List of Management Attendees

1. Mr. Shyam Bhartia, Chairman
2. Mr. Hari Bhartia, Co-Chairman
3. Mr. Rajesh Kr Srivastava, CEO & Managing Director
4. Mr. Prakash Chandra Bisht President & Chief Financial Officer
5. Mr. Pavleen Taneja, Director Investor Relations

External Participants during Q&A session

1. Tarang Agarwal – Old Bridge Capital
2. Harsh Shah – Dimensional Securities
3. Sanjesh Jain – ICICI Securities
4. Nitesh Dhoot – Dolat Capital
5. Siddharth Gadekar – Equirus Capital
6. Resham Jain – DSP Asset Managers
7. Rohan Gupta – Nuvama Wealth

Jubilant Ingrevia Limited
Q1 FY24 Earnings Conference Call
July 27, 2023

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

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

Pavleen Taneja: Good evening, everyone. Thank you for being with us on our Quarter 1 of Financial Year 2024 earnings conference call of Jubilant Ingrevia Limited.

I would like to remind you that some of the statements made on the call today will 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; and Mr. Prakash Bisht, CFO, Jubilant Ingrevia Limited.

I now invite Mr. Shyam Bhartia to share his comments. Over to you, sir.

Shyam Bhartia: Thanks, Pavleen. A very good evening to everyone. Thank you for joining us on Q1 of Financial Year 2024 earnings conference call of Jubilant Ingrevia Limited.

We are pleased to announce stable performance in Q1 FY '24, given the backdrop of uncertain market conditions, especially in Agrochemical end use markets. In our Specialty Chemical business, demand from our agrochemical customers globally continue to face headwinds due to exceptionally higher pipeline inventories. However, the demand for our Pharmaceuticals and other customers has improved leading to improved price realization and margins from these products, including CDMO.

In our Nutrition & Health business, Niacinamide volumes improved significantly resulting in revenue growth. We continue to witness improved price realization due to higher demand in the segment. Business continued to maintain global leadership position in Niacinamide and focus on niche segments like food and cosmetics.

In our Chemical Intermediates business, we continue to improve our market share in key products, Acetic Anhydride, despite challenges of lower demand from agrochemical end user segment. We also witnessed lower price realization in the segment due to pricing pressure from agro end users of Acetic Anhydride and lower realization of Ethyl Acetate in export and domestic markets. We are witnessing softening of coal prices, with that, our overall energy cost is expected to normalize. We remain committed towards our growth plans and confident that our well-defined capex plan will deliver structured growth as planned.

I would like to wish to update you with the leadership change announcements. Rajesh Kumar Srivastava would superannuate effective 30th September 2023 from CEO and MD of the company. Rajesh joined Jubilant in the year 2000, and since then, he has held various leadership positions. He has grown the business and established a very strong leadership team.

He established a deep culture of innovation, process and manufacturing excellence. He played an active role in developing global presence and brand of Jubilant Ingrevia. We thank Rajesh for his contribution in the Company's growth journey and place on records our appreciations for the services rendered by him and his unwavering commitment to Jubilant.

We are pleased to announce that Deepak Jain will be appointed as the CEO and Managing Director of the company with effect from 1st October 2023. Deepak has more than 18 years of rich and diverse global experience with Bain & Company, where he has been working as a senior partner responsible for APAC - Advanced Manufacturing and Service Practice covering automotive, chemical, cement industries. We welcome Deepak to the Jubilant family and wish him a long and successful career with the company.

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

Rajesh Srivastava: Thank you, Mr. Bhartia for the kind words of appreciation. A very good evening to all of you. At the outset, let me welcome you all for joining us today for Q1 FY '24 investor call of Jubilant Ingrevia Limited. I sincerely hope that you and your loved ones are keeping very well.

Let me now take you through the financial and operational performance of Jubilant Ingrevia Limited for the first quarter of financial year 2024. We are glad to inform you that after almost a year Nutrition & Health Solutions business witnessed a healthy bounce back in global demand of Niacinamide resulting into healthy volume and revenue growth year-on-year basis.

Specialty and Chemical Intermediates business faced headwinds in demand, especially from agrochemical customers leading to lower revenue realization. Revenue during the quarter was also impacted due to lower price realization of Acetic Anhydride as well as Ethyl Acetate because of lower Acetic Acid prices.

