May 21, 2022

BSE Limited
Floor 25, P. J. Towers
Dalal Street, Fort
Mumbai - 400 001

National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex
Bandra (E)
Mumbai - 400 051

Dear Sirs,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the earnings conference call for the quarter and year ended March 31, 2022

Pursuant to Regulations 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose the transcript of Analyst and Investor Conference Call for Audited financial results for the quarter and financial year ended March 31, 2022 conducted after the meeting of Board of Directors held on Tuesday, May 17, 2022.

The link to access the transcript of the earnings conference call is given below:

https://jubilantingrevia.com/Uploads/files/5q2consfileJubilantIngrevia-Q4FY22ConcallTranscript-21.05.2022.pdf
This is for your information and records.

Thanking you,

Yours faithfully,
For Jubilant Ingrevia Limited

DEEPANJALI GULATI
Digitally signed by DEEPANJALI GULATI
Date: 2022.05.21 16:35:04 +05'30'

Deepanjali Gulati
Company Secretary

Encl.: as above

A Jubilant Bhartia Company

OUR VALUES

INSPIRE CONFIDENCE
ALWAYS STRETCH
NURTURE INNOVATION
EXCELLENT QUALITY

Jubilant Ingrevia Limited
1-A, Sector 16-A,
Noida-201 301, UP, India
Tel: +91 120 4361000
Fax: +91 120 4234895-96
www.jubilantingrevia.com

Regd Office:
Bhartiagram, Gajraula
Distt. Amroha - 244 223
Uttar Pradesh, India
CIN : L24299UP2019PLC122657

Jubilant Ingrevia Limited

Q4 & FY22 Earnings Conference Call Transcript

May 17, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Q4 & FY22 earnings conference call of Jubilant Ingrevia Limited. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pavleen Singh Taneja, Associate Director, Investor Relations, Jubilant Ingrevia Limited. Thank you, and over to you, sir.

Pavleen Taneja: Good evening, everyone. Thank you for being with us on our Q4 & FY22 earnings conference call of Jubilant Ingrevia Limited. I would like to remind you that some of the statements made on the call today would be forward-looking in nature and a detailed disclaimer in this regard has been included in the press release and results presentation that has been shared on our website.

On the call today we have Mr. Shyam Bhartia, Chairman; Mr. Hari Bhartia, Co-Chairman; Mr. Rajesh Srivastava, CEO and Managing Director; Mr. Prakash Chandra Bisht, CFO, Jubilant Ingrevia Limited; and Mr. Arvind Chokhany, Group CFO.

I now invite Mr. Shyam Bhartia to share his comments.

Shyam Bhartia: Thank you, Pavleen. Good evening, everyone. Welcome to the Q4 & FY22 earnings conference call of Jubilant Ingrevia Limited. We are pleased to announce that we have delivered a record financial performance during FY22 despite facing severe second wave of pandemic at the beginning of the year, due to headwinds and volatility in the key input raw material and energy prices since last three quarters. We also maintained steady growth in Q4 FY22. In our Specialty Chemicals segment, we delivered a robust growth led by healthy demand across industry segments. We are pleased to share that we have successfully commissioned Phase 1 of Diketene and derivatives manufacturing facility at our Gajraula location.

In Nutrition & Health Solutions, we improved our profitability due to high price realization and improved volume growth in North America. In Chemical Intermediates segment, we continued the higher sales with pharmaceutical and agrochemical customers and recorded healthy growth in EU. Though the profitability of Acetyls business during Q4 was impacted due to sharp and consistent correction in acetic acid prices impacting our inventory. The overall impact of acetic acid price on the profitability for the full year FY22 was not significant.

Our business team continue to work closely with our customers to ensure that the increase in input cost is passed on quickly, while our supply chain team ensured the uninterrupted supplies and timely deliveries. Due to advancement in our new product pipeline and CDMO projects, we are pleased to revise our investment plan for growth projects to INR 2,050 crore out of this we have already committed investment in projects worth INR 800 crore till date and now we plan to invest about INR 1,250 crore to be committed between FY23 and FY24. These investments will be funded through internal accruals and all the new facilities should be ready for operations by FY25.

We are also glad to share that the Board has recommended a final dividend of 250% that is INR 2.5 per equity share of the face value of INR 1 each for FY22. This shall result in a cash outflow of INR 39.8 crore. During the year, the Company had already declared an interim dividend of 250% that is INR 2.5 equity share of INR 1 each. And the total dividend for FY22 works out to be 500% that is INR 5 per equity share of INR 1 each amounting to INR 79.6 crore of cash outflow. We remain fully committed to the growth aspirations for the Company and excited to realize the opportunities going forward in all our business segments.

With this, I now hand over to Rajesh Srivastava to discuss about the business in detail.

Rajesh Srivastava: Thank you, Mr. Bhartia. Very good evening to all of you. At the onset, I hope you all and your loved ones are safe and healthy. I would like to welcome you all for joining us for Q4 & FY22 quarterly investor call of Jubilant Ingrevia Limited.

It gives me immense pleasure to report a healthy financial and operational performance of Jubilant Ingrevia Limited for the fourth quarter and for financial year ending 31st March 2021.

Revenue during the quarter was INR 1,296 crore, indicating a growth of 20% year-on-year, driven by 35% growth in Specialty Chemicals, 18% in Chemical Intermediates business, earlier called as Life Science Chemical and muted 3% growth in Nutrition & Health Solutions segments. EBITDA at INR 152 crore is 25% lower mainly due to impact of acetic acid price on our inventory. However, overall impact of acetic acid price on profitability for full year FY22 was not significant. Sharp increase in key input prices for Specialty Chemicals and Nutrition & Health Solutions segments were partially passed on successfully by end of quarter. We have ensured to maintain our per tonne margin in Chemical Intermediate segment. We are happy to inform you that Jubilant Ingrevia has recorded the highest ever revenue of INR 4,949 crore and highest ever EBITDA of INR 863 crore in FY22, which is a growth of 42% and 38% respectively over the previous year FY21.

