



INDIA GLYCOLS LIMITED

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9th February, 2024

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

Scrip Code: 500201

Symbol: INDIAGLYCO

Dear Sirs,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Q3FY24 Earnings Conference Call

Further to our letters dated 25th January and 5th February, 2024 and pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Earnings Conference Call for Q3FY24 held on Monday, 5th February, 2024 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
Head (Legal) & Company Secretary
Encl: A/a



India Glycols Limited

India Glycols Limited

Q3FY24 Earnings Conference Call

February 05, 2024



India Glycols Limited

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) AND COMPANY SECRETARY**

ANALYST:

- MR. ROHIT SINHA – SUNIDHI SECURITIES LIMITED**

Moderator

Good evening, ladies, and gentlemen. I'm Pelsia, moderator for the conference call. Welcome to India Glycols Limited Q3 FY24 Earnings Conference Call. 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 an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand over the floor to Mr. Rohit Sinha from Sunidhi Securities Limited. Thank you, and over to you, sir.

Rohit Sinha

Thank you. Good evening, everyone. Thank you for joining us on India Glycols Limited Q3 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 will have a Q&A session. Thank you and over to you, sir.

Rupark Sarswat

Good afternoon, everybody, and thank you for joining us for this investor presentation. As we normally do, I will take you through a quick update on the performance of IGL so far in this quarter and nine month and my quick comments on that and subsequently we can take questions. So, as you would have seen, it was a strong overall performance with robust growth in revenue and profitability for IGL. Our gross turnover at INR 2,119 crores was up 39.0% for the quarter. As you know, there is a very high excise component in our gross turnover. Our net turnover of INR 904 crores was up 63.3% for the quarter. Similarly, EBITDA at INR 107 crore for the quarter is up 40.3% and EBITDA margin at 11.8%, PAT at INR 42 crores up 90.1% and PAT margin at 4.6% up 68 basis points. As I will talk about it briefly a little later all three segments for us which we classify broadly as Bio-based Specialties and Performance Chemicals.

I was saying that there has been a strong overall performance with robust growth in revenue and profitability in all three segments delivering a strong double-digit revenue as well as profit growth. There also has been a strong margin growth in all the segments, particularly led by potable spirits for the quarter. If you look at the yearly performance, our gross turnover at INR 5,882 crores is up 17.0% and our net turnover at INR 2,368 crores for the nine months is up 16.6% as compared to the same period last year. Our EBITDA at INR 319 crores is up 45.6%. Our EBITDA margin is at 13.3% which is also up 267 basis points, and our PAT is also up 79.0% at INR 131 crores.

So, on a nine-monthly basis also there is a strong revenue and profitability growth, particularly led by good performance in potable spirits and bio-based chemicals and specialties As I mentioned with a positive start in Biofuels, we expect to do better in the coming year as well. Amongst other things that we have spoken about, our actions to put in grain-based ethanol plants was timely and has helped us in mitigating the cost increases. And we've also discontinued some low-margin domestic business which has also helped overall performance. If you

look at business performance and drill down a little bit more, our gross revenue is up 39.0%, net revenue of 63.3% what I already said.

For the chemicals segment, which is BSPC, the net revenue grew by 87.8% in the quarter. For potable spirits it grew by 30.1% in the quarter over the same quarter last year, and for Ennature Biopharma it grew by 21.8%. Overall EBITDA grew for 40.3%. And if you look at the nine monthly basis, it was supported by a strong growth particularly in BSPC and Potable Spirit segments which is 15.4% and 23.3% respectively. As I mentioned to you, we have benefited from our actions really, wherein the fact that we are putting grain-based ethanol plants which have helped us mitigate cost increases which have been very useful. Ethanol prices have continued to be high, but they have come down compared to the earlier very highs.

I have broadly indicated to you that for a long period of time import of ethanol prices have hovered around INR 35 or so before during the COVID period and the energy crisis and everything coupled together they went up to even INR 60 plus rupees a liter. They are significantly down and we have been booking imported ethanol for future requirements and we expect that those cost gains will start to come in Q1 onwards when we start to receive deliveries at those lower prices. What it also means is that the grain-based ethanol that were using for in-house use is something that we can divert to biofuel and use in-house or imported ethanol for our chemical business.

Another small bit of satisfying update from my side is that we have completed part commissioning of the new specialties unit, which is a relatively smaller investment and we expect to commission the unit completely by around Q1 of the coming financial year. We are seeing a healthy pipeline and good commercialization of new products and I'm sure in the quarters and years to come you will see this business growing as well. As a part of our strategy to diversify into the biofuel space segment, as we have kind of reported in the media as well, we have got a biofuel supply allocation. I have mentioned order, but I think the correct word that can be here is allocation of, this is 1,65,490 KL of ethanol, which is to be supplied between November 2023 and November 2024.

It has a potential revenue impact of roughly INR 1,100 crores for the year. So, we see this potentially as a growth area for us. Even for the joint venture, there has been a strong recovery in margins driven by reduction of material costs. So, for the quarter, the revenue for the joint venture is up 6% and EBITDA is up 118%. Essentially because the gap between price of say competition which is crude based ethanol sold in India and ethylene oxide that we supply to the joint venture has reduced. We expect that this trend will continue in the subsequent quarters and hope to see further reductions.

