

List of Management Attendees

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

External Participants during Q&A session

1. Siddharth Gadekar – Equirus Securities Limited
2. Rohan Gupta – Nuvama Securities Limited
3. Divya Sethi – Electrum Portfolio Managers
4. Gokul Maheshwari – Awriga Capital Advisors LLP
5. Jatin Damania – Svan Investments
6. Ravi Singh – Cosmic Horizon Capital



Jubilant Ingrevia Limited

Q1 FY25 Earnings Conference Call Transcript

July 16, 2024

Moderator: Ladies and Gentlemen, Good Day and Welcome to Jubilant Ingrevia's Q1 FY25 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "*" and then "0" 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 Q1 of Financial Year 2025 Earnings Conference Call of Jubilant Ingrevia Limited.

I would like to remind you that some of the statements made on the call today could be forward-looking in nature and a detailed disclaimer in this regard has been included in the Press Release and Results Presentation that has been shared on our website.

On the call today, we have Mr. Shyam Bhartia – Chairman, Mr. Hari Bhartia – Co-Chairman, Mr. Deepak Jain – CEO and Managing Director and Mr. Arvind Chokhany – Group CFO, Jubilant Bhartia Group.

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

Shyam Bhartia: Thank you, Pavleen. A very good evening to everyone. Thank you for joining us on the Q1 of the Financial Year 2025 Earnings Conference Call of Jubilant Ingrevia.

We are pleased to announce healthy sequential performance for Q1 on the back of improving the Business Performance of our Specialty Chemicals business and positive impact coming from our cost initiatives from the last three quarters.

Let me share the "Overall Market Update" with you all:

The Pharmaceuticals End Use segment continues to witness rising demand trend with healthy volume placements. We are also glad to share that we have gained significant traction in the regulated markets of North America, Europe and Japan. Visible signs of further improvement in demand of certain products are signaling near-term outlook remaining buoyant while pricing remains steady. However, we are witnessing continuous pressure on Acetyl segment owing to lower demand coming from the paracetamol end use segment.

The Agrochem sector has started to show marginal improvement, while the excess inventory situation is gradually easing out and the volumes have started to move. The prices still remain under pressure due to excess supply of agrochemicals globally. We are hopeful that a recovery should continue to happen in the coming quarters.

In the Nutrition segment, the demand remained steady in line with our previous two quarters and the prices also moved up marginally towards the end of the quarter, except for choline, where the prices remain subdued.

Now, let me talk about our "Business Updates":

The volume of Pyridine and Diketene derivatives witnessed a rising trend, while demand for Niacinamide and Pyrithiones remained steady. In Acetyls, we remain focused towards maintaining market share despite challenges being faced due to lower demand, higher freight cost driven by Red Sea issues and a decline in the acetic acid crisis.

Strong traction continues in our CDMO business, wherein we have started delivery of new orders during the quarter. We are also in advanced stage of discussion for multiple projects in Pharma, Agro and Semiconductor end use.

We are pleased to share that our manufacturing facility at Bharuch has successfully completed its US FDA inspection with Zero 483 observations. This GMP compliant facility is intended for manufacturing nutraceuticals and dietary active ingredients for human consumption.

Now, let me share "Few Details of Our "Future Outlook":

We reaffirm our expectation of witnessing improvements in all three business segments in FY25 over FY24. Like last quarter, our key focus remains customer centricity, ramping up newly commissioned plants, remaining lean and bringing back the margins to normal levels.

We are focused towards keeping the costs in control through our Project Lean and are on track to source renewable energy for our long-term energy requirements, which also underscores our firm commitment towards sustainability and environment.

We continue to see increasing utilization of our newly created plant and we remain on track with our CAPEX plants towards investing in high potential product categories to deliver on our bold vision of "Pinnacle 345," that is three times revenue, four times EBITDA in five years.

With this, I now hand it over to Deepak to discuss the businesses 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 the Q1 of FY25 Investor Call of Jubilant Ingrevia Limited.

Let me first take you through the "Overall Market Overview for the First Quarter of FY2025":

In Pharmaceuticals, during the quarter, we witnessed steady demand with good visibility on volumes across segments. Also, volume growth was seen in both Pyridine and Diketene derivatives. Prices were stable across segments with an uptick in prices in some areas. Paracetamol-driven demand continues to remain under pressure with customers running their plants at suboptimal capacity.