We continue our focus on commissioning the ongoing capex, along with the debottlenecking of capacities for existing products and successfully commissioned Phase 1 of Diketene and derivative manufacturing units at our Gajraula federal facility. As we have informed you in our earlier calls, we have also commissioned our Food Grade Acetic Acid plant during present quarter that is Q1 FY23. In this plant, we will produce acetic acid from renewable feedstock based green ethanol. We continue our focus on business excellence for continuous improvement in processes and achieving cost efficiencies along with scaling up of our production volumes successfully. Global logistic challenges continue, however, our supply chain team ensured on time deliveries to our customers leveraging our large volume and longstanding relationship with shipping and transport companies.

Now let me take you through the updates on all our three business segments. Specialty Chemicals, Specialty Chemicals revenue during the quarter grew by 35% on year-on-year basis, driven by higher volume across the product segment. Sales to agro chemical customers during the quarter grew to 37% from 28% earlier and sales to nutrition customers also improved during the quarter. EBITDA during the quarter increased by 17% on year-on-year basis, while her margin decreased to 18.2% from 21.1% in Q4 FY21, mainly driven by higher input costs, which we are in the process of passing on.

Specialty Chemicals' overall revenue for FY22 grew by 24% over the previous year FY21 mainly due to volume growth of 16%. This growth has come both from domestic market as well as from international market. We witnessed positive traction of demand from both domestic as well as international customers across the region and industry segments. We are witnessing positive traction of demand in CDMO business as well. During the quarter, we have signed a three-year CDMO contract worth INR 270 crore with one of our innovator pharma Company of international market. Our new product pipeline especially Specialty Chemicals is quite robust, and we are working hard to expedite and bring them to commercial scale after thorough process development, optimization and scale up.

Nutrition & Health Solutions business during the quarter recorded modest growth of 3%, driven by higher price and increased share of North American market to 19% as against 14% last year same quarter. Our focus to maximize Niacinamide share in niche segments like food and cosmetic is giving positive results. During the quarter volume in food and cosmetic segment grew significantly over last year same quarter. EBITDA during the quarter grew by 18% on year-on-year basis. Also, EBITDA margin during the quarter was higher by 308 basis points at 24.4% versus 21.4% over the previous year in FY21 due to better price realization. Nutrition & Health Solutions overall revenue for FY22 grew by 22% over previous year FY21, mainly due to volume growth of 9%. Revenue in North America and European Union grew significantly by 78% and 65%, respectively.

Food and cosmetic revenue have gone up significantly with 48% and 56%, respectively. We continue to focus on improving our market share in niche segments like food and cosmetics, and to enhance our market share in North American market. Animal Nutrition business continues making efforts to increase share of specialty premixes through various initiatives.

Chemical Intermediates, let me first inform you all that we have renamed our Life Science Chemical Business segment to Chemical Intermediates. This new name appropriately represents the product and business we do within the business segment, and it is in line with the industry understanding. Revenue of Chemical Intermediates during the quarter grew by 18% on year-on-year basis. This growth was driven by higher price of Acetic Anhydride and Ethyl Acetate mainly due to higher price of feedstocks. Revenue during the quarter from Europe and Japan have gone up significantly on year-on-year basis.

EBITDA was impacted year-on-year basis, mainly due to impact of acetic acid price on our inventory, led by sharp correction in acetic acid price during the quarter. However, overall impact of acetic acid price on profitability for full year FY22 was not significant. EBITDA margin is stood at 4.6%. Overall revenue of Chemical Intermediates for FY22 grew by 61% over previous year FY21 due to volume growth of Acetic Anhydride as well as for on price realization both in Acetic Anhydride and Ethyl Acetate with the result overall EBITDA also grew by 77% in FY22 over the previous year FY21. Despite the challenging situation, we maintain domestic market leadership for Acetic Anhydride and Ethyl Acetate and successfully increased our market presence in Europe and Asia for Acetic Anhydride.

Outlook and growth capex plans. All our ongoing growth-related capital investment projects are on track. As mentioned by Mr. Bhartia out of our announced growth investment plans, we have already committed capex worth INR 800 crore so far, all plants within this committed investment will be completed and commissioned by FY24 and has a potential of incremental peak revenue of INR 1,750 crore at current prices.

As mentioned in our last call, we have reviewed and firmed up our additional growth capital investments and we are pleased to inform you that during FY23 and FY24, we plan to commit additional capex worth INR 1,250 crore to expand our newly added chemistry platforms like Diketene and agro actives and further strengthen our leadership in chosen area of product portfolios, including the CDMO projects. In addition, we plan to enter fluorinated derivatives, fungicides, which are agro actives and grain-based specialty ethanol as new business platform. We plan to complete and commission all these new plants by FY25 and has a potential to bring incremental peak revenue of INR 2,750 crore at current prices.

We are happy and excited to inform you that after completing this overall growth-related capital investments of total INR 2,050 crore at their optimum utilization Jubilant Ingrevia is aspiring to achieve overall annual revenue of INR 9,500 plus crore, which will also improve revenue mix of specialty and nutrition segment together to 65% from 46% in FY22, and is good going to be the key driver for our overall margin improvements of Jubilant Ingrevia Limited.

