INDIA GLYCOLS LIMITED

SYSTEM CERTIFICATION
DNV GL
ISO 9001
ISO 14001; ISO 45001;
ISO 50001

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18th August, 2022

The Manager (Listing)
BSE Limited
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Scrip Code: 500201

The Manager (Listing)
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (East)
Mumbai – 400 051

Symbol: INDIAGLYCO

Dear Sirs,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Q1FY23 Results Conference Call

Further to our letters dated 9th and 12th August, 2022 and pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Results Conference Call for Q1FY23 held on Friday, 12th August, 2022 is attached.

The same is also being hosted on the Company's website at www.indiaglycols.com.

This is for your information and records please.

Thanking you,

Yours truly,
For **India Glycols Limited**

Ankur Jain
Head (Legal) & Company Secretary

Encl: A/a

"India Glycols Limited Q1 FY 23 Results Conference Call"

August 12, 2022

MANAGEMENT:	**MR. RUPARK SARSWAT - CHIEF EXECUTIVE OFFICER** **MR. ANAND SINGHAL - CHIEF FINANCIAL OFFICER** **MR. SANJEEV GURWARA - PRESIDENT, MARKETING** **MR. SK SHUKLA - HEAD, LIQUOR BUSINESS** **MR. ANKUR JAIN - HEAD LEGAL AND COMPANY SECRETARY**
MODERATOR:	**MR. SANJESH JAIN - ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to India Glycols Limited Q1 Fiscal Year '23 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participants' lines are in listen-only mode and there will be an opportunity for you to ask questions after the presentation completes. Should you need assistance during your conference please signal an operator by pressing '*' and 0. Please note, that this call is being recorded.

I would now like to hand the conference over to Sanjesh Jain. Thank you, and over to you, sir.

Sanjesh Jain: Thank you very much, ma'am. Good afternoon, everyone. Thank you for joining on India Glycols Limited Q1 FY '23 Results Conference Call. We are joined on this call with India Glycols management represented by Mr. Rupark Sarswat, Chief Executive Officer; Mr. Anand Singhal, Chief Financial Officer; Mr. Sanjeev Gurwara, President, Marketing; Mr. SK Shukla, Head, Liquor Business and Mr. Ankur Jain, Head Legal and Company Secretary.

I would like to invite Mr. Rupark Sarswat, to initiate the proceeding with his opening remarks, post which we will have an opportunity to go into Q&A session. Thank you. Over to you, sir.

Rupark Sarswat: Thank you, Sanjesh, and a very good afternoon to everybody. Thank you for joining us for this investor call. Let me take this opportunity to give you a brief overview of how the performance has been, and then we can discuss the questions. Some of my colleagues will also participate in this.

So let me come directly talking to you about the performance numbers. So for Q1 FY '23, we have had a turnover of INR 1,858 crore at a gross level, which is up 0.1% or nearly flat. We have had a net turnover of INR 808 crore, which is down by about 6.6% compared to the same quarter last year. The EBITDA is at INR 69 crore, which is down in reported terms by 12% compared to same quarter last year. And we have had a modest EBITDA margin of 8.4%.

However, it is important to note a few things here, the comparative terms look much more suppressed, because last year we had the EOD business, which was transferred to the joint venture with Clariant. So therefore those numbers are not there in Q1 of this year, which were included in the Q1 of last year, which has therefore affected our net turnover EBITDA negatively. So if I take that apart, what you'll see is that as far as top line is concerned, we've had significant top line growth in all three sectors, which is BSPC or Biobased Specialties and Performance Chemicals, Portable Spirits as well as Ennature Biopharma, and I will touch upon that a little later.

The other thing which has also driven top line growth is the fact that there has been a very sharp escalation of costs which also means that it has helped us get the top line because we've got some price increases, but it has had an adverse impact in the sense that the margin pressures continue, and we will talk about that in a minute. Those are essentially feedstock, energy and freights headwinds that impacted the margins. In terms of high-level highlights, as I said, we've had strong sales growth in all the 3 segments on a like-to-like basis, when I say like-to-like basis, I take the EOD business out. And broadly speaking, there is roughly 18% to 20% increase in the chemical sector, that is again, 25%-26% increase in Ennature Biopharma and there is 30% + increase in the Liquor segment.

One of the things that we were doing in the Ennature Biopharma business was to diversify. The good thing is that whilst we have maintained the Thiocolchicoside leadership position, we've also shown good growth in nicotine, excellent growth in nicotine as another product. And the joint venture performance has broadly been in line with the expectations.

As I mentioned to you, key talking point for us from a performance perspective has been an unprecedented increase in raw material and other cost, which particular have impacted quite significantly. So whilst there has been a fall in the crude prices, there hasn't been a commensurate fall in the ethanol prices, which has also put pressure in terms of our products being competitive in the marketplace, despite the fact that we have certain unique position with respect to our products being biobased. So the energy cost continue to remain very high. I will touch upon that in a minute.

Looking forward, we had mentioned to you that we are installing two grain-based bioethanol plants for our businesses, which means biofuels Biobased Specialties and Performance Chemicals, as well as Portable Spirits, which was 180 KLPD in Kashipur and 110 KLPD in Gorakhpur. Now the installation of the plant has been done. The trials are beings conducted right now and in near future, we will have these plants fully functioning, and we think that medium to longer term these will have very positive impact on our margins and that list of line.