On the Agrochemical front, demand is gradually coming back. With issues relating to global inventory destocking waning out, complete recovery is expected to be gradual. Pricing pressure continues due to excess supplies from China; however, volumes are gradually recovering in Pyridine-based products with prices remaining muted.

In Nutrition, overall, Niacinamide volume remains stable with steady pricing during the quarter. We also witnessed marginal improvement in pricing in the last few weeks. Demand in choline was also stable, but pricing pressure was seen and continued for most part of Q1. We also observed good traction in Human Nutrition grade products during the quarter.

As you know, we have rolled out several new initiatives in the last quarter in line with our "Pinnacle 345 Growth Roadmap" that we announced in the last investor call. Let me share seven key highlights to demonstrate the progress on these initiatives:

#1. Our core product platform continues to drive growth and leadership with significant volume growth in pyridine and picolines on a year-on-year basis. We are

now globally #1 player in pyridine and picolines and the only scale non-Chinese player. Prices are also inching up sequentially in our pyridine and picolines Business.

In Niacinamide, we maintained a leadership position, being top two in feed grade with steady quarter-on-quarter volume growth.

In Acetic Anhydride volumes were low and prices were hit due to macro factors, although we maintained our market share in both India and Europe.

#2. We have improved our revenue share of the Specialty and Nutrition business to 60% and EBITDA share to 75% in the overall portfolio. Our fine chemicals and microbial products are showing strong year-on-year growth.

In CDMO also, inbound from pharma, agro and even semiconductor remains strong. Our new product lines in diketene and food grade choline bitartrate are also showing strong traction.

#3. We launch our efforts to open up new customer opportunities through roadshows in Japan, Europe and the US wherein we met 100-plus customers in Q1 FY25. We have identified several new leads through these roadshows, which we hope to convert into commercial opportunities in the coming quarters.

Our persistent efforts on international force have started to yield results. For instance, in the North American region, our revenues doubled up in the last one year, and in EU and Japan also, we steadily grew our revenue on a year-on-year basis.

#4. We increased focus on ESG, Safety and Efficiency further in Q1. For instance, we are unlocking our efficiency via several initiatives such as Surge, Lean and Business Excellence. The impact of that is visible in our P&L. During the quarter, we have increased our safety measures by focusing on the 5S culture and achieved zero incident months post signing contracts for Gajraula and Savli facility for renewable energy. Our captive renewable energy initiative with O2 is now being extended to our Bharuch facility as well.

#5. Our long-term CAPEX plans are on track with continued investments in new opportunities such as food and cosmetic grade Niacinamide, slated for commissioning in Q3 FY25 and other Multi-Purpose Plants in the pipeline. We are glad to share that our vaccine plant is running at 80% plus utilization for seasonal products and 50% to 70% utilization for newer products.

#6. We are also strengthening and expanding our leadership team with the onboarding of our new CFO, Varun Gupta, who has 18-plus years of experience at



Unilever. Alongside, there are several new additions in the top leadership team, which are in progress.

And #7. Our manufacturing facility at Bharuch received US FDA EIR with zero 483 observations. This will help us accelerate our growth further in regulated markets such as the United States.

Now, let me take you through the updates on all our three business segments individually as well:

In Specialty Chemicals, during the quarter, the Specialty Chemicals segment revenue grew by 18% on a year-on-year basis on account of significant improvement in volumes of fine chemicals and pyridine products on bio viruses. EBITDA for Specialty Chemicals grew by 50% on a YoY basis and 28% sequentially on the back of a healthy volume uptick and efficiency-led initiatives touching almost 20% EBITDA margins.

Our CDMO business remains on a strong growth trajectory and our new plants are optimally utilized. Our microbial control solutions business is study and products, and pyridine platforms are well accepted in the market with 80%-plus capacity already booked.

Nutrition and Health Solutions Business Segment Updates: During the quarter, revenue for the Nutrition business improved sequentially by 13% on account of higher volumes coming from Human end use and cosmetic grade products. EBITDA during the quarter improved 165% quarter-on-quarter and 37% year-on-year basis, mainly on the back of the favorable shift in volume towards food segment products along with our Lean initiatives optimizing the input cost.

Overall, Niacinamide demand remained stable during the quarter, though the pricing remained steady. Our newly launched products, food grade choline chloride and choline bitrate are gaining good acceptance in the market.

