August 10, 2022

**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**

**Subject: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the Investors Conference Call for the quarter ended June 30, 2022**

Dear Sir/Madam,

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 Un-audited financial results for the quarter ended June 30, 2022 conducted after the meeting of Board of Directors held on Friday, August 5, 2022.

The link to access the transcript of the Investors Conference Call is given below:

https://jubilantingrevia.com/Uploads/files/6q2consfileJubilantIngreviaLimited-Q1FY23ResultConcallTranscript-Final.pdf

This is for your information and records.

Thanking you,

Yours faithfully,
For Jubilant Ingrevia Limited

DEEPANJALI GULATI
Digitally signed by DEEPANJALI GULATI
Date: 2022.08.10 20:47:18 +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

***List of Management Attendees***

1. *Mr. Shyam S. Bhartia, Chairman*
2. *Mr. Hari S. Bhartia, Co-Chairman and Managing Director*
3. *Mr. Arvind Chokhany, Group Chief Financial Officer & Whole-time Director*
4. *Mr. Rajesh Kr Srivastava, CEO & Managing Director*
5. *Mr. Prakash Chandra Bisht President & Chief Financial Officer*
6. *Mr. Pavleen Singh Taneja, Director Investor Relations*

***External Participants during Q&A session***

1. *Tarang Agrawal – Old Bridge Capital*
2. *Rohan Gupta – Edelweiss Financial Services*
3. *Rohit Sinha – Sunidhi Securities*
4. *Bajrang Bafna – Sunidhi Securities*
5. *Vineet Gala – Monarch Networth Capital*
6. *Nitesh Dhoot – Prabhudas Lilladher*
7. *Sunil Kothari – Unique PMS*
8. *Ronil Jain – Electrum PMS*

# Jubilant Ingrevia Limited
Q1 FY23 Earnings Conference Call Transcript
August 5, 2022

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**Moderator:** Ladies and gentlemen, good day, and welcome to Q1 FY'23 Earnings Conference Call of Jubilant Ingrevia Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

**Pavleen Singh Taneja:** Good evening, everyone. Thank you for being with us on our Q1 FY2023 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 Jubilant Bhartia Group.

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

**Shyam Bhartia:** Thank you, Pavleen. We are glad to announce steady operational and financial performance in Q1 FY'23 in the backdrop of inflationary headwinds, leading to higher raw materials and energy costs during the quarter.

In our Specialty Chemicals business, revenue grew 26% year-on-year, on account of strong demand across all our product segments. We witnessed significant increase in input costs, including energy costs, which was passed on partially during the quarter, impacting segment's EBITDA margin.

Our Nutrition & Health Solution business, Niacinamide sales volume were significantly impacted due to spread of Avian and Swine Flu in EU and U.S. regions leading to lower segment revenue and EBITDA. However, the price realization was better during the quarter. This is a short-term challenge in the segment and business continues to maintain its market share and leadership position.

In our Chemical Intermediates business, we continue to witness strong demand resulting into volume growth. Business is maintaining the leadership position of Acetic Anhydride in domestic market and also improving market share in Europe. On Y-on-Y basis, segment has witnessed normalization of market situation and lower acetic acid prices, which is also reflecting in both revenue and EBITDA.

We are fully committed towards our growth aspirations and we are excited to realize the emerging opportunities going forward in our business segments. We are fully confident of moving ahead with our well defined growth CapEx plans, which is supported by our internal accruals. Our aim is to achieve sustainable profitable growth in the medium term. And structurally, we are poised towards moving on to the next tier of performance in our growth journey and margins.

With this, I hand over to Rajesh to discuss the businesses in detail.

**Rajesh Srivastava:** Thank you, Mr. Bhartia. A very good evening to all of you. At the outset, let me welcome you all for joining us today for Q1 FY'23 quarterly investor call for Jubilant Ingrevia Limited. I sincerely hope that you and your loved ones are keeping very well.

Let me now take you through the details of Q1 FY'23 financial and operational performance of Jubilant Ingrevia Limited. Revenue during the quarter was Rs. 1,166 crore, driven by volume growth in Specialty Chemicals and Chemical Intermediates segment. EBITDA during the quarter stood at Rs. 151 crore. During the quarter, we have witnessed significant increase in raw material costs as well as energy costs. However, we have witnessed a significant improvement in our logistics situation.

We remain focused on continuous improvement in efficiencies using various business excellence tools and techniques to maintain competitiveness in ongoing challenging global environment. Sustainability is an integrated part of our culture and purposeful action. We believe in delivering on our promise of Caring, Sharing, Growing. In parallel to sustainability reporting, various ESG initiatives are being taken to enhance and drive long-term sustainable value for all our stakeholders, while minimizing the environmental footprint of our operations.

