List of Management Attendees

1. Mr. Shyam Bhartia, Chairman
2. Mr. Deepak Jain, CEO and Managing Director
3. Mr. Prakash Chandra Bisht, CFO, Jubilant Ingrevia
4. Mr. Arvind Chokhany, Group CFO, Jubilant Bhartia Group
5. Mr. Pavleen Taneja, Head – Investor Relations, Jubilant Ingrevia

External Participants during Q&A session

1. Jinal Sheth – Awriga Capital Advisors LLP
2. Rohit Nagraj – Centrum Broking
3. Rohan Gupta – Nuvama Securities Limited
4. Gokul Maheshwari – Awriga Capital Advisors LLP
5. Pranav Tendulkar – Rare Investments
6. Neerav J – Anvil Research

Jubilant Ingrevia Limited

Q4 FY '24 Earnings Conference Call Transcript

May 14, 2024

Moderator: Ladies and gentlemen, good day, and welcome to the Jubilant Ingrevia Limited Q4 and FY '24 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, 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, Head of Investor Relations, Jubilant Ingrevia Limited. Thank you, and over to you, Mr. Taneja.

Pavleen Taneja: Thank you, Dorwin. Good evening, everyone. Thank you for being with us on our Quarter 4 and Financial Year 2024 Earnings Conference Call of Jubilant Ingrevia Limited. I would like to remind you that some of the statements made on the call today could be forward-looking in nature, and a detailed disclaimer in this regard has been included in the press release and results presentation that has been shared on our website.

On the call today, we have Mr. Shyam Bhartia, Chairman; Mr. Deepak Jain, CEO and Managing Director; Mr. Prakash Chandra Bisht, CFO, Jubilant Ingrevia; Mr. Arvind Chokhany, Group CFO, Jubilant Bhartia Group.

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

Shyam Bhartia: A very good evening to everyone. Thank you for joining us on Q4 and financial year 2024 earnings conference call of Jubilant Ingrevia limited. We are pleased to announce stable business performance for Q4 amidst the continued challenging market condition.

We are also glad to share that the Board has recommended a final dividend of 250% i.e. Rs 2.5 per equity share of face value of Re 1 each for the FY'24. This shall result in cash outflow of Rs 39.8 Crore. During the year company has already declared an interim dividend of 250% i.e. Rs. 2.5 per equity share of Rs 1 each and the total dividend for FY'24 works out to be 500% i.e Rs 5.0 Per equity share of Rs 1 each amounting to Rs 79.6 Crore of Cash outflow.

We are pleased to share that during the quarter, we commissioned our multipurpose Agro Active & Intermediate Plant at Bharuch facility. This plant would strengthen our capacity and capability to produce forward integrated, high potential Agro Actives & Intermediates

In addition to that we also commissioned a plant for new Diketene Derivatives in Gajraula facility which will further enhance our Diketene product portfolio. Commissioning of these plants is in line with our stated strategy of further strengthening our Speciality Chemicals product portfolio, through long-term contractual arrangements with our customers.

The Agrochemicals sector, which faced dual challenge of overstocking of inventories and oversupply from China during the year, is yet to bounce back to normalcy, while the excess inventory situation is expected to ease out and volumes are likely to move, the prices may still remain under pressure due to excess supply of agrochemicals globally. We expect that the sector may still take 1-2 more quarters to recover fully and get back to normal.

In the Pharmaceutical end-use segment, we witnessed stable demand trends with healthy volume placements during the quarter. Early signs of further improvement in demand in certain products are signalling near term outlook remaining buoyant, with significant pricing recovery yet to take place.

In Nutrition Segment the demand is steady however prices remained under pressure due to excess supplies from China.

With the onset of new financial year FY25, we expect all the three segments to improve sequentially over FY24. Our key focus in FY25 will be on customer centricity, ramping up the newly commissioned plants, remaining lean and bringing back the margins to normal levels.

We are firm and on track towards investing in high-potential product categories and expand our product portfolio through our ongoing modular capex plan of Rs 2000 Cr, to deliver structured growth and drive us towards our newly created vision of Pinnacle 345 i.e. 3 times Revenue, 4 times EBIDTA, in 5 years.

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

Deepak Jain: Thank you Mr. Bhartia, a very good evening to all of you.

At the outset I would like to thank you all for joining us today for Q4 & FY24 investor call of Jubilant Ingrevia Ltd. Let me now take you through the overall business and financial performance along with Key Highlights of the Company for the fourth Quarter of FY 2024.

At an overall level, the previous quarter was yet again a challenging quarter for global and Indian chemicals industry, primarily driven by muted demand in key end-use segments such as agrochemicals along with persistent pricing pressure across the segments.

Despite the above challenges, we could keep our financial performance largely stable vs. previous quarter driven by our continuous customer engagement and multiple cost savings initiatives.

In Speciality Chemicals, we witnessed higher volumes coming from Pyridine building blocks and Fine Chemicals including Diketene, wherein CDMO remained the key driver for our future growth.

