



INDIA GLYCOLS LIMITED



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13th February, 2023

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**The Manager (Listing)
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
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Scrip Code: 500201

Symbol: INDIAGLYCO

Dear Sirs,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 – Transcript of Q3FY23 Results Conference Call

Further to our letters dated 8th and 10th February, 2023 and pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, transcript of the Results Conference Call for Q3FY23 held on Friday, 10th February, 2023 is attached.

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

This is for your information and records please.

Thanking you,

Yours truly,
For India Glycols Limited

**Ankur Jain
Head (Legal) & Company Secretary**

Encl: A/a



INDIA GLYCOLS LIMITED

**“India Glycols Limited
Q3 FY '23 Earnings Conference Call”
February 10, 2023**



INDIA GLYCOLS LIMITED

**MANAGEMENT: MR. RUPARK SARSWAT – CHIEF EXECUTIVE OFFICER
MR. ANAND SINGHAL – CHIEF FINANCIAL OFFICER
MR. SANJEEV GURWARA – PRESIDENT - MARKETING
MR. ANKUR JAIN – HEAD LEGAL AND COMPANY
SECRETARY**

MODERATOR: MR. SANJESH JAIN – ICICI SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to the India Glycols Limited Q3 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Sanjesh Jain: Thanks, Frank. Good afternoon, everyone. Thank you for joining on India Glycols Limited Q3 and 9M FY '23 Results Conference Call. We are joined on this call with India Glycols management, represented by Mr. Rupark Sarswat, Chief Executive Officer, Mr. Anand Singhal, Chief Financial Officer, Mr. Sanjeev Gurwara, President - Marketing, 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. Over to you, sir.

Rupark Sarswat: Thank you, Sanjesh, and good afternoon, each one of you who joined us a little belated, but a little in advance as far as the financial year is concerned, wishing you all a very happy New Year. Now let me take you through to slides that I have put across and the highlights for the last quarter.

So as you would have seen, it's been in some ways a good quarter for us, if I look at the quarterly results. So at a high level, our gross turnover at INR 1,524 crores, though is down by 13%. I will comment on it in a moment. Our net turnover at INR 554 crores also down by about 30%.

However, our EBITDA at INR 76 crores is up by 23.7%. And if you see the EBITDA margin is also up to 13.6%, up 591 basis points. So we've seen a good EBITDA recovery on the back of improved cost and product mix. And I will comment in a little while on the drop in turnover, mainly because we discontinued some low-margin businesses, and I will explain that in a little bit.

If you look at on a YTD for the nine months, our gross turnover at INR 5,026 crores is up 1.6%. Our net turnover at INR 2,032 crores is down 8.7%. But our EBITDA at INR 219 crores is up 13.8%, and EBITDA margin at 13.8% is also up 210 basis points.

One of the things you would remember, but I would nevertheless repeat, is that on a like-to-like basis, for the comparative prior year, we also had one quarter of sales for the Specialty Chemicals business, which was made part of the joint venture. Overall, I think it has been good in terms of recovery of EBITDA across sectors led by Ennature Biopharma. And I think those are important from the fundamentals of the business point of view.

So overall, good recovery for the quarter in terms of EBITDA, EBIT, which is up 32% on a year-on-year basis. Though there has been a revenue decline by about 30% in Q3. EBITDA margin is up by 24% for Q3 on a year-on-year basis. Good recovery for 9M on a year-on-year basis with EBIT up 17%, and revenue though is down 8.5%. EBITDA margin up 14% on a year-on-year basis.

Now the revenue is down primarily because we discontinued some low-margin businesses, partly because we made certain operational changes to scale down production and not having to put volumes at low margin. Now what it means is that for some of our plants, we had to run them at a minimum throughput rate, which are large continuous plants. Now given the pressure that we had on peak of prices and energy prices, etc , it took us some time to make some changes so that we could actually significantly scale it down. So some of the volumes which we had to sell at lower margins is no more being done. I think that is one of the reasons why, one of the most significant reasons why our volumes are down.

And also, there is an impact of the business, as I said, for one quarter, which was transferred to the joint venture, whose volumes were part of the revenue for Q1 of prior year for comparison. So I can say that as far as Q3 is concerned, there is excellent margin recovery across sectors. So it is -- EBIT is up 22% for bio-based Specialties and Performance Chemicals. It is up 28% for the portable spirits. It is up 28% for Ennature Biopharma. And for a nine month period, EBIT is up 7% for BSPC. 8% for PS, which is Portable Spirits and up 27% for Ennature Biopharma.

Now if you look at the PBT, however, is down by 65%, mainly because of the impact of transfer of the bio-waste ethoxylates and select derivative business to the Clariant IGL joint venture, which had led to an exceptional income from the slump sale. So that is the reason why the PBT is down.

And also, we have an impact which has also been taken into account, which is a gain of INR 28 crores from the sale of Kashipur Infrastructure and Freight Terminal Private Limited, which was a non-core asset and has been dealt with. For the quarter, however, PAT is up 108% in Q3 to INR 50 crores.

