



## INDIA GLYCOLS LIMITED

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**13<sup>th</sup> November, 2024**

**The Manager (Listing)**  
**BSE Limited**  
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Rotunda Building, P.J. Towers,  
Dalal Street, Mumbai – 400 001

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

**Scrip Code: 500201**

**Symbol: INDIAGLYCO**

**Dear Sirs,**

**Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 – Transcript of Q2FY25 Earnings Conference Call**

Further to our letters dated 30<sup>th</sup> October and 8<sup>th</sup> November, 2024 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 Q2FY25 held on Friday, 8<sup>th</sup> November, 2024 is attached.

The same is also being hosted on the Company's website at [www.indiaglycols.com](http://www.indiaglycols.com).

This is for your information and record.

Thanking you,

Yours truly,  
**For India Glycols Limited**

**Ankur Jain**  
**Head (Legal) & Company Secretary**  
Encl: A/a



**India Glycols Limited**

**India Glycols Limited**  
**Q2FY25 Earnings Conference Call**  
**November 08, 2024**



India Glycols Limited

<b>MANAGEMENT</b>	<b>MR. RUPARK SARASWAT - CHIEF EXECUTIVE OFFICER</b> <b>MR. ANAND SINGHAL - CHIEF FINANCIAL OFFICER</b> <b>MR. RAJESH MARWAHA - HEAD- SALES AND MARKETING BSPC</b> <b>MR. S.K. SHUKLA - HEAD- LIQUOR BUSINESS</b> <b>MR. ANKUR JAIN - HEAD (LEGAL) AND COMPANY SECRETARY</b>
<b>ANALYST</b>	<b>MR. ROHIT SINHA – SUNIDHI SECURITIES LIMITED</b>

## **Moderator**

Good evening, ladies and gentlemen. I'm Sowmya, moderator for the conference call. Welcome to India Glycols Limited Q2 and H1 FY25 Results Conference Call. As a reminder, all participants will be in a 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 then 0 on your touchtone telephone. Please note this conference is being recorded.

I would now like to hand over the floor to Mr. Rohit Sinha. Thank you, and over to you, sir.

## **Rohit Sinha**

Good evening, everyone. Thank you for joining us on India Glycols Limited Q2 and H1 FY25 results conference call. I would like to thank the management for giving us this opportunity to host the call and congratulate them for a good set of numbers.

We are joined on this call with India Glycols Management represented by Mr. Rupark Sarswat, Chief Executive Officer; Mr. Anand Singhal, Chief Financial Officer; Mr. Rajesh Marwaha, Head- Sales and Marketing (BSPC); Mr. S. K. Shukla, Head - Liquor Business and Mr. Ankur Jain, Head (Legal) and Company Secretary.

I would like to invite Mr. Rupark Sarswat to initiate this proceeding with his opening remarks, post which we will have a Q&A session. Thank you, and over to you, sir.

## **Rupark Sarswat**

Yes. Good afternoon, everybody. We've had a small technical issue and excuse me if the clarity of the voice is not so great. And thank you for bearing with us and I hope all of you are doing well. A slightly belated Happy Diwali to all of you.

On behalf of IGL and my colleagues here, one of our colleagues, Mr. Raju Vaziraney is also here, who's representing the potable spirits business, particularly, IMFL. So, he will be available to give comments on the liquor business.

As you have probably seen, I'm happy to report a strong quarter in terms of Sales, in terms of EBITDA, as well as in terms of profit performance. So, we've had a strong quarter in terms of Gross Revenue, which at INR 2,144 crores is up 15% like-for-like compared to last year. Our Net Revenue at INR 961 crores is up 24% from the same quarter last year. Our EBITDA at INR 120 crores is up 13% compared to the same quarter last year, with a slight dip in percentage EBITDA margin, we'll talk about it, which is from 13.5% to close to 12.4%. And our PAT is for the quarter is also up to INR 50 crores from INR 38 crores, which is up 31% from the same quarter last year. And I'll talk about the broad story behind the numbers in a little bit.

So, all in all, we've had good revenue growth in biofuels, which was a relatively newer segment for us, which has been picking up. Also, very good growth in potable spirits and also good growth in top line in Ennature Biopharma.

The Chemicals business, the numbers that you see, see a modest growth. And however, I will talk about the breakup of the Chemicals business, which also includes some ENA, which also includes some sales which happened to the joint venture. So, if you look at the chemicals business, which is the growth focused business for our part of IGL, I think that has shown good growth. And I will talk about the sectors therein which have seen some growth. So, I think not only the quarter, but fortunately, I can also report a good first half performance, which is INR 1,930 crores of Net Revenue, up 32%, EBITDA at INR 248 crores, up 17% and PAT at INR 110 crores, up 24%. So, the broad drivers behind are the same that we talked about in terms of the quarter.

And talking about the highlights for the quarter, we spoke several times about our strategy to one, de-risk our business, make the business more resilient by expanding our footprint in various modes of ethanol production or sourcing. And as a result of the decision, which was taken close to 2 years plus before, we've seen now excellent growth in the biofuels business. And I will talk about that business and the dynamics over there in a little bit. And those capacities are serving us now to not only reduce our costs, particularly in the Potable Spirits segment, but also drive top line growth in the biofuels segment, as you may have seen.

