INDIA GLYCOLS LIMITED

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

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21st February, 2022

The Manager (Listing)
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Scrip Code: 500201

The Manager (Listing)
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
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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 Q3FY22 Earnings Conference Call

Further to our letters dated 11th and 15th February, 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 Earnings Conference Call for Q3FY22 held on Tuesday, 15th February, 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
Q3 FY2022 Earnings Conference Call"

February 15, 2022

ANALYST:	**MR. ROHIT SINHA – SUNIDHI SECURITIES**
MANAGEMENT:	**MR. RUPARK SARSWAT – CHIEF EXECUTIVE OFFICER** **MR. ANAND SINGHAL – CHIEF FINANCIAL OFFICER** **MR. SANJEEV GURWARA – PRESIDENT MARKETING** **MR. SK SHUKLA – HEAD - LIQUOR BUSINESS** **PROF DR. R K KHANDAL – PRESIDENT, R&D AND BUSINESS DEVELOPMENT** **MR. ANKUR JAIN – HEAD (LEGAL) AND COMPANY SECRETARY**

Moderator: Good day, ladies and gentlemen, and a very warm welcome to the India Glycols Limited Q3 FY2022 Earnings Conference Call hosted by Sunidhi Security and Finance Limited. Please note that this conference call may contain certain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohit Sinha from Sunidhi Securities. Thank you, and over to you Rohit!

Rohit Sinha: Thank you, good evening, everyone. Thank you for joining us on Q3 FY2022 earnings call of India Glycols Limited. I would like to thank the management of India Glycols Limited for giving us this opportunity to host the call.

From the management side we have with us Mr. Rupark Sarswat - Chief Executive Officer of the company along with him, we have, Mr. Anand Singhal - Chief Financial Officer, Mr. Sanjeev Gurwara – President of Marketing, Mr. SK Shukla – Head of Liquor Business, Prof. Dr. R.K. Khandal - President, R&D and Business Development, and Mr. Ankur Jain – Head (Legal) and Company Secretary. Without any further delay, I would like to handover the call to Rupark Sir for his opening remark, post which we will open the floor for Q&A. Over to you Sir!

Rupark Sarswat: Thank you Rohit. Thank you for welcoming us and also for the introduction for myself and the team and I hope all is well and everybody who is attending this call and it was good that you reminded that there is uncertainty and you can never predict the future, never better than this time to remind up for very, very uncertain times and in summary I believe IGL has navigated based on certain times reasonably well and I will try and present to you or talk to you about summary of how our performance has been so far.

Very briefly, I will talk a little bit about the performance highlights and then very important factor which is feedstock trend, and of course my colleague will also throw some light on financials and other things.

If you look at the performance for the quarter and I have introduced two slides here and the reason for that is we have also formed a joint venture in between, so a session of the business has moved to the joint venture and when we talk about reported results obviously the joint venture sales and profit numbers are there for the entire quarter of last year but not there for this quarter of the current year.

In overall terms, you have seen a gross turnover of 1760 Crores up 4%, a net turnover of 794 Crores down 11%, EBITDA of 62 Crores, reported results down 36%, EBITDA margins of 7.7% and PAT of 24 Crores. So, you know very well that in our case the gross turnover is significantly higher because we have portable spirits as one of our segments where the excise is very high, I think of the order of 600% to 700% and that is what results in a significantly higher gross turnover number compared to the net turnover.

So, if you look at this the key things to point out here is that we had the EOD business which went into the joint venture with Clariant last year for the same quarter, but it is not there in this quarter. In addition, we had a long shutdown which was about 16 days in December including catalyst changeover so that had some impact and as I will talk about a little bit more, we have had unprecedented escalations in feedstock and energy costs which we think will eventually not remain that high but all in all given these factors, I would say that we have continued to maintain the growth momentum despite the factors that I talked about.

Let me also talk about the same performance in terms of continued businesses. When, I say continued businesses you understand, we have taken away the EOD numbers from both sides of the equation and this means gross turnover of 7% not going into reading out the numbers, net turnover of 12%, EBITDA down somewhat by 11%, EBITDA margin obviously the same and PAT up by 34% on a competitive basis.

So, when we talk about continued businesses obviously the joint venture businesses have been excluded from the comparison but the EO sales to the joint venture obviously feature now as ideal sale though it does not feature much in terms of the profit and the same factors we have had the shutdown in December and we have had unprecedented increases in feedstock and energy costs and given that I may say that it is an excellent performance for the continued business given the circumstances that we have operated in and some of the headwinds that we had.

If you look at the nine-month overview, I have given it there in terms of reported results you will see a turnover which is up by 21% nine months. EBITDA which is down 11%, EBITDA margins of 8.77% and PAT which is up also because of the slump sales up quite significantly at 273 Crores. So for the nine months again you will see that we believe that this is a resilient performance for the first nine months on the back of a good bounce back and I will talk about it a little more in the BSPC or the Bio-based Specialities and Performance Chemicals business and also good growth in portable spirits, despite the shutdown and the escalation in feedstock and energy prices, margins have been under significant pressure but I think with these factors you would agree with me that this has been a resilient performance.