Estimated cash outflow of FY23 will be around INR 550 crore and for FY24 and FY25 will be INR 650 crore and INR 600 crore, respectively. These capex cash outflow are intended to be funded through internal accruals along with the reduction in debt.

With this, I now hand over to Prakash Bisht to discuss the financials.

Prakash C. Bisht: Thank you, Rajesh. A very good evening to everyone and thank you for joining us on Q4 & FY22 quarterly earnings conference call. I would now highlight the Company's financial performance during the quarter ended 31st March, 2022.

I would like you to recall that Life Science Ingredient business of Jubilant Pharmova was demerged into Jubilant Ingrevia effective 1st February 2021. And in previous year FY21, our published results comprised only two months of operations in Q4 as well as in full year corresponding previous periods. To provide proper comparative picture of the operations of the Company on continuing basis in investor presentation, the results for the previous periods have been presented on pro forma basis by combining the corresponding previous period numbers from the published results of discontinued operation of LSI segments on Jubilant Pharmova Limited. The details in this regard are provided in the investor presentation as well as in note file of our published results. And we would request you to go through the same.

Revenue from operations during Q4 FY22 increased to INR 1,296 crore as compared to INR 1,078 crore in Q4 last year, with a growth of 20% on year-on-year basis. Similarly, revenue from operations during fiscal year 2022 was at INR 4,949 crore as compared to INR 3,491 crore during fiscal year last year, witnessing our growth of 42%. The EBITDA during the quarter declined to INR

152 crore as compared with INR 203 crore in Q4 FY21 witnessing a decline of 25% on year on basis. The margin stood at 11.7% in Q4 FY22 as against 18.8% in Q4 FY21. The main reasons for the decline were impact of sharp decline in acetic acid price on inventory, which has already been explained by Rajesh.

EBITDA for FY22 was at INR 863 crore as compared with INR 627 crore during FY21 with a growth of 38% as compared to the same period last year, and EBITDA margins were at 17.4% during FY22.

Depreciation and Amortization expenses during the quarter was at INR 31 crore. Finance costs during the quarter was significantly lower at INR 6 crore versus INR 12 crore Q4 FY21, a reduction of 49% year-on-year on account of repayment of debt as well as lower interest rates. Tax expenses for Q4 was at INR 46 crore on account of lower profit, the cash tax remained 17.6% during FY22. PAT during the quarter was at INR 69 crore as against INR 95 crore in Q4 FY21, witnessing a decline of 28% year-on-year basis. PAT for FY22 was INR 477 crore as against INR 316 crore PAT in FY21, a growth of 51% as compared to the same period last year.

The gross debt was reduced by INR 319 crore during FY22. Gross debt as on 31st March, 2022 stood at INR 229 crore as against INR 548 crore as on 31st March, 2021. Similarly, Company's net debt stood at INR 181 crore as on 31st March, 2022 a reduction of INR 251 crore from 31st March, 2021. Net debt to EBITDA ratio further improved to 0.21 times from the earlier level of 0.69 times as of 31st March, 2021. The closing blended interest rate for Q4 was 5.73% as against 7.01% in Q4 FY 2021.

I am also delighted to share that CRISIL Ratings has revised its outlook on the long-term Debt of Jubilant Ingrevia to now Positive from earlier Stable, while reaffirming the rating of CRISIL AA in May 2022. The net working capital percentage to analyze turnover and number of days for working capital based on FY22 annualized turnover was 16.2% and 59 days, respectively. And the increase in working capital was primarily driven by higher revenue and higher raw material prices. The capital expenditure during the year was INR 235 crore.

With this, I would like to conclude the opening remarks and we will now be happy to address any questions that you may have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rahul Veera from Abakkus Asset Manager LLP.

Rahul Veera: Just wanted a breakup of this INR 1,250 crore incremental investment that we have discussed, what is the breakup of this between CDMO and Specialty Chemicals any further breakup that you can share and ethanol?

Prakash C. Bisht: Yes. So, if you see the slide before, the earlier slide Specialty Chemical is INR 750 crore, Nutrition & Health Solutions is INR 200 crore, Chemical Intermediates is INR 300 crore.

Rahul Veera: Okay. And within this EBIT that we announced, which part of the society we will be moving for the Fluorinated derivatives?

Prakash C. Bisht: Yes. So, that is something which is currently very difficult to estimate. So, we are not giving the plant wise estimation of capex investment.

Rahul Veera: Okay. And sir, can you just throw some light on the Fluorinated Derivatives like what kind of chemistry are we getting into. As we do not have the capability in the sense we never managed the fluorination chemistry till date. So, what is the thought process and where we will source the raw materials?

Rajesh Srivastava: So, if you recall in the earlier calls also, we have explained that we have a plant of fluorination where we are using HF and we are making the derivatives, fluorinated derivatives which we want to further expand because the fluorination derivative demand is going up.

Moderator: The next question is from the line of Siddharth Gadekar from Equirus Capital.

Siddharth Gadekar: Sir, can you elaborate on the sharp jump in other expenses during the quarter?

Prakash C. Bisht: Okay. Siddharth the other expenses in this quarter, there is this one reclass in other expenses. So, the Delta impact if you are comparing it with Q3, the Delta impact one reclass is about INR 10 crore this was earlier sitting in other expenses, which now got shifted to other operating income. So, you would find a corresponding increase in other income also. Other than that, the other expenses have increased primarily due to the higher freight expenses and as the year end there are certain write offs also.

Siddharth Gadekar: Okay, got it. And secondly, in terms of acetic acid given that even acetic acid prices are further down versus 4Q average. So, one, could we see some more inventory loss in the first quarter of FY23? Secondly, given that crude prices have moved, so where do you see acetic acid prices would take a support given that we are very close to the cost curve currently?