Overall business has improved EBITDA and margin sequentially due to better price realization from Niacinamide as well as Specialty Chemicals product from Pharmaceutical customers. However, EBITDA and margin performance year-on-year basis is lower due to lower demand from Agrochemical customers. On the energy cost front, our plans to reduce overall energy cost are well on track, both at generation side as well as at consumption side.

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

Specialty Chemicals: We registered growth in volumes of Specialty Chemicals products, including CDMO from our Pharmaceutical and other customer resulting into normalization and sequential improvement in the margin for the segment overall. However, demand from our Agrochemical customers have faced significant headwinds, leading to lower revenue both year-on-year as well as sequentially.

Our GMP and non-GMP plants for CDMO products, which we commissioned in last quarter are ramping up as per plan and are helping us to meet increased demand from our CDMO customers. Business continues to see improved demand from Specialty Chemicals products, including CDMO from non-agrochemicals segment use and our newly commissioned plant would see improved capacity utilization.

Nutrition & Health Solutions: In Q1 FY '24, our Nutrition & Health Solutions business has recorded a significant improvement in revenue both year-on-year basis as well as sequentially mainly due to higher demand of Niacinamide globally. Business has also witnessed significant improvement in price realization of Niacinamide globally. Demand of Niacinamide continue to be normal and price realization is in the process of stabilizing. Business continues to focus on expanding our global market share of niche segments like food and cosmetics.

To meet up the increased demand of this segment, we had already approved capex of new GMP compliant facility for producing cosmetic and food grade Niacinamide. The work on this capex is on track. The developmental work for Food grade Vitamin B4 is almost over and business is at advanced stage of finalizing the capex for GMP compliant facility of Vitamin B4. Approval shall take place in the ensuing quarter.

Animal Nutrition & Health Solutions business continues to focus on its specialty products and to meet up the increased demand of these specialty products. Business is working towards bringing up new capex for enhancing capacity for Specialty Premix products.

Chemical Intermediates: The business successfully managed to place higher volume of acetic anhydride globally for which has resulted in higher capacity utilization, our newly commissioned plant of Acetic Anhydride at our Bharuch facility. Our Chemical Intermediates business has recorded lower revenue during the quarter over last year, mainly due to lower price of Acetic Acid, leading to lower price realization of both Acetic Anhydride and Ethyl Acetate.

Chemical Intermediates business EBITDA for the quarter was lower than last year, mainly on account of lower price realization of Acetic Anhydride, especially from Agrochemical customers due to global pricing pressure in their products. Business continues to rationalize sales of Ethyl Acetate due to excess supply, while the demand of ethyl acetate has further impacted negatively in EU and U.S. regions.

We expect the sluggish demand from agrochemical customers to continue for some more time. However, we expect improvement in our future performance on account of improved market situation of Niacinamide as well as the Specialty Chemical products including CDMO, especially from non-agro customers.

Other financial details: Net debt of the company as of 30th June 2023 was Rs. 492 crores and net debt-to-EBITDA ratio was at 0.89x on the basis of trailing 12 months EBITDA. The net working capital percentage to turnover and number of days of working capital for Q1 were at 20% and 73 days, respectively. The capital expenditure during quarter was Rs. 180 crores. The company continues to remain under the old tax regime and effective tax realization for Q1 stands at 29.1%.

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

Moderator: We will now begin the question-and-answer session. The first question is from the line of Tarang Agrawal from Old Bridge Capital.

Tarang Agrawal: I have three questions. One, sir, despite coal prices coming off, we haven't seen a similar relaxation on your power and fuel spends. So, if you could give us some sense as to how that's going to move going forward?

Number two, in the Specialty Chemicals business, I think we are well aware of probably what's happening in the AgChem space. Sir, if you could give us a sense in terms of, how are our volumes in the non-AgChem space in terms of percentage growth and what was the de-growth that you witnessed in the AgChem space? And how are you all seeing yourself or how are you all seeing the AgChem business to resume?

And the third, I believe, in mid-April acetic anhydride capacity was commissioned. So, given the current market structure, how do you see the ramp up of that facility?

Rajesh Srivastava: Okay. So your first question on coal, if you see our coal and fuel value wise, yes, you are right from last quarter, we are almost close to the same number. But look at the volumes, because the volumes have grown, so effective coal and fuel prices per ton has come down.