And as I mentioned, what can be called the focus operating chemicals business has also seen strong sales growth and margin growth, so which is not exactly reflected in the overall sector numbers for chemicals. But I must tell you that because that's going to drive growth in future as well.

And the Potable Spirits business was driven by several factors. I think we've had excellent growth, particularly in the Branded Country Liquor segment in Uttarakhand and also in IMFL in Delhi & UP; and IMFL in the paramilitary segments. We will talk about it segment wise in a little bit. Another thing which we have let the market also know before is the introduction of several Amrut brands, which IGL is going to manufacture as well as market in select regions, which is what we have got the rights for.

That we see as an important milestone for IGL's IMFL business. In terms of the trust that Amrut has shown in us and also collaboration with the highly reputed potable spirits manufacturer. All in all, we have also talked about new value-added chemicals in the past. We've made investments. And as you know, about 6 months back or thereabouts, we started to commission our new plants. And we've seen orders coming in, specialty chemicals business takes time to build, sometimes businesses take 3 years, 4 years working with the customers to build. I'm very confident of the pipeline that we've developed, and that business will also continue to grow and show results.

The other good news is that our joint venture, wherein IGL has a 49% share, has also delivered an excellent quarter. I think for the joint venture, this was the best ever quarter with sales up 24% and EBITDA also up in terms of very good numbers, I think. Supported amongst other things by improvement in raw material costs because one of the key raw materials that we supply to them is ethylene oxide. Also, they have been looking at their product mix and exports and so on. So that has been an overall story for the business.

So, I will talk a little bit about the segments and in terms of the quarter. So, our biofuel business increased to INR 260 crores from INR 105 crores for the same quarter last year. And our biobased specialty chemicals business is at INR 369 crores. For H1, our biofuels business increased to INR 499 crores from INR 170 crores last year. So, you can see a significant contribution in terms of the top line coming from the biofuels business.

Our Potable Spirits business is up by 21% to INR 551 crores from INR 456 crores last year for H1, which is also a strong performance. Our Ennature Biopharma business is up by 19% in terms of revenue at INR 118 crores from INR 99 crores, and we will talk about the segments.

And before I talk about the segments, maybe I would request my colleague, Anand, to give you a quick snapshot of the financials and then I will give slightly more granular commentary on the segments.

### **Anand Singhal**

So, good afternoon. I will cover the financials for the 6 months rather than the quarter. So, on the standalone basis, the 6 months results, the total income from operations is INR 4,426 crores, vis-a-vis the last year 6 months INR 3,763 crores, up by 17.6%. The net sale is INR 1,930 crores, vis-a-vis INR 1,479 crores in the last year's 6 months, which is up by 31.9%. EBITDA is INR 246 crores vis-a-vis INR 206 crores, which is up by about 19%. and PAT is INR 86 crores, which is against INR 76 crores, which is up by 13%. So I will say the overall performance for the 6 months on a standalone basis is very encouraging and the company is extremely doing good.

I'll give you the consolidated figure, the income from operations is INR 4,433 crores vis-a-vis INR 3,780 crores in the last year's 6 months, which is up by 17%. EBITDA is INR 248 crores vis-a-vis INR 212 crores, which is up by 17%. Again, the same numbers more or less. While PAT is INR 110 crores, vis-a-vis INR 89 crores in the last year or 6 months, which is about 23% up. This includes the profitability from the joint venture, which is about INR 10 crores. So, what the CEO sir has said that the performance of the JV has shown a very good performance in the 1<sup>st</sup> 6 months.

So, this is what is brief about the results financial results of the company. We will cover more details on the financials as when we will start our question-and-answer session.

### **Rupark Sarswat**

Thank you, Anand Ji for your summary of financials. So, I'll talk about some of the newer segments first because you're probably wanting to hear about that. As you saw in the biofuels segment, we've seen net revenue increase of close to 194% from INR 170 to close to INR 500 crores in the first half and also very strong EBIT performance from INR 8 crores to INR 32 crores, which is an increase of 281% in H1.

So, we now have an installed biofuels manufacturing capacity of close to 450 KLPD, in Kashipur. And overall, if you see, the all India blending program has been running quite well. So, the Government of India blending targets, which started from something like 5% in 2019-20. And the target for 2023-24 was 15%. India is already clocking close to 14.2% in till September, and this is expected to be 14.2% in the coming quarter as well, so for the entire year. The target for 2024-2025 are close to 17-18% in '24 - '25 are expected to be 20% in '25 - '26. And if you see, we expect that demand for biofuels will continue to grow and our business, therefore, will be supported as has been the trend by India's ethanol blending program. So that is something which is good.

The government, as you know, revises biofuel rates from time to time based on the feedstock as well as various factors, which affect the costs in order to support the business and support the right mix of the business, which was done in November 2023. And as far as we are concerned, we expect that the allocated

quantities to us in the subsequent 2 quarters will be met by us for the year. And the trends in terms of the overall biofuel growth that we have seen so far are expected to continue. So that is about biofuels.

Talking about the other segment, which has seen significant growth, and I will in a minute ask Raju Ji to comment on it. So, you have seen total top line growth of growth to 20.9% for the first half and an EBITDA growth of 26.5%. A lot of it has been delivered has been -- has come from various sectors. It has come from country liquor in Uttarakhand, it has come from IMFL in Delhi, it has come from IMFL in Paramilitary. Some of our brands I talked about like Amrut Maqintosh is now available in Delhi and Uttarakhand, and we have plans to introduce the same in UP.