Under CSR program during the quarter, our team completed the plantation of more than 100,000 fruit tree in the community to ensure green coverage as well as sustainable livelihood to the farmer. Further, we have planned various other CSR programs designed in the realm of Health, Education and Livelihood of community around our facilities.

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

**Specialty Chemicals:**

Revenue of Specialty Chemicals business was Rs. 382 crore and EBITDA was Rs. 64 crore during the quarter. Specialty Chemicals revenue grew by 26% on year-on-year basis, mainly driven by higher volumes across product segments. Revenue share to agrochemical customers grew significantly. We also witnessed healthy demand for oil field chemicals. Segment EBITDA and margin was lower, mainly due to unprecedented and sharp increase in input costs, including energy costs, which was passed on partly during the quarter. Our newly commissioned Diketene plant is now fully stabilized, and we have achieved the designed capacity. We are gearing up to meet the volume requirements of customers in coming quarters.

We are witnessing positive traction in our Chloro-pyridine range of products. Deliveries of our recently contracted CDMO products are happening on time. All our other products in CDMO business are moving as per plan. Our CDMO pipeline is healthy and progressing positively. Our new GMP and non-GMP facilities, which are expected to be ready during Q3 FY'23, will help us in capturing growing demand of CDMO projects. For our other Specialty Chemicals products also, we continue to observe positive traction of demand from both domestic as well as international customers due to China plus one strategy of most of our customers.

**Nutrition & Health Solution business:**

Revenue of Nutrition business was Rs. 150 crore and EBITDA was Rs. 19 crore. Our focus to maximize Niacinamide share in niche segments like Food & Cosmetics is getting positive results. On a year-on-year basis, the volumes in Food & Cosmetics segment continues to see positive trends. However, overall Niacinamide sales volume in Animal Feed segments during the quarter is impacted due to spread of Avian and Swine Flu in EU and U.S. regions, resulted into lower segment revenue and EBITDA, though price realization was better during the quarter. Flu situation in EU and U.S. regions is now improving and is expected to normalize during later part of the current quarter. This is a short-term challenge in the segment and business continues to maintain its market share and leadership position.

In our Animal Nutrition & Health Solution business, our focus is to improve market share of existing products and to further increase revenue by adding new products and new customers for value-added specialty premix. Animal Nutrition & Health Solution business is witnessing good traction for demand from domestic customers.

**Chemical Intermediates business:**

Revenue from Chemical Intermediates segment is Rs. 633 crore and EBITDA stood at Rs. 76 crore. Our key products in the segment, Acetic Anhydride, witnessed strong demand resulting into 22% volume growth on year-on-year basis. On Y-o-Y basis, segment has also witnessed normalized market situation coupled with lower acetic acid prices, which is also reflecting into our revenue as well as EBITDA.

After more than one and a half years now, acetic acid prices seems to be stabilizing. Revenue from Europe and the rest of the world have gone up significantly on Y-o-Y basis. Our market share in Europe has improved significantly and is continuing to grow. We continue to maintain domestic market leadership for Acetic Anhydride and remained a key supplier of Ethyl Acetate. We are witnessing good traction of demand for our new product that is Propionic Anhydride. While we expect to continue our growth in market share in Europe market, we continue to maintain our domestic market leadership for Acetic Anhydride and remained a key supplier for Ethyl Acetate.

**Outlook & Growth CAPEX Plan:**

We expect overall healthy revenue growth during FY'23, led by volume growth in Specialty Chemicals and Chemical Intermediates business segment. Commissioning of our three new CAPEX, that is CDMO GMP CDMO non-GMP and Acetic Anhydride is likely to aid the revenue growth.

In the Nutrition & Health Solution segment, Niacinamide demand is expected to start normalizing during the latter part of the current quarter. We expect our EBITDA of subsequent quarters of FY'23 to improve, assuming no unexpected adverse situation.

We are fully committed towards our growth aspirations and we are excited to realize the emerging opportunities through our ongoing growth CAPEX plan of Rs. 2,050 crore during FY'22 to FY'25 period. We are strategizing towards improving our revenue mix of Specialty and Nutrition segments together to 65% by FY'26 from 46% in FY'22, and we believe this will be a key driver for overall margin improvements.

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

**Prakash Bisht:** Thank you, Rajesh. A very good evening to everyone, and thank you for joining us on Q1 FY'23 quarterly conference call.

