



October 28, 2022

**BSE Limited**

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Dalal Street, Fort  
Mumbai - 400 001

**National Stock Exchange of India Limited**

Exchange Plaza  
Bandra Kurla Complex  
Bandra (E), Mumbai - 400 051

Scrip Code: **543271**

Trading Symbol: **JUBLINGREA**

**Sub.: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the Investors Conference Call for the quarter and half-year ended September 30, 2022**

Pursuant to Regulations 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose the transcript of Investors Conference Call for Un-audited financial results for the quarter and half-year September 30, 2022 conducted after the meeting of Board of Directors held on Thursday, October 20, 2022.

The link to access the transcript of the earnings conference call is given below:

<https://jubilantingrevia.com/Uploads/files/7q2consfileEarningsCallTranscript.pdf>

We request you to take the same on record.

Thanking you,

Yours faithfully,  
For Jubilant Ingrevia Limited

Deepanjali Gulati  
Company Secretary

Encl.: as above

A Jubilant Bhartia Company

OUR VALUES



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## **Jubilant Ingrevia Limited**

### **Q2 FY 2023 Earnings Conference Call Transcript**

### **October 20, 2022**

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**Moderator:** Ladies and gentlemen, good day, and welcome to Jubilant Ingrevia Limited's Earnings Conference call for the quarter and half year ended September 30, 2022. As a reminder, all participant lines will be in the listen-only mode and anyone who wishes to ask a question may enter "\*" and 1 on their touchtone phone. To remove yourself from the question queue, you may enter "\*" and 2. Should you need assistance during the conference call, please signal an operator by pressing "\*" then 0 on your touchtone phone. Please note that this conference is being recorded. I'll now hand the conference over to Mr. Pavleen Singh Taneja, Director, Investor Relations, Jubilant Ingrevia Limited. Thank you, and over to you, sir.

**Pavleen Taneja:** Thank you, Aman. Good evening, everyone. Thank you for being with us on the Quarter 2 and half year of Financial Year 2023 earnings conference call of Jubilant Ingrevia Limited. I would like to remind you that some of the statements made on the call today could be forward-looking in nature, and a detailed disclaimer in this regard has been included in the press release and results presentation that has been shared on our website.

On the call today, we have Mr. Shyam Bhartia Chairman; Mr. Hari Bhartia, Co-Chairman; Mr. Rajesh Srivastava, CEO and Managing Director; Mr. Prakash Chandra Bisht, CFO, Jubilant Ingrevia Limited; and Mr. Arvind Chokhany, Group CFO, Jubilant Bhartia Group.



I now invite Mr. Shyam Bhartia to share his comments please.

**Shyam Bhartia:**

Thank you, Pavleen. A very good evening to everyone. Thank you for joining us on Q2 FY'22 earnings conference call of Jubilant Ingrevia Limited. We are pleased to announce stable operational and financial performance during the quarter under review despite continuing headwinds on account of high energy costs during the current financial year.

Our Specialty Chemicals business revenue grew 63% year-on-year on account of better demand across all products in this segment. Margins are impacted mainly on account of higher cost of energy due to restrictions on contracted coal supplies. While we expect the coal supply to normalize soon, we also continue to explore alternative energy solutions for future.

In Nutrition & Health Solutions business flu situation in U.S. and Europe is normalizing. However, demand for B3 continue to be suppressed owing to post-flu impact and excess inventory across the value chain. Our focus on niche segments like food and cosmetics is showing positive results, and we continue to increase our revenue share in this segment. We also believe that the demand challenges of vitamin B3 are short term. We continue to improve market share in our Animal Nutrition business of vitamin B4 and other branded premix products.

Our Chemical Intermediates business continues to witness strong demand resulting in volume growth. Business continued to improve its leadership position in Acetic Anhydride in domestic and international markets. Revenue impact year-on-year basis was primarily driven by lower prices of feedstock, leading to lower sales of Ethyl Acetate and Acetic Anhydride.

We believe that Jubilant Ingrevia Limited is well positioned to deliver robust growth in the future backed by its comprehensive growth plans for its



growth projects. The performance in the coming quarters will be driven by higher share from Specialty Chemicals, where company is scaling its capacity and capability. Nutrition & Health Solutions, where the company is enhancing its value-added range of products in chemical intermediates segments where our core emphasis is on enhancing healthy volume contributions.

With this, I hand over to Rajesh to discuss about the business in detail.

Before that, on the behalf of the entire team Jubilant, we wish our investors and everyone present on this call, a very joyful, peaceful, safe and a very happy Diwali.

**Rajesh Srivastava:**

Thank you, Mr. Bhartia. A very good evening to all of you. At the outset, let me welcome you all for joining us in our Q2 FY'23 investor call of Jubilant Ingrevia Limited. I sincerely hope that you and your loved ones are keeping very well. Let me now take you through the financials and operational performance of Jubilant Ingrevia Limited for Q2 FY'23.

Revenue during the quarter was INR1,304 crore. Overall revenue grew by 7% year-on-year basis, mainly on account of higher sales performance by Specialty Chemicals business. Nutrition & Health Solutions business continued to witness lower demand owing to post flu impact and excess inventory situation across the value chain, coupled with short-term demand impact in Europe due to ongoing geopolitical situation. Chemical Intermediates volume has further grown, while revenue impacted mainly on account of lower prices of key raw material that is Acetic Acid.

EBITDA is at INR160 crore. Higher input costs due to non-availability of contracted coal, coupled with lower volume off take of Niacinamide has impacted EBITDA, while Specialty Chemicals and Chemical Intermediates volumes have grown significantly. We continue to focus on improving



efficiency using various business excellence tools and techniques to maintain competitiveness. Sustainability continues to be a core focus area for us and during the quarter we successfully achieved EcoVadis CSA assessment score of 93% with gold rating.

Now let me take you through the updates on all our 3 business segments.