And if you see from last year level, we are already down by almost 20% to 25%. So there is a significant improvement and there is a continuous improvement, which is happening on coal prices, which you all know. So you will see further reduction on effective coal and fuel price realization in our business.

Second question, on AgChem business, if you see our presentation, our AgChem ratio of our revenues is down from 40% to 33%. So that gives you an indication what is the reduction of AgChem business in our overall revenue. And all that, you see the increase in pharma is in almost double-digit in terms of our pharmaceutical products and CDMO.

On third question, the acetic anhydride plant we are -- as we stated in our speech that our volume has gone significantly high in acetic anhydride in last quarter and that has happened because of the demand from pharmaceutical customer and other end users other than Agrochemical customers.

Currently, if you see our overall capacity of anhydride, we are close to 80% utilization all across the sites. We now run anhydride in three of our sites, and in total capacity, we have produced and sold, last quarter close to 80%.

Tarang Agrawal: Okay. Sir, just one follow-up. Thank you for these answers. Just one follow-up sir. Historically, if I look at FY '21 and 2022, right, power and fuel, as a percentage of your overall cost, ranged at about 10% to 11%. That number sort of zoomed up to about 17% because of market conditions in FY '23. Now, if I look in Q1 FY '24 as well, that number continues to remain at about 15% to 16% of your overall cost. So I would believe that if volumes are going up and the thermal coal prices are coming off, this percentage ratio should come back to, if not 10%, maybe 11%, 12% eventually. Is that the right way to look at it?

Rajesh Srivastava: No, because we have variety of products. We have -- we have so many products. So it depends also on product mix. In the Chemical, certain products uses steam and power much more than other products.

So if the product mix changes, it is very difficult to analyse that what is the value based on per ton. But if you see the overall normalization of coal prices, we -- I think we will not go back to 2021 prices ever because overall prices of coal -- even our FSA have gone up.

So what you will see today, there is an improvement possible and it is continuously happening. But if you ask that it will match to 2021, I doubt. It will not.

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

Harsh Shah: Sir, first question is on the gross margin, which has seen market improvement sequentially from 43% to 48%. So going ahead, what is the level of gross margin? Is this sustainable at 48%, 49% going forward?

Rajesh Srivastava: You are talking about gross margin?

Harsh Shah: Yes. Gross margin.

Rajesh Srivastava: So gross margin today what you see is very much sustainable. There is no -- there is no doubt in that.

Harsh Shah: Okay. Okay. And my next question is again -- so it's related to power cost and also the realization because every quarter over last 4 to 5 quarters, we have seen that the realization has -- is growing everywhere. Just previous quarter Q4, we were seeing the realization across products are coming down. This quarter in certain sectors, we saw that the realization is improving.

So is there any way we can track the realization, if any data point on quarterly basis, which you can give us, if you can give us a better indication about what exactly -- how the product mix is evolving for the company?

Rajesh Srivastava: So well, let me also add a point on your first question. When you talk about gross margin, the percentage is little bit -- it's difficult to say because if the raw material prices goes down, you sometimes see gross margin percentage goes up. But what I said will be maintained is the -- definitely better value. But percentage is very difficult, because right now, you see the acetic acid prices are very, very low level. So that's why you can see little bit a better percentage. But -- so but value-wise, yes. we definitely are very sure that it'll we be maintained or it will be better.

Now, coming to your second question. On the realization product-wise, I mean, we can separately sit with you and explain you that which product realization is going up, where the product realization is going down depending on the product mix, but it is difficult to give those details right now in the call.

Harsh Shah: Not in the call, but it's for everyone's benefit, if we can give volume data for all the 3 segments in kilolitres terms. I know we must be having a lot of SKUs, but if we dumb it down to kilolitres that in Chemical Intermediates, we sold ex-kilolitres, in Specialty, even if it's aggregate and it can help us derive some numbers to work with.

Rajesh Srivastava: Okay, understand, yes, yes.

Harsh Shah: And last question is on the Chemical Intermediates side, you have mentioned in the PPT that the realization has gone down, but we've seen increase in the margin. So what was the reason behind that?

Rajesh Srivastava: Basically the acetic acid -- as I explained, acetic acid prices are so low, you see the better margin in terms of percentage.

Harsh Shah Okay.

Rajesh Srivastava: We need to focus on the value.