If I look at the same numbers on the basis that I spoke to you about earlier which is continued businesses, it is gross turnover of 34%, net turnover of 42% which is contributed by a few factors, one of them of course is very good performance in bio-based specialties and performance chemicals and portable spirits but also some EO sale to the joint venture which is included in the net turnover. EBITDA has not risen by numbers as good as the net turnover and I think the main reason for that as I mentioned is headwinds which have put substantial pressure on margin. Nevertheless, we have had an overall margin of 8.63% which is kind of in line with the margins that the businesses had and a profit of 263 Crores up quite significantly. So, that is the overall summary for the business. I can also give you a few quick highlights of the business which are also there in the presentation.

I talked about the shutdown, so I will not repeat but this bring some pressure on the business for the big plant being down for about 16 days, I will talk in a bit about feedstock and energy prices. To update you that we are making good progress on the two bio ethanol projects which are in progress in Kashipur and Gorakhpur and we expect them to be commissioned by April and June in the coming years respectively.

We have also made a small beginning as we talked about earlier in expanding our portfolio of BSPC which is Bio Based Specialties and Performance Chemicals with some stem that we are doing in modifying some of our plants to make specialty a main, so that is the kind of a beginning which we can talk to you about and we are also investing more in upgrading one of our existing R&D buildings and putting in more equipment and infrastructure and are also in the process of getting a few more people in R&D, so the thing to highlight about is the bounce back in Bio-based Specialities and Performance Chemicals in particular and good growth in portable spirits.

I thought I will spend a little bit of time on talking about something which has been very, very important in terms of how we look at the business which is based on bio-based ethanol or bio-based ingredients, some of which I talked about last time, so, I will not delve into great detail because I spoke about it last time, there are a number of factors which have been affecting these businesses and to some extent have caused some headwind and I think it is important for you to understand, for you to draw your own conclusions in terms of how the business looks going forward and when I talk about margin compression and hopefully looking at the improvement in margins in the coming years, so you all know about the global energy crisis which was triggered by several factors, the coal shortage in India, the significant issues that we have been having globally in terms of sustainability and green transition, what is happening to commodity prices, I will talk about the impacts of climate changes and therefore the impact on crops and so on and the demand surge post COVID. To give you a picture of trends on as to how it has kind of affected our business, I have just taken some important commodities which in fact our business significantly, so, you see that when it comes to commodities like steel, coal, ethanol and acetic acid, so there has been a very sharp increase in feedstock cost which has rallied from something like 40% to a high of 70% to 80%. I have deliberately not put precise numbers there because the biggest thing is to talk about trend, not about the precise numbers and you see that your business, ideal given these kinds of increases that is why I said it has been a resilient performance.

I will talk a little bit about what happened in the bioethanol space, so what you saw in terms of the bioethanol space is that there has been a very sharp escalation in prices driven by bioethanol produced in the US where prices went up from something like $1.4 gallons to $3.2 gallons in November 2021, they have softened the bit. We did not necessarily see the spot price increases because of our planning and contracts but there was a sharp impact. The other things that you see on the left-hand chart, molasses based ethanol that was produced in India has also seen an increase in prices to some extent coupled with what is happening to global ethanol prices and one of the important factors which has led to the global ethanol prices being high is the increase in corn prices which are shown on the right hand side.

Let me talk a little bit about the bioethanol scenario apart from of course the numbers I am sure some of you may be interested in listening to this. So, some of these data is a little dated, it is 2019 but I think the broader picture remains the same, so in terms of bioethanol consumption you see that the US is the largest producer and consumer of bioethanol and more than 95% of the ethanol which is produced in the US is corn based and you see that US and Brazil put together produce something like 84% of global ethanol. Brazil of course produces most of its global ethanol based on sugarcane and one very, very important factor is that in terms of the global trade that happens, 70% of the global trade which happens in the world in terms of exports is entirely from the US, so which means that predominantly what happens to ethanol prices is determined by what is happening in the US as of now and 51% of the exports from the US are actually to three main countries Canada, Brazil and India, India being the third one in that order.

What has been happening in the bioethanol space is a number of factors increasingly the way ethanol is going into crude and blending, there is a coupling of ethanol which is happening to crude which was not the case earlier, it is also closely linked to, for example, what is happening to corn, what is happening to soya, the reason being that the American farmers or farmers elsewhere very easily switch over between corn and soy actually they are complementing crops, what happens to palm oil, for example, so this is the palm oil shortage that impacts soya and therefore corn, climate has meant what happens to the crops, various countries are implementing blending programs and so on, so what in general we have seen softening of ethanol prices from the peak but they are still kind of holding strong and we expect that there will be some support to these firm prices for in the near future.

You all know about it, there has been fears about Ukraine invasion, you would say how does it impact ethanol, the reason it impacts, its knowledge that Ukraine is one of the largest exporters of wheat and corn particularly to China, so people start expecting that therefore impact corn prices which therefore impact ethanol prices. Rising crude prices is a double-edged sword for us on one hand as crude prices go up our bio-based products become more viable but at the same time ethanol to some extent is getting plugged.

There has been an increased demand for renewable biodiesel which means which comes from say soybean, so people have started to plant a little bit more soybean and therefore a little less corn, therefore impacting ethanol prices and recently I heard a couple of days back that Indonesia has put some restrictions on export of palm oil. What also happened as you know because of the disruptions caused by COVID, the input costs for farmers have been higher in LATAM and elsewhere availability of actives which has also impacted the position which people are taking on the harvest and the more and more countries are implementing blending programs, India targeting 20% blending in a couple of years of time, longer term, however, I have spoken about this earlier, ethanol will move on from food based products to cellulose based products to marine algae-based products to 3G ethanol to 4G ethanol and depends on what is happening in the space to electrical vehicles, green hydrogen, renewables program and various technology developments.