I'll give a quick highlight by the three business segments. So, talking about Bio-based Specialties and Performance Chemicals for Q3 revenue at INR 609 crores is up 88%. I must add here that in this top line there is a significant contribution of what we are selling to biofuels now as well. EBIT at INR 38 crores is up 26.5%. The 9M revenue is at INR 1,518 crores up by 15.4%. And we also mentioned that, internally, we also look at businesses from a like-to-like perspective.

Moderator

Hello, sir. Hello. Dear participants, kindly stay connected while we connect the management team back on the call. I welcome back the management team. Please go ahead, sir.

Rupark Sarswat

Yes. Sorry about slight disruption which happened because of the audio system. I was talking to you about Bio-based Specialties and Performance Chemicals. Where, I said that some contribution in top line growth has also come from the biofuels that we are selling now. I must also add that we look at our business also on a like-to-like basis. And if I look at the business on a like-to-like basis taking away, particularly, the manufacturing segment, on a like-to-like basis, within BSPC, our sales for the quarter are up by something like 50%, and for nine months they are up by something like 28%. So that is more to say that whilst we have discontinued some non-profitable business, some of it just trading business, our core manufacturing business has seen a decent for a very good recovery and growth in the chemical space as well.

As you know, we've developed a new biofuel portfolio which we expect will continue to add to our top line and bottom line in the quarters and years to come, and we have also focused on reducing some low-profit domestic business. Our focus for the years to come will also be the new value-added product or the new specialties unit which is in the process of getting commissioned. And in the quarters and years to come, we will start to see better numbers in this segment as well. In the Potable Spirit space, there has been a very good quarter for us with revenues up 30.1% at INR 244 crores and EBIT at INR 41 crores up 49.9%, and with a good EBIT margin of 17% up 224 basis points which is essentially on the back of improved portfolio as well as reduction in costs of ethanol, packaging material, et cetera. 9M revenues at INR 700 crores are up 23.3% and the sales essentially have been driven by country liquor sales growth which is excellent in Uttarakhand, and UP being a big market for us has seen good steady growth as well.

IMFL or Indian Made Foreign Liquor growth has been led by sales expansion, mainly in the paramilitary segment where our presence was relatively low, where we have expanded to 13 states, and also IMFL sales in Delhi, which have been significant contributors in driving the IMFL sales for this quarter as well as the year. In-house manufacturing of ethanol has not only helped us in the BSPC segment but also in the potable spirit segment, both from a supplier perspective as well as from a cost perspective. We've also been focusing on premiumization and improvement in the width of distribution, which is also yielding results both in terms of top line growth as well as quality of the business.

In Ennature Biopharma, we've visited a Q3 revenue of INR 51 crores up 21.8%, EBIT of INR 12 crores up 16.2%, 9MFY24 revenues at INR 149 crores and EBIT margin of 21.2%. We've had continued pressures, particularly on nicotine sales, because it's becoming a competitive market with more and more players. However, our efforts have been on building value-added pharma customers, which we believe will start to result in the times to come.

Fortunately for us, our position on the raw material has been stronger and there has been an upward trajectory in prices, but we had our bookings which has resulted in better margins for Thiocolchicoside & Colchicine. Broadly our focus also has continued to expand nutraceuticals in the key global market.

I will now hand over to my colleague Mr. Anand Singhal to take you to the financial. Anything else you would like to add? Okay. So, I think we will leave it for you to then ask us questions on financials or all the business. We can then take them to the Q&A.

Q&A

Moderator

First question comes from Bala Subramanian from Arihant Capital Markets. Please go ahead.

Bala Subramanian

Good evening, sir. Congratulations for good set of numbers. On the earlier call, the guidance was around INR 3,500 crore top line by end of this year. Is there any change in that guidance? And we got recently one order of INR 1,164 crore. Is that fair to assume around INR 300 crore revenue per quarter from this order we can expect? Because the order supply period is around November 2023 to October 2024. What's your view on that?

Rupark Sarswat

So, Bala, two points. One is that we do not generally issue specific guidance, there may have been some discussions. But my broad expectation for the coming quarter and for the year is that we expect the current business performance and the environment to continue. And that would guide you towards the kind of results that we would expect. The other small correction I would like to make for the purpose of being precise is on biofuel. It is an allocation and not exactly an order.

While we expect that this allocation, will translate into supplies which is what these big oil companies usually do. But I must mention that it is an allocation and not a purchase order for that period. However, from an allocation perspective, obviously it is a contract. And it will be fair to assume that depending on the macroeconomic environment, depending upon the policies of the government and some other factors which sometimes may affect biofuel blending from time-to-time. This kind of top line growth is something that we would like to potentially see from this allocation.

Bala Subramanian

Got it. On the second side, on the JV Clariant side, what would be the top line; and on margin side, what kind of opportunities we have in this business?