And in terms of other highlights, cost pressures in some ways have continued. So if you look at ethanol prices, which is our main feedstock and most of it we were actually just even one year ago, importing from the US or Brazil, continues to be at a high price. Those have not really come down. But what has happened is, if you remember, we have been talking about our grain based ethanol plants being commissioned, which have been commissioned. They are being run up to capacity, which has significantly helped us mitigate the impact of huge feedstock price increases.

Given this, we wanted to do it steadily. We are evaluating further expansion and I think our objective is to become completely, if I may say, Aatmanirbhar and not be dependent on imports of ethanol, which I think is going to secure our margin in many ways. Apart from that, we've been working on operational and expense improvements and improvement on costs.

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And there also have been a movement in energy prices, which has been softening, particularly coal prices. And as you know, there has been a significant reset on international freight. We expect that these trends will continue in the quarters to come. I have mentioned that the joint venture has had a tough quarter and nine months, mainly because of the increased cost of feedstocks. And we've also executed, I can tell you an agreement with the Renew Green Private Limited in January 2023 to procure captive wind and solar hybrid power.

Now that will start coming to us in a period of two years, but it will deliver, not only will it deliver significant cost savings. But from a green energy perspective and particularly from our sense, it will also help us strengthen our sustainability credentials. We've from time-to-time talked about our slow and steady movement towards more value-added products. And our first phase of expansion for new specialties is expected to commission between February and May because it is two different units within the unit. And we hope to start building a new value-added specialty chemicals business starting in the coming financial year.

We were asked questions about the cost and the fact that we had pressures on cost. And I have kind of maintained that while we are going through very volatile and what appears to be a completely unexpected challenging time from an ideal perspective.

If you see, it was very difficult to imagine that ethanol prices which were at INR 34 - INR 35, just about 1.5 years ago, are continuing to hover at INR 60-plus. And it was not easy for us because we compete with crude alternatives. And I think our strategy in terms of you to offer and articulate it in terms of 3x3, mitigating the risk in terms of our feedstock, which is what we've done by installing significant grain-based capacity.

And also our movement towards a better product mix. It appears while slow and steady, but we are heading in the right direction. And we expect that will continue in the quarters to come. Now with that, let me quickly give you some highlights for the business segment. So if you look at Bio based Specialty and Performance Chemicals, for the quarter, EBIT is up by 22.3% compared to prior year though there has been a significant drop in reported sales, and I had just explained the reason for that. On 9M basis, EBIT is up 6.5%, though revenue is down by 17.6%. For the reasons that I mentioned and also the factor that for one quarter for the prior year in comparison, we also had the speciality sales which were transferred to the joint venture.

And we mentioned that we've discontinued low-margin, high-volume business, also helped by certain operational changes to scale down production to achieve the same. We managed to get some price increases to cover ethanol and conversion costs. I talked about the in-house grain-based ethanol production, which is helping us improve margins and the fact that we are looking at further expanding capacity.

Bio-based MEG margins have improved. And the good thing is that despite such a delta, we've maintained our profits for the bio-based MEG business. Our business in glycol ethers did not do as well, particularly in exports because of the pressure that we faced due to the prices of butyl

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and propyl-based alternatives, whose prices came down quite sharply. We hope and also expect that the position will steadily improve on this front as well. I spoke to you about the new specialty unit. And I think it's very important for us in the next few years to build the new value-added chemicals business.

Now talking about portable spirits, for the quarter, EBIT is up 28%, revenue up 7% compared to prior year. For 9M, EBIT is up 8.2%, revenue up 11.3%. Sales have improved particularly in the branded country liquor segment, and we continue to maintain a leadership position in Uttar Pradesh and Uttarakhand. Amazing Vodka is picking up market traction in state of UP, Uttarakhand and Delhi. And costs here as well, partly because of grain-based ethanol that we are producing is helping not only the chemicals business but also the portable spirits business, have been reduced and packaging material costs have also been stabilizing.

So that's also a positive, and we are hoping that positive, if at all, will steadily improve in the subsequent quarters. We've had a good year for Ennature Biopharma with revenues up 27% and EBIT up 28% for the quarter and revenue up 24% and EBIT up 27% for nine months for the year so far. So we've increased domestic share for Thiocolchicoside by acquiring orders from some major customers. We've made changes to the Thiocolchicoside facility to reduce cost and increase output.

In the pure nicotine segment, we've seen some demand slowdown, but we've been focusing on customers, particularly the ones which give higher value and pharma based nicotine derivatives. We continue to work on new products and new formulations and more value-added products in Ennature Biopharma as well. So I have essentially completed again to reiterate, I think broadly, we are following our strategy of mitigating our cost risk on two fronts on the feedstock front, on the cost and efficiency front and also on taking steps to add more value-added products in a diverse portfolio, leveraging our stance in terms of chemistry, product development, our strength in ethanol, and also our financials and sustainability.