Rajesh Srivastava: So acetic acid price is more or less similar range as it was closed in the last quarter. There have not been major changes in acetic acid prices in this quarter, current quarter.

Siddharth Gadekar: Okay. Sir and in terms of cost pressures on acetic acid given that crude prices have gone up. So, do we see that begin near the bottom in terms of acetic acid prices?

Rajesh Srivastava: No, so acetic acid prices are already at a higher level. So, they have adjusted to the cost increase, which has happened in the crude and other raw material.

Moderator: The next question is from the line of Rohan Gupta from Edelweiss Financial Services.

Rohan Gupta: Sir, a little bit more about the capex plan. So, you are talking about another INR 1,200 crore further investment, it seems that you are seeing a very favorable industry scenario to increase and almost double the capex plan within a year after the demerger of the Company. So, sir this optimism, which you are seeing is basically coming from the client coming more aggressively in terms of asking you to increase the supplies or more number of inquiries, which you are seeing in your CDMO project or also even on a fluorinated derivatives just wanted to understand a little bit more about the optimism in the capex which you are seeing right now?

Rajesh Srivastava: Yes, so it is basically the few things, number one, as we explained earlier, our existing customers are asking us to develop new products and supply them that is one. Number two, our existing products, we keep doing value addition in our existing product range. So, therefore, the investments are required for making those derivatives value added products. And third, there are new platforms, which we have been working on in R&D for many years, almost three to four years in the past, those are now being implemented one by one. And of course, that is based on the customer demand. So, everything is driven from the customer demand, whether it is value addition of our existing products or customer requirements or the new platforms.

Rohan Gupta: Right. Your earlier investment plan was close to INR 950 crore, right, out of that INR 950 crore, you mentioned that INR 800 crore has been invested, how much investment has gone in cash outflow in FY22?

Rajesh Srivastava: FY22 cash outflow is close to INR 243 crore and because most of the capex have been approved during the year and cash outflow will mainly now start happening in this year. Some of the projects which have been completed…

Rohan Gupta: So, Board has approved INR 950 crore capex so far now, before today, right?

Rajesh Srivastava: No, the board has approved so far INR 800 crore as we told you. Committed means it has been approved. But out of INR 800 crore some are still on the way, they are ongoing.

Rohan Gupta: Correct. So, out of INR 800 crore, INR 243 crore has been spent in FY22 and rest all will be spend in FY23 balance close to INR 550 crore, right?

Rajesh Srivastava: Correct. You are right.

Rohan Gupta: Okay. Now on this additional INR 1,250 crore you expect INR 650 crore and INR 600 crore in 2022 and 2023.

Rajesh Srivastava: No, you are looking at two numbers INR 800 crore and INR 1,250 crore is the investment number and INR 240 crore, and INR 550 crore are the cash flow number.

Rohan Gupta: Correct. So, what will be the cash flow, when we are talking about another INR 1,250 crore new capex which you are looking at and which you have raised. How do we look at that?

Rajesh Srivastava: If you see the total cash flow in the same slide, it is given INR 550 crore, INR 650 crore and INR 600 crore for three years. If you see all the three numbers that is the cash flow of INR 1,250 crore plus INR 800 crore.

Rohan Gupta: Got it, sir. On this Specialty Chemical business, you mentioned that the volume growth for the year was close to 16%, though the prices have gone up very sharply, but you also mentioned that you will be able to maintain the per kg margin, but because of the price increase maybe percentage margins will look down. So, do you see that going forward with a better product mix your percentage margin, which was upward of 20% you will be 22% kind of range you will be able to maintain that range or margins will settle down at a lower level?

Rajesh Srivastava: No, once we bring these new capital investments with value added products, we expect specifically in Specialty Chemicals our margins to be improving.

Rohan Gupta: In terms of percentage with the current price level wherever they are input prices.

Rajesh Srivastava: So when you asked for long-term, I answered you long-term, but short-term you are right because the current prices are high. So short-term there might be impact on margins.

Rohan Gupta: Okay. And you also mentioned that there have been some delays in passing on the input prices in Specialty Chemicals that has affected the current quarter margins.

Rajesh Srivastava: Exactly.

Rohan Gupta: So, are we in position to pass on the cost increase and expect the margins to improve in near-term in Q1 and Q2?

Rajesh Srivastava: See the input cost, which is raw material as well as utility prices are still extremely high and there is no settling down on the input prices. So definitely the improvement in volume and revenue will happen. But on margin, of course, it will not be increasing because of high input prices.

Moderator: The next question is from the line of Sunil Kothari from Unique PMS.

Sunil Kothari: Very hearty congratulations for doing whatever you have guided during the last almost 14 months. You have completed your projects and you are going ahead with whatever you said before this de-merger, some 6 or 12 months back. I would like to understand from you, during this last 24 months journey which is spread from Jubilant Pharmova, which are the other segments or focus area or weaknesses, which are the area where you feel you are becoming stronger? So, during last 24 months, whatever the effort you have taken and this Company has been emerging, how do you see opportunity over the next two to three years in terms of your capability, improvement, opportunity from external point of view, some larger view would be really helpful?

Rajesh Srivastava: So, if you see you Jubilant Ingrevia, fundamentally, we are a chemistry driven manufacturing organization since the beginning of our business. All the products we have been dealing with have been the global scale products. We have been having market leadership on these products. Of course, the current situation where we are seeing a positive environment towards the demand specifically coming to India side, we are using our chemistry capability and manufacturing ability and the R&D capability to quickly develop the products, which are required by our customers and place in the market quickly so that we can capture the opportunity in the market. So, you are right that having strength in our chemistry and manufacturing, we are in a position to take up the opportunity quickly, which are available in the market.