In Nutrition & Health Solutions, we witnessed higher sales volume coming from Niacinamide, wherein pricing remained muted.

In Chemical Intermediate business segment, Acetic Anhydride volumes were stable, while the pricing remained soft on account of lower demand from Paracetamol and Agro Chemical end use, in both India and European markets.

During the quarter, we were also impacted due to higher freight cost led by Red Sea Crises, which correspondingly dented our overall margins. With the help of our Project Lean initiatives, we successfully kept our costs under control and brought our working capital down to 18% of Sales through focused inventory optimization and other measures.

We have also signed an agreement with M/s O2 Renewables for captive Renewable Energy sourcing for our Gajraula and Savli facility. We expect the share of renewables to increase to 30%+ in next 12-15 months.

Under our Digital initiatives focused on productivity, yield and energy cost optimization through digital 'Surge' program, we have completed multiple projects to bring efficiency across our manufacturing locations.

Our committed capex plans stayed on track. During the last quarter we commissioned our multipurpose Agro Active & Intermediate Plant at Bharuch facility. In addition to that we also commissioned a plant for new Diketene Derivatives in Gajraula facility. Our GMP compliant facility for Food & Cosmetic grade B3 is expected to be commissioned in Q3'FY25.

Our capex execution track record demonstrates our commitment and strategy to structurally expand and shift our business mix towards value-added Specialty intermediates. This is also visible in Specialty and Nutrition share of revenue continuing its upward traction at 60% in Q4'FY24, compared to 54% in Q3'FY24

We are also under process of devising our further expansion plans for coming years in light of numerous opportunities where we are seeing increased and accelerated traction from our customers.

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

Specialty Chemicals: During the quarter, the Specialty chemicals segment grew by 30% QoQ and also saw marginal growth vs. last year. We witnessed continued improvement in demand from Pharma end-use segment, wherein volumes remained strong, and prices are yet to recover. Whereas, in Agrochemical End-use segment destocking phenomenon is expected to be at a fag end, however we are witnessing volumes growing gradually. Agrochemical oversupply from China is still a concern, which is keeping the prices muted.

Driven by Fine Chemicals & CDMO, demand from North American and Europe region grew during the quarter, while Domestic market was relatively soft.

Our Di-ketene plant is currently operating at 60-70% utilisation, wherein we witnessed sizable volume traction during the quarter.

In CDMO, we continue to have a high visibility on future growth pipeline. We are in advanced stages of discussions to close a few long-term contracts across agro and pharma sectors. We also continue to see new inquiries in semi-conductors and electronics chemicals too.

Our Microbial Control Solutions Business is witnessing good momentum through new products launch in Pyrithiones platform. This will support accelerated growth going forward.

As mentioned earlier, during the quarter we also commissioned our Multi-purpose Agro Actives & Intermediate plant in Bharuch and Diketene Derivatives plant in Gajraula.

Now moving on to our Nutrition & Health Solution Business Segment, during the quarter, the Nutrition business grew both on QoQ and YoY basis, largely driven by higher volumes. Vitamin demand remained stable, though competitive pressure was witnessed across the product range.

Our view is that customers seems to be in buying mode now, but unwilling to accept higher pricing. Despite that, we could increase our global market share in B3 in FY24.

We also launched new products range in the segment, with introduction of Liquid Choline Chloride and Choline Bitartrate.

We also witnessed volume for Food & Cosmetics grade registering significant growth in Q4’FY24 sequentially and in FY24.

I would also like to share that our GMP compliant facility for Food & Cosmetic grade Niacinamide is expected to be commissioned in Q3’FY25, for which we have also started receiving good traction towards volumes booking. The decline in segmental EBITDA was warranted mainly due to benign pricing led by Chinese competition.

Now let me throw some light on our Chemical Intermediates Business segment. Revenue for the Quarter and the Year were impacted on account of lower prices of Acetic Anhydride, which were primarily driven by lower demand from end use industries and lower price of underlying key raw material Acetic Acid.

During the year, continued lower utilizations in downstream industries including Agrochemicals and Paracetamol constrained further volumes pickup in the segment.

During the quarter, the Red-Sea challenge also resulted in overall increase in ocean Freight, which impacted our sales and margins during the quarter. We continued to maintain our dominant market share for the Acetic Anhydride in domestic markets, while increased our share in the European market.

We also implemented world class digital initiatives at our global manufacturing facilities to improve our operational efficiencies in the business segment.

During the quarter gone by, we received +99% Biogenic Content Rating for Green Acetic Acid, this achievement would enable us push our sales with global food giants.

Now let us discuss the overall Financials of the company:

The overall revenue during the quarter stood at Rs 1,074 Cr, as against Rs 966 Cr in Q3’FY’24, the revenue was higher mainly due to higher volumes coming from

Specialty Chemicals and Nutrition Segments. The revenue for FY 24 was Rs 4,136 Cr against a revenue of Rs. 4,773 Cr in FY 23

The EBITDA for the Quarter stood at Rs 101 Cr, as against Rs 104 Cr in Q3'FY24. EBIDTA was almost flat mainly on account of benign pricing in Nutrition segment led by Chinese competition and also lower realization in Acetic Anhydride. The EBIDTA for FY 24 was Rs 456 Cr against an EBITDA of Rs. 580 Cr in FY 23.