So with that, I'll take a pause, and I'll request my colleague, Anand to give you a brief on financial

Anand Singhal:

Good afternoon. Just to cover briefly the performance for Q3 and for the 9M, the revenue from operations net of excise in this current quarter is INR 554 crores vis-a-vis INR 795 crores in the last year corresponding quarter. The EBITDA for the current quarter is INR 76 crores vis-a-vis INR 62 crores in the last year same quarter. PBT is INR 53 crores in the current quarter vis-a-vis INR 31 crores, and profit after tax is INR 50 crores, vis-a-vis INR 24 crores. So EPS for the current quarter is INR 16.20, vis-a-vis INR 7.80 in the last year's corresponding quarter.

To take up the 9M financial performance, the nine months revenue from operations, net of excise is INR 2,032 crores vis-a-vis INR 2,226 crores in the last year nine months. The EBITDA is INR 219 crores vis-a-vis INR 192 crores in the last year nine months period. The PBT is INR 119 crores, vis-a-vis INR 337 crores in the last year nine months. As Rupark ji has just told that this includes the profitability out of the sale of the COD business to Clariant, which is around INR

226 crores. And profit after tax is INR 101 crores, vis-a-vis INR 273 crores in the last year nine months. So the current nine months EPS is INR 32.70 for the nine months vis-à-vis INR 84.80. So this is what is the brief result of the company.

Now to broadly, take here to brief about the segmental results. So, net revenue in the Biobased Specialties and Performance Chemicals. The third quarter performance for the net revenue is INR 324 crores, with EBIT of INR 30 crores with a percentage of margin is 9.2% vis-a-vis INR 587 crores in the last quarter with EBIT of INR 24 crores, showing percentage margin of 4.2%. Basically, in the current quarter, despite the revenue has come down, the percentage of the EBIT has gone up.

For the 9M for the same division, performing the net revenue is INR 1,315 crores vis-a-vis EBIT of INR 82 crores, with percentage margin is 6.3% vis-a-vis INR 1,597 crores in the last year, nine months is INR 77 crores EBIT showing a margin of 4.8%. So basically, the overall for the three months and nine months, the percentage of the profit has gone up.

Regarding the Portable Spirits, the net revenue for the current quarter is INR 188 crores, vis-a-vis INR 175 crores in the last year corresponding quarter with EBIT of INR 28 crores in the current quarter vis-a-vis INR 22 crores in the last year corresponding quarter, showing percentage margin is 14.7% vis-a-vis 12.3% in the last year quarter. So again, the Portable Spirit has done good for the company. For the nine months, Portable Spirit INR 568 crores turnover, net revenue, vis-a-vis INR 510 crores in the last year, nine months with EBIT of INR 72 crores vis-a-vis INR 67 crores, showing percentage margin is 12.8%, vis-a-vis 13.1%.

In respect of the Ennature Biopharma, the Herbal division, the net revenue is INR 42 crores, vis-a-vis INR 33 crores in the current quarter with EBIT of INR 10 crores vis-a-vis INR 8 crores in the last year corresponding quarter showing in percentage margin of 24.8%, vis-a-vis 24.6% in the last year corresponding quarter. The nine months results for Ennature Biopharma, the net revenue is INR 148 crores vis-a-vis INR 119 crores, EBIT is INR 37 crores, vis-à-vis INR 29 crores, showing a percentage margin of 25.1% vis-a-vis 24.6%.

So showing overall better performance vis-a-vis the corresponding quarter last year or the nine months. So overall, performance has gone up

Rupark Sarswat:

Thank you, Anand ji. So we have completed our quick overview for the quarter and the year so far and happy to take your questions.

Moderator:

Our first question comes from the line of Rohit Sinha from Sunidhi Securities.

Rohit Sinha:

Congratulations for a good set of numbers. Sir, first question from my side is that we permanently discontinued this low-margin business or is this for this quarter only, and maybe we'll see that number going forward also? And if you could also quantify how much was the impact of this on sales or maybe in other way if we could get the Y-on-Y change, excluding this low-margin business?

Rupark Sarswat: Yeh Rohit, so we could provide those numbers separately, but a significant amount of the decline that you see in sales is because of that. Now I tried to explain it to you that when we run a continuous plant, they are designed for a minimum throughput rate, and they cannot be run at rates below that. And what happened in the last one year or two years was that really, if you go by market demand, let us say the plant has a capacity of 100, but it has a minimum throughput rate of, say, 60 for it to run optimally or say 70.

Now therefore, for some time, we were kind of forced to run at 70. And even though we were producing, we had to sell, so let us say, MEG at relatively lower prices because we were producing it or sometimes at low margin, sometimes even at slightly negative margins. Now because we've done modification and we've done operational improvements and significant modifications in the plant to be able to scale down the operation, I believe in the current context, unless drastic changes happen in the marketplace, we've kind of done away with a significant part of this low-margin business, or I would say, very low-margin business for the time to come, and it's not only one quarter phenomenon.

Rohit Sinha: And secondly, on the grain-based plant commissioned last quarter. So last quarter also, you didn't mention that how much was the contribution, so would it be possible in this quarter to quantify how much benefit we get from this grain-based plant, especially on the margin front?