We continue to steady sort of mark in the IMFL space with a few launches like Zumba Lemoni, Amazing Orange etc. Again, looking forward, we had mentioned to you that we are working on building up a new specialties value-added business. We have had a project approved for that. And now the plant for that is right now being erected. We have a good pipeline that we're working on in terms of new specialties. And in fact, though a very small point, it is good from our perspective that even though our new plant is not ready, but our first product, which is in the oilfield space to a major U.S. company is already commercialized and we've started supplies, and this is a significant volume for the year. And we are working on a new product pipeline, across six segments, 20 products, which includes some speciality amines, oilfield products, some plasticizers, green solvent and so on. And as we progress in the direction, we'll keep you posted.

A short in the arm of kind or encouragement for us was that we were awarded together with our customers, Unilever and partner LanzaTech, the ICIS Global Innovation Award in the surfactant space, which is encouraging for us. and so that we look forward to doing more. I was talking to you about commodity price trends, I think it is important that I give you a flavor rather than just say that the prices have been high, so that you understand what has been impacting us, which also means you will also have a better understanding of what we can expect going forward, because prices will not continue to rise further. So if you go back in competitive terms, say let us talk about coal, which is a major part of our cost, product cost and it is a very high part of our cost, see in Q1 2021, on a base of INR 100, the coal prices now are more than double, INR 209, and you are all aware of it. In fact, if you look at what's happening to coal, is that from a price of about INR 5,500 to be per metric ton, if you were to buy, and that is what we are doing, and many others are doing, coal from the private market, it is in excess of INR 15,000 per metric tons. Those are, that is higher than the average that is costing to us.

If you look at ethanol from a base of INR 100, it is up something like 59%. And however, some wrong tails have also started to soften like acetic acid has been coming down. We also see that ethanol in the international market has softened a little bit, and we think that going forward that'll also help us. I had plotted some ethanol price trends in terms of imported ethanol from the U.S. If you look at where our company sits in this business, it is important to understand this, and it'll also give you a better understanding of where we stand.

One of the things which drives ethanol prices locally and our cost, because we have been importing quite a lot is the price of imported ethanol, U.S. being the largest exporter of green based ethanol. So we have continued to buy ethanol at a rate which has been lower consistently than the spot prices because of the timing the way we bought it, which has been good, but there are several factors which has been driving ethanol prices, or whether it's upwards or downwards. Some of the key factors to understand are the fact that U.S. ethanol production is impacted by gas prices, because it is an energy-intensive process and they use gas. And the grain prices, which is wheat and corn prices have also surged due to the Russian invasion, the Ukraine is a big producer of food grains. Many countries continue to focus on blending. You heard recently the targets of 20% and 25% blending by the governments being repeated. There is broadly an expectation of a global slowdown, which we are also seeing for our businesses.

And the expectation is that the demand for industrial ethanol globally is expected to come down in Q4. And the prices we expect will suffer. Some pressure in terms of decrease in rice production in India, may also put some pressure, but still grain-based or rice-based ethanol is going to be much cheaper than imported ethanol for us. Longer term, the general consensus in the world seems to be that the world, particularly the U.S. will move more and more towards EVs rather than ethanol blending, which means that even if it does not happen in India, you will have more and more corn being available for converting to ethanol for other purposes, which will help us get ethanol for sectors like ours at more competitive prices.

You know, it's a very connected world, so it doesn't matter what's happening here. If something big happens in the U.S. that also affects us. The numbers that we are hearing in terms of targets are also like 50% of the vehicles, which is carbon in the U.S. would be on EV say by 2030, which will make a big impact. And so that's broadly in terms of ethanol space. I have also shared with you a chart on freight trends, which helps us understand what the pressures were, but it also helps us understand that, look, these are not going to stay forever. Let me give you an example. So if you look at the freight costs of product that is shipped to U.S. and I have actually calculated it roughly in terms rather than state in terms of dollar per container, which is a little more difficult to interpret, convert it into rupee per kilo of our product.

So the freight cost to the U.S., for example, which was close to INR 7 a kilo in Q1, Q2 of last year is up close to INR 46 a kilo, so what you're seeing is that the freight costs have gone up by a factor of 5 or 6 times which therefore puts a lot of pressure. Now, the good thing is that it seems that the pressures which were there in the freight market have also started to soften and we expect that this will continue to come down in the near future. And the same trends you see for other products in areas where we export, whether it is Shanghai, whether it is Indonesia, Dubai, Houston or Taiwan.

And in terms of how we have done on our market sectors, just high-level commentary, so when we talked about Biobased Specialties and Performance Chemicals, we've seen a top line growth of roughly 20% year-on-year on a like-to-like basis, if I take the EODs out, of course, also driven by price increases, and the fact that costs have gone up. As I said, particularly chemicals has faced a lot of pressure on margins due to the sharp increase in ethanol and utility costs. We've continued to work on a healthy new product development pipeline, I mentioned about it. We've started the work on the Phase 1 of the new specialties unit, which we intend to commission in the first quarter of the next calendar year. And we've also started to commercialize some products, but for us to scale up really, we will have to have the new unit ready.