Sunil Kothari: Which are the area where you feel you have scope to improve productivity maybe cost reduction and effect of those all efforts and redesign and improvement spherical margins would be 20% maybe over a year or two, combined EBITDA margin?

Rajesh Srivastava: If you see let's say three to four years of origin, we have shown in our investor presentation also, we are moving towards a higher percentage business of specialty and nutrition health solution, which will definitely secure our margin situation better than what we are having today, because we will be moving more business there from specialty and nutrition segments. We have also explained that in our investor presentation if you see.

Sunil Kothari: Any area where you feel you required to be yet to improve upon in terms of internal efficiency, cost and productivity would you like to talk on anything internally?

Rajesh Srivastava: See, so there are two three areas, which we are focusing very heavily on one is the sustainability and safety in our operations. Number two, ensuring that whatever we are planning it comes on time, we can deliver the project on time. Of course, number three, as you have been saying closely look at the cost and continuous improvement to make sure that we are competitive in market.

Sunil Kothari: Right. So, my last question is little near-term, very well explained normalized margins this acetic acid related segment Chemical Intermediates should we expect that normalized margin to be achieved year-on-year maybe full year not on a particular quarter basis? But next year we expect around 13%, 14% EBITDA margin from that segment?

Rajesh Srivastava: Again, it is very difficult to give a percent of the margins. Again, and again, we keep saying, we can assure the per tonne or per kilo profitability of Acetyl products, which we will continue to even do some improvement in there. We cannot really make a commitment on EBITDA of margin because that is the factor of our price of acetic acid and price of other raw materials. So, it is very difficult to give that number. But yes, we can assure you that we will grow in volume, and we will make sure that we get our share of per kilo margin, specifically on Chemical Intermediate business.

Moderator: The next question is from the line of Dhaval Shah from Svan Investments.

Dhaval Shah: Good to see the new capex announcement some of the discussion, we had earlier. Sir couple of questions first is, as you had mentioned there also about this fluorine chemistry, and now you have given in the press release. So, so do we have any sort of more firm commitment from the customer that two years down the line or one year down the line, they would be buying this product, or you would be developing first and then showcasing to the customer and then so just want to understand on that front? So, yes, that is our first question then I would have a second one.

Rajesh Srivastava: Yes. So, you are right, we are developing a few products for our international customers, where fluorination chemistry is involved, we have developed in R&D, we are scaling it up and now because of the demand coming up in commercial scale, we will have to put up the commercial plant of fluorinated derivative. So, yes, you are right, there is a plan, there is a thorough plan starting from R&D, scale up and commercialization, this statement we have not given just for the sake of saying that we will put up a plant and we do not have a product. So, we have a full plan for that.

Dhaval Shah: Got it. Now sir in last two and a half years many companies have made plans to enter the fluorine chemistry. Now, I understand this is a very vast industry and various application and various complexity of reactions as well depending on the capability of the Company. Now we are a new entrant, but we have a very extensive history of chemistry skill set. So, A, which part of the chemistry if we could quantify are we targeting in terms of the market opportunity? And B, given a lot of new entrants are coming in and I assume this would not only be in India, but also globally because fluorine is becoming very, very more relevant chemistry in the future, what is your right to win and how do you plan to protect your turf and grow in the future?

Rajesh Srivastava: So, let me tell you that as you know, we are very strong globally in pyridine derivatives. So, we have very large facility of chlorine SS pyridine, we have a noticeably big facility of brominated pyridine. Now the customers have been asking us to also develop fluorinated pyridines. So, we have developed couple of products, they have been successful at the small scale, we already have a small-scale running HF-based fluorination facility, which has successfully delivered the product at smaller scale. Now, because the customer demand is going up going up, we will have to bring commercial scale facility of HF-based fluorination of fluorinated pyridines.

Dhaval Shah: Okay. Now, this would be in terms of end use and market opportunity size and are we the only one or are there any peers in India as well as in Asia?

Rajesh Srivastava: So, we are saying that these are the products which are specifically developed for our international customers. So, we can only tell you that, yes, we will be either the single one or one of the couple one or one of the few ones to be supplying these products. These are not off the shelf products, they are extremely specific CDMO type of projects.

Dhaval Shah: Okay. So right from the time you start manufacturing for a dedicated customer.

Rajesh Srivastava: Absolutely. And these are from the innovated molecules, they are not from the commercial launch or available molecules. They are more new innovative molecules.

Dhaval Shah: Okay, got it sir. On the innovation molecule, which was my other question, now as you have given the next five-year plan. So, this entire innovator led business would be how much of this Specialty Chemical business?

Rajesh Srivastava: So, it is difficult to give you numbers in terms of revenue but let me explain you. Today, we have one non-GMP intermediate facility per CDMO. We have two GMP facilities per CDMO. We are recently extending one more GMP facility per CDMO. We have a plan, if you read our extensive plan, we are going for a greenfield GMP facility per CDMO and we are also adding to multipurpose plants per CDMO. So, there are a lot of new plants and facilities we are adding up for our CDMO business. And obviously, you can see that these investments are not committed based on the assumptions, they are done based on the solid demand given by our customers. So, you can assume that fairly the growth in our CDMO business is going to be significant in future.

Dhaval Shah: And sir, last question this INR 9,000 crore revenue is it comfortable to achieve by FY27?