Harsh Shah: Okay. So in absolute terms also we have maintained margins?

Rajesh Srivastava: Yes. Value-wise, absolutely.

Harsh Shah: Understood.

Moderator: Next question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: First on the agrochemicals side, just wanted to understand a little bit more, is it that the customer were sitting on excess inventory and they're normalizing or do you think the higher interest rate is hurting the agrochemical player in terms of keeping the inventory and bringing it down? What is leading to this destocking? And when do you see the revival happening in the agrochemicals business? That will be very helpful.

Rajesh Srivastava: Based on our discussion with our customers, what we understand, there are two reasons for this situation of agrochemical. One is the weather conditions in Brazil, U.S. and Europe in last 6 to 8 months have been very, very difficult, and that has actually reduced the demand.

And the second is that the customers have piled up the inventory in anticipation of higher demand. So some of the customers have inventory up to even 10 months. You can imagine that this kind of inventory liquidation will take time. Though we estimate that this situation should be as per customers, it should be normalized sometime November, December. What we expect that the last quarter of our financial year should be the normal quarter. That is what we can estimate based on what our customers are intimating to us.

Sanjesh Jain: No, that's quite clear. Just wanted to understand a little bit more, do we sell agrochemical more to the innovator-innovative product or it's more of a generic? Where does it find application for us?

Rajesh Srivastava: Our product is sold to both generic customers as well as innovator customers. So we have products, which is sold to all the customers.

Sanjesh Jain: Okay. Just one thing here. When we are making a comment, it is more pertinent to generic side of business, or you are saying, this is really across the players and there is really no differentiation between the generic customer and innovator?

Rajesh Srivastava: So some of our products, which are in the early stage of generic -- becoming generic, of course, there are differentiation. But in general, if you're selling a product, which is old -- it has got generic of 10 years before, then obviously it doesn't make difference whether you're selling to a generic customer or to an innovator customer.

Sanjesh Jain: And what will be the proportion for the generic in the overall agrochemical sales, if you can share that number?

Moderator: Sanjesh, sorry to interrupt you, but we are losing your audio?

Sanjesh Jain: Can you hear me now?

Rajesh Srivastava: Yes, I can get your question, but it is difficult to give that percentage as of now.

Sanjesh Jain: No, rough number will be helpful, will it be 30, 40, 50?

Rajesh Srivastava: It's difficult. We can tell you later.

Sanjesh Jain: That's fine, sir. Very helpful.

Rajesh Srivastava: Operator can we take the next question please?

Moderator: Yes, sir. Next question is from the line of Nitesh Dhoot from Dolat Capital.

Nitesh Dhoot: Sir, my first question is on the Nutrition segment where we see that the margins are still much lower than the historical numbers despite the business, as we say, having normalized. So what is the reason behind that and what would be your outlook going forward?

Rajesh Srivastava: In Nutrition business, we have said in the past also, normally we take the orders for a quarter, right? So if the prices start improving, we don't see the impact immediately. It takes about a quarter or 4 months to seek to reach to the actual normalized situation.

So last quarter, the improvement started mid of the quarter, if you remember, and we did not -- we could not enjoy the full quarter benefit. So now more or less, we are not still on the same level of last year, but we are now reaching to closer to the normal situation.

Nitesh Dhoot: Sure. So maybe the second half of the year, we should be seeing normalized margins of like maybe 18%, 20% range or any number that you can maybe help us with?

Rajesh Srivastava: Again, the percentage is very difficult to talk. But what I can definitely say that even the ongoing quarter as well as the future quarters should be definitely better.

Nitesh Dhoot: Sure, sure. Sir, my next question is on the Diketene plant that was commissioned. I mean, any number that -- any utilization number that you can maybe share, any ballpark number where it's currently operating? And how do you see the ramp-up going forward over the next year or so?

Rajesh Srivastava: So the good news in Diketene is that now the demand is picking-up. We have reached to a level of 55% to 60% of our capacity utilization in Diketene. And we foresee that in coming quarters, this utilization should further improve.

Nitesh Dhoot: So, in that case, I mean, how are we placed on our next phase of Diketene expansion, any color on that?

