Jubilant Ingrevia Limited

Q3 & 9M FY22 Earnings Conference Call
February 01, 2022

Pavleen Taneja: Good evening everyone. Thank you for being with us on our Quarter 3 & Nine Months FY22 earnings conference call of Jubilant Ingrevia Limited.

I would like to remind you that some of the statements made on the call today could 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. Over to you, sir.

Shyam Bhartia: Thank you, Pavleen. Good evening everyone. Welcome to the Q3'FY22 earning conference call.

We are pleased to announce that in Q3'FY22 we continued to witness significant growth in our Revenue & EBITDA.

We are also delighted to declared an interim dividend of Rs. 2.5 per equity share of Rs 1 each of the company amounting to Rs 39.8 Cr

In our Specialty Chemicals segment we maintained strong growth across the products led by growing demand from Pharmaceutical, and Nutrition customers. In Nutrition & Health Solution the demand of Vitamin B3 improved and we placed higher volumes with improved realizations. In Life Science Chemical Segment, we continued the strong performance with healthy demand in domestic as well as in EU market.

Our business team worked closely with customers and ensured that most of the increase in input cost is passed on and our supply chain team ensured the uninterrupted supplies and timely deliveries.

We are pleased to inform, that in Dow Jones Sustainability Index's Environmental Social & Governance (ESG) assessment, we scored 81 percentile in the global chemical industry and have been ranked among the top 20% chemical companies globally and amongst the Top 3 chemical companies in India.

We remain excited with the growth opportunities in our businesses and are fully committed to realize them. Our strong new product pipeline developed by our in-house R&D, our technical expertise into various chemistry platforms and long-standing relationship with global Pharmaceutical & Agrochemical customers is a strong enabler in our growth journey. With our growth capex plans shaping up we remain in course of doubling the revenue by FY'26 from the base of FY'21.

With this, I now handover to Rajesh to discuss about the business in detail.

Rajesh Srivastava: Thank you, Mr. Bhartia. A 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 Q3'FY22 quarterly investor call of Jubilant Ingrevia Ltd.

It gives me immense pleasure to report a healthy financial & operational performance of Jubilant Ingrevia Limited for the third Quarter & Nine Months ended 31st December 2021.

Revenue during the quarter was Rs 1,286 Crore, demonstrating a growth of 44% YoY driven by 22% growth in Specialty Chemicals, 37% Nutrition and Health Solution and 60% in Life Science Chemicals business segments.

EBITDA during the quarter was at Rs 222 Crore, up 42% YoY, led by significant growth in Nutrition & Health Solutions business and also by Life Science Chemicals business segment.

We started the quarter with increase in all the inputs costs. We have tried our best to ensure that most of the increase in all the input costs are duly passed on through improved price realization of our finished products.

We continue our focus on de-bottlenecking of capacities for existing products to meet increased demand of our existing and new customers.

We continue our focus on Business excellence for continues improvement in process and cost using six sigma tools and digital interventions.

ESG:

As briefly highlighted by Mr. Bhartia in his speech, we at Jubilant Ingrevia are very proud to mention that our continued focus and efforts on Sustainability has also been recognized by prestigious global agency i.e. S&P Global for Dow Jones Sustainability in their assessment for ESG (Environment Sustainability and Governance).

We are pleased to mention that we scored 81 percentile in the global chemical industry and have been ranked among the top 20% chemical companies globally and amongst the Top 3 chemical companies in India in DJSI - Environmental, Social and Governance (ESG) Score. We have achieved full score in Customer Relationship Management, Environmental Reporting and Social Reporting criteria

We also recently received the Economic Times Award for being among top Indian Company for Sustainability and CSR.

The Sustainability is always at the core of our business. Our sustainability journey has started since 2003 onwards as Life Science Ingredients business being part of 'Jubilant Life Sciences Limited's' Corporate Sustainability Reporting. We are also a signatory of the United Nations Global Compact (UNGC) and has taken SDG (Sustainable Development Goals) targets for five years from 2019. To further enhance focus on sustainability and to have increased engagement and involvement of employees, we have undertaken various internal initiatives to enhance socio-economic value for all our stakeholders while minimizing the environmental footprint of our operations.

Now let me take you through the updates on all our three business segments.

Specialty Chemicals

Specialty Chemicals revenue grew by 22% on YoY basis driven by higher volume across the product segment.

We witnessed strong demand across the end use segments, though Pharma Sales share to total revenue grew to 52% from 47% earlier

We witnessed positive traction from both domestic as well as international customers.

