INDIA GLYCOLS LIMITED

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

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21st November, 2022

The Manager (Listing)	**The Manager (Listing)**
BSE Limited	**National Stock Exchange of India Limited**
1st Floor, New Trading Ring,	**Exchange Plaza, C-1, Block G,**
Rotunda Building, P.J. Towers,	**Bandra Kurla Complex,**
Dalal Street,	**Bandra (East)**
Mumbai – 400 001	**Mumbai – 400 051**
Scrip Code: 500201	**Symbol: INDIAGLYCO**

Dear Sirs,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Q2FY23 Results Conference Call

Further to our letters dated 10th and 14th November, 2022 and pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Results Conference Call for Q2FY23 held on Monday, 14th November, 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
Digitally signed by ankur jain
Date: 2022.11.21 10:29:08 +05'30'

Ankur Jain
Head (Legal) & Company Secretary

Encl: A/a

"India Glycols Limited
Q2 FY 23 Results Conference Call"

November 14, 2022

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

Moderator: Ladies and gentlemen, good day, and welcome to India Glycols Limited Q2 FY'23 Earnings Conference Call hosted by ICICI Securities. 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 "*" and "0" on your touchtone phone. Please note that this conference is being recorded.

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

Sanjesh Jain: Yes, good afternoon, everyone. Thank you for joining on India Glycols Limited Q2 & H1 FY '23 results conference call. We are joined on this call along with India Glycols' management represented by Mr. Rupark Sarswat, Chief Executive Officer; Mr. Anand Singhal, Chief Financial Officer; Mr. Sanjeev Gurwara, President - Marketing; Mr. SK Shukla, Head Liquor Business; Mr. Ankur Jain, Head Legal and Company Secretary.

I would like to invite Mr. Rupark Sarswat to initiate the proceeding with his opening remark post which we will have an opportunity to ask question and answer. Over to you sir.

Rupark Sarswat: Yes. Thank you, and a very good afternoon, Sanjesh. Thank you, everybody for joining us for this call. I understand there are other number of calls that you are having to attend today. So thank you for joining the IGL call.

Okay. Great. So let me give a quick update on the last quarter and the Company's performance and then me and my colleague can take your questions.

So I will jump straightaway to the quarterly performance for the quarter that we are discussing. So essentially, in nutshell, it has been quite a challenging quarter as far as top line is concerned, but I think it has also been somewhat a resilient performance by the Company, as you can imagine, given the specific challenging headwinds that we have faced.

So at a gross turnover level, we've done a turnover of INR 1,634 crore. As you know, the excise component is quite significant for us, which is down 3.6%. At a net turnover level, it is down 14%, but you would see that the EBITDA is actually nearly flat, which is marginally down by 0.6% at INR74 crore.

It's worked good for us is that despite this the EBITDA margins have improved somewhat at 11% and while I'm repeating what I've said before, but the fact is that we've had a significant headwind in terms of continued feedstock prices, which have been high. And to be honest, they have stayed high longer and higher than what we had imagined and discussed earlier and we will discuss that in the subsequent slides.

As well as the energy costs, which continue to be high, but the freight headwinds are softening a little bit. I will talk about that.

If we talk about the first half performance that looks better than that, with a gross turnover of INR3,502 crore, up 4.6%, our net turnover of INR1,478 crore, up 3.3%.

EBITDA of INR143 crore, which is up 9.2% and then EBITDA margin of 9.6%. One of the things to note here is there is an impact of the EOD business that was transferred to the joint venture in the sense that for one quarter last year, those numbers were part of the comparative numbers last year, and we of course, have taken the ethylene oxide sales to the joint venture this year.

So at a high level, if I talk about the business highlights, as I mentioned to you in terms of the business performance, the revenue is down 14%. But the Company has been able to maintain the EBITDA, which is marginally down by 0.6%, but improved the margins to about 11%.

For the half, revenues up 3.3%, EBITDA up 9.2%. At an overall level, excellent growth in Ennature Biopharma though a smaller, but a better margin business for us. The ENA, which is extra neutral alcohol, biopolymers and IMFL have also listed healthy growth as far as top line is concerned.

One of the challenges that we continue to face is increased feedstock and energy costs, which continued to impact the business, particularly the global ethanol prices, which I will talk about a little later as well. And the high energy costs that continue to impact product costs.