Rupark Sarswat: Yes. I don't have the numbers calculated with me, but it is actually quite straightforward. So now the benefits may not have seen exactly in result. But if you look at the real benefit, you for yourself can take that the landed price of ethanol from the US, here is of the order of INR 58 liter to INR 59 liter to INR 60 a liter. Whereas the cost of production of our grain-based ethanol is closer to much lower, it close INR 44 liter, INR 45 a liter.

We would have been in an even more difficult soup had we not done that. So we can quantify that, but that does not necessarily translate into a complete profit gain because there is already a challenging market even at INR 44 competing with crude. And there is a combination of things because it has helped us in Potable Spirits. It has helped us in chemicals. And some amount of it, we have also started to sell into the biofuel space. But our priority has been largely to meet the in-house requirement and not import. In fact, for quite some time, we've not been importing, ethanol anymore.

Rohit Sinha: And on the JV side, last quarter also, there was a lower contribution from JV because of higher cost as well. In this quarter also, it has reported actually a loss. So is it only because of higher cost or the sales have also been on the lower side, and any guidance you can get from the JV side for '23 or '24?

Rupark Sarswat: So two or three things. One is that, yes, the end market like textile, auxiliary's etc, have also been slow. Second thing is the biggest factor has actually been cost of EO, which is derived from ethanol. And obviously, impacted by energy cost and freight cost because a significant part of - at least going forward, buildup was expected to from export. So that has affected adversely. As

far as I know, I think being also on the Board of the joint venture, I think there is definitely a discussion on how to consider lowering the free stocks cost, which are pegged at a particular value as a part of the contract and also focus a little bit more on exports. So we hope that as things stabilize and normalize, JV performance will also improve going forward.

Rohit Sinha: Yes. One more question, if I can squeeze in. On the specialty chemical plant site, which is about to commission, I think, in first quarter FY '24. So initially, we have indicated for close to INR 50 crores kind of capex in that business. So has there been any increase in capex debt side? Or maybe you will see increase in capex or additional capex maybe after commissioning of that plant?

Rupark Sarswat: Yes. So the capex is what we have told you. Look, we are a brownfield site. Okay so we have significant assets and utilities etc., which are already available, whether it is cooling water, whether it is electricity, whether it is team, whether it is warehouses, whether it is maintenance staff or whether -- so I think this was a capex which we have for now.

Our idea is to first build this business over the next six months, one year because it is not an ethanol business or a commodity business. It is a business which you start to build after you start to manufacture. You sample it to customers, you get approvals and then you start. So, no future capex plans in immediate future, but it depends on how the business will grow, based on that growth will definitely support this business.

Anand Singhal: Rohit, just to correct, the actual capex value for this specialized chemicals, which we say NSU is around INR 82 crores, not INR 50 crores.

Moderator: Our next question comes from the line of Bala Subramanian from Arihant Capital.

Bala Subramanian: Sir, in that JV agreement out of INR 190 crores, around INR 40 crores are expected in H2 FY '23. So when we can expect to receive that amount?

Anand Singhal: As per the agreement, JV has to give us this money in three years. So till now, they have already paid INR 55 crores to India Glycols. And the balance amount will come back as per the agreement.

Bala Subramanian: Sir, my second question, regarding the capex part. We are evaluating per capex. So it comes under PLI, you go through more like on what kind of plans we have in terms of capex for a medium term?

So like what kind of capex plans we have for grain plants next over two or three years because we are...

Anand Singhal: Just to update that we have recently completed two grain plants, one is in Kashipur which is 180 KLPD. The other one is in Gorakhpur, which is 110 KLPD. So now we are exploring to increase the capacity in Kashipur plant from 180 KLPD to 360 KLPD keeping in mind the benefit which

company has got in the current quarter. Regarding the Gorakhpur, the capex for 100 KLPD is already completed, and we are not rather going for any increase immediately. That may happen sometime later, but not now. So we are increasing our capacity in Kashipur plant for grain distillery manufacturing.

Bala Subramanian: Sir, we have executed agreement for wind and solar and hybrid power. So like what kind of cost savings we can expect in that?

Rupark Sarswat: I can give you a ballpark number. But it's a good payback. I think the investment is possibly -- we have indicated what the investment. The investment is about Rs 20 crs, we expect the payback time to be under three years.

Moderator: Thank you. Our next question comes from the line of Nitin Awasthi from Incred Equities.

Nitin Awasthi: A few questions on the liquor business. Does the company do an ENA sales in bio-ethanol sales?

Rupark Sarswat: Yes, we do a significant amount of ENA sales. If I'm not wrong, we do close to INR 100 crores of ENA sales.

Sanjeev Gurwara: Yes, INR 120 crores

Nitin Awasthi: So, ENA sales is a part of the Potable Spirits? Or is it part of the bio-based specialties?

Anand Singhal: It's a part of the BSPC segment.

Rupark Sarswat: Because it is B2B. And this is not a retail product as - this is a high concentration...

Nitin Awasthi: Okay. So you are selling ENA, which is under the bio-based specialty division, which is about INR 120 crores for this quarter. How much is your Bio-Ethanol sales?