**Specialty Chemicals:** Revenue of Specialty Chemicals business was INR480 crore and EBITDA was INR77 crore during the quarter. Specialty Chemicals' revenue grew by 63% on a year-on basis, driven by higher volume across product segments. Share of revenue to customers having Agrochemical end use increased during the quarter. We also witnessed healthy demand in our oilfield chemicals. Our CDMO pipeline is healthy and progressing positively. Our new GMP and non-GMP facilities, which are expected to be ready during current quarter, that is Q3 FY'23, will help us in capturing growing demand of CDMO projects. We observed a positive traction of demand for our other specialty chemicals also from both domestic as well as international customers due to China plus 1 strategy from all our global customers.

Demand of Pyridine continued to be strong during the quarter. Our business team has been successful to pass on most of the raw material costs and also partially increased energy costs as well. Specialty Chemicals segment, absolute EBITDA increased by 8% on the back of higher volume. In spite of significantly improved volumes in the segment, relative increase in absolute EBITDA and EBITDA margin are lower, mainly due to higher cost of coal.

**Nutrition & Health Solutions Business:** Nutrition business revenue was at INR114 crore during the quarter. Nutritional business revenue de-grew by 36% on account of lower demand owing to post flu impact and excess inventory situation across the value chain, coupled with the short-term



demand impact in Europe due to ongoing geopolitical situation. However, share for food and cosmetics in segment revenue grew on a year-on-year basis. EBITDA and EBITDA margin also declined mainly on account of lower sales volumes of Niacinamide.

Flu situation in EU and America regions have improved. However, we expect that demand situation may normalize towards the end of Q3 or beginning of Q4. Demand of vitamin B3 is also witnessing short-term impact in Europe due to ongoing geopolitical situation. We expect these challenges to be short term and remain positive on the prospects of Nutrition business in the medium term, and we continue to maintain our leadership position in global market. Further, we continue to improve our revenue share of Niacinamide in niche segments like food and cosmetic on year-on-year basis. Our Animal Nutrition business has improved market share of vitamin B4 and other branded premix products.

**Chemical Intermediates Business:** Revenue from Chemical Intermediates segment was INR710 crore, down by 5% on a year-on-year basis and EBITDA stood at INR77 crore. Revenue de-growth was driven mainly on account of lower price of key raw materials that is Acetic Acid. However, Acetic Anhydride witnessed double-digit volume growth year-on-year basis. Also, revenue from Europe have gone up significantly year-on-year basis. EBITDA was lower due to stock impact on lower feedstock prices and lower demand of Ethyl Acetate.

We continue to maintain domestic market leadership for Acetic Anhydride and further strengthening our position in international markets. We remain the key strategic supplier for select customers of ethyl acetate. Our upcoming acetic anhydride plant at Bharuch is under construction and is expected to be ready during Q4 FY'23.



**Outlook and Growth CapEx Plans:** We expect our H2 performance to be better than H1, assuming no unexpected adverse situation. We expect overall healthy revenue growth during FY'23, led by volume growth in Specialty Chemicals and Chemical Intermediates segments. Commissioning of new CapEx during H2 is likely to aid the growth. We are fully committed towards our growth aspiration, and we are excited to realize the emerging opportunities through our ongoing growth CapEx plan of INR2,050 crore during FY'22 to FY'25 period. We continue our efforts towards improving our revenue mix of Specialty and Nutrition segment to 65% by FY'27 from 46% in FY'22, and we believe this to be a key driver for overall margin improvements.

With this, I now hand over to Prakash to discuss the financials, and I would like to wish you all very happy and prosperous Diwali for you and your family. Thank you.

**Prakash Bisht:**

Thank you, Rajesh. A very good evening to everyone and thank you for joining us on Q2 FY'22 earnings conference call. I would now highlight the company's financial performance during the quarter and half year ended 30th September 2022.

Revenue from operations during Q2 FY'23 was at INR1,304 crore as compared with INR1,223 crore in Q2 last year, registering a growth of 7% on Y-o-Y basis. Similarly, revenue from operations during the H1 FY'23 was at INR2,469 crore as compared with INR2,367 crore in half year last year, registering a growth of 4% on a year-on-year basis.

The EBITDA during the quarter was INR160 crore as compared with INR202 crore in Q2 FY'22, witnessing a decline of 21% on year-on-year basis, and the margin stood at 12.3% in Q2 FY'23 as against 16.5% in Q2 FY'22. The drop in year-on-year EBITDA margin is mainly on account of high energy costs due to non-availability of contracted coal, coupled with the lower



volume off take of vitamin B3. Similarly, EBITDA for H1 FY'23 was at INR311 crore as compared with INR490 crore during H1 FY'22. And margins were at 12.6% during H1 FY'23 as compared with 20.7% for the same period last year.

The EBITDA for H1 FY'23 is impacted on account of Chemical Intermediates segment's EBITDA normalization, lower volume uptake of vitamin B3, coupled with higher input cost impact in the Specialty Chemicals business due to non-availability of contracted coal. Depreciation and amortization expenses during the quarter were at INR31 crore. Finance cost during the quarter was at INR5.1 crore versus INR7.16 crore in FY'22 on account of repayment of high-cost long-term loans and lower average utilization of debt. Net debt was at INR282 crore at the end of Q2 FY'23 and the average blended interest rate for Q2 FY'23 was at 5.84%.

During the quarter, India Ratings upgraded its credit rating of the long-term debt of the company to AA+ stable from earlier AA stable. The tax expenses for Q2 FY'23 were at INR40 crore. The company would continue to remain under the old tax regime during FY'23. And the ETR is expected to remain in the range of 31% to 32%. PAT during the quarter was at INR84 crore as against INR111 crore in Q2 FY'22, witnessing a decline of 24% year-on-year due to lower EBITDA.

Similarly, PAT for H1 FY'22 was at INR164 crore as against INR279 crore PAT in H1 FY'21. Net debt-to-EBITDA ratio was at 0.41x on the basis of trailing 12 months EBITDA. The net working capital percentage and number of days of working capital for Q2 FY'23 on the basis of trailing 12 months turnover was at 17.9% and 65 days, respectively. Increase in net working capital is driven by short-term strategic decision of inventory building of certain products and temporary reduction in creditors due to procurement of domestic ethanol. The capital expenditure during the quarter was approximately INR110 crore.





