INDIA GLYCOLS LIMITED

DNV
ISO 9001, ISO 14001, ISO 45001, ISO 50001

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10th November, 2023

The Manager (Listing)
BSE Limited
1st Floor, New Trading Ring,
Rotunda Building, P.J. Towers,
Dalal Street,
Mumbai – 400 001

Scrip Code: 500201

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

Symbol: INDIAGLYCO

Dear Sirs,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Q2FY24 Earnings Conference Call

Further to our letters dated 27th October and 6th November, 2023 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 Q2FY24 held on Monday, 6th November, 2023 is attached.

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

This is for your information and record.

Thanking you,

Yours truly,
For India Glycols Limited

ANKUR JAIN
Digitally signed by ANKUR JAIN
Date: 2023.11.10 15:51:08 +05'30'

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

“India Glycols Limited
Q2FY24 Earnings Conference Call

November 06, 2023

MANAGEMENT:	**MR. RUPARK SARSWAT – CHIEF EXECUTIVE OFFICER** **MR. ANAND SINGHAL – CHIEF FINANCIAL OFFICER** **MR. RAJESH MARWAHA – HEAD, SALES & MARKETING (BSPC)** **MR. S.K. SHUKLA – HEAD - LIQUOR BUSINESS** **MR. ANKUR JAIN – HEAD (LEGAL) & COMPANY SECRETARY**
ANALYST:	**MR. ROHIT SINHA – SUNIDHI SECURITIES & FINANCE LIMITED**

Moderator

Good evening, ladies and gentlemen. I'm Pelsia, moderator for the conference call. Welcome to India Glycols Limited Q2 FY24 Earnings Conference Call hosted by Sunidhi Securities Limited. As a reminder, all participants 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 the operator by pressing * and then 0 on your touchtone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Rohit Sinha from Sunidhi Securities. Please go ahead, sir.

Rohit Sinha

Thank you, Pelsia. Good evening, everyone. Thank you for joining on India Glycols Limited Q2 FY24 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. 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'll have a Q&A session. Thank you, and over to you, sir.

Rupark Sarswat

A very good afternoon, and thank you for joining us, to give us a brief on the performance for the quarter, also how we've done so far in the year. So, I will briefly take you through what the performance numbers have been, what the general story behind the numbers is, and then we can take questions. So, if you look at the quarter, the performance for the quarter, look at the comparison of Q2 2024 versus Q2 2023. You would see that we've had a gross turnover increase of about 4.5% with a gross turnover of INR 1,871 crores. You know that we have a business which has a very high excise duty of about INR 670 crore. Therefore, the net turnover is actually up INR 775 crore, up 15.7%.

We've seen a very healthy. In fact, you would see a very good EBITDA growth for the quarter, which is at INR 105 crores, up 43.4%. And, it is also accompanied by improving the quality of the business that the EBITDA margin is actually 13.5%, up 257 basis points. So, what I would like to generally say is that, this set of results is quite satisfying to us as a management team. But we were also expecting the results basis the kind of actions that we've taken over the last couple of years. And they are not different from what we have communicated to you in terms of what we have been doing. And therefore, I can say that the performance has been resilient.

It has been on the basis of a foundation that we kind of created in a situation where probably in the last couple of years or two-and-a-half years, ideal phase to one of the toughest times in some ways with our feedstock prices and energy prices really going through the roof. And we had spoken about before the actions that we would take on feedstocks and cost and so on. So, in that sense, it is a result of that foundation work, which has been done systematically, delivering profitable growth. And we are quite hopeful that these set of actions, of course, business as a level of uncertainty, as you saw in COVID times and all sorts of things can happen.

But there is reason for us to feel optimistic and believe that this performance and this trend will continue. And there's some satisfaction saying that we've taken the right actions to deliver a sustainable profitable growth in the times to come. And I will briefly touch upon what we've done to kind of deliver that growth. Let me just go back and give you a snapshot of what happened in the first half, and then I can talk about the common points together. So, if you look at H1, the story is by and large similar to what we are talking in terms of Q2. So, our net turnover is flat. And I say that whilst it's flat, this is also flat because we've discontinued some low margin or non-profitable businesses.

Some of which is trading business, but you would also know we have discussed before that because we were running a continuous plant, and because we faced a lot of headwind in MEG, and the continuous plant has to be run at a particular throughput rate, some amount of MEG had to be sold in the market, completing with food based MEG not necessarily making us money. So, we've made operational changes to be able to produce much less MEG and not having to sell all of that, which means that our net turnover is kind of flat. But if you look at our EBITDA for the first half at INR 212 crores, it is up 48.5%. We are happy about it and I'm sure our shareholders will also be satisfied.

And our EBITDA margin, this is also important. You see, just 2 years ago, I was trying to explain an EBITDA margin, I know exactly of 9.6%. And we have moved in about 2 years from 9.6% to 14.3% EBITDA margin, which looks quite healthy. And now coming to some of the general actions, which tells the story behind this trend. So, if you remember, we had said we are going to do a few things. One is that, the thing that had affected us really badly was that we were dependent on imported ethanol as a raw material feedstock for ourselves, particularly the chemicals business, and roughly, to give you a flavor, don't hold me to a precise number, the landed price of ethanol went up from something like INR 35 a liter to well above INR 60, INR 64 a liter.