Sanjeev Gurwara: Yes. This is our yearly sales.

Nitin Awasthi: Yearly sales, got it And your bio-ethanol sales to fuel companies, which segment is that under and how much was it for the quarter and for the 9 months?

Rupark Sarswat: So far, what has happened is original intent of the grain-based plant was that the grain-based plant, we had estimated a significant part of that will go to biofuels, and some of it will get used for Potable Spirits and chemicals. But given the very wide gap in terms of imported ethanol as a raw material -- we have actually consumed most of our grain based ethanol production or even molasses based ethanol production in-house.

We've been making right now small sales into the biofuel space, which is of the order of roughly like 15 lakh liters a month ever since we commissioned our grain-based plant. As we expand our capacities, we hope that, that will increase. And if our international imported prices of ethanol

come down to pre-COVID levels, then of course, we'll be able to sell it quite a lot. It's very difficult for me to give some kind of outlook it's so dependent on so many factors.

Nitin Awasthi: I understand there is dynamic and it's based on the import prices of ethanol, because if that becomes more profitable for you, you will rather sell this to the fuel companies. I understand that part. Now coming to the ENA prices, what are the ENA prices prevailing in UP? And what are the ENA prices prevailing in Uttarakhand, as of now?

Rupark Sarawat: See, honestly, I don't know the precise ENA number, but we make some decent margin on ENA. It's not very high, but we make a decent margin there. I don't know exactly what the ENA prices in UP and Uttarakhand are. Prices also vary customer to customers.

Nitin Awasthi: No, no, I agree it's a B2B agreement with the customer base, but there would be a rough ballpark figure which should be trading at, right?

Rupark Sarawat: I don't have the ready numbers with me as far as industry prevailing trends are concerned, you can get it from the Internet also

Anand Singhal: Otherwise, you can send me the mail, I will give you figures.

Rupark Sarawat: We will respond to you.

Nitin Awasthi: So similarly, for the right prices, I believe the industry -- even the domestic ethanol industry and the ENA industry is suffering because of high rice prices, and there seems to be some inflow from the rabi season, which is starting to come in. So could you throw some light on that? What are the rice prices roughly you are dealing with? And what are they right now?

Rupark Sarawat: I will give you a broader answer without giving rice prices. I think rice prices vary a little bit, but it is still a profitable business for us to invest. I don't think the broader strategy as far as investment in grains is concerned is getting impacted.

Nitin Awasthi: Okay. And because all this information was actually given very nicely in your previous presentation, where you had coal ethanol, mild steel and your acetic acid prices and you are telling a quarterly representation of the same. I would just make a humble suggestion, if you could go back to that, then these questions would become unnecessary and we would actually get a lot of trend analysis from that.

Rupark Sarawat: No, I can provide that to you that we have even now available with us.

Nitin Awasthi: Similarly, you have for the coal prices?

Rupark Sarawat: Yes, yes, we have those. We will -- I've just not put that slide. We can -- you can write it to us, we can circulate that slide.

Moderator: Our next question comes from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain:

A few questions from my side. First, just wanted to understand. I thought there's a very high correlation between the crude price and the ethanol prices. But this time around, there's quite a disconnect. Can you help us understand what is driving ethanol prices? That's number one.

Number two, some of this discontinuation of the product is also of the result that the crude alternatives have become so cheap that it's unprofitable for us to even think about it? That's my second question, something like MEG, as you rightly mentioned. That's number two.

Number three, is there also an impact from the demand side because some of these polymer prices, which are falling, a lot of polymer guys have been -- they are destocking so that they don't carry a high-cost inventory. Is there a postponement of the buying as well in this chemical segment? So, these are my three initial questions.

Rupark Sarswat:

So, let me try and answer your second question first, which is whether crude-based prices of things like MEG has impacted some of our products like MEG the short answer is yes. Now if you go back many, many years ago, the competitive advantage for this business was to produce low-cost MEG using low-cost bio-waste feedstock like molasses.

Now over a period of time, the world has seen value in molasses. And obviously, as there is greater requirement for ethanol, molasses has a price, and it is a significant price. And therefore, now we are no more in a business where we are competing with crude on a cost or price basis. But also, what has happened is, yes, crude prices have gone down.

But more importantly, MEG prices have gone down and they did not go up when crude prices went up. And this is because significant capacities have been added worldwide pre-COVID, COVID times, etc. So, despite the crude prices going up, MEG sees a correlation, it did not go up. In fact, it came down. With the China slowdown, there is obviously, as you know, pushing up material to other parts of the world to continue to run their plants. So, they did not take the corrective action. We took some corrective action to stop bleeding or to stop supplying material in low cost. So that is as far as the crude correlation is concerned.

Then your first question was on ethanol, that ethanol doesn't seem to be following crude. Now there was one time when ethanol was not connected to crude at all. Then ethanol started to get clubbed with crude because it's a source of energy. And then you're saying it's not even falling with crude. Now there are several factors in one of the previous presentations I had kind of presented and because it would have been a bit of a repeat, I did not do that. So, in maybe six months, I'll give an update on ethanol and what's happening in the ethanol space.