In the Portable Spirits sales, we've seen a healthy top line growth of something like 36% year-on-year. And I must also mention that while I'm talking about healthy sales numbers, the comparative quarter last year was also a quarter where the demand was under pressure to keep that in context. But margins in Portable Spirits have been impacted due to sharp escalation in cost of ENA, which is a purified version of ethanol, increase in logistics and packaging costs. However, our grain-based plants are in the process of being commissioned. We are taking trial production, that will help us both in terms of feedstock security as well as costs. Another thing that we are keeping a close eye on because we have an interest to participate in this market is the excise policy volatility in Delhi. Let's see how it plays out, but that's something that is not helping the industry overall.

In Ennature Biopharma, which is a smaller segment that we have, again compared to the rather subdued last year that we had in terms of volume growth. We've had a good top line growth about 28%. We've maintained margins. We've diversified it to nicotine, focusing on diversification and we've maintained our market share in Thiocolchicoside as well. I've already spoken to you about challenging operating environment in terms of sharp increasing of costs, so I will not repeat that, but what I may add in terms of the operating environment is that there continues to be a high degree of uncertainty in the macroeconomic environment. And right now what we are seeing is somewhat subdued demand growth in our end markets. However, on the positive side, there is increased thrust on sustainability by governments as well as industry, which may have some challenges, but I think on the whole, medium to longer term, we definitely think that from an IGL perspective, it presents opportunities, and irrespective of the demand growth slow-down that we may be seeing, we believe that the products that we have in our portfolio and the ones that we are adding, we will continue at a macro level see growth over the times to come.

So that was a high-level commentary on how the quarter has been. Let me hand over to my colleague Mr. Anand Singhal to take you through the financials.

Anand Singhal: Good afternoon. The net sales, net of excise, for the current quarter is INR 808 crore vis-à-vis INR 651 crore of the last quarter. The EBITDA for the current quarter is INR 69 crore vis-à-vis INR 56 crore of the last quarter. EBITDA margin for current quarter is 8.4% while it was 8.6% in the last quarter, which is slightly lower than the last quarter. And PBT is INR 35 crore vis-à-vis INR 259 crore on Q1 last year, which includes the profitability due to transfer of our EOD business to Clariant for INR 240 crore, and PAT is INR 28 crore in the current quarter vis-à-vis INR 211 crore of the last year first quarter and INR 67 crore for Q4 last year.

So this is the brief and I think everybody has already gone through the financials, and we will take up the questions whatever in due course. So this is the brief about our financial performance for the current quarter.

Moderator: Thank you, sir. Ladies and gentlemen, at this stage, we will be conducting a question-and-answer session. The first question we have is from Balasubramanian A from Arihant Capital.

Balasubramanian A: Good evening. Thank you for taking my questions. Congratulations for good set of numbers. My first question regarding that, new grain-based plants. Are these plants have started trial production. Previous calls you mentioned that these plants are expected to make 40% of ethanol requirements, when we can able to achieve if there is any timeline, please mention? These are my first questions, sir.

Rupark Sarswat: So, right. In terms of the numbers as a percentage, whatever we've given that will be maintained. We expect that in terms of capacity in this quarter, we should be able to achieve our capacity in terms of grain production. No doubt we've had a slightly long, prolonged commissioning exercise, we were also doing some retrofitting in our plants and we are using some older equipment etc. So that has led to a slightly longer commissioning and capacity utilization in terms of trials. So that is what we expect.

Balasubramanian A: Could you please share some light on market size and demand environments and what kind of opportunities we would be able to capture going forward?

Rupark Sarswat: So, exactly what specifically are you talking about, are you talking about chemicals, potable spirits

Balasubramanian A: So in nicotine, where we are experiencing demand, especially which are the sectors?

Rupark Sarswat: See the major use of nicotine is for therapeutic use. Yes, with nicotine we are new player in the nicotine space. So nicotine, the major purpose of, purified or extracted nicotine is as people want to get out rate of smoking, which is highly hazardous, even for a therapeutic use, things like patches, etc. use nicotine. So that's a major use for our nicotine. Some of it may also find its way into vaping, but I don't have the exact numbers into how much is may be going for vaping compared to therapeutic. Our purpose and objective here is to supply nicotine mainly for therapeutic use to pharma companies, who are supplying products that help you overcome nicotine or smoking addiction.

Balasubramanian A: Branded country liquor segments, we are targeting 6 states, that include Chandigarh, Punjab, Rajasthan and UP and Uttarakhand, like where we are right now in terms of penetrations.

Rupark Sarswat: So just one second. Are you talking about branded country liquor or are you talking about IMFL?

Balasubramanian A: Sir, branded country liquor segment?

S K Shukla: So branded statement, we are the leader in UP, we having the approximately 24% market share in the UP, and Uttarakhand we are also the leader in the country liquor business.

Balasubramanian A: Sir, we are currently targeting 6 states further?

S K Shukla: No, no, I think you are mixing both, I am discussing about the country liquor business.

Balasubramanian A: I got it..

Rupark Sarswat: So, yes. Maybe my colleague Rajuji might just add as to where we stand in terms of our plan.

Raju Vaziraney: As far as IMFL is concerned, our home state is UP, there we have good presence in IMFL segment. In the Tetra segment, we have a very good market share, more than 50% market share, and we bought good price increase in the Tetra segment from 1st April, which has made the business interesting. But that is still, you know, UP is huge market as far as IMFL is concerned. And Vodka particularly, like Magic Moments sells about 100,000 cases per month in UP alone. UP is also about 20% of all India Vodka sales in that price point. So we have launched a brand called Amazing, which is now already number two next to the leader brand, and the volumes are increasing at an increasing rate. And since it is a home-state where we have a huge advantage of country liquor, so we leverage that strength and get our IMFL also going.