Rajesh Srivastava: So last quarter we had -- sorry, this quarter we have approved next phase of investment for two value-added products. We have planned to approve another investment during next quarter in Q3 for further two value-added products. So now gradually, as per plan, we are taking up the investments for the new value-added product because now our cost situation, our capacity and plant is running very well, and therefore, now we are taking up to the next value-added products in Diketene.

Nitesh Dhoot: Sure, sir. And on the overall capex schedule, if we talk about, so almost INR2,000 crores of capex was laid out for completion by FY '25. So how much of that is already commissioned and what part of it would be -- would we be seeing over the next year-and-a-half? And any deferments or delays that we can -- that we expect there because of the headwinds around agrochemical side of things? Details over there would be very helpful.

Rajesh Srivastava: So in last 12 months to 15 months, we have completed the capex worth INR475 crores. The capexes, which are currently ongoing is of the value of about INR450 crores. So that's the number. And we are already taking up the under development and designing phase, over INR600 crores capexes are under design phase, which will come for approval in next 10 months to 12 months' time. So during next 10 months' time quarter-on-quarter, month-on-month as and when our design portion gets cleared, we will bring those capexes and that value will be close to INR600 crores. And further, the work is still going on.

Moderator: Thank you. Sir, sorry, but the line for the participant dropped. We move on to the next participant. Next question is from the line of Siddharth Gadekar from Equirus Securities. Please go ahead.

Siddharth Gadekar: Hi, sir. Just one -- first question on the capex, so what is the number that we should work with for FY '24 and FY '25 in terms of the cash outflow?

Rajesh Srivastava: FY '24 should be between INR600 crores to INR700 crores. FY '25 will be close to INR500 crores, so far. If we find something interesting, it might go up a little bit more.

Siddharth Gadekar: Sir, secondly now in terms of the capacity that we have commissioned in Specialty Chemical, we were supposed to commission three plants. So in terms of that, where are we in terms of ramp-up, and by year-end, will we be at around 35% to 50% utilization? How should we look at that?

Rajesh Srivastava: In fact, our Specialty Chemical, CDMO, non-GMP, GMP facilities are running very, very high level of utilization, because the demand is strong and we are close to more than 50% to 60% of utilization and it is ramping-up. In next couple of quarters, I think we will have a good position of utilization, and therefore, we will be quickly working on additional capacities for future.

Siddharth Gadekar: So, is it fair to assume that by year-end, we will be at 70%-plus capacity utilization for this year?

Rajesh Srivastava: Absolutely. Fair assumption.

Siddharth Gadekar: Okay. Got it, sir. Secondly, our Specialty Chemicals, just -- can you just give some percentage in terms of the volume decline that we have seen this quarter.

Rajesh Srivastava: So Specialty Chemical, agrochemical volume decline is close to 20% to 24%, 25% in the quarter overall. And in Pharmaceutical, we have grown almost, let's say, 10% to 11%. So net-net volume decline is there.

Siddharth Gadekar: Okay, sir. Got it. Sir, just one last question, in terms of the FSA coal we highlighted something in the opening remarks. But now are we getting the entire quantity that we were getting in FY '21 and FY '22 or it is still lower than those level?

Rajesh Srivastava: No. So in FSA coal what happens that, you get -- so first of all, we are now getting FSA coal, but there are two ways you get FSA coal. One is through rail transport. Second is through road transport. Government has not opened up 100% rail transport. Once that happens, then you can say 100% normalization has happened. So we are getting FSA coal, but we are getting through road. I have said this also in the last call. So therefore, our cost is still not 100% normal. We are close to 20% higher than the normal cost if you get from rail transport. But that is seemingly now looking at to be opening up maybe this quarter end, the government is giving, lot of push to open up. We can see some easing up happening this quarter. So we may give you next quarter a news, which can be better than this.

Siddharth Gadekar: Okay, sir. Got it. Thank you so much.

Moderator: Thank you. Next question is from the line of Resham Jain from DSP Asset Managers. Please go ahead.

Resham Jain: So my question is to Mr. Shyam Bhartia and Hari Bhartia given that we have this change in management, and typically in a manufacturing company, what we have seen is a person who has worked in an industry is typically being chosen. So in your case, you have gotten a person who has more of a consulting kind of experience.

So if you can just explain your thought process, what has gone behind this hiring? And any thoughts around this will be very helpful to us.