The capital expenditure incurred during the Quarter was Rs. 143 Cr and for the FY 2024 it was Rs 572 Cr. We expect to spend the remaining approx. one third of announced capex of Rs 2,000 Cr in FY25, which will mainly be incurred towards Food and Cosmetic Grade Niacinamide plant, New food grade choline (CC CBT) plant, expansion of GMP facilities

The Net Debt of the company as on 31st March, 2024 was Rs. 653 Cr and Net Debt to EBITDA ratio was at 1.43 times. The Increase of Rs 341 Cr in Net Debt during the FY 24 is led by Rs 572 Cr of Capex. Despite high capex we restricted borrowings and actually decreased the Net Debt by Rs 48 Cr during the second Half of Financial Year through focussed working capital optimization led by active management of Inventories and other measures driven by Lean initiatives. Net Working Capital 'Percentage to Turnover' for Q4 FY'24 was sequentially lower at 18%.

During the quarter, we opted to move to the new tax regime from FY24 onwards whereby the applicable statutory tax rate shall only be 25.17% as against the statutory tax rate of 34.94% in the old tax regime. However, the tax expense for the quarter and year includes a onetime transitional write-off of opening brought forward MAT credit amounting to Rs. 12.56 crores. The expected ETR from FY 25 onward will be in the range of 25-26%

The PAT for quarter was Rs 29 Cr (after adjusting for MAT credit write off), as against Rs 39 Cr in Q3'FY'24, While the PAT for FY 24 was Rs 183 Cr against a PAT of Rs. 308 Cr in FY 23.

As we move forward, I would also like to share an update on a few strategic Initiatives undertaken in recent times:

As I mentioned in the previous quarter, the leadership team of Jubilant Ingrevia has designed a bold 5-year growth strategy. We have set out a new Growth Roadmap for ourselves called Pinnacle 345 – i.e. 3x revenue growth, 4x EBITDA growth in next 5 years.

Over the last few months, we did a bottom-up assessment of each of our businesses and product platforms and crafted a detailed strategy for each business.

The Pinnacle 345 growth roadmap is deeply rooted in our core strengths, i.e. Customer centricity, world-class operations, Innovation, ESG leadership and People focus.

It also leverages the opportunity that is coming to Indian chemical industry on the back of 5 mega trends, namely, supply chain diversification, domestic demand scale up, value added products acceleration, digitization and ESG focus. You can find more details on Pinnacle 345 and our BU wise priorities in our Investor presentation.

We have already started the execution of this strategy across our BUs and have also created a Program Management Office to ensure a rigorous tracking mechanism.

Over the coming quarters, we will continue to share more updates on Pinnacle 345, and hopefully you will also start to see its impact on various aspects of our business, including new customer partnerships, new capex and several other new initiatives.

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 comes from the line of Jinal Sheth from Awriga Capital Advisors LLP. Please go ahead.

Jinal Sheth: Thank you for the elaborative and detailed inputs of the business. Just wanted to catch a point that obviously, the new capacity has come on stream. And what you also mentioned is that we're currently operating at 60%, 70% utilization. Just wanted your thoughts on the fact that currently our demand environment is a bit uncertain. So, is this something that comes from our customer base that we've kind of expanded to that extent? Some thoughts out there would be useful.

Deepak Jain: Yes, Jinal, you're absolutely right. As we spoke in the previous calls as well, we have invested heavily in the last 2 years and created new capacity in our businesses such as diketene, acetic anhydride, agrochemicals, etc. And because these are new product lines, except for acetic anhydride, which we have been doing for almost 4 decades, in most of these situations, we have found new customers, we are selling these products to. And across these plants, the capacity utilization is already touching almost 60% plus even in this environment. And as I mentioned in my opening remarks, as we get more volume traction, we are seeing that capacity utilization is only increasing month-on-month and quarter-on-quarter.

Jinal Sheth: Okay. And secondly, is it true that the inventory correction, are we seeing that in China as well, where capacities are probably going off? Any comments on that?

Deepak Jain: Those are two different points, Jinal, from the destocking perspective, as I mentioned in the past and even today, and we are seeing that in our business as well as hearing it from all our customers. The destocking seems to be at the far end after last 18 full months. From a supply perspective, China, of course, at least in agrochemicals from whatever we understand, has created a lot of capacity, and we still think there is excess capacity there.

Jinal Sheth: Okay. Just lastly, a connected question to the first question that I raised was that in regards to the capacity expansion that, would that kind of lead to say suboptimal returns given the demand environment and obviously considered the way to put it is the pricing is not optimal at this stage. Is that a fair way to see that?