And ethanol prices have continued to stay high, though not to such high levels of INR 64 levels. So, one of the key actions for us was to mitigate that risk. There were changes happening in the Indian marketplace or in the Indian economy, where the government was encouraging production of grain-based biofuel. So, we were very, very prompt in taking that calculated view and putting up significant grain-based ethanol capacity, which we have done, and which is yielding results. So, which we can reduce the cost of ethanol for our potable spirit business. It's reduced, relatively speaking, the cost of ethanol also for the chemicals business.

In future, however, the cycle may be turning, which will be beneficial for us, and I will talk about it. And, so that is a big base of the business. And now I used to talk about our 3x3 metrics, where we have three options to get our ethanol - molasses, grain-based, or imports. And we have a way, a three kind of uses for our ethanol - potable spirit, biofuels, and as an intermediate for chemicals. So, it has also created a new segment of biofuels for us, which will also continue to drive top line growth for us in the years to come. So that is one action around ethanol manufacture, ethanol sourcing, and optimizing it with respect to the front end usages of it.

The other significant action for us was to look at our costs, for which we have done significant amount of work on energy, looking at our operational models, which has also helped us contain our costs. And the third bit, which is about growth. So, there are two significant factors on growth. I think one is, putting up grain-based or damaged grain-based ethanol capacity, have meant that we can now sell bio-based ethanol for petrol blending, which we are doing. And the second thing which we are making relatively steady progress, but it is expected to take time is to start manufacturing new value-added chemicals, which is something that we have started as well, though it is relatively smaller business right now.

We have just commissioned part 1 of the plant, part 2 is expected to be commissioned by the end of this year. But I am quite satisfied with the project pipeline that we had with the number of reputed customers. And over the years, we expect that that will continue to drive, to give us some top line growth, but also improve the quality and stability of our business. So, biofuels and new specialties is largely in terms of top line growth and some prompt actions. So, this I think by and large explains the numbers that you see on your chart. And, we've had a good performance in terms of potable spirit sales, driven mainly by in spirit country liquor sales, we continue to be market leader in Uttarakhand as well as UP, where sales are actually up 80% in Q2.

As far as ethanol is concerned, we still continue to have cost pressures, because ethanol cost within India is high. However, what has also happened is that imported ethanol prices have significantly softened, though they have not gone back to the levels which were pre-COVID close to INR 35, but they have been consistently hovering around INR 50, which means a very interesting thing for us. Now, we put up capacities which were meant to service ethanol requirement, but also, give some product for biofuel. We are seeing that if this trend continues, and we see that continuing. We could go back to importing ethanol for chemical use, and all the capacity that is needed in grain-based ethanol, because it fetches a better realization would go on to adding the top line in biofuel, which I think is, if it continues, it's going to be even more positive than what it has been right now. That is how we see it.

I've already spoken about, the new value-added product and a brief comment on the joint venture. Joint venture overall has been functioning quite well. I think the integration has been very good. The challenge of cost pressures like our chemical business has continued on the joint venture. And by and large, the joint venture has been focusing on formulated products, indigenizing products in India, and also looking at exports from India for bio-based products, fetching us some premium. So, there is some pressure there, but the joint venture is functioning well. And, we believe that as we do think about improving ethanol costs, including going back to the softened ethanol prices of internationally imported ethanol, that should help the joint venture.

In terms of headlines for our business units, if you talk about bio-based specialties and performance chemical, I think we are moving towards, calling it, chemicals and biofuels, as biofuels becomes a significant part of what we do in the space, so this will continue to drive top line. As I said, we have been somewhat, let's say, being doing business in the sense that we have done business, which was not profitable, which we had to do for various reasons. And things like reduction in freight, reduction in coal costs have also helped improve our margins. And, yes, it is an important sector for us in bio-based MEG. Bio-based MEG has been, kind of flat or has been under pressure in terms of volumes.

But the development that we go seeing into the future is that the market for bio-based MEG will continue. Bio-based MEG goes into manufacture of polyester or PET, there was a feeling that recycled PET will replace a lot of bio-based MEG. We see that recycled PET has its own challenges, including the number of recycles that you can do. So, we will continue to see some traction for bio-based MEG in its own way. World is also working on 100% bio-based PET, which include bio-MEG and, bio-based PTA, we are engaged with those people who are working on those projects and as those materialize in the next maybe couple of years that will be another interesting growth period.

I have already spoken about what has happened in the portable space. In the Ennature Biopharma space, it is a relatively smaller segment for us. The headline is that, whilst we've been under some pressure for sales, largely because there's a lot of competition in nicotine and there's a lot of cost pressure there, which has also eroded our margins. However, we continue to maintain our position in Thiocolchicoside. We have our sourcing of raw materials well covered over there. And there is a push for data quantities and demand in the market. And to some extent, it will continue to mitigate some of the market pressures on prices and costs that we have in this segment.

So, that's a very, very quick summary of what are the headline numbers and what has been the story behind these numbers. And let me now request my colleague, Mr. Anand, to take you through the financials.

Anand Singhal

Thank you, sir. So, now for Q2 FY24, the net revenue from operations is INR 775 crores vis-à-vis the last year's Q2 of FY23 is INR 670 crore, showing an increase of 15.7%. The EBITDA amount for the current quarter is INR 106 crores consolidated basis vis-à-vis INR 74 crores in the last year Q2, so the improvement of 43.4%. The PBT in the current quarter is INR 50 crore vis-à-vis INR 31 crore in the last year's quarter, which shows a 59.5% growth. And PAT is INR 38 crore vis-à-vis INR 24 crore, which shows an improvement of 61%. EPS for the current quarter is INR 12.3 vis-à-vis INR 7.6 in the last year's same quarter, showing an improvement of 61%. So, as CEO has said that there is improvement in all the areas.