We have taken several actions to mitigate the cost impact. We have been looking at alternate fuels, and we will continue to do that. We have been carrying out changes in our operational philosophies and doing modifications in the plant operations, etc., etc.

Also, freight costs have started to soften and we expect that that trend will continue considering that we also have significant exports.

It's worth mentioning that the joint venture performance also got impacted in the quarter on account of high input costs and the pressure on margins again the same that I spoke to you about.

And in terms of what we're doing new, the new specialties unit, the first phase investment that we have spoken about earlier, the plant erection is in progress, which is progressing as per plan. We expect that our trials will be conducted in January, then some more in April, May and then we will be putting in place a new portfolio of specialty products.

I've been reviewing that with the team and I can say that the product pipeline is robust. And in fact, the first new product or new specialty is already developed and commercialized. It is being exported to a company in the US.

Also as we have spoken about before, we have been putting capacities for grain-based ethanol plants in Kashipur, as well as Gorakhpur. Both those plants have been commissioned. We are cranking up the capacities to take them to 100%, but we have been commissioned and we expect that going forward starting this quarter itself, it will help us improve costs as well as sales. Costs because Ethanol is an important raw material for us for chemicals as well as liquor and sales because some of the ethanol that will produce will be sold for the biofuel business.

And the biopharma business has also introduced a portfolio of nutraceutical ingredients, which includes Xanthogreen^{TM}, Turminova^{TM} and Gingeren^{TM}. And in the IMFL space, we have launched Zumba Lemoni in UP and Uttarakhand and I have been hearing that the brand has been starting to get a good pick up from the market.

I have mentioned to you about costs. Unfortunately, beyond what we had imagined, the coal costs, our energy comes from coal, continues to remain high and you must be reading that from something like INR5,500 per ton, which used to be the cost and as far as I know, the government rates are still around that, but because the rakes have not been allocated and there has been a priority allocation to the power sector, in fact, we have not been able to pick up the allocated coal to us from the government and we have been buying, like many others from the private companies, which has been more than double the cost of that coal. So that has been a major…

We all know that at some point in time, it should streamline because this has never been the case and it's not that the coal prices have been revised upward by the government.

The other thing is the increase in Ethanol costs on -- which have been up something like 60% over the last one and half years and that too has remained stronger or higher for quite some time more than what we had anticipated. And we understand the reasons for that. I am not going into too many details right now because I have discussed that before. But the factors driving ethanol cost apart from the COVID factor, then the climate transition factors, etc., etc.

One of the reasons why it is -- it has still remained high I suppose the Russia-Ukraine war has a major role to play. One is that Ukraine is a major producer of food grains in the world, which has a direct impact because Ethanol come from plant-based feedstocks.

And the other thing is that as the world and particularly the Western world tries to reduce the dependence in terms of energy on Russia, which means that there is greater demand for ethanol blending because that directly impacts the energy requirements for these countries.

So I expect as far as imported ethanol is concerned, this will continue to remain tight for some more time, definitely I would imagine the next six months, but let us see how things pan out.

Things like steel continue to be expensive. That does not impact our direct product costs, but definitely capital and other things.

Having said that, I think some raw materials are also coming down. Acetic acid is one of our raw materials, where the prices have been coming down, which is a good thing. But that's a smaller part of what we consume.

The other good news is that I'm sure you've heard in other calls, that the container freights have actually come down quite sharply. So in the last couple of years, they had actually gone up roughly -- I'm referring to the world container index by something like five times, can you imagine the price, or the cost has gone up five times.

So there were various reasons for it. However, there is a major correction happening right now and already from around 10,000, the frights have come down to well below 4,000. And obviously, the port congestions, the disruptions, the container shortages have been easing. So that's been one of the factors.

The other factor, of course, is that the expectations are that the global economic conditions will be softer, there is a slowdown expected and I'm told there's also a shift in consumer buying patterns where people are spending more on services and less on goods like they did in the COVID time. I think that's a bit of a positive for us going forward for the exports.

Now, let me just sum up segment-wise highlights for you. So we, as you know, classify our business into three broad segments Bio-based Specialties and Performance Chemicals, Portable Spirits, and Ennature Biopharma.

So let me talk about the largest segment first, which is Bio-based Specialties and Performance Chemicals. Quarter two has been very tough for chemicals with revenue being down on a like-to-like basis compared to the prior year by 19.8%. EBIT being down by 14.4% compared to the prior year. However, if you look at it for the first half, revenue is down by 1.8%, but EBIT is more or less flat or down by about 0.9%.