EBITDA increased by 28% on YoY basis, and EBITDA Margin increased at 21.8% vs 20.8% in Q3'FY21, mainly due to higher volumes and improved realization despite higher input costs.

We have also seen good traction of demand of existing products as well as new products enquires from our CDMO customers.

Nutrition & Health Solution

Nutrition and Health Solutions revenue grew by 37% on YoY basis.

EBITDA grew by 87% on YoY basis. EBIDTA Margin improved at 24.4% vs 17.9% in Q3'FY21, margin in the segment was higher on account of higher volumes and improved price realizations across all products including Niacinamide (Vitamin B3) as well as in Animal Health and Nutrition business.

Animal Nutrition business continues making efforts to increase share of Speciality premixes through various initiatives

In Niacinamide our focus to improve our market share in EU and North America has resulted into enhanced revenue share from both these markets. In Q3 FY'22 we achieved 21% share from North America as against 11% Last Year and 36% from EU as against 20% Last Year.

Also in Niacinamide our focus on niche segments like Food and Cosmetics is showing positive results with significant increase in volume in these segments on YoY basis.

Life Science Chemicals

We delivered yet another healthy performance in our Life Science Chemicals segment with 60% growth in Revenue and 48% growth in EBITDA on YoY basis, along with a healthy margin of 13.9% during the quarter

Revenue growth in the segment was primarily driven by higher prices of Ethyl Acetate and Acetic Anhydride. Prices improvement was mainly on account of favorable market condition

Growth in EBITDA margin also was driven by Improved product contribution backed by favorable market condition.

Life Sciences Chemical market condition remained favorable during first half of the quarter, wherein market conditions started getting normalized during second half of the quarter

Acetic Acid Prices were highly volatile this quarter on account of Supply Challenges in China and downstream demand

We maintained domestic market leadership for Acetic Anhydride and increased market presence in EU, Americas and Rest of the world.

Demand of Ethyl Acetate in EU was strong. Domestic Demand also remained encouraging across all major sectors.

Our value added product Propionic Anhydride, witnessed strong demand during the end of the quarter.

Growth Plans & Capex

Our Diketene plant is under commissioning now, and we expect to start our commercial production during the current quarter.

Our committed growth related capex investment worth Rs. 450 Crore is progressing well. At peak capacity, we expected it to generate additional annual revenue of Rs. 900-1,000 Crore at prevailing prices

1. Food Grade Acetic Acid. (Expected to be in operation during the quarter April to June 2022)
2. CDMO GMP Facility at Bharuch. (Expected to be in operation during the quarter July to September 2022)
3. Three Multi-Purpose plants of Speciality Chemicals. (Expected to be in operation during the quarter July to September 2022)
4. Acetic Anhydride Plant. (Expected to be in operation during the quarter Jan to March 2023)
5. Agro Actives Phase-1. (Expected to be in operation during the quarter January to March 2023)

Outlook

We also expect demand of most of our Products to remain strong going forward.

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

Prakash C. Bisht: Thank you, Rajesh.

A very good evening to everyone and thank you for joining us on Q3'FY22 quarterly earnings conference call.

I would now highlight the Company's financial performance during the quarter ended 31st December, 2021.

I would like you to recall that the Life Science Ingredients business of Jubilant Pharmova Limited demerged into Jubilant Ingrevia Limited, effective 1st February, 2021 and in FY'21, our results comprised results only two months of operations, starting from 1st February 2021.

To provide the comprehensive picture of the operations of the Company on continuing basis, the results for previous corresponding periods have been presented on Pro-forma basis in the Investor presentation. Previous period financials are derived from the published results relating to discontinued operations of LSI Segment of Jubilant Pharmova Limited. The details in this regard are provided in the Investor presentation and Note 5 of our published results and we request you go through the same.

Revenue from Operations during the Q3’FY22 increased to Rs 1,286 Crore as compared with Rs 893 Crore in Q3 last year, with a growth of 44% on YoY basis.

Similarly, Revenue from Operations during the Nine Months’FY22 was at Rs 3,654 Crore as compared with Rs 2,413 Crore in Nine Months last year, witnessing a growth of 51%.

The EBITDA during the quarter increased to Rs 222 Crore as compared with Rs 157 Crore in Q3’FY21, with a growth of 42% on YoY basis, the margins stood at 17.3% in Q3’FY22 as against 17.5% in Q3’FY21.

Similarly, EBITDA for the Nine Months’FY22 was at Rs 712 Crore as compared with Rs 424 Crore during Nine Months’FY21, having a growth of 68% as compared to the same period last year.