In UP itself, in IMFL, we registered a good growth in volume terms of close to 50% in H1, which has been very good. We also plan to introduce different variants of Amrut in different states that we are operating in.

The country liquor performance for us has been exceptionally well in Uttarakhand. There are several reasons for it. One of it is that we've got a strong manufacturing base in Uttarakhand. The second is that we probably were the fastest movers to make the maximum variants in terms of pack sizes available, including being the only ones to and the first ones to introduce Tetra Pack. And some of our brands that are also very well received, in fact, some of them in the country liquor space are such that the country liquor space is also competing well with the lower end of the IMFL space. So that has also driven growth in the country liquor segment. And we continue to look at launching new brands and new products in these areas.

So that is on the potable spirits front. But I'll just pause, I've given you a very high-level commentary. It may be a good idea to get a little bit from Mr. Vaziraney.

### **Raju Vaziraney**

Hello. I'm Raju Vaziraney, I look after IMFL in particular. See, as our CEO rightly said, Uttarakhand has been our home market, and our traditional business has been, we have been leaders in both IMFL as well as Country Liquor. Now we have, if I use the word monopoly or we are the only ones to do Tetra Pack, which has been very well received. There was ban on Tetra Pack or PET in Uttarakhand for a number of years. And the government saw reason for it to start Tetra Pack because largely, Uttarakhand follows a mirror policy of UP, being undivided, same state and same culture and same eating, drinking habits. So, and no wonder Uttarakhand has very well accepted Tetra Pack. And we were the first one and while we talk, we are the only one to do Tetra, which is giving us very good results. This is as far as the Country Liquor is concerned.

And we have made, being a very innovative company in terms of packaging and in terms of flavors, we have been able to make our mark in various flavors and various price points in country liquor as well.

Now as far as IMFL is concerned, our CEO talked about Amrut. As you know, Amrut Distilleries is well known for single malts and malts in particular. So about 6 months ago, we had gone to Bangalore, and we convinced them that you don't have the bandwidth to do non malt because there is unmet demand for their malts. So, whatever non malt brands are there, some of them have been taken by us on royalty basis.

We have signed the agreement. And the first brand the first offering, if I may say, has been Macintosh, which is a 35-year-old brand and very good quality brand. No, Amrut will not put its stamp on anything which is below par, below a certain level of standard. It's like on the lighter side, and we say it is the Merc but maybe C class Merc, may not be E, but it is Merc all the same. In other words, they will give their logo and only when they are sure of the quality. And what we have tactfully done and rightly done is the liquid is all supplied by Amrut, and we do not do any admixing. We only bottle it, and we use our packaging standards and our, of course, most importantly, our extra neutral alcohol.

Just for your knowledge, extra neutral alcohol, we are possibly the best. One should not make a strong statement that we are the best, though we mean best. Bacardi, which we co-pack more than 200,000 cases per month, they all use our ENA. Not only in Kashipur, that is for North and Eastern India for Bacardi, they also use our ENA for their mother plant at Nanjanguda in Karnataka. Mind you, Karnataka is a surplus state for ENA, but they get it from Uttarakhand, that is Kashipur. That is enough testimony of the fact that we have our zero tolerance to any substandard quality. And Bacardi being among the top 3 companies of the world, since over 10 years, we are their co-packers.

So, considering it is a synergy. If I may say, we complement each other. We have in Kashipur excellent packaging standards, excellent quality of ENA, while Amrut has got its brand name. So, and they maintain the quality the liquid quality. So, it has worked well. The initial reports are very encouraging. As our CEO rightly said, Delhi and Uttarakhand have got very good traction. And we already have made our mark. We already have double digit market share in both these markets. It has been only few weeks that we launched. And very soon, we will be rolling out maybe next week itself in our home state of Uttar Pradesh, where we have IGL Gorakhpur and Haryana.

Haryana is one market which is which has huge, huge potential. Once we launch in Haryana; I will talk maybe more on this. It's a very big potential market for entire North because the MRPs are not there in Haryana. Haryana is perhaps the only state in the country where there is no MRP. With the result, the consumers get a beautiful choice of fantastic competition in retail resulting into almost half of the MRP of adjacent states.

So, there's huge potential. I can talk more, but this is not the occasion. To sum it up, Amrut offers lot of potential for our company because we follow the highest standards in terms of packaging and ENA. And I'm sure in another year or so or maybe 2, this will Amrut business will be a very big part of the pie of our total IMFL business.

### **Rupark Sarswat**

Thank you, Raju Ji. I'll also take the opportunity to talk a little bit about the Chemicals business. Last but not the least, also has been a bread-and-butter business for us. So, talking about the Chemicals business, I mentioned to you that our core growth business in terms of some of the core businesses other than what we supply to the joint venture and ENA has actually been doing quite well. And I'll talk about some of the subsegments.

So, our new product, which we track separately within chemicals, largely from the new plant, but also some other new products have been doing quite well starting from almost scratch. We expect that to be a INR 100 + crore business, already having grown by close to 225% this year with a very healthy growth in margins as well. But as you know, these are businesses which will take time. But the good thing here is



that we have identified and I think we are running very good collaborative partnerships with a number of global reputed names, which include names like Stepan, Neuron, Lanza. These are companies which have been known, BASF, Dow, et cetera.