I've mentioned this before. We've been having this pressure on margins due to a sharp increase in ethanol and energy costs. And also, we've had lower sales in biofuels and sanitizers. The reason we've had lower sales in sanitizers, obviously, is because there's hardly any demand for sanitizers now, compared to the last two years. Biofuels have actually been an internal allocation decision that we have been producing ethanol, but considering that imported ethanol is much more expensive, it made much more sense for us to consume it for captive use.

We've seen subdued demand in prices of gases, for example, oxygen. There was obviously a huge demand for oxygen last year, but what has happened is people have also put up more capacities, which has also meant that prices have been under pressure. We've had significant headwinds as far as glycol ethers are concerned. It is because the butyl and propyl prices globally have come down and therefore it has impacted our glycol ethers. Though we do not use butyl and propyl in our glycol ethers, but our products compete with them. So that's the issue.

But for biopolymers and ENA, we've registered some healthy growth. And as I mentioned, our grain-based ethanol plants have been commissioned and inhouse ethanol will help us improve costs in the specialties and performance chemicals division as well. I already gave you an update on the new specialties unit earlier. So I will not repeat that.

Now jumping to portable spirits. For the quarter, revenue is down by 5%, but the EBIT is up by 2.2% compared to prior years. For the first half, revenue is actually up 13.4%, but EBIT is marginally down by about point 0.9%.

The sales impact has mainly come in the country liquor segment, and one of the major contributors for us has been a policy change. It is not something that's going to impact us forever, where they have been trying in UP to push the tetra pack mainly to prevent misuse of packaging or for those reasons. So we are also installing tetra pack capacities and we believe that in times to come, we'll catch up with some of the sales loss that has happened there.

In the IMFL space, we've seen growth and as you see, in IMFL, servicing a better product mix has also helped us improve our margins. But nevertheless, margins have been impacted for the same reasons as I discussed earlier, packaging being one more factor. We've started business in Delhi, which is picking up steadily, particularly traction is seen in the whiskey segment.

We also expect rum sales to pick up as we see winters coming up and we've also launched Zumba Lemoni in UP and Uttarakhand that doing well.

Coming to Ennature Biopharma. This segment has performed very well for the first half as well as the first quarter where revenues have been up 19.2%, EBIT up 25% for the quarter and revenues up 23.5%, and EBIT up 26.6% for the first half. The good thing here has been the increase in revenues in nicotine for therapeutic use compared to last year, which has been very good.

Thiocolchicoside, we've had a difficult market situation. However, we've maintained our market share and leadership position there, by increasing our customer base in the domestic market.

And as I mentioned, there are a few other products -- branded products in the branded portfolio, which is launched there, which include Xanthogreen™, Turminova™ and Gingeren™ range of Lutein, Curcumin and Ginger based ingredients

So that's a quick snapshot of highlights as far as the business segments are concerned. I'll hand over to our CFO, Mr. Anand Singhal to give a quick update on the financials.

Anand Singhal: In Q2 FY'23, the revenue from operations is INR670 crore vis-à-vis INR780 crores in the last year corresponding quarter.

The EBITDA in Q2 FY'23 is INR74 crore vis-à-vis INR75 crore in the corresponding quarter last year. So basically, the EBITDA more or less is same, although the sales have come down. The PBT in the current quarter is INR31 crore vis-à-vis INR47 crore in the last year corresponding quarter and profit after tax is INR24 crore vis-à-vis INR37 crore in the last year corresponding quarter.

So this is the highlights of the quarterly performance. For the half year FY'23, the revenue from operations, net of excise is INR1,478 crore vis-à-vis INR1,431 crore. So it's slightly up. EBITDA is INR143 crore vis-à-vis INR131 crore.

PBT is INR66 crore vis-a-vis INR306 crore in the last year first half. This includes the profit out of the sale of the EOD business for INR240 crore and the profit after tax is INR51 crore, vis-à-vis INR249 crore. This also includes the profit of EOD business, which we have sold out on 1st July last year.

So this is the brief performance highlights, although we have already given our results, which I think you must have seen. And after this, yes, we will certainly like to take the questions.

Rupark Sarswat: So that's a quick update from our side and happy to take questions. I've already given an update on the various segments.

Moderator: The first question is from the line of Rohit Sinha with Sunidhi Securities. Please go ahead.