Shyam Bhartia: This is Shyam Bhartia. Deepak Jain has extensive experience in the chemical industry and has worked in many specialty chemical and chemical industry for both taking their business to a different level. So he has an extensive experience in both chemical and specialty chemical industry. And in many industries, he has taken a very active role in taking through their development of their business. So he really has an extremely good understanding of the chemical industry and specialty.

Having said that, of course, he has worked with many of the chemical companies in both in the manufacturing excellence, in the business excellence and also in taking the company to different heights in both specialty and chemical industry.

Resham Jain: Understood, sir. Sir, the other question, again, when we look at your company, especially on the Specialty side, we've seen lot of agrochemical -- Pyridine is used extensively. But what we have seen is that a lot of projects where there are forward integration steps, especially on the fluorine side or fluoropyridine side. The project has been won by some other players, which are more specialized higher margin business. How would you think about taking Specialty Chemical to the next level whereby we provide N-2, maybe N-1 kind of product to the market? If you can just explain your thought process around this, that would be really helpful.

Shyam Bhartia: Yes, I can explain that. And basically, some of the industries, who have fluorine-based products, because they have HF with them and they have a high capacity of HF. So they have a better position to derive that benefit from the fluorine in these products. But there are many chlorinated and brominated products, which is available for us and we are supplying in that segment, a lot of chlorinated and brominated products, which is also in high demand.

So that's where we have a particular advantage. But of course, since we don't have HF with us, we don't have any fluorinated products. So people go to people who have HF only for fluorinated industries. But all are not fluorinated. There are many products, they are chlorinated, brominated and non-fluorinated, there we have an edge.

Resham Jain: Okay, sir. Understood. Sir, one request. Earlier, you used to give one slide which was very helpful for analyst on the capex updates. I think those slides are not coming from last two quarters. If it is possible -- because for a chemical company, it is very important to understand what kind of capexes are going and a continuous update around that would be very helpful. It is just a request, in case if it is possible.

Shyam Bhartia: I think I would say that by the end of the year, it is better to give that rather than in every quarter.

Resham Jain: Okay.

Prakash Bisht: Every quarter, we are announcing the capexes, which we are approving and also which we are executing. I think it's better to announce the end of the year when the complete strategy is ready for this. For this year, already capexes, which have been approved, this will be executed sometime next year. And also for next year capexes also, we'll be ready with our strategy next year.

Resham Jain: Okay. Fair, sir. Thank you.

Moderator: Thank you. Next question is from the line of Rohan Gupta from Nuvama. Please go ahead.

Rohan Gupta: Sir, first question is on our Specialty Chemical division, sir. Last year, we have seen that though there was an increase in coal prices and lower availability of FSA coal, we were able to fairly able to pass it on to the end consumer and there was a price acceptance from the customer, because there was a high demand and the prices have gone up. But, sir, now, especially coming from the agro, the industry is witnessing the weakness. So though the coal cost is coming down, do we see that we may not be able to retain any benefit of the falling coal prices, and it has to be passed on to the end customer, and so that the margin in Specialty Chemical remain at the level at which they are?

Rajesh Srivastava: So first of all, what you see the margins today is not what we should have. That is the answer. But detail, if you see, not only the coal prices, entire commodities have been very lower. So customers, they know when the commodity is going down and globally even coal prices. It -- so one situation was that we were not getting FSA, but now even global coal prices are going down.

So customers are expecting the price to be adjusted accordingly. And therefore, we have to also align to the customer expectation and -- which happens in positive side also. But again, answering your question, of course, we are aiming to be a better price realization -- EBITDA margin in Specialty Chemical, what you are seeing in this quarter. It should be better.

Rohan Gupta: Yes. Sir should be. But definitely, given that the pressure on the agrochemical industry, the demand is still low. We have seen a roughly 25% to 30% volume decline in agrochemical. And agrochemical still contribute one-third of our Specialty Chemical revenue. So the question I was having that EBITDA margin in the current quarter was roughly as low as 8% in --in Specialty Chemicals has been as low as 7% to 8% - 16%, which earlier used to be roughly 20% to 22% range. So do we see that any near-term?

Rajesh Srivastava: No, 20% to 22% you're talking about one quarter or two quarter where we had some good positive news for one of the product, but in general, I have been always talking on our Specialty Chemical, product mix basis, our margin to be close to 16% to 18%. I've been saying that. So I think what you are saying 20% to 22% is still not there because we have to utilize our GMP facility completely, all the new products, which we have launched in CDMO have to come on commercial scale.