Now, as far as 6 states you mentioned, our presence in IMFL in Uttarakhand is also very prominent. We have about 20% market share in IMFL segment, and even in Uttaranchal or Uttarakhand, which is supplied from our mother unit from Kashipur. Now we are by-and-by moving into other states like Delhi, Rajasthan, Chandigarh, Punjab, but we are very careful because this business requires a lot of working capital and we have to be sure about the payments. So as a policy, we are moving into markets where the payments are secure, where the realization is handsome, because these are new brands. They will require time to nurture. We don't want to lose margins. I have less margins than lose money. So we are going step-wise.

And the good, good point is that our Amazing Vodka is well accepted. So we are concentrating on the white spirits. And as a next step, as our CEO rightly mentioned, we are launching Zumba Lemon, you know, Lemon, India is a tropical country. There's huge heat 10 months in a year, and particularly now the heat is severe, so people want refreshing citrus drinks. So it's order of the day. So Zumba, we call it Zumba and Lemon, which is in the price point of Bacardi. And it is in the premium segment. And riding on the success of Amazing, we want to go on up, consumers want to upgrade, and go on a higher price-points. We want to capture those consumers with our Lemon, we call it Lemoni because Lemon is trademarked by somebody else. So that is what will hold future, but as it will take time, stepwise we have to go, but once there, then we'll stay there.

Moderator: The next question we have is from Bajrang Kumar Bafna from Sunidhi.

Bajrang Bafna: Congratulations for a good set of numbers. My first question is towards liquor margins. We have been going through a rough patch for last couple of quarters, where the country liquor segment, the UP government has not allowed for any price increase, despite the increase in fuel cost and packaging cost and so forth raw material costs. So there are talks which are going on in the market that the industries people have met recently the government officials and they are demanding this for a quite long period of time. When can we expect this to happen? And what impact do you see that it'll have on our margins? Can we go back to the erstwhile margins when we were making almost INR 40 crore kind of EBIT on a quarterly basis, which has now come down to almost INR 22 crore, INR 25 crore. So if you could guide on that'll be really helpful. And that's my first question.

S K Shukla: Good. So, going to your questions, you are surprised to note that is still in this adverse situation India Glycols has maintained the markets share of 24%, first. Second, besides the peak increase in the packaging material price mainly the pet, the CC boxes, aluminium, all the packaging material prices has gone more than 50% to 60% and truly impacted our margin. That's while the UP distillery is trying level best to get the prices increased on behalf of all the members, we are trying, we have approached to the government and hopefully, we are expecting another 10 to 15 days we will get the price increase. What would be the price increase? It is not appropriate to just inform you because we are not in the panel to decide the numbers, but anyway, we are expecting a good price and we expect a good profitability in the coming months.

Bajrang Bafna: Okay. Got it. So hopefully we might go back to our old glory of those numbers, which we were achieving before these old price increases.

S K Shukla: Hopefully.

Bajrang Bafna: Yes. And my next question pertains to the grain-based distillery, which is already going through trial periods of this both the Kashipur and Gorakhpur. So, the erstwhile in last two, three con calls, we have indicated that this could help us to reduce the cost structure ethanol and the margins could go up in the overall company segment, wherever we use it, whether in chemical or it is in liquor segment. So can you give us some update, though Rupark sir has already indicated that this quarter we'll see this, but when can we see full utilization of this facility and what sort of raw material linkage, hedging that we have done so far, because we are also hearing that this year the rice, which is a commodity for us, is not in a good shape, and there are lot of reports, which are saying that because of heavy flooding, this time the acreage is going to be pretty low and there could be some cost inflation on the rice side. So what is the hedging strategy that we have adopted and what sort of inventory that we are maintaining to safeguard us for those costing increases and get the ethanol at the right pricing? And earlier indicated that this segment can do INR 600 crore kind of top line hundred, INR 150 crore kind of EBITDA, so some sense now, since it has doing the trial runs, what we guided, can we say confidently that this is something which is achievable for us? That's my second question, sir.

Rupark Sarswat: So, I'll start with your second question first. So in terms of a potential INR 600 crore top line growth at, whatever INR 100 crore, INR 150 crore, what you said bottom line impact, that was a correct assessment of the project, and that was done on the basis of all green-based ethanol or significant portion of that being sold for biofuels. But from a bottom-line perspective, of course, it depends on where we use it and we will obviously use it in areas where we make maximum money, whether it is biofuels, Portable Spirits or simple. And as far as the use is concerned, in comparison to saying imported ethanol, even at some of the slight escalation in grain prices that you may see, our produced grain-based ethanol is definitely going to be cheaper. That assumption is still correct, after of course, we've commissioned and we start running up to capacity. So does that answer question.

As far as I inventories are concerned, look, fortunately we are in such a position that one, we have, I don't know the exact number, we've got significant inventories of imported ethanol which was aligned with us. Secondly, we have the opportunity also to buy ethanol domestically, which is also as of now somewhat cheaper than what is imported ethanol. So that option is always there. And if we are, say for example, not able to meet our requirements based on grain, which we know, grains may not suffice for over a long period of time, even if we put that too for the use, we can always buy ethanol locally, or we have a season coming up where we can buy molasses and make molasses based ethanol as well.