Rohit Sinha: Yes. So question from my side, firstly on this specialty chemical business. So, obviously, revenue was down as sir has mentioned because of slowdown. But going forward just wanted to understand with the kind of global pressure which we are seeing, what kind of revenue growth we can expect in this business and also as we are talking about the new capacity to commission, how is the progress there and when we should be expecting commissioning of that?

Rupark Sarswat: Yes, Rohit, let me try and take that question and Sanjeev ji, please add if you have anything to it. So first of all, we mentioned that some of these pressures we expect will continue for the near future. At the same time, we are quite convinced that the strategy that we've adopted for growing the chemical business is the right one, but we have obviously encountered completely unanticipated situations at a global level. And you can go ahead and check for yourself that never ever has there been a case where, global Ethanol prices have jumped from something like 35 to hovering to well above 60 right now, in a period of one and a half years. We all expected that to come down. But that didn't happen. Similarly, is the situation as far as the energy costs are concerned.

The second point is that the fact is that as far as the drivers for one specialty chemicals or performance chemicals are concerned, those continue to remain positive more than the world from an Indian perspective, because our end market segments like paints and coatings, personal care or textile auxiliaries, or automobiles will continue to see growth, sometimes there'll be a little lower, sometimes there'll be a little higher. You all know that the world is right now, wondering about or looking at potentially a recession. So those can be some challenges, it's very difficult for me to specify.

The other two positives which you might like to consider is, I've already mentioned that we have commissioned our grain-based ethanol plant. So that will help to get our costs down, get our margins up and get our competitiveness to improve, including helping us register sales in the biofuel segments.

And the last one that you asked which is also the second question that I was talking about, is that look, we are starting to invest in the new specialty chemicals business. As you know, our specialty chemicals business is quite different from a petrochemical business or a five-product or a two-product business in the sense that it is a knowledge-based business. So, we have to build that knowledge, look at those products, work on those chemistries with various customers, but as I said -- and this is different from what the joint venture does. We are very clear that this is a noncompete space as far as the joint venture is concerned, but we are quite confident of the pipeline that we have.

And over the years, we believe that this new specialty chemicals and performance chemicals portfolio that I talked about, will become a significant part as far as driving the chemicals business forward is concerned. And you will hear more about this in a couple of quarters because we will be getting more and more business and as I said one of the products is already commercialized as well. So that's from me.

Rohit Sinha: Okay. Secondly, as we are still awaiting the government's price hike thing on the country liquor, so any update on that front as of now?

Deepak Satya: Yes. So, as far as the price rise in the country liquor is concerned, we are still in talks with the government and nothing concrete has been finalized from the government -- from the side of the government as of now, but some news is expected by mid-December or if not, by mid of January is what the timeline we are looking at.

Rohit Sinha: Okay. And one last question from my side. Looking at the power and fuel costs for this quarter, it has come down from as compared to the last quarter, although, Y-o-Y, it's still higher, but it has come down from last quarter. So, just wanted to know which -- what things has helped there because looking at the other chemical companies or even other companies, which has reported number in Q2, their power and fuel costs have more or less increased from even Q1 also. So where this reduction was there and is it -- I mean, we have already signed some agreement with the renewable energy sources or some other things is there?

Rupark Sarswat: So there are a couple of things and one of course, as you see that in some of the power intensive areas, our sales itself is subdued. So that obviously gets our power costs down. You saw that for the quarter even though EBITDA was reasonably flat, but our sales were down by 14% and including, ethylene oxide that we sell to the joint venture. So, that is one factor.

The second factor as I had mentioned, we are also trying to look at everything that we can do using alternate fuels wherever we could buy rice husk or some of the other biobased materials, whenever they were less expensive to us that is what we were doing. We have also carried out modifications in our plant to run much more efficiently etc. So, that has contributed.

At an overall level as far as the power costs are concerned, those have not by and large changed. Those -- that situation has not changed. You did alure to our investment in renewable etc. We are working on it. That is not something that -- we are very close to actually signing a contract. As and when we do it, we will indicate that, but that is not a benefit which has accrued in the in the last quarter or last half. That is for future.

Moderator: Our next question is from the line of Vaibhav Gupta with Bowhead Investment Advisors. Please go ahead.

Vaibhav Gupta: Sir, just wanted to understand like, how is the realization between ENA and ethanol and what is the outlook for the next six months?

Rupark Sarswat: Sorry, Vaibhav, can I ask you to repeat your question and try and just elaborate what exactly you want me to respond to.