With this, I would like to conclude our opening remarks. We will now be happy to address any questions that you may have.

**Moderator:** First question is from the line of Tarang Agrawal from Old Bridge Capital. Please go ahead.

**Tarang Agrawal:** So, 4 questions from my side. First, on the Chemical Intermediates business. For H1, was there any inventory loss? If so, if you could tell us? That's the first question. The following 3 questions are related to Specialty Chemicals. One, if you could give us the volume growth on the Specialty Chemicals business for Q2. Second, just trying to understand how long the whole issue is probably going to continue? And in your conversations with your customers, if you see a potential for you to be able to pass on this cost because essentially, the Specialty Chemicals business one would presume is that you would have a strong ability to do so? And third, in the Pyridine space, would you have any peers operating out of Europe? And given the crisis that we're witnessing there, therefore a potential for you to probably garner more market share? That's it from me.

**Rajesh Srivastava:** Tarang, on your first question on Chemical Intermediates Q2 impact. As you can see, the Acetic Acid prices at the quarter end was \$745, and this quarter, we ended with \$620. So, you can fairly assume there is a reduction of \$120, which actually makes our 20-day stock valuation reduction on a gradual basis during the quarter. So, there is an impact.

On Specialty Chemicals, 3 questions on volume, yes, we have grown volume as we have explained, that out of 63% or 64% growth in Specialty Chemicals revenue, close to 42%, 43% has come from volumes and rest is from price. So of course, the entire growth of Specialty Chemicals, more than 65% of this growth is contributed with the volume growth.



On second question of coal issue, it is so difficult to explain by when it will be over. But looking at the discussions which we are having with the Government and we are having with the coalaries we are very, very confident that this issue has to be behind us by end of this quarter or beginning of next quarter that is certainly there. Having said so, as a Company, we are taking a long-term view of this situation to de-risk ourselves in future, and we are making a strategy to really minimize this impact in future at all, if it happens. But it takes time. So that will be happening, let's say, in 2, 3 quarters, not immediately. So one is that coal impact will be behind us by, let's say, Q4. But overall, for future, we are taking strategies to minimize this impact even though if it happens.

On Pyridine question, there is no one in the Europe who is competing with us in Pyridine. The only competitors for us in pyridine and derivatives are sitting in China. And as you know, the tendency of now European and U.S. customers to source their specialty chemicals more from India, favorable situation is also making an impact on our Pyridine and derivative business because that's a positive trend. We continue. Hope I have replied to your question.

**Tarang Agrawal:**

Sir, just one more. Sir, I mean, in terms of your ability to pass on the cost push that you're seeing in power and fuel. Is it a call that you've taken that maybe perhaps you see it as transient, therefore, not having a conversation with your customers or you are somewhere limited in your ability to pass on the cost portion?

**Rajesh Srivastava:**

No. So, if you see the coal impact to us in Q1 plus Q2 total is in the range of INR160 crore to INR180crore. Now out of this, I'm sure you can see that we have not got impacted to this extent in Q1 plus Q2. So, there is a great amount of effort our business team has made to perform the cost of coal impact. However, since this impact is not in general for everybody, obviously, it is difficult for our products to take 100% pass on. So, you are



right. We are not hesitant to talk. We have been talking to our customers, and they have been very, very favorable on our request. And to some extent, they are in a position to pass on those costs to us, but not, of course, 100%.

**Moderator:**

Our next question is from the line of Malay Sameer from Breakthroughs in Stock Market. Please go ahead.

**Malay Sameer:**

My first one is, in Quarter 1, we had taken a hit of about INR40 crore on the fuel as well as inventory losses on Acetic Acid. So how much would that INR40 crore compare in the current quarter? That's my first question. The second question is on the commentary that you've made that you're looking at alternate sources for energy. That somehow gives the feeling that we are not sure of getting FSA coal in future like we did in the past. And therefore, the third question is that if partial FSA coal and partial coming from imports or e-auctions become the norm in FY'24 too, then what is the kind of hit, incrementally do you expect from these new situations?

**Rajesh Srivastava:**

Let me take your second question first because that's very straightforward. First of all, you should know that this contract is between us and Government. So, this is absolutely unlikely that we will not get FSA coal. It is definitely the deferment, not the canceling. And we have a contract for 5 years. So, it's absolutely not possible that we will not get. What I said that we are making alternate adjustment is not to the extent of FSA, we said we will be definitely working on the energy cost reduction overall. Now that is something which will reduce overall impact. But I'm not saying that we will stop buying coal or we will not get the coal. I hope I have clarified this. So please don't get that impression that even thinking about that we will not get FSA coal. So that is the clear answer for your question 2. Now your question one, the impact which you said INR40 crore Q1 is currently representing to the tune of almost INR55 crore to INR60 crore in Q2.



**Malay Sameer:**

So, my first question, which you've answered very clearly in Specialty, sir, was definitely on the participation from FSA coal and other means. I certainly didn't mean that we would be eliminating FSA and going on other means. But that has been taken by you very, very well. Now since this hit on coal and acetic acid inventory losses have increased from INR40 crore to INR55 crore. Can you give us a guidance in future so that we can build our models accordingly?

**Rajesh Srivastava:**

Yes. So, what we can give today guidance is, so far, the FSA has not been released. We are expecting and we are hearing from the corridors of government as well as coalaries that from 1st December, they are expected to open. But if that does not happen by any chance, absolutely from 1st January, it will get open because even Government is now under pressure to supply it to the industry, there is a lot of pressure from various industries for FSA coal to start. I'm hoping it should be from 1st of December. But in worst situation 1st of January, certainly. So, we're definitely clear about it.

**Malay Sameer:**

So, sir, in the last conference call, we had somehow hinted that the FSA coal will start by about the 1st of September. And it didn't happen that way, and I know it is due to backlog that the part of the Government. So, can we sort of draw a communication to the investors and potential investors, where we keep them updated on a regular basis, maybe a monthly basis or something, where we update them about the current situations?