Bajrang Bafna: I was talking about rice inventory that we are maintaining to run the plant at full capacity, because there is an expectation that this rice prices will shoot up because of the lower acreage. So just wanted to understand from that perspective, what hedging that we have done for that.

SK Shukla: Our both plants, Gorakhpur and Kashipur is in Tarai region of Indian continent. And the paddy, new crop is almost going to arrive after 15th of October. So we have the two months, I think, crucial time, this monsoon time start from July to September. So the crucial time is up to the 15th October, and we have the sufficient stock of rice to continue our production till that day, first. Second, I would like to reiterate here that spirits made from grain is in very good in the taste as compared to spirits made from the molasses. That's why UP government has made compulsory one country liquor segment 42.8 degree exclusively from the grain spirits. So this is the future indication how the government is inclined with our promoting the grain spirit in UP. Most probably the government may allow further stream to cater with the grain spirit for the betterment of the poorer. So that's why this year we started new segment of country liquor only in the glass bottle from the April. And we stood till now the first position in the supply of 42.8 degrees segment, which made from the grain spirit. So customer liking is abnormally superb in this segment.

Rupark Sarswat: I may add something to say that, look, when we are in a business, which uses agricultural feedstock, unlike in the business of crude, we will be faced from time-to-time in situations where there will be surplus, and in times when there will be some shortfall. So our business strategy, of course, it sounds and clear in terms of why the reasons this plant was putting in and why we have gone for grain production. And those fundamentals do not change. For example, on one hand you are reading reports about the rice prices may go up, because of war starting and all of that, but I'm sure you are also reading that the Government of India in terms of its blending policy is only more aggressive, not less aggressive. So which means there is, when you are in segments, like, which are based on agricultural feedstock, we will be sometimes faced by quarterly or yearly challenges or opportunities. It works both ways, but the longer-term strategy of the Government of India wanting to go up to 20%, 25% blending and more is intact, you and I know that. The longer-term strategy that India will continue to be a major producer of rice in the world is intact, we know that, the longer-term issue or the issue that we had, where we have many times significant amount of stocks of damaged grains is still the case, which is what the government has considered and the policy for blending, or for ethanol blending, which is a major factor why great plants are coming up apart from the opportunities that Shuklaji spoke about, that story has not changed. It is possible that we may have a challenging six months, quite possible, unfortunately we are seeing that headwind early in our commissioning, but the longer-term story is intact. I don't think that has changed.

Bajrang Bafna: Got it. And if I'm not wrong that we have the ancillary infrastructure with us. So we are best placed in terms of making margins, especially in the grain segment, because it is not fully grain for us because the ancillary infrastructure we got where we didn't invest much. So as compared to other players who are coming up in this space, we are better placed to make better margins. So, just to summarize, my understanding is right?

Rupark Sarswat: Yes. And I've again said that when you compare people in the similar business that we have, I think strategically we have taken the right decisions. We are amongst, I don't know of any other company, which has three sources of ethanol and three potential outlets of ethanol. But yes, we are facing challenging times. There is no denying that, which we have told you clearly where it is in terms of the positives as well as challenges.

Bajrang Bafna: Yes, yes. And just Anandji, one question on the CapEx side, we want some clarity, from a cashflow perspective, what is the CapEx number, which is going to be spent in FY '23, if you could clarify, that will be really appreciated.

Anand Singhal: Bajrang, actually, we have some CapEx expenses, which is to be done on grain, because boiler and turbine is under commissioning stage. Apart from this, we are going to put out one specialized chemical unit, so total CapEx, which we hope that the expenditure will come in FY22-23 will be around INR 175 crore to INR 180 crore.

Moderator: The next question we have is from Sanjesh Jain. Please go ahead, sir.

Sanjesh Jain: I have few questions. First, from new product development, the products you have listed, one among them is Amine, the second one is Green Solvent. Can you help us understand what in the Amine's we are trying to do? And also in the Green Solvent?

Rupark Sarswat: So we are developing certain molecules, still they are pilot market and commercialized. I would hold back the names, but I would tell you broadly. See, there are three things which are required for Specialty Amines. One of the raw materials is ethanol for such one range of Amine. The other raw material for another range of Amine is ethylene oxide. And ammonia, of course, or some other form where the nitrogen molecule comes in. So our sense, if you see is one, we have ethanol, but many people have ethanol, that's one thing. But we are the only ones probably in the world, the second one, and only one who would be doing Amines, which are based on biobased ethanol, okay. And so that category of Amines we are examining and the major customers for these are also a significant personal care companies, for example. We are doing lab trials; we are sampling them.

So we are looking at Amines which are either based on various alcohols, ethanol being one of that or ones which use ethylene oxide, which gives us the advantage of having ethanol and ethylene oxide, more importantly, having biobased ethylene oxide, and last but not the least, our understanding that we have of the speciality end markets like personal care, even though that business in some other product ranges is part of the joint venture. So we still have the relationships and an understanding of applications and the process development and synthesis knowhow, which is an added advantage. Just to clarify, when I'm talking about our product ranges here, all of them are product ranges, which are not product ranges identified for the joint venture. They're separate, they're in the non-conflict or non-compete space.

Sanjesh Jain: But can they buy from us for their products or we have to go directly to the customer?

Rupark Sarswat: No, for these, we can go directly to the customer, but the JV wants it like other customers, they can also buy.

Sanjesh Jain: Got it. And will it be a long time Amine or a short term of Amine?