Vaibhav Gupta: Sir, the realization of ENA and ethanol like and if there is an differential, you can provide a description for that and outlook for the next six months given the new ethanol policy is already there.

Rupark Sarswat: Realization means you want to know what? You mean contribution?

Vaibhav Gupta: Yes, sir, that would also do.

Rupark Sarswat: Look, as far as the new ethanol policy is concerned for blending. So ENA is different from the policy for blending. ENA is extra neutral alcohol, which gets sold either for beverages, not ready-made beverage, but it is usually I think, 99% strength ENA for other applications like pharma and perfumery. Whereas when you're talking about the policy or the blending policy for the government, the government has announced new rates which are slightly increased particularly for molasses-based ENA for the blending in petrol. So these are two different issues. We make ethanol for blending, mainly is going to be grain-based now, though there may be some molasses-based, but molasses based, largely we will use in captive because we have our own requirement for our IMFL and country liquor segment.

Also considering that a lot of sugar industry themselves are forward integrating into converting their own molasses into ENA that is not of such a great interest going forward for us. So we will continue to make molasses based ENA.

And as far as realization for ENA is concerned, I think the end prices have not moved up that much; however, what we are looking for this quarter if that helps me answer your question is that our costs will certainly come down because we have commissioned our grain-based ethanol plants.

And I think those numbers, we will be able to bring to you and share in subsequent quarters. Right now, our plants have been commissioned. We know for sure that those costs are lower.

Sanjeev ji, would like to add something?

Sanjeev Gurwara: No, I think you've explained. Just one small, I think correction. ENA which is there is used for portable alcohol and is used for blending in various, I think alcoholic beverages like whiskey, rum, all this and it is 96.4% and while the alcohol which is used for blending in petrol, biofuel is 99.9%. So I think that is the only correction and I think from the Company's point of view, the value is seen where I think we derive higher values, allocations are made accordingly. And as Rupark has pointed out that the cost of our alcohol is going to go down as our grain-based alcohol production is increasing.

Vaibhav Gupta: Sir, how have the contribution and margins of the ethanol segment changed over the past couple of quarters?

Rupark Sarswat: Yes. So, I kind of responded to that earlier that look, our costs of ethanol and energy have gone up and therefore the contributions have come up. If you see I also commented the same as far as the profitability of the country liquor and IMFL businesses are concerned. Those have affected our contributions in a negative way as far as ENA is concerned. But the overall contribution in IMFL has been better more because of the improved product mix that we are selling.

Vaibhav Gupta: Okay.

Rupark Sarswat: Okay. And the contributions have been under pressure, but in subsequent quarters, including this quarter, we will see an improvement.

Moderator: Our next question is from the line of Rohit Nagraj with Centrum Broking. Please state your question.

Rohit Nagraj: Yes, thanks for the opportunity. So, first question is on the JV performance. So, on a sequential basis, the JV performance has drastically come down. Any specific reasons, particularly from demand side challenges or was it purely because of the operational challenges that we have faced during Q2? Thank you.

Rupark Sarswat: Rohit, thanks for the question. One of the major contributors has been the fact that ethylene oxide costs because of ethanol and because of energy for them has gone up and still a major part of the joint venture sales actually comes from domestic sales, though one of the key areas for the joint venture is actually to position the biobased products in the international markets. That continues to improve and the margins in exports are better. But still, it is not large enough and the major impact has come because of subdued domestic sales, mainly because of cost reasons. But as you also know, there has also been some challenges as far as the markets are concerned, particularly textiles and some of the others as I understand.

Sanjeev, if you have something to add to that.

Sanjeev Gurwara: I think this is mainly ethoxylate business, which goes into various industries, like textiles, agro, oil fields, home care, personal care, I think there was a bit slowdown in the last previous quarter. Overall, I think this impact was felt globally also, and in the domestic market as well. So I think the main reason especially I think what I understand is the textile market, there was a slowdown in production of various types of fabrics where the surfactants are used. So that is the main reason because of that.

But right now, what we see is that it's encouraging and things are moving, I think slightly an uptrend at the moment and we hope that it carries on to Q4 as well.

Rohit Nagraj: Right sir. Got it. Sir, second question is now our Gorakhpur and Kashipur facilities have been commissioned. The specialty chemical capex is also going as per schedule and probably will be commissioned by Q4. What is the plan for next leg of capex because in terms of the gestation period, I suppose, there will be at least 12 to 18 months of gestation period for the next leg of capex. So, since FY '23, capex is more or less coming to fruition or what are the plans for future FY '24-'25 capex? Thank you.

