***List of Management Attendees***

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

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

1. *Tarang Agrawal – Old Bridge Capital*
2. *Nitesh Dhoot – Prabhudas Lilladher*
3. *Rohan Gupta – Nuvama*
4. *Siddharth Gadekar - Equirus Securities*
5. *Dhruv Muchhal - HDFC Mutual Fund*
6. *Rahul Veera – Abakkus*
7. *Pranav Tendulkar - Rare Enterprises*
8. *Harsh Shah - Dimensional Securities*
9. *Romil Jain - Electrum PMS*
10. *Sunil Kothari - Unique PMS*

**Moderator:** Ladies and gentlemen, good day, and welcome to Jubilant Ingrevia Limited Earnings Conference Call for the Third Quarter and 9 months ended December 31, 2022. As a reminder, all participant lines will be in the listen-only mode and anyone who wishes to ask a questions may enter '*' and 1 on their touchtone phone, to remove yourself from the question queue you may enter ' *' and 2. Should you need assistance during the conference call, 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 Taneja:** Thank you, Tanvi. Good evening everyone. Thank you for being with us on our Quarter three and Nine Months of Financial Year 2023 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. 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 S Bhartia** Thank you Pavleen. A very good evening to everyone. Thank you for joining us on Q3'FY23 earnings conference call of Jubilant Ingrevia limited.

We are pleased to announce stable performance during the quarter under review, amidst the continuing headwinds of higher energy costs and challenging global market situation. We are also glad to share that the Board has recommended interim dividend of 250% i.e. Rs 2.50 per equity share of face value of Re 1 each for the FY'23. This shall result in cash outflow of Rs 39.8 Crore.

We are pleased to inform that our Specialty Chemicals Business revenue grew by 34% YoY and absolute EBIDTA grew 15% YoY driven by higher volumes and improved price realization.

In Nutrition & Health Solution Business the demand of Niacinamide (Vitamin B3) continue to be subdued impacting our price realization, though we have improved our volumes sequentially. The flu situation in EU and US regions is still continuing, though the situation is improving in EU region. The demand related challenges of Vitamin B3 are short-term and we continue to remain focused towards improving our presence in food and cosmetics segment.

In Chemical Intermediates Business the revenue on YoY basis is impacted due to lower prices of feed stock (Acetic Acid), leading to lower sales prices of Acetic Anhydride and Ethyl Acetate. However, we continue to improve our volumes and market share of Acetic Anhydride globally.

The company has firm plans to significantly reduce overall energy cost in phased manner through various initiatives by sourcing power from Grid and renewable sources, optimizing coal consumption through efficiency improvement in consumption as well as in generation. We continue to focus on our growth plans through new products and platforms and we are committed to deliver robust growth in the future.

With this, I now handover to Rajesh to discuss about the business in detail, before that on behalf of the entire Team Jubilant, we wish all of you, a very joyful and prosperous New Year..

**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 Q3 FY23 investor call of Jubilant Ingrevia Ltd. I sincerely hope that you and your loved ones are keeping very well.

Let me now take you through the financial & operational performance of Jubilant Ingrevia Limited for the third Quarter of this financial year. Revenue during the quarter was Rs 1,158 Crore. Overall Revenue de-grew by 10% YoY basis, mainly on account of lower sales performance by Nutrition & Health Solutions, driven by lower demand due to swine and bird flu in EU and US regions and Chemical Intermediates business riven by lower price of Acetic Acid leading to lower realization.

EBITDA is at Rs. 158 Crore. Though Specialty Chemical EBITDA improved, However higher energy cost due to non-availability of contracted Coal, lower volumes offtake of Vitamin B3 has impacted EBIDTA adversely, while Specialty Chemical business volumes have grown significantly along with the improved pricing.

As mentioned by Mr.Bhartia, to minimize the risk our energy cost increase due to increase in coal price in future, we have prepared detail plans to work towards various initiatives to source power from Grid (at Gajraula) and from Renewable sources at all our sites. We have also prepared detail plan and initiatives including digital interventions to optimize coal consumption through efficiency improvement in consumption as well as in generation. These plans will start giving benefits in phased manner

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

During the quarter revenue of Specialty Chemical Business was at Rs 468 Cr, witnessed a YoY growth of 34% and EBITDA was at Rs 87 Cr witnessing an absolute YoY growth of 15%.Speciality Chemical Segments, Absolute EBITDA increased by 15% mainly due to higher volumes and better price realization. EBITDA Margins remained lower mainly due to higher cost of coal compared to same period previous year. Our Business team have been successful to pass on most of the raw material cost and also partially increased energy cost, although during the quarter we witnessed softening of imported coal prices

Specialty Chemicals revenue grew mainly on the ground of higher volume across major product segments and improvement in price realization. We continue to observe positive traction of demand for our other Specialty chemicals from both domestic as well as international customers. We continue to witness higher demand of our Pyridine and it's derivatives from Chinese customers as well.

Our CDMO Pipeline is healthy and progressing positively. Our new GMP and non-GMP facilities project are slightly delayed by couple of months and are expected to be commissioned in next two months' time frame.