Rupark Sarswat: These are right now, we are looking at short chain Amines, but as we complete our development work, we'll keep you posted.

Sanjesh Jain: And at what stage are we or when can this product say commercial, say will it take a year or 24 months? How far are we from a commercial sale?

Rupark Sarswat: Look, some of these products, now you are only talking about Amine, but there are several new products. Okay. as I mentioned to you, an important product, which was completely new in terms of chemistry, we have already commercialized, which is for a significant oilfield player in the U.S. We hope to try and do more products for them, and that product itself we are expecting volumes of something like 700 tons per year, but that is based on whatever existing infrastructure we have. We need new capacities. We are already talking to another major company, I cannot name them right now, where there is a commitment of something like 2,000 tons of a specialty molecule, lab trials are already being done. We are already in touch with a major for a biobased Amine, with only volumes of something like 1,500 tons have been indicated to us. So these will start flowing as soon as our new facility unit is up and running.

But some products, you see when you're talking about the product pipeline, you are talking about a stage-gate process. So in the list that I review with the team, we are really talking about something like 25 different development projects. We all know that we are not going to make big in all 25. The point is to be able to make big in six or seven of them. So we have top 10 kinds of products where we are working on. Then we also have made some plasticizers. We started to sample them. We'll see how it pans out, but Amines, definitely we are in discussion, some oilfield products we've already commercialized, and there'll be more which will come in the process. I think as we develop, we have more things to tell you in the NSU space.

Sanjesh Jain: Yes. And what is the Green Solvent we intend to make?

Rupark Sarswat: See what happens is, when you talk about Green Solvent, there are two categories which we already can leverage. One of them is based on ethylene oxide, broadly glycol ethers of various kinds, but the glycol ethers can also be modified by enhancing their properties through formulation and position them as biobased solvents, that's one. Then there are a number of esters which are used as Green Solvents. So we are working on some esters as well.

Sanjesh Jain: And when is this speciality facility, likely to commission for us?

Rupark Sarswat: February, March of next year.

Sanjesh Jain: So we are like six, seven months today.

Rupark Sarswat: Yes. So as I mentioned we have already started the construction initial stages.

Sanjesh Jain: And it'll be a multipurpose plant, right, because we are trying so many products, it'll be a multi-purpose plant of Solvents?

Rupark Sarswat: Yes. You're right.

Sanjesh Jain: The second question is on the relationship between crude and ethanol. I understand that, but how do you see this economic playing for us in medium terms now that we are getting into a lot more products from the ethanol side, how do you think? And we have a limited capacity on ethanol, right? We are not self-sustained on ethanol. We buy a lot of ethanol from U.S. So that's the volatility, and our competition goes through crude. So we will always be either at an advantage or a disadvantage, advantage state, but the history says more on the disadvantaged side, how to see this relationship from here, and assuming that there is more EV coming in, that means the crude prices will be under pressure in the medium to long term. How should we see our margins in the medium to long-term for IGL?

Rupark Sarswat: Okay. So I will answer this question in two ways. One is that the interconnectivity between crude and ethanol is dependent on so many factors that I can only claim ignorance in being able to predict it, but that can do at shorter term. For example, crude, ethanol, biodiesel, food, they're all connected. Let me give you an example. If there is increased demand in for soybean, because Chinese are eating a lot of pork, which means that people in U.S. start to grow more soybean and less corn, which means it puts an upward pressure on ethanol. Green transition, one of the reasons why ethanol has been under pressure is that, a lot of, you know, Europe and Latin had invested a lot in green energy, which is hydro energy, wind energy. So last year, some of the green energy that they were getting tipped, which means, again, greater pressure on ethanol. If crude prices go up now, unlike say 10 years ago, if you go to France, and if you go to Brazil at the petrol pump you can decide how much ethanol you want how much petrol you want, you can actually blend. So consumers start to shift. Then we talked about the fact that global social political situations like Ukraine war, so I think it is a little complex, but let us look at it in other ways. In a more longer-term strategic perspective, the fact is that the world will move more and more towards feedstock, which are environmentally friendly, which are greener, which have a lesser carbon footprint. So this trend will continue. And the other, I said, I'll answer question in two ways. One is that this trend will continue.

Second thing is, in future there will also be innovations. And since you talked about a more longer-term thing, which I had mentioned about EV is, look, the future of ethanol will also be in terms of carbon capture from emissions, what we are doing with LanzaTech is one example, which is carbon basically captured from emissions. The other is cellulosic. You saw the Prime Minister inaugurate one plant though it is a piece of demonstration where ethanol produced from agricultural waste. So this is the longer-term future of ethanol where we move from sugar, to starches, to cellulosic to carbon from emission, that longer term trend will continue. And the second point was that apart from depending on ethanol macroeconomics for the profitability of a company, the focus has also been that become a little independent topic, not necessarily becoming independent by dropping it and not using it, but becoming independent by getting into more value-added products. One of the value-added product that we talk about is Portable Spirits, which has obviously more buffer to feedstock prices. And the other is knowledge-based chemicals, which is value-added chemicals. So that's the broad strategy. There's a longer-term strategy, which we still believe is right to maintain our strength in ethanol and the strategy to make sure that we are adding into knowledge-based value-added chemicals and other value-added products like Portable Spirits. Does that answer your question Sanjesh a little bit?

Sanjesh Jain: It answers, but it is still blur to me. We are telling that we cannot find the right balance between crude and ethanol. So we are telling that we will go more forward integration away from ethanol and protect ourselves.