Now not only is there requirement of bio-based ethanol because it is a green fuel. The world is working, and there's a dynamic around energy security in the world, as you know. Europe takes a lot of energy, crude, gas from Russia. So, the world is kind of campering to not only reduce cost by buying cheaper crude, but also become more secure. So, I think that is one factor, which has continued to sustain high ethanol prices.

The second factor is that in some cases, if you go back, there has been an impact in terms of the green energy transition. Where a number of countries, Brazil, France and many others, Europe, they had made significant plans, and they were based significant on hydro, wind, etc. I think that generation was also impacted. There was also impact on, say, the corn crop, etc, in the US. And if you see another factor which has impacted is that Ukraine is also a big producer of grain for the world, and that is accepted. So all these factors, and I think it is very difficult to -- you know it better than I do, have kind of created a sentiment which has sustained high ethanol prices.

And whether it will continue for a long time, probably for some more time. I think at some point in time, eventually it is going to be some amount of recoupling back to energy, which is things like crude. That's my assessment. I'm not saying it is right, unless some of my colleagues have something more to add. And the one thing that I've learned, Sanjesh, is that no matter how confidently I can articulate a point of view, second day and forget about three months, in 15 days, you could be proven completely wrong.

Sanjesh Jain: No, I agree. I'm just taking because you would be in a much better position to assess this better.

Rupark Sarswat: So for example, the freight prices, if you have been tracking freight prices, which went up for some routes, 5x, 6x unthinkable. And if you track some of the profitability of these big shipping companies, and then they are nearly back to -- not exactly there, but they've kind of dropped again 3x to 4x in many areas, which is good for us. I think because even though it does not increase our variable cost in the sense of raw materials, but our end cost to customers for exports were also getting impacted because of that. So I had not even predicted that fall in my mind. -- Certainly not that rapidly.

Sanjesh Jain: Just one follow-up here. In such a scenario, is it fair for us to not use ethanol for the blending purpose and use it more internally, so at least we can protect the business, right?

Rupark Sarswat: So that's what we are doing, Sanjesh. That's what I said, that supposing ethanol, prices were to come back to 35 levels, which it was 1.5 year, two years ago. I think it's great for us because we start importing ethanol completely for chemicals. If you remember, I continue to say 3x3 and all the ethanol that we are producing grain-based start to go for biofuels all that can be produce.

Sanjesh Jain: Correct, but is it allowed for us to dynamically switch between the blending and for the internal purpose I'm just trying to understand the government policy, are we have not availed for the subsidy at all, so we can do the allocation as per our requirement. How should...?

Anand Singhal: We have not avail the subvention. And so that's why we are not committed for 75% of the production for blending.

Sanjesh Jain: That gives us a complete freedom on the allocation of the...

Rupark Sarswat: Yes, we have complete freedom.

- Sanjesh Jain:** One follow-up question on the NSU. We did mention that we are investing INR 82 crores there. What will be the potential asset turn and the product portfolio?
- Rupark Sarswat:** Sanjesh, we need to get back. It's not really top of the mind. What part of product portfolio you wanted to know?
- Sanjesh Jain:** In the NSU, what are the products we are initially aiming at?
- Rupark Sarswat:** So we have spoken about it before. And if required, maybe in another next quarter, we can spend some more time on that. So we have identified several product ranges, which includes some ethoxylates, particularly carbon smart ethoxylates. Some products for the oilfield segment, where we are already in the process of signing some contracts with certain global players. We are looking at some bio-EO based Amines.
- We are looking at some esters, like plasticizers and also similar products, which go into cosmetics. So we are looking at some green solvents. So this is the broad portfolio. And as you know, specialty is something which we will kind of build brick by brick. It's not like an ethanol plant that we have the capacity and we start selling. We start sampling and building the business.
- Sanjesh Jain:** One last on the portable side. Are we getting the pass-through for the high ethanol prices in our key market? Where are we in that entire process?
- Deepak Satya:** We have got a kind of a price rise when it comes to the country liquor thing. In Uttarakhand, the prices have -- the policy is yet to come out and same is the case with the Delhi market. So, the price rise is there in the UP market, that's a good news for us in the potable side.
- Sanjesh Jain:** At the Delhi market was Okay. That's where the hampering is. So when are we anticipating Delhi things to come?
- Deepak Satya:** So right now, as per the representation made by CIABC to the Delhi government, the policy is expected any time in the month of April.
- Moderator:** Our next question comes from the line of Jay Bharat Trivedi from Centrum Broking Limited.
- Jay Trivedi:** Sir, just wanted to know on the Ennature Biopharma business segment. Is there any seasonality in that business? Or is it weak in Q3 and Q4? Because even last year, the sales dipped during the second half of the year and even the same trend is seen in current quarter as well as compared to last quarter?
- Rupark Sarswat:** So, I don't think there is much of seasonality, but there has been some kind of business challenges, which I can talk about. I think one is that last year, we were impacted by some regulation and duty-related and subsidy related changes in some of the markets in thiocholchicoside. That is one factor.