Nutritional Business revenue was at Rs 132 Crore which witnessed de-growth by 39%, on account of continued lower demand scenario owing to excess inventory across the value chain , primarily led by continuation of Avian and Swine Flu in Europe and US markets. , Demand continued to remain impacted also due to geo-political situation in Europe and severe covid restrictions in China.

EBITDA and EBIDTA margin was significantly lower mainly on account of lower sales volumes and price realization of Niacinamide. We continue to increase our presence of Niacinamide (Vitamin B3) in Food and Cosmetics end-use segment.

Our Domestic business of Choline Chloride (Vitamin B4) as well as it's Specialty premixes have grown in volume and value both on YoY as well as QoQ basis. We have also seen positive traction of demand from South East Asia for our Choline Chloride (Vitamin B4) and it's Specialty premixes..

We believe these challenges to be short term and remain positive on the prospects of Niacinamide (Vitamin B3) business in the medium & long term, and we aspire to retain our leadership position in global market

Revenue from Chemical Intermediates Segment was at Rs 559 Crore, down by 23% on YoY basis, mainly driven by lower price of feed stock (ie Acetic Acid) leading to lower realization of finished products i.e. Acetic Anhydride & Ethyl Acetate

EBITDA in Chemical Intermediate segments stood at Rs 71 Crore, due to normalization of domestic market condition in Q3 FY'23 vs same quarter Last Year

We continue to grow our volumes to increase our market share and maintain leadership in domestic market as well as in international market, mainly in Europe and South East Asia. Global demand of Acetic Anhydride continues to grow in several use segments and there is no new capacity coming up globally, while we continue to leverage our capacity from existing as well newly built plant.

Further, our upcoming Acetic Anhydride plant at Bharuch is nearing completion and is expected to be ready during Q4'FY23. For Ethyl Acetate we remained focused towards our key strategic customers.

Our Specialty Chemicals segment would continue to grow. Overall our FY'23, full year performance expected to remain in line with our last three quarters.

We are fully committed towards our growth aspirations and we are excited to realise the emerging opportunities through our ongoing Growth Capex plan, which we have now improved from earlier Rs 2,050 to now Rs 2,275 Crore during FY'22 to FY'25 Period.

We continue our efforts towards improving our revenue mix of Specialty and Nutrition segments to 65% by FY'27 from 44% in FY'22 and we believe this to be a key driver for overall EBIDTA and Margin improvements.

With this, now I 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 Q3 FY '23 Earning Conference Call. I would now highlight the Company's financial performance during the quarter and nine months ended 31st December, 2022.

Revenue from Operations during the Q3'FY23 was at Rs 1,158 Crore as compared with Rs 1,286 Crore in Q3 last year, witnessing a de-growth of 10% on YoY basis. Similarly, Revenue from Operations during the 9M'FY23 was at Rs 3,628 Crore as compared with Rs 3,654 Crore during the same period last year, witnessing a marginal de-growth of 1% on YoY basis.

The EBITDA during the quarter was Rs 158 Crore as compared with Rs 222 Crore in Q3'FY22, witnessing a decline of 29% on YoY basis, the margins stood at 13.7% in Q3'FY23 as against 17.3% in Q3'FY22. Though Specialty Chemical EBDITA improved, the overall impact is mainly due to significantly lower profitability in Nutrition business and non-availability of contracted coal leading to higher energy cost.

Similarly, EBITDA for the 9M'FY23 was at Rs. 469 Crore as compared with Rs 712 Crore during 9M'FY22, margins were at 12.9% during the 9M'FY23 as compared with 19.5% for the same period last year. The EBITDA is impacted due to lower volumes offtake of Vitamin B3, Chemical Intermediate segments EBITDA normalization, and higher input costs impact in Speciality chemical business due to non-availability of contracted coal.

Depreciation & Amortization expense during the quarter was at Rs 30 Crore. Finance cost during the quarter was Rs 6.7 Crore versus Rs 4.9 Crore in Q3'FY22, interest cost was higher mainly on account of increase in the interest rates and higher utilization of working capital facilities. Net debt was at Rs 352 Crore at the end of Q3'FY23 and blended interest rate as on 31st December, 2022 was 7.03%.

The tax expense for Q3'FY23 were at 30 Crore. Tax expense for the quarter is lower on account of certain onetime true ups. The company remains under the old tax regime during FY 23 and the ETR is expected to remain around of 31% for full year.

PAT during the quarter was at Rs 92 Crore, as against Rs 129 Crore PAT in Q3'FY22, witnessing a decline of 29% on YoY basis due to lower EBIDTA. Similarly, PAT for the 9M'FY23 was Rs 256 Crore, as against Rs 408 Crore PAT in 9M'FY22.

Net Debt to EBITDA ratio was at 0.57 times, on the basis of trailing Twelve Month EBITDA. The Net Working Capital %age" & "Number of Days of working capital" for Q3'FY23 on the basis of Trailing Twelve Month's Turnover were at 19.4 % & 71 Days respectively.

