahead.

**Girish Khandelwal:**

Thank you very much, Shyamal. I would like to welcome you all to the conference call. Let me first take you through our consolidated performance for the quarter.

The operating revenue for the quarter was INR 237 crores, which increased by approximately 4% on a year-on-year basis. EBITDA was reported at INR 29 crores, which increased by 160% year-on-year. EBITDA margins stood at 12.08%. Net profit was reported at INR 15 crores, which has increased more than 500% on a year-on-year basis, with PAT margins at 6.25%. Now coming to the first half of FY25 performance on a consolidated basis. The operating revenue was reported at INR 453 crores, representing an increase of 7% year-on-year. EBITDA stood at INR 51 crores for the period, which has grown more than 300% year-on-year. EBITDA margins for the period stood at 11.2%, vis-à-vis 2.84% in H1 FY24. Net profit stood at INR 26 crores, vis-à-vis a net loss of INR 4 crores in the corresponding period of the previous year, with pet margins reported at 5.70%. Lastly, the net debt-to-equity ratio stood at 0.35% as on 30 September 2024, and cash profit stood at INR 36 crores. With this, we can now open the floor for question and answer session. Thank you. Over to you, Manav.

**Moderator:**

Thank you, sir. We will now begin the question and answer session. We have our first question from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

**Ankit Gupta:**

If you can elaborate on how is the demand scenario currently, along with there were some issues earlier on inventory, de-stocking, as well as oversupply from China. So, overall industry scenario, both on aroma, camphor and flavor and fragrance, if you can give a broad view of how the industry is doing, both from demand as well as supply side.

**Dharmil Bodani:**

Good afternoon, Ankit. So, as we have mentioned in the opening speech, I think all the 3 verticals that we currently operate on seem to show a steady performance where there is a good balance between the demand as well as supply and if you look at, as we have highlighted in our Fragrance and Flavor division, we have seen acquisition of new customers and the old customers showing growth in the products that they are buying and new product launches. On the Speciality Aroma Ingredients vertical, with the advent of the hydrogenation products and a steady state in terms of availability as well as demand for the specialty aroma ingredient division. I think overall we see that the demand and the supply situation seems to be very stable. We are still a bit cautious on the camphor and the terpene chemical side, where we still have some price pressures and we will see how it evolves going forward.

**Ankit Gupta:**

Sure and my second question was on the EBITDA margin. This is the second quarter in a row where we have seen double digit kind of margin and prior to the last 2-3 years, because of the

issues that the industry went through, do you think given how the industry scenario is currently, we can sooner or later come back to our old margins of around 15% if not more?

**Dharmil Bodani:** Okay, no problem. So I will take that question on his behalf. I think we have probably gone through the worst and I think the situation has stabilized reasonably. As much as we are cautious, we would still stay between the guidance that we have given of 10-12% considering the fact that we have 2 new plants that have already been commissioned. So we are going to just stay with the 10-12% for now and going forward, I don't want to commit. I would just like to stay with this for now.

**Ankit Gupta:** Sure. The last question was on the kind of revenue that we can generate from all the expansions that we have done. So this Vadodara Hydrogenation Plant is operating at 30% capacity. Plus, your hard will start contributing hopefully from Q4 of this financial year, maybe Q1 of this financial year. So on an aggregate basis, once both these hydrogenation plant in Vadodara and Mahad side ramps up to 70-80% capacity, can we touch 1300-1400 crore kind of runrate?

**Parag Satoskar:** So Ankit, primarily if you look at broadly whenever we have a Brownfield Project, we always say that the top line expected, with a 500-day lag, because we are in generic material and it takes a year, year and a half for us to kind of get all the approvals, is anywhere between 1.5 to 1.7 on a cautious approach and for a greenfield, we are looking at anywhere between 1 to 1.2. I think if you add Vadodara, if you add Mahad, and if you add the process reengineering and the growth that we will experience in our current set of products, I think we shouldn't be surprised to probably see an addition of anywhere between 250 to 300 crores in the next R: years to the top line.