As well as on a consolidated basis half-yearly result is concerned. So then, in H1 FY24, the revenue from operations of net of excise is INR 1,464 crores vis-à-vis INR 1,478 crores showing a decrease of say about 1%. EBITDA is INR 212 crore vis-à-vis INR 143 crores, showing an improvement of 48%. PBT is INR 114 crores vis-à-vis INR 66 crores in H1 FY23 last year, showing an improvement of 72%. And PAT is INR 89 crores vis-à-vis INR 51 crores in H1 FY23, showing an improvement of 74%. EPS in the first-half of the current year is INR 28.80 vis-à-vis the last year H1FY23 EPS of INR 16.50, showing an improvement of 74%. So now in the current half-year, the EPS is 28.8%. So, this is what is the consolidated basis. The standalone, I am not giving the numbers because I want to give more time for the question-and-answer session. That's all from my side.

Q&A

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. First question comes from Bala Subramanian from Arihant Capital Markets. Please go ahead.

Bala Subramanian

Sir, after two quarters we have seen a decent growth on bio-based and the chemical side. And, like, I just want to understand which of the sub-segments have driven the growth. And if you could throw some light on the overall demand environment on each sub-segment. This is my first question.

Rupark Sarswat

Okay. What is your second question?

Bala Subramanian

Second question is, we have the plan for Capex of INR 160 crore for grain-based facilities from 300 KLPD to 500 KLPD. So, what is the status of that? And the third question is, we have seen substantial INR 90 crore to INR 100 crore increase on that balance sheet, inventories, receivables, and payables side. So, if you could share more light on the working capital side also?

Anand Singhal

To take up your question number two, regarding the expansion in the grain project. So, as of now, from 300 to 500 KLPD, we have already completed 300 KLPD grain distillery in Kashipur, and the 400 KLPD will be finalized till 31st December. And 500 KLPD as per our projections will be completed by 31st March 2024. So, this is what is our internal projections. And to be very frank, till-date whatever expansion in the grain distillery we have done is as per the target. And third question, regarding the increase in the stock and the inventory means receivable, that is a routine kind of thing. I cannot comment on that right now. But that is as per the balance sheet as of 30th September 2023. So, not much about the increase in the working capital.

Rupark Sarswat

Yeah. So, let me take your first question. So, in terms of chemicals, you wanted to know what are the sub-segments which have given growth within chemicals, right? So, we divide our chemicals into three broad categories. They are not roughly equal. We may change the categorization in future. One is performance chemicals, which includes the specialties, which included by glycols, glycol ethers, and also biofuels. So here, we have seen a top-line growth of 16%. Significant part of that top line growth has come from supply into biofuels, which had roughly contributed about INR 100 crores of the increase. And we also have another segment called bio polymers, where we have seen some growth in H1, which is about 2%, but we have seen much better growth in terms of its contribution.

We also have a segment called industrial gases which is much smaller. There, we have seen something that's like a 35% increase. And this increase is mainly, mainly driven because of increased demand for argon gas and its prices. So, to tell you what has happened here is that my understanding is that with the India imposing anti-dumping duty on some stainless steel, India is manufacturing more stainless steel, so more demand for argon. And also, I think some package of suppliers were cutdown that led to a better pricing for us as well. So, this is how the growth has been under three sub-segments within what is broadly a chemicals space.

Bala Subramanian

Sir, my final question is, the industry is moving from molasses based to grain based. What would be the cost advantage overall the industry perspective?

Rupark Sarswat

There is no straight answer to this. I'll tell you why. Because when you say industry is not moving from molasses to grain based. Industry is doing as much molasses based as it can, plus it is adding grain-based capacity. Okay? So, the sugar mill has two grades of molasses. One is B heavy molasses, and the second is C heavy molasses. C heavy molasses has less sugar to be converted into ethanol. So, every sugar mill is trying that they should convert all B heavy and C heavy into ethanol. But the government is also now allowing ethanol being produced from sugarcane juice. Now, what the government has done, I don't remember the exact number, it is not based on cost alone. Government has given different prices for each one of them for procurement into biofuels. So, really speaking, based on the government prices, you have to look at how much margin you make on B heavy and C heavy or sugarcane - juice based usage ethanol. That is one.

People are not moving. People are adding grain-based capacities. Why are people adding grain-based capacity? Because there's a huge increase in demand for ethanol. The government has a plan to do 20% blending by 2025. We are well on track to achieve that. I think we did roughly, I don't remember the number, something like 10% last year, this year I think the target is something that close to 12%. And based on the capacities that currently exists, they will continue to be demand is exceeding supply. So therefore, people are putting up grain-based capacity, both damaged grain and whatever excess is available.

Moderator

Thank you. Next question comes from Saket Kapoor, an Individual Investor. Please go ahead.

Saket Kapoor

Firstly, Rupark sir, you mentioned about the benefit of lower ethanol prices will aid to the profitability of our JV. Am I correct?

Rupark Sarswat

As I mentioned, initially, we were procuring imported ethanol, ballpark just to explain the situation to you, something like INR 35 landed per liter in terms of imported ethanol. This is pre COVID times. This shot up because of a variety of reasons, energy transition, increased blending, so on and so forth, Ukraine war, to something like INR 64 a liter, where it really started pinching us, okay. We invested in grain-based capacity for some time. We started to replace that and that helped us. Now, the imported ethanol prices are hovering around something like INR 50. If I make grain-based ethanol or molasses based ethanol, generally the realization on an average in biofuels is something like INR 63 a liter.