Increase in Net Working Capital is driven by strategic decision of inventory building of certain products and temporary lower creditors due to procurement of Domestic Ethanol.

The capital expenditure during the quarter was around. Rs 148 Cr

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

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

**Tarang Agrawal:** Three questions from me. One, if you could give us the volume growth across each of your segments for this quarter. Second, in the press release, I noticed that there's a comment around Specialty Chemicals' garnering a lot of traction in the agrochemicals segment. So if you could give us some sense on what proportion of Specialty Chemicals business was from agro customers for 9-month FY '23, and what was this number for 9-month FY '22. And the last question is on power and fuel. You alluded to cost softening, so how should we look at it going forward for Q4 and probably subsequently from Q1 next year onwards?

**Rajesh Srivastava:** So Tarang, on your first question of volume growth, as you can see that the volume growth has come clearly from Specialty Chemicals business and in Nutrition and Health Solutions business, we have informed that there is a degrowth in volume both year-on-year as well as quarter-on-quarter. In Chemical Intermediates, the volume degrowth overall basis, but on acetic anhydride, we have grown in volume. Other than the Nutrition & Health Solutions business, the volume consistently is growing in Specialty Chemicals as well as acetic anhydride since Nutrition and Health Solutions business, niacinamide situation has not improved, we are not in a position to grow volume.

On agrochemical business is close to 40% of our Specialty Chemicals business. This is almost same in quarter-on-quarter as well as year-on-year basis. On power and fuel, regarding this Q2, we have seen little bit softening of coal prices of import and there is a slight benefit. But in Q4, we are expecting a little more benefit because of two reasons. One is, the coal prices are also coming down in import, as well as we have now got some clearance of our contracted coal with road transportation. So there will be some benefit of cost of FSA.

**Tarang Agrawal:** Sir, just one question for volume growth. I was actually looking at numbers, specifically for each of the segments.

**Rajesh Srivastava:** Yes, I explained to you that in Specialty Chemicals, we have grown both quarter-on-quarter as well as year-on-year in volume. In Nutrition and Health Solutions, we have not grown, particularly on niacinamide, though we have grown in vitamin B4 choline chloride. On acetic anhydride, we have grown in volume both quarter-on-quarter as well as year-on-year. But ethyl acetate is not a focus product. We sell only when we get sufficient margin, and that's where you see the reduction in volume. We have not sold much.

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

**Nitesh Dhoot:** So my first question is on the Specialty Chemicals. There is a sequential revenue decline in Q3. what is that on account of? Is there a sequential volume decline or a price decline? What exactly it is?

**Rajesh Srivastava:** The revenue decline on sequential basis is purely on product mix. We have almost 60 to 70 products in our Specialty Chemicals segment, in some quarter, a product mix, gives you little bit of lower revenue, but that doesn't mean that volume has not grown. So as I said, volume has grown. But there is a product mix change, which changes the price realization, but does not changes the EBITDA and volume.

**Nitesh Dhoot:** On the domestic sales for Specialty Chemicals, that has declined from INR 197 crores to around INR 164 crores. are we facing any pressure in the domestic market? What would be the status of our Diketene derivatives plant there? What will be the utilization currently?

**Rajesh Srivastava:** Yes. So you are very right. In current situation, we are facing a very low demand in Diketene derivative, now, we can see a positive traction happening in Diketene derivative this quarter. Last quarter, we have seen Diketene demand being lower, but that's an opportunity for us to grow our revenue in domestic market through Diketene, which we can see in this as well as with other products.

**Nitesh Dhoot:** And sir, on the EBITDA. if you see there is a sequential increase in the Specialty Chemicals EBITDA and the margins have come up to 18.6%, and this is despite the coal availability not easing. How did we manage to increase the margins in the Specialty Chemicals segment, can you give some color?

**Rajesh Srivastava:** Yes. the increase in EBITDA has come from volume. Secondly, we also mentioned in the last call that though we are not in a position to do anything on coal cost, but we are definitely working with customer to pass on the cost to our customers. And somewhat, we are successful to partially pass on that cost increase, and therefore, the EBITDA margin improving. Going forward, both, we will see the softening of coal prices as well as the realization, which we have now taken the price increase on which customer will give us better result in future.

**Nitesh Dhoot:** Sure. Sir, just one clarification. So if I remember in our previous discussion, imported coal price movements are generally a pass-through, it is the difference between the FSA coal price and the imported coal price, which is in a way a benefit for us. And if the FSAs availability is not easing, so does it really have any benefit for us? I mean, the imported coal prices going down?

**Rajesh Srivastava:** Yes. as we have been saying that our contracted coal issue is only at our one site, which is Gajraula, and all other sites are based on imported coal. Now in Gajraula also, we partially have imported coal. So the impact in the Gajraula products is there. But I also mentioned that we are in a position to partially pass on the cost increase, even in Gajraula for our contracted coal. And therefore, you see the EBITDA improvements in Specialty Chemicals.