The second thing is that our then -- the thiocolchicoside was a major product. But somewhere around last year, there has been a significant ramping up of nicotine for therapeutic purposes also. So, it is this kind of combination and shift of product folios and some of the market dynamics.

For things like muscle relaxants, there is not much of seasonality. Thiocolchicoside just to let you know, is actually something that goes into muscle relaxants. And nicotine that we manufacture is for, again, therapeutic use. So, from an end market perspective, it's not seasonality, but they are a dynamic based on what's happening in the COVID environment, what's happening in Turkey, their economic situation, so some of the subsidies, what kind of restructured, so those kinds of dynamics. It's not seasonality.

Jay Trivedi: Sir, any specific reason because of which our quarterly sales were down in the Ennature biopharma business?

Rupark Sarswat: Yes. So, with some customers, we had -- I mean, these are regular things like contracts and price negotiations, particularly for nicotine, some of those contracts have been slower to come through or actually, some have actually also gone by, we let that business go.

Moderator: Next question comes from the line of Saket Kapoor from Kapoor Co.

Saket Kapoor: So firstly sir, I missed the capex numbers. So how much have we spent for the nine months? And what are we going to spend for FY '23 and '24 in totality?

Anand Singhal: So now Saket, for the capex's which I have already explained, the total capex, which we are in the process is about INR 600 crores. Out of INR 242 crores capex's has been completed and about INR 350 crores capex's is in pipeline. These capex's include the boiler and the turbine, which is related to the grain distillery. NSU and the boiler and turbine, plus Tetra Pak machine in Gorakhpur and there is some expansion in Nicotine project at Dehradun. So, all the three plants are having some capex's and about, I'd say, INR 400 crores capex's are in pipeline, CWIP.

Saket Kapoor: Sir, in the presentation, it was mentioned that we had done with the distillery capex. So, this is further capacity augmentation that we are going through?

Anand Singhal: Actually, distillery has three parts. One was the green is distillery -- the other one is boiler. The third one is turbine. So distillery has been commissioned. But related to that, boiler and turbine is still in process for Kashipur. The same thing is for Gorakhpur also.

Rupark Sarswat: So I can just add to that, Saket, what happened there, as you know, we are quite an integrated site. So you may ask that if it is part of a distillery why you are not commissioning that distillery. It's for a simple thing that given our volumes and other things, we had adequate capacity for steam and power in our existing infrastructure. So we could defer the spend.

- Saket Kapoor:** So going ahead with these commissioning, sir, what kind of margin acquisition will take this. And currently sir, that distillery is contributing to the top line and bottom line for this quarter at optimal level?
- Rupark Sarswat:** Your question is whether we can do better? The answer is yes. So as I said, we are doing two things. We believe that we could possibly add more capacity at relatively lower incremental cost, which is something that we are evaluating. As soon as that is something which is decided and very clearly being executed, we will inform you. So that's as far as that -- you had another part to that question, which I think I missed.
- Saket Kapoor:** Sir, I was just trying to understand that when this two part of boiler and turbines are not integrated, whether the purpose of grain distillery it's serving the purpose of top line and bottom line or not?
- Rupark Sarswat:** I do not know what you meant but they are not integrated. It only means why do we need a boiler -- we need a boiler because we need steam, and we needed a turbine because we need power. Now if we can integrate it into our existing equipment and setups because there was less load or there was adequate capacity, we could defer it. That is one. And then you're saying whether it's contributing to our bottom line and top line. I think so far, it has contributed more to the bottom line because we kind of replaced expensive imported ethanol.
- But going forward, it is -- it will definitely contribute to the bottom line, but whether it -- how much it will contribute to the top line depends on several factors. Cost of imported ethanol. And as we add more and more capacity, everything that we had produce in more than what we required now, since we sold in biofuels. So that top line is very difficult to kind of project. But any capacity we had is definitely going to contribute to the bottom line.
- Saket Kapoor:** Two small questions. Firstly, on the cost of fund and the net debt number? And then one question on Ennature Bio Pharma?
- Anand Singhal:** Cost of Funds has gone up slightly because of the increase in term interest rates by all the banks. Although we are closely monitoring and checking the same. But yes, I will say the cost of funds has gone up. Regarding the term loan number.
- Saket Kapoor:** What is the cost of fund in percentage terms, currently?
- Anand Singhal:** Average cost has reached to say about 9.1% right now, which includes the term loan as well as the working capital.
- Saket Kapoor:** And net debt number?
- Anand Singhal:** Regarding the debt, we are hopeful that the Debt including EPBG as on 31.03.2023 will be INR 800 crores. Term loan and EPBG as on 31st March '23, plus working capital fund base is INR 350 crores, and non-fund base is INR 850 crores.