Rupark Sarswat: So, I'll take part of it and the other part I will request Anand ji to comment. One, we've made significant investments in grain-based as well as specialty chemicals. So this is a significant slug of capex and I think the major focus of the team is to realize value through these capex's.

However, we are evaluating whether we should invest more in either ethanol capacity, if that makes sense for us to reduce our costs to or also increase our sales in the biofuel space. We have not come to a conclusion there. As and when that will happen, we'll let you know.

Other than that, you will see some investments as I talked about, for example, in increasing capacities in the country liquor space as far as tetra packaging is concerned, and in the IMFL space as we ramp up our sales that continue to grow. But other than that, I don't see any significant Capex immediately coming other than these that I've already spoken about.

Anand Singhal: In addition to what Rupark ji has just told, the Grain Distillery has been completed, but the project relating to boiler and turbine is still in process. So, for both the distilleries, the boiler and turbine is in process and hopefully will be completed by June '23. That is in process.

Apart from this, the new specialty chemical unit is also in process. So, these will be the capex's which we hope will continue in '23-'24. So, this is from my side.

Rohit Nagraj: Right, sir. Anand sir, just one more clarification. One is that now we have sold the stake in the JV. So we will be receiving about INR66 crore, and I understand that from the Clariant deal, we were also supposed to receive INR190 crore. So when are we likely to receive this entire amount of may be INR250 odd crore and how does our debt look like at the end of FY '23 post receiving this amount? Thank you.

Anand Singhal: Regarding the realization from the JV out of the INR191 crore, we have already received INR20 crore from them in June and hopefully will receive another INR40 crore by March '23. So in this year, we are hopeful that we will get about INR60 crore out of INR191 crore. The rest of the amount will come in the next year. That's what is our understanding.

Regarding the debt, hopefully after the payment of the regular term loan, our term loan will be around INR650 crore as on March '23 and EPBG will be about $23 million, okay. Working capital, yes, there is a working capital which will be hopefully will be utilized at 75%. So this will be the debt as on 31st March '23.

Rohit Nagraj: Right sir. Just one clarification, will this include the money received from the JV stake sale, INR66 crores?

Anand Singhal: JV means KIFTPL?

Rohit Nagraj: Right. Right sir.

Anand Singhal: KIFTPL has been considered into this.

Moderator: Thank you. Our next question is from the line of Sanjesh Jain with ICICI Securities. Please state your question.

Sanjesh Jain: Thanks sir. Thanks for taking my question. Few from my side. First on the grain-based ethanol and the strategy to use that. How do you want to use this ethanol? How much of it will go into as ethanol for blending? I understand it's 75%. And what is the remaining 25%? We plan -- do we plan to sell it or do we plan to use it internally to reduce the cost as you said in your opening statement, and will this be constant or when the prices are more stable globally, you would want to sell the 100% of grain-based ethanol and for the other consumption, you want to import. How should one look at the utilization of this ethanol from internal and external perspective?

Rupark Sarswat: Sanjesh, you have actually given the answer in your question in the sense that you understand this quite well, except that I would like to mention that you have presumed that 75% of this will necessarily go to biofuels. It is a condition provided we are availing the subvention benefit. If we don't, then it is not necessarily a condition. Anand ji, am I right?

Anand Singhal: Correct. Correct.

Rupark Sarswat: So that is the position we will take based on what our best possible allocation is, and in this very volatile scenario, honestly, I have myself come here and spoken to you saying, we expect imported ethanol prices eventually to come down and that has not happened. And I mentioned to you the reasons why that has not happened.

And so we continue to look at our scenarios, as I said. We are in some ways in a better position, because we have what I call the 3x3 matrix, we have three potential sources of ethanol, imported ethanol, molasses-based ethanol, grain-based ethanol, and three potential uses of ethanol, which is either we use it in captive for our beverages segment, which is country liquor and IMFL or we use it as an intermediate for our chemicals, or we sell into biofuels. So that is so dynamic, but we are on a quarterly basis reviewing this scenario, and seeing how best we can maximize our profitability.

Sanjesh Jain: Just one follow up on that, the subvention is an annual process or we have to avail it now and that benefit will be available for the years prescribed? How does that work?