Rupark Sarswat

See, we have discussed this before. The joint venture actually caters to several consumer markets, which includes personal care, coatings and polymers, top care, textile auxiliary. Largely based on soft plates. And we did face some challenges last year like we faced in our business because of raw materials cost for biobased material is going up. However, with the difference in prices between crude and bio-based material is coming down. We expect that the joint venture will continue to grow with the end market, which is what I have mentioned. But it is difficult for me to give you a precise guidance on how the performance would be. Obviously, the joint venture has been formed because these are growth areas in India as well as in the world, and we also supply bio-based products which are considered greener.

And on the whole, if I have to not call it a guidance, but see what's happening in future, I think with the cost of materials coming down or the delta between food-based ethylene oxide and bio-based ethylene oxide that we supply, reducing and reducing further in the quarters to come, we should see a better performance from the joint venture. Not only in the quarter which I just mentioned, but in the quarters to come. That is what we would expect. And given the volatility that we have seen, I would hesitate from giving a longer-term guidance in terms of numbers. But qualitatively, the rationale for the business and the fundamentals of the business, I just mentioned to you, and we are optimistic about how the joint venture will do in the times to come.

Bala Subramanian

Got it, sir. On that chemical business side, whether the growth is majorly driven by volume growth, volume-based or price-based. If you go to bifurcate segment-wise, which are the segments are doing good. If you could talk about the demand environment on those segments? And what are the things are shaping up overall global levels, especially in China and how the competition is there?

Rupark Sarswat

Okay. If you look at the chemical segment for us, the way we have covered it right now, it has biofuels, which I talked about. We are looking at new value-added chemicals, which we talked about. We have a small segment in biopolymers. We also have a segment in industrial gases, and we have segments in glycols and glycol ethers. So, there are several factors which—

Moderator

I'm sorry to interrupt you, sir.

Rupark Sarswat

Yes, please. Okay. So, he asked me a question on chemicals. As I said, when we talk about chemicals, our big top lines will be driven by the biofuels business, will be driven by the glycols and glycol ethers business, mainly. Also, we have smaller segments, which is biopolymers and industrial gases, etc., within chemicals. We believe that particularly biofuels and new specialty chemicals, value-added chemicals will drive growth in the near future, definitely. As you've seen, I've already given clarity on the biofuel segment in terms of bio-based ethanol, which goes for blending. We are just in the process of commissioning our new specialties unit, where we see that we've got a strong initial pipeline. But as you would realize, these are initial days for the business. I would rather have the numbers speak for them in the quarters.

So that we will continue to drive, not only in the next year, but hopefully in the next few years. We are quite optimistic about it. We have done some good work, particularly in, say, the oil field segment. And we are looking at some other segments, like biomime, plasticizers, carbon smart products, etc. On the glycol front, bio-based glycols, we expect that we will see a steady increase in growth of bio-based glycols. There was some challenge because the prices of bio-based products had gone quite high. But we are seeing a slightly favorable shift as prices of bio-based ethanol are looking down. So, we will continue to see steady growth there as well. On glycol ethers, we have faced some challenges.

Okay, coming back to glycol. See, I would like to add a few things that our glycols business, just about five years ago I am talking about was quite different from how it is today. It is because our bio-based glycols were largely being sold to one customer, which was Coca-Cola and which was high volume and largely one customer dependent. The good thing is that now we are engaging with 15-plus customers which we are supplying in various parts of the world.

Moderator

I'm sorry, sir. Disturbance is from Bala Subramanian line, sir. He got dropped. Shall we move to next question?

Rupark Sarswat

Yes, please. Thank you.

Moderator

Thank you, sir. The next question comes from Saket Kapoor from Kapoor & Co. Please go ahead. I repeat. Question comes from Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor

Yes, sir. Namaskar, sir, and thank you for this opportunity. Sir, I just missed some part of your remarks to the previous participant. So, pardon me if I'm repetitive. Sir, firstly, taking into account the current scenario with respect to the raw material, we may expect an increase in margin for our bio-based specialty and potable spirit going ahead. That is a good understanding?

Rupark Sarswat

I think that's a fair expectation based on how we at this point in time see imported bio-based ethanol prices coming down. However, I may need to say that with caution as far as biofuels and potable spirits is concerned. And the reason I'm saying this, I am not so concerned about the top line. The reason I'm saying this is that the dynamics of the two is different. Whilst for chemicals, we can use imported ethanol as well as ethanol produced within India either by ourselves or purchased domestically by us. However, for potable spirits, we can only use ethanol which is produced in India and for biofuels, there is a predetermined price by the government on various feedstocks, C heavy molasses, B heavy molasses, cane juice and damaged rice or FCI supplied rice and MEG, etc.

Which means that our profitability can get affected based on price movements of two or three things, which is the grain that we buy or the molasses that we buy, as well as sale price of one of the byproducts, DDGS, which is a protein into the market. So, while it is a reasonably fair assumption for bio-based chemicals, and however it is not something that I can exactly predict for potable spirits as well as for biofuels. Within potable spirits, there is a cost factor which involves cost of ethanol. Yes, this year it has benefited us because instead of buying we have been producing grain-based ethanol. But grain-based ethanol costs can be variable in the future as well. But the larger focus in the potable spirit space for us is about expanding, one, to selected new markets and also improving our product mix. So, does that answer your question, Saket?