Now, irrespective of the cost that I produce at, whether it is INR 53, INR 54, INR 50 it depends on rice prices and DDGS prices and so on. If I have capacities, It makes much more sense for me to first sell to the biofuels market where I have a realization of INR 64. Now, which means, then I can use all my capacities or most of my capacities to serve biofuels. And if the imported ethanol prices hover around INR 50 a liter, it makes much more sense to start importing. If I look at the trend going forward for the next 6 months, maybe the next entire year, that is my estimate. It will make sense to import ethanol for use in chemicals, which means that ethanol which was much more expensive base because in-house produced, that cost will come down for chemicals in IGL. And one of the chemicals in IGL is a feedstock for the joint venture, which is ethylene oxide. So, we do expect it to help the joint venture.

Saket Kapoor

Right. Sir, earlier, our pain point last time when the commodity prices touched the roof, it was also for the coal prices. Now with the current trend, I think so the power and fuel cost on a QoQ basis is down from INR 95 crores to INR 83 crores. So, in the near vicinity what's the outlook, and I think we will be receiving the benefit of lower power and fuel prices going ahead also?

Rupark Sarswat

It's not about benefits. I think we had a huge pain because of the increase in coal costs. So, that that pain has got mitigated. And that we expect in the times that we see. It's a very dynamic world in terms of what leads to coal prices, et cetera. We see that coal prices have stabilized maybe marginally higher than what they were before COVID times to somewhere close to that. And in the near future, we expect the energy prices to be stable around those numbers. And whatever benefit or whatever contributions of that cost you see in the number there is expected to continue in the near future.

Saket Kapoor

Right. Sir, if I may add just one more point. In your presentation, especially, sir, if we see, you mentioned about that our Ennature Biopharma performance has been subdued for the quarter also and for the first half also. If we take the top line and you mentioned in your presentation about the nicotine prices and the pressures, there. So, what's the next step of mitigation activities we are doing? And also, sir, in your presentation, you have mentioned about that you have a commenced production of nicotine at Kashipur doubling the capacity. So, if you could just give us some more understanding, and also about the other product.

Rupark Sarswat

So, Saket, basically what has happened is, nicotine has use in first of all in therapy because for de-addiction people use nicotine, and I think it has some use of intermediate, et cetera. So, there is a large number of player in the marketplace has been quite competitive because which has meant that we have seen price realization fall off something like 10% to 15% in 2023-24 compared to 2022-23. So that is mainly because of increased competition, not because of suppressed demand. And as far as the Kashipur facility where we were converting some of our given assets that were concerned, it is looking at the demand scenario. What we are also doing for nicotine is working with and because it is in the pharma space and similar space, et cetera.

We are looking at newer markets where, say, the US, in Europe, et cetera, where realization is better, though the approval time is higher. So, we are working on our standards, our quality so that we can get those approvals. And, we are also looking at, in some cases, having tie-ups for some of our products which are right now not a very large part of what we do in Ennature Biopharma. It seems like where we could supply ready to consume B2C kind of branded products. So, we are looking at those kinds of tie-ups for curcumin, Astaxanthin etcetera. So, these are the main actions. And of course, in this scenario, we are also looking at how we can reduce our cost, improve our processes, improve our sourcing, for example, in Thiocolchicoside, that's the raw material plant-based, India is the largest producer.

So, your position with respect to sourcing also determines your margin. So, one of the good things that I understand, people have Thiocolchicoside supplies covered better than what we think some others have, and Thiocolchicoside demand has been strong. So, we expect that our top line and bottom line in Thiocolchicoside, will continue to remain healthy in the near future.

Saket Kapoor

And what has been its contribution, sir? This product which you mentioned right now, for the first half in terms of the top line and bottom line. Also, sir, if you take into account this segment performance, last year, our top line was at closer to INR 192 crore and the bottom line was around INR 49 crore profitability. So, taking into account the current situation, what should be the trajectory for the second half, since the profitability has moved lower QoQ from INR 13 crore to INR 7 crore, and for the first half it is closer to INR 20 crore. So, especially for the segment if can tell us the future outlook?

Rupark Sarswat

Look, also keep in mind that, before that Ennature Biopharma productivity and top line had grown very well. So, business has a bit of cyclicality. So, if you look at potable spirit for Ennature Biopharma, H1, we registered a top line of INR 99 crores, right? And we've registered, a bottom line of INR 20 crores, in terms of EBIT that is what has been shared to you in H1. The expectation is, while we expect the pressures on nicotine, et cetera, to continue in the second half, because we are working on approvals and new market, et cetera. But because of our better position in Thiocolchicoside, in terms of sourcing, we expect that, while the pressure will continue, our profitability in our top line will be better in the second half.

Saket Kapoor

Okay. So, is it fair to match last year's number, sir? Is there any visibility basis the current numbers?

Rupark Sarswat

We think that it will be better than first half. We are trying to kind of be equal or better what we've done last year. But we expect some challenge in the whole year, though the second half will be better than first-half.

Moderator

Thank you, sir. Next question comes from Makarand Tilloo, an Individual Investor. Please go ahead.

Makarand Tilloo

Thank you very much. Sir, I would like to ask you that, this LanzaTech, that was mentioned in previous presentations. When this project will be in full fledge next year? What kind of turnover we are expecting?