Rajesh Srivastava: If you ask me personally, I can tell you yes, but of course very difficult to commit anything for future of FY27. But you can assume that when we are saying once we complete these investments, which should be ready by FY25 and as we have been explaining that we do not take more than two years to ramp up the facilities. So, it is fairly a good assumption you are making so that should be possible.

Dhaval Shah: So, exit quarter of FY25 you should have entire gross block in place, this entire capex.

Rajesh Srivastava: Yes, that is definitely sure what you're saying that we have given commitment also here.

Moderator: The next question is from the line of Bajrang Bafna from Sunidhi Securities.

Bajrang Bafna: Congratulations for a detailed presentation and the queries that we are raising. Sir, if you could tell us the as per the more dynamic reports, which are coming from the world market, which are indicating or pointing towards this carbon neutralization and movement towards green chemistry, or the sustenance chemistry and moving away purely from the crude-based chemistry, which is on the forefront for last, let us say, 30 or 40 years. And we are seeing a lot of signs where a lot of companies are demanding green chemistry products, and you have also started a movement towards that by commercialization of these 25,000 tonnes of acetic acid plant, which is coming from this green route. So, if you could elaborate the broad strategy or how you are going to move towards that? Because there are very few companies who are having this kind of foresight or technology at this stage where they can get this carbon neutrality concept, which is getting traction. So, if you could highlight what percentage of your business is now from green chemistry and maybe next three, four or five years once this capex plan is fully complete how that proportion will march ahead? So, if you could highlight something on that aspect will be really helpful sir?

Rajesh Srivastava: So, honestly speaking, I do not have a number to tell you what the percentage of our revenue is coming from green chemistry. You just told us, we will estimate and come back to you later. But we want to inform you that most of our derivatives coming out of our green ethanol which we are consuming. So, we are consuming large volume of green ethanol to make derivatives, which are used in our Chemical Intermediates business, in our gradient derivative business, also in our nutritional business. So, we are saving a large amount of carbon footprint, product wise we have the number, but we will calculate overall as a Company and maybe next time we can come back.

Bajrang Bafna: Okay, got it. And sir, the new capex that you are doing almost INR 2,000 crore, if you could just tell us what proportion of it is dependent on the green ethanol or the green chemistry side?

Rajesh Srivastava: Okay. We will do that; we have not done that.

Bajrang Bafna: Okay. Because that will be really helpful sir because now when we are aware that we have also gone through the kinds of projects that Reliance and the Adanis are coming up with next three years down the line this green hydrogen, which could simply eliminate some of the companies from Indian market, which are completely dependent on this carbon concept or the crude-based chemistry. I do not know, whether you have gone through their plans and projects, but we have done a detailed analysis and very sure that three or four years down the line few of the companies will not even exist in our country, who are totally dependent on crude-based chemistry. So, you could highlight your thought process on that will be really helpful? Maybe next one called once you come up with you can say the broader footprint that how we are going to move towards this green chemistry will be really appreciated. And one more aspect is that sir you are currently sourcing your eternal totally from outsourced market, are you planning something to produce ethanol on your own because there are very favorable policies from the Government side? So, any purposes on that in terms of secure the ethanol supply from a long-term perspective?

Rajesh Srivastava: So, ethanol we are producing event today, but all those ethanols we are selling to EBP program. And also, some specialty uses of pharmaceutical and agrochemical. Sometimes we also use our captive ethanol, but yes, our volumes are very large. So, we have to import.

Bajrang Bafna: Okay. So, what proportion we are doing indigenously right now of our total requirement?

Rajesh Srivastava: Not significant.

Bajrang Bafna: Okay. So, in future are we thinking of something in that regard to secure long-term supplies of ethanol?

Rajesh Srivastava: No, security is there. So, tomorrow is we want we can use 100% of our captive what we are making for ourselves, but it makes sense for us to sell the volume at a specialized use because we make a better-quality ethanol. We make ethanol for supplying to pharma and agro that ethanol which we are consuming is not required for that quality. So, actually, it makes business sense for us to produce a better quality to sell outside and make better margin and consume from import.

Moderator: The next question is a follow up from the line of Rahul Veera from Abakkus Asset Manager LLP.

Rahul Veera: What is the volume growth that we are expecting in the life science or the Chemical Intermediate segment?

Rajesh Srivastava: Okay. Volume growth in the FY23 you are asking?

Rahul Veera: Yes FY23.

Rajesh Srivastava: Yes, I think it will be it will be in a good double-digit number.

Rahul Veera: Okay. So, is it fair to assume that the EBITDA that we have done in life science INR 417 crore this year in FY22 that will also grow in double digits because we are doing the calculation on EBITDA per kg basis?

Rajesh Srivastava: Yes, but it all depends on the market situation also because last year, if you remember, first quarter, we had some positive scenario on pricing. So obviously, this year projections are better. But definitely we cannot commit any number in EBITDA of any business right now. But yes, you are right per kilo, as I said, we will ensure per kilo margin we will secure.

Moderator: The next question is a follow up from the line of Rohan Gupta from Edelweiss Financial Services.

Rohan Gupta: Once again on this commodity business only though you have in your presentation given explanation of close to INR 54 crore kind of losses because of the high acetic acid prices. So, just wanted to understand, sir, this volatility in quarterly numbers in our life science business or commodity business now is there any way to remove that? Or do we have any opportunity to enter forward contracts or have a raw material price arrangements on a longer-term basis? Or this business is always open to the vagaries of the rising or volatile acetic acid prices?