**Moderator:** Thank you. We have our next question from the line of Kaustav Bubna from BMSPL Capital. Please go ahead.

**Kaustav Bubna:** So mainly I have two questions. The first one is on this on these capacities which have been recently commissioned, one Greenfield which has been recently commissioned. I understand you just gave some sort of a revenue estimate for the next 2-3 years, what these capacities can do if they reach optimal utilization. But what about the second half, I mean, how much – I am just trying to understand how a second half could potentially turn out. So how much incremental revenue, apart from the normal business, how much incremental revenue do you think you can see from this plan that has been commissioned in the second half?

**Parag Satoskar:** So without actually getting into the numbers, I can say that we are with our existing set of businesses across the 2 verticals, which is the fragrance, flavors, and the aroma ingredients verticals. We are seeing that it's going to be a healthy growth of anywhere between 5 to 10 percent. On the camphor side, since it's a cyclical product, we need to kind of wait and watch what happens in the off-season. So we will kind of update you by the end of next quarter and

when we are looking at the contribution of the newer products coming from the hydrogenation facility and the mark facility, we are still kind of at the beginning of our commercial transactions with our customers. I can only say that the feedback is pretty positive, and we should be in a position to close commercial sales. But I wouldn't really get into the numbers there because we are still in the process of having those conversations.

**Kaustav Bubna:**

So, the second question was related to the camphor business. You just spoke about how you're not sure about camphor margin performance because of the seasonality of the product. So I wanted to understand two things. Firstly, you know, if you look at your competitors' numbers, who is mainly camphor, they have posted quite good turnaround in margin performance in the first half, which kind of indicates that, I don't know what it really indicates, but that camphor prices are probably stabilized. So could you explain where camphor yields are now versus what it was in the first half of the previous year, and what the exact situation is and also, if you're talking about camphor being seasonal, so will that affect our margin guidance for the second half overall as a company? Should we expect lower margins?

**Parag Satoskar:**

So to answer your first part of the question, I mean, I can only speak for ourselves and I can definitely tell you that the camphor and the terpene chemical space continues to be under a price pressure, multiple reasons, point number one. Point number two, I mean, we would like to be cautiously optimistic about the guidance that we give on EBITDA and although we have had 2 good quarters, but we still maintain, our expectations of EBITDA to stay between 10% to 12%, because we have a lot of brand new plants that are coming with brand new products, and they take time to stabilize and get accepted. So we would like to be cautiously optimistic for the whole business. The camphor and the terpene chemicals definitely stay under pressure. The camphor in the religious space is a cyclical product, and our guidance for EBITDA stays between 10% to 12%.

**Kaustav Bubna:**

And the last question I had was your current depreciation is around 5 crores a quarter. So with these new plants coming in, what will that number go to? What depreciation number should we expect in FY'26?

**Dharmil Bodani:**

Girish, you want to answer this, or you can probably, you know, you can send us an email to Anuj's team and we can respond to that.

**Girish Khandelwal:**

Parag, it will be 6.5 to 7 crores a quarter.

**Moderator:**

Thank you. The next question is from the line of Dhruva Patel from Dhruva LLP. Please go ahead.

**Dhruva Patel:**

I just wanted to ask that we talked about some kind of a revenue growth in this quarter and then the following quarter. So I can see that in quarter-on-quarter we have a 10% sales growth,

but year-on-year we have not grown much. So your guidance was regarding the year-on-year numbers or the quarter-on-quarter numbers? That's what I wanted to ask.

**Girish Khandelwal:** Yes, so our guidance was for the yearly numbers and this growth he is talking about the sales growth, it is there, but on year on year because our corresponding period in June quarter it was weak and our first quarter was weak. That is why it is showing low.

**Dhruva Patel:** Okay, right. And do you expect the camphor prices to stabilize or go down or like, what do you expect from the camphor prices specifically?

**Parag Satoskar:** So I think it is a market which is governed by demand and supply. Like I said that inherently the demand supply situation on the camphor piece stays a bit tricky and once we get into the off-season you probably would have some level of negativity coming in terms of pricing. So we will have to wait and watch, but I wouldn't be able to comment exactly on what would happen.