Saket Kapoor

Yes, sir. I got the understanding. So, my next question was also pertaining to this policy framework, pertaining to both our potable alcohol as well as bioethanol segment. In terms of I think so, for this sugar season, the levy molasses percentage has also been increased by the Uttar Pradesh government. So, how does that gel for us as a company in terms of the purchase of molasses, as levy molasses percentage goes up?

S. K. Shukla

See, this is a good part in UP because government is giving the full security in the raw material, availability of raw material as well as the price both to the manufacturer of potable liquor. So, this year also as compared to the last year when the reservation percentage was around 19%, now the government has increased from 19% to 26%. So, we are assuming that next year would be the very comfortable year for the potable spirit manufacturers in UP as

far as the raw material is concerned. So, we are hoping that margin should be fair in the coming months from the Potable Spirit sector.

Saket Kapoor

Hi Shukla ji, like you're saying and we also got some price increase in potable alcohol segment. So, that will aid our margins only going ahead, since the cost is not going to go up.

S. K. Shukla

Yes, certainly we are hoping that and now this year new segment of the grain ethanol this government has added in 36 degrees. So, we are hoping that the coming years will be the more good months for just evaluating or just increasing our potable production for the grain in UP annual category in the 42.8 and 36 degree. So, these two steps are good for the industry.

Saket Kapoor

My question to Rupark, sir. When we look at our number for the company sequentially, we find that for the bio-based specialty performance and also for our potable alcohol, we see a dip in margins. You were alluding to the fact that margins have improved YoY, but how? Please correct me here. When we look at our September quarter performance with December quarter for both the segments, it is only the Ennature Biopharma wherein we have seen an expansion in margin. Both the other segments, there is a dip in margin with the commensurate revenue the margins have taken a hit. So, if you could explain the key reason why these two segments have not performed with the increase, why there is a reduction in margin.

Rupark Sarswat

You mean in margin percentage?

Saket Kapoor

Correct sir. On a top line of INR 508 crore for September quarter for bio-based, we posted an EBIT of INR 40 crore. Whereas for this quarter, on a revenue base on INR 610 crore, the EBIT is INR 39 crore and simultaneously for potable spirit also INR 1316 crore had INR 40 crore of EBIT, and now INR 1459 crore had INR 41 crore, we can see contraction in both the segments. If you can explain this anomaly?

Rupark Sarswat

See, as far as this quarter for bio-based chemicals is concerned. Overall, the number we have shared with you for the business, all the margins are not only coming from Ennature Biopharma, that is a relatively lower contribution. So, if you see, there has been a margin expansion in BSPC from at an EBIT level for the quarter from 30-38 and for 9M from 80-121, right?

Saket Kapoor

Yes, sir, continue.

Rupark Sarswat

So, we had an overall margin expansion, margin meaning overall absolute margin. But in terms of percentages, let me just have a look, I have the numbers. In terms of percentages, there is a slight drop for the 9M period for chemicals, and it has also happened because of grain prices going up quite sharply. And for the time being, there is a lag between before the government acts to revise the prices etc., which also as far as I understand they have revised efforts, so that eroded some margins. That impacted the percentage margin for us.

Saket Kapoor

Okay. And lastly sir for Ennature Biopharma. In your presentation, you have articulated about nicotine sales continue to face pressure, but also you have pointed out to strong raw material position in an upward trajectory in Thiocolchicoside and another word terminology you have used. So, if you could give us the trajectory of what the likelihood should be? Because we are flat on the Ennature Biopharma for the 9M. So, how are we performing in this segment? And sir, the base that's being prepared for the next year, what growth can we expect depending upon the business environment?

Manish Pant

Saket, Manish this side. So, as far as nutraceutical is concerned, first two quarter was in stress, no doubt. But in Q3 we have a recovery, not only in margin but also in sales volume. And the Q4 is going to be remained same as Q3 or it could be more than the Q3. So, we are going to end the whole of the year as far as the nutraceutical is concerned at par with the previous year at least, if not less. With respect to the next year guidelines, in nicotine, no doubt, it is under pressure as far as the export is concerned.

So, we are now developing the nicotine derivatives for which we have already backed some very good orders from the local manufacturing of the tobacco-related and the nicotine patches related companies. So, I hope that nicotine will recover somewhere in the Q2 of the next year. And Thiocolchicoside, right now the prices are very

good and we are having quite raw material already available with us in the lower margins, in the higher margins with respect to the preview prices. So, I think the first two quarters would be same as the Q3 and Q4 of this year.

Saket Kapoor

If we get the split between nicotine and Thiocolchicoside out of this INR 50 crore, what should be the percentage or even for the nine months if you could give the split between the two?

Manish Pant

As far as Thiocolchicoside, there is a very much price difference in that. Like Thiocolchicoside is a very high-value item like INR 4.25 lakhs per kg and on the other nicotine is hardly INR 7,000 per kg. So, the value comparison would not be there. As far as the EBITDA percentage is required to maintain the overall EBITDA. Thiocolchicoside is certainly going to give some very good margin to us. And nicotine, we are trying to recover and trying to increase the margins by adding the new derivatives in the nicotine segment, not pure nicotine.