**Rajesh Srivastava:**

Yes, we are doing it continuously. As and when we have any investor discussion calls, communication, we are updating our current situation. And this is something which is known to everybody because we are not the only sufferer of FSA. You talk to any industry who consumes, FSA, this is known thing. But you are right. Whenever we are meeting investors, we are meeting anyone, we are communicating very clearly.



**Moderator:** The next question is from the line of Pratik Kothari from Unique Portfolio Managers. Please go ahead.

**Pratik Kothari:** So, a couple of data points. First, if you can share, sir, I mean, you shared the volume numbers of Specialty, but for the Health & Nutrition and Intermediate if you can share that, please?

**Rajesh Srivastava:** Yes. So, if you see our presentation, Health & Nutrition, our Niacinamide volume has de-grown by 40% over last year. On Chemical Intermediates segment, our volumes have grown by almost 10% to 12%, 10% by volume growth. However, there is a reduction on price impact to our profitability. So that's about 15%. So, there is a volume growth, but you don't see that impact in our profitability because of the Acetic Acid price impact in the inventory.

**Pratik Kothari:** So, the operating profit that we see at that because what I believe the pricing is based on first tonne basis and not on a percentage basis. The operating EBITDA drop basically would be because of the Acetic prices like the inventory hit that you would have to take?

**Rajesh Srivastava:** Absolutely. Absolutely. Because since this business runs with per tonne basis since our volumes are growing. Obviously, the absolute EBITDA is growing, but you don't see the full impact because of this impact of FSA. You are very right. And once this Acetic Acid price will normalize, you will see the normalized EBITDA of Chemical Intermediaries.

**Pratik Kothari:** Fair enough. And then my second question is on other expenses. I mean, excluding your fuel and par and first starts INR220 crore, it has gone up to about INR300 crore. So, if you can throw some light, what is this regarding?

**Prakash Bisht:** Yes. Pratik, so other expenses, the way the SEBI format so it is not all fixed expenses. This includes many variable expenses also. So, the expenses,



which have gone up, primarily, it is on account of freight. And we also have increased our tolling business, which is outside tolling. So, these are the 2 expenses, which has gone up. So this increase is mainly on account of freight and incremental tolling.

**Pratik Kothari:**

And sir, my last question, I mean, given the volatility, et cetera, there are a lot of in numbers, we have seen a lot of hit on the coal fuel prices, some inventory add on. But any positives that you can share, which are not reflected in the numbers in terms of the project fee, the CapEx that we had planned?

**Rajesh Srivastava:**

Yes. So, one of the best positives which we can observe is what we have been telling everybody that as a business, we are standing very strong. Our volumes are growing. Specifically on our Specialty side, what we have been talking is turning out to be the reality, which will continue. And that's what will bring both in terms of volume achievement as well as profitability. So that is happening very positively.

On Chemical Intermediates side, the plant which we constructed of Acetic Anhydride in 2020 is running now in a very high level of capacity. And that's why we are building up the new plant. So, the CapEx which we put up was a very good decision at the right time. So those values are being realized. You can see our overall Chemical Intermediates performance of 2 years before and now has significantly improved, and this will continue to improve because we are going to utilize this plant fully as well as this Q4, we will get the additional plant. So Chemical Intermediates business continue to grow volumes as well as our revenue and EBITDA profitability situation.

The temporary situation, the 2 realities which we are talking is very short term, which is the coal price increase. And secondly, is the temporary



impact of our vitamin B3 business. Rest all, the business is really standing very strong, as you can see with the results.

**Moderator:** Next question is from the line of Rohan Gupta from Nuvama Institutional Research. Please go ahead.

**Rohan Gupta:** So, a couple of questions. Sir, first is on clarifications on our development on Diketene and CDMO projects, where have our Diketene projects reached and what kind of utilization the plant is operating right now?

**Rajesh Srivastava:** Rohan, our Diketene, as I explained in the last call also, fortunately, our plant has come out very successfully, both on capacity as well as on cost and quality. The challenge which we explained on Diketene was temporary where the demand from one of our large customers in India has been very low because of some unforeseen situation, which is going to be a normal situation by Q4. However, your specific question, I think currently, we are utilizing our facility to the tune of 40% to 50%. And we are very confident come Q4, we will be touching 80% to 100% of our capacity of Diketene.

**Rohan Gupta:** So sir, this is basically specific to UPL that is the agrochemical consumption which has been impacted, that is what is affecting our packaging consumption. Am I right, sir?

**Rajesh Srivastava:** Yes, that is correct. And one of the industry, which is Dye industry and Packaging industry is also not doing as great as it should be doing, which also is expected to normalize by Q4 or Q1 next year.

**Rohan Gupta:** So, with the 40% to 50% utilization level in Diketene, are we completely dependent on domestic market consumption or have you already started exploring the export market opportunities?



**Rajesh Srivastava:** We have already started exploring export market, and we have a great success there also. But as of now, our major volumes are domestic. Because export market will take a little time for getting approval at commercial level, et cetera, which we have told earlier also.

**Rohan Gupta:** And sir, this is primarily for the, I think, 3 derivatives for Diketene where we are relying right now? And what is about the further expansion in the product line of Diketene-based derivatives?

**Rajesh Srivastava:** It stands as it is what we explained last time that Phase 2 of Diketene, we will bring up sometime next year, that is FY'24. And that will bring another 3 to 4 products when the Phase III will come subsequently. So that is on track. That is happening. The products are clear from R&D. We are doing a little bit of detail engineering part of it, and then we will bring up the CapEx next year.

**Rohan Gupta:** Sir, second question is on Specialty Chemicals, which is such a strong volume growth, which you have delivered up to 40% to 45% in the current quarter. Sir, what is this growth driver and what is the growth coming from the pyridine derivative and what is from the non-pyridine-based business?

**Rajesh Srivastava:** So you know in Specialty Chemicals, our major business is pyridine and pyridine derivatives, except for the Diketene and CDMO business. So you can say that the growth is primarily coming from Pyridine and Pyridine derivatives.