Deepak Jain: So, I think, Jinal, for the areas where we have put up capacity, most of those are, number one, specialty areas, high-margin products. Number two, these are products, if you look at our business mix, only 20%, 25% of our business is linked to agrochemicals, remaining 70%, 75% business is in pharma, in cosmetics, in nutrition. We are getting good volume traction as the numbers also tell, if you look at our business by BUs. The volumes which are coming from there are helping us improve the capacity utilization. Of course, there is a pricing pressure in some product lines, but I don't think that will change our overall return profile if you look at it from a multi-year perspective. Of course, a few quarters, pressure will remain. But at least from the overall recovery value as well as returns from those assets where we have invested we still stay bullish, and we think the NPV or the IRR of these products on a multiyear basis will be at par with what we had projected.

Moderator: The next question is from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: One question in terms of the different segments and product lines that we have. So, what has been the competitive scenario from China? Because as you had also mentioned in your opening remarks that there has been a competition. So, which are all areas where we are seeing that the competition is coming. And which and all area where we still have a pricing power once the normalcy returns from the inventory destocking and the other global phenomena, which are affecting the business? Thank you.

Deepak Jain: Yes, Rohit, I'll just add to what I said in response to Jinal's question, most of the pressure is in the Agrochemical segment. Obviously, there is competition in Nutrition and Pharma segments as well from China, but the level of pressure there is not as acute as it is in Agrochemicals. Just as an example, in some of the Agrochemical product lines, not just for us, but if you track the import data, the broader decline in pricing has been up to the 30%, 40%, 50% also.

While if I take example of vitamin B3, which is one of our core products in the Nutrition segment, the pricing has been flat for the last five or six months and there is only a marginal decline versus what it was previous to that. So the amount of pressure vary significantly by segment, as you rightly pointed out. It's more acute in Agrochemical. Nutrition and Pharma are largely stable.

Shyam Bhartia: Having said that, China plus one strategy with large companies still valid. And we are seeing some inquiries in the agrochemical intermediates, which are China plus one strategy. And as Deepak said that in the coming quarter, we are going to conclude a large contract for Agrochemical intermediates. This is just related to China plus one strategy. And a lot of inquiries still coming in. But since the China prices are so low, so people are trying to defer the inquiries, but this inquiry is very strong, and we are able to conclude this business, which is a large business.

And secondly, we are receiving inquiries for Agrochemical sector, but people are trying to defer those, the strategy after discussing with large agrochemical company still remains still very active, that China plus one. But China being at such low prices, this is a wrong time to shift from China to India. But of course, that strategy as in the next three, four quarters, the China prices are going to go up, then definitely, this strategy will come back in action again.

Deepak Jain: Yes. And just to add to Chairman, I think as for everyone is satisfied, because I'm sure that question will come. Most of the discussions we are having with our customers, be it agro, pharma or even let's say, cosmetic space, particularly for the CDMO business, the customers are speaking to us despite whatever is happening to pricing and competition from China with a long-term view.

And in many cases, they are helping us working with our R&D team to optimize the cost structure to ensure that we collectively are able to take on the competition on pricing and then optimize our cost accordingly. So, couple of contracts that Chairman talked about are in line and with that kind of arrangement with the customers.

Rohit Nagraj: Sure. That's helpful in terms of collaborate answer. Just to put it slightly differently. Out of the entire business, how much of the business is, mean how much of businesses prices are governed by China or dictated by China, given that there are incremental capacities which have come up or which are coming up in China, will still have pricing pressure on those set of products or segments that we have.

Deepak Jain: So, Rohit, I don't have the precise number, but again, I will go back to what I was saying earlier and talk sector by sector, and then we publish that information in our investor presentation also. Agrochemicals is roughly 20%, 25% of our business. Obviously, there is a huge pressure there from China. Pharma is roughly 30% of our business. The relative impact of China pricing is less there. And especially in our chemistries, be diketene, pyridine or some of the other products, we are able to command pricing.

If I take nutrition, as an example, vitamin B3, we are world number 2, and we and China are more or less at par. So, any one of us can disturb the price or any one of us can command premium as well. Right now, it's a deadlock where we are at a flat price, as I said, for the last six months or so. So, the answer very significantly, it's not a zero sum game that these are the products where China price does not impact, these are the prices where it can impact. It varies significantly. There is obviously some impact when there is a competition from China, but the level of impact and implication of that are very different by segment.

Shyam Bhartia: In niacinamide also, having said that, there is more competition in the animal sector. Whereas in human and food sector, there is less competition, and we still get a price premium in that sector. And as Deepak mentioned about it that is why we have set up this new plant where we can supply for cosmetic and for food and for sectors where the people are sceptical of importing products from China and China does it offer such high-quality material. So therefore, we command a premium there.

Recently, also, in the food sector where we are from our existing niacinamide plant, we get a premium from what we supply to animal sectors. The main competition is in the animal sector, at which, of course, we being the lowest cost producer, we have an advantage. Of course, we cannot charge the premium pricing, only thing in the animal sector, but the food sector is still we get a premium price.