Rupark Sarswat

So, this question has been asked to us before. See, we are working with CarbonSmart products with Lanza with a number of reputed customers which include Dove, which includes Migal, which includes Unilever, and possibly some others where we have not or they have not made it public. As I have spoken many times, this is a new area. It is not going to suddenly grow, because there are various things like supply and cost and so on, but it is the future direction in which the chemical industry is going to move. So far, we've continued to make steady progress, but, you know, slow progress in this area.

And because it is so new, it is very difficult for us to give you a number on what will happen in LanzaTech number next year. What we are hoping is that the CarbonSmart feedstock prices become lower. We know that some of the CarbonSmart feedstocks may become available in India. I'm sure they will become available in India. And I'm also sure that, the cost and prices of those feedstock will continue to come down. But to put a timeline number and how much will happen next year is difficult for me, and I'll have to give you that answer.

Makarand Tilloo

Okay. The second question was that, there was some information that there is a change in molasses policy regarding GST and it will help the distilleries. So, can you elaborate or let us know how our company will be care getting the benefit?

Rupark Sarswat

Look, I'll have to look at some of those details. So, why don't you just put in this question and let me talk to the concerned person with some details and we will revert to you on the specifics of the policy and specifically what it will do to us. Because I also need to understand what exactly you meant.

Makarand Tilloo

Yes. Correct. Sir, we have sold the Shakumbari unit. So, how we are going to get benefited due to this?

Anand Singhal

Actually, Shakumbari was closed and it was not working. So that was a dead asset or you can say a non-performing asset in the books of the account. So, that’s why we have sold it out. We are not getting any benefit out of Shakumbari running or not running.

Rupark Sarswat

We didn’t want to focus on running a sugar mill as-simple-as there. Sugar mill is a complex kind of business, for whatever reason 14 - 15 years ago, it was acquired. Anand Ji, when was it's acquired?

Anand Singhal

It was in 2008.

Rupark Sarswat

Right. So, I think the broad strategy was for a variety of reasons in the area, et cetera, that we don't want to be in the business of sugar mill. So, it was best for the company to liquidate or sell that asset, and that was the main reason.

Makarand Tilloo

So, whether it will help us in reducing our interest cost?

Anand Singhal

No. Shakumbari was not having any debt in the book. So as such, there was no interest cost in the books of Shakumbari sugar, except the ICDs which they have taken for repayment of the debt and other things.

Makarand Tilloo

Okay. And another question is that, our company will be completing around INR 3,000 crores of turnover this year, tentatively. So, internally, when company feels that it will touch INR 5,000 crore of turnover?

Anand Singhal

INR 3,000 crores you are talking about net or gross?

Makarand Tilloo

Net.

Anand Singhal

So, this year, hopefully, we will achieve about INR 3,500 crores net turnover, as per our internal projections. And we cannot give you the concrete year when we will reach to INR 5,000 crore.

Makarand Tilloo

Okay. And the last request to you, sir, that our company is now performing very well under all of your activity and actions and management. So, that has to be reflected in the digital way, our website has to be renovated and digital presence need to be reshuffled. So, are we planning anything regarding that?

Rupark Sarswat

So, yes, you're right. That work is more or less completed, very soon you'll see a new website, very soon.

Makarand Tilloo

Okay.

Moderator

We have a follow-up question from Saket Kapoor, an Individual Investor. Please go ahead.

Saket Kapoor

Anand Ji, for the first half, our capital work in progress closing balance is INR 102 crore. So, if you could just explain what is affecting to which project, and how much Capex exactly we have done and capitalized for this quarter as the depreciation has gone up by around INR 8 crore QoQ.

Anand Singhal

The depreciation has gone up because of the capitalization in Q1 and in the last year. INR 102 crore capital work in progress is related to more for the grain project, and the NSU project which is under process. Apart from this, there are some maintenance Capex which is continuously going up. And current year, we will be completing the grain project from INR 300-500 crores, which will cost about INR 160 crores. Apart from this, we are putting up one more project, one more grain project in Gorakhpur for adding 180 KLPD distillery of grains. So that will also cost us about INR 80 crores to INR 90 crores, and project will be completed. So, more or less, the capital work in progress in process will be say about INR 300-350 crores.

Saket Kapoor

Sir, I miss the Gorakhpur point. When will we do the Gorakhpur capex and by when will it be implemented?

Anand Singhal

Gorakhpur Capex is in process. We have just completed the financing and other things. The process for finalization of the machinery supplier is going on, and hopefully, this will be completed by 30th June to 30th September.

Saket Kapoor

Next year, it will run to, say, the first quarter?

Anand Singhal

Yes. In the second quarter.

Saket Kapoor

Second quarter. And sir, what is our debt number currently? The long-term and the short-term debt?

Anand Singhal

That is already there in the balance sheet, you can see, Saket.

Saket Kapoor

Any change in the cost of funds, sir?

Anand Singhal

No. As such no. No major.

Saket Kapoor

9.5% was the last number. If I'm right?

Anand Singhal

The average cost of borrowing is around 9.45%.

Saket Kapoor

9.45%. Correct. Right. So, Rupark Ji, just to sum it up, going ahead, taking into account the current economic situation and also the demand supply. What should we look at H2 as a number? Because the key segment of bio-based specialties, we find that on a QoQ basis, there is a decline in the margin. Firstly, you can explain what led to this? Which chemical margins have taken a hit, because from INR 401 crore it has gone up to INR 508 crore, whereas the EBIT number is the same, which we had for the first quarter.

Rupark Sarswat

You're talking about?