I would now highlight the company's financial performance during the quarter ended June 30, 2022. Revenue from operations during Q1 FY'23 was at Rs. 1,160 crore as compared with Rs. 1,145 crore in Q1 last year, registering a growth of 2% on a year-on-year basis. The EBITDA during the quarter was at Rs. 151 crore as against Rs. 287 crore in Q1 FY'22. The margins stood at 12.9% in Q1 FY'23 as against 25.1% in Q1 FY'22. The drop in year-on-year EBITDA is mainly due to normalization of EBITDA in Chemical Intermediates segment, which was high in previous period due to favorable market situation.

EBITDA margin of Nutrition segment were impacted due to lower sales on account of Bird and Swine Flu in Europe and U.S. regions, while EBITDA margins of Specialty segment was impacted due to high energy costs, which were passed on only partially during the quarter. Depreciation and amortization expenses during the quarter were at Rs. 31 crore. Finance cost during the quarter was significantly lower at INR 4 crore versus Rs. 13 crore in Q1 FY'22, a reduction of 68% year-on-year on account of repayment of debt and lower interest rates.

The tax expense for Q1 FY'23 was at Rs. 36 crore. The company will continue to remain under the old tax regime during FY'23 and the ETR is expected to remain in the range of 31% to 32% during FY'23. PAT during the quarter was at Rs. 79 crore as against Rs. 168 crore in Q1 FY'22, witnessing a decline of 53% year-on-year basis due to lower EBITDA.

Gross debt as on 30 June was Rs. 285 crore and net debt stood at Rs. 228 crore as on 30 June, '22. The blended interest rate for Q1 FY'23 was 5.72%, as against 7.09% in Q1 FY'22.

The net working capital percentage and number of days of working capital for Q1 FY'23 on the basis of trailing 12 months turnover were at 17.9% and 65 days respectively. Increase in net working capital is driven by short-term decision to maintain higher inventory to manage uncertainty of market and supply chain situation. The capital expenditures during the quarter was approximately Rs. 77 crore.

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

**Moderator:** The first question is from the line of Tarang Agrawal from Old Bridge Capital. Please go ahead.

**Tarang Agrawal:** Just two questions from my side. So one, the power and fuel expenses, clearly, there was an acute implication in this quarter versus the base. Just wanted to get a sense exactly what happened and how recurrent is it going to be going forward? And number two, in the Specialty Chemicals business was there a substantial contribution of the Diketene capacities or will we see that those volumes come in? How do you see the utilization of that commercialized capacity now going forward in FY'23?

**Rajesh Srivastava:** Tarang, on energy, in our Gajraula plant we use coal for power as well as steam generation. We are allowed to have FSA coal which is the contracted from the Government because of the Government's decision not to supply coal to industries for short-term period, we did not get those volumes which were at a good price and all the coal we had to import from outside which was at a much higher price. That has impacted our profitability for the quarter. This is in the tune of almost Rs. 45 crore. And even today, FSA coal is not available, but we are expecting that from 1st of September, the coal will be now available to us from FSA. The impact which has happened in quarter Q1, partly will also have in Q2. That is one-time impact which we have never seen in the past.

On Specialty Chemicals, the Diketene plant is well stabilized. We have achieved the capacity. Now we are gearing up to supply the volume to customers. The approval processes are on. Some volumes have started happening but the actual real capacity utilization we will see from the Q2, or end of Q3. Q3 onwards, we will actually see the real capacity utilization of Diketene.

**Tarang Agrawal:** Just a follow-up on the power and fuel and the fact that you were able to pass on some bit of it to your customers in Specialty Chemicals, but not fully, at least that's the sense that I got from the press release and the opening address. So going forward, how does that work? Do you believe in your conversations with your customers they're open to, because my sense is, they would also be going through significant inflation in their procurement?

**Rajesh Srivastava:** No. on all of our products, all the input raw material costs we have passed on. This unprecedented increase of coal unfortunately was not fully passed on. We are definitely capable to pass on the prices, but this was really unprecedented. So in future also, whatever raw material price goes up, we normally pass on. We have done that even this quarter. That's why we are saying partly because this unprecedented increase of coal was not fully passed on.

**Tarang Agrawal:** Last question on the Chemical Intermediates business. Given you're gaining market share in Europe and considering the developments in Europe and the end demand for your customer, are you anticipating some sort of softness in that business going forward or do you believe that you'll be able to grow those volumes and gain market share in the manner in which you've been doing in the last two, three quarters?