Rohit Nagraj: Sure, sure. That's really helpful. And thanks for the elaborate description. Sir, second question is, given the current environment and overall scenario, are we planning to defer any of our capexs? Or we will still continue to be doing the capexs or probably we will try to optimize certain capexs. Any views on that? Thank you.

Deepak Jain: No, Rohit, discussion had come up in the last two calls also, the answer remains the same. We are on track to do the capexs that we planned. Just as a reminder, two, 2.5 years back, we had announced a Rs. 2,000 crores capex. Of that Rs. 1,400 crores has already been committed in the last two or three fiscal years. And remaining Rs. 600 crores of the original plan will happen in this fiscal year. In fact, on the back of some of the long-term arrangements that we are seeking to a few big customers, we may even need to up that number once we have signed a contract with them.

Moderator: The next question comes from the line of Rohan Gupta from Nuvama.

Rohan Gupta: Sir, first question is on your newly coined vision on Pinnacle 345. If you can sort of elaborate a little bit more on that making an initial target of 4x EBITDA. Just wanted to get some more clarity how we plan to achieve that? Which is the segment you're going to drive? And more importantly, this 4x EBITDA, we are talking about on a FY '24 base of EBITDA. Correct me if I'm wrong on that and further elaboration on that?

Deepak Jain: Yes. So, Rohan, we have given at least some details in the results presentation also. I can keep talking about Pinnacle 345 because that's what we have been living and breathing over the last several months. But just a few things, top of mind, I would say, number one, this is a bold vision and ambitious vision as you rightly called it. That has been co-created by the whole leadership team of Jubilant Ingrevia, we created in December. I think I had briefly talked about it in January call as well. It was originally created in a top-down manner, but subsequent to that, in the month of December and January, the whole leadership team spent a lot of time in working out the bottom-up plans by the use for each element of Pinnacle 345, which you could hopefully see in one of the slides we have put in our results presentation.

Obviously, that slide also is a 30,000 feet level. There are nth level of details in terms of what products, what market share, what cost structure against which competition, which geographies, which customers and how. So, all of that has been worked out BU by BU, which we discussed, debated that there in January and closed in February with our final presentation to the board.

So that strategy we firmly believe in, we think it is achievable. It is bold, but I don't think it is super bold because if you look at history, there are several companies within chemical sectors also who have been able to achieve those kind of targets within a 5 year time frame.

Secondly, we have some fundamental strengths in our business in terms of the 35-plus chemistries we do, the 7 or 8 product platforms we have, starting from, let's say, our traditional platforms like pyridine but also newer ones like Diketene, pyrithione, Piroctone and many others.

So, we have mapped out the specific opportunities, customers, geographies, which fall at the intersection of these product platforms and chemistries. And in a bottom-up manner, we have created this strategy. So, the level of confidence in achieving it is very high.

Number three, a lot of capex investments related to these products and chemistries has already happened as I was just explaining response to Rohit's questions. We have created capacity worth Rs. 1,400 crores of capex. That capacity now is coming on stream as I just said, it's getting filled very quickly. So many of the product lines, which are part of our strategy can be produced in this capacity. So, we have ready capacity, and that's why many of the customers are switching to us for long-term contractual arrangements across Agro, pharma, nutrition, and cosmetic sector.

Fourth and last thing I would say is there's a detailed initiatives plan that has been created behind this strategy. There are 50-plus initiatives falling across different BU’s and different functions. Each BU head and functional head is driving that initiative with his or her team. And I am directly championing it and my office is doing the program management of that. So, we are taking a very rigorous approach to managing that whole process as well so that we stay on track. Obviously, the only unknown factor is how quickly the markets turn around, which is where our Chairman was also saying the hope is in the next 1 or 2 quarters, things will start to come back.

From a demand perspective, we are already seeing volumes going up. If you look at our Specialty Chemical business and Nutrition business, the volumes have come back quite handsomely. Specialty Chemical, in fact, 30% up. Nutrition 10% up versus the previous quarter.

The price is what we are hopeful that in next 1 or 2 quarters once China becomes less desperate, we will also start to see some uptick there. And hence, we will be on track to deliver on this bold strategy. Hopefully, there's a lot more we can talk about Pinnacle 345. Rohan, I am just restricting to 3, 4 main highlights right now. Let me know if you have any other questions.

Rohan Gupta: No, that's helpful. Sir, in the current quarter on a Spec Chem business, the business has witnessed growth on Q-on-Q basis. This is something like EBITDA margins, which is still quite low at roughly 14% despite such a strong growth on Q-on-Q basis by roughly 30%. If you can on a full year basis, if you can give some broader number of getting into granularity, but roughly out of close to Rs. 1,600 crores kind of specialty chemical revenues. If you can break it down a little bit in the CDMO and how much comes from the Ketene and in next year, what kind of revenue target we are targeting from the Diketene and CDMO?