**Nitesh Dhoot:** Sure, Sir, next is on the energy efficiency projects that you have highlighted in the presentation and the debottlenecking projects. What kind of margin benefit that we can expect from this? What will be the quantum of investments going into these energy efficiency projects?

**Rajesh Srivastava:** So honestly speaking, there is not large investment in these projects. These are mostly business excellence projects. These projects are actually in the four segments. One, wherever our cost of generation of power today is higher with our own generation versus grid like in Gajraula, we are opening up to the grid, which will give us savings. Number two, we are going to improve efficiency of operation through the digital intervention. So we are taking a very major program of digitalization in all our energy production that will give us the benefit.

And third, we are also working on how to minimize the consumption side in the product. So combining all these excellent initiatives we are gradually, phase wise, going to get benefit of these programs, apart from going green in solar, which is the fourth initiative, which we are talking about in energy savings. These four initiatives in business we have planned which is going to be in phased manner. Some of the initiatives will start giving results in couple of quarters and some initiatives might take longer time because we need to make investments and take the benefits later.

**Nitesh Dhoot:** Sure. But I mean, can this be quantified in terms of like 100 to 200 basis points of margin improvement in the Chemicals business or maybe, if you can just highlight that?

**Rajesh Srivastava:** Yes. Once the entire program is implemented, then this is going to be a significant benefit. Unfortunately, I am not in a position to give any number because we are still working with our partners to put down these numbers on a hard basis. Maybe after couple of quarters, I will be in a position to give some indication of numbers. But I can assure you this is going to be a significant improvement in our overall profitability if we are in a position to implement all these initiatives.

**Nitesh Dhoot:** Right -- sorry if I'm repeating. But I mean on the FSA, we had earlier expected that from January onwards, the availability will ease, but it doesn't seem that much of benefit has started coming in. What is our view there? Do we see this in a quarter's time or what exactly are you envisaging over there?

**Rajesh Srivastava:** So based on our discussion with various agencies, we don't see this FSA to be 100% clear in next couple of quarters. But having said, I am pleased to inform you that from Q4, we are now allowed to take contractual coal at the contractual price from road transportation. We are going to get benefit in our cost but not 100% benefit. This quarter onwards, you will see the benefit in our cost, in our coal in Gajraula.

But as per our information from various sources, we don't see the full FSA benefit coming to us neither in this quarter nor in next quarter unless there is a very huge production of coal and availability. Actually, the major issue is happening, in availability of rail transportation. Government is also working very aggressively to make the rail available for the industry. If they are successful to do it in next 2 to 3 months, probably we'll get the benefit. But at least I don't see in next 3 to 4 months. I think major relief has happened because we have got this clearance to get our contractual coal with road transport. So that's the benefit we will start getting from this quarter onwards.

**Nitesh Dhoot:** Sure. So in that case, would it be fair to assume 18.5%, 19% kind of sustainable margins for Specialty Chemicals? Would that be a fair understanding, till the time the energy efficiency projects don't come up fully, so would that be a fair understanding?

**Rajesh Srivastava:** Nitesh, this is the discussion we had also 3 months before, you see margins are improving. The reason is we are not stopping our realization, we are trying to recover the cost increase from our customer, from the products we can recover ourselves. I don't make any commitment on the margins that it will not improve because it will all depend that if we can realize better pricing in our product, we can meet all the volumes projections, probably we should be improving.

**Moderator:** I'm sorry to interrupt you, Mr. Nitesh Dhoot, If you have any follow-up questions, we request to please come back in the queue. Next question is from the line of Rohan Gupta from Nuvama.

**Rohan Gupta:** Sir, first question is on your Nutrition & Health Solutions business. So we understand that there is a high inventory scenario, but I think that the impact on revenue is slightly less than what impact we have seen on the profitability or segment EBIT, which has come down to drastically to INR 5 crores, while Nutrition & Health Solutions have seen some revenue improvement on Q-on-Q basis. So is there any inventory losses we have booked? Or it's a just a cleaning up the inventory at a lower prices which is impacting the profitability or the overall realization itself has come down? So what is the reason for such a sharp fall on EBITDA or EBIT on the Nutrition & Health Solutions?

**Rajesh Srivastava:** Last quarter, when we started, the pricing was not as bad as what we saw at the end of the last quarter. So therefore, the margins of last quarter are better. Having said your observation on revenue increase is correct. So this quarter, we have sold a little higher volume of Niacinamide. The reason that we are getting our customers' requirement, wherever we are selling on a positive contribution, we want to take the orders. And some improvements in volume in this quarter has happened. In Q4, we still estimate that our situation of volumes would be better as well as in this quarter, we are estimating price should also improve because last quarter, there were multiple problems. #1, the swine flu and avian flu in US and Europe. The lesser impact was also from China consumption was much lower because China had big restrictions because of COVID. The China is getting opened up last month and the China demand is improving and which is actually making the whole nutraceutical segment a little bit positive, even though the flu situation has not improved. It was lower in Q3, but we see Q4 becoming little better than Q2, that's what we estimate.