**Rajesh Srivastava:** Tarang, I mean, contrary to what you are saying, we are saying the European market demand going up. The reason is that there are new uses. for Anhydride as I have been explaining in my last quarters, that Anhydride new users have come which are consuming large volume of Anhydride. And therefore, the demand is much more than the volume which is available. So we have not seen whatever you're saying. In fact, for us, it's the improvement in demand. And therefore, our market share in European market is also growing.

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

**Rohan Gupta:** Sir, a couple of questions and a bit of clarification. First on Specialty Chemicals. Even on quarter-on-quarter basis, we have seen the dip in absolute EBIT or EBITDA. Is it only because of the higher fuel cost and coal cost which you have just explained or there was also some pressure on margins overall basis also or some cost increase which we have not been able to pass on or pass on with a lag?

**Rajesh Srivastava:** I think you are right that quarter-on-quarter, Specialty Chemical reduction is not only because of coal. There are two incidences which happened, which I would like to highlight. One, China was locked down for almost two and a half months to three months in last quarter. And we have a good export of our Specialty Chemical to even China. So we have seen some impact of volume in China and that also was very one-time impact. And the second one is something which we do once in six to seven years in our Pyridines plant. We do catalyst change once in six, seven years. So we did not plan that in this year, but we had to take that catalyst change during the first quarter. So we had impact of some volume in Pyridine also and these two reasons led the Specialty Chemicals quarter-on-quarter to be lower in volume. Otherwise, you are right that this was not only purely on coal.

**Rohan Gupta:** So both of these reasons are one-off and China has improved and this shutdown has?

**Rajesh Srivastava:** Absolutely. So some of the Pyridine volumes, we have not launched, it was only quarter shift. So we are coming back with the better volume in Pyridine as well as China is now picking up in Specialty. So this was mostly one-off. You are right, we would have not seen that gap from quarter-to-quarter.

**Rohan Gupta:** On the coal cost increase which you have mentioned has impacted your profitability up to you mentioned Rs. 40 crore, Rs. 45 crore. Did I get that number right?

**Rajesh Srivastava:** Yes, you are right.

**Rohan Gupta:** So the coal cost still remains. I mean, the Government is still not giving us. The coal cost scenario will still remain the same till 1st of September or it can go beyond that also?

**Rajesh Srivastava:** Yes, we will be higher on cost. But yes, because volumes are improving, we are also trying to improve our pricing to the customer to the extent possible. Definitely, the situation of profitability should be better.

**Rohan Gupta:** Sir, on our Nutrition business, we have seen that there's some kind of dip even on a quarterly basis and some margin compression. Any particular reason that has been driving this business or lower profitability in the current quarter?

**Rajesh Srivastava:** Nutrition business also has the impact from this coal price. On pricing front, Nutrition business stood well in the market. So it's only volume and the cost because of the coal price, that's all.

**Rohan Gupta:** In Nutrition, there is no one-off like it's Specialty except coal?

**Rajesh Srivastava:** No, Nutrition is one-off mainly because of the flu which we highlighted very boldly that in Europe and U.S., no one is in a position to sell Vitamin. And therefore, volumes are lost because of this flu now which now is improving and later part of this quarter is improving and we will see the real long life situation in Q3 up efficiently.

**Rohan Gupta:** Sir, In terms of this Europe's energy crisis what we are hearing is impacting many plants in Europe. And previously, some of the large plants like BASF and all have given warnings that they may see the closure. Do you see that for our business? And I think that we are definitely supplier to some of these chemical players in Europe as well. Do you see that there can be any kind of risk for our products that if those plants goes for closure, our volumes may be impacted in near-term?

**Rajesh Srivastava:** If you see other products which we sell in Europe, they are mostly value-added products. What you are talking about are mostly on building blocks which are most energy-intensive. Our end uses of products are not very high energy-intensive. And the contribution of energy costs to the finished product is not very large which is affecting the overall consumption. So we have not seen any drop in consumption of our product in Europe.

**Moderator:** The next question is from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.

**Rohit Sinha:** Sir, on the Fluorine Specialty business, just wanted to know what kind of progress we have made in this segment and how has been the customer acceptance as of now?

**Rajesh Srivastava:** We have explained that plant is expected to start sometime next year. If you see our detailed presentation, we have said that it will start next year because the product is still under scale-up and we will decide sometime during this year at the end of the year and plant should be ready next year only.

**Rohit Sinha:** How the customer acceptance would be in progress after completing the project then only the samples would be sent to the customers or already those are sent to the customers? As and when it would be approved, we will be starting the commercial production?