Anand Singhal: So, for our Gorakhpur project, we have already opted out from the subvention scheme.

Sanjesh Jain: Okay.

Anand Singhal: Regarding the Kashipur, although we have not opted out till now, but in future we have to be out from subvention scheme because we don't want to commit the supply of 75% alcohol for ethanol blending.

Sanjesh Jain: Right now, how much of our total quantity requirement do we import or buy it from outside? And assuming that we don't sell any of this as a biofuel, will we be self-sufficient on an entire requirement of the ethanol?

Rupark Sarswat: Yes. Just one second, Sanjesh ji.

Sanjesh Jain: Yes. Sure.

Rupark Sarswat: I think in short, by and large, we will be, but we might have to procure something.

Manish Pant: So, Sanjesh, the annual requirement for our captive consumption for like for our chemical division and for our portable division will be around 80 million bulk liter.

Sanjesh Jain: So with this entire grain base, assuming we use internally, we are completely decoupled from the external volatility of the ethanol, will that be a fair assumption?

Manish Pant: Yes. If we are going out of the subvention, then most likely except the tender which we have already accepted. We could use the whole of the quantity for our captive only.

Sanjesh Jain: One related question. In a longer term, our view earlier was that it is better off to sell as a biofuel initially, when we started hosting this call and imported was what we were looking. Has the digression materially changed and do you think it has changed for the long term for us to make such a big difference in our allocation of ethanol in last few years?

Rupark Sarswat: Sanjesh, honestly, we've been doing this call since August last year, and I don't think I ever expressed the view that we are shown that imported ethanol is going to be the feedstock for our chemicals for sure, because it was a couple of years ago completely because that was cheaper.

However, as I said, we will continue to look at it. If for example, imported were to come back to prices this was one and a half years ago, the obvious strategy for us would be to maximize uses either in beverages or biofuels and get imported ethanol for captive consumption. Does that answer your question?

Sanjesh Jain: Not that answer. That means every year, we will have to make a decision telling how are we using this grain-based ethanol usage? Is that a fair assumption?

Rupark Sarswat: Yes, I wish it was as easy as every year. We are looking at it every month.

Sanjesh Jain: Okay. Fair enough, sir. My second question is on the specialized product, which we have commercialized Can you elaborate what is the product, what are the application? I know we did disclose a lot about it in the previous call about various products, but I am more interested on the product, which we have commercialized.

Rupark Sarswat: Okay. So it is a specialty ester. Okay. I can only tell you that much. And it finds application in oil fields. It is being sold to a major company, which supplies ingredients to oil field majors like Slum, Aramco, etc. And so that's the product and it is in the oil field space. And we'll probably be introducing a few more products in this portfolio as well.

So it's just a start, one of the reasons why we have not kind of tom-talked about it is, let the portfolio develop sometimes these are things where you walk two steps forward, then you take one step backwards, then you walk three steps forward. That's how the specialty chemicals business is, but we are sure we want to build a knowledge-based business. And I'm happy that even before the plant is up and running, we've been somehow able to use existing assets to start something going at least. So that's been encouraging from that point of view.

Sanjesh Jain: Great, great. Can you elaborate on the R&D effort parallelly for us to understand how serious are we on the specialty? How many products are in the development pipeline? How are we looking at R&D itself? Some say three-to-five-year perspective.

Rupark Sarswat: Sanjesh, I'm pretty serious about having my job. So we are pretty serious about.

Sanjesh Jain: No, I completely -- I don't disagree on that. But I just wanted to understand how deeper are we into, what are we investing?

Rupark Sarswat: Yes. So may be we could have a more detailed discussion sometime. So we've done several things to give you some assurance that. So we don't want to go big bang and just create a global R&D Center. I think the thing is to identify where we want to build based on our strength. So what we've done is we first of all – what was our specialties kind of R&D Center was made a part of the joint venture. So that was separated. We've now created using some existing buildings etc., new R&D Center for IGL. You are happy to visit and see that in a couple of months' time that will be ready. We've also recruited more people, seven or eight people definitely and we are working on several areas, one of them being oil fields. I spoke about some of the others that we are evaluating right from amines to plasticizers to polyol.

So, we have -- how else can I really -- we are very serious about it, because we believe that we have to make that kind of -- either you can call a portfolio addition or a portfolio shift to make sure that despite some of the stance in biobased materials etc., we create an overall portfolio which is much more resilient.