And we expect that this business will continue to grow in many areas, of course, in several areas like bio-based amines, methyl esters, oilfield chemicals, carbon smart products and so on. And we are looking at newer categories as well.

Glycols has been a very important category for us, which has also despite the challenges that it has faced over the last few years, has done quite well in terms of good value as well as margin growth. A few things there that we see is that we've focused on some new value-added segments. One of them is trying to develop a market in the Bio-DEG space. Now, what we've conventionally heard a lot about is MEG, which is monoethylene glycol. But we've also tried to develop a market for DEG, which is for applications in greener claims for polyurethane and some other products. So, we've been working with some companies there.

Also, there are people as you know, one of the significant outlets for MEG for us is PET, which goes for manufacturers of polyester. And 2 major components of that are MEG and PTA. So, while we are able to supply green MEG, the world is also working on green PTA. And there is a consortium which is working on international companies and IGL being the only supplier of bio-based MEG in the world, we are a partner to that. Hopefully, some of those partnerships will translate into good business in the times to come.

The good news overall, and I have mentioned this several times is about in 2017, roughly all of our bio-based MEG business, not the MEG that we sold in competition to the crude based MEG business that, of course, was separate, was largely with 1 company, which was Coca-Cola, 95% plus. Due to the mandate on R-PET in the U.S., that business totally went away from us. However, I think we are happy that we've been able to build that business up, and despite loss of what was 95% of that business, we've recovered 85% of the contribution. And the good thing is, this is no more from 1 customer. It is from 15 different customers. So that I think also builds resilience. I'm also hopeful that this steady growth in this business will continue.

We also have a business in Glycol Ethers and Acetates, which are green solvents, which we've had a good growth and contribution this year, while there have been challenges in terms of lower cost alternatives available, particularly imports from China and Russia, but we've been able to hold on to a market.

One area which is reported within the chemical segment is ENA, which you heard Raju Ji talked about, which is Extra Neutral Alcohol. And this ENA, when I talk about, I mean the ENA that we sell to people outside, not the ENA that we consume in house. So that sale is counted under, of course, chemical, which has shown as it is consumed. That, however, has dipped and that's a conscious decision because we are able to utilize our own ENA in better ways for our own portable spirits.

So that is something and also exports in markets have been a little challenging because of lower prices from countries like Pakistan, Brazil, whose currencies have also depreciated. So that has helped them.

So, the other area, gases have also been doing well for us, steady growth. We are in as you know, we are in gases not because gases is something completely separate, but because we manufacture gases as one of the raw materials for our product. So, we also sell gases.



So, demand for industrial CO2 has been decent. So that has contributed to growth. Also, as you know, one of the gases that we manufacture, argon, has had good demand, good uptick, good price increases this year. So that has also helped the gases business. Our EO and CO2 mixtures, which are sold for various applications, mainly for sterilization, that business has also been growing.

So that's the overall segment wise commentary for our performance in Q2 and H1. I'm sure you some you tend to track our business even in a more detailed fashion than we do with a lot of more number crunching. And I'll take a pause, and we'll take your questions.

**Moderator**

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

Our first question comes from Kashvi Chandgothia from JRK Stock Broking. Please go ahead.

**Kashvi Chandgothia**

Sir, I see that there is long term debt that you have taken during the quarter to fund the CapEx, which I could understand. So kindly give us an outlook and as to what is the repayment schedule for this debt for the year 2025 and 2026?

**Anand Singhal**

The repayment period is from 7 to 8 years for the debt which we have taken recently. The average maturity is around 4 - 4.5 years for this debt, whatever we have raised.

**Kashvi Chandgothia**

Okay. And sir, also regarding your working capital, like, the debt that you have taken, so how much of it is like to be supported for working capital?

**Anand Singhal**

Your voice is not clear, so I'm not able to understand your question.

**Kashvi Chandgothia**

Sir, what are the current changes that we are expecting for the remaining half of the year for the net working capital?

**Anand Singhal**

We expect that the net working capital will become positive in the next 6 months and the current ratio will improve.

**Kashvi Chandgothia**

Okay. And sir, any outlook and guidance for the remaining half of the year and for the next financial year?

**Anand Singhal**

We expect that the next 6 months will be better, since the 1st 6 months' performance is already with you and is very good. So next 6 months, I expect that the performance will be good for the company.

**Moderator**

Our next question comes from Aporva Mehta from KSA Share and Securities. Please go ahead.

**Aporva Mehta**

Wanted an update about our Specialty Chemicals, where we are currently, what is the run rate for the current quarter and what do you see for the next 6 months and 1 year ahead?

**Rupark Sarswat**

See, I mentioned those broad numbers that we expect, these are businesses, new businesses being developed. Sometimes they move a little faster. Sometimes they move a little slower. We expect to do a modest turnover of INR 100 crores plus in this financial year. And it is very difficult for me to give a projection, however, we are expecting and targeting significant growth, much ahead of growth in other segments in new value-added chemicals.

Now of course, this is contingent on projects going through, trials getting approved. So, there is always that element in specialty chemicals because these are collaborative projects, some of them are new products. And I mentioned to you that we are working with reputed reliable partners. And there is reason for us to feel confident that this business will grow well. Though given the nature of the business, as you know, it is time consuming to set businesses. The other good thing is that these businesses are, of course, based on chemistries that we are good at. But at the same time, they are not hugely dependent on merely ethylene oxide or ethanol costs or prices, which means that wherever possible, we take advantage of the green EO, et cetera. But it is not so high that it is impacted by the cyclical nature there, which has been the case of some of our other businesses like MEG. That has also been in terms of diversifying our product portfolio to make it a little more resilient has been our focus. And I believe that will strengthen our business in the medium to long term.