EBITDA margins were at 19.5 % during the Nine Months’FY22, as compared to 17.6% during Nine Months’FY21, a growth of 191 basis points as compared to the same period last year.

Depreciation & Amortization expense during the quarter was at Rs 30 Crore. Finance cost during the quarter was significantly lower at Rs 5 Crore versus Rs 13 Crore in Q3’FY21, a reduction of 63% YoY on account of repayment of debts and lower interest rate.

The tax expense for Q3’FY22 were higher at 58 Crore on account of higher profits. The Cash tax is expected to remain @ 17.6% during FY’22.

PAT during the quarter was at Rs 129 Crore, as against Rs 91 Crore PAT in Q3’FY21, witnessing a growth of 42% on YoY basis.

Similarly, PAT for the Nine Months‘FY22 was Rs 408 Crore, as against Rs 221 Crore PAT in Nine Months’FY21, a growth of 85% as compared to the same period last year.

The Gross debt was reduced by Rs 263 Crore during Nine Months’FY22. Gross Debt as on 31st December 2021 Stood at Rs 284 Crore as against Rs 548 Crore as on 31st March, 2021.

Similarly, company’s net debt stood at Rs 230 Crore as on 31st December 2021, a reduction of Rs 201 crore from 31st March, 2021.

Net Debt to EBITDA ratio further improved at 0.24 times, from the earlier level of 0.69 times as on 31st March, 2021 on the basis of trailing 12 months EBIDTA.

The blended interest rate for Q3'FY22 was 5.25%, as against 7.01 % in Q4’FY21

The Net Working Capital %age to Annualized Turnover" & "Number Of Days of working capital" on the basis of Q3'FY22 Annualized Turnover were at 16.5% & 60 Days respectively.

The Increase in Net Working Capital was primarily was driven by higher Raw Material cost and Sale price leading to higher value of inventory and debtors and 'Make Vs Buy'(Import) of ethanol due to higher import prices.

The capital expenditure during the year is expected to be Rs 300 Cr

With this, I would like to conclude our opening remarks. 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. Anyone who wishes to ask a question maybe to '*' and '1' on their touch tone telephone. If you wish to remove yourself from the question queue you may press '*' and '2' participants are requested to use handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants you may '*' and '1' to ask a question.

The first question is from line of Siddharth Gadekar from Equirus. Please go ahead.

Siddharth Gadekar: Could you just highlight the impact of the removal of import duty on acetic acid and methanol for Jubilant Ingrevia and the industry?

Rajesh Srivastava: So, in methanol as you know the duty has gone down from 5% to 2.5%. And acetic acid, the duty has gone down from 7.5% to 5%. Now, this will have impact on our domestic sales, mainly on methanol, because in acetic acid as we have been saying that most of this prices or duty which goes down, there will be less impact because it'll be passed on to customers.

Siddharth Gadekar: Okay, got it. Sir, and secondly, in the nutrition segment the entire growth, improvement in margins that we have seen in this quarter versus last quarter, was it mainly because of the realization growth or there were some other factor that was driving this?

Rajesh Srivastava: No, there are two reasons. One is that the price realization was better. And also, the volumes were better in the quarter.

Siddharth Gadekar: Sir, could you give us a sense of the capacity utilization in the nutrition segment in terms of how it has moved over the last two quarters?

Rajesh Srivastava: So, capacity utilization in nutrition segment, as we explained last year, we had capacity utilization of almost 70%. Now, in this quarter, that last quarter, quarter three, we have utilized to the tune of 80% to 82%.

Moderator: Thank you. The next question is from line of Kaustav Bubna from Rare Enterprises. Please go ahead.

Kaustav Bubna: I just wanted to understand how sustainable are these realization increases in the Nutrition segment? Could you just speak a little bit about that?

Rajesh Srivastava: So, the price increase in nutrition segment was mainly on two reasons, one is the raw material prices which have gone up. Secondly, obviously, we have been talking about that Nutrition prices in the earlier quarters were lower. So now they are normalizing. So, the prices which we got in Q3, are very much sustainable. So, there is no challenge in these prices.

Kaustav Bubna: Okay, great. And just wanted to get an update on the supply situation on global acetic acid plants. Now with this third wave of COVID, has there been further supply disruptions or how do you see the price of this commodity moving now?

Rajesh Srivastava: Specifically on acetic acid, as you may have noticed that the supply situations have been better during the end of the quarter. And that is the reason you could see that the prices are getting softer now in acetic acid. So, supply situation of acetic acid is not a challenge. In fact, there is a capacity which has started in China, which was not running for long time. So that is releasing some pressure on acetic acid availability. So that's not a challenge, the availability acetic acid is not a challenge anymore.