Our GMP compliance facility for food and cosmetic grade B3 is expected to be commissioned in Q3 FY25, for which we have also started to receive good interest from customers to book advanced volumes.

In the Chemical Intermediates business, revenue for the quarter was lower, driven by marginally lower volumes and muted prices. Ethyl acetate volumes improved on good demand in the export market, whereas acetic anhydride volumes were lower owing to key end use markets of paracetamol and agrochemicals remaining under pressure.

EBITDA during the quarter was impacted on account of lower demand, higher ocean freight due to Red Sea issues and overall realizations remaining subdued. We maintained our market share of acetic anhydride in Europe wherein we increased our market penetration by acquiring new customers. We also retained our dominant market share for the acetic anhydride in domestic markets.

Now, let us "Discuss the Overall Financials of the Company":

The overall revenue during the quarter stood at Rs.1,024 crore as against Rs.1,075 crore in Q1 of FY24. The revenue was lower mainly due to lower year-on-year revenue in the Chemical Intermediates segment.

The EBITDA for the quarter stood at Rs. 119 crore. Sequentially, we improved our overall EBITDA by 18%, largely owing to the margin improvement witnessed in Specialty Chemicals and Nutrition business segments as well as cost improvement initiatives.

The net debt of the company as on 30th June 2024 was Rs.677 crore and net debt-to-equity ratio was 1.5x on the basis of trailing 12-months EBITDA. The capital expenditure incurred during the quarter was Rs. 116 crore, which was primarily funded through internal accruals.

Net working capital percentage to turnover for Q1 FY25 was lower at 18.6% as against 20% in Q1 FY24. The number of days of working capital was reduced to 68 as against 73 in Q1 FY24.

We opted to move to the new tax regime from last quarter onwards wherein the applicable effective tax rate is now 25% as against tax rate of approximately 35% in the old tax regime.

The PAT for the quarter was Rs.49 crore as against Rs.29 crore in Q4 FY24.

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

Moderator: We will now begin the question-and-answer session. The first question is from the line of Siddharth Gadekar from Equirus. Please go ahead.

Siddharth Gadekar: First of all, Specialty Chemicals EBITDA side, what has driven the sharp improvement both in terms of margins and absolute EBITDA growth on a YoY and on a sequential basis?

Deepak Jain: Siddharth, so, that's probably the main highlight of this quarter results. Couple of things. On a year-on-year basis, the volumes have increased significantly and that is the trend which started even in the last quarter if you look at our Q4 numbers as

well. And even though pricing is slightly lower, the net impact of that is that EBITDA is improving at an overall level versus last year. The second thing which has played out here very strongly is the cost initiatives that I think I've been talking about for the last two quarters now. The full impact of all those cost initiatives is reflected now in the bottom line quite strongly.

Siddharth Gadekar: Can you quantify the cost impact in this quarter so we could get a sense of how much the actual cost savings would be coming in the entire year?

Deepak Jain: See, all the initiatives that we have taken on the cost side between and then we have put that in our IR presentation as well between Surge, Lean, and Business Excellence initiatives and also on the energy side in last quarter, the combined impact of those initiatives on an annualized basis. Is Rs. 120 crore to Rs. 140 crore. Obviously, not all of that kicks in immediately, some of that takes its own time to ramp up, but on an annualized basis, that is the kind of impact we're talking about of all those initiatives.

Siddharth Gadekar: Secondly, unallocated corporate overheads have increased very sharply. Is there any one-off in that?

Deepak Jain: Yes, from Q4 of last year to Q1 of this year, there is an increase of about Rs. 8 to Rs. 9 crore. It is on account of some one-off expenses which were unavoidable in Q1, but we expect our unallocated corporate expenses to stabilize at Rs. 16 to Rs. 17 crore every quarter from now onwards.

Siddharth Gadekar: So, broadly we should do anywhere around Rs. 65-70 crore on an annualized basis. That is how we should look at it, right?

Deepak Jain: Yes, Rs. 60 crore around that number. You are right.

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

Rohan Gupta: In your opening remarks, you gave some sense that there has been a significant improvement in fine chemicals and also in feeding. In Diketene you mentioned that the old products roughly utilization is 80% to 90% and new products is roughly 50% to 70% utilization. Just wanted to get some sense that how much contribution to EBITDA improvement is actually driven by the ramp up in diketene-based new products and overall utilization level going up?