**Aporva Mehta**

But can you just brief us what is the opportunity size on the kind of work you are doing? What can it be and where we stand today? And if our product gets approved, what kind of growth can we see that the growth can come? Can we double, triple the requirement of the products or what kind of thing? And on the competitive side also, if there are we have we faced any competition on this side or no, there is no other thing, do you think the product has to be approved?

## Rupark Sarswat

See, first, let me give you my understanding of developing a specialties business. Actually, 80% of the value creation in the specialty business is not from the product, it is from the knowledge, the capability of understanding the application, solving problems that you bring to the table. So, we moved from a journey of making product to making a good product, to make a differentiated product, to then moving on to not from our side, but having a good grasp of customers application. So, then we start to provide solutions or value to applications. Then the customer starts to say, come solve my problems or meet my needs. Then you start on to move to collaborative projects. And when you develop a confidence there, you move to strategic projects.

So, what I can tell you is that with some of our customers, we have traveled that path quite fast to start to work not only on collaborative, but even talk about strategic projects. And these are global customers.

And as far as the size of the opportunity is concerned, I must be conscious of the fact that I'm speaking to investors. I'm talking about the potential and the size of the opportunity. Please don't take it as a projection from my end. I think the size of the opportunity is many times the numbers that you are talking about for this year. So, in a matter of years, it can be 5 times, it can be 7 times, it can be 10 times. As I said, this is size of opportunity, not a projection from my side. Keeping that in mind, we are focusing on this business. Of course, it is contingent on and we also talked about competition.

Now, of course, there is competition. But these are not products which once developed with the customer, somebody else will give a sample and next day they will say somebody INR 10 cheaper so I'll shift to them. Even the shifting is in some cases a 6 month or 1 year process, because of the amount of work that is involved. So, there is an inherent, you can say, transition threshold, which is there. And I believe if there is reliability and trust and faith on the work that we are doing in terms of the knowledge that we bring to the table, in terms of the quality that we bring to the table, we should be able to continue to grow this business despite competition.

So, some customers may continue to work with us, some customers may continue to work with competition. So, it's not a case where you will say, okay, suddenly prices of this commodity will drop, so I will become less competitive. In fact, I try to kind of say that we've looked at these value-added products to make the business resilient and not kind of dependent on cyclicalities of say raw material prices, et cetera. So, there are different people who compete in different areas. For example, when we talk about Carbon Smart Products, there is no direct competition because there is nobody else who does that. However, these products tend to be significantly more expensive. So expenses or the adoption rates are the issue.

BioMEG, nobody else supplies. Carbon Smart products, nobody will supply. We could be the 1st supplier of Bio-based Amines in the world. But the thing is that like it was for solar panels, say, 20 years ago, it is about making sure that on one hand, costs come down and on the other hand, there is greater adoption of those products. So those are the kind of challenges more than somebody who will come in and take our product away by giving or dropping. Because some people may continue to use cheaper, non-sustainable alternatives. So those are the kind of that is how we look at the competition scenario.

**Aporva Mehta**

And on the green chemistry side, are these products are where the application is on the green chemistry side, where we are working with our clients or they are different products?

**Rupark Sarswat**

So let me try and answer that question slightly differently. The point is, what are the pillars of creating a competitive advantage for a specialty chemicals business for IGL? One is delivering sustainable products, and sustainable may mean many things. They may be plant based, that is one part of sustainability. They may deliver a lower carbon footprint, that is another part of sustainability. They may be less toxic, that is another part of sustainability. So that's the sustainability pillar.

The second pillar is delivering them cost effectively. Now why did I not say cost of product? I think it is cost and performance in use, which is in the entire cycle of the value that it delivers to the end customer. For example, if I am delivering a product which goes for a particular oilfield application or a crop application, it is not necessarily a cost of the product which is important. It is, for example, can it increase the shelf life of the product by 6 months? So, whilst my product may be 10% more expensive, but if it is able to deliver a shelf life increase of 6 months, the value delivery to the customer and therefore cost in use becomes much more efficient. So, it is not that simplistic. The other, of course, is our ability to become reliable suppliers to customers, reliable from the point of view of quality, standard, our ability to solve their problems and so on.

So, it's not a one-point answer that I can tell you. Sustainability in some products is a stronger differentiator for IGL. But we are saying that is one differentiator. In some cases, it is performance. It is in some cases, it is our ability to work very closely in terms of doing product chemistry, process development, et cetera.

**Aporva Mehta**

And when can we see a jump in our on the turnover or can we see a substantial jump coming in like from 100 to 200 to maybe 400?

**Rupark Sarswat**

Sir, you are asking me for a projection?

**Aporva Mehta**

No, just tell me is there possibility there on that type of business is there or not?

**Rupark Sarswat**

I answered your question. That in terms of the potential that we are targeting, I think the growth opportunity which can come through the product ranges and the customers that we are working with depending on success of projects is in several multiples. So, it's very difficult for these kinds of projects for me to say, of course, we have these discussions with our partners that say, somebody is supplying, say, a

product for a completely new application which we are introducing, say, for some application, and they are putting it in the market.