Saket Kapoor

I'm talking about the bio-based specialty and the performance chemical margin. If you look at the turnover, the turnover QoQ has gone up from INR 402 crore to INR 508 crore, whereas the EBIT number is the same. That shows the margin decline. So, if you could explain the key reason for the same, sir?

Rupark Sarswat

See, I mentioned to you that the pressure in the chemicals business has largely been on account of increase in ethanol cost which happened over period of time. Going forward, we see that importing ethanol at prices which are now much more softer will help improve the profitability of the chemicals business. So essentially, that is a broad reason. Other than that, sometimes it is also about the product mix and what's happening in the competition. So, for example, MEG market has been very, very suppressed for a long time. So, the product that we were able to position there against that has been difficult.

Similarly, glycol ethers, butyl and propyl based glycol ether, the costs have been lower. So, some of those, that market has been very tough for us. This is where we have had pressure on margins. But broadly, I think in terms of the market trend, my expectation is that the market trends for H2 are largely going to be similar. We are going to be helped by increase in our biofuel supplies on account of, one, addition of capacity compared to last year. Second, we are going to substitute what we were producing grain-based and using as an intermediate, using imported ethanol and lead capacities for biofuels, which will improve the overall top line as well as bottom line for the chemical portfolio broadly.

Saket Kapoor

Right. And sir, have we started importing of the alcohol, or we are about to do so?

Rupark Sarswat

Yes, we have taken action. It will start arriving pretty soon.

Saket Kapoor

And sir, the number for this Thiocolchicoside, the revenue and the contribution to the margin, do we have it separately?

Rupark Sarswat

I will take that as a homework, Saket, for myself. As in, I don't remember exactly. We'll get back to you, if you can put a question. I don't know specifics of this.

Moderator

Next question comes from Rohit Sinha from Sunidhi Securities. Please go ahead.

Rohit Sinha

Just, on the country liquor side, I think, last year in FY 2023, we have the record sales and I mean, we have listed our name also on the record books. So now, after that, how has been the volume growth as of now and where we would be heading going forward? And, secondly, on this, IMFL segment, how has been the market share as of now, because for last few quarters, marginally, I think we were gaining some market share. So, how right now it is placed?

Deepak Satya

So, let me take the country liquor first. So, country liquors volumes in UP are currently doing an average of about like 19 lakh cases a month. During the season, we had also, like crossed, closely touched 20 lakhs in one of the months. The major driving factor has come in from the state of Uttarakhand where previously we used to do around, like, an 80,000 cases a month, which is currently touching close to about 120,000 cases a month. So, there's a good jump of about, around like close to 45% to 50% on a volume basis, right? So, this is where the volumes have grown. We expect that once the policy regarding the Tetra packaging is clear in Uttarakhand. Possibly we will be able to replicate our existing capabilities in the state of Uttarakhand and also pick up on that volume as well.

So right now, this particular policy is sub judice. So, once the Hon'ble High Court clears it, we'll be in a good position to comment upon the volumes in the near future. Coming to your, IMFL market shares and volumes, right? So, just to give you an overview from a state perspective. In UP, previously, we have a good coverage of about, like close to 80% on the wholesale footprint. Coming to the retail footprint, which is about, like, close to 7,500 shops. We are currently able to cater to around 5,000 shops on a brand presence. Coming to the segment-wise market shares, we are doing good numbers, we are the 3rd largest player in the vodka space, with a share of around, like, close to 22%, 21% and 25%.

Coming to the whisky side there are other things, in the Tetra packaging in UP we are currently around like the 4th largest player in the market. The volumes continue to expand. But during the winter season, we are also expecting a certain kind of a delta volume increase when it comes to sales of rums in the coming two quarters. The Delhi market has also shown a kind of like a good uptick for us. We have been doing close to around like 30,000 to 35,000 cases a month. In the segment that we operate in Delhi, we are the second largest player in that particular segment, in the whisky segment. In vodka, we again continue to be the third largest player in Delhi, overall.

The same kind of market share you can replicate for the Uttarakhand market as well. But in the market expansion, we are looking to expand our footprint in the state of Rajasthan. And there has been a kind of like a state expansion in the paramilitary division as well. So, that's what the entire growth story of IMFL is.

Rohit Sinha

Thank you, sir. And on this country liquor side, I think we got a price increase effective from first quarter, April 2023. So, looking at the kind of growth in this quarter or maybe in first half, would it be possible anything to give a brief overview that what would be the volume growth and how would be the pricing benefit we have, in getting?

Deepak Satya

So last year, if you see, for the similar amount of time, the average volume that we use do in UP was anywhere between 16.5 lakhs to 17 lakhs per month. That has actually increased by 1-1.5 lakhs if you see it for this particular year. That is on the volume front. And the price rise has been different for different kind of country liquors that we make, but on an average if you can think of, it's anywhere between like INR 15 to INR 25 per case, across this spectrum that we operate, right? So, that's where the entire growth story comes in.

Rohit Sinha

Secondly, on the JV side. I mean, again, in this quarter, some subdued number was there from the JV side. So, basically, how we should see JV performing in the second half ? Considering the kind of environment right now is there in the market? Any thoughts on that?

Rupark Sarswat

Yes. Some bit of it is a repetition on what I said. The pressures on the JV have had largely been on account of increased input costs. It has been account of ethanol costs. We expect that based on some of the actions that I just said that margin will improve, which will also help JV to improve its margin. The JV has a plan in place. I think the plan is to look at increasing manufacturing in India, indigenization, increasing competitive products, looking at exports. We also know that exports, however, has been slightly more challenging than what we had expected initially.