**Rohan Gupta:** So sir, unlike Specialty Chemicals, are there any cost increase we are trying to pass it on? Nutrition & Health Solutions business is seeing a steadier margin pressure and the prices are still significantly lower than what it used to be. Just wanted to understand that how Nutrition & Health Solutions business pricing works with the end customer? And how you decide on the margin strength, it is just completely driven by the demand supply scenario? Or you see there is some cost-plus element there?

**Rajesh Srivastava:** So Rohan, good question. So our Nutrition and Health Solutions segment, we have 70% of our revenue of Nutrition and Health Solutions segment coming from animal feed industry, and 30% comes from Food and Cosmetics and others. 70% animal feed is impacting our volume and revenue because of demand.

It is demand and supply situation. But our efforts for future is to reduce this dependency on animal feed of Nutrition and Health Solutions business to more Food and Cosmetics, so that we can balance out, This kind of impact does not come in revenue and profitability. Currently, it's demand and supply situation, which impacts our volume as well as profitability.

**Moderator:** I am sorry to interrupt, sir. Maybe if I could request you to please come back in the queue. The next question is from the line of Siddharth Gadekar from Equirus Securities.

**Siddharth Gadekar:** So just wanted some color in terms of we had announced a long-term contract for CDMO of INR 270 crores over 3 years. What is the status of that project?

**Rajesh Srivastava:** We are servicing that contract. The volumes of that contract will start increasing from this quarter end onwards. And the new capacity of GMP which we are building up, for that contract. And in fact, the overall CDMO traction, is not only with that contract also with other products as well, and are showing a positive result. We are expected to see a better performance of our GMP facility which we are building up, will be ready in the next couple of months' time. So that is on track, and we are servicing it on time.

**Siddharth Gadekar:** So basically, FY '24, we can see the entire INR 90 crores coming in from that project?

**Rajesh Srivastava:** So you are saying that FY '23 annual revenue, yes, it should come full, because that's the capacity we are building up, correct.

**Siddharth Gadekar:** Okay. Got it. Sir, and secondly, now in terms of Diketene, what kind of capacity utilization can we expect in FY '24 and FY'25?

**Rajesh Srivastava:** For FY '24, with our current estimates, we are planning to utilize to 70% to 75% of capacity.

**Siddharth Gadekar:** And the non-GMP plants also will be at similar levels in FY '24, they will take time to ramp up?

**Rajesh Srivastava:** Yes. As of now, it looks like that. But never know, if demand improves, we can even utilize better.

**Siddharth Gadekar:** Sir, the last question, in the Nutrition and Health Solutions segment, have we changed any capex because we are looking at some cosmetic-grade vitamin B3 as well, which was not there before. Is this something new that we have announced?

**Rajesh Srivastava:** Yes, very right. And that's what I mentioned to Rohan also that in Nutrition and Health Solutions segment, our endeavor is to improve our presence in non-animal feed segment more. And therefore, we are bringing up more capacity of cosmetic grades. In my last 3 quarter statements, I have been saying that our focus on food and cosmetic is increasing, and we are getting a very positive traction. Our demand situation of cosmetics and food has improved, and we are adding capacity there. So that we will actually make announcement very soon about the new capacity investment.

Above that, we also have plans on vitamin B4, which we currently have in animal feed segment. We are also going to have vitamin B4 for Food segment. Once we are ready, we will have a shift in our 70:30 ratio to close to 50:50 ratio of animal feed and food and cosmetic segment. So you are very right. You have correctly assessed it. We have additionally made the investment plan for the nutraceutical segment because that is going to give us much more sustainability and resilience to our profitability and revenue going forward.

**Moderator:** The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund.

**Dhruv Muchhal:** Sir, the question probably is a bit repetition of the earlier question. If you can probably share the volume numbers for the Specialty Chemicals segment for this quarter and the 9 months. The reason I'm asking is also because for the 9 months, it seems you have grown about 40% - 50%. And I'm just trying to understand, does this largely volume-driven, does this pose any limitation in terms of the base business growth for the forthcoming years? Because I'm just trying to understand, are we probably filled up for the producing capacity that we have with this kind of volume growth?

**Rajesh Srivastava:** Yes, your assessment is correct. It is the overall Specialty Chemicals, including the pyridine volume. There is a increased volume of pyridine, and pyridine derivatives and therefore, you see the significant improvement in volumes of Specialty Chemicals. Now on your point whether it will have an impact going forward, we don't see that because the overall volume scenario of pyridine and pyridine derivative is still, it stands strong. We have a huge capacity upgrading in plant, as we already stated earlier, and we are still utilizing about 70% - 75%, not more. We still have capacity. if the demand comes, we will be in a position to take it up more.

**Prakash Bisht:** So just to add on to what Rajesh sir is saying, in the capex plan also, you would see that one debottlenecking for pyridine,that will also add to the capacity.

**Dhruv Muchhal:** Okay. I was coming to that. Great, sir. So at current after the 9 months volume growth, which I believe could be probably 20% the pyridine capacity will be 70%, 75% utilized?