Deepak Jain: So, since we don't disclose the numbers at individual product platforms or growth units' level, I wouldn't be able to give that Rohan but what I can tell you is, number one, obviously, the volumes have grown at 30%. The pricing, of course, there is pressure even versus the last quarter, the prices came down for some of the product lines. And hence, the margins have not seen an uptick. It is hovering at 14%, 15% level. We believe that our Specialty Chemical business even today, based on the today's product mix, is a business that should give at least 17%, 18% EBITDA margin in steady state. So, there's an erosion of 3%, 4% points versus what the steady margin in today's mix should be largely driven by the fact that prices are subdued or muted.

Now if I fast forward into future strategy, then we are going to have higher share of some of the high product lines we have added, the Diketene derivatives, some of the pyridine derivatives, some intermediates on the agrochemical side, the new products from CDMO, etcetera. That 18% plus steady-state margin will surely be north of 20% plus margin in the next couple of years. And that's how we have created all our business cases for the new capex we have made. So that's our aspiration. Within that, the Rs. 1,600 crores revenue number that you talked about, I think we expect our Specialty Chemical business as part of this Pinnacle 345 strategy also.

Our Specialty Chemical business should become at least three, three and a half times in next three years. At an overall portfolio level, it should be at least 60% of the overall business. And within that, bulk of the growth will come from CDMO, from our fine chemical business, which is where we have our pyridine and Diketene derivatives and from our Microbial Solutions business.

And just one more addition, the CDMO business that I'm talking about, as we discussed in the previous calls also, I'm talking about CDMO related to agrochemicals, pharmaceuticals and hopefully, semiconductors as well where we have started to see some initial traction in the last few months.

Moderator: The next question is from the line of Gokul Maheshwari from Awriga Capital Advisors LLP. Please go ahead.

Gokul Maheshwari: Thank you for the opportunity. I just wanted to know, in terms of your capex plan of Rs. 2,000 crores, you mentioned about Rs. 600 crores, Rs. 700 crores to be spent in FY '25. Could you sort of give a broader indication of what beyond that, I'm not talking of numbers, but more in terms of the projects, which you would want to take once this capex experiment is being done?

Deepak Jain: Gokul, your voice was slightly muffled, but if I understood the question correctly, you're talking about the FY '25 Rs. 600 crores, what kind of capex you are taking? Is that the question?

Gokul Maheshwari: Yes. So, your Rs. 2,000 crores of capex plan from FY '22 to '25, I believe Rs. 600 crores, Rs. 700 crores would be spent in FY '25, but what would be the spends or projects which you would take beyond FY '25, if you could give some color on it and if you could even quantify, that would to be great.

Deepak Jain: Yes. So first, in this Rs. 600 crores, Rs. 700 crores that we plan to do in this fiscal year, as I mentioned in my opening remarks, there are a few opportunities which we have more or less decided but we are yet to do the capex approval, let's say, I talked about the CC/CBT, the food grade human nutrition product. We have the niacinamide product, which is coming up in September. There will be some capex related to that. We have a plan for GMP-3 for our CDMO business.

So those are some of the areas that we are planning for this year. And beyond that, there are certain opportunities in horizon. Obviously, the concrete plans have to be created. For instance, this long-term contract we are negotiating with our Agrochemical customers we will need expansion of current capacity. There will be some capex going there. We have plans for our diketene next phase of derivatives. We have done 2 phases. We have Phase 3 and Phase 4. We have a couple of products in Microbial segments where we are evaluating GMP grade plants.

Then on the microbial side, also, we have a new platform coming up sorry, for the human nutrition also, we have some premixes for which we are expanding the capacity or we are planning to expand the capacity. So just stepping back, if you look at the priorities for our different BUs in the investor presentation, all the new capex, be FY 2025 or beyond will be aligned to that strategy and those priorities.

Gokul Maheshwari: Given the number of initiatives, so beyond '25 also your capex range could be around Rs. 400 crores, Rs. 500 crores per annum?

Deepak Jain: Yes. So obviously, this original Rs. 2,000 crores announced takes us to, let's say, the end of FY '25 in terms of capex deployment. And we feel the full potential coming from that Rs. 2,000 crores of investment plus our existing business is, let's say, taking us close to Rs. 8,000 crores odd in terms of top line.

For the 3x growth in revenue from today's baseline, we will obviously need more capex, at least another Rs. 1,500 crores to Rs. 2,000 crores based on some broad estimates. Of course, the details have to be worked out and that will translate to at least Rs. 500 crores, Rs. 600 crores every year from now onwards.

Gokul Maheshwari: And lastly, on the margins front, you are investing more on the specialty, and you've mentioned in the past that the mix of this specialty would be becoming 60%, 70% versus the current 40%, 50% or so. With that mix coming in, what would be your steady-state margins? I'm not talking for the next 12 months, but more from a 3- to 4-year perspective.

Deepak Jain: Yes. So, we have worked that out. So one correction it's not mainly, it's only. So whatever investments we are making, we are going to make only in specialty chemicals or specialty nutrition products like CC/CBT. For each of those capex, our internal criteria is at least 20% plus of EBITDA margin and 20% plus of ROCE, otherwise, we are not approving those capex. In fact, we are not even recommending that to the Board.