And it is largely because outdoor markets like Europe, et cetera, as you know, from the performance of various global specialty chemical company in the current environment have been facing some headwinds. So, given that the situation and the market situation is it is what it is, particularly in the exports. But the actions that we're taking in terms of trying to reduce the ethanol cost for the JV, should help improve their margins in the second half for sure.

Rohit Sinha

Okay. And what is the status on the payment we were about to receive from Clariant on this JV deal?

Anand Singhal

Payment to whom?

Rohit Sinha

I mean, we are supposed to receive from Clariant for the final.

Anand Singhal

That payment is as per the due dates, what I have understood from the question.

Moderator

Next question comes from Marsal L, an Individual Investor. Please go ahead.

Marsal L

My first question is regarding some, I think, nuance in the PPT. So, I think the quality of PPT can be improved, like somewhere they are mentioning NSU. We don't understand what is NSU. So, if you can just put an abbreviation at the end of the PPT so that we can understand. So, it will define it's mentioned that an NSU Phase 2 is going to start from the end of 2023. So, what does it mean, this NSU, and then during this call you mentioned that we are increasing Capex to 400,000 liters. Is it the same thing or what?

Rupark Sarswat

Your first question is regarding the abbreviation. Sorry, we had assumed that as we spoken about several times ago, but we will put the abbreviation. It stands for the New Specialties Unit. Okay. And your second question, can you please repeat?

Marsal L

Yes. Second question was, during this con-call you mentioned that for certain products you are increasing the capacity to 400,000 by end of this year, and then, to 500,000 by March. So, what is it? Do you mean to say, are we going to do just ethanol or something else?

Anand Singhal

This is relating to grain, and the capacity will become 400 KLPD by December and 500 KLPD by March.

Marsal L

So, what is the current capacity?

Anand Singhal

Current is 300 KLPD.

Marsal L

So, for both Gorakhpur and Kashipur.

Anand Singhal

No, this is only for Kashipur.

Marsal L

But like last time, I remember, like, last year, we started these two constructions and then we said that both are going to be commissioned during the last year. So, you want to say only one we have commissioned, second we didn't commissioned yet?

Anand Singhal

Last year, we did Kashipur for 180 KLPD and Gorakhpur for 110 KLPD, which is in operation. So, 180 KLPD distillery has increased to 300 KLPD till now, and we are further increasing to 400 KLPD and 500 KLPD. And it's not from 110, we are adding one more distillery 180 KLPD, so Gorakhpur capacity will become 290 KLPD. I think it's clear to you.

Marsal L

Okay. And then, you also mentioned that the landed price is 500,000 currently, for this ethanol. So just to understand it, the government is paying about INR 56 to INR 63 depending upon the B heavy, C heavy or the cane juice. So, is it like whether the government only they are buying directly what is produced from India or like somebody can just import and supply to them also or like why they are not importing directly from the overseas market?

Rupark Sarswat

Yes. It is not allowed. You cannot import grain-based ethanol from US and put it for blending because the rationale for blending is several folds. The rationale for blending is to reduce Indian forex outflow, which will not happen if you import and blend it. The second rationale is to increase farm sector incomes, which will not happen if you pay famers of US. And the third rationale is also to increase farm sectors and do something with the damage grain which is lying in the warehouses. So, the government does not allow you to import ethanol and blend it for biofuels. You can only use it as an intermediate for chemicals.

Marsal L

Yes, sir. So, whatever we are producing ethanol, how much we are selling approximately to the overseas?

Rupark Sarswat

I'll have to look at the numbers, If you can give a question, I'll tell you how much are we selling. Just one second.

Marsal L

What's the email address sir, to which one?

Rupark Sarswat

So, I think we are selling something like close to 70 lakh liters per month right now, which will continue to increase to something like 140 to 150, during April, May, June, kind of period as we add the capacities that Mr. Anand just said we would be adding.

Marsal L

And what's the price, sir? What is the price for the grain-base, like is it a premium to the cane juice or B heavy molasses, like what kind of price selling?

Rupark Sarswat

It is at different prices. We are not doing cane juice. We are only doing largely grain. We are not selling cane juice or B heavy, C heavy, too much to biofuel. We are doing grain-based.

Marsal L

No, sir. I understand that. I'm only asking that what is the price approximately for grains? Is it more than the cane juice B heavy or is it less than the C heavy?

Rupark Sarswat

I think our average realization is around INR 63 to INR 64.

Marsal L

INR 63 to INR 64, Okay. The other thing you mentioned that it is a Bacardi, we are going to bottle. So, what kind of additional revenue and the EBITDA margin we can project for this one? And when it's going to start?

Rupark Sarswat

We didn't talk about Bacardi. Can you repeat your question?

Marsal L

No. In the PPT it is mentioned about Bacardi. That's like you have a tie-up with Bacardi for bottling of their products at the Kashipur bottling unit.

Rupark Sarswat

So, what's your question? Yes, there is a tie-up.

Marsal L

My question is that, when it's going to start this bottling for them and providing to their customer and what kind of revenue and margin we can expect from this one in the year, in a quarter?

Rajesh Marwaha

Bacardi is a running business for IGL. We have not projected any additional business on Bacardi, that's a regular going on business. The Bacardi bottling plant is at Kashipur facility where we are supplying EMA for them.

Marsal L

Already going on there?

Rajesh Marwaha

Yes.