Deepak Jain: Hi, Rohan. I think it's a combination of all the factors, Rohan. I think if I just talk about our key businesses within Specialty Chemicals, versus last year, the pyridine business has seen significant improvement in volumes and obviously the cost improvements we have done, the pyridine business is a major beneficiary of that

because that's one of our biggest products as I think you know. On the vaccine portfolio, as you would remember, about one and a half or almost now two years back, we had launched phase-I of Diketene products. Those products are running at 80%-plus utilization level and the recent products that we have commissioned in March, one of them is already running close to 70% utilization levels, the other one hopefully will get there in next three-four, maximum six months. So, there is a significant contribution coming from these products in the overall EBITDA improvement.

On an incremental basis, while I don't have the number handy what is the percentage contribution and we can't even disclose that in public domain, but there will be a significant contribution coming from incremental revenues coming from diketene portfolio apart from what pyridine has contributed. The third main driver of course is the CDMO business, where as compared to last year, particularly on the pharma side, we're getting more traction, we have more products and obviously those are high margin products. So, they are also contributing significantly to the overall EBITDA increase.

Rohan Gupta:

The question I was asking because you also mentioned that energy cost where we have done good saving and in last two years our energy cost has gone up very sharply because of the unfavorable changes which has happened at the government level. So, you mentioned almost at 120 to 125 annualized saving from the energy cost itself.

Deepak Jain:

No, sorry, I didn't say 120 to 125 from energy. Rohan, sorry, I didn't mean that. What I said is we have 3-4 different big initiatives in the company on the cost side, which have been running. One is the digital program which we call "Surge" and we have talked about it in the last two calls. It is focused on improving the efficiency and productivity of our plants through digital interventions as well as improving our supply chain efficiencies and even on the same side it is contributing. So, that's one program.

The second one is the "Lean" program which was focused largely on the overhead cost optimization which we launched almost three quarters back. The third one is the ongoing business excellence initiatives that we take in our plants. The combined effect of all these initiatives is about Rs. 120 to 140 crore of annualized savings. Energy will contribute to it, but it's not the only thing in that overall savings bucket.

Rohan Gupta:

And out of this how much of this has already been achieved of Rs. 120 crore to 125 crore annualized?

Deepak Jain:

See, as I said that at least some of these initiatives will take time to ramp up. So, if let's say the annualized impact is Rs. 120 crore every quarter except at least Rs. 30 crore plus kind of impact, I would say at least in Q1, we hopefully have achieved at

least two-third of that, and then as we move into the subsequent quarters, we will start to see the full potential impacts of those initiatives.

Rohan Gupta: At least we can assume safely that Rs. 20 crore in this current quarter itself has been contributed by the efficiency that benefit which we have talked?

Deepak Jain: Significant part I would say, right. Exact math, obviously we should not do on this call, but as I said in the opening comments also, even Chairman said that in the very first line, the big improvement in profitability has happened on account of one Specialty portfolio firing and second whatever we have done on the cost side.

Rohan Gupta: Sir, on this CDMO, you also mentioned in your opening remark almost you have in quarter itself have met almost 100-plus customers in Japan and other countries as well. The kind of feedback if you can share with us that these are in the CDMO-specific categories or Specialty Chemicals or how soon do you think that some of these conversations can get converted into the top line addition?

Deepak Jain: So, the 100-plus customers that I talked about is not just CDMO to be very transparent, it's across Japan, US and Europe, we obviously did these roadshows and met all our existing key customers of some of our catalog products as well. But at the same time there are at least, I would say 1/3rd of these customers whom we are calling our key customers and there we see CDMO kind of opportunities existing. In fact, in many of those conversations when we met the CXOs or senior executives of these companies and the discussion has been at a fairly strategic level and we discussed where we can become a long-term partner to them and obviously CDMO is one key lever to create that long-term strategic partnership. I think I explained in the last quarterly call also, we look at our CDMO business in three parts. There is an agro part of it where we are in discussions with all four or five major innovators, and we have specific opportunities we are discussing with them and one of them is in the very advanced stage of negotiations. Hopefully, we should be able to announce it very soon. But there at least half a dozen more such opportunities, which are in various stages and as you probably would know these agrochemical opportunities, they take time to grow up. But when they happen, they happen as a step function. So, that's what we expect. But in agro, I would say hopefully that at least one we should announce soon, and there is another half a dozen which will hopefully materialize over the course of next year, year and a half.