**Rohan Gupta:** So, in Pyridine derivatives if I understand rightly, the market would not have been growing so much and we already have such a strong leadership position in many pyridine derivatives, almost 12 to 13, we have almost 60% to 80% market share. So, the key growth driver of this pyridine derivatives, which you're talking about 40%, it's basically driven from where, where you are gaining market share?





**Rajesh Srivastava:**

So, you are right in some of our products. We have 50% to 60% market share, but there are other products, where we are capturing more market share because I said because of China plus situation now globally. And lastly, we have continuously introduced new products in Pyridine, Pyridine derivatives, because we are expanding non-GMP facilities. So, all these new plants, new investments which we are making in Specialty Chemicals will also bring us revenue both from new products as well as from the existing products, more markets. So, we have not achieved, let's say, 70% or 80% market share in each of our products. So, there is enough room for us to grow within the pyridine and pyridine derivatives also. And overall market demand is also growing. So, though we have a share, but since the market is growing, that also gives us an opportunity to take our leadership position to further stronger way.

**Rohan Gupta:**

And sir, just last on my side, on vitamin B3 and the business which has been impacted because of the flu. Sir, you mentioned that the flu scenario is over now, but the market has a high inventory. So, you see that the situation in Europe and the demand will improve by Q4? Or it can take some more time because of the high inventory in the system.

**Rajesh Srivastava:**

So usually, what happens, Rohan, when this kind of situation of flu happens in poultry, people cull the birds and once the birds are culled, it takes almost 3 to 4 months for the farms to start consuming the same volumes, which they used to consume. So, after 3 to 4 months, of course, this inventory situation because suppliers have inventory. So overall, 5 to 6 months it takes. So Q4, we see that a great extent the situation will improve. But from Q1, we are certain that situation will become normal.

**Moderator:**

Next question is from the line of Nitesh Dhoot from Prabhudas Lilladher. Please go ahead.



**Nitesh Dhoot:** So, the first question is on the commodity on the Chemical Intermediates segment. So, how are the per kg margins in this business, right, normalized for Ethyl Acetate and Acetic Anhydride? Or is there any further normalization expected?

**Rajesh Srivastava:** So, on Anhydride, as I said earlier also, our per kg realization is improving because we are improving our volumes, we are improving our share with the customers. We are increasing our business to more international markets. So overall, our per kg margins are improving. So, as we will catch up the volume, you will see the overall profitability of Chemical Intermediates business improving, which is happening. If you see last 1, 1.5 years, this has been improving. And since we are increasing our capacity because of the demand, of course, volume will go. So, it will be a good impact of both per kilo impact as well as volume.

**Nitesh Dhoot:** Sir, and what's the current capacity utilization levels, both in Anhydride as well as in Ethyl Acetate?

**Rajesh Srivastava:** On Anhydride, we are fairly at a range of 70% to 80% overall, in general. Some of the plants are more than 90%, 92%. Some of the plants are lower. But in the next couple of quarters, the volume situation is definitely showing us that the utilization is going to significantly improve. And once we bring the new plant, probably we will be in a position to add more value.

**Nitesh Dhoot:** And sir, what would be the reason behind the lower demand for Ethyl Acetate?

**Rajesh Srivastava:** So, Ethyl Acetate, the lower demand is happening because the extra pressure at China to produce Ethyl Acetate and dump in the European market, which is slowly now improving. So that is one. And secondly, in India, the demand in packaging industry is down. As you know, packaging is not doing as well. So that is the reason. But of late, we are also seeing a



positive trend of Ethyl Acetate as well. So hopefully, in next couple of months, Ethyl Acetate will improve. But as you know ethyl acetate, we are very focused on only select customers, where we have a good quality requirement of products. So, we are actually not really focusing on large volume because this is not a product where we feel that we can make good money.

**Nitesh Dhoot:** But what would be the capacity utilization there on ethyl acetate?

**Rajesh Srivastava:** In general, if you see, we are at about 60% to 70%. But remember, these capacities are multipurpose. So, we can produce some other products as well, which are the value-added products, which we are launching one by one. Like we have done for Propionic Anhydride. We are utilizing the existing capacity with some debottlenecking, et cetera. So new products we are working on to take care of this capacity utilization. So, they are not sitting idle.

**Nitesh Dhoot:** And sir, another one would be on the balance sheet, on the debt levels, which have increased. So net debt has increased to INR280 crore. So where do we expect the debt to be keeping in mind the CapEx that we have?

**Rajesh Srivastava:** So, if you see the current situation, again, on the debt side, it is very short term because our profitability has been lower and of course, the CapEx is going very strong. But we have enough headroom for our short-term borrowings. So, for time being, for a few months, probably we'll go for short-term borrowing. And we are expecting H2 performance to improve significantly. And we see that we will be in a position to bring back the overall borrowing situation by end of this year to a controlled situation. That should not be a concern area at all.

**Prakash Bisht:** And Nitesh, just to add on to what Rajesh said, you would see that the increase in borrowing is only to fund the working capital increase.



**Nitesh Dhoot:** So, what was the exact reason behind the working capital increase? I had missed out the earlier part. So if you can just repeat.

**Rajesh Srivastava:** Yes. It's just 2 key reasons. One is that we have taken 2 products as a strategic decision to improve inventory to gain in market share and profitability in next 2 quarters. So, it's a short-term event of 5 to 6 months. And second, as you can see that our creditors have increased because we were getting a better price in coal in domestic markets where the creditors are lower. So therefore, it is very short term. Coming December or January, we will be back with the normalized creditor. So, let's say, in 3, 4 months, that's why I'm saying that 3, 4 months, you will see the normal working capital, which we have been at the range of 15% to 16%.

**Moderator:** Our next question is from the line of Harsh Shah from Dimensional Securities. Please go ahead.

**Harsh Shah:** Sir, if I understand this correctly, the power and fuel costs, which has increased any 15%, 16% of sales. So earlier, it used to be around 8%, 8.5%. When the situation improves, so could be 2, 3, 4 months down the line. So, do we expect this to revert back to 8% to 9% of sales, which was the normalized range? So that would be an alpha of 7%, 8% from where we are standing currently at 20% EBITDA margins. So, 6% to 7% from here, when we are talking about increasing contribution from the Specialty Chemicals business. And then we are also talking about phasing out of the inventory loss, which we are seeing in Chemical Intermediaries space. So, taking impact of everything from the current level of 12% EBITDA, do you think that can be alpha generation of around 9%, 10% over next year or so if all these factors start reversing?