So, it depends on what is the uptake. So far, we've seen the uptake in some of these products has been good. And I am quite confident of the pipeline. Now what happens is sometimes it takes 1 year, sometimes it takes 2.5 years. So, we'll have to go through that journey. And it's not that we don't discuss numbers within us. We discuss numbers. But it's just that I have a slightly different role to play when I'm talking in an investor call. And I think it could be, at this point in time, I can say that the 5-year opportunity in a matter of few years is actually in multiples. Now that whether that multiple is 3x or 7x or more, we would all like it to be very high.

#### **Moderator**

Thank you, sir. Our next question comes from Saket Kapoor from Kapoor and Co. Please go ahead.

#### **Saket Kapoor**

Firstly, sir, I'm referring to our wholly owned subsidiary formation for the Spirits business. IGL Spirits has been constituted. So, if what should one read into it? And is it a precursor to what the work EY has been given as per our notification dated 21st September, we should put things in order in that sequence itself?

#### **Rupark Sarswat**

See, let me put it this way. We have different areas of doing business. So, there are certain interlinkages. At the same time, these businesses have their own different dynamics. So broadly, it is a part of the promoter strategy, which they keep evaluating, reevaluating to maximize value creation and look at various options. One thought, of course, has been to make sure that these businesses, which have slightly different businesses, can possibly be looked at to be run with broader focus independently, may continue to remain under same ownership, may potentially make it easier for deriving greater value.

Now there are various possibilities of deriving greater value, which includes inviting strategic investors or strategic investors taking interest, et cetera, et cetera, et cetera. So those are not answers that are up on the table right now. But the thinking is they are businesses which need to get possibly more focused and therefore, have a neatly carved out P&L. What happens afterwards can be several things, depends on what works best. These are matter of conjecture that what happens, what's the best fit, et cetera, et cetera. But yes, EY is also helping in doing that evaluation.

#### **Saket Kapoor**

Yes, sir. Sir, when we look at the performance for the Ennature Biopharma, it has been a cause of concern for us for the Company because of the reasons explained earlier. So, if you could just allude the factors that have resulted in a flat to lower profitability for this segment now for being consistently for the over the last few quarters and what's the way ahead for the for H2?

### **Manish Pant**

So Saket, Manish, this side. So, whatever turnover we have secured in this quarter would remain on the upside in the next 2 quarters also, but the margin would be remain same almost like whatever we have achieved in this quarter because of the continuous pressure in the nicotine prices worldwide. And the main USP product is Thiocolchicoside, though we are now holding the 50% share of the total export from India, but the margins are in distress till now.

So, we are trying to make it more viable and to have more contribution by cutting our cost and all. But more or less these are going to remain same as this quarter.

### **Rupark Sarswat**

Yes. So, I think as Manish said, there are price pressures on Thiocolchicoside side as well as nicotine, but those cycles happen. The focus of the business has been and I think that the business has done successfully, is continue to grow volume without getting too impacted by cyclicity so that you remain steady in the market and retain market. There are 2 ways to get costs down because when prices are under pressure, you get your costs down to the extent it can. The other two strategies which are being followed, and I think the business is very conscious of it and following it very meticulously, is to look at higher value adding derivatives and also to look at the segment of branded nutraceuticals. We are hopeful and also, I must say, confident that it requires work. We are doing that work and also positioning ourselves in terms of getting the specifications from various international regulatory bodies to be able to breach and reach those markets, U. S., Europe, et cetera.

You are right that margins have been under pressure. But part of the strategy, as you see the good thing also is that despite margins being under pressure, I think this was also the best ever quarter for Ennature Biopharma in terms of sales. We understand this is the nature of the business. There are challenges we have to deal with and we've given you a flavor of what the business is trying to do.

### **Manish Pant**

And this is also our growth area.

### **Saket Kapoor**

Right. And even for the biofuels segment, sir, we found there also the margins have been on the lower side Q-on-Q basis. So, is it only the higher the cost of grains that has affected the number and how should the margins trajectory be for the biofuel segment going there?

### **Rupark Sarswat**

So, sir, Saket, since you are a very good friend, and I look forward to your questions every time and you ask difficult questions, the glass is half empty, but the glass is also half full. We've had a decent quarter based on everything that we've been telling you for the last 2 or 3 years. You may say that to some extent by and large, we had some understanding in the business. We've been able to present a reasonable foothold.

Yes, your points are right. As I mentioned, the broad strategy in Biofuels, you see, every business has these challenges. So, the challenges of the Biofuels business are there. The challenge is that there is an overlap that it has with the food segment because it uses grain, it uses sugarcane. And if, for example, they were to be, I hope there is not, a drought, sometimes the focus for the country will obviously be food. However, those are cyclical things. But look at the macro picture. The macro picture is, and that's why I said, if you look at 2019-2020, the blend target was 5%. In 2020-2021, the blend target was 10%. In '2022-2023, the blend target was 12%. In '2023-2024, the blend target is 15%. We are merely 0.75% short of the country's blend target, which has been over the last few years.

So, there are reasons for me to believe. And that is a well-articulated strategy by the government through a proper document that has been published and reiterated that we will do 20% blending by 2025. There are strategic reasons behind it. There is a reason to make sure farm sector incomes improve. And this action, for example, has made sure that payments to sugar mills are happening much faster. So that is one.