On the pharma side, obviously, it is lot more fragmented versus agrochemicals. There we start with small volumes in the early stages and then gradually they ramp up. So, it's more steady growth that we are expecting there and that is an ongoing process. Our CDMO Pharma business has grown quite well in the last three years also and we are hoping to accelerate that growth with the wider funnel that we have created. Not just through these roadshows, but otherwise also we have intensified our efforts to engage with pharma customers.

The third part of CDMO business is the semiconductors-related opportunity. I had mentioned in the last two quarterly calls that we had four or five opportunities. The good thing is on the back of these roadshows, those leads have now become at least 2-1/2x. We have at least 10-12 real leads which have come up. We have already supplied samples for at least a couple of them and we are working with our customers to see how to move to the commercial stage of production sooner there.

So, hopefully that answers your question, Rohan, but CDMO opportunities do take their time to materialize, but we are right now building up a funnel which will hopefully at least get the ball rolling for next couple of years, and as we move along, we'll continue to build up more opportunities in that funnel.

Rohan Gupta: Just confirmation on the EBITDA margins in Specialty Chemicals which is up 20% in the current quarter. So, you are still talking about some more efficiency that benefits to kick in and the product mix which will keep on improving in favor of diketene. So, some guidance ballpark number on EBITDA margins for the current year on Specialty?

Deepak Jain: No. So, I think I have been saying it consistently that our Specialty Chemicals business should be at least 20%-plus EBITDA margin in steady state and as we scale up and as we add more products not just in diketene but also in other parts of that portfolio, including CDMO opportunities, we hope to take that 20% closer to 24%-25%. Now whether that happens this year or not, that depends on a lot of factors. The market has to recover fully. Some of the opportunities we are working on, they have to materialize. It's very difficult to ascertain the timing of that right now, whether that will happen in a single year or not. But our aspiration is to keep our Specialty Chemicals business at 20% plus from here onwards.

Rohan Gupta: Sir, just if I am allowed your last remark on your agrochemicals which you mentioned the inventory destocking situation seems to be almost at the last stage. How much confidence you have because we're still getting mixed views there on the global agrochemical inventory. So, do you see that the customers are coming back, or it was just only temporary things which have just led to some kind of volume recovery and may fiddle down further?

Deepak Jain: That's a valid question, Rohan. I would say the hope is it's in the last leg because of the reasons you said. At least in some of our product categories, we have seen volumes coming back and customers coming back and obviously pyridine is one of our biggest products as you know. As soon as the volumes come back that gives a sense of where the agro market is moving. Having said that, what we are hearing from our customers and even in these discussions during the roadshows what we are saying is from a demand perspective the volumes will continue to come but not as fast and as steeply as everyone was expecting them to be six months back. The recovery on the demand side will be gradual and steady is what the anticipation is.

Obviously, the challenges now are more acute on the supply side, which are leading to lower prices and hence in many of our products also we talked about it in the last quarter also the prices have been muted, but there the good news is in last few months the prices have not declined further, they have been holding up steady at lower levels versus what they were last year, but they are holding up in the last few months where they are, they're not going any further down.

Moderator: The next question is from the line of Divya Sethi from Electrum Portfolio Managers. Please go ahead.

Divya Sethi: So, I just want to understand for the Specialty Chemicals and Nutrition business, we did 20%, 12% effectively. So, how sustainable are these is coming in the 2-3 years and revenue mix that the company is targeting in these three segments?

Deepak Jain: So, if I understood your question correctly, you are saying how sustainable are 20% and 12% margins in Specialty and Nutrition business, is that the question, Divya?

Divya Sethi: Yes, yes.

Deepak Jain: As I was saying in response to the previous question from Rohan, if markets continue to recover in the agrochemicals side and if prices remain stable going forward, we are hoping we'll be able to sustain these margins. In fact, while Specialty as I said in response to Rohan's question, over the course of next couple of years, we hope Specialty margins to move up at least to 23% to 25% bracket and similarly in Nutrition, particularly with our new plant coming in later this year on cosmetic and food grade vitamin B3, the margin should move up more sharply at least on a steady state basis.

Now, having said that, as I think those of you have been tracking us in the past as well, at least on the feed side. vitamin B3 side, there is some volatility which exists in the market as and when the bird flu happens. So, if you discount for that impact and take the steady state, our vitamin B3 or the general feed segment margin should be at least 12% to 13% and with new high-grade products from cosmetic and food grade coming up, the margin should move up from here.