Marsal L

Okay. So, in the Slide number 8, like it is sentence mention. I'm reading sentences, maybe I'm not able to understand or there is some a mistake here. It says, Shakumbari Sugar and so and so, subsidiary of IGL received the last and final tranche of INR 11.76 crore on 8th September 2023, for the sale of IGL entire stake in SSAIL in addition to advance amount of INR 78.7 crore. My question is that, if IGL is selling its stake in Shakumbari, money should come to IGL, why the money is going to Shakumbari?

Anand Singhal

IGL is holding shares of Shakumbari Sugar. And Shakumbari Sugar has been sold out to some XYZ party. So by this, the IGL has transferred its holding to the new buyer. That's what we want to say.

Marsal L

No, sir. Sorry. IGL is holding stake in Shakumbari. Right? So, IGL is a shareholder of Shakumbari. And IGL has sold its stake to third party. So, if IGL selling its stake in Shakumbari to third party, then the money from third party must come to IGL, not to the Shakumbari.

Ankur Jain

See, as a part of deal, if you have read our disclosure to the exchanges. We have already clarified that the share has been transferred at a fair value. The balance amount has been stocked into or put it into

Shakumbari by the buyers to discharge the ICD or liabilities of Shakumbari. So that is why most of the money has come into Shakumbari, not to IGL. If you have seen the disclosure of IGL in the market during the last 1 year.

Marsal L

No, I remember. I remember once we said, something about INR 3 crore, something we sold our stake.

Ankur Jain

No, we have never said it INR 3 crores. The total value whatever Shakumbari has received is around INR 90 crore. And IGL has received about INR 30 lakh or INR 35 lakh. This is categorically mentioned in the disclosure made to exchanges. Can you refer the disclosure which you're referring to?

Marsal L

No, here I'm just reading this Slide 8.

Ankur Jain

So, Slide 8, we are saying Shakumbari has received INR 11.76 crores, that's right. For sale, when we say for sale, means it is a part of the transaction. You want to elaborate more on the deal part, because this deal has already been consummated during the quarter and adequate disclosures are in the market. So perhaps it was our intent to convey to the market as a part of the slide, but adequate our disclosures are already placed in the market. Maybe if you wanted to add one or more to sentence for the clarification, that we can always add.

Marsal L

Yes. So, like here it’s not clear that why the Shakumbari, like, so if you’re going to complete sense or like it will be easier, sir.

Ankur Jain

Good. But I think adequate disclosures are there in the market as such.

Marsal L

My last question is just regarding premiumization of our alcoholic products of our IMFL. So, as we can say that recently one of our Indian companies Whiskey has been rated our top 10 in particular kind of competition or whatever you can say. So, what's the plan to premiumize this whisky, vodka or whatever we are doing so that, that can directly increase your profitability?

Deepak Satya

To answer your question, the premiumization efforts that we are currently taking in is basically to introduce certain brands which are currently higher about the kind of price point that we operate in. We don't want to take the names of the competition right now, but it's kind of like a regular whisky segment that we are trying to target in, and there we have a kind of like a scope of better realizations currently. And on the vodka front, of course, the market is pretty much open because there are a limited set of number of players who are there. So, we want to introduce a higher grade of a vodka brand. So basically, like, our existing one becomes a carrier for that particular premium one. These are two categories we are working in right now. And also, on the Gin front, we will be seeing certain kind of a premium Gin coming in.

Moderator

I'm sorry to interrupt you, sir. Sir, I am sorry to interrupt you. Just a moment. Dear participants, kindly stay connected while we connect the management team back on the call. I welcome back to Chairperson, please go ahead.

Marsal L

Yes. So, you mentioned that we are going to open this Rajasthan market for our product, for alcoholic products. So, are you also trying to open some other market like Haryana, Punjab or MP?

Deepak Satya

Yes, we are in talks with a couple of the people out there. We are currently working upon the distribution channel network.

Marsal L

Because that will increase our sales also. So, one clarification, if we compare our standalone PBT and consol PBT, there is a hardly increase of INR 2 crore. Whereas we have one of the major entity in consolidated, Clariant JV. So, does it mean that we are making only INR 2 crore in a quarter from Clariant as well as four-five other subsidiary, whatever we have? So, how is this Clariant JV heading now? Is it facing some headwinds or what?

Anand Singhal

Regarding the Clariant, the INR 2 crore is the profitability. And when we are consolidating, so the profitability is the figure which we are consolidating. I think our CEO has already explained that there are some cost pressure because of the higher alcohol costs so that they are getting the EO on the higher cost. So, that is the pressure which Clariant is facing and that's why the current quarter is not good as they or we expect. Maybe in the next quarter onwards, they start getting benefit of the lower alcohol cost.

Marsal L

Okay. And my last humble submission that during call we also mentioned, sir has just now explained that we are going to increase the ethanol to 400 KLPD and then 500 KLPD from this one. None of these things have been mentioned in the PPT. So, from going forward next time, suppose regarding all capacity, if you can give more detail in the PPT, so it will be more clearer to the investor and the analyst and it will be informative.

Anand Singhal

Okay, we will do.

Moderator

Thank you, sir. There are no further questions. Now I hand over the floor to management for closing comments.

Rupark Sarswat

Thank you all for your interest, and I'm sure you've looked at a lot of details because you're interested in IGL, and we have hopefully tried to respond to you and answered your queries. So, thank you very much for this meeting and giving us time. Thank you from myself and my colleagues over here and wish you all a very Happy Diwali.

Moderator

Thank you. Ladies and gentlemen, this concludes your conference for today. 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 good day

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