**Rajesh Srivastava:** No. We already have a plant, as I said earlier also. We have a Fluorination plant from where we are developing two, three products. So all customer approvals are already happening from the existing plant. What we have announced is that fluorinated derivative volume capacity, that should come. Approval process is not hindered because of not having that facility. We already have a facility for the last two, three years developing the product, which is CDMO product, which will take some time to scale up and make it to the market.

**Rohit Sinha:** If it's possible can you share, what kind of margin profile we should expect in each segment going forward on an annualized basis? As maybe in one or two quarters we may see some volatility, but on an annualized basis, would it be possible to give any ballpark number for segmental margin profile?

**Rajesh Srivastava:** We have been saying that in our Specialty Chemical & Nutrition business, our margin profile currently should be in the range of 18% to 20%. In our Chemical Intermediates business, our margin profile will be close to 10%. That's what we have been saying. And an improvement on this margin profile will happen as and when we are bringing the new capacities on Specialty and Nutrition to expand the ratio of Specialty and Nutrition revenue more, our margins will improve. As of now, you can expect anything between 18% to 20% on annualized basis.

**Rohit Sinha:** So basically, your CAPEX and all which is basically coming up and possibly as you are indicating that maybe Q2 also had some cost pressure. So from second half of FY'23 probably you will be having a better margin profile?

**Rajesh Srivastava:** You are very right.

**Moderator:** The next question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

**Bajrang Bafna:** Sir, on last call also, I was trying to understand the acceptance of green chemicals. So when I say green chemicals, it means the chemistry which is without crude-based starting derivatives. You are the one of the pioneer in that business and having lot of experience of last so many years. And now this de-carbonization is a global story, which is coming up or shaping up very well. So out of your existing product profile, how that ratio is? And the new CAPEX that you are going through, which is close to Rs. 2,000 crore, what is the break-up which is moving towards this non-crude-based chemistry or the green chemistry?

**Rajesh Srivastava:** Yes, I remember you mentioned this point in the last call and we are already going through the process of evaluating our carbon footprint saving because of our greener product, but it will take some time. We are working on that. In addition to that, we are also working on how to bring savings on our carbon dioxide emission with various ESG initiatives, which we have taken, which I already spoke about it in my speech also. Those details will be available after some time, maybe six to eight months' time, probably you have to hold it on. We are definitely working on that on each of our products, plus the new CAPEX which we just said.

**Bajrang Bafna:** Yes, I got that point. But even if not on the ballpark percentage number, I am just trying to understand from a customer's perspective that since the Europe and the developed world wants to use more and more non-crude-based products or these decarbonized products. How they are demanding these products from you? Because we have always seen that the price differential between these products and the crude-based derivatives is always detrimental for non-crude-based products. But since now there is a theory, there is an acceptance. So whether those customers are demanding more and more green products from you and that is why you have come up with this 25,000 metric ton Acetic Acid plants, which will purely come from non-crude-based grain. If you could tell us something about that will be really helpful?

**Rajesh Srivastava:** Acetic Acid case is totally different. Acetic acid is a Green Acetic Acid and the demand is specifically separately for food products. But the product which we are making is Specialty Chemicals and other products. They are used for pharmaceutical and agrochemicals and value-added intermediates. Now in the process they are gaining some carbon footprint. But to the extent whether they will pay us higher price for that, today is a big question mark. But you are very right. Going forward, with the pressure on net zero is increasing and Europe is taking the lead to source the product from the companies who are working on net zero, I think they we will get some benefits in our market share. But other than food grade Acetic Acid, which is used for food, I don't think any products which we are supplying in agrochemical and pharmaceutical will fetch us some better price we have not seen in the market.

**Bajrang Bafna:** Sir, still it is a story of the future, not in the current scenario it is happening?

**Rajesh Srivastava:** And remember, if we are supplying to any food business, absolutely spot on, we will get the benefit. But if it is a non-food business, you said the intermediates, today people are not really looking at that field.

**Bajrang Bafna:** Sir, on the ethanol side, what is the additional capacity that we are putting up which can help us to achieve this green group more frequently in the future?

**Rajesh Srivastava:** We have already said that we are planning for one grain-based ethanol, which again, we have still not committed CAPEX, but it is in our planning. We are expected to do some time in Q3 or Q4. We will announce that. And we will start the process and planning of new CAPEX.

**Moderator:** The next question is from the line of Vineet Gala from Monarch Networth Capital. Please go ahead.

**Vineet Gala:** Sir, if you could elaborate on the inventory gain that we have, because of which the gross margins look really rich. And even with the lower Acetic Acid prices, how did we arrive at this inventory gain element?