The reason for showing this slide to you was that I made some comments on what has put the headwinds on margin and I thought I will explain it to you in slightly greater detail than to just say that prices will go up and therefore our margins are down and on what basis will I say that over a period of time they will recover, so if you look at these factors some of them are not going to stay here forever, there are balancing factors amongst these itself and therefore we believe that our business is a strong business despite the anticipation that we have that there will be some firmness supported in the near term, longer term I think we will continue to find opportunities to add value to our business.

Now, I have kind of done by my bit of storytelling about the business and the scenarios coming to the more important numbers I will request my colleague and our CFO Mr. Anand Singhal to brief you.

Anand Singhal: Good evening everybody, so just to update on the Q3 numbers vis-à-vis, the Q3 numbers of the last year, the revenue from operations has increased by almost 11% or you can say 12% while as Mr. Rupark Sarswat has told that the cost of the material prices has increased by

15%, so this is the I will say is the main reason for the impact of the profitability for the current quarter as well as because of the shutdown for 16 days.

However, if you will see the EBITDA, actual number is 62 Crores vis-à-vis 69 of the last year corresponding quarters showing 11% downwards. EBITDA margin has come down to 7.67% again 9.71% but if you will see the PBT the current quarter PBT is 31 vis-à-vis 27% of the last corresponding quarter. The main reason for the improvement is the reduction in the finance cost which has happened due to the prepayments of the term loans and the working capital as well as the normal payments.

The fact for the continuing operations is 28% vis-à-vis 18 showing 33% up and of course the margin from the continued operations has improved from 2.52% to 2.99%. So, overall, we will say that the performance of the company is slightly lower vis-à-vis last quarter as well as the corresponding quarter of the last year is still the company has managed its operations in a very well manner keeping in mind the shutdown as well as the increased cost due to the alcohol and molasses prices and the shutdown.

Regarding the segment wise net revenue, we are talking on the basis of the net revenue, so for the current nine month or rather I will say current quarter, the 74% revenue has been generated by Bio based Specialities and Performance Chemical business while 22% has come from portable spirits and 4% from NHR and other small units. For nine months the 72% revenue has been generated by the Bio-based Specialities and Performance Chemical business, 23% has come from portable spirits means liquor division and 5% from Ennature Biopharma. If you compare the last year vis-a-vis the current three months, the business is more or less same although from 71% to 74% in case of the performance chemical and for the nine months it has increased from 65% to 72%, so overall, all the divisions are doing good, but performance chemicals have done better. Regarding the segment wise results, the chemical bio-based specialities and Performance Chemicals for the current quarter has run in of net of 587 vis-à-vis 505 which is up by 16% and for the nine months is 1597 Crore vis-à-vis 1012 Crores which is 58% up.

We will talk about the EBIT; the current quarter EBIT is 24 vis-à-vis 10 which is showing 136% up while for the nine months it is 77 vis-à-vis 20 Crores which is 280% up for the nine months. The portable spirit business, the net revenue is 175 vis-à-vis 163 Crores which is 8% up while EBIT is 22 48 Crores which is down by 55% largely because of the prices increase in molasses and alpha. The nine-month result if we compare 510 Crores is the net revenue out of this business portable spirits vis-a-vis 440 Crores which is up by 16% but profitability has come down to 67 Crores against 114 which is down by 41%.

Regarding the Ennature Biopharma business, the net revenue is 33 Crores for the quarter vis-à-vis 44 Crores of the corresponding last year quarter which is about -27% or down trade while EBITDA is 8 Crores against 12 Crores which is down by 35%. For the nine months, this is 119 Crores vis-à-vis 13 Crores which I will say is 6% up you can say is more or less same number while the EBIT is 29 Crores against 39 Crores is -26%.

So, this is the segmental result from our side, and we will take your questions if any on these numbers during the call.

Rupark Sarswat: Anandji, if I can just add one or two points here, one is that just connecting what we said before, you see sound growth in the portable spirit segment which is a good thing because this is a B2C market and that is more important. However, the rise in the ethanol cost is the main issue which has brought our EBIT down by 41% and even before you ask us this question, the thing that we are doing for this is, for example, putting up the grain based distilleries which will significantly reduce the cost of ethanol which is available to us for the portable spirit segments, that is one. The second is that as you know for the portable spirit, it is not like a B2B business where we can just go out there and do a price increase, that is a long process and there has been a renewal of the policy which also means that we will see some increase in the prices which the government itself gives for country liquor, so those are factors that we think we will address in the near future especially in the starting of the next financial year and the bio based business has been driven by good sales in glycol, glycol ethers, some of them I must say have also been helped by some test bits that we have had in terms of glycol expertise process, which were much higher in the global markets and therefore, we could position our products better.

Just some, I thought I will just add some high-level commentary to these numbers, nothing more from my side. Over to you for any questions and the team is here to take them.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Thank you for this opportunity. As you have articulated the business environment for this quarter and the factors that resulted in the lower margins starting from there itself, currently how much have we spent on these grain-based distilleries as of now and what capex is due and how is this capex coming on stream will significantly change the margin profile for the portable alcohol business?