Now if you take all of that into account plus whatever we have invested in the last 2 years, our view is at the overall portfolio level, our margin, as I was saying in the beginning, steady-state margin should surely be north of 20% plus. Specialty will be higher. Obviously, we have an acetal business, which remains volatile. Nutrition should be at least 15% plus. So, at the overall company level, we are quite confident that if we execute this strategy successfully, we should be north of 20%.

Moderator: Thank you. The next question is from the line of Pranav Tendulkar from Rare Investments. Please go ahead.

Pranav Tendulkar: Sir, in terms of the semiconductor product that you are planning to manufacture, is it for export or Indian, that is one? And is it for that wafer manufacturing level? Or is it related to cleaning and blasting, et cetera? And what is the market opportunity in similar products?

Deepak Jain: So, Pranav, these are, as I think I mentioned on the previous investor call also, most of these inquiries are coming to our CDMO business, which means by nature of our CDMO business, these are initial leads where customers are testing waters and giving us volumes in kg to see whether the product quality is in line with their expectations. Most of these are international customers. I had mentioned, I think, in the January call that till that time, we had gotten 3, 4 leads. Now we have another half a dozen. We are evaluating internally, which ones are aligned with our chemistry strength, which ones are not. But most of these are coming to CDMO business. And right now, the focus is to make the product in line with customers' expectations and then send the samples. And once the samples are approved then we get initial volumes with them. And obviously, given that semiconductor segment globally is growing very fast, the hope is once we are in, then the volumes will grow very fast.

Shyam Bhartia: Yes. But having said that, I would like to further add that any large contract on CDMO and specific investments if we have to make, we'll be doing basically on the basis of take-or-pay. Otherwise, we will not be investing.

All volume business on our existing multipurpose facility that's a separate thing. But any specific investment if you make, any specific large investment which Deepak was talking about, if the contract materializes, then we will be doing on the basis of take-or-pay because that we'd not like to risk our investments on the basis of any contracts which are not take-or-pay.

Deepak Jain: And on the semiconductor side, which is where your question specifically was, Pranav, there, obviously, the volumes are small currently. So, we have multipurpose plants, whatever inquiries we have gotten so far and which we are responding to, we feel comfortable and confident that we can do those products in our multipurpose facilities, which we have in the CDMO business. Obviously, the big contracts on the agro side and some of them may be on the pharma side also. There the arrangement is very different which is, in some cases, we may need new facilities which are dedicated and hence, the Chairman's point that it would be take-or-pay contracts.

Pranav Tendulkar: Right. Also, you commissioned 2 plants, one is that diketene derivatives and I think the cosmetic grade chemical product and you were also going to commission one more plant in in the next quarter. I missed the nature of the plant that will be commissioned Can you just elaborate what is that?

Deepak Jain: Pranav, your voice was breaking, but let me, I think just factually correct you. We have commissioned 3 plants in last 4 months. In December, we commissioned a small Agro intermediates plant in Bharuch. In January, we commissioned a bigger Agro intermediates and access plant again in Bharuch. And in February, March, we commissioned a diketene derivative plant, which can do 2 products. So, these are the 3 plants, which have come up in the last 4 months, all aligned with our long-term strategy.

The Agro intermediates plants, both the plants are targeted towards doing CDMO/CMO arrangements with our innovator customers globally in agrochemicals. In fact, from the bigger plant, we shipped first CMO contractual order in the month of February already. And as Chairman also said in the beginning, we are in discussions with several agrochemical customers to commit that capacity to a couple of them.

The diketene plant, the products coming out of that are advanced intermediates high-margin products, which go into pharma, paints and cosmetics segments. And there, we are already getting a lot of traction, and that capacity, we are already getting good traction to fill up that capacity hopefully in the next couple of quarters itself. In fact, we are already thinking about how to debottleneck or expand that capacity.

The plant, which is going to come up in the next few months is cosmetic grade Niacinamide and food grade Niacinamide plant, which is attractive to get commissioned in the month of September this year and that will be targeting the high-grade, high-margin vitamin B3 segments in the cosmetics and food applications.

Pranav Tendulkar: Got it. Sir, last question from my side. So, with current added capacity in last 12 months, what is the revenue potential at current prices of product. So, we are operating at 60%, but obviously, the products that will come in the new plants are much better. So, what is the revenue potential with the current prevailing prices?

Deepak Jain: I think I already gave the answer Pranav, earlier. We are at Rs. 4,000 crores, Rs. 4,500 crores today. And I said on the back of the capacity that we have put up in the last 2 years and what we'll be putting up in this year, we have full potential road map or visibility to at least Rs. 8,000 crores.

Moderator: The next question comes from the line of Neerav J from Anvil Research. Please go ahead.

Neerav J: Thanks for the opportunity, sir. I have two questions. So, one is on the diketene part. Sir, since you have commissioned the derivatives plant and plant is getting ramped up, what sort of value addition in terms of per kg or percentage realizations we can see over and above the base diketene. And along with if you can just quantify the market of diketene and diketene derivatives in India.