**Rajesh Srivastava:** So, there are 2 things. Let me first address your point on EBITDA level. So, if you see the Q1 plus Q2, the overall impact of coal is in the range of INR140



crore. Now if you add this and add our loss of niacinamide business contribution, these 2 things itself brings us on as one basis to the close to 20% EBITDA. Having said so, what you are comparing from last year, the cost of fuel and energy, particularly the coal has 2 impacts. One is the overall price increase of coal. Earlier we used to buy coal from import market at INR5,000 to INR6,000 per tonne, which has overall increased to the level of INR12,000 a tonne. So that has gone up for everyone that I don't think we have any visibility today to tell you whether it will come down. The second impact on that percentage is our FSA coal. Now that FSA coal, as I explained in the last question also, we are very sure that the situation has to come to normal definitely by Q4 of this year. So that impact of overall increase of coal is for everybody, and we have already recovered in our pricing. What we are not in a position to recover 100% is the difference of FSA versus the normal coal.

**Harsh Shah:** So currently, we are receiving no procurement from the FSA coal?

**Rajesh Srivastava:** Yes. So, nobody gets, it's not only we. Nobody is getting the FSA coal.

**Harsh Shah:** So when the situation normalizes, what percent would come from FSA, and how much would we buy from the market once situation normalizes?

**Rajesh Srivastava:** So that's what I said that the overall cost impact of FSA coal for Q1 and Q2 is about INR140 crore. So that will be a normal situation, we will achieve in a normal FSA availability.

**Harsh Shah:** And then for Niacinamide, have you seen the realizations coming off sharply because of the inventory situation?

**Rajesh Srivastava:** Yes, yes. So the Niacinamide volumes are also lower, even realization is also lower, of course, because the inventories are high. And both have to improve.



**Harsh Shah:** And how much are the realizations lower compared to FY'22 level?

**Rajesh Srivastava:** I think it is in the range of about 12% to 14%. On pricing.

**Moderator:** The next question is from the line of Nilam Saha from Ventura Securities Limited. Please go ahead.

**Nilam Saha:** So, in your investor presentation, you have mentioned that in the couple of coming years, your capacity of all the segments are going to increase by around 40%. And you have also mentioned that after the current CapEx positive terms, your constitution of revenue will change, and Chemical Intermediates will constitute from now 60% which was around 35% at that time. So, I wanted to understand how that changes things will happen or whether you're going to see your capacity utilization of different segments? And also, if you can give us further breakdown of importation in Specialty Chemicals, you are going to consider 50% of your revenue at that time.

**Rajesh Srivastava:** Yes. So, the answer to your first question is because most of our new growth CapEx investments are happening on Specialty Chemicals and Nutrition side. All those new CapEx's, the new investments will bring additional revenues, which will change the entire revenue profile of Specialty and Nutrition. On Chemical Intermediates side, as you can see, our major CapEx is on anhydride and on Green Acetic Acid. Rest all growth CapEx's are in the Specialty and Nutrition side. And therefore, the change in mix will happen with that. Your second question is that on Specialty Chemicals, our existing performance itself is showing that our growth is now in line with what we have been talking. So definitely, it will be possible by FY'25, we have shown in our presentation, we will achieve.

**Nilam Saha:** Out of that 50%, how much will be in Specialty, and how much in Nutrition will you be able give that breakdown?



**Rajesh Srivastava:** As of now, I don't have exact number. I can come back to you later, please.

**Nilam Saha:** Okay. And my second question is, I have a few questions related to the financials. So, what is your current inventory deal? And you also mentioned that your other expenses some part of it is variable and some of it isn't, give an average percentage of tax? And also in your revenue, you have some intersegment revenue part of it. I would also have to know like why it depends on like is it a certain percentage of your revenue, a certain percentage of say Chemical Intermediates. I'd like to know that.

**Prakash Bisht:** So Nilam, the inventory days are 65. What you see in the segmental sales is the merchant revenue. It does not include the inter-segmental revenue. So it's all merchant revenue, which you are seeing as a segmental revenue, I missed your third question, what was that?

**Nilam Saha:** That explains a part of it. So, if you can give a breakdown of the other expenses leaving the power cost?

**Prakash Bisht:** So other expenses include all the rest of the expenses because the way the SEBI format has been designed, you have to show material separately, employee costs separately. And then actually if you can put everything else in the other expenses. So other expenses include everything else. So it has repair and maintenance, freight and forwarding. So processing charges, travel expenses, all admin costs, selling and administration, all other expenses are included in that. The simple way is our annual report has been released recently. If you would see that annual report in the manufacturing and other expenses, you will get the full detail of these expenses, the nature of these expenses. The same expenses are coming here as well.

**Moderator:** The next question that is from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.



**Rohit Sinha:** So, some of my questions are already answered. Just one for clarity. As you say that Specialty Chemicals' volume growth was somewhere 30%, 32%. So this is Y-on-Y this is, right?

**Rajesh Srivastava:** That's right. Yes.

**Rohit Sinha:** So this Specialty Chemicals definitely includes Diketene business also. So I just wanted, with the growth number excluding this Diketene business that would be helpful.

**Rajesh Srivastava:** Honestly speaking, as we just explained to you in the last question, the Diketene business right now is not generating significant revenue. So if 30% capacity is utilized, you can assume what is the revenue we are generating. If you exclude that also, you might even just get to a 3% deduction in this. But still the growth in other products are much higher.

**Rohit Sinha:** Secondly on Acetic Anhydride as you again said here that the volumes were much higher. So just wanted to understand from which region we get the maximum traction and how much these volumes are sustainable, going forward?