**Rajesh Srivastava:** No, you are reading it wrongly. There is no inventory gain in the quarter. You are right, actually, there is a loss of Acetic Acid, because if you remember, we closed the last quarter at around $740 of Acetic Acid and in June quarter we closed at around $540. So there has been some impact negatively. What you see our margin in Anhydride business is purely on volume. So we have drawn significant volume in Europe I mentioned in my earlier discussion. So volume of Acetic Anhydride is strong and it is continuing to be strong and we are maintaining our prices also. So there has been impact of coal prices also on Anhydride, but we are in a position to recover that. So in case of Chemical Intermediates, we are in a position to push the margins because of volume.

**Vineet Gala:** Sir, if I look at your consolidated numbers, I see gross margins north of say like 49%. So is this sustainable?

**Prakash Bisht:** 49% gross margin you are saying at the overall level?

**Vineet Gala:** Correct. Gross margin. So if I'm just looking at the changes in inventory, there is a negative amount of around Rs. 112 crore. So I just wanted to understand that.

**Rajesh Srivastava :** That is because of extra volume we have sold.

**Vineet Gala:** So the low cost inventory got sold, is what we mean to say?

**Rajesh Srivastava:** Absolutely, yes.

**Prakash Bisht** I think the correct way to read it is because you are reading it with Q4. In Q4 we had a very, very high inventory loss. To that extent because this quarter it is lower. So that advantage is also reflecting in this quarter's results. So because the last quarter that is why the profit of Chemical Intermediates was low because we had an inventory loss, which this quarter is much less.

**Rajesh Srivastava:** We had inventory loss larger than this quarter. Therefore, you see the better improvement.

**Vineet Gala:** Beyond this current quarter, I just wanted to understand your plans on Agro Actives. I came across a marketing template on your website only where in some of very interesting products which are being marketed, including Fluroxypyr or Pyriproxyfen. What is the timeline around this project in terms of validation? What is the kind of pipeline we are building on the competition? If you could throw up some perspective on these two segments will be very helpful.

**Rajesh Srivastava:** So now that you have seen the product list in our website and you have realized that most of these products are quite exciting, particularly from the requirement of domestic market also. All those products are under approval process with customers and also we have started working on regulatory approvals in various countries working with customers. So at the plant situation, as we have explained in our presentation, sometime in Q4 FY'24, we will be meeting our capex targets for agro because it's a totally greenfield plant. So it will be ready by Q4 FY'24. And till that time, we expect that we should be in a position to get the approvals from customers as well as we should be in a position to take our regulatory clearances from the various countries and sales should be in the position to start from FY'25 onwards.

**Vineet Gala:** FY'25 onwards. How big can this segment be over, say like three years after it starts over FY'28, FY’27? How big can this be given the kind of pipeline we are targeting?

**Rajesh Srivastava:** Because we are making phase-wise investment, in the first phase, we are almost making investment of Rs. 200 crore or so. And as we have said that in Agrochemicals, our assets to turnover will be close to 1.52x, that's Phase-1. and then Phase-2, which will be herbicide and further expansion of insecticide, that we have not yet announced. So you can keep calculating the growth prospects for that business.

**Moderator:** The next question is from the line of Nitesh Dhoot from Prabhudas Lilladher. Please go ahead.

**Nitesh Dhoot:** Just wanted some clarification on Slide 45, which is on CAPEX. I compare this with the Q4 presentation, one CAPEX item has been removed which is Acetaldehyde. But when we see the total amount committed, that has increased from Rs. 800 crore to Rs. 900 crore?

**Rajesh Srivastava** That Acetaldehyde investment was more for captive, which has gone along with the other investment. So that is why you don't see that. Normally, Acetaldehyde is our captive consumption which also used for our food-grade Acetic Acid that is already completed and part is being completed. You will not see that as a separate investment.

**Nitesh Dhoot:** The total amount committed that has gone up from Rs. 800 crore to Rs. 900 crore, whereby there is no additional item that has come in.

**Rajesh Srivastava:** Yes, amount is going up because of the overall market situation of CAPEX costs, etc.

**Prakash Bisht:** The total investment remains the same. When we had come to you in May, we had disclosed the commitment till that time. And since then, over this quarter we have made a further commitment of Rs. 100 crore. So Rs. 800 crore has become Rs. 900 crore. But you would see, on the future, there is a corresponding. Earlier it was Rs. 1,250 crore. Since Rs. 100 crore has come here, so it has become Rs. 1,150 crore. So the total remains the same. Since we have committed Rs. 100 crore now, so Rs. 100 crore has shifted from the bucket of to be committed to already committed.