**Moderator:** Thank you. We have our next question from the line of Saket, an individual investor. Please go ahead.

**Saket:** Thanks for the opportunity and again congratulations to the team on a good performance and belated wishes for the festive season. So this was pertaining to this upcoming Greenfield expansion. So you have talked about this. It's a single chemical ingredient, so Evermoss AB20018.

Now if I look at the expectation that we have set, so basically at 160 crores we could look at, say, 160 to 200 crores from this molecule itself. So can you talk us through a bit about molecules? Are we the only supplier because it seems 200 crores seems to be big both at a company level as well as from a molecule level. So what are the used cases and assuming that we are largely into generic products only. So are we making it for a particular client or is it backed by purchase order for multiple clients? So something if you can share about this molecule.

**Parag Satoskar:** So, Saket, if you look at the Greenfield project at Mahad and the investment that has been done, the investment probably has two elements. You know, one element is the overall development of the plot because the plot is a substantially large plot and we have just taken a part. So primarily if you look at the investment that has been done, I think close to anywhere between 50% to 55% of the investment has been done towards development of the plot, towards establishment of the basic infrastructure and a utility block, which can be further used for multiple plants. So if you look at the actual investment done for this product that amounts to anywhere between 70 to 75 crores and from a demand perspective, I think it is a generic material which finds wide application across fragrance applications. So we are pretty confident, like we are with all of our new product launches that we will be able to, in the first 500 days, get substantial share of the global market in this product.

**Saket:** Okay. Fair point. Now, another question that I have. So if I look at, say, hydrogenation and both this new molecule, is it safe to assume that these would be higher in terms of EBITDA margin vis-a-vis, say, the overall company, which was, say, 14 to 17 in a more stable environment? I know currently you are guiding for 10 to 12, but will this to be margin accretive, higher than normal?

**Parag Satoskar:** So if you look at the overall product mix, hydrogenation plus smart plus our existing products, I think it kind of gives us a very interesting global role across a wide range of products. I mean, that's the ultimate objective that we have. I mean, to really offer a basket of products to our customers globally and so, yes, I mean, when I say that whenever we select a product, we ensure that it kind of fulfills the basic EBITDA requirement over a longer period of time, depending on the competitive landscape. But as we move on as we supply a basket of products to our customers globally, I think we become a little more important because of the ability to give a wide range of products and that will help us kind of look at profitability in a more macro sense rather than micro product wise.

**Saket:** Fair point. If I look at, say, relative ranking of the margins for the 3 divisions, how would they rank up? Is it like Aroma had the best margin and Camphor the lowest and Speciality somewhere in between? How would that stack up for Q2 only?

**Dharmil Bodani:** So, basically what happens is it's all interlinked. So, if the chemical prices continue to go down, you will see an improvement of margin in the fragrance business or the flavor business. So, there is no fixed rule of which one contributes what. It depends on the quarter. Parag, anything else you want to add?

**Parag Satoskar:** No, I think that's what I was going to probably tell him that for us, since we are backward integrated, it kind of acts as a, I wouldn't say a hedge, but we have this internal rearrangement that happens on profitability depending on which area of the business is under pressure on price.

**Moderator:** Thank you. We have our next question from the line of Rohit Nagraj from Centrum Broking. Please, go ahead.

**Rohit Nagraj:** Sir, first question is about the exports market. So, what are you, I mean, we are gauging from the exports market in terms of all the 3 segments. How has been the demand environment? How has been the inventory situation and based on our dialogue with customers, how do we foresee that whether we have bottomed out and the demand is picking up strongly in certain segments or it is growing gradually? Thank you.