**Rajesh Srivastava:** So, this increase is across, let me explain you. So domestic market as such is growing. A lot of new products, a lot of new products customers have started manufacturing in India, which were never produced. So overall volume requirement of domestic market has gone up. So, we are capturing as you know, I said in the last call also that paracetamol now India is the leader in producing paracetamol. Earlier, China used to lead that production. So, India is capturing more and more market share in global market. Same is the situation for agro chemicals, same is the situation for any other end use of anhydride. And also in international markets, we are capturing our market share because Europe, as in India, European demands





have also gone up, and no other competitor have increased capacity. So we have a huge opportunity for increasing our volumes in Europe.

Having said so, even Southeast Asia demand, we are capturing all the increased demand globally. So, I would say it's across the regions, not single reason because globally, nobody is increasing capacity. Jubilant is the only company where we have increased the capacity of anhydride 2 years before. And this plant, which will come up in Q4 will be the only capacity expansion of anhydride in the global expansion. And as I explained in the last call also that one of the new use, which has come in anhydride uses, which is food acetylation that in Europe is going up, demand is going up. So all that is actually really mixing up in our performance of anhydride, which we have been having the clue in the past, and that's the reason we took this call of capacity expansion.

**Rohit Sinha:**

And lastly, on the raw material procurement, I think we have started getting ethanol in the domestic right in this quarter. So apart from that, how has been the procurement for ethanol, methanol and any other media, raw material part prices we are seeing there?

**Rajesh Srivastava:**

Ethanol, we are still the major importer from U.S. and Brazil. This domestic procurement is very small volume, and that happens on the spot availability situation. So sometimes, if the import prices are higher and domestic suppliers is sometimes trying to take the volumes and he doesn't have any other volume to sell, we buy and that if we get a little cheaper. But that's not a strategic purchase. Our strategic purchase is imported alcohol. Coming to acetic acid and methanol, we have been saying we have a strategic procurement of acetic acid and methanol from global supplier. We have multiple suppliers. We have from China; we have from Europe. We have from U.S. We have from Asia. So that we keep doing from our relationship with multiple suppliers, both methanol and acetic acid.



**Moderator:** The next question is from the line of Naresh Vaswani from Sameeksha Capital. Please go ahead.

**Naresh Vaswani:** So first question on the coal situation, with FSA coal. So, while you said that we have a 5-year contract, I wanted to understand the pricing phenomena. So how often does the price gets revised? And second question is on the CDMO part of your business. So in the annual report, you have highlighted that you have 5 molecules in the pharma and 2 in the agro. So I wanted to understand whether the 7 molecules will start generating revenues when the new capacities come online in the next quarter? And what portion of your capacities, your dedicated capacity will be utilized for these 7 molecules?

**Rajesh Srivastava:** So on FSA coal, prices are fixed for 5 years. It is auctioned price once, and it is fixed for 5 years. So that's the benefit. So there is no negotiation. There is no change in price for 5 years. On your second question on CDMO, there is continuous working to improve our pipeline. We explained in earlier calls that we had 5 products at commercial scale in pharma and 2 products at commercial scale in agro. That number has changed now. We have now 7 products at commercial scales in pharma and now about 3 products in agrochemicals. Now in addition to this, we have almost 10 to 12 products in pipeline, which are under development with the customer with pharma, and there are about 3 to 4 production agrochemicals. So, this is a continuous exercise to offer these new products to customers.

And as and when customers' product gets commercialized, we start realizing our revenue. Now in your last question, how much we are utilizing capacity, very difficult to give you in percentage of the overall capacity. But let me tell you, we are fully utilized all our dedicated CDMO capacities. And this is the reason the 2 non-GMP capacities are getting ready in this quarter, which again will give us the revenue increase of CDMO business, and the demand increase of volumes will be serviced from those new capacities.



And also, GMP, when we will be ready this quarter will be utilized for the increased volumes of the existing products as well as these new products which we have efficiently comes.

**Naresh Vaswani:** So sir, you expect that given the strong pipeline you have, these capacities would get utilized within a short period of time within 2 quarters, let's say?

**Rajesh Srivastava:** Absolutely. You are very right. I mean, I would say we always keep some extra capacity because CDMO business is a very strong business as of today in India for us. So we will keep some extra capacity. And therefore, as we have announced in our capital investment plan, if you see, we have one more large GMP capacity to be approved, which we will do as soon as we realize these volumes, which we will build up this quarter. So it's ongoing. We are keeping a very close watch on the demand and take a decision promptly to add capacity.

**Naresh Vaswani:** And one last question on this. So, will it be possible for you to tell us what contribution within the Specialty Chemicals is driven by the CDMO business currently?

**Rajesh Srivastava:** As we have been telling that it is in the, let's say, close to a double-digit percentage of our total Specialty Chemicals revenue, which is now going to improve significantly when these pipeline products will come.

**Moderator:** The next question is from the line of Tarang Agrawal from Old Bridge Capital. Please go ahead.

**Tarang Agrawal:** Just 2 quick questions, sir. One, if I look at your Specialty Chemicals business and assume the COGS to be only raw materials and power and fuel, basically, what would be the ratio between raw material and power and fuel in your COGS for Specialty Chemicals only.



**Rajesh Srivastava:** So, if the cost is INR100, our power and fuel will be in the range. So, it depends on the price. Right now, it will be in the range of 15% to 18%. Usually, it should be 10% to 15%.

**Tarang Agrawal:** That is power and fuel, correct? And the rest will be raw material, correct?

**Rajesh Srivastava:** Yes. Yes. And this is no 10% to 15% of the cost of the product, not on revenue part.

**Tarang Agrawal:** And second question, sir, I mean, the impact of coal at some point, you alluded to about INR140 crore for H1. And the other participants, you mentioned that in Q1, it was INR40 crore, INR45 crore. And in the second quarter, it was roughly INR50 crore, INR55 crore so INR100 crore. So I think I'm a little confused here sir.