Saket Kapoor

Okay. And last point to Anand Singhal ji is about the finance cost part, sir. If we look at the number again for QoQ also and I think for YoY also, there is a significant increase from INR 26 crore to INR 32 crore. So, Anand ji, if you could give me, first of all our current debt numbers, what is our net debt as on 31st December and what has led to this increase in the finance cost?

Anand Singhal

Saket, finance cost has increased because of the recent expansion for which we have raised some term loans, and that is in our radar to reduce the finance cost for which we are taking some measures. As far as the term loan is concerned. Sorry. Net term loan as of 31st December it is around INR 650 crore.

Saket Kapoor

And our working capital, sir?

Anand Singhal

Working capital, Fund-based working capital is INR 350 crore and non-fund-based sanction limit is INR 850 crore.

Saket Kapoor

INR 850 crores. For the 9M how much we did on CapEx, how much have we spent?

Anand Singhal

Till 9M, the total work in progress in our book is around INR 414 crore and hopefully the CapEx for about INR 300 crore will be completed by 31st March which will be capitalized and rest of the funds will be shown under CWIP and which will capitalize in next year when the CapEx will be completed.

Saket Kapoor

Okay, sir. If the time permit, just a small observation. We have found that this time Pragya madam has chaired the meeting. Any particular reason or do you generally find Mr. Bhartia there? Anything to be mentioned? Succession planning or what could be? Anything to read about it, sir?

Ankur Jain

Please don't make any speculation or like that. Mr. Bhartia was not well that time.

Anand Singhal

You would have noticed, we have not noticed Saket this thing.

Saket Kapoor

Okay sir. I wish him a speedy recovery.

Moderator

Thank you. Next question comes from Bala Murli Krishna from Oman Investment Advisors. Please go ahead.

Bala Murli Krishna

Hi, good evening. This is my first call. First of all, I would like to say that I've gone through Annual Report and it's a very well described product wise and category wise. This is one of the best Annual Report I came across. Regarding this distillery segment I have a few questions. So as of now, we have around 340 KLPD capacity and we are going to add 700 KLPD in the coming maybe three-four quarters. Is it right sir?

Anand Singhal

Right now, in Kashipur we have 400 KLPD grain-based distillery which we are further increasing to 500 KLPD. In Gorakhpur, we have 110 KLPD distillery which is working right now and adding 180 KLPD distillery more in Gorakhpur, which will be completed say in 2024-2025.

Bala Murli Krishna

But sir, in recent action selling and in Kashipur I think we are showing that existing capacity at 140 KLPD.

Anand Singhal

That is biofuel not distillery.

Bala Murli Krishna

Biofuel. Okay, understood. So, my question is regarding this biofuel only.

Rupark Sarswat

I think it will just be good to understand that we produce ethanol. This ethanol, basically, is produced using various feedstocks which include grain and molasses, both at Kashipur as well as Gorakhpur. This ethanol is then used for potable spirits, biofuels as well as potentially as an intermediate for chemicals. So, this interlinkage, it is good to keep in mind, and sometimes if we understand that, we will be aligned in terms of our understanding. Okay, please go ahead.

Bala Murli Krishna

So, regarding capacity additions. Are we planning to sell all the ethanol to OMCs or do we have any plan to use for captive consumption also?

Rupark Sarswat

Look, it is a dynamic situation for us where we evaluate, what is the best mix for us to sell into potable, to put it into potable spirits, which obviously gives us good returns per liter of ethanol, to use it as an intermediate for chemicals or to sell it into biofuel segment. The reason I'm saying this is that, for example, when imported ethanol was very expensive, we diverted significant quantities of our grain-based ethanol produced in-house as an intermediate to the chemical segment. Now that imported ethanol prices are correcting, it makes sense for us to start importing ethanol for intermediate use in chemicals and divert higher quantities into biofuel. So, it is a combination of demand and allocation that we have got, the price of imported ethanol, the realization that we are getting in potable spirit.

What we find is that given the scenario that I more or less see for the year ahead, based on how we see our businesses going, we will be able to place all our excess feedstock in terms of ethanol into the biofuels market. We should not have a problem in filling up our plants there. And that is obviously based on allocation that the

government has decided, making some assumptions with respect to grain availability, making some assumptions with respect to imported ethanol. We believe going forward for some time we will be buying, getting back to buying imported ethanol for chemicals, and releasing more and more capacity of grain-based ethanol for biofuels, obviously after covering for our potable spirits.

Bala Murli Krishna

Okay sir, understood. Thanks for the explanation. So, sir, regarding this 700 KLPD, normally 200 KLPD can contribute approximately INR 500 crores of revenue on annual basis. So, the 700K LPD can contribute around INR 1,700 crore of revenue with the EBIT margins of around 16-18%. As I compared with the peers, I'm tracking them also. So, is it the fair assumption, sir, in your case also?