Kaustav Bubna: So, sir this capacity, which is going to start in China has started and the third wave hasn't impacted that basically?

Rajesh Srivastava: No, third wave actually has not impacted any business. I don't think, the only challenge people have faced is on logistics. Because of third wave there has been stronger controlled operations by the governments in different countries on import consignments that has put pressure on logistics. That could have made some impact on delays in material, but there was hardly any impact on demand side for any of our products.

Moderator: Thank you. The next question is from the line of Rahul Veera from Abakkus. Please go ahead.

Rahul Veera: Sir, just a question on the nutrition side, we have got good volumes in the European and the North American region, do you think it's more like a one-off where suppliers were not able to manage your supply chain and were not able to reach the clients and we were able to do it or is it more like a sustainable long-term relationship with the client that helped us?

Rajesh Srivastava: So, the volume increase which we have got is not for that we have got some market which is not serviced by competitors. Actually, this is the long working which we are doing for the niche segment and for our existing customers going to new markets and that is actually letting us have more volumes. In fact, we have plans to do further volume in Niacinamide and Niacin because this is the product where we have global leadership, both on cost and availability. So obviously volume increase is on our target and quarter-on-quarter we target to increase volume.

Rahul Veera: Sir just to understand in terms of the import duty reduction of the China capacity coming in even the end prices of ethyl acetate or acetic anhydride have come down, so spread will broadly remain the same, right?

Rajesh Srivastava: So, that is why I said that there will not be much impact or not too much positive scenario with respect to this duty down. But yes, it will make us more competitive as against import, isn't it? So, that will make definitely a better situation of realization for us. So, there will be a positive impact, I'm not saying, but not everything will be passed, or we will be saving the money on that, but there will be a positive impact.

Rahul Veera: Right, helpful. Sir and this Diketene plant, which is about to commission now, in this quarter.

Rajesh Srivastava: Yes.

Rahul Veera: Will we have to sell it to like similar clients all which are already existing or is it going to be new clientele completely.

Rajesh Srivastava: So, as I have been saying this for many, many calls now that, as you know, in India, the demand is already very high, and customers are currently importing. So, for us, it's not difficult to get the business of Diketene product. So, basically customers are waiting for the plant to start, and we have some waiting orders to be serviced. So, selling this kind of volume, which we are having in Phase-1 is not at all a challenge.

Rahul Veera: Sir, and how much have we spent for Diketene plant?

Rajesh Srivastava: We can't give you specific numbers. Because remember, this is not something which we have built from a very, very green field. We have our own infrastructure, utility, this plant has been built in our Gajraula facility, so it's pretty difficult to give you a specific number of investment.

Moderator: Thank you. The next question is from the line of Ranveer Singh from Sunidhi Securities & Finance. Please go ahead.

Ranveer Singh: Yes, thanks for taking my question. Sir, on CapEx side that I think going forward every quarter, we have a facility getting operational. So, just if you could give the breakup of CapEx among that four, five projects we have?

Rajesh Srivastava: I think it is given in my speech also, you have in presentation also. So, you want the CapEx value divided into these projects?

Ranveer Singh: Yes, yes, yes. So, Rs. 450 crore CapEx.

Rajesh Srivastava: I mean, that is something which is difficult to give at this point of time, , so what we can only tell you is these five CapExes we have approved which is of the value of about Rs. 450 crore. And as we said, one is coming in the quarter one of next year, and two will be coming in the quarter two and two will be in the quarter one of next-to-next year. So, basically, this specific number on CapEx will be difficult to be shared.

Ranveer Singh: No, just wanted to understand which of these facilities actually are bigger one, because all facility, obviously, what I assume would not be an equal -- will not require equal quantum. If you could just give that which one is a bigger one, so that that will give some perspective what's going forward?

Rajesh Srivastava: So, what I can tell you roughly that all the CapExes, which are being coming in the next year, they are going to generate a revenue of Rs. 900 to Rs. 1,000 crore. So, again it will be difficult to give you the numbers that how much CDMO will bring and how much food acetic acid will bring.

Ranveer Singh: On Nutrition business, I think you answered some queries that volume is also likely to remain upwards so uptick will continue. So, again, we need to do CapEx for this facility, because 80%, 85% capacity utilization, we are reaching to.

Rajesh Srivastava: Yes, so, you're right, we have done the debottlenecking last year, we are doing a debottlenecking again in couple of quarters for this plant. And we have announced in our investor presentation that we are further going to expand capacity of our Vitamin D3. If you go through our investor presentation, we have already announced. So, you're very right, we have to increase capacity going forward. We have been doing it continuously. So, right from the day we started we are continuously increasing capacity by debottlenecking and adding the capacities in last two to three years. And we have plans to further add capacity in next one year and then again in the next second year. So, this is a continuous exercise, which we keep doing based on the demand which we see going up.

Ranveer Singh: Okay. And lastly, so for a full year, can we expect similar kind of EBITDA margin for a full year what we have achieved in nine months?

Rajesh Srivastava: See, this is something we don't commit, because committing margin is very difficult. So, what we can only tell you, the demand is stable. We are seeing strong demand. Pricing, we don't see any challenge right now. The availability is not an issue. So, I don't see that there is a challenge in Vitamin business growth, only thing is difficult to give you a scenario or a commitment on margin side.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Edelweiss Financial Services. Please go ahead.

Rohan Gupta: Sir, a couple of questions. First is on this commissioning of Diketene plant which we are planning to commission in the current quarter. How has been the customer response in terms of product development, we must have got some products approved from them? So, I also wanted to know how fast we can escalate this plant in terms of utilization level going forward?

Rajesh Srivastava: So, as I have mentioned earlier also this Phase-1 as you know, we are building up 6,000-ton capacity, which should be ready very soon. And we are very confident that in the fastest period of time we should be in a position to sell the volume.

Rohan Gupta: So, the product approvals and everything are in place and maybe that 6,000 tons gives roughly close to Rs. 300 crore to Rs. 350 crore kind of revenue potential in my guess, can we achieve it by end of FY '23, sir?

Rajesh Srivastava: I don't know where do you get this Rs. 300 crore revenue, but I can only tell you 6,000-ton we will be in a position to sell within a year's time definitely.

Rohan Gupta: Okay. Sir, second question is on the life sciences chemicals business. So, I understand, sir, current quarter spreads have been better in acetic anhydride, ethyl acetate both on Q-on-Q basis. While the raw material acetic acid prices were stable, but we have seen some improvement on the product prices, but that is not getting reflected in profitability from life sciences. So, is that the benefit have yet to come? Or despite spread being better in Q3 any particular reason that why it's not reflecting in the current quarter?

Rajesh Srivastava: I don't understand what is the meaning of the spread you're saying because in Q3, we are in a position to get volumes both ethyl acetate and anhydride. And also, the prices have been better. So, I don't know what you're highlighting. Can you please clarify what you're asking?

Rohan Gupta: Sir, in Q3, we have seen that the acetic acid, which is a key raw material, the prices of that was at similar level what it was in Q2, while ethyl acetate and acetic anhydride prices have gone up in Q3. Even when we are during our Q2 con call, we were highlighting that probably the life sciences business profitability is likely to improve or the margins will improve going forward. But in terms of absolute number, the current quarter it's similar to what we had in Q2. So just wanted to understand that any particular reason that why life sciences business profitability has been remained at the same level as it was in Q2?

Rajesh Srivastava: Okay, understood. So basically, what you're saying is right, acetic acid more or less was same, not same, it was little lower than Q2 on an average basis because it started with a high price in the quarter beginning, but later it went down. So, it was little lower price. Now, during the quarter the prices of ethyl acetate and anhydride was normal, it was not very high in quarter three. In quarter two, also it was the normal price. Quarter one you are right there was some positive impact on prices because of market condition. So, quarter three was more or less normal demand except for ethyl acetate we had some good pricing in export market. So, I don't think we were expecting very high prices during quarter three, we had expected the similar prices and we achieved that.

Rohan Gupta: Okay. Sir, next question is once again going back on the previous question. Sir, you mentioned that Rs. 250 crore to 300 crore is a full revenue potential from Diketene at 6,000 ton is probably not the right estimate, which I have. Sir, can just share that at full utilization of the 6,000 tons Phase-1 plant in Diketene, what can be the new potential one can expect from that, sir?

Rajesh Srivastava: Yes, so, what we had said earlier that our both Phase-1, Phase-2 of Diketene should give us the revenue of close to Rs. 300 crore, you are right. But that is Phase-1 and Phase-2. So, Phase-1 is 6,000 Tonnes, Phase-2 will be additional 2,000 Tonnes which is value added product further. So, that is the value addition which we will bring in Phase-2, so that's the total you are talking, not in Phase-1.

Rohan Gupta: Okay. So, large part of the revenue being in a value added or probably margin accretive, Phase-2 will be more profitable than Phase-1?

Rajesh Srivastava: I would say that not large part, more or less equal revenue from both, because there the volumes are less, but the value is high, here the volumes are large value will be lower. So, more or less it will be equal bifurcation in terms of revenue. But in terms of, of course, the profitability value added should give better profitability.

Rohan Gupta: Great, sir. Sir, we are achieving almost debt free balance sheet by end of this year, you've already retained a substantial part of large debt, I mean long-term debt in the current quarter. With a solid cash flow generation, and probably our CapEx, we'll be short of the cash flows, which we'll be generating. Sir, any thought process further on terms of CapEx plan or increasing this current CapEx guidance because of the cash flow generation will be pretty healthy.

Rajesh Srivastava: Yes, so, in the last call also, we have mentioned that we have a very strong pipeline of almost 34 new products, which we are planning to launch in next three to five years. So, we are in the process of going through our long-term planning during this month, in the month of February and post that maybe sometime in the next call, we will see if we have to make some additional announcement of further CapExes for those new products to be launched. So, I think we will come back soon on the future investment plan.

Moderator: Thank you. The next question is from the line of Sunil Kothari from Unique Portfolio Management Service. Please go ahead.

Sunil Kothari: Sir, my question is, I would like to understand from you compared to say last one, two or three years, the way opportunities opening up for people like you who is having a very long-term experience of this field having -- across the globe having a very major clients and long-term relationships, and way the we are investing do you think that this opportunity is increasingly becoming very possible and feasible to grow faster, and you may be growing faster than what you are thinking or whatever your objective is? Would you like to say something on opportunity available China plus one strategy perception from two, three peers' point of view?

Rajesh Srivastava: In nutshell, I would say you're right, that our opportunity of growth is tremendous. And positive part is that we are ready with the new product pipeline and our very strong financial position. Now these two things gives us an edge over anybody else to make the future investments and growth plans very positively. And you're very right that our growth could be faster than what we have envisaged and also has given in the announcement.

Sunil Kothari: Great, sir. And sir my second question is looking at our every new project, I think, we continuously talking about integration, backward integration and then value addition. So, would you like to comment the possibility of EBITDA margin, which is sustainable, not like Life Science segment sometimes 20%, sometimes 14%, but as a company as a whole, this 20%

plus minus EBITDA margin over a year or two or maybe three is a base limit one should understand or there is a possibility of crossing that numbers is also there.

Rajesh Srivastava: If you see our spread of revenue, I think the current revenue spread, 55% comes from life sciences chemicals. And 45% comes from Nutrition and Speciality Chemical. Going forward after one year or let's say during this next one year, when these CapExes will start coming up, most of our new products will be added up with the speciality chemical and higher value-added products. So, obviously, our revenue product mix will change and the moment revenue product mix changes towards higher revenue percentage on speciality and nutrition, you are absolutely right, our margins should start firming up and we should be in a position to deliver a consistent margin 20 plus, which you are expecting for. And obviously all this will happen based on all the new CapExes and they will start coming we'll start selling, so we are expecting the same thing. Even in the last couple of calls, we have mentioned the same thing that our most of the new CapExes are on value added, they are going to give us better margins. So, obviously, our overall margin situation will be a little bit you know safeguarded in terms of fluctuations in Life Science chemicals business.

Sunil Kothari: Sir, my last question is looking at the opportunities and the preparedness we are already having, which are the major challenges or which are the major areas on which you, as a top manager, focus on and want to overcome and which are the area which you would think that we can further improve upon internally?

Rajesh Srivastava: So, number one is the efficiency, continuous improvement on efficiency. Number two, ensure that all the new project comes on time. Number three, make sure that your people's pipeline is well built. And you ensure your top performer and all the critical people are there with you. And obviously your relationship with customer and market reach all these three, four things which are our top focus should give us the growth opportunity, which we are talking.

Moderator: Thank you. The next question is from the line of Malay Sameer from Breakthroughs in Stock. Please go ahead.

Malay Sameer: Congratulations, Mr. Srivastava For having a superb nine-month period in FY '22. Congratulations to the management team. And I would also like to thank you for being very transparent in giving the details for margins and revenue and guidance for all your three segments. My question here is something to do with macro issues. I would assume that FY '22 was a very strong year for us. One, because we've moved forward in terms of making superior products. And secondly because the supply from the Chinese market was restricted. Now, if I were to look at future on a very high base that we are expected to be doing in FY '22, do you have, number one, any guidance for us as to the kind of growth in all the three segments put together that you would do in FY '23 onwards? That's the first question.

And the second question I would have is, if I were to play a devil's advocate and see that some of the capacities which were restricted in China in FY '22, if they were to be getting released in FY '23, then what is the plan B for the company to defend its margins? And when I talk of margins, I don't talk of margins in percentage, but margins in absolute terms.

Rajesh Srivastava: Okay. So it's a very lengthy question, but what I've understood, let me try to answer your question. First of all, be very clear that FY '22 though, was a very difficult year for Chinese, but if you look at our product segment, it is not that we have got something very positive because of China impact. What we are definitely getting positive because of China impact is for the future, not for the current. So, all future projects, which are coming up now are actually towards positive for us. So, to say that FY '22 was the best and future will not be the better, I don't buy that, particularly for our kind of product. Because in our case, we are going to see better futures, because all the new products we are talking, the demand will be better, the competition from China, we are trying to see that that should not be as high as we have been facing earlier because now the customers are also positive towards sourcing from India. So, I think the future is going to be better than FY '22. I don't see there is any challenge there. Hope I have answered your question.

Moderator: Thank you. I request all the participants please restrict to two questions per participant. If time permits, please come back in the question queue for a follow up question.

The next question is from line of Suhrid Deorah from Paladin Capital. Please go ahead.

Suhrid Deorah: Hi, good afternoon. Just wanted to ask if you can share volume data for each of the segments?

Rajesh Srivastava: You are asking volume growth or you're asking specific volumes data?

Suhrid Deorah: Volume sold.

Rajesh Srivastava: Volume sold is very difficult to give you product wise.

Suhrid Deorah: You can give a segment wise, we can lump it up together, so that we can figure out average realizations and average margins and so on.

Rajesh Srivastava: I think it'd be good, if we can talk separately, we can give you some indication on volume. Is it okay? We don't have that exact number what you are talking.

Moderator: Thank you. The next question is from the line of Prakash Kapadia from Anived Portfolio Management Service. Please go ahead.

Prakash Kapadia: Yes, thanks for the opportunity. I had couple of questions. Given, what we are witnessing, as demand currently, and what we are working in terms of new product pipeline and given the cash flows, what we are generating, isn't there a possibility and a probability to double our revenue is much faster than FY '26? Because we can do incremental CapEx, we can cross sell to some of our existing customers, so some thoughts on that. And secondly, for us what kind of asset turn range should we look at? Obviously, it's a function of end product prices also. So is two the right range, two and a half the upper range, if you could comment on that, that'd be helpful?

Rajesh Srivastava: So, first question, if you see our statement, we say we want to double the revenue from the base of FY '21. Now, we didn't know that the raw material prices will go up so sharply. Now, if the raw material prices remain at the level they are today, you are right, that our revenue double can happen faster than what we have committed. So that's number one. Number two, I think the question you have asked on -- can you repeat the question number two please?

Prakash Kapadia: Yes. You know from a asset turn perspective.

Rajesh Srivastava: Yes, asset turn, we have said earlier also that most of our products, which we are talking about our speciality and nutrition in the new plant and new investment, we will be close to two asset turn which we have said earlier on.

Prakash Kapadia: Okay, okay. Two seems a benchmark. And if the demand scenario continues of what we are seeing currently, and the end product prices remain, is it fair to say FY'25, we could double revenues on the current capacity?

Rajesh Srivastava: So, you want my commitment, but I can only tell you…

Prakash Kapadia: No, no, I'm looking at the direction,

Rajesh Srivastava: Direction, yes, direction I have said to you that since the prices are higher, we don't know what is going to happen to the prices of raw material. But if they remain as of today, as I said earlier, we should be faster than we have committed.

Prakash Kapadia: And also, the new product pipeline or incremental CapEx. So, today obviously We are planning based on a certain capacity demand scenario and a certain CapEx given the cash flows, which we'll generate. Incremental CapEx can lead to faster revenues is what I was trying to understand.

Rajesh Srivastava: You are very right, what we are going to do is that when we do our long-term exercise this month, we will also review that and come back to you with a clear statement with both new investment plan as well as our revised estimate of revenue growth. We will come back to you.

Prakash Kapadia: Sure, that will be very helpful. And as I see the PPT, we've declared an interim dividend. So, if you could comment on our dividend payout policy?

Prakash C. Bisht: Yes, so our dividend payout policy, it's already given also on our website. Broadly, if you would see that, we consider both external factors as well as the internal factors, while deciding a dividend. So, on the internal factors, we see that what are the growth projects that are going, what is the cash flow situation and on the external factors, we see the overall environment. And having said that, we also look at certain part of our profits, which needs to get distributed. So based on all these sectors, the distribution of dividend decision has been taken. And since we had a good year, this year, we were generating good profits. So therefore, the board has kindly approved an interim dividend.