The strategic decision is also that, for example, you know that sometimes a lot of food grain goes waste, it drops and wear out whatever that gets utilized properly. The imperative is also in a relatively volatile world. We have good backups for energy security. So, the government is working on several fronts. They are working on green energy; they are working on biofuel blending. The imperative is also that we'll use foreign exchange outflow. So, if you look at the macro strategic picture, there will be ups and downs. So far, the trend has been there have been ups and downs, but by and large, the biofuel blending story is intact. And there is no reason for us to believe that's going to be suddenly very different over the next couple of years.

Now what happens in 5 or 6 years? You and I cannot say. So, I am not unduly worried, Saket, on that front. There will be these ups and downs. And if you look at the government's reaction to this, the government's reaction to this is how can we encourage corn? How can we encourage better utilization of DDGS? How can we encourage better pricing mechanisms? How can we encourage making sure that the supply chain costs do not increase for this? So, all of that is happening. I don't know whether I answered your question, but I think in order to address your concern, if not your question, you need to get that macro picture.

### **Saket Kapoor**

No, sir. Your point is correct. Macro picture is also correct. But margins have taken a dip. That was the reason I just spoke about. And these are these are cycles wherein the current RM prices and the availability do get factored in, but we need to, continue with the project. That is what you have alluded to. My last question is for Anand sir. That said, for the first half, purchase of property plant is to the tune of INR 264 crore, and closing balance for capital work in progress is INR 200 crore. So sir, how much have we capitalized in the 6 months and how much capex is left in the current financial year?

### **Anand Singhal**

So, sir largely we have only 2 Capex's. 1 is for 100 KLPD plant in Kashipur and second is 180 KLPD plant in Gorakhpur. So, the total cost of both the projects will be about INR 260 crores to INR 270 crores. So, the Kashipur plant has completed that 100 KLPD, while the Gorakhpur plant will be completed fully by 31st March, although their grain distillery will start working in this quarter, the Q3. Okay. So, whatever will be there will be capitalized by the year end and after that there will be no big sized Capex.



**Saket Kapoor**

Okay, sir. And sir what's the closing balance of a long-term debt?

**Anand Singhal**

Long term debt, in this year, as on 31st March, will be around INR 1,200 crores.

**Saket Kapoor**

INR 1,200 crores. And what's the next year target?

**Anand Singhal**

The payment is INR 200 crores. So, if I can say then yes, I will target only INR 200 crores. But yes, if we are having a cash flow, additional cash flow, that will be utilized for the prepayment of the loan. And the company is not planning to raise any debt since there is no expansion.

**Saket Kapoor**

Okay. And our cost of fund, sir?

**Anand Singhal**

Our cost of fund is slightly on the higher side. It is around 9.8%. We are working on that how to reduce it.

**Moderator**

Next question comes from Balasubramanian Ayyanu from Arihant Capital. Please go ahead.

**Balasubramanian Ayyanu**

Sir, my first question regarding new wholly owned subsidiary. So, what is the strategic point of view next 4 to 5 years for spirits business? And for this, right now, we are around 20% kind of margins for potable spreads. So further adding capacities, what kind of margin improvement we can expect in coming years? And another thing, Amrut, how much your royalty in terms of sales as per the contract? This is my first question, sir.

**Raju Vaziraney**

For obvious reasons, this is not in the public domain because these are 2 separate companies. And I can only say that it's a long-term arrangement. And IGL is known for quality of ENA and packaging standards, while Amrut being a non-listed company is a privately held company. So, they are concentrating on premium products like single malt. So, we synergize very well. And long term, we will grow. We are not mandated to talk about royalty because it's a partnership between us.

### **Balasubramanian Ayyanu**

Okay, sir. So, for our new subsidiary for Spirits business, what is the strategy behind this?

### **Rupark Sarswat**

So, look, the strategies are dynamic and evolving. It is an evaluative exercise. Some part of it is known that we want to look at these P&Ls in a crystal-clear manner and bring the necessary focus to these businesses. That part is clear. Now, subsequently, what happens after they've looked at it, how to maximize value, whether to bring in strategy partners, et cetera, et cetera. After all, these are companies which have promoters. They have their own long-term thinking in terms of succession plan, et cetera. This is all in terms of readiness to be able to run the businesses much more effectively and do what is right for maximizing value creation.

And that plan is not on the table right now. There's an exercise in order to do that. What is, as I said, I'm repeating. What is clear? We understand that they are businesses with different dynamics. It will be good to run them with specific focus. It will be good to have a clear P&L, which is well defined. That strategy is clear. After that, with that structuring, what will happen in 5 years? Honestly, that is work in progress and that is that will get evolved over a period of time. There is no clear answer for that. And my apologies, I'll not be able to give that to you because I don't have it.

### **Balasubramanian Ayyanu**

Okay, sir. Okay. And sir, regarding Tetra Pack, like we have seen good response in Uttarakhand. So, like, if you could share details about the cost and the price point of view, that's normal bottle, liquors and Tetra Packs. And basically, liquor bottles, the cost anywhere between 10 rupees to 30 rupees, while Tetra Packs, I don't know. Just like if you could share in terms of consumer behavior and cost and price point of view?