Sanjesh Jain: Fair enough. I think there are many people still waiting in the queue. I will come back in the queue. Thank you and best of luck for the coming quarters.

Moderator: Thank you. Our next question is from the line of Mr. Balasubramanian with Arihant Capital. Please state your question.

Balasubramanian: Good evening. Sir. Thank you so much for taking my question. My first question is there any pricing pressure on butyl and propyl prices in the glycol ether space?

Sanjeev Gurwara: Just to clarify, is this you're asking that the prices of butyl and propyl in glycol ether? have they come down, reduced or is it competitive for us? What is the question?

Balasubramanian: Okay sir. And like what kind of realization for biobased MEG and like in international markets, it is witnessing traction. Sir, if you could throw some more light on that.

Rupark Sarswat: Can you – Bala, can you just repeat your second question?

Balasubramanian: Sir, what kind of realizations for biobased MEG and are international markets witnessing traction for these products?

Rupark Sarswat: Yes. I can respond to that. Let me give you the difficult side of the news first. The difficult side of the news is that as far as crude-based MEG prices in the market are concerned compared to our biobased MEG prices, the difference has increased from something like 2x to 3x, which means that the differential has increased which puts pressure on us.

But the good thing, which is an encouraging thing for us is that despite this significant increase as far as the differential price of biobased MEG and crude-based MEG is concerned, we have continued to grow our customers in the biobased space. To give you -- five years ago, roughly five years ago, 95% of our business used to come from one customer and that particular customer shifted completely to recycled pet for whatever reason. Having said that, we now have something like 15 different customers in various parts of the world which include Japan, Taiwan, Korea.

And, I was looking at the numbers. Even though our volumes have come down quite significantly, our overall contribution for biobased MEG is still of the order of 75% to 80% of what it used to be five years ago. So volumes have come down something like 60%, but our contribution had come down something like 20%. This is despite the major 95% consumer, or buyer from us having shifted away completely.

So that kind is the situation. I believe, biobased MEG, we will -- we are very encouraged to see this kind of traction. Our new customer pipeline is robust, we do have some headwinds, we need to continue to work with them. I think when we are working in a portfolio like this, sometimes, as I mentioned earlier, I would like to believe it's not a 20:20 match, it's a test match, we need to make sure our positioning is correct, sometimes these prices will go up, sometimes these prices will come down, but I think we are in the right space. We are probably going to find it very difficult to suddenly start to replace crude-based MEG and polyester, but that's not the game we are in. But we continue to see decent traction by a number of customers even though they are smaller, niche customers for biobased MEG.

Balasubramanian: Okay, sir. Got it. So, like in last call, you have mentioned packaging costs went up by 60% to 70%. Right now, it is softening or cooling down or you're facing the same kind of costs right now?

Deepak Satya: So, Bala just to give you a perspective, right in terms of like the glass prices, right. So, the basic ingredient for glass is soda, which has gone up by 30% and the suppliers from whom we sourced glass, the fuel that is used for them -- their furnaces, the natural gas, it has also shot up by in the range of around 40% to 45%. So yes, the packaging cost for the IMFL business continues to pose a challenge for us. And yes, while we are facing this pressure, we are also like in the process of finding another couple of vendors who can help us in reducing the cost. We are in talks with them. So that's the detail I have with me right now.

Moderator: Our next question is from the line of Rohit Sinha with Sunidhi Securities. Please go ahead.

Rohit Sinha: Hello. Yes sir. Just a followup question on this grain-based capacity. So how much was the utilization level for this quarter and basically, what kind of cost saving was there if you can quantify?

Rupark Sarswat: Rohit, we could get back to you with the numbers. I don't have them ready because we've been going through the commissioning process. What I know is that utilization will soon in the next quarter be closer to 100%. And the prices have been varying. We have been having to run our plants to get our efficiencies up etc, but I don't have exact numbers to share right now.

Rohit Sinha: Okay, okay. So next quarter, probably will be operating at almost 100%, right?

Rupark Sarswat: Yes.

Moderator: Thank you. This is the last question for the day. I would now like to hand the conference over to Mr. Rupark Sarswat for closing comments. Please go ahead, sir.

Rupark Sarswat: Thank you, Sanjesh and I just would like to thank everybody for patiently listening to us and we have tried to respond to the questions. Hope, we have been able to respond to them to their satisfaction. Nothing else from my side. From me and my colleagues, have a good evening and that's all and we'll see you in the next quarter.

Moderator: On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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