Anand Singhal: Regarding the grain distillery, the total capex size is 300 Crores and we are hopeful that one of the distillery in Gorakhpur will start operations effective April while Kashipur will start from June, as far as the expenditure till date is concerned, we have already done say about 100 Crores, the expenditure on these two distilleries and the work is in process, so everything is going as per schedule. Expected margin, Shuklaji will take up for the estimated margin.

S K Shukla: You have asked a very good question because you know the UP government, UP excise has already announced the grain-based ethanol liquor leaker policy for the year 2022 and 2023. Precisely, I would like to inform you that in UP all the Indian made foreign liquor which producing from the molasses-based ENA will be converted 100% to the grain-based ENA with effect from 1 April 2023. So, this would be the major policy change of the UP government. Second, to promote the grain-based ethanol, directly linked with the farmer ambitious Modi's policy to increase the agriculture products double the income to the farmers. Country liquor, there are three segments in the country liquor, 42.8-degree segment of the country liquor, 100% convert into the grain with ENA, so in UP, a huge market of the grain-based ENA is likely to be coming from the 1 April and fortunately our grain-based distillery would be ready to produce ethanol as of start of the next financial year. So, we are hoping good profit while seeing the change in the excise policy. Just to add into this, the IRR against both the distilleries as per our internal calculation is within three years, this much I can tell you right now.

Saket Kapoor: In case of the requirement for the imported alcohol, how will that dependence be anyway change because as like you said articulated then the entire thing will be shifted towards the portable alcohol only or we would be able to manufacture bio-MEG also from the alcohol that reduce?

Anand Singhal: As per the sanction which we have got from the Government of India regarding these two distilleries, we have to go for the supply of 75% of the alcohol manufactured out of these grain distilleries, two for ethanol blending, just to avail the 50% subvention on interest, so for this we have to take up, rest of the things I think Shuklaji will explain.

S K Shukla: Put together we have good capacity which is coming from the 1 April of the grain ENA and we are hoping that our entire demands of the grain ENA will be certainly meet out with our production capacity which we are presuming from the 1 April, so we do not think any kind of the minus projection about the availability of the grain ENA from 1st April.

Saket Kapoor: No Sir, my point was 75% will be rooted to the ethanol bending program, the balance 25%, we would be able to divert towards MEG and what is our current, is this the first grain based or currently the ones are molasses based, the distilleries which we are operating, what is the feedstock Sir?

S K Shukla: Currently, we are using feed stock molasses. From the 1 April, we will be planning to use the broken rice as a feed stock of grain-based extra neutral alcohol.

Rupark Sarswat: May be, I can just add if it helps. What happens as we put grain-based capacities is that we have three potential sources of ethanol, one, imported ethanol, second, grain-based ethanol, third, we also have capacities to continue to produce molasses basis now. The reason I am saying this is that of course excess grain based ethanol can be rooted into all of these three areas, it can go into portable spirits, it can go into biofuels and to answer your question, it can also go into bio based MEG and it is difficult to give an exact number because that is an optimization exercise that we will do as to how much to import, how much to divert from grain, how much to do from molasses, the good thing from our perspective is that we have three potential sources and we have multiple potential end uses which is biofuel, portable spirits and bio-based specialities. Another point I would like to make here is that it depends on how much capacity you have got based on subvention, there is always more capacity that we may add which is not necessarily based on Subvention scheme and effect that you may have from before with you and be able to generate more grain based ethanol for other uses as well.

Saket Kapoor: Okay. The short points that I am trying to conclude please help me is this is going to be margin incremental with the commissioning of the distillery, the business profile, the feedstock, the dependence on the imported feedstock should wane down and this should be margin negative, am I correct in my assessment Sir?

Rupark Sarswat: Yes, as of now I can only talk about numbers as of now, not talking about cost but there is a significant delta between imported ethanol and grain-based ethanol as we see it now, of course, we talked about uncertain times there are variables, but your answer is here, your assessment is correct.

Moderator: Thank you. The next question is from the line of Makarand Tilloo from Makarand Tilloo Investments. Please go ahead.

Makarand Tilloo: Thank you Sir for giving the opportunity and as we know, the grain based is the future, are we planning to expand our capacity in future?

S K Shukla: Yes, we are planning, and we have already got permission from the government for putting 200 KLPD another grain-based distillery in Gorakhpur, so we have already everything aligned but yes for the capex and everything will be decided in Q1 of the next financial year.

Makarand Tilloo: Okay, so we from another con call, we came to know that per liter cost or margin is around Rs. 15 to Rs. 17 for grain-based distillery, is it correct Sir?

S K Shukla: No, we cannot give you the exact number because these are the number varies from month-to-month, customer to customer circumstances, so, yes, we are thinking the good profit but difficult to give you the exact number per liter it is very difficult.

Makarand Tilloo: Okay, are we planning to utilize Shakumbari in any other way?

S K Shukla: No, not now.

Rupark Sarswat: I will add to your precise question, we do not have any plans in near future to be investing or spending in Shakumbari.

Anand Singhal: Yes correct. no planning.

Makarand Tilloo: But Shakumbari there was some disinvestment planning was there?

Anand Singhal: Yes, what we have done, we have taken the permission to increase the ethanol increment from 60 KLPD to 100 KLPD but as such as of now, we do not have any planning to restart or to start the Shakumbari operations.

Makarand Tilloo: Okay, can we just let us know Sir, what will be our total capacity of grain-based distillery in next two years?