**Parag Satoskar:** So, you know, if we look at overall the demand scenario, broadly we can very comfortably say that the whole discussion on destocking and reduced demand probably has come to an end definitely in H2 2024. Going forward, unless there are no global shocks to any of the major



economies, I think we will see a steady demand for most of the products that we sell on the ingredient side and if you look on the fragrance and flavor side we continue to grow and we continue to grow by acquiring new customers and when they grow with new product launches, etc., we grow along with them and we are seeing that product launches after a gap of a year or so are now also happening at a relatively fast pace. So, I think there is good situation in terms of demand on the 2 divisions. On the camphor side, it's seasonal. So, we have had a good, I mean, the season went off very well. We will now see what happens to the demand in the off-season.

**Rohit Nagraj:** So, just one clarification. The inventory rationalization, is it largely over now and the fresh orders have started coming back to normal growth rates have started coming?

**Parag Satoskar:** Yes. I mean, we've seen, I mean, we have already had multiple rounds of conversations about H1 2025 demand from our RFQ customers and we see the numbers pretty healthy for the requirement of H1 2025.

**Rohit Nagraj:** And second question, in our presentation, we have also said that most raw material prices have been stable or showing some signs of marginal price increases. So, for the next set of RFQs, are we more or less protected in terms of the raw material price increase if they happen even in gradual cases or will there be a lead lag impact in terms of passing on those price increases? Thank you.

**Parag Satoskar:** So, I think when we, because the exposure is, I mean, when we look at the fragrance and flavor business, the palette is close to 2,000 materials and when we look at even our aroma ingredients, it's a basket of more than 60, 70 materials that we actively commercially offer. You can't really go very micro, but broadly we can say that there seems to be, there seems to be a stability. We are always going to have some situations where some of the raw materials are unusually high or unusually low. But, but it is safe to say that everything looks stable in terms of inventory, in terms of availability and in terms of pricing on the raw material side.

**Dharmil Bodani:** Yeah and just to add to that, we will have to also consider the outlook on the Indian rupee.

**Moderator:** Thank you. We have our next question from the line of Aniket Kulkarni from BMSPL Capital. Please go ahead.

**Aniket Kulkarni:** So, I have a question regarding the camphor market. So, Trump is speaking about imposing stricter tariffs on China. So, if you can tell me how much camphor does China sell to the US and does the current pricing levels indicate any sort of dumping of camphor by China in the US market and how much of camphor do we export to the US and if there is increased scrutiny of exports, can we benefit from the same?

**Parag Satoskar:** So, I think if I have understood your question correctly, I mean, to the best of our knowledge, the United States market is not a major consumer of camphor per se. We can very gladly say that we have a sizable position of whatever camphor is sold there in the healthcare space and definitely, like you mentioned, if there are any opportunities because of a review in the relationships, I mean, I am sure whichever country can benefit from it would be able to benefit from it. But I think that's purely speculative for now.

**Aniket Kulkarni:** So, in this medical camphor space, can you tell me how much is the presence of Chinese players in which we are present?

**Parag Satoskar:** So, I think in the healthcare space globally, there are players from other countries who are active in selling there. But I think certain advantages in terms of regulatory certifications that we have kind of help us in having a much better position with the customers globally.

**Moderator:** Thank you. We have our next question from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

**Ankit Gupta:** Just some clarification, the addition depreciation which will come from the Mahad plant will be around 5-6 crores per quarter is what we have stated?

**Parag Satoskar:** Per year.

**Ankit Gupta:** Okay and it will start coming from, let's say, Q4 of this financial year?

**Parag Satoskar:** Yeah.

**Ankit Gupta:** Sure and my second question was on Mahad is in the first phase of expansion. Any timeline that you can give from where we can start the next phase of expansion or it's too early to say anything?

**Parag Satoskar:** I think currently we probably will stick to the product portfolio and the expansion that we have already announced and if there is anything that comes up, we'll definitely be informing the investor community.

**Moderator:** That would be the last question for today and I now hand the conference over to Mr. Dharmil Bodani from Oriental Aromatics Limited for closing comments. Over to you, sir.

**Dharmil Bodani:** Thank you for participating in this earnings conference call. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, we would be happy to address the same. We are thankful to all our investors who continue to stand by us and also have shown confidence in the company's future growth plans. And with this, I wish everyone a great evening. Thank you.

**Moderator:**

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