Deepak Jain: So, I can't answer with precise numbers on the first one, but Neerav as you might already know from our previous calls, diketene is an unstable molecule, so it cannot be sold as a stand-alone molecule. So, whatever you sell in the market is on the back of value addition.

And typically, now we have at least 5 products in our portfolio, which are derivatives of diketene. These are at least one or two steps ahead of diketene and now we are gradually adding more advanced stage derivatives in the diketene portfolio, which will come up in Phase 3 and Phase 4, as I mentioned earlier. Sorry, what was your second question?

Neerav J: The markets for diketene and diketene derivatives in India?

Deepak Jain: Yes. So, I think overall, if you remember, the total market in India at least is 30,000 tons of diketene derivatives. One of our competitors is already active there with about 40%, 50% share of that. Rest was enforced until a couple of years back. We have already taken significant share of rest of the market. And the bigger opportunity, by the way, in diketene derivatives is the exports. Because like our other core products, be it pyridine, anhydride or B3, we are probably number 1 or number 2 and the lowest cost producer. Our aspiration in diketene derivatives is also to be among the top 3 global players having a very competitive cost structure on the back of the plant that we have created, which has happened on the back of our own process engineering. So, we are very confident that as we scale up our diketene capacity and add more derivatives in Phase 3 and Phase 4 of diketene, we will not be able to take significant share of Indian market, but also of the global market.

Neerav J: Just to understand in slightly qualitatively, let's say, every step of value addition of diketene derivatives - let's say, you mentioned that we are now at 1 or 2 steps further, would be further value additions will happen in Phase 2, Phase 3. What sort of percentage benefits we start getting on over and above the base diketene. Could it be 10%, 15%? Some understanding of some ranging that would be helpful, sir.

Deepak Jain: So, I wish Neerav the world of chemicals was working that simply. Obviously, depending on how complex the reaction is -- what are the other chemicals which are getting added in each reaction, the quantum of value addition on each step will vary significantly.

In fact, oftentimes, we - in recent years, we have encountered situations where if we go too far out in the value chain, the margin profile actually drops because then you are sourcing something which is cheaply available from China or elsewhere and hence, you get margin only for that one step, even if you are fully integrated. So, all kinds of permutations and combinations are feasible here.

And hence even though diketene has, let's say, at least 30, 40 different derivatives, which we have mapped out. We are not trying to make each and every one of them. For every derivative, we have done so far, we have picked up and what we have planned for Phase 3 and Phase 4, we are doing a thorough assessment of what is the product, which applications it is going into, what is the level of complexity and value addition. And hence, what kind of margin profile we can get, and if it is not giving us at least 20% EBITDA margins, then we are not prioritizing it.

So, if there was value addition on every chemical, then we would have added like 50 derivatives by now, but that's not the case. So, you have to pick and choose based on several factors, which is what we are doing as we pick up next phase of diketene derivative. And the same principle that applies for any value chain, I just took example of diketene because we were talking about it.

Neerav J: Got it. The second question is on the MPP part. So, one we commissioned last quarter, the bigger one, which is like 4x of the size, we commissioned in this quarter. So, let's say, once the MPP starts ramping up, what sort of asset turnover we should work with once it is fully ramped up? And generally, how much time it takes to ramp it up fully to realize its full potential?

Deepak Jain: So typically, for our Specialty Chemical business and MPPs fall in Specialty Chemicals, the asset turnover is about 1.5-1.6x. And then that - where I think most of the capex projects we have taken, we built out the peak revenue potential of those product lines, which we plan to do in MPPs, all that adds up to 1.5x plus.

Secondly, our experience has been in normal markets after the plant has been commissioned it takes at least 12 if not 18 months to get to 70%, 80% utilization level, which is what has happened with our Phase 1 diketene products, which, as I said, are running at 70%. It's, in fact, slightly delayed, I would say because of the soft market. But the Phase 2 products which have come up in February, for instance, we are hoping in the next 12 months, it will hit 70%, 80%.

Neerav J: Got it, sir. And just a last clarification. So does this MPPs used our pyridine chemistry as a starting material, which gives us a first more advantage in terms of the other suppliers with the same product to the same set of customers. How do you justify that?

Deepak Jain: So, Neerav, by definition, MPP can do multiple products. It doesn't have to be of redeem based chemistry products. In fact, most of our MPPs will be doing pyridine derivatives, diketene derivatives and even products outside of these 2 product platforms.

Neerav J: Got it. Sir, in and all, how many MPPs do we have now after the commissioning of the last one?

Deepak Jain: We have 7 fine chemical plants, MPPs. We have 2 GMPs in Bharuch. And we are in the process of putting up more MPPs, as I mentioned earlier. And in agrochemicals, sorry, I forgot to mention the 2 plants, agrochemical plants we have set up recently are MPPs as well.

Moderator: Ladies and gentlemen, that would be our last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Pavleen Taneja: 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 contact me. And thank you, once again, for your interest in Jubilant Ingrevia Limited.

Deepak Jain: Thank you very much.

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