S K Shukla: 1,80,000 liters will produce from the Kashipur plant, and 1,10,000 liters will produce the from the Gorakhpur which both the plants are in the erection stage and as CFO Sir has told one plant of Gorakhpur is coming on April and other is coming on the May last. I told you earlier that another 200 KLPD plant, we have already got the permission from the UP government but capex and everything will be planned in the next year, yes, we are evaluating.

Makarand Tilloo: So, glad to know this new expansion because it will definitely boost the margin.

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

Bajrang Bafna: Thank you the management team for clarifying the detailed analysis of the situation and the cost pressures that the company is experiencing and the direction going forward in terms of profitability and the margins, so Sir, my first question pertains to you clearly pointed out that the margin trajectory and the profitability is going to move up, so, back of the envelope calculation suggest that probably next year company will be having enough cash flow to fund the future growth and you already pointed out one aspect is that there will be another 2 lakh KLPD plant will come up for the grain based facility and there will be something that you are thinking on the amines based chemistry, so Sir broadly if you could just guide us in terms of the chemical side, how do you see overall growth for the company, for maybe next two years to three years because we are also venturing into one new area which is the amine based chemistry, so, if we could hear something from the R&D Head that how, what is prompting us to move into a different chemistry, we are already into MEG and the ether side and the performance chemical side now we are moving into amine, so what is prompting for this entry will be really helpful and the overall future outlook on the chemical side of the business?

R K Khandal: Bafnaji, thank you very much. I have only two things to say here; number one is, in future all companies we all know that India Glycolysis is a role model for self-sustainability and also the only company doing business based on renewables, in times to come, since every country had has committed in cop26 meeting that they will bring their products to net zero, so the focus of India Glycol should be there to capture those fellows who would be shifting would be making their products, not based on petroleum resources but based on renewable resources this is point number one I wanted to say. Our R&D will be focusing on creating new and new molecules and new process technologies which did not exist when we had products based on petroleum crude like already it has been told that amine based products is one which we have already decided to go and we are going ahead to create a big bio specialities and bio specialties facilities, so we will be actually targeting molecules to provide alternatives to crude based chemicals, now, we have the raw materials with us which nobody has, number one, bio ethylene oxide followed by smart alcohol based ethylene oxide. This is only we have. Number two, we have bio CO2 nobody else has bio CO2 along with EO, there are people who have bio CO2 but not along with EO, so there are several possibilities which R&D would be working like going on carbonates and polycarbonate then already amine we have already decided and suppose we with the success of amine if we go for backward integration and produce our own amines then it will be a very big boon for the company and for the country.

Bajrang Bafna: Got it and could the management team, my second and the last question pertains to, we entered into some sort of arrangement on this carbon smart feedstock with Unilever and Lululemon and if you could just site what is the progress on that side because Lanzatech is we have been hearing in the market that they are entering into some of the arrangements with petrochemical plants and the steel plants of the country, so any progress on that front and when can we see some sort of revenue generation on that count and what could be the size of that, some ballpark assessment of that will be really helpful?

R K Khandal: I would only like to say from the technical point of view, please understand, all companies of FMCG business, Unilever was the one first who started it, now everyone I mean under the sun would be shifting it, so number one is opportunity for the C-smart alcohol-based products; number two is the Lanzatech is also expanding their base outside China and coming to India and setting up facilities but to answer your question when will the figures start coming, I think it will take by the end of this year, things will become clear but obviously on the exponential upward side. I think our Marketing Chief would like to comment on this but from technical side this is what it is.

Rupark Sarswat: So, Bajrang, we have spoken about it that we understand this is something that we have established but we also understand this is a nascent area and yes, we would be producing some of the carbon smart products in the first half of the next year, some in the second half of the next year we are also working on putting up facilities for those, it is of course very exciting to all of us because it is based on missions but we also know that it commands a premium, it is also related to availability of carbon smart ethanol, it is a little difficult to precisely give numbers as of now, let us build this business, I am sure we will be coming to you every quarter to give you an update on how that is progressing, so, Sanjeevji you would like to add?

Sanjeev Gurwara: Right, I think we have had discussions with Lanzatech and from the discussion it emerges that they are trying to work out the quantity of the smart alcohol which would be available and which they can give us and some logistical constraints which they have because the material will come from China, so, they are working it out and like Ruparkji has said it will gather momentum from the next this half of the year, the next half of this year and I think from next year onwards, it will be the quantities would be much more. Now, we are finalizing the operations so that you make the whole operation successful but one positive thing is that there are at least eight or ten companies which has shown interest and are in discussions with us and we will take them forward and I am sure that we can collaborate with them, and I think make it a success in the coming sides.

Bajrang Bafna: Got it. Sir just from a curiosity perspective on this carbon smart ethanol, we know that now most of the companies in the world are moving towards the direction that if they want to reach 100% over next 20 years or 25 years in terms of carbon neutrality, they have to start somewhere and that beginning has started let us say from now onwards, so every year even if they think of 1% or 2% gets converted into carbon neutrality that provides an opportunity to our company but from a competition perspective vis-a-vis crude, what sort of price difference that this carbon smart ethanol or the carbon smart feedstock will be having because we know ethanol is available at Rs. 50 rupees a kg right now, let us suppose whatever import price that are there and your own production will be even lower than this, so, if you go through that Lanza Tech route, any idea that what sort of cost will be entailing that because if that becomes viable then I think it would completely replace your crude, so that is the biggest trigger for this sector and so if you could guide I know it is the domain of Lanza tech but since you people are also into association with them, if you could guide us some ballpark assessment of that will be really helpful Sir? Thank you.