So it will take a little time to reach to that 20% level, which is what I had said earlier also. But yes, this is not -- this is not the actual normal. Should be little better than this, which we are working on that.

Rohan Gupta: Sir, second question is on the Diketene, you mentioned that definitely now utilization rate will have gone to roughly 50%-plus, expect further improvement. But I think that as a business model of Diketene, the money and the margins will be made when we go in the value-added segment and when we put our second phase of capex. So as of now, how do you see that the visibility for that -- though you touched upon on that that you expect that commissioning of Phase 2.

But given that agrochemical and Diketene is primarily catering to agrochemical where you are talking about the current weakness going to remain there for at least next three quarters to four quarters. So do we see that in kind of environment, we still will see a Diketene business ramping up and margins improving there with the commissioning of the second, say, next four quarters to six quarters?

Rajesh Srivastava: First of all, the volume increase in Diketene itself will improve our EBITDA, correct? But you are very right that as we explained in the past also, this is not our aim to utilize 100% with these products. Our aim is to bring new value-added products. If you are asking for visibility, I have explained in the earlier question that the two intermediates we have approved, this will be commercialized during this year last quarter.

The next two -- another four intermediates we are working on, which should come in next two quarters to three quarters for approval. So going forward in a horizon of, let's say, 1.5 years, one year to 1.5 years, you will start seeing the improvement in overall profitability of Diketene as and when the new value-added product will start coming in.

So this is as per plan. I think, if you see every time we have been talking that first task was to commercialize, utilize the basic building blocks and then bring up the value-added products. We are going with the same direction. So your question is correct and we are in the same track. But of course, it takes time.

So that's why we don't want to unnecessarily tell you that it will happen next quarter or next to next quarter. But it is going very well because most important is stabilizing the building block production because that cost itself, we are assuming, this is a good achievement. Now, here onwards, you can only see the notch way going forward in terms of profitability.

Rohan Gupta: Sir, just last question. On CDMO, if you can give some number for the current year how -- at what revenue from the CDMO we are likely to close for the FY '24?

Rajesh Srivastava: So again, we can't give you a specific number, but we have told earlier also that we are close to double-digit percentage of our total revenue is our CDMO business, that we have said earlier also in the past. So that we are trying to improve, but we can't give you exact value in terms of CDMO business.

Rohan Gupta: Okay. Fine enough, sir.

Moderator: Thank you. Next question is from the line of Siddharth Gadekar from Equirus. Please go ahead.

Siddharth Gadekar: Sir, just one more question on the Specialty Chemical piece. We had highlighted that volumes declined anywhere by around 35%. So how much of this would you attribute to the destocking and how much would you attribute to the China dumping or China coming back where China was not present for the last 18, 24 months?

Rajesh Srivastava: Yes, there is -- so I would say, major portion is the destocking. But yes, you are very right, slight portion is actually speaking, if you see the global agrochemical phenomena also, it is China dumping, because I explained in my earlier question, that one was the weather problem, the second was excess supplies from China.

People kept their stock because they were anticipating that like last two quarters, three quarters, China was slow in supplies, people started buying, and China has started dumping. So it's a double impact, which you see today. So you are right, I mean, both impact. But mainly, the major impact is from the excess inventory at our customer end. In fact, China is even today dumping, but there is no buyer today. They want to dump, but there is no buyer.

Siddharth Gadekar: Also in terms of our cost of production, just a sense on Pyridine, what would be the differential between us and China? We would be evenly matched with China?

Rajesh Srivastava: Cost of production, we always claim that we are best in the world. Otherwise, if China does not dump the material, we also get an opportunity to sell in China. It is only when China decides to sell. If you remember, about 1.5 years before, there was a situation when China was being very, very modest in their pricing.

They did not do the dumping about 1.5 years before, and that is the time we took some market from China. So unless they decide to sell lower than the cost, we are definitely best -- best cost situation in terms of Pyridine and Pyridine derivative.

Siddharth Gadekar: Okay, sir. Got it.

Moderator: Siddharth, do you have any follow-up questions?

Siddharth Gadekar: No. That's it.

Moderator: I now hand the conference over to Mr. Pavleen Taneja for closing comments.

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

Rajesh Srivastava: Thank you.

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