- Saket Kapoor:** This INR 800 crores includes the long-term borrowing also?
- Anand Singhal:** This includes -- this is only for the long-term borrowing and EPBG.
- Saket Kapoor:** And sir, now coming to the Ennature Bio Pharma segment. Sir, currently, what is the potential from this segment that we are looking forward, say, two year to three years down the line, and what kind of steps are we taking to explore the opportunities here, from the segment as our margins are significantly higher, sir?
- Rupark Sarswat:** Yes. So we are taking a few steps. First of all, look, when you have an exciting market like this, many people enter that market, you have to continue to deal with competition. The steps we are taking is that we are firstly diversifying our portfolio. The first step was to move from thiocolchicoside to nicotine, we have for therapeutic use and some other products as well.
- The other steps that we are taking is for sales into, say, European or more developed markets, there is a long process of getting approvals, meeting certain standard requirements. So those are things that we are doing so that we can sell to high more higher value-added market. So, steps, access to the developed market by getting regulation standards, etc, broadening our portfolio in terms of plant-based extract and also looking at some more value-added formulations and products.
- Saket Kapoor:** Sir, then how should one look at this segment -- last year, we did a top line of 156. This year, we are already nine months closer to 148 and just to understand the size of the addressable market going ahead, what can we look forward? And that is what the idea is. And other than that, sir, other facilities, what is the current utilization level, sir, you did spoke about some lowering of demand in this segment and we switched from the low-margin products. So, what are we envisaging in the current quarter in terms of the demand outlook, sir. If you could throw some more light on...
- Rupark Sarswat:** You talking about what Ennature Biopharma?
- Saket Kapoor:** Sir first, Ennature Biopharma, I want to understand the opportunity, the addressable market? And what are we eyeing in terms of the growth in terms of revenue and profitability? And then secondly, coming to the other business verticals, where you mentioned about that there is softening of demand because of the external factors, how is the current market shaping up and these are the points sir?
- Rupark Sarswat:** So, I think there are several things which have got mixed up. One is Ennature Biopharma, you can see how the growth is for this year. I think those trends, we expect to continue. As far as market size is concerned, the plant extract market is so complex, and it has so many areas. I don't have ready numbers what I can say is market size, what is our market that we are participating in and so on. But it's overall a significant market and a growing market because there is greater and greater preference for people at the right price point, of course, to have more nature-based

ingredients. And so that's one. The second thing is, as far as softening of demand is concerned, I think more of that -- my comment in particular was with respect to the JV performance.

Saket Kapoor: And sir, this JV is currently the Clariant is the same Heubach India Limited? Or is there a different entity, the Clariant chemical and I think you renamed that Heubach India. So, is the same listed entity or difference there?

Rupark Sarswat: No, look, I think Clariant had, first of all, to two different entities in India. Second thing is, I'm not completely aware, but one of their businesses, I think masterbatch or something...

Anand Singhal: This is not listed this is non-listed.

Rupark Sarswat: One of the masterbatch segment business was acquired by Heubach This is not that business. This is the Consumer & Specialty business, which is with Clariant, This has got nothing to do with Heubach

Saket Kapoor: And sir, taking into account the current business sentiment. How is the current quarter shaping up? I think so the inflationary trends have retreated considerably. So, the type of margin expansion, which we have seen Q-on-Q. Those factors would be aiding to the margins going ahead? Is there a likelihood of improvements?

Rupark Sarswat: I would not like to give a forecast or prediction. But I think I had already mentioned it that some of these gains, which are because of cost reductions on account of feedstock, operational improvement and softening of feedstock, as you can yourself see are expected to continue in this quarter as well, in the coming quarter. And the other factor, which will kick in a few months later is that, I think we hope that we are evaluating, as I said, putting up more gain-based facilities, which will be -- if we do it and if our calculations are right, it will be another bit of a step up, say, in five months or six months or two quarters down the line.

Saket Kapoor: And non-core assets, sir, are we done with the same or anything more in the -- or what are the other non-core assets on block?

Anand Singhal: We have one company called Shakumbari Sugar, so that is also in process, but nothing yet has been finalized. While KIFTPL, you are already aware that we are done with that.

Saket Kapoor: And this quarter also, sir, we did reverse some ICD also for Shakumbari Sugar. So, going ahead, any further de-mutation is required or we are done with this entity?

Anand Singhal: We are done with the, whatever is the shortfall. And we don't see any further write-offs out of the Shakumbari exposure.

Moderator: Our next question comes from the line of Rohit Sinha from Sunidhi Securities.

Rohit Sinha: Sir, just one thing on this Nutrition business side, since we have good exposure in Turkey. So, any update, we should get considering the devastating earthquake there?

- Rupark Sarswat:** Look, it is something that goes into pharmaceutical applications. And the reason we see it in Turkey is because Turkey is also seen as for some of the categories as a gateway to Europe, okay? So, I would imagine there may be some disruption, depends on how it impacts Turkey economy, but it's not only about Turkey, even though it may be in Turkey, some of it is there. Too early for me to comment what will be the impact. I don't see an immediate and significant impact happening in the quarter.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to the management for closing remarks.
- Rupark Sarswat:** So, thank you, gentlemen, for patiently listening to our answers and asking your questions, spending the time. Have a good day and a good year ahead.
- Moderator:** Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.
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