Out of this Rs. 100 crore, Rs. 75 crore was in Specialty and Rs. 25 crore was in Chemical Intermediates. When you will compare it with the last presentation, you would find that there is a corresponding decrease in these numbers. Earlier we had said Specialty at Rs. 750 crore, which is now Rs. 675 crore because R.s 75 crore has already been committed. And earlier, the Chemical Intermediates was Rs. 300 crore, now it is Rs. 275 crore because Rs. 25 crore is already committed.

**Rajesh Srivastava:** And remember, these CAPEX which we are writing on this slide are major CAPEX. But beyond that, as we explained in various calls that we keep doing debottlenecking of our existing facilities. And therefore, you see some numbers changing in our commitment. So that's a continuous process. So you will see some changes in numbers, but you will not find that in specific CAPEX here because these are only major CAPEX which we have highlighted.

**Nitesh Dhoot:** Sure. just to follow-up on CAPEX itself. I was talking on Slide 46. if you could just help us understand this a bit better as to how should one read these numbers? Is it in value terms or in tonnage terms? And if I'm looking at the Specialty Chemicals particularly, you're seeing there is 3.5% mentioned as new capacity, whereas 13.6% is debottlenecking. Despite three upcoming major plants, GMP, non-GMP and another one I believe, all put together would be only 3.5% versus that debottlenecking would be such a large number? If you could just give some color on this?

**Rajesh Srivastava:** So what you're reading here is not the capacity. This is actually our revenue profile. So the CAPEX which will be rated this year, all of them are coming in Q3. You can imagine that in the current year, the impact from the revenue from those CAPEX will not be that significant. That will come in future years. That's why you are seeing that.

**Nitesh Dhoot:** So maybe just one more question on CAPEX. Rs. 2,000 crore of CAPEX put together, adding around INR 4,500 crore of top-line, implying a 2.25x asset turn, would it be possible to break it up on the segment-wise?

**Rajesh Srivastava:** We can broadly give you the segment-wise, but you don't take us for granted on that. Roughly on Specialty segment, it could be close to 1.5x to 2x. In Nutrition segment, it will be close to 2x to 2.5x; in Chemical Intermediates segment, it could be 2x to 2.5x. It is because it's mostly the batch processes where you find the investment more, but the revenue is not that much higher.

**Nitesh Dhoot:** Sir, one question on the Nutrition business. How much the Specialty Premixes contribute to Nutrition business currently?

**Rajesh Srivastava:** That's not very significant. That's a small business which we are growing now. And that Nutrition Premix business in India is not very large and currently, we are focusing Indian market because that market is now growing significantly higher, because now Animal Feed segment is looking for more and more field access. The demand is growing. The market is growing. And therefore, we are also launching new products. Though value will be not large, but they are very niche segments where the margins are better.

**Nitesh Dhoot:** So would it be fair to say that Niacinamide a large part of the business maybe like in upwards of 75%, 80% for your Nutrition segment?

**Rajesh Srivastava:** Yes, you're right.

**Nitesh Dhoot:** And just moving out this quarter's disappointment because of the flu, will it be fair to say that Niacinamide would be at lower utilization for you?

**Rajesh Srivastava:** Yes, you're right. It was lower utilization of capacity.

**Nitesh Dhoot:** How do we see growth coming in in the Nutrition segment for the last part of FY'23 or maybe FY'24? Given that that there is some delay that is supposed to come out with?

**Rajesh Srivastava:** We have said that in the current year, we are not expecting the volume growth over last year in Vitamin B3 because our first quarter and second quarter will be impacted. But from Q3 onwards, the demand will be normalized and we will see the Q3 and Q4 in the normal case.

**Nitesh Dhoot:** So Q3 and Q4, sir. H2 versus last year's H2 would see volume growth?

**Rajesh Srivastava:** So last year, we will see some impact in volume. We could see some impact.

**Nitesh Dhoot:** So what I understand is that the Niacinamide Capex, the 20% increase that you had mentioned earlier, that increase is not happening this year?

**Rajesh Srivastava:** We are adding that capacity because in H2 this year also, the volume will be definitely more than last year H2. The growth is happening. Just because of this one-time impact in Q1 and partly in Q2, we will need capacity in future because Vitamin B3 is a very important product, which we have never seen this situation what we have seen in Q1. We will go through the capacity expansion, we are going through the capacity because we will need capacity in H2 this year also.