Rupark Sarswat: No, no, that's not what I said. And I clarified that. We did not say we will move away from ethanol. We said that we believe…

Sanjesh Jain: We are moving farer from the ethanol value chain, like Portable Spirits, specialty, which will have lesser volatility compared to ethanol, right?

Rupark Sarswat: So that based on the fact that we have strength on ethanol, but has other reasons for us to do value-added products. So both Portable Spirits and all these chemicals will use ethanol and ethylene oxide.

Sanjesh Jain: I will stick with you sometime to understand this better, probably it'll require a lot more deliberation. The other question is on the plants on the trial run, how has been the yield, are the expected yield what we are getting right now? And the second, probably I may naïve, but correct me, is it only rice we can use as a feed stock or any grain? Is there a fungibility on the feedstock? That's the second. Yes, these are my questions on the new facility?

SK Shukla: So very simple to your answer about the various available feedstock, which can be converted into the ethanol. See starch is the main criteria which convert into the ethanol. So in the rice, in the maize, in the bajra, in the potato, all are having starch in various percentage. Why everyone is using the grain, rice, the broken rice, because of the starch content. Approximately, 69% to 72% starch contains in broken rice, and 60% to 62% in the maize, though India is going to explore, we have a lot of deliberation, discussion with the UP government about genetic modified seeds to grow the productivity of food grains, not only to the productivity, but quality of the seeds, which can be utilized for the higher yield and more productivity. But coming to your questions we can use with the same plant, maize, broken rice, and bajra and up to some extent, the wheat flour. And you have asked about the yield, we are getting around somewhere around 480 litres/ton

Sanjesh Jain: We are getting there, right. The yield is there, right?

SK Shukla: Yes.

Moderator: Thank you, sir. Ladies and gentlemen, the next question we have is from Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Sir firstly, as you were mentioning that these figures are not to be on a comparable basis. So when we look at your consolidated numbers, are they comparable on a like-for-like basis?

Rupark Sarswat: So consolidated numbers are not comparable on a like-for-like basis because of consolidated results for last quarter will have the EOD business, which is now part of the joint venture.

Saket Kapoor: Okay. But on a Q-on-Q basis they are comparable when we look at the March number versus the June, they are very much comparable?

Anand Singhal: Yes. March versus June is comparable.

Saket Kapoor: Okay. So looking at what we did for in the month of March, although there is a significant increase in the revenue for the Biobased Specialty and Performance Chemical, the margins have considerably reduced. So are the effects of mainly the coal or also the -- what explains this significant drop since the revenue have gone up where the profitability has depleted?

Rupark Sarswat: Yes. So Saket, I actually began my opening slide by mentioning this, that we've seen top line growth, which has also been held by price increases, but we've seen some growth, but the biggest challenge has been the increase in cost, which we have not exactly been able to pass on, and these have been largely increase in ethanol cost, which is a big increase, increase in coal cost, which is a huge increase, and also some other factors, particularly, in the export market last year, we were helped by high prices of ethyl, butyl, propyl in the glycol ether space, which have come down this year. So that has also put pressure on our prices and made it difficult to increase prices off of this then. So that's a combination of what's happened in the food alternatives, what happened the MEG space, which has been unique last one year, somebody had mentioned that it's a historic trend, we are always going to be a disadvantage, which is not correct. Our disadvantage is that to crude is a very recent phenomenon. So these are a combination of factors, which has really pulled our margins down.

And if you see going forward now, I can't say whether it is going be five months or six months, but the fact is that your coal prices cannot continue to be INR 15,000. The government rates are still maintained at INR 5,500. The issue is that the government is not -- there are supply issues, there are no rates are available to transport that coal. So therefore we are having to buy private coal. And the fact that the global energy prices continue to shoot up, and if you were to buy actually imported coal, it is INR 25,000 plus. That is one of the reasons why India is suffering, because people who are to buy imported coal that has got slowed down as well.

Saket Kapoor: But when we look at you, say March number of INR 430 crore on the biobased facility and INR 549 crore for the June, there is a significant increase in the revenue. So the end product prices have definitely moved up. So, if you could explain to us had that been the case, that there is significant increase in the revenue, but the bottom line goes down. So there's not complete pass on, on the inflationary trend. This is what the understanding is.

Rupark Sarswat: Sorry, your last content, can you just repeat.

Saket Kapoor: Sir. I am trying to make sense of what could have left to this margin decline, when the revenue has significantly improved, on a quarter-on-quarter basis, there is a significant increase in revenue from INR 430 crore to INR 549 crore. So is it only the inflationary part on coal and freight cost that has dented the same?

Rupark Sarswat: Yes. So two of them and the fact that, we were easier in terms of competitiveness with some products like, ethyl, butyl, propyl, glycol ether, which were more expensive in the international markets in this year. And those are the three main reasons, you are absolutely right.

Saket Kapoor: And sir, for the MEG prices, there's a significant declining trend in the MEG prices, correct me, sir, today, currently is it trading in this $525 band, INR 46, INR 47 a kg, that is down from INR 58 last quarter average?

Rupark Sarswat: I don't know the exact number, but it is true that it has come down further.

Saket Kapoor: Okay. So what out of the total portion, what is the contribution from MEG sales sir?