Rupark Sarswat: Bajrang, obviously you have curiosity and we have excitement but it is also right for me to give an correct assessment, as these technologies evolve, it is not that they will only come from one location in future, they will start to come from multiple sources and locations and before we start to feed this market, it is very difficult to start to immediately say that the price that which I got Lanza tech alcohol for trials last year is the price that I should be taking going forward, so I would not hazard that yes, however for the few customers that we are working with obviously there is an agreement, they understand that price. There is a willingness for them to launch a few brands for their own sustainability positioning. Right now the biggest driver for people is to be the front runners in adopting these technologies and therefore position themselves as sustainability leaders and as these technologies evolve obviously, prices and with scale coming up, it will become more and more interesting, I think it is too far spects right now to say that it will entirely replace crude, I think that is not going to happen for a long time but yes it will become these kind of materials if you go back to a brief discussion I had which is talking about the longer term that is the direction. People will move towards not only renewables but more importantly more products which have a lesser carbon footprint which is cellulosic based which I think that is established that should be excellent for India, we create that much of a pharm base**,** to moving to algae base, to moving to emission based, to moving to materials which come from the green hydrogen root, so, there is a bouquet of sustainable technologies and solutions which are right now evolving, there is no doubt that this is the direction which is going to go forward, this bouquet is going to play around, we are fortunate that we are participating in some of those, very difficult to give you exact number, I think we will up for the next few quarters, one year and the picture will be clearer to you as well.

Bajrang Bafna: Great, thank you very much Sir for this detailed clarification and wish you all the best.

Rupark Sarswat: Bajrang, you started to always start off by that that always scares me, your back of the envelope calculation. Your back of the envelope calculation is very precise and highly insightful.

Bajrang Bafna: Sir that comes because I am a Gold Medalist Charted Accountant, so no argument on that. Thank you, Sir.

Moderator: Thank you the next question is from the line of Rohit Nagraj from Emkay Global. Please go ahead.

Rohit Nagraj: Thanks for the opportunity and thank you for presentation having a lot of details in terms of the industry dynamics. So, my first question is on the speciality amine, so as I understand that probably the initial phase we may be going in for ethanol amine and then probably the further derivatives of it, so what is the thought process from the amine space as I understand there is significant requirement in the domestic market but again for the amounts probably will be going through using grain based ethylene oxide and ammonia process where we will need incremental EO, so how are we going to tackle this entire project and what are the milestones that we are trying to have in this particular project? Thank you.

Rupark Sarswat: Rohit, you are right that initially we will be looking at amines which use feedstock that we have, for example, ethylene oxide and in the amines portfolio, there are also a wide range of amines, there are the amines which are considered as relatively commodity MADA then on the other side there are products like MDA and the derivatives which we think are the ones we should be looking at first in a small way as I said we are only modifying our plant to produce and then also derivatize them, make other products based on that. Our current project is not about MA DA TA, however we do believe that there would be requirement for amines also which are based on bio based resources, there have been discussions, people have asked about the same to us and I will just pass on in a minute to Professor Khandal to talk about it, I think it is early days for us to immediately talk about, what is the size of the price and how fast we will get there, so these are our initial steps in amine. We will start with where we can create more value, spend less capex and then build it up as a business based on a few factors. Our product development increasing traction for higher quality and sustainable products and then take it from there. I will pass it on Professor Khandal.

R K Khandal: I think it was well explained but I just want to add one very an additional point on this that please understand in times to come now, the R&D on these products would be more collaborative R&D and instead of redesigning a molecule or a process and going to the customer and selling it, it will be completely different now, now the people will ask by choice and they would say they have in their plans to replace these products, referring to your point like MA DA TA almost about 15% MA and TA are the component of FMCG products which are there in the market, which is in billions of dollars you can imagine, now these fellows when they go even by lowest percentage of replacement every year, they would go by choice, so, we stand a big chance because we are designing these molecules along with their R&D, along with their Marketing Team that this is what they are going to launch and this is what the scenario is there with the Purple ethoxylates we launched, with Lanza tech and Unilever I mean everything was fixed there, the raw material supplier was there, the consumer was there, so, R&D India glycol has to be doing only the collaborative work and learning new knowledge through this collaboration. So, it will be a different dimension of R&D.

Rohit Nagraj: Right Sir, got it and just you explained about the R&D, so the technology is already cracked at the R&D as well as pilot level, herein will be doing it on a smaller commercial level through the plant modification, is that right?

R K Khandal: See, as far as the technology for these amines, we are talking we already have in-house R&D, we do not need that. As I said before, only when we go for the backward integration like for example, we make the base molecules of amine then we would be requiring the partners for technology or maybe we will have the design technology but these like MDA, all alkyl amines, we have our own technology and what plant modification required is that the facilities which are there to manufacture certain existing products, how we are able to take up these products in the same line those modifications are talked about?

Rohit Nagraj: Got it. That is it from my side. Thank you so much and best of luck.

Moderator: Thank you. The next question is from the line of Faiz Memon from Fidelis Wealth Advisors. Please go ahead.