**Nitesh Dhoot:** So that will happen in this year only or it will happen in FY'24, the expansion?

**Rajesh Srivastava:** It will happen this year and mainly we will do in next year.

**Moderator:** The next question is from the line of Sunil Kothari from Unique PMS. Please go ahead.

**Sunil Kothari:** Sir, my question is a little long, please bear with me. My point I would like to understand is, since during the last three, four, five years, India as a chemical industry, really we got benefits of lot of things like China's pollution problem, people were finding out some China plus one, in between COVID and some supply disruption also advantage of very high prices. So many things happened. So with your experience and your vantage point of last 30, 40 years' experience, how do you see any major change happening in terms of say Indian chemical industries capability or prices or demand. Would you like to say some few sentences on this situation? Is there any change made that China again coming back and supplying and the competitiveness is increasing, anything about this thing?

**Rajesh Srivastava:** So we are seeing two changes clearly in the industry, at least for us. One is our end use customers, some of the products which we have produced outside, now they are more produced in India. Therefore, if you see our domestic sales also is strong and you can fairly assume that our consistency becomes much better because then the competition from China is normally neutralized because the domestic customers could prefer to buy from us as long as they get a good quality and good price. That is the one change.

The second, as you said, the customers are now looking at an alternate option to source. So definitely, if they have an option of China and India for the same product, they would prefer us to see sell more share. And therefore, our share of each of our products to our existing customers and new customers is increasing. These are the two clear changes we are observing. Third one is the new inquiries for our CDMO business is also upwards.

**Sunil Kothari:** So both these changes indicate that people like us will have a bigger opportunity. Compared to last three, five years, next three, five years would be domestic import subscription and plus higher exports?

**Rajesh Srivastava:** Yes. And that is one of the reasons you see that in our growth CAPEX we had both, new product CAPEX as well as we have capacity expansion CAPEX. So like CDMO, CGMP, Anhydride, Vitamin B3, all these are the mix of CAPEX. They are not only for the new product. They are new product as well as capacity expansion.

**Sunil Kothari:** And this first quarter's numbers, mainly because of this power and fuel almost Rs. 100 crore plus compared to last year. It shows that there is some high competition in the market compared to some previous last 12 months or 24 months or how to look at this situation?

**Rajesh Srivastava:** If you see the competition of the similar product segment, I think everybody is impacted in the same way. Of course, if you see the competition in a different product segment, different business segments, obviously that will not be a good competitor.

**Sunil Kothari:** So will it be possible to pass on this cost if it continues or we have to absorb and improve our cost efficiency and productivity?

**Rajesh Srivastava:** No. If it continues, obviously, we have to pass on this cost because we can't keep absorbing these costs. So as we explained, partly we have passed on, some more we will pass on in this quarter. But we hope that it should normalize. It's not abruptly we will have to pass on.

**Moderator:** The next question is from the line of Romil Jain from Electrum PMS. Please go ahead.

**Romil Jain:** My question is on the capacities that we are adding up, the Rs. 2,000 odd crore of CAPEX that we are doing. Segment-wise, do we see in any of the product segments any oversupply kind of a scenario in the industry?

**Rajesh Srivastava:** No, we don't see in any of our products oversupply situation.

**Romil Jain:** So that means in those segments we should retain some pricing power as and when we need it?

**Rajesh Srivastava:** Yes.

**Romil Jain:** And similarly on the Diketene?

**Rajesh Srivastava:** As I explained, most of our products demand is growing up. So we are expanding capacity. So we are not seeing any pressure on our existing products of overcapacity.

**Moderator:** We'll move to the next question from the line of Tarang Agrawal from Old Bridge Capital.

**Tarang Agrawal:** Just wanted to check between the three businesses, which of them is the most intensive in power and fuel and which one is the least?

**Rajesh Srivastava:** Specialty Chemicals segment is the most power intensive. And then second is Chemical Intermediates. And then the third is Nutrition business.

**Moderator:** Ladies and gentlemen, this was the last question. I now hand the conference over to management for closing comments.

**Prakash Bisht:** We thank you for joining this call today. We hope we have been able to answer your queries. For further clarification, we would request you to contact our Investor Relations team. Good evening, and thank you once again for your interest in Jubilant Ingrevia.

**Moderator:** Thank you. On behalf of Jubilant Ingrevia Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.

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*Disclaimer: 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.*

Note: There could be unpublished price sensitive information that would have been shared /discussed during the call and we have shared Audio Transcript to the Stock Exchanges on August 5, 2022 for information of public at large.