Rajesh Marwaha: I would just like to add here that you are absolutely right. The domestic prices are in the range INR 55 to INR 58, but those are the crude-based MEG prices. We are essentially operating in the biobased MEG space. And most of the product that we are doing right now is going into exports, small sales are made in the domestic market, which are because of our continued contracts, but the most of the major quantity is going into international markets as bioMEG. So that particular level of prices of INR 55 is not impacting us in terms of revenue. But yes, it is impacting in terms of the volume, because it is bringing down our sales volume a little bit.

Saket Kapoor: So any colour on the realization you can give, especially for the MEG front out the total biobased?

Rajesh Marwaha: Our MEG price realization is much higher, because it is based on ethanol feedstock price, and it's generally a formula-based pricing. So that's why when you see that the revenue has gone up it is based on that. But the margins have come under stress, definitely.

Saket Kapoor: Since the raw material prices are on the higher side?

Rupark Sarswat: Saket, we are not selling and competing right now with crude based MEG at all. It is only our biobased MEG customers outside of India, that is where we are making our money. In the past, yes, we were also competing and selling in the domestic market opposite crude based MEG, but that's not an area in which we are participating now and the area where we are participating where the prices are much higher, you are right as margins have come down because of increase in energy and ethanol costs.

Saket Kapoor: Okay. Sir, and on the scale of non-core asset, I think so, there is a long time that has gone back, we were trying to sell off our non-core assets especially for in the sugar segment. So any update on the same sir, any likelihood of monetization?

Anand Singhal: Saket, the process is still, I will say in process, but till now the final agreement had not signed. So we cannot say that the final version has come out. It will take some more time, although we are on the job, don't worry and we'll update you once it is done.

Saket Kapoor: Right. And coming to the point about the Biopharma segment also, sir although this quarter, how correct it is that to go for a quarter and quarter comparison for this Ennature Biopharma, because there also they have seen a dip in margin, if we take the Q-on-Q numbers, so on a full year basis, if you could give us some colour on how this segment is going to behave, and then probably two more questions from my side?

Manish Pant: Yes, Saket, Manish this side. And I could tell you that the numbers which are right now in the first quarter are being visible to you are basically because of the nicotine surge. So, the volume of the nicotine are going to be same as for this quarter, and this story is at least will be going to last till the March 23. So, you are absolutely right that we could see year-to-year basis, number much higher than last year.

Moderator: The next question we have is from Rohit Nagraj from Centrum Broking.

Rohit Nagraj: Thanks a lot for the opportunity and congrats on good set of numbers. Sir, first question is, Rupark sir, your mentioned 20 to 25 projects under development, what could be a potential size of these products for the domestic market, or if we're eyeing say international market, just to gauge a sense in terms of, from a 3-year perspective, where we could be in the chemical business from here on?

Rupark Sarswat: Look, I am going to be conservative and not throw a number up, but I will tell you that it is completely realistic for us to expect and build a business, which is as big as, if not larger than what has already gone into the joint venture. And underlining the word potential, I think potential wise, it is significantly higher. It is just that we are at an early stages and as you know, when you are setting up your R&D, you are being entrepreneurial, you are drawing up so many products, it's just that I'm not highlighting a projection, but yes, we've done that work internally when we approved that CapEx for the new specialties unit as well.

Rohit Nagraj: Second thing is, from operational efficiencies perspective, historically our margins have been, particularly from the specialty chemicals front, have been sub-par the industry margins, when do we expect that we will probably be at par with the industry margins, maybe you can give a broader timeline and what are the constituents that will make this happen?

Rupark Sarswat: I will talk about the constituents. We talked about the fact that we want to have greater presence in more value-added chemicals. So that's going to be the driver. The other driver is going to be the fact that something completely unanticipated happened. And I think you will agree with me, this, tripling of coal prices, doubling of ethanol prices, it's only a last year phenomenon, and it is anybody's guess, but you would probably agree with me that this cannot continue forever, and generally it's happening. And the fact that freight prices for exports had gone up so drastically, have you heard of freight prices going up by six, eight times in a year, even 20% is high. So this has been a completely, completely unprecedented time. So we expect that there will be normalization of cost in freight, energy and feedstock, to what extent, how fast, a little difficult. But I think anybody looking at a macroeconomic picture will say they should normalize.

And the second thing which is in our hand is to continue to build a value-added business. It's going to take time to grow it, you need to develop products, you need to go to customers, it's not a commodity product, large volumes start going immediately. So those are going to be the two factors, which will help us improve the margins for the chemicals business. And we are acting on, one is a little beyond our control, except the fact that we are putting grain-based to help us in terms of our costs hedging, so to say, and the second is, to aggressively look at more value-added products.

Rohit Nagraj: Sir, just one question for Anand sir, what would be the debt now, and you indicated about INR 175 crore, INR 180 crore of CapEx for this year, so what is the debt that we are looking at the end of FY '23?

Anand Singhal: Hopefully our debt will be around INR 1,000 crore at the end of the year. This includes the working capital limit of INR 350 crore.

Moderator: Thank you. Ladies and gentlemen, as there no further questions, I would like to hand the conference over to Rupark Sarswat for closing comments.

Rupark Sarswat: So thank you. I've made all the comments that I had to make. Thank you everybody for giving us your precious time in the evening to listen to us and hear our answers. And we look forward to meeting you again in the next call. So bye from our side. Thank you very much.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of ICICI Securities, that concludes today's conference. Thank you for joining us. You may now disconnect your lines.

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