Faiz Memon: Congratulations to the team on a resilient performance. I have just a couple of questions the update on Lanza was great, I wanted to understand a) in terms of our current capacity utilization where we stand and b) there was a mention on our prior call with regard to the Delhi excise tax deduction wanted to ask if that happened if that is captured in our results?

Rupark Sarswat: We did not understand this question on this excise tax reduction, can you just elaborate?

Faiz Memon: I believe in our last conference call; we were told that there is to be a change in the excise tax and there is a max advantage for IFML in Delhi?

S K Shukla: Regarding Delhi excise policy, Delhi excise policy has announced from November to 31 March, again we are hearing that Delhi excise will continue with this policy for the 2022 and 2023 years without any sizeable change in the policy, so this is the news coming but this is not authentic but trade is expecting that the same policy will be continued in the next year.

Faiz Memon: Understood, okay great and the current capacity neutralization that we are looking at?

Rupark Sarswat: It is difficult for us to give you utilization number because it completely varies on our product line, the short answer to your question is in the portable spirit space, we have plans and we are right now augmenting capacities to cater to growth, as far as ethylene oxide is concerned, we have adequate capacities for the next few years of growth and for the bio-based specialties I think Professor Khandal already talked about it, we are in the process of putting up new facilities to add capacities. So, it is a qualitative answer but probably addresses your question.

Faiz Memon: Okay, thank you Sir. I will get back into queue. Thank you.

Moderator: Thank you. The next question is from the line of Marsal, an individual investor. Please go ahead.

Marsal: I have couple of questions. One is this regarding that considering a cost increase because of power and fuel and the other raw material cost, what action or I think there are more action needs to be taken on the finance cost side, let us say compared to last year there has been some reduction in the finance cost course but if you see the last three quarters, it is holding around 15 Crores per month, so if you see that our finance cost is almost about 70% of the PAT profit after tax, so I think that some more action needs to be taken to reduce the finance cost because whatever we can save in the finance cost will directly go into the profit, so I feel that I am sure that the CFO is definitely taking some action but I want to just like know in this call that what action have we taken on the reprising of the existing loan from the existing lender? What actions are being taken on refinancing of the existing loan from some other banks at a lower rate because now our financial position or the rating has significantly increased and number three like over the last nine months we got a case for about 130 Crores plus 450 Crores we got from this our divestment, total we got about 580 Crores, so how much has been repaid to the loan so that we can reduce the finance cost, please?

Anand Singhal: So I will take up the question number two first, regarding the questions on the reduction in the finance cost, I would just like to tell you that if you see our finance cost in the last year, it was almost 25 Crore or 30 Crores per quarter which has come down to 15 Crores, so that is because of the two or three reasons; one is that the prepayments of the loan, number two, we have trapped some of the high cost loan to the low cost loan as well as the more utilization for the export credit. The company is still working on the same to reduce the high-cost loan by swapping or prepaying from its own sources. Second, yes, we are availing more and more PCFC and other things related to export, so as to reduce the cost. The third thing is you will find in next year when our cash flow will improve after the grain distillery and this thing automatically the finance cost will come down because the utilization relating to the working capital limits will reduce, we are also working for the swapping of the other high cost loan which is in process because what you said is correct is because of the rating improvement, yes, that is in process and we will take up, so, you will find from next year onwards there is a reduction in the finance cost further.

Marsal: I understand like being a Chartered Accountant, I am only insisting on this one that last year our finance cost was 73 Crores means 48 was 18.25 Crores, now we have 15 Crores, so hardly there will be 3 Crores, since we got 450 Crore from the divestment, 130 Crores the cash generated 580 Crores even if we repaid 400 Crores out of this as a repayment 400 Crores at least if you consider 8% selling, it is 35 Crores, so quarterly savings should come 8 Crore whereas we have only 3 Crores having in the interest, so what I am saying, kindly put some rigorous this target to the CFO to achieve it faster because like as you know currently the crude is now $96 vis-à-vis $80-$82 is the last quarter. So, this quarter we will get more hit from the power and fuel and the other ends, so this is one avenue which can offset the increase in the course so, we request you to please take some more external and more like some more target, stick to targets so that we can reduce this finance cost at least from 50 Crore to 12 Crore at least in this quarter number one and my second question… sorry

Anand Singhal: We are on the job that is what we can say and our of course the insight is that we are targeting finance costs to reduce and for that we are working.

Moderator: Thank you. The next question is from the line of Keshav from RakSan Investors. Please go ahead.

Keshav: Good evening, Sir. I have a question for plant MEG and kudos to the earlier participants to for asking some great questions, it is sort of built on one, so the product has huge potential to take up share in the pet market over the years but one major prohibited factor is always the cost relative to the fossil derived products, so though the pledges will accelerate these alternatives the overall economics in general is the most organic driver of adoption, so there is a Dutch player who has a patented single step catalytic process to manufacture this which puts it at cost and quality parity with the fossil derived one, we on the other hand I guess a multi-step process for the same raw material which is glucose I believe and we have seen firsthand by the story of a recently listed chemical player in India of how such process can completely disrupt the market, they took up the line share within just a few years by following a similar route, so I wanted to understand from you if we are also looking into such technologies ourselves to safeguard if we were challenged by something like that?

Rupark Sarswat: So which product are you talking about when you say?

Keshav: Plant MEG.