Rupark Sarswat

See, I have already indicated to you the biofuels part of the turnover. I also mentioned to you that it is not as status calculations for us to assess turnover for our case because our ethanol can go into intermediate use, will go into potable spirit where it will go as intermediate. Now, you are probably making an assumption for a plant which only produces ethanol and sells all the ethanol that it produces. And also, you may yourself need to check your numbers based on the cost which can be very variable in terms of margins which as far as I understand, that is not the margin that industry is making on selling biofuels at this point in time. It was the case earlier, but not at this point in time.

Bala Murli Krishna

Okay, sir. And regarding the feedstock for these new capacities, which feedstock we are preferring and are there any sourcing already happened like long term contracts of feedstock, raw material?

Rupark Sarswat

Can you please repeat your question? I'm not very clear.

Anand Singhal

I think you are asking about grain supply, no?

Bala Murli Krishna

Yes.

S.K. Shukla

So, as of now, government is not giving any sorts of guarantee for long-term supply of grain. Though they are very curious, and they wanted to divert all the ethanol, grain-based ethanol, manufacturer to the major raw material. And for that, the different types of schemes, policies are going to be amended by the central government for promotion of the cultivation of maize based. And we are also aggressively working on that. So as of now, the distilleries are free to take the grain from the open market without any supports of the government. Hope this is clear.

Bala Murli Krishna

Yes, sir. If we assume that there will FCI rice supply, rights will not be resumed. Then, do we have any maize or plan to run based on maize?

S.K. Shukla

Yes, certainly. So, now the central government has already involved the method for the procurement and supply of control based MEG to the distilleries. But it will take another two to three years because it requires a huge extension of the whole supply chain management. I'm talking about the storage of corn. Right now, it is not available. So, it will take certainly two to three years. But certainly, industry have a better hope. And the government is giving the incentive for the supply of ethanol from the maize based. So, still it will take another 18-20 months to get the sufficient corn in India. But certainly, the corn would be the future.

Bala Murli Krishna

Okay, understood. And lastly on CapEx cost, sir, for this Gorakhpur.

Moderator

Sorry to interrupt you. I request you to join back the queue, sir.

Moderator

Next question comes from Prasanth Shah from AM Investments. Please go ahead.

Prasanth Shah

Hi sir, just wanted to understand in our JV with Clariant, what is our pricing strategy for selling it ethylene oxide? Whether it is cost-plus basis or it's a dynamic?

Rupark Sarswat

So, it is not dynamic. I think the kind of agreement that we have. There is a nominal margin which has been built in and it is done on that basis. That's a part of the agreement.

Prasanth Shah

Okay. Recently we have commissioned this solar plant. So, what type of savings can we expect on the energy costs?

Rupark Sarswat

It is something where we are in agreement with ReNew Power for hybrid power, which is solar and wind power. It is something that initially was expected to start delivering power to us in a period of two years. I think there have also been certain policy changes, etc. So that is something that needs to be reviewed. However, the expectation at the point of the contract was that it will get started early next year which is probably 2025, and it had a payback of close to two to five years.

I must add there that there is some ongoing discussion based on some policy changes and I am not in a position to completely update, and neither have we built in those savings into any of our future projections as of now. Yes, we did announce that and we are hopeful that starts based on the original plan at the original terms. But it is something that we are reviewing based on some policy changes and the way the client company is looking at it.

Prasanth Shah

Okay. Thank you.

Moderator

Thank you. Next question comes from Ram Mohan Rao, an Individual Investor. Please go ahead.

Ram Mohan Rao

Good afternoon. Thank you for an excellent set of numbers. I just wanted to check whether for potable branded alcohol. Do you have any plan for expanding your network beyond UP, Uttarakhand and Delhi?

S.K Shukla

Yes, certainly, we are seriously looking to expand our brands in CSD and paramilitary and Rajasthan. So, we are very keen and we are looking sizable increase in the next financial year.

Ram Mohan Rao

Okay. Thank you.

Moderator

Thank you. Ladies and gentlemen, if you have any question please press * and 1 on your telephone keypad. We have a follow up question from Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor

Yes, sir. Anand ji, as you mentioned that we are keenly looking to reduce our debt. I think so, sir, non-core assets we have already disposed off. So, it is from the cash flow only or what steps are in the annual? Or if you could give us some understanding, what kind of debt reduction are we going to undertake going ahead, sir?

Anand Singhal

Saket ji, it's very difficult to give you the numbers right now. But only thing is, whatever we are planning that is in process and most of the debt repayment will happen out of the cash flows.

Saket Kapoor

For the JV part, Clariant balance amount, that we have received or how much is due from them?

Anand Singhal

I think that number is around INR 90 crore, which will come in the current year. So that will also be used for the debt reduction.

Saket Kapoor

Okay, by March 2024 we will be receiving the INR 90 crore also.

Anand Singhal

I'm not aware whether they will get till March or 2024, 2025. But this year, yes, we will get.

Saket Kapoor

Okay. And what are current maturities to us as of March? Is there any dues for us to pay in terms of the borrowing?

Anand Singhal

They have to pay in February and March, the total liability for term loan payment is around INR 45 crores.

Saket Kapoor

And that will go from the cash approved?