**Rajesh Srivastava:** Yes, correct. And remember, this overall volume growth is from existing products as well as from new products. So we announced capex, which you see in our presentation, we have continuously debottlenecking capex and capital investment which happens regularly, which normally we don't announce. Because we keep doing it based on the customer demand of our existing products.

**Dhruv Muchhal:** Sure, sir two quick questions, as your two cGMP plants, one cGMP, non-cGMP both are coming in the next quarter. So wanted to get some better understanding in terms of the visibility of ramp-up. Probably one often sees in the industry that they have contracts in hand based on which the ramp-up visibility is there. So just wanted to get your sense also in terms of the visibility for the ramp-up of these capacities. I mean do you have contracts? Or are these established products? are the products already developed so that you only have to market it once the capacities are ready? Just trying to understand to get a better visibility on the ramp-up sir?

**Rajesh Srivastava:** I've already stated in the last question that the cGMP plant, which we are building up is based on our new demand and new orders, which we have already got it. There was actually additional traction and therefore, we took little bit more expansion of the existing facility. There is a delay of about 1 or 2 months. Hence, the utilization of cGMP plant is going to be in a very good situation, as we stated earlier. The first year, will see a utilization of more than 70% of cGMP plant. And the same is true for non cGMP plant because cGMP is utilized for the more value-added products and non-cGMP is utilized for the early derivatives and intermediates.

Both plants are going to be utilized as per plan. We have a strong order situation. As soon as the plant will come next year, we will have a good traction of utilization close to 70% to 75%. In next 2 to 3 years we will reach close to 85% - 90%.

**Moderator:** Sorry to interrupt you, sir. If I could request you to please come back in the queue. We'll move to the next question from the line of Rahul Veera from Abakkus Asset Managers.

**Rahul Veera** Sir, a very interesting comment that you've given in the presentation that FY '23 year will largely be similar to the past 3 quarters. Sir, given the improvement in coal costs plus the ramp-up in the CDMO, I mean, shouldn't there be a very sharp improvement sequentially? I understand you have mentioned that it's going to be very marginal in terms of coal cost improvement, but I still believe there could be a much better opportunity, right?

**Rajesh Srivastava:** As I said, in coal cost, it is a marginal improvement. Also, I stated that nutraceutical business, we don't see much improvement. In Specialty Chemicals there is improvement. So when I say it will be in line with last 3 quarters, I don't know what you understand, but I'm not saying that we'll be significantly higher or better than what we have been doing in last few quarters.

**Rahul Veera** Okay, Fair point. And sir, the incremental capex that we have given from INR 2,000 crores to INR 2,275 crores now in the presentation, this is largely going towards the debottlenecking only?

**Rajesh Srivastava:** No. it's about three things. One is debottlenecking, secondly that we are adding a new capital plan for nutraceutical vitamin B4 for food business, about INR 100 crores increase in nutraceutical segment and debottlenecking. Third, we are also having the R&D expansion because of our good CDMO traction. So we are having some R&D

investment plan, which we have highlighted in increased investment plan. Of course, debottlenecking is part of that.

**Moderator:** The next question is from the line of Pranav Tendulkar from Rare Enterprises.

**Pranav Tendulkar:** Sir, I just wanted to ask two questions. About Diketene plant, have we started commercial sales? And has the production quality been accepted by general market? And if it is, then what is the 100% utilization revenue potential for this plant at current price? Also second question is that, if the rake availability improves and government, allows railway rakes, then how much of the saving could be done in the energy costs?

**Rajesh Srivastava:** So three questions. I think number one question was on your nutraceutical, I believe. Can you just repeat your first question?

**Pavleen Taneja:** Sir, the first question is the quality of Diketene, then capacity utilization and quality of Diketene.

**Rajesh Srivastava:** We have told you that we have already started selling the Diketene. But unfortunately, because of the lower demand, we were not in a position to utilize the plant. But now we see the demand is improving, and therefore, we are very confident that next year, we should be in a position to utilize, about 75% to 80% or 70% to 75% of the capacity.

Now second question on your FSA coal. Now if after the road transportation, which we have just got cleared, if we convert that to total FSA coal on a quarter basis, I think we should be in a position to add about about INR 15 crores to INR 20 crores of EBITDA further, if that happens.

**Prakash Bisht:** That's right.

**Pranav Tendulkar** Right. So in current Diketene plant, revenue potential is how much?

**Rajesh Srivastava:** So we have a capacity of 8,000 tons. It's difficult to give a price commitment. There are three products, and each of these products are ranging from a price of INR 150 to INR 200 or sometimes it is more. Based on that 8,000 tons capacity, you can calculate the revenue. But it also depends that which product maximize your revenue and profitability.

**Pranav Tendulkar** Right. So $100, $150 per ton?

**Rajesh Srivastava:** No, this is INR. We had been saying, that the Phase 2 of Diketene is much awaited because this capacity of ours is not for 100% sales, this is for our forward integration of building blocks. We have built up to make value-added products, which I have been talking all the time. Phase 2 investments will come very soon. The realization from the existing capacity as well as new capacity is going to be higher, and that's our endeavor not to sell this 8,000 tons only as a commodity or bulk volume. This is beginning to launch as a building block and then add the value-added product which we will bring up very soon, in the Phase 2.