Rupark Sarswat: MEG, okay. You are saying there are technologies which can do it through different routes, we are aware of some development work happening there, right now we are not directly working on those, but you know Professor Khandal will probably show some more light.

R K Khandal: I have only one thing to say, MEG can be produced only by two wheels, one is you have ethylene oxidize and make energy, the other way is that you have carbon dioxide, hydrogen reacting in and making MEG. The catalyst is required and there are people who are claiming that they can do even from the CO2 coming from the atmosphere directly MEG, but they are not successful. We are not focusing on this kind of R&D for the simple reason that India is not on good standing as far as the catalyst development is concerned, so all those technology suppliers who have this catalyst technology, they are trying on almost every base material to produce the final product, so at the moment we have no plans on that and the second point is the MEG produced by Purple ethylene oxide is the most net zero point of view, most least carbon footprint material and the technology is very simple and well established and proven.

Rupark Sarswat: So I may over here add that even in the carbon smarts, there is a requirement and all of us talk about it and you are also very interested in knowing about it, for the next few years, we only see a small fraction of a product being serviced in the carbon smart area, before I start to give you an impression and you are obviously very excited about it that suddenly we will have an MEG plant producing all carbon smart MEG, that is maybe hopefully in the not in near future but later on.

Keshav: Yes, basically I am not trying to estimate a near or medium term target but directionally if we have that know how, if we are focused on that because it is, I am not talking about next three years to five years, it is more and more a long drawn or decadent view, so okay I will come back in the queue. Thank you.

R K Khandal: I just want to say one thing, the value addition is not in making the mono ethylene glycol cheaper, the value addition is converting a clean oxide into products of high performance and high value, MEG is a commodity like earlier said by Ruparkji, many of the commodity chemicals will continue to be based on crude like the polymers, like the monomers, like MEG, only a fraction of it will go to shift to purple or bio but the real high value products which are going into pharma, which are going to personal care, which are going into food, they are the ones who will be based on bio and this purple EO and that is where the focus would be, not on MEG, this is just I wanted to say.

Rupark Sarswat: I got your point what you are saying essentially is there are better technologies in your radar which will make the product in a simple and more cost effective way, are we keeping track on those, the point is we are not working on any of those right now, we are aware of some work happening in parts of the world, we are keeping an eye on that, if it is something which is viable for us and we can collaborate with somebody to get those technologies on board, we shall do it.

Keshav: Thank you Sir.

Moderator: Thank you. Due to time constraints, we will take the last question from the line of Divyam Lohia from Ramshila. Please go ahead.

Divyam Lohia: I am a personal investor. Thank you for the opportunity. I just wanted to know as an investment point of view, I wanted to make an investment or consider an investment, so, I wanted to know how much of monopoly can we gain over a period of time in a product like this like ethanol and I wanted to know under what brand do we have any brand based alcohol if you can answer?

Rupark Sarswat: Are you talking about the portable spirit space or are you talking about the alcohol in general?

Divyam Lohia: Alcohol in general.

Rupark Sarswat: Let me tell you that we do have right now a unique position in terms of making ethylene oxide from Bio based ethanol, there is only one more company in the world with to my knowledge does it, we were the first one, we are still the largest one, so that makes our product bio-based and with a lower carbon footprint and from our perspective for some time at least, we will continue to have that position in future as bio based ingredients expand, other people may enter the space but in what we think is that we only expand the market. In ideal what we are focusing on rather than maintaining a monopoly which is not in my hand as of now we think that is a strong position or there is a good position is to use our bio-based credentials and add and create more value-added products in terms of performance, so our strengths sometimes I may end up conveying that it is only because you know we have a unique position in terms of making products from Bio based ethanol, we would like to see it slightly differently of course that is a strength but we would like to see us tend as also the ability to make products, design products, collaborate with partners, do application development, do product development, so look at the two in combination.

R K Khandal: I just want to because this question is very interesting and very, I mean it is quite mind-boggling and I thought I will give you input. In the year 1955 to year 1967, three basic molecules were produced from bio ethanol first time in India, one was by ICI and the plant came up in Kolkata and they were manufacturing bio ethylene making polyethylene bio. The second one was is styrene butadiene, that came in down South and the third one came PVC which is Chem plus; all these three molecules and this I am telling you specifically because when we discuss about chemicals made from the base materials, we should understand what these chemicals are for, PVC, styrene butadiene and polyethylene green bio will never be viable even if all countries decide to shift even if Saudi Arabia decides to shift from petroleum because these are the molecules which will continue to be on that but the molecules which are meant for human consumption, which are meant for veterinary applications, which are meant for personal care for FMCG, their petroleum products would be replaced by bio and that is what is the niche for India glycol. I thought I will just give you this input because after 1967 within 10 years, ICI plant was shut down purchased by Bindal agro and which again they never manufactured poly ethylene, Chem plus switched over from ethylene coming from bio to petroleum and the styrene butadiene is also based on styrene imported and butadiene important because we had even plant in Bareli which as old as 1970s and it could not run for more than four years or five years, never manufactured styrene butadiene.

Divyam Lohia: Okay. Thank you.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. Rupark Sarswat for closing comments.

Rupark Sarswat: Thank you for joining us for all of you who have joined, and I hope we were able to respond to your questions in a manner which was satisfactory. That is all from my side and also, I thank you to my colleagues and also from my colleagues to all of you. Have a good day and see you in the next quarter.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Sunidhi Securities that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.

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