Rajesh Srivastava: So, we have an opportunity to do a forward contract. But please remember forward contracts are always double-edged sword, right? Sometimes it can help you, sometimes it can harm you. So, with so much of experience of last 40 years, we have realized that if we can really manage our inventory very well, which we are doing today, with the kind of volume we are in, I think it is fair to be open and make sure that when there is a volume requirement, we capture the volume requirements, and make sure that per kilo margins are safeguarded. I think that is the best we can do, and we have seen that that has paid well. Because this quarterly change, which you are finding in last four quarters, it is not the regular trend this is unfortunately because of the changed global scenarios, which is happening very frequently for last two years. This may not continue for many quarters long time. So, I think because it is happening very frequently, we have seen it very bad. But I think overall, we will see that keeping it open is making better sense.

Rohan Gupta: Sir, along with the acetic acid price volatility, even if we remove that and your normalized EBITDA, that also has a huge volatility from Q1 almost INR 157 crore to go into Q4 INR 84 crore is it because of the lower volume in Q4 and higher volume in Q1 driving the operating leverage or why even quarterly on a normalized EBITDA also huge volatility?

Rajesh Srivastava: I think you have missed out we have mentioned that in Q1 last year, we had a better market situation in the sense that there was one of the plants, which was not operating and therefore, we had a better pricing situation even per kilo. But that happens once in a while, and we captured that.

Rohan Gupta: Okay. So that is driven by the better pricing environment.

Rajesh Srivastava: Absolutely. So, if you knock it off, it will generalize the contribution per kilo.

Rohan Gupta: So, –as I understand that the business will always be volatile would it be fair to assume that close to INR 80 crore to INR 200 crore quarterly then rate is fair enough in case of this business irrespective of the volatility in product prices?

Rajesh Srivastava: Yes, with the kind of volume we are projecting, with the kind of per kilo margin we are talking your assumption is fairly good. And you must remember that we are adding further volume in this business. So, the future of course, it will improve further, when our new plant will come this year.

Rohan Gupta: Right, sir. Sir, second question is on our Specialty Chemical business, you mentioned that the Specialty Chemical business the share of agro chemicals has gone up in Specialty Chemicals. And I mean, what is the driving factor and where do you see that the agro and pharma will remain the key driving factor for overall spec chem. business, or some other applications are also going to drive the growth?

Rajesh Srivastava: No, I think you are right our major business to the extent of 65% to 70% is coming from agro and pharma and of late we have seen the volume of agro chemical showing a very positive trend. Pharma has been a little softer growth in last two to three quarter. So, these are the two key segments for us. Other than this, we are into anti-microbial segments, and we are into cosmetic segments. So, those segments are also showing a very positive trend for us, and we are also adding some of the intermediate in these two segments also. But still agro chemical and pharmaceutical are going to be the key segments for us for Specialty Chemicals business.

Rohan Gupta: Fine enough, sir. Sir just last from my side on Diketene the plant which you have commissioned if you can just discuss that how it is getting acceptance from the customers? And how many nicotine derivatives we are manufacturing now? I remember our last plant visit thanks for that two Diketene derivatives we were supposed to commission and was supposed to ramp it up in next three to four months further. So how many Diketene derivatives we are making and if you can just give a revenue potential for them in a second half of the year?

Rajesh Srivastava: Yes, so Diketene derivative plant has been commissioned very well. We have already produced commercially as you very rightly mentioned two products. Two more, we are going to commercialize very soon. With these three or four products, we estimate to use our full capacity during the current financial year, which we have been talking in the range of 7,000 to 8,000 tonne.

Rohan Gupta: So, we will achieve 7,000 to 8,000 by the end of Q4 this year.

Rajesh Srivastava: No, we will achieve during the year the total volume not the end of the year.

Rohan Gupta: Okay. And in terms of the revenues, would you like to share the 7,000 tonnes what kind of revenue are we expecting?

Rajesh Srivastava: Again, very difficult, because what we are focusing on is maximizing the volumes as customer requirement and look at the margin situation of the Diketene products. So, we will take the decision based on the customer demand and our profitability. So, therefore difficult to give the exact number on revenue. But volume, I can assure you we will complete.

Moderator: The next question is from the line of Jason Soans from Ashika Stock Broking.

Jason Soans: Sir, this question has been asked before, but I just did not get the correct point. So, your other expenses have shot up from around levels of INR 123 crore to INR 163 crore this quarter, could you just please explain, again, just wanted some clarification regarding why such a sharp jump?

Prakash C. Bisht: So, we explained this earlier also in the call. So, why these expenses have gone up in this year is, one was that there was a reclass from an expense to other income. The Delta impact of that is impacting. The other reason was the increase in the freight charges. And for this quarter also, we had some maintenance, so that maintenance expense has come. And at the year end, whenever there is any year end in Q4 we have certain write-offs, because we do everything, physical verification everything. So those expenses are also there, that is the reason why Q4 other expenses are higher.

Jason Soans: Sure. And sir, even in terms of the tax rate, your tax rate is hover around 30%, 32%. This quarter it is pretty high at 40%. So, any particular reason within the for that?

Prakash C. Bisht: No, our tax rate is around 30%, 31%, because we are on the old tax regime, and the reason for that is because we still have unutilized MAT credit. So, while our ETR on the P&L is about 31%, our cash sets used to be only about 17.6%. This quarter this is a little higher, mainly on account of some true ups that we had to take because of the changes that came in the budget. But otherwise if you would see for the year our ETR has remained 32.8%.

Jason Soans: So, in terms of the year it is around 32.8%, you are right. So, do you expect it to be the same going forward?

Prakash C. Bisht: Yes, at least for FY23 we will continue to be on the old tax regime. So, tax ETR in P&L will remain in the range, but from FY24 onwards once we move to the new tax regime, the ETR will come down to about 24% to 25%.