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

Gokul Maheshwari: Given the logistical challenges which we are facing in terms of these freight rates, etc., are you seeing any import substitution benefits for our products where imports are reducing and are being preferred by domestic consumers?

Deepak Jain: So, Gokul, that's a good question and I am hoping we will see those benefits because this whole issue of logistics, while Red Sea has been existing for almost 7-

8 months, the crunch in terms of materials coming in from China has started to impact everyone only in the last few weeks at least in our business. If that situation doesn't normalize soon, then it will start helping us and in some pockets or some products of ours we have seen advantage of that where let's say Chinese material is taking far longer to reach India and we have been able to bridge that gap and in some areas we have been even able to command some premium on the product because the logistics cost of bringing the products from China has increased and hence we had that opportunity to increase the prices. So, we have seen couple of such examples playing out, whether that is sustainable or not will depend on how quickly this whole logistics issue gets resolved in terms of container availabilities and the lead time of material coming in from China.

Gokul Maheshwari: Could you comment on the Chinese competition itself in terms of, well, they've been very aggressive in the last 12, 18 months, has that receded or that price competition still continues or there is some respite coming over there?

Deepak Jain: I won't use the word respite, but what I would say is there is more stability in terms of the behavior. As I was saying, the prices and the agrochemical side have been stable for the last few months. They're not increasing the prices but at the same time they're not talking about them as well, which just makes things slightly steady, relatively speaking.

On the Nutrition business, which I mentioned in my opening remarks as well, we have seen some openness from Chinese players to even increase the prices now in the last couple of weeks. Whether that sustains or not, again we will have to see. So, I am hoping those are just early signs. I think I made this comment in the last quarterly call, if you pull up the financials of some of the listed companies in China, they have been bleeding for a while now. So, hopefully there is an end to it, and which is close by.

Gokul Maheshwari: Lastly, just from the CDMO business, I believe this is approximately around 200 crore last year. What kind of numbers you are expecting for the CDMO business in FY25 and FY26?

Deepak Jain: So, Gokul, we never announce the numbers at sub-segment level, but as I've been saying, that's a meaningfully large part of our business. The pharma side of it should grow at a steady growth rate of at least 20%, 25% every year, if not more. The agro side of it, as I was explaining earlier is a more lumpy growth because as and when any molecule comes, it comes with big volumes and big revenues and then obviously semiconductor is very tiny or not even existing right now in the P&L, but with the opportunities we are getting, those will start to pick up, may not contribute too significantly to revenue, but will start building up our pipeline for future years.

So, overall, our aspiration is to grow our CDMO business at least at 25% to 30% year-on-year and then with the kind of opportunities we are seeing in the market for future years we are hoping with agro, and pharma will be able to do that and as and when semiconductor kicks in in a bigger way hopefully we should be able to top it up with further go.

Moderator: The next question is from the line of Jatin Damania from Svan Investments. Please go ahead.

Jatin Damania: Sir, continuing on the Specialty chemical front, now when we are seeing that there is an improvement in the volume both on the fine chemicals as well on the diketene which are the high margin business, but when we compare our revenue on the sequential basis, we have seen almost 9% decline in the revenue. So, is it due to pricing or we are seeing some pressure on the other segment of the volume as well?

Deepak Jain: Jatin, so that's a good observation. So, one, the pricing for most of our Specialty segments on a quarter-on-quarter basis has only improved. So, it's not driven by the pricing. But having said that, as you can imagine, our Specialty Chemicals segment has several products and just a couple of products' volume getting pushed out by a quarter or two due to the campaigns of the customers can impact volumes. So, I would say the volume decline or reduction that you are talking about in Specialty, it's just a seasonality thing from Q4 to Q1 because traditionally Q1 has been a lower volume quarter for us vis-a-vis Q4 of previous year. But if I look at it from a secular trend perspective, the volumes in most of our segments of Specialty Chemicals have grown in the last six months versus what it was let's say the previous six months or the last few quarters.

Jatin Damania: So, is it right to assume that definitely because of the couple of campaigning that has been done by the customers, there was a bit decline in the volume sequentially, but we'll be able to offset with the offtake by the customers in the subsequent quarter?

Deepak Jain: Yes. So, that is the hope. Obviously, whether it happens within a single quarter or over the course of the year that we'll have to see depending on when customers need, particularly on the CDMO side, the campaigns are quite lumpy in nature. But at this stage, we are hoping that at an overall level, our Specialty Chemicals segment will see significant volume growth in FY25 vis-a-vis FY24.

Jatin Damania: Sir, in terms of the utilization, I mean, did we operate on about 65%, 70% utilization or do we operate at much higher level?

Deepak Jain: See, the utilization levels vary for our older assets versus newer assets; for our older assets we are operating at probably close to 75% utilization level, the newer assets obviously depending on when they came up and which sector we are serving from

them will be at different utilization levels like diketene, one of the plants, which was created in February, March, is already closing 70%, another product is also on fast ramp up and should get there in another four to six months as I was saying earlier, the agrochemical plant that we created in January, given the state of agro industry may take slightly longer to reach higher level of utilization. So, the new plants will have their ramp. Typically, our experience even in steady state, it takes at least 12 months, if not 18 months to take a plant to 70%-plus utilization levels. In agro depending on how the market plays out over the next three quarters, we'll have to see what the ramp looks like.

Jatin Damania: The last question is on the Nutrition front. Now, in this quarter, we clocked an EBITDA of nearly-about 12%. So, is it fair to assume that sequential improvement or the year-on-year improvement is largely because of our cost structure and improvement in the product mix because if you look on the volume front and the pricing it has remained steady across all the vitamin, choline and the food and cosmetic segments?

Deepak Jain: So, quarter-on-quarter, our Nutrition business volumes have increased by almost 14%-15%. So, we are seeing higher volumes as well there. But the bigger impact in that business is happening on account of mix change because traditionally that business has been dominated by feed grade products and gradually the share of food grade and cosmetic grade is increasing. And as our plant gets commissioned in Q3 on food grade and cosmetic grade, vitamin B3 as I was explaining earlier, we will see a big impact coming on the overall revenue through pricing and EBITDA.

The second impact is what you said is the cost impact. We have been focusing on cost. As I think, I don't know whether you know vitamin B3 is a derivative of pyridine value chain. So, like I was explaining, the biggest beneficiary of cost initiatives has been our pyridine business and as a result, anything downstream coming from that also gets benefited through those cost initiatives.

Moderator: The next question is from the line of Ravi Singh from Cosmic Horizon Capital. Please go ahead.

Ravi Singh: Sir, with the huge shortage of containers globally, the Red Sea crisis and also the inclement weather around South Africa, do you feel that it could lead to a major spike in commodity prices for chemicals like acetic acid, etc., something on the lines that we saw during COVID?

Deepak Jain: Ravi, it is very hard to answer the question and I am not an expert on the correlation between logistics and commodity prices. But what I can tell you is that the Red Sea issue has been happening for almost now eight months since December last year. You look at the acetic acid price, it has only come down from \$430 to \$408. So, if something like that had to happen, it should have started by now.

Ravi Singh: And finally, sir, you know you've given this guidance of 3x revenue and 4x EBITDA in five years on the FY24 base. So, that kind of gives us a target EBITDA margin of about 13.6%-odd. But now given the fact that you just mentioned that Spec Chem You are expecting to do about 23% to 25% EBITDA margin and that should be a significant chunk of our business going ahead. So, just trying to understand the disconnect here as to why the EBITDA margin guidance for FY29 is coming to just about 13.6%. Shouldn't it be much higher?

Deepak Jain: 13.6%? I don't know how you calculated that, Ravi.

Ravi Singh: On the FY24 base, if I just do a 3x revenue and a 4x EBITDA.

Deepak Jain: No, EBITDA is right, 4x, but Ravi, somebody else also had asked a similar question in the last quarterly call. It depends on what starting EBITDA we are talking about. When we set up this vision for ourselves, "Pinnacle 345" we had a certain view of our steady state EBITDA on a revenue of about Rs. 4,500 crore, at that time that was visible. Now obviously FY24 numbers because of the market turned out to be what they are and the EBITDA also took a hit more than what we had anticipated at the time of 345, but without getting into the nitty-gritties of what 3x and 4x and 5x means, what our aspiration is from a steady state Rs. 4,500 crore top line company to at least Rs. 12,000 to Rs. 13,000 crore plus of revenue and 20% plus EBITDA margin on the overall company level. And that 20% plus EBITDA margin, as I was explaining earