February 2, 2024

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

Scrip Code: **543271**

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

Trading Symbol: **JUBLINGREA**

Dear Sirs,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of the Investors' Conference Call for the quarter December 31, 2023

Pursuant to Regulations 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose the transcript of Investors' Conference Call for unaudited financial results for the quarter ended December 31, 2023, held on Tuesday, January 30, 2024.

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

https://www.jubilantingrevia.com/Uploads/files/12q2consfileJubilantIngrevia-ConCallTranscriptQ3'FY24Final.pdf

We request you to take the same on record.

Thanking you,

Yours faithfully,
For Jubilant Ingrevia Limited

DEEPANJALI GULATI
Digitally signed by DEEPANJALI GULATI
Date: 2024.02.02 19:19:10 +05'30'

Deepanjali Gulati
Company Secretary

Encl: as above

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

Q3 & 9M FY24 Earnings Conference Call Transcript
January 30, 2024

Moderator: Ladies and gentlemen, good day and welcome to Jubilant Ingrevia Limited's Q3 and 9 months FY24 Earnings Conference Call.

As a reminder, all participants' 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 "*" and then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pavleen Taneja, Head of Investor Relations. Over to you, sir.

Pavleen Taneja: Good evening everyone. Thank you for being with us on our Quarter three and Nine Months of Financial Year 2024 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. Deepak Jain – CEO and Managing Director, Mr. Prakash Chandra Bisht– CFO, Jubilant Ingrevia Limited and Mr. Arvind Chokhany Group CFO, Jubilant Bhartia Group.

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

Shyam Bhartia: A very good evening to everyone. Thank you for joining us on Q3 and Nine Months of financial year 2024 earnings conference call of Jubilant Ingrevia limited.

We are pleased to announce the stable business performance for Q3 amidst the continued challenging market conditions.

We are also glad to share that the Board has recommended an interim dividend of 250% i.e. Rs 2.50 per equity share of face value of Re 1 each for the FY'24. This shall result in cash outflow of Rs 39.8 Crore.

Let me first take you through the overall Macro Trends, Globally we see the following trends in Life Science business:

The Agrochemicals sector, continued to witness sluggish volume pick up globally. Although we believe that the inventory de-stocking is in its last leg, but the broader challenges to the sector still prevail. Prices globally were under pressure on account of excess Chinese supply, at very low prices. Consequently, the agrochemicals intermediate business was affected, both on volume and prices.

In the Pharmaceutical end-use segment, we saw steady growth on YoY basis, resulting in healthy placement of volumes across the value chain at and stable price environment.

In segments like Feed, Food, Cosmetics and FMCG, we successfully placed good volumes in the markets and maintained market share, however pricing recovery was muted due to aggressive volume push by the competition.

As we draw near to closing the financial year, we are hopeful and continue to have a view that the Agrochemicals segment would witness recovery from H1 of next financial year. We anticipate signs of pickup in volume by the end of Q4 FY2024.

As a key supplier to global agrochemical companies we are confident of our role in managing the transition of supply chain sourcing away from China. We are witnessing continuous interest and inflow of inquiries from global agrochemical clients, where these inquiries are also graduating towards advance stage discussions, and we are confident to meeting their long-term requirements, in the times to come.

On the input costs front, we kept costs under control through lean initiatives. The energy costs were also maintained at reasonable levels through sourcing coal at optimal prices and other efficiency and mix initiatives.

Driven by robust domestic consumption, we expect the Indian market fundamentals to remain strong and fuel further growth for us.

As we have remained on track towards investments in high-potential categories through our well defined modular capex plan of Rs 2,000 Crore till FY 2025, we remain focused to deliver structured growth in future.

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

Deepak Jain: A very good evening to all of you.

Thank you, Mr. Bhartia. A very good evening to all of you!

At the outset I would like to thank you all for joining us today for Q3 & Nine Months FY24 investor call of Jubilant Ingrevia Ltd.

Let me now take you through the overall business and financial performance along with Key Highlights of the Company for the third Quarter of Financial Year 2024.

At an overall level, the last quarter remained a challenging quarter for global and Indian chemicals industry, driven by subdued demand in key end-use segments such as agrochemicals and continued price pressure across segments.

The demand traction for Specialty Chemicals Business from Pharma end-use segment witnessed improvement, however pricing is yet to witness a recovery, whereas Agro Chemical demand continues to remain impacted on account of lower volumes and prices, with the overall market situation remaining challenging.

In the Nutrition and Health Solutions business segment, vitamin demand was stable, however we witnessed increased competition from Chinese suppliers, due to which Niacinamide pricing remained under pressure.

In the Chemical Intermediates business segment, we continued to witness muted demand in some of the downstream industries including Agrochemicals and Paracetamol. Softer Paracetamol market also led to reduction of overall revenue from Pharma end use despite strong growth in Specialty and Nutrition end-user markets for this segment. We also witnessed lower realization against the pass through cost of Acetic Acid during the quarter leading to lower revenue in the segment.

As informed by Chairman, we are encouraged by continuous interest of global agrochemical clients for supply chain transition away from China and we are confident of capitalizing on this opportunity in the times to come. We are in advanced stage discussions for strategic partnerships with several key innovators.

On the customer front, we are continuing to witness healthy enquiry traction with several customers across Acetyl and Specialty Chemicals businesses for longer-term contracts. In the CDMO business, we have a healthy pipeline across pharma, agrochem, fine chemicals and semi-conductor chemicals.

Our major capex projects are on-track as planned. We commissioned one agro intermediates plant towards the end of the last quarter, while the Diketne derivative expansion and another agro active cum intermediate plant are planned for commissioning in Q4'FY24.

The capital expansion plan demonstrates our commitment and strategy to structurally expand and shift our business mix towards value-added Specialty intermediates. We are also revisiting our expansion plans for coming years in light of several opportunities where we are seeing increased and accelerated traction from our customers.

As communicated in previous quarter, with the help of our project Lean initiatives we successfully kept our costs under control and brought our working capital down. Further, we also continued to source coal at optimal prices and deployed other efficiency and input material mix initiatives to improve the overall energy cost .

As we move into Q4 of financial year, our channel checks and client's order bookings for the next year indicates that the Agrochemicals segment may start witnessing recovery from H1 of next financial year, however we also anticipate some early sings of volumes recovery during the end of Q4 FY2024.

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

Specialty Chemicals: During the quarter, Lower volumes driven by lower demand of agro chemical end-use induced pressure on margins of Speciality Chemical Business.

Although, Agro Chemical market witnessed decreasing pressure form de-stocking during the quarter, the influx of material from surplus Chinese capacities mitigated the demand and price pickup.

Pharma end-use demand witnessed improvement, however pricing in the end-use segment is yet to witness recovery.

On the back of good Pharma demand our share of revenue from Pharma End-use customers improved on YoY and QoQ basis, wherein we also added 38 new customers to our speciality chemical business segment.

We also witnessed steady demand for our products from Domestic markets, wherein North American region also performed well, whereas muted demand continued in Europe, owing to downstream industry slow-down in the region.

Our CDMO business continued witnessing positive traction during the quarter, wherein we are very hopeful of closing strategic partnerships with large global clients, on the back of firm enquires.

We are witnessing positive momentum in our Diketene range of derivatives, wherein we also operated our Diketene plant at optimum capacity utilization during the quarter. Our expansion of Diketene derivatives is also in progress, and we are expecting the commissioning of the new Diketene derivatives plant to take place during the Quarter4 of FY24.

Under Microbial control solutions, we expanded capacity of Pyrithiones to cater to increased demand. Witnessed continued healthy traction in Pyrithiones business, new customers and product approvals were also added.

We commissioned a multi-purpose Agro Intermediate plant towards the end of Q3’FY24. Further another Agro Active/ Intermediate plant to be commissioned in Q4’FY24

Now moving on to our Nutrition & Health Solution Business Segment

During the quarter, Revenue & EBITDA within the segment grew on YoY basis, primarily led by improved demand and price recovery in major products.

Vitamin demand during the quarter remained stable, whereas we also witnessed competition from Chinese suppliers.

• We observed downstream industries continuing to maintain lower inventories across regions, wherein Niacinamide pricing also remained under pressure.

Customers seems to be in wait and watch mode due to prices continuing at lower levels.

We witnessed marginal uptick in prices in the month of January, which we hope shall continue.

Our Nutrition & Health Ingredients (NHI) business witnessed improved demand from Food segment end-use on QoQ and YoY basis, wherein we acquired 12 new customers during the quarter.

Our Animal Nutrition & Health Solution (ANHS) business, witnessed demand traction in premixes especially in Mineral premixes, Emulsifiers, and Chromium & Herbal formulations

We continued our focus on increasing market share in Feed segment and acquired 17 new customers during the quarter.

We are continuing to prioritise improving volumes and market share from customers in niche segments of Cosmetics and Food grade end-use.

Our capex for GMP compliant facility for expansion of Food & Cosmetic grade Niacinamide is expected to commission in Q2 of FY2025

We are also planning to enhance capacity for Choline & Specialty Premix products and for Food Grade Vitamin B4 (CC/CBT)

Now let me throw some light on our Chemical Intermediates Business segment.

During the quarter, revenue within the segment was lower mainly due to muted market environment in end use industries which maintained low utilization and lower inventory levels, leading to lower volumes in the segment.

Despite the challenging situation the business continued to maintain its market leadership for Acetic Anhydride in domestic as well as international markets, and added 27 new customers during the quarter.

We Improved share of domestic sales on YoY and QoQ basis by taking initiatives to promote sales with small Indian Manufacturers for augmenting domestic market share with value added product sales.

During the quarter our new Acetic Anhydride plant at Bharuch operated at optimal utilization level.

Lower demand in Ethyl Acetate continued during the quarter.

In order to scale our volumes in the segment, we are continuing focusing on volumes-based contract with global customers.

Now let us discuss the overall Financials of the company:

The overall revenue during the quarter stood at Rs 966 Cr, as against Rs 1,158 Cr in Q3'FY23, the decline was due to lower revenue of Speciality and Chemical intermediates segments.

The EBITDA for the Quarter stood at Rs 104 Cr, as against Rs 158 Cr in Q3'FY23. The lower revenue in Specialty and Lower realization in Chemical intermediate led to decline in EBIDTA margins, the reasons for the same were explained during the business commentary.

The capital expenditure incurred during the Quarter was Rs. 123 Cr and Rs 429 Cr during the Nine Months of FY2024. The expected capital expenditure in Q4 is around ~Rs 190 Cr. Majority of this expenditure will be in Specialty and Nutrition Segment towards Agro Chemical plant, Food and Cosmetic Grade Niacinamide, Value added derivatives of Diketene, and towards New Boiler and Power Plant at Bharuch.

The Net Debt of the company as on 31st December, 2023 was Rs. 636 Cr and Net Debt to EBITDA ratio was at 1.36 times on the basis of trailing twelve month EBITDA. We decreased the Net Debt by Rs 65 Cr during the quarter through release of working capital by focused lean initiatives. Consequently Net Working Capital 'Percentage to Turnover' for Q3 FY'24 was sequentially lower at 20%. We hope to reduce our debt levels further in coming quarter on the back of continued Lean initiatives.

The company continues to remain under the old tax regime and the ETR for FY24 is like to remain in the range of 29 to 30 %.

As we move forward, I would also like to share some updates on a few strategic Initiatives undertaken in recent times.

The leadership team of Jubilant Ingrevia conducted an Ambition workshop recently to jointly redefine our new Compass and bold growth ambitions. With that, we kicked off the exercise to redefine our next 5 year growth strategy. We will be able to share the specific actions from the new strategy in coming quarters

On the Energy Efficiency front, we activated program to Improve power mix towards renewable power, grid power and Power Purchase through exchanges in addition to Captive generation. With the help of this initiative we expect our share of renewable power to increase to 4x by FY2028, and also reduce our average power cost significantly in coming years.

On People front, we have taken initiatives towards having 50% Multi-skilled Manufacturing workforce, towards achieving higher workforce agility, efficiency and diversity.

We are leveraging our Research & Development capabilities, through our newly commissioned state-of-the-art R&D lab at Greater Noida to explore new products like Electronic & semi-conductor chemicals and fluoride based chemicals.

On the Digital front, we progressed with our program 'Surge', which is focussed towards enabling transformation of business processes across Manufacturing, Supply Chain & Sales through digital interventions. We have rolled out Multiple digital initiatives to improve our yield and efficiency, the full impact of these will be realised in next financial year. With this, I would like to conclude our opening remarks. We will now be happy to address any questions that you may have.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We have our first question from the line of Divya Sethi from Electrum PMS. Please go ahead.

Divya Sethi: Sir, globally, I understand that the agrochem industry is facing challenges, and like you mentioned that the improvement might be seen in the H1 of FY25, will it be fair to say that we are already at rock bottom, or is the worst yet to come? If you could give us an idea on the best and worst case scenarios for the next 2 to 3 years, that will be really helpful. And my second question would be to understand the contribution of CDMO business to the total revenue that we are doing.

Deepak Jain: On your first question on agrochemical market, you are right – at least the general feeling in the market based on all the customer discussions we have done as well as what we can see in terms of our volume trajectory – that we have hit the bottom. And I say that because the destocking which has been going on for the last 6 quarters or so, we can see as well as we have been hearing from customers that it is at the fag end now. Hopefully, we have already hit the bottom in the last quarter itself and there could be some lingering effects in this quarter as well, but in general, the expectation is that volume growth will start to come by the end of this quarter and will continue into H1 of FY25, as I said earlier. And with that, the hope is, in the next year or two, it may take a few quarters for demand to come back to the normal levels, but we are hoping that the next fiscal year will be a growth year for the agrochemical industry. And once it becomes stable, then it will get back to the normal cycle which the agrochemical industry goes through, which is a positive cycle for the next few years. On your second question, I think the CDMO business, as I have said I think in the last call as well, is a meaningfully large business in our Specialty Chemicals, and it is expected to grow very fast. It's the fastest growing business in our portfolio, and we are hoping that in the coming years, that will be the biggest driver of our Specialty Chemicals portfolio. And it will grow on the back of growth coming from multiple end-user segments. We obviously have a significant portion of that today coming from pharma, where we are continuing to get good traction from the customers but increasingly, we are also getting traction from agrochemical customers for long-term arrangements, and we also have some few inquiries in the semiconductor space.

Divya Sethi: Can we quantify it in numbers like the total revenue that we have done Rs. 966 crore for this quarter? How much was CDMO's contribution?

Deepak Jain: Divya, we don't disclose the numbers at BU level, as you know. But what I can tell you is, within the Specialty Chemicals, it's a meaningfully large number.

Divya Sethi: Also, on my question on agrochem, if you could give an idea in terms of numbers, again, where are we looking at closing this year? And next 2 years, what are the projections if the situation of agrochem pans out completely?

Deepak Jain: Again, I won't be able to give you any specific numbers in terms of the growth, but as I said, the agrochemical industry is expected to come back to growth in the next fiscal year. And as it comes, we will be able to get to a growth trajectory for the overall business because one-third of our business is dependent on the agrochemical industry; and that part has taken the biggest hit, as I explained in my opening remarks as well. So, at the company level, obviously the agrochemical segment itself will grow in our portfolio, but also it will have a meaningful impact on the overall growth trajectory of the company, and we should be able to see good growth next year as the markets come back.

Divya Sethi: For our estimates, would it be fair to take a ballpark number of 20% to 25% growth year on year?

Deepak Jain: Sorry, I would not like to comment, Divya, on that. It's your model. You should put the assumption you are comfortable with, but it will be a growth year in all likelihood is all I can say.

Moderator: We will take our next question from the line of Harsheel Mehta from Mehta Vakil & Company. Please go ahead.

Harsheel Mehta: Sir, my question was regarding the CAPEX that we are currently undertaking. We have already commissioned an agro intermediates plant in Q3. We have another couple of plants coming up in Q4 in Specialty Chemicals, and then in the Nutrition & Health segment in Q2 of FY25 as well. Sir, what would the outlook for these new capacities be in the coming years, given the subdued market demand in Specialty and the Chinese dumping that's happening in niacinamide?

Deepak Jain: Harsheel, you are absolutely right. There are at least 3-4 of our planned CAPEX or capacity which is coming on stream – just for your benefit, there is an intermediates plant that we started last quarter; there is another agro active and intermediates plant that will start in this quarter; this Diketene derivative that was lined up, that will also start in this quarter; and then we have the niacinamide cosmetic-grade and food-grade plant which will start in May or June time frame, roughly June timeframe – our expectation is, in all these segments, as the demand comes back in the market within the next 18 months or so, we should be able to take the capacity utilization to 70% plus, pretty much the way we have done it for all the CAPEX that we have made in the last 2 years. And that's one question which was there in the last call as well. All the new investments we made in the last 2 years and the capacity which has come on the back of those investments is moving on track as per our original plan. And most of them are already at 70% plus utilization. Similar to that, we are hoping that all this new capacity coming up will get booked in the coming quarters and in another 18 months. And obviously, a lot of it is contingent on the market demand coming back, at least on the agro segment. But the hope is that in 18 months, we will be able to take the capacity to 70% plus utilization.

Harsheel Mehta: Sir, one more question. Would you be able to share some more details regarding the semiconductor chemicals that you referred to in your opening remarks?

Deepak Jain: Because these are very sensitive and confidential projects, I can't disclose too much. But all I can say is, there are at least 4 or 5 customers who have approached us who want us to do production of some of the semiconductor chemicals through our CDMO business on a contractual basis based on their technology that they will provide. We are getting good traction from them. We are in advanced stages of discussions with a couple of them. On the back of that, we hope to increase the size of our semiconductor chemicals pipeline in the coming quarters.

Moderator: We have our next question from the line of Nitesh Dhoot from Dolat Capital. Please go ahead.

Nitesh Dhoot: My first question is on chemical intermediates. I just wanted to check on the ethyl acetate demand. You just mentioned that the demand has been muted. However, one of your large local competitors in the ethyl acetate space remarked about growing market share there with competition getting impacted and not having the cost position and ramping down their capacities. Your comments on that. And if you could just give the capacity utilization currently in ethyl acetate.

Deepak Jain: On ethyl acetate, from a market perspective, obviously there is some impact on the demand, but from our internal planning purpose, obviously, given the nature of that product segment, we are not chasing every demand because the margin structure has to make sense. Ethyl acetate, in general, is a low-margin product. And we, on a dynamic basis, do our planning and take a call depending on the margin we are getting in the market. In the last quarter, particularly because the demand was subdued, we internally prioritized the demand that we wanted to chase where we could get at least some margin. That is the overall situation there. I don't know about the other player you are mentioning, would not like to comment on that, but at least that was our strategy and that has been consistent in terms of how we have been running our ethyl acetate plant.

Nitesh Dhoot: Would you be able to give out the capacity utilization in the last quarter in ethyl acetate?

Deepak Jain: I would not be able to give that exact number for you, but as I said, it's a very dynamic capacity utilization depending on the kind of traction and margins we get in the market.

Nitesh Dhoot: Sir, would it be possible to give out capacity utilization for acetic anhydride including the expanded capacity?

Deepak Jain: What I can tell you on acetic anhydride, as I mentioned in my opening remarks as well, we are now the world leader in the merchant market, and we are maintaining a very high share in the domestic market. We have actually retained our market share in the domestic market, and we have gained share in the European market also marginally. And the second thing I can tell you is the new anhydride plant that we came up with in the last couple of years. Both of them are running at, I think, at least 80% plus utilization from what I remember. We are getting good traction. Obviously, there are some segments of acetic anhydride which have gone through slow demand in recent quarters, and as soon as that comes back, our overall volumes…. And the third thing, by the way, our acetic anhydride volumes versus last year's are higher. All these 3 factors put together; I can tell you the overall utilization has been pretty high. But there is obviously more demand that we are expecting on the back of which our volume should increase in the coming quarters in acetic anhydride.

Nitesh Dhoot: My next question is on the Speciality Chemicals segment. Here, despite the Diketene capacity ramp up that we saw and despite the CDMO capacity commissioning, the revenue has declined both quarter on quarter and year on year. Here, what was the volume decline and how much was led by pricing on the Specialty Chemicals?

Deepak Jain: You are absolutely right. I think the right way of looking at our Specialty Chemicals business is to divide it into 2 parts. There is a part which is dependent on the agrochemical segment where some of our traditional products – pyridine and its derivatives – and a few other products fall in. And then, we have the new products which are coming from, let's say, Diketene derivatives which have largely pharma, cosmetic segment or paint segment focused or microbial products or CDMO products which are all pharma. The agrochemical part of it has declined significantly on the back of the volume decline in the market and also some pressure on the price. The rest of the portfolio has actually grown in terms of volume, in terms of the mix, and EBITDA margins. So, it's a story in 2 parts for Specialty Chemicals. Unfortunately, because the hit on the agrochemical market is very deep, which is offsetting some of the growth and margin gain that we are getting on the other areas where we are getting very good traction and where obviously going forward in future, we will differentially invest more time and CAPEX.

Nitesh Dhoot: Would it be possible to quantify the contribution of Diketene in the Specialty Chemicals revenue – ballpark?

Deepak Jain: I won't be, again, able to give the specific numbers. As I said earlier, we don't disclose our numbers at specific BU levels. But what I can tell you is it's among the fastest growing product segments in our overall specialty portfolio. And overall trajectory is positive in terms of volume, pricing, and EBITDA margins and, of course, capacity utilization, as I said earlier.

Moderator: We have our next question from the line of Harsh Shah from Dimensional Securities. Please go ahead.

Harsh Shah: My first question is on the agrochemical part of the business, as you mentioned that that business has not done pretty well. If we take FY23 as the base – I believe that around 35% or 40% of our total revenue came from the agrochemical segment – could you put a number as to how much that part of the business has come down? And by when do we expect to return to FY23 or maybe FY22 level of business, the normal level of business for agrochemicals?

Deepak Jain: Harsh, the agrochemical business share – you are right – it used to be not 35% to 40%, but at least 30% plus or minus until last year, for about a third of our business. In this fiscal or at least if I talk specifically in the last quarter, it has come down to about a fourth of our overall business. In fact, not one-fourth, it's one-fifth, almost 20%. That is the kind of impact. And as I said earlier, in the overall agrochemical volumes, there has been a hit of even up to 40% to 50% in some segments. That overall impact has led to the reduction in share of agrochemicals from 30 odd percent to close to 20%.

Harsh Shah: Referring to the pyridines and the picolines business, are we seeing any specific threat from the Chinese competitors, and do we expect the pricing to improve from current levels or the current prices will be the new normal going ahead?

Deepak Jain: I think on pyridine and the picoline, the Chinese competition was always there, and we have been competing against them. In fact, as I explained in the last quarter, if anything, the competitive scenario has gotten slightly better in pyridine and picoline with Vertellus closure and we being the only non-Chinese and world's biggest pyridine and picoline player now. Having said that, there has been pressure on pricing, but we are hoping that going forward, the prices should increase. And one of the reasons, of course, for the pricing pressure to be there was because for pyridine, one of the biggest end-user segments has been agrochemicals and because volumes were down there, obviously there was a second-order effect on the pricing of pyridine and picoline portfolio as well. Having said that, to the second part of your question, we have already seen a marginal price increase in pyridine and picoline portfolio in the last few weeks – last couple of months, in fact – and we are hoping that going forward, as the agrochemical demand comes back, the pricing will also start to come back. And obviously, volume will also come back. We, in fact, are already seeing volume booked for our pyridine and picoline portfolio for the next few quarters, which is a good sign, and which again reaffirms our faith that agrochemical demand is gradually coming back.

Harsh Shah: My last question is on the Nutrition segment. Is the competition or the pressure mainly on pricing only or have we lost market share in terms of volume as well?

Deepak Jain: No, we have maintained our volumes. In fact, if I just talk about the first 9 months of the year, Q1 we gained share significantly; Q2 and Q3 volumes have been in line with our expectations and our fair share of the market. It's only the price and that too only in Q3 – because Q2 pricing was also quite good – the pricing took a hit in Q3. There is a lingering effect in the early part of Q4, but we have already started to see a marginal uptick in pricing in the last 15-20 days.

Moderator: We have our next question from the line of Jainis Chheda from Spark PWM. Please go ahead.

Jainis Chheda: Sir, my question was in continuation with the earlier point that because of the closure of the largest player, shouldn't the demand shift back to us since we were the second largest producer and now the largest producer of pyridine and picoline products?

Deepak Jain: Yes, absolutely right, Mr. Chheda, but what has happened in the market is, because 1) the agro volumes came down. So, overall demand is less. 2) Vertellus before it closed down, it provided – based on our intelligence – at least 6 to 8 months of inventory to its customers. While a lot of those customers have already started to reach out to us to inquire for volumes but order booking in a big way has not started. We have gotten a few orders which have not made a huge impact on the overall quantum of the volumes, but we are already in touch with all those customers. We have mapped out all the customers whom our competitor was serving before they closed down and we have started to get inquiries, if not smaller volumes, from all of them. As the markets come back, the demands come back, we are hoping to get a lion's share of whatever capacity which went out of the market because of that closure in the coming quarters.

Jainis Chheda: Is it possible for you to quantify how much the capacity went out and what will be our market share currently in the overall market?

Deepak Jain: There are different numbers obviously we have heard, but what I can tell you is, there was a meaningfully large volume that our competitor was serving from their US plant, but their utilization was only 30% to 40%. And of those volumes, we are hoping to get at least 70% to 80% share.

Jainis Chheda: Industry-wide market share, what was their market share and what will be our market share because of the closure?

Deepak Jain: Our share in the market at an overall level is close to 20%. Obviously, that will go up as those volumes come back and we are able to grab those volumes.

Jainis Chheda: Secondly, 2 small questions. 1) When will we move to the new tax regime? Because, that will have a significant impact on our EPS. 2) And what is our CAPEX plan for FY25 and FY26?

Prakash C. Bisht: Those, we will decide it next year, but most likely we may move to the next year because this year we had a MAT credit which we wanted to utilize. At the end of this year, we will take a final call. But possibility is that next year we may move to the new tax regime. And CAPEX for the next year; we will come back to you after the Q4 because right now, we are going through our strategy as well as our budget finalization. When we come back in the Q4, at that time, we will tell you.

Deepak Jain: Broadly, the CAPEX plan for next year, I will answer it in 2 parts. There is a part 1 which is linked back to the Rs. 2,000 crore CAPEX we had announced 2 years back. That part, as I mentioned in my opening remarks and Chairman also mentioned, stays on track. We had planned for Rs. 2,000 crore. Last quarter I explained roughly it was Rs. 600 crore in each of the 3 years. First 2 years have passed; or by the end of this fiscal year, we will be almost two-thirds done with that CAPEX. Remaining one-third, we already have plans to deploy in the coming fiscal year. When Prakashji said that we will come back with the final number, we are revisiting some of those CAPEX in terms of where we need to take slightly bigger capacities where we are getting some additional traction from our customers or in the product segments. And obviously, there are new opportunities on the horizon always, which have come up in the last 6 to 8 months, which we are considering how to accommodate either in the existing capacities or should we take additional CAPEX. All of those deliberations we are doing as we define our strategy, and we will come back. But one thing stays constant; whatever we announced earlier, that is on track and will happen.

Moderator: We have our next question from the line of Rohan Gupta from Nuvama. Please go ahead.

Rohan Gupta: Sir, my first question is on our agro intermediates MPP which we have commissioned in the current quarter and one more we are planning to go in Q4. Given the weakness in the global agri industry, will we see that the utilization level is still going to remain very poor, or we have got some firm order on agro intermediates from our customers?

Deepak Jain: In fact, Rohan, that is a very good question. But from a timing perspective, our capacity is coming on stream just about the time when volumes are expected to pick up and hopefully even faster than what they were in the last couple of years. Obviously, 1 small plant came on stream last quarter, which we announced to the market. The one which will come up in this quarter is actually at least 4x bigger. If the volumes come back by the end of this quarter, as we are expecting, we should be able to ramp up the capacity utilization faster. And as I said earlier in response to the question Harsheel asked, I think we should be able to take the utilization to 70% to 80% within the next 18 months.

Rohan Gupta: Put together MPP 1 and 2, what is the CAPEX which we have incurred?

Deepak Jain: You are talking about the agro plants or….

Rohan Gupta: Agrochemicals, multi-purpose plants which we have put.

Deepak Jain: I think it goes into a couple of hundred crore, as you can expect. I won't give the specific numbers, but as I said that there are 2 plants, the first one was smaller, which was focused on intermediates; the second one is also multi-purpose, which can do both actives and intermediates. In fact, we already have orders in hand on contractual basis through the CDMO business model to serve at least a couple of customers. And as, again, I said in my opening remarks, there are multiple conversations we are having with global innovators for long-term contractual arrangements to fill up that capacity. In fact, that 70% I am saying with the assumption that it will take time. But if 1 or 2 of those contracts get signed in the next few months, then we can even try to fill up the capacity faster depending on which contracts get signed first. Yes, that's a multi-purpose facility.

Rohan Gupta: The investment you mentioned is roughly Rs. 200 crore, broad number?

Deepak Jain: You can assume what you feel comfortable with. I said a couple of hundred crore.

Rohan Gupta: Sir, my second question is on our comment which we have mentioned on the global agri companies trying to reduce their dependency on China. However, we have seen that a significant disruption has happened from China in the last 1 year. Sir, what kind of confidence do we have in the current scenario that the capacities which are still there in China, and they will keep dumping at the lower prices and which can have a continuous long-term impact on our companies or global companies procuring from

China? Procurement from China may continue. We are still basing our theory that they will try to reduce their dependency on China, but however, it has not happened in the last 1 year. Actually, the opposite has happened.

Deepak Jain: No, I don't think the last part of your statement is entirely true, Rohan. Let me just at least share what we believe based on what we have been hearing from our customers also. 1) At least all the customers we are in touch with, everyone is very explicitly talking about diversifying out of China. They are not going to shut down things in China, but at the same time, they are looking for reliable strategic suppliers from India for their products. And this is happening despite the fact that in some of the product categories, China is selling the same products that we are speaking to our customers about at very low cost in the global markets. So, I think traction-wise, there is not even a single customer which has told me in the last several months that because the China prices are low currently that they will change their overall strategic direction and will not add more suppliers. Secondly, the belief at an overall level is that the low China pricing was a temporary phenomenon. And in fact, I think I mentioned in the last quarterly call also that we are tracking the pricing as well as volumes of all our key raw materials and products. We have already started to see that the prices have stabilized at a certain level, and in some areas, we are already seeing a slight uptick in the pricing as well, which essentially means that whatever dumping which was happening earlier has at least stopped, and in some cases, it has started to reverse as well, which again gives confidence that whatever was happening in the last, let's say, couple of quarters from China was temporary and will not sustain. So, as demand comes back in the market and as Chinese players become hopefully more rational, the combined effect of that should be that people will continue to look for reliable strategic suppliers from India; and those are the discussions we are also having with our customers.

Rohan Gupta: Sir, you mentioned a very important point that the leading player, Vertellus, is getting out of the business, and they filled the inventory 6 to 8 months before closing the operations. As we see that the inventory is getting over with the customers and the markets in agrochemicals picking up, you are talking about taking almost close to 70% market share which Vertellus will be leaving. Do we see that maybe Q4 or Q1 onwards when the inventories are dried down globally, we will be having a significant pickup in our Specialty Chemicals volume, also benefiting from Vertellus getting out of the business and that will drive our operating rates and profitability?

Deepak Jain: Yes, that's the general expectation. As market volumes come back and as some of the customers which were being served by our competitor start to book volumes with us, and that goes back to the overall point I mentioned that starting Q1 of next fiscal in agrochemicals, we are hoping recovery. We will hopefully start to see a volume uptick. In fact, in a couple of products, we are already seeing some signs of uptick even in this quarter that we know. We are hoping that that will accelerate by next quarter. Whether it will happen like a full recovery or part recovery, then we will see. We will start to get more indications, I think, in another month or two as we get into March of this year and start booking volumes for the next quarter.

Rohan Gupta: Sir, will you give your capacity utilization level right now in the Specialty Chemicals at the current level, mainly pyridine derivatives?

Deepak Jain: Our Specialty Chemicals is a very spread out business. As I explained earlier, the right way of looking at that business is there is a part which is dependent on Agrochemicals where pyridine and its derivatives go, largely exposed to agrochemicals. And then there is everything else which is Diketene derivatives, microbial, and other things which….

Rohan Gupta: I was, sir, particularly asking for pyridine derivatives, the segment which can see a significant pickup due to the largest player getting exited from.

Deepak Jain: There, the utilizations compared to previous years were, of course, low because agrochemical volumes have been down. But we are hoping for an uptick in the utilization in the coming 2 quarters.

Moderator: We have our next question from the line of Resham Jain from DSP Asset Managers. Please go ahead.

Resham Jain: Sir, my question is with respect to your comment regarding the CAPEX. You mentioned that Rs. 600 crore is the remaining CAPEX out of that Rs. 2,000 odd crore which will happen in FY25, and beyond that also, you are looking for some more CAPEX plans which you will finalize. Since there was a demerger of the company, I'm asking this question from that perspective. You have maintained your balance sheet in a very decent manner in terms of the overall debt situation, given the current situation where your overall cash profits are closer to Rs. 70 crore to Rs. 80 crore only. How would you balance your CAPEX plans, given the current profitability scenario? Will you still go for those CAPEX by taking debt or you will wait for green shoots to happen and then you will go for those additional CAPEX? Just capital allocation and maintaining that financial discipline perspective, I'm asking this.

Deepak Jain: That's a very good question, Resham. We have done a little bit of modeling there. As I was explaining, for next year, CAPEX is divided into 2 parts. There is a Rs. 600 crore of planned CAPEX, roughly, which we will go ahead with and given our expectations for EBITDA for next year, with market recovery happening in, let's say, Q1 of next fiscal, we are not expecting to increase our debt further if we do only that much. That we are reasonably sure. Of course, if the market recovery gets pushed out by a quarter or two, we will see what happens to our debt level. But even in that scenario, we are not expecting to delay any of our originally planned investments significantly because we believe in that and those are linking back to areas where we are already getting very good traction, be it the Diketene derivatives or our CDMO business or some of the food-grade vitamins business or Choline Chloride business that we have planned. Some of those planned CAPEX will happen, obviously, with the assumption that a recovery will happen. If there is a marginal delay, I don't think we will change those plans and it will not increase our debt from current levels at all. Now, obviously, anything new that we consider and as Prakashji explained earlier, we are going through that exercise internally to see what could be those additional items. I have a fairly high degree of belief that the areas that we are thinking about are the right areas. But obviously, if markets don't come back or if the recovery gets delayed, then we always have the option of taking those new CAPEX beyond what was planned in the original Rs. 2,000 crore plan by a few quarters. That will be the only change. The original plan, as I said earlier, I am repeating, we believe in it, and we will stay on track on that based on the traction we have seen. And if we do that much and with the recovery happening in Q1, our debt should not increase.

Moderator: We have our next question from the line of Pranav Tendolkar from Rare Enterprises. Please go ahead.

Pranav Tendolkar: Sir, I just have 2 questions. One is that after COVID, this is now the third year. And anybody would assume that all the supply chain abnormalities would have normalized. Then, in that case, if Chinese people are still dumping chemicals, what makes us sure that they will stop it after, say, 1 quarter? That is the first question. And the second question is, sir, about CDMO, I heard the comments, and you are mentioning that there are some semiconductor chemicals research projects also in the inquiry stage. Can you just elaborate what is the market size that could open up for us in this?

Deepak Jain: On the first question, Pranav, Chinese dumping, obviously, is very hard to predict what will happen from the China competition perspective. But what I can tell you, as I said earlier on the call, is the volume demand is going to come back from whatever we can see. And once that happens, obviously the level of desperation which is existing today, at least in China, that hopefully should come down. Second thing I can tell you based on the facts and the numbers I have before me is we are already seeing a little bit of rationality coming back in the products we compete in vis-a-vis Chinese players. And I gave a couple of examples earlier – the vitamin B3 business, niacinamide. We have seen in the last 15 days some price increase. A few other products whose pricing we are tracking, and we were seeing very intense competition from China until last quarter, there also we have seen a stagnation in price decline and in some cases even an uptick in the pricing. These factors put together just give us a hope that at least dumping will not happen. In fact, as demand comes back and there is some rationality which comes back to the market, the profitability and pricing should start to come back. That's the hope. Now, obviously, if somebody wants to ruin their P&L completely and continue doing that, that you cannot control. But the indications are it will slow down and hopefully the market will start to see an uptick starting the next quarter.

On the CDMO business, I think I answered that question already. These are initial-stage inquiries from 4-5 customers in the semiconductor space where they are asking us, based on some of the chemistry capabilities we have, if we can make products for them on the back of technology provided by them sometimes and sometimes based on our own capabilities. We are getting good traction. We are in advanced stage discussions. And for us, because so far, we have not been doing semiconductor chemicals, this will be like an entry, and once we get an entry into it, we will figure out the plans to scale it up.

Moderator: We have our next question from the line of Dhruv Muchhal from HDFC AMC. Please go ahead.

Dhruv Muchhal: Sir, the question is on the Life Science or the acetic anhydride business. Is it possible to share what would be the per kg spread – not in numbers but in qualitative terms? What is the per kg spread in this quarter? And say if you have to take an average of the last 4 or 5 or 6 years, how low are they versus that? Just trying to understand, as you know, the business normalizes, where could the numbers settle?

Deepak Jain: Dhruv, I won't be able to give you specific numbers, but as you know, the spread in anhydride business is linked to the pricing or the costing of acetic acid as well. What I can tell you is obviously because of the demand pressure and slightly aggressive competition, the spread in the last quarter has been lower than what the average was for the last few quarters. And as I explained in my opening remarks also, the 2 factors which led to lower demand were, 1) the agrochemicals, because acetic anhydride goes into the Agrochemicals segment in a big way. 2) Paracetamol. As demand for these 2 areas start to come back, we are hoping the volume will increase, and obviously depending on the trajectory of acetic anhydride prices, we are hoping to get back to our normal operating margins, contribution margins. That's all I can say qualitatively. Dhruv, hope it answers at least part of your question.

Dhruv Muchhal: Yes, but the idea was just to get some sense. For example, the spreads in the current quarter and even in the last quarter 2Q, are they 40% or 50% lower than the average over the last 5-6 years? Because, this business is generally a spreads business. That will help us understand the trajectory.

Deepak Jain: I, again, won't give specific numbers here, but I think the drop is not as significant as you just mentioned because then we will be out of business.

Moderator: We have our next question from the line of Tarang from Old Bridge Asset Management. Please go ahead.

Tarang: I have 3 questions. Some of these might have an element of repetition, so please bear with me. The first question is, was this quarter as per expectations when you all started the quarter?

Deepak Jain: Expectations of whom, Tarang?

Tarang: Management. The quarter that's gone by, the Q3 quarter, did it play out the way you anticipated it to play out when you started in, say, October?

Deepak Jain: Yes, for non agro part, I think it's more or less in line with our expectations. Agro part, honestly, I was hoping to see at least some recovery which started to show some early signs towards the end of the last quarter but didn't actually happen in reality.

Tarang: Sir, I asked this because that's the sense that we have picked up or at least have picked up from a host of other companies who are exposed to that industry. Typically, Q2 earnings are held probably 30-40 days into the subsequent quarter. And one believes that one has a good sense in terms of how the current quarter would pan out. But did something go drastically south in the later half of the Third Quarter? Is that how you would probably see it if you were to introspect it?

Deepak Jain: No, not at all. I don't know about other companies, but we have been pretty consistent because, at least since the time I came into this business and started speaking to the customers, I think the hope was always that a meaningfully big recovery in agrochemicals will happen only by Q1 of next fiscal. But the only difference was that we were hoping that the recovery process would start from the last quarter itself, which has not started. And now we have visible signs that it has started. That's the only difference. I don't think we ever announced that especially in the last…. because I ran the last call. I don't think….

Tarang: No, sir, you didn't. And I'm not indicating or insinuating you did. I was just looking at the numbers the way Q2 panned out over Q1. And given the challenges that we faced in the previous year, that was the sense that I had. I might be overreading, but I just wanted to get your sense. That's okay; thank you. Sir, my second question is on pyridine. You are the global leader. China is extremely active in this space. How has the market pricing behavior here been? In your assessment, the realizations that you have seen over the last 6 months, do you think your peer-set out there is making money? I mean, you can never be sure, but I just wanted to get a sense.

Deepak Jain: You don't need to guess that. You just go online and check Red Sun's financial results. They are publicly available. You will get the answer to your question.

Tarang: Sir, this is to the management and Mr. Bhartia. Given the recent developments that we have seen, especially the aggression that we have seen in this industry coupled with whatever is happening in the end market, how has the Project IRR has changed from the time you calibrated the Rs. 2,000 crore outlay?

Deepak Jain: I can start and then Prakashji and Mr. Bhartia can add, Tarang. I think I mentioned in one of the previous calls that when we projected all these CAPEX and then when we approved them because each one of them goes through an approval process, we look at, at least 20% ROCE. That is the internal hurdle based on which we evaluate each of the projects and CAPEX. Obviously, there has been some pressure in certain segments on volume and price, but the internal hurdle is not changing. We still believe and that's why we still are very confident of taking this incremental CAPEX that we had planned 2 years back even in the next fiscal year that we will be able to get back to that trajectory, which will give us 20% plus EBITDA margins leading to higher ROCE. Obviously, because of a little bit of slowdown in volumes and some impact on pricing because of what happened in the last 1-1/2 years, it may just disrupt it slightly, but it won't change the overall profile of this investment.

Moderator: We will take our next question from the line of Sanjesh Jain from ICICI Securities. Sanjesh Jain. Please go ahead.

Sanjesh Jain: Apologies, I am sticking to the agrochemical question again. In post January, agro commodities have suddenly started correcting sharply. The soybean prices are at the long-term median, and corn which is expected to have a larger acreage has actually dipped below long-term mean. Are we moving from a supply side issue to a more demand side issue now? Are we getting any of that kind of a sense when we are talking to the customer?

Deepak Jain: Sanjesh, honestly, not so far. At least, based on the commodity price movement, we haven't heard any impact coming on the demand side. In fact, if anything – and in the last 1 month, I have interacted with at least 10 to 15 of the CEOs or CXOs of different agrochemical companies in different parts of the world – everywhere I have heard that we have bottomed out in the last quarter from a demand perspective. Obviously, if this commodity what you talked about, agro commodity pricing thing sustains, then at some stage there could be some impact. But we can't comment on that right now.

Sanjesh Jain: One followup to that. Some of the companies commented that the buyers, which are agrochemical companies, have pushed their purchases from December to January. And that's why January-February optically looking better may not be a right indicator. Did we have any experience where some of our purchases were postponed from December to January-February and hence the Q4 may look better?

Deepak Jain: No, I don't think so. At least I haven't heard any such requests or any such actions from any of our customers. Given the pressure in the last quarter, in fact, if anything, we have pulled in and convinced some of our customers to do some of the sales early given how much the pressure was. So, it could be either ways, Sanjesh. At least, we haven't gotten any such requests from any of our customers.

Sanjesh Jain: This question was just to understand that is that really early signs of recovery or just another deception? Because the guidance for next year by most of the agrochemical companies is 2% to 3% growth, and I don't see that changing. That's the whole reason. Just to check upon the real recovery in the demand. Thank you, sir, and best of luck.

Moderator: Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to Mr. Pavleen Taneja for closing comments. Over to you.

Pavleen Taneja: Thank you everyone for joining us today. We hope we have been able to answer your queries. For further clarification, I would request you to get in touch with me. Thank you once again for your interest in Jubilant Ingrevia Limited.

Moderator: Ladies and gentlemen, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.