**Rajesh Srivastava:** Yes, yes. So I explained this, now I explain again. So the impact is 2 parts. One is the specific to us that is FSA part. FSA part is almost INR140 crore for H1. There is an additional cost increase of coal, which is for everyone. The last year, the price was INR6,000 a tonne, Today, it is INR12,000 a tonne. That is additional impact to us to the tune of INR70 crore, INR80 crore, but that we have already passed on in our pricing. So therefore, just for your understanding, you just count this INR140 crore. Forget the other number because the other number in any way, we are taking it passing on to our pricing.

**Moderator:** The next question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

**Bajrang Bafna:** So sir, my first question pertains to as you have pointed out in your opening remarks that you are parallelly working on some offer in terms of going to alternate energy sources. And I have been tracking a lot of companies who have already entered into solar contract on OpEx model for next 25 years



at a rate of close to INR5.5 to INR6. And without investing a penny, that is something which is available to your competitors also in the northern market. So are we thinking something on those lines? And if yes, by when we can expect this to flow to us and what percentage we are targeting to, let's say, migrate from the coal-based sourcing to, let's say, the renewable of the solar power and energy sourcing because it fits in our green team as well. So if you could highlight that it would be really helpful.

**Rajesh Srivastava:**

So, first thing is that you are right. Solar is one of the sources, which we are very seriously working on. And we already have started solar sourcing in one of our sites that is in Maharashtra. We are working very seriously to start in Gujarat. We are working very seriously to start in UP. So you are very right. That is one of them. Now your second question, what percentage? Now as you know that we are generating our own power in Gajraula, and we plan to generate our own power in Bharuch. Now to that extent, this cost will be cheaper because we'll be generating our own power. If we consider all that, our solar percentage, let me give you this number a little later. But just be rest assured, we will be doing the best possible solar combination in our energy sourcing. And you must have seen about 2 or 3 quarters before, we have made an announcement with that Neerasourcing. So obviously, gradually, as and when we proceed towards the maturity of these discussions, we will bring it up to you. We will inform you.

**Bajrang Bafna:**

So maybe in FY'24, we will have certain portion.

**Rajesh Srivastava:**

Sorry, I missed that point. So, on timing, you are very right, give us about 9 months to 12 months. I think we'll be very clear and matured with our mix of energy sources.

**Bajrang Bafna:**

And sir, my second question pertains to your Specialty business. If we try to understand it, like we are as and when we are able to get the coal cost



under our control, will be back to 20% plus margins, and we are at a base of, let's say, INR1,500 crore kind of top line. So now we have earmarked Diketene, where we are targeting 100% utilization probably by the end of this financial year, then we have 2 projects in the CDMO and the multiple purpose CDMO which are going to go operational. So is it this immediate near future maybe in next 12 months perspective, where do you see the INR1,500 crore base will shift? I know that you have already given a long-term target of INR9,500 crore top line by FY'26 and close to, let's say, the 20% kind of margins. But if you want to model it for, let's say, FY'24, where this base you expect because you are already entering into certain near to long-term contracts. So what is the visibility on the revenue side, will be really helpful?

**Rajesh Srivastava:**

So, if you see the revenue side visibility, it's very clear, as we have been saying every time that whatever we are making investment. So, let's say, we have announced INR900 crore investment already committed. As and when these capacities come on ground, we will give return of this asset investment to be close to 2 plus so that you can keep adding very, very clearly. So, as and when we bring the capacity, that revenue, it takes about a year time to bring the capacity utilization to the tune of 70% to 80%, 90%. So that time if you give that revenue keep adding. On our volume performance, obviously, these capacities we are bringing based on the requirement of existing products as well as new products. So just to be rest assured that as soon as the capacity comes in few quarters, the capacities are really utilized to an optimum level. So that should not be a challenge.

**Bajrang Bafna:**

So I know, sir, this is sort of declarative but just to be precise on the number side, can we expect, let's say, on this base of INR1,500 crore by the end of Q4 of this year will be at least 15% to 20% higher and maybe next year, again, we can build up this kind of growth, especially on the Specialty business?



**Rajesh Srivastava:** Very difficult to give these guidelines because most of these revenue numbers I am really hesitant to give guidelines because revenue is impacted based on the input prices. But we can definitely give guidelines on volume. So as I said, as soon as the capacities come, we will utilize the volume. But what happens to the raw material price, I don't know if you have any model, please let us know. We will be building up. But at least we don't have any model. Because raw material prices are changing so drastically, like methanol is changing, acetic acid is changing. So like acetic acid last year acetic acid was \$1,000. Today, acetic acid is sitting at \$550. So how can I give guideline on the revenue?

**Bajrang Bafna:** You can tell us; volume will also be okay. We don't mind even getting that.

**Rajesh Srivastava:** Volume, very clearly, I told you as much investments are coming, those volumes will be in 3 to 4 quarters will be utilized. Every investment we are making, once it comes on ground, we give a return of asset investment to the close to 2 plus. That will happen.

**Bajrang Bafna:** And just sir, my last question on the B3 side. Yes. Just on the B3 side, can we see the stabilization of business from this quarter? Or this still we might take 1 or 2 more quarters to get it stabilized?

**Rajesh Srivastava:** I have said it in the last question, in fact somebody asked the same question, I said the normalization, we can expect full normalization we can expect Q1 next year, but things are improving. This quarter, volumes are improving. Next quarter, further volume will include, but full normalization will happen in Q1 next year. Having said so, the overall normal situation you will see in Q1 only. Because it will take time for inventories to liquidate. It will take time for demand to come to the normal position. But things are improving. So, from last quarter, this quarter is improving and of course, Q4 will also improve. But normal situation, we are very hopeful that Q1 next year should come.



**Moderator:** Thank you. Ladies and gentlemen, that will be our last question for today. I now hand the conference back to the management for their closing comments. Thank you, and over to you.

**Prakash Bisht:** We thank you all for joining this call today. We hope we have been able to answer your queries. For further clarification, we will request you to contact our Investor Relations team. Thank you once again for your interest in Jubilant Ingrevia. We wish everyone a very happy and prosperous Diwali. May the coming days add warmth and joy to you and your sunny lives. Wishing safe celebration to you all.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Jubilant Ingrevia Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.

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