**Moderator:** The next question is from the line of Harsh Shah from Dimensional Securities.

**Harsh Shah:** Just revisiting your capex guidance, the first time when we had announced the capex in FY '22, the business outlook looked quite stable, we used to make 16% to 18% kind of margins, even better. But now today, where we stand, with the Europe slowing down, the prices of many of our commodities have eroded quite a bit and demand is sort of struggling, so how confident are you about the expectations with the revenue guidance that you had given for FY'27, that it will come through, because the business dynamics have changed quite a bit over the last 1.5 years?

**Rajesh Srivastava:** So from where we are seeing, I'm sure you're also seeing the same angle, what we have said for FY'27 is still standing true, and all the investments which we have planned has no change. What is changing is mostly short term, which we have been talking. Number one, Nutrition and Health Solutions business of vitamin B3 is not long term. This is the first time in last 2 decades, I know this business, this kind of flu has never extended to 2 or 3 quarters. But nevertheless, it is not going to long last. This is one.

Secondly, this energy cost. we are taking lot of initiative apart from getting the government coal contract. I don't see this is longer term. This is going to be sort terms. We will be behind it. Beyond this, I don't see anything which is currently in problem, except for the global situation of demand.

Now the global situation of demand, as we all know, India as far as chemicals is concerned, is definitely on a very high demand. So even though the global recession will happen, Indian companies in chemicals will keep doing good because there is a huge shift which is happening of demand from China to India. We have still not served the entire volume of China. We are still in single digits of percentage which we can take from China. We have a huge opportunity. So I don't see the future as dim as you are trying to explain.

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

**Romil Jain:** I just want to understand a little bit on fluorination. So I think we are doing some capex on that. So can we know where we are standing right now in terms of our capabilities and whether the capex has started. When do we expect to commission, maybe some details on that? And second question is on the Life Sciences Chemicals. Are we seeing some rebound in prices and maybe Q3 was more of a bottom kind of a quarter there?

**Rajesh Srivastava:** On fluorination, as you can see in our presentation, we have still not committed the capex. The products which we talked about is still under development and scale-up. We hope that next year, will be bringing up that capex. And that time, I will announce to you. On your question on Chemical Intermediates, as I stated, acetic anhydride, our volumes are growing. The reason for growth is that overall demand is increasing, but there is no additional capacity, which are being available globally.

And in Europe, our competitors are not in a position to produce in full volume because cost has gone up. So I see continued positive traction of acetic anhydride demand. And as you know, we are having the new plant coming up, next quarter, we are very positive about utilization of that plant also in future because of these reasons.

**Romil Jain:** Okay. Sir, just one question on food-grade acetic acid. So I think that was the plant that we had started. I'd like to know what the utilization is? If you can just point out what kind of revenue are we generating and what broad margins? Do we expect more capacity expansion there, because I think that was a very positive development that was there? So any insights on that?

**Rajesh Srivastava:** On food-grade acetic acid, we are under the regulatory approval process. We are going to start the commercial supplies from end of this quarter, and we see a good traction of demand from our international customers. So actually, the realization of revenue of food-grade acetic acid, we will see in next financial year because of several regulatory approval process, as well as the FSSAI approval, etcetera, it took about 5 to 6 months' time. We are going to in next 1 or 2 months. Next financial year, you will see the revenue realization of food-grade acetic acid.

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

**Sunil Kothari:** Sir, because of this road transportation we've chosen for this transporting coal, will it save INR 15 crores, INR 20 crores per quarter? Will it be effective from current quarter or next quarter?

**Rajesh Srivastava:** No. I think you noted wrongly that from the road, if you get 100% rail transportation, we will have additional benefit of INR 15 crores from the earlier quarter, now when we got road transportation, there is a benefit of about INR 10 crores to INR 12 crores, which we should accrue.

**Sunil Kothari:** That is per quarter, right?

**Rajesh Srivastava:** Per quarter, you're right

**Sunil Kothari:** Okay. Sir, and second question is, we said that we got little bit ease off in coal prices in current quarter, if you take a percentage of the revenue that has gone up from 14% to 15% the cost, power and fuel costs. Why it has happened, if you can a little bit explain?

**Rajesh Srivastava:** No, because softening is happening only end of the last quarter. What you will see is this quarter impact, not in Q3. Q3 from beginning, it has been very high. It has just happened in the month of January, let's say, end of December when the softening of prices have happened. So you have not seen the impact of that in the last quarter.

**Sunil Kothari:** Okay. So both the benefit of road transportation and softening of price, both can materialize in the current quarter and onwards?

**Rajesh Srivastava:** But remember that any reduction in coal price imported, customers are also smart, they will ask for a pass on. As we take increase in pass on, they will also ask reduction in pass-on. So please don't just calculate in mathematics and highlight out.

**Sunil Kothari:** Sir, our other expense on top line of same INR 3,600 crores approximate for 9 months, has gone up from INR 336 crores to INR 432 crores, almost INR 100 crores, almost 30%, 35% increase. What is the reason for this, other expenses, I'm talking about?