Anand Singhal

That will go out of the cash approval.

Saket Kapoor

Okay. And lastly, sir, Rupark ji, for the allocation part for ethanol. Have we factored in our expanded capacity in terms of the ethanol allocation that we have got?

Rupark Sarswat

When we get an allocation, there is a commitment from us to supply. And we have factored in capacities that we have. And our assessment is that if that allocation is translated to us in terms of concrete orders which we hope so, we should be able to supply. And that is why we spoke about further expansion we are required as well.

Saket Kapoor

Okay. So, our expanded capacity will be fully utilized with this allocation for the period mentioned in terms of the deliverables.

Rupark Sarswat

I think broadly well utilized. Obviously, it's a function of several factors. Including whether we are diverting or whether we are not diverting to intermediate use. But we will be operating and utilizing our capacities very well.

Saket Kapoor

Thank you and all the best.

Rupark Sarswat

Thank you.

Moderator

Thank you. Next question comes from Rohit Sinha from Sunidhi Securities. Please go ahead, sir.

Rohit Sinha

Hi, sir. Thank you for taking my question. Just one clarification I would be looking at. In last call, we have announced this thing on the CapEx side, that our capacity of grain-based ethanol would be expanding from 300 KLPD to 400 KLPD, and then probably by another 100 KLPD in six months. So, this Gorakhpur addition is included in that, or this is a new one which we are talking? And with this biofuel thing for Kashipur, how we should see this different as compared to this branded ethanol side?

Anand Singhal

Kashipur, we are making this capacity to 500 KLPD. And Gorakhpur, 180 KLPD is over and above that 500 KLPD. Okay. And whatever cost you have taken from us, that doesn't include the cost of 180 KLPD distillery at Gorakhpur. Regarding the biofuel, there is not much investment. That is hardly INR 10 crore, INR 15 crore investment which will be taken care by the company itself.

Rohit Sinha

Okay. And One thing on this tender thing from this tender side. Just to understand that how much incremental revenue we should be considering from this tender. And going forward as this is, I think recurring-based or tender-based thing. So that we will be tendering again, next year also it would be a continuous process. So, how to make it sure that this size will continue to us or there would be only addition to this kind of tender size?

Rupark Sarswat

Rohit, there are two questions that you've asked. One is future growth and how assured do we feel about that. And second, is what is the top line this will deliver to us broadly. So, I think that's in my presentation as well, in terms, and I said that the contract is on allocation. The estimate potential revenue based on the allocation of close to INR 1,100 crores in the year is already mentioned. As far as the business going forward is concerned, I would say that in a business environment, obviously there are certain uncertainties. But broadly, for us to understand whether we are in the right place and whether this is the right investment, I would like you to consider the

following. The government has clearly articulated a plan to move up to close to 20% blending by 2025. And there was hardly any blending by 2014.

The track record has been that the government has, by and large, been able to meet its target. If you see, we have moved from nearly very little blending to close to 12% blending, and the government has met its blending targets YoY. And they would like to meet the blending targets going forward to 20% and maybe even higher going forward because there is a strategic objective. The strategic objective is to increase farm sector incomes, is to find a way out for sometimes excess grains, to reduce forex dependence and dependence on oil for many other companies. So that strategic objective stays. We can only say that so far, the blending program has been on track. And by and large, some ups and downs notwithstanding, it should be on track in the years to come as well.

That is what I would like to believe gives us an assurance that this is a good business to be in. Sometimes there may be some hiccups, sometimes there may be some issues with respect to raw material availability, price, et cetera. But the broad policy direction on this government is very clear. In fact, they have a proper paper on this in terms of what they want to do with the blending program. I think there is no other way except to look at that, to get an assurance that this is a business which should by and large continue to grow.

Rohit Sinha

Okay. Okay, that is from my side. Thank you and best of luck.

Moderator

Thank you. Next question comes from Makarand Tiloo from Makarand Tiloo Investments. Please go ahead.

Makarand Tiloo

Good afternoon, sir. Heartly congratulations for excellent number and as well as excellent website upgradation displaying company's potential.

Rupark Sarswat

Thank you very much.

Makarand Tiloo

Now my question is, we have seen that this expansion of capacity of biofuel ethanol plant, the costs are meagerly INR 14 crore. But whether it will increase our profit margin in future?

Anand Singhal

INR 14 crore, how you are calculating, Mr. Tilloo?

Makarand Tilloo

Investment required they have written.

Anand Singhal

That INR 14 crore is only for biofuel.

Makarand Tilloo

Yes, for biofuel only. So, for biofuel it is INR 14 crore. But with this, our capacity is going to expand very much. So, whether it will increase our margins also?

Rupark Sarswat

I think we need to clarify here. There is a cost which goes in putting up the distillery, and there is some cost which goes into further processing of ethanol, if I'm not wrong, to convert it into biofuel, which is increasing its purity. And when you look at evaluating a CapEx and its profitability, actually this may be how we do our CapEx, but you have to take into account the entire cost.

Makarand Tilloo

Okay. Yes, I got it now. Now the second question is that, how much maize we are currently utilizing for producing ethanol? Because we have seen on Facebook that we are promoting maize cultivation in nearby districts also.