Jason Soans: Okay. So, currently at least for the FY23 it will be around 32.8%. Okay.

Prakash C. Bisht: It will be in the range of 31% to 32%.

Jason Soans: Okay. And sir, my next question pertains to the capex, – the additional capex of INR 1,250 crore you have mentioned it and you explained it pretty elaborately. But I just wanted to know in terms of when you look at fluorinated derivatives, there are large special players in the Indian industry already. Even in terms of agro active, you have like the PI, fluorinated derivatives, you know the names much better than me. So, I just wanted to know, in terms of specialty chemistry, they are doing the job for a long, long time. So, just wanted to know, are you looking at more volume coming in or are you looking at your specialty being better than better than what they do? Or do you think there is enough place for everybody because a lot of manufacturers is coming towards India, specialty here because there is pretty large tailwind, right, with localization and various the China plus things going on. So, do you think there is enough room or enough space for everybody to eat the pie or what is your view on this?

Rajesh Srivastava: I have explained this in the earlier questions, I think you have missed it, when we talked about fluorination derivative or agro actives, these are not me-too products, I have explained this earlier. We are already into pyridine derivatives business and this fluorination is of our existing products value additions. So, these are not me-too products that everybody is making, so we are also making that is number one. Number two, most of these products we are not talking as to launch as me too product. These are required by our innovator international customers, which we have developed specifically for them. Even for agro actives, these are not the journal agro actives, these are value added based on our paid in derivatives, we are developing agro actives and therefore, they are going to be specialized products, which are not produced by each and everyone in the market.

So, as you are mentioning, we are not launching these me-too products, they are very specialized, though they are generally named as ago active fungicide, so you assume that there are hundreds of companies who are making, but these are very specialized, our own pyridine derivative based agro active and pyridine derivative based fluorinated derivatives. We have backward integration, we have that ability, we have global recognition on those derivatives. So, now customer wants us to do fluorination also, which we have expertized now. So, it is not me-too product done by everybody.

Jason Soans: Sure, sir. Just one question I wanted to ask you, so clearly margins you are in the life science business are on a full year basis around 15%. You had mentioned earlier in calls that it is around 13% to 14% base margin, right? So, do you expect the same to go ahead also 14% 15% life sciences overall for the annual, because quarterly it becomes very difficult to gauge the margin? So, just would want to ask you on an overall basis, do you think 14%, 15% still holds for life sciences or Chemical Intermediates as you have renamed it?

Rajesh Srivastava: Yes, I mean, again, you missed it, but I have explained earlier on this that, if you see the same situation of raw material price, same situation of input price, you are right, but it is very difficult to project those input prices. So, that will vary the margins, but per kilo margin, we will ensure and if everything remains same, you are right, it will remain at the same levels. But you cannot promise that because market changes based on the input prices and raw material prices.

Jason Soans: Okay, sure sir. And just one last question for my side in terms of Diketene derivatives, just would want to know, obviously, they will have usage in agro chemicals and pharma as such any other industry or anything where you find a lot of growth for Diketene derivatives in terms of end users? I understand that right now 40%, 50% is being imported and you are catering to the import substitution demand. So just wanted to know in terms of end user industry, Diketene derivatives where do you find it being employed increasingly in India or overseas, both?

Rajesh Srivastava: So, there are three key uses one is the dyes and pigment industries, agro chemical and pharmaceutical. There is another industry, which is coming up in Diketene is the antimicrobial also, which is a value-added product.– But you are right currently we are servicing mostly with agro chemical and pharmaceutical, where the growth is projected to be very good because of the new molecules which are growing in agro chemicals. So, our most of the volumes will go to agro and pharma, and some maybe to dyes and pigments. And also, we are developing molecules for the second phase of Diketene derivative, even getting into the other segments of end uses.

Moderator: The next question is from the line of Dhruv Bhimrajka from Monarch AIF.

Dhruv Bhimrajka: Sir my question is, are there any plans for us to pick up a captive acetic acid capacity? I know you have answered the question with respect to forward agreements. So, if you can clarify on this also, please?

Rajesh Srivastava: No, we do not have a plan to make the investment on producing acetic acid for capital use, because that is not making sense. This acetic acid plant is very specialized food grade acetic acid. So therefore, this much volume, which is currently required by market, we have entered it, but we have no plans to make investment on acetic acid further or captive consumption.

Dhruv Bhimrajka: Okay. And sir, one broad question sorry for my ignorance if you can elaborate on how do we plan to take this pyridine chemistry going forward? What are the risks overall to pyridine chemistry if there is anything, which we see if you can elaborate something on this chemistry point that would be great for our understanding?

Rajesh Srivastava: Pyridine chemistry as you know, we are the globally largest producer in pyridine and pyridine derivative. Whatever the tough time one must see in pyridine chemistry, we have already seen five years before. I can only tell you that pyridine chemistry is giving us much, much higher opportunity in future and some of the explanation, which I just gave you on agro actives and fluorinated derivatives, these are all coming out of our basic pyridine chemistry capability, which we have been working for many years. So this is giving us much higher opportunity now, rather than you are saying that there is a risk to the pyridine chemistry. And we have achieved the situation in last 30 years to be the cheapest cost producer in the world and we are even selling to the Chinese market. So, for us, as a leader in pyridine derivative, we will remain in this business, and we will have our opportunities much higher in future as well.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the management for closing comments.

Prakash C. Bisht: We thank you for joining us on the call today. We request you to contact our Investor Relations team for any further clarifications. Good evening and thank you once again for your interest in Jubilant Ingrevia.