**Prakash Bisht:** So Sunil ji, so if you take on the quarters, other expenses...

**Sunil Kothari:** No, sir, I want to understand for 9 months. Because quarterly, I understand there is some specific reason. But if you take 9 months, it is INR 336 crores, from INR 336 crores it has moved INR 432 crores.

**Prakash Bisht:** For 9 months, Sunil ji, primarily the reason for increase in other expenses is, a, the freight and forwarding cost has increased; and then it's partially also due to the processing charges and the warehousing charges and repair and maintenance. So these are the 4-5 reasons on account of which the overall other expenses has increased.

**Sunil Kothari:** Yes. But it is, sub-segments from the same revenue, we have spent INR 100 crores more. That is why I'm just trying to understand. This is we are getting control on any cost or it is going out of control?

**Rajesh Srivastava:** No, don't worry about control of cost, Let me explain you, last year 9 months, all other costs were based on the volumes which we have sold. The transportation costs, travel costs, repair and maintenance costs, everything is going up because our capacity utilization is going up, our new plants are coming up. So all that is going to increase our expenses. But at the same time, you are very right, we are in full control and we have plans to improve efficiencies all over, and this is a continuous exercise. So there are some costs, which this year has gone up like travel etcetera, which is usual because we are back to our normal situation of FY '22.

**Sunil Kothari:** Sir, my last question is...

**Prakash Bisht:** Sunil, just to give you a perspective, because I think you are seeing the revenue number as the same. But our volumes have increased, it is just that prices of Chemical Intermediates segment has come down, that is why you see the revenue at the same level. So volume of business has already increased. So the expenses are in relation to the volume of business. So perhaps you are just seeing the same level of revenue, hopefully, you're feeling the expenses are...

**Sunil Kothari:** You're absolutely correct. Absolutely correct. My request will be, so many people were asking about the volume growth. I think on a 64-page PowerPoint presentation, what is the volume growth quarter-on-quarter or year-on-year. I think I'm observing that people are asking about volume growth and we are not able to provide those exact precise numbers. I request, please make it a practice that we should announce or we should announce that we are not going to talk anything about volume. So please follow one practice that is my request.

And sir, my last question to Rajesh ji, sir, basically what we're talking about is we'll be improving our Specialty Chemicals and Nutrition and Health Solutions business to 65% over the next 3, 4 years, and that will give us far better margin and very respectable ROE and ROCE. But looking at this Nutrition and Health Solutions segment situation currently, and I understand this is the first time in this two decade, so are you, comfortable and confident about whatever your thought process and your observation or your strategy to achieve some respectable margin over the next 2, 3 years?

**Rajesh Srivastava:** So you're asking about revenue or you're asking about margin?

**Sunil Kothari:** No, sir, margin. Because we are saying that Nutrition and Health Solutions business and Specialty Chemicals will become a major part of our revenue, and that's why we'll be having a very respectable margin.

**Rajesh Srivastava:** What I can only tell you, of course, it's very difficult to see the future, but it is very easy to make a strategy for future. So what we have done, we have made a very strong strategy. And I'm very confident that all the strategy we have prepared, we are going on track. Having said so, need to realize that there are certain situations which are beyond our control like today, we have. Now you may ask that, last year you said this, but you did not see this. The question is, this can happen either side.

So if FY '23 was fantastic year, nobody asked questions. But FY '23 is a tough year, so obviously you have right to ask questions. If this kind of situation happens, it's beyond control. But having said so, what we can do best is, we are trying. If you see our intent, our energy cost is going up, we have a huge plan to bring down overall energy cost. That should give us resilience of any such trouble which we can face in future. So we are continuously changing our strategy to see whatever we are getting short-term impact whether that can be minimized and that's what our intent is. That's what anybody can do the best.

So having said so, I'm very confident that the strategy we have a place should realize the way we are looking at it. And I want to answer that on volume. I think you must appreciate the kind of declaration we give as a Jubilant Ingrevia is much more than anyone else. What we definitely not want to give, you must appreciate Jubilant Ingrevia, which is your company, we have leadership position in many products. And if we start giving volumes number of our product wise, you must appreciate globally, we are faced with many competitors. I hope you will appreciate, we will not have to land up in a situation, so please, please respect our declaration.

And on a different side, if we discuss, I can even talk to you what kind of volume growth we are talking. But on a call like this, if you ask me to give you volume growth product-wise, I think it is too much to ask. You must appreciate the kind of presentation details we had given, you saw all the other companies, whether you get this kind of detail. So please appreciate that.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Prakash Bisht for closing comments.

**Prakash Bisht:** We thank you all for joining this call today. We hope we have been able to answer your queries. For further clarification, we would request you contact our Investor Relations team. Thank you once again for your interest in Jubilant Ingrevia Limited. We also wish everyone a very happy and prosperous new year.

**Rajesh Srivastava:** Thank you, everyone. Thanks a lot.

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

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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 January 31, 2023 for information of public at large.