Prakash Kapadia: So, is it like minimum 30% of PAT post CapEx or 40%? Is there some range which we can?

Prakash C. Bisht: So, as a range, I am not committing you as a number. But if you see our history of our erstwhile Jubilant Life Science, and currently what we are doing as Ingrevia, you will definitely find the pattern.

Moderator: Thank you. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

Alisha Mahawla: Sir, just wanted to understand, firstly, with respect to your speciality chemical business, can you explain the reason for the growth on Q-on-Q basis from last quarter to this quarter?

Rajesh Srivastava: So, one is that some of the product demand has increased and we have done some debottlenecking of capacity. And our existing products volume requirement also have increased. And the third is the pricing, which has been better. So, these are the three key reasons for our growth in speciality chemicals.

Alisha Mahawla: Sure. And, sir, the next question is, across segments, is it possible for you to share the volume and the realization growth?

Rajesh Srivastava: We don't have number and so maybe as we said earlier, we can talk separately, we can give you some indications.

Alisha Mahawla: Sure. And sir, just one last question, what I understand from the presentation is that Phase-2 of the Diketene is expected by end of '24 whereas Phase-1 is expected to be utilized in ‘23. Why such a large gap in on streaming the second phase, when we know that the earlier capacity may just be utilized much sooner?

Rajesh Srivastava: No, I don’t think we have said Phase-2 will come end of ‘24. We said once we start Phase-1, we will immediately commit Phase-2. So, I don’t think we have said it will take two years. So, as soon as we start phase one within few months, we will commit Phase-2 and we should be ready in three to four quarters of the committing.

Moderator: Thank you. The next question is from the line of Pritesh Vora from Mission Holdings. Please go ahead.

Pritesh Vora: My question is one of the largest questions, sir, that considering China plus one strategy whenever we talked about any chemical companies. So, are we specializing a particular chemistry or a process for our growth, we have seen numerous industries and numerous companies specializing one line of chemicals and they’ve grown back of that? So, what is our overall strategy to grow over business?

Rajesh Srivastava: So, Pritesh, if you’ve followed us, we have very strong platform chemistry, where we have been working for last 40, 45 years, let me take you through some of them. So, we are one of the very large producers of acetic anhydride, which is a premium raw material-based product, and we are globally number two. Now, here we have been working for 45 years in this chemistry platform, and we have become number two in the world.

Now, we are also having other products like Pyridine derivatives, we have almost 35 Pyridine derivatives, which we are selling to global markets. So, all these products are very niche, which we have been selling for last 40, 45 years in the global market, and we have been adding chemistry platform year after year. And some of these chemistry platforms are the technology which we are using to produce our products are very niche, they are not done by many companies in the world. So, whether it is Pyridine derivatives, whether it is acetic anhydride chemistry, hardly three, four companies are there in the world. And like Vitamin D3, we are number two in the world and there are hardly four, five producers in the world.

So, we are not a company, which are going to get the growth only because China plus, because of some new inquiries coming from customers. We have our own strong product platform based on our own developed technologies, and we are the global cost position and integration. And with that, we have been growing continuously for many years and we have plans to grow in future.

So, it is not just China plus looking at the new inquiries from customer and then look for the growth. We have a very set plan; I have stated earlier also in the call. We have new product pipeline, which we have been working for many years, using various technologies and chemistries which are required by global customers and not done by many companies in the world.

Pritesh Vora: No, I fully understand, sir. And we are investor in your company. So, I fully understand. My question was the largest point of view thats why can't we just go after this opportunity say Diketene family or something like that? Why we wait for further? Why can't we specialize and go after some selective molecules and increase our business over a period of time?

Rajesh Srivastava: No, we are doing that, but please appreciate that putting up the facility takes a little bit of time. And also, it's easy to say that we want to go after this, but then put up the capacity, make a quality product, sell it to the customers in a satisfactory way takes a little bit of time. But as we have demonstrated in the past, that wherever we enter in the products, we will take global positions very fast. So as far as speed is concerned, you don't have to get worried, we will catch up the speed as soon as we feel confident in that product. We will move fastest when we will move. You're very right. So not that we are waiting for something, as soon as we will launch, we will go after the volumes, that's not a problem.

Moderator: Thank you very much. And I'll hand the conference over to the management for closing comments.

We thank you for joining this call, if you have any questions, both Rajesh and Prakash will be happy to take it forward.

Ends- This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of Accuracy.