### **Manish Pant**

So, Bala, I think you are asking right question in the wrong forum because I could not disclose the pricing comparison and all. So, for obvious reasons. But I can assure you that we have gone to Tetra and the government has gone to Tetra because of the certain reasons of like more adulteration in that. And the bottles got refilled, there used to be remained muds and all and some mixing by the distributor and all. So, all these things have been eliminated by introducing Tetra Pak. The response is very good. And I can tell you proudly that we are holding around 80% share of the Uttarakhand.

### **Moderator**

Our next question comes from Rohit Sinha from Sunidhi Securities. Please go ahead.

### **Rohit Sinha**

So, couple of questions from my side. One is on this ethanol side, last time in, recently what we have win the tender to supply to OMC which of somewhere around INR 1,150 Crore kind of tender. So just wanted to understand for the next phase, whenever this new tender would be out, what maximum potential we

have to bid for and how confident we are to at least continue to have this kind of run rate for the technology supply?

**Rupark Sarswat**

So, sir, this kind of run rate, answer is very confident. What is wait and watch evaluation of opportunity is how much is the growth rate, what kind of margins can we look at, what kind of situations on raw material, and therefore, how much new capacity will we add, if we will add and when.

So, I think based on my understanding, and that's the reason why I took a little bit of time to show what the trend has been in terms of over the last few years, what the government has been doing, how the pickup has been, how the government has been responding in terms of price adjustments, in terms of permissions to use different raw materials, facilitate various things.

So that is the information that I have. Plus, now having done this for a couple of years, we also have a track record. The government has a track record. And based on that, it is for us to assess. Based on that, I can say that we are confident this run rate will improve unless the government wants to decide something else completely tomorrow. Then it's a different issue. And there's no reason for us to believe. There is a proper paper that the government has published. They are repeatedly talking about this program. Now the ifs and buts are, now if they start to look at 24% blending by '26, then what happens? Then would you put up more capacity?

Well, we look at how the raw material prices are, how the raw material availability is, what the government price is, where do we have land, what can we put CapEx at, what cost. Those are business case valuations. So for this rate - confident, beyond that, we continue to monitor and do business case valuations.

**Rohit Sinha**

Okay. And secondly, on the NSU side, new chemical unit side, what kind of return right now we are seeing? And I think I believe more than 130, 150 crore kind of CapEx has been done there. So how we are seeing the progress there? And what would be the outlook going forward in terms of margin as well as the revenue growth?

**Rupark Sarswat**

So, I have broadly outlined it for you. I will refrain from giving you a projection. By and large, I've painted a picture going forward that we are looking at, we are targeting, we are working towards. There has been a good start. We are expecting targeting to INR 100 crores in this financial year. And I have also told you that somebody asked us what's the potential, where the potential is in multiples. We are working with good, reputed partners. And since you nearly asked that question again, I nearly briefly repeated that answer.

**Moderator**

Our last question comes from Sujal Shah, an Individual Investor. Please go ahead.

## Sujal Shah

Thanks for taking my question. One which I had which is more on a medium-term basis considering the amount of CapEx that you're doing and possibly the amount of R&D that is going into the enhanced chemicals that we're kind of talking. So just wanted to understand, if everything works out well, how do you see the peak EBITDA margins work out for the firm? And approximately in the medium term, what would be the driver taking us to that kind of margins? You could help me understand in terms of what could get us there, more qualitative and less quantitative should also be fine.

## Rupark Sarswat

So, I think what you're asking us is, what are we doing to make sure that the business continues to get or build on and get better net margins, right?

## Sujal Shah

That is right.

## Rupark Sarswat

So, we are doing 2 things. I told you the NSU story. I told you, it is value more than cost. So we are focusing on that so that we can bring something more to the table than just product, which is differentiation, which is knowledge, which is application know-how. Once we strengthen those relationships, customer tend to stick with you and pay you. So that's one thing that we do.

We are continuously working on strategic cost reduction projects. We have done significant cost reduction projects. And I can give you an order of numbers.

We have identified a cross-functional team to look at a whole lot of energy projects using significant technological advancements, including modifying operational efficiencies to drive that energy task force. And off the order of savings that we are starting to realize is well in excess of INR 25 crores per year. So that is also reflected and we are doing more.

We are also looking at green energy projects, which could be from various sources, which could be wind, which could be solar, which could be hybrid or like, so these are on the cost front.

On the alcohol technology front, we are continuously looking at evaluating feedstocks. We are looking at whether, how, when we should introduce corn. We are looking at various things to reduce cost there, which will help us improve margins. And the biggest thing, last but not the least, we are looking at premiumization of our liquor segment. So, we talked about Amrut, we talked about doing it well in terms of could branded liquor we are -- so those are thing that we doing. So, there is moving of the value chain on the finished product end. There are actions to secure feedstocks. There are actions to reduce cost in manufacture broadly.

**Moderator**

Thank you, sir. Now I hand over the floor to the management for closing comments.

**Rupark Sarswat**

So no, nothing else. Thank you very much for coming, taking your time to listen to us and also asking us questions, which helps us not only in clarifying to yourself who are our esteemed investors, but through your questions, we also gather ideas, areas for improvement and prepare ourselves better. So, thank you for all of that. Have a good evening and a good weekend. All the best. And on behalf of my colleagues here, bye-bye.

**Moderator**

Thank you, sir. Ladies and gentlemen, this concludes your conference call. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

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*(This document has been edited for readability purpose.)*

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