S.K Shukla

Yes, we are aggressively to increase the cultivation in our catchment area. We have started this journey in the last November and probably in the next month, I think March and February swing, we are putting our efforts to increase the maize production in our catchment area. So, we are very ahead. And hopefully this year, next coming year, our catchment, we will develop around 50 to 100 acres maize forming in our catchment area.

Makarand Tilloo

Okay. Currently we are utilizing how much of capacity, by maize?

S.K. Shukla

Not much. I think most probably 1,000 tons to 1,015 tons in the last couple of months.

Makarand Tiloo

Okay. But when maize will be utilized more. For that purpose, do we need to have additional, some cost for that?

S.K. Shukla

Not too much. Some cost may be required for the enzymes and nothing else. So, it may be hardly INR 0.10, INR 0.15 paisa, but not much. But certainly, the output of DDGS will get more and prices of DDGS will reduce as compared to the right DDGS.

Makarand Tiloo

Okay. That means whenever maize will be more available, our margin expansion will be more also, correct?

S.K. Shukla

Correct.

Makarand Tiloo

Okay, sir. And now the second point is, sir, in that you have written that NSU, there is a growth potential part commissioning is done. Can you elaborate more on that, sir?

Rupark Sarswat

I have mentioned to you that part commissioning is done. We'll have complete commissioning by Q1. We have a good pipeline, we have commercial supplies have started, and we are already doing, starting to do close to 150 metric tons of business per month. And we see this we have further, I would not say contracts, but we have got further business development done with a few customers. And largely, they are in several spaces in the oil field chemical space, they are in the carbon smart space.

We expect that we will have significant volume coming from the new specialty unit in the next financial year. Definitely. You may be wondering why I'm not giving a number. In a new business, our approach has been kind of entrepreneurial. For a business where you are developing the initial pipeline, trying to get the initial contracts

going. We are very happy with the pipeline. We are very happy with some of the order indications which have already come.

For a plant which has relatively just been commissioned, starting to do 150 tons to 200 tons per month is a good start. But as you can understand, for a new business like, it is not an ethanol business or a cement business, that you can say I have this much capacity, I will start sending that into the market. Once you have the plant, you start working, you start working with your customers and you start having application and development projects.

And this is a business which has a gestation period, and every product is customized and that is how you build this business. It is very different from biofuels. In biofuels, we have already told you capacity and what kind of potentially top line we can expect. But I can only tell you there is a good pipeline. I am happy with that the fact that we are supplying 150 tons to 200 tons per month tons is a good start for a new project with not that much investment.

Makarand Tiloo

Fantastic. So, if that it is customized then whenever the orders will be fixed from the customer you will get more orders in future also, correct?

Rupark Sarswat

We are very much hoping so. Our salespeople obviously have internal targets. We obviously have internal numbers as to how we would like to see this year and next year panning out. But it is not something that I would like to go ahead and give a commitment here. I would rather have a set of numbers which will give you a confidence and for you to see the growth.

Makarand Tiloo

Correct. Sir, last question is that internationally MEG prices are again increasing, correct?

Rupark Sarswat

Yes, I heard.

Makarand Tiloo

So, whether it will also help us in bio-MEG?

Rupark Sarswat

In a small way, yes. We are not so dependent on MEG prices, to some extent, yes. See, what happens is that our customers are already paying a significant premium for Bio-MEG. And sometimes when they are using MEG, their shift, green shift is affected if the crude-based MEG prices are much lower. So, if MEG prices or crude-based MEG prices goes up, the incentive for them to invest in greener products is higher, in that sense, yes. So, the bigger is the gap, the bigger is our challenge.

Makarand Tilloo

Okay. So, in future their offtake will also increase if the regular MEG prices are increasing.

Rupark Sarswat

I think the viability of our business, new businesses will be better. But it is very difficult for me to immediately start saying that you'll see volume pickups. I think we'll be better positioned and hopefully it will translate into more sales.

Makarand Tilloo

Thank you, sir. Thank you very much and all the best to you. Within two years, we hope to see the company INR 5,000 crore mark on net basis.

Anand Singhal

Great. Thank you.

Moderator

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

Rupark Sarswat

So, thank you, Rohit, and special thank you for Saket and team. He does so much reading up on our company that he's more well informed than many of us in terms of numbers. So Saket, thank you for taking that much interest. That was on a lighter note. I think it feels good if there are people who are taking that much interest in everything that is happening and many of you do. Not only in terms of what the company is doing, but I am also very impressed to see how you have a good idea of what is happening in the marketplace.

I was thinking how much reading you do on the potable spirit space, how much you do on the biofuel space, on the blending space, international MEG prices, et cetera. Considering you are covering so many chemical companies. So, it feels good to have your interest. It is also good that so many of you have come to attend our investor call. Some of you encourage us. Thank you for that. Some of you congratulate us and then ask us difficult questions. That's also fine. Hopefully, we've answered them.

So, with that and on behalf of my colleagues here, I would like to thank you and wish you a good day and a good week ahead.

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 pleasant day.

(This document has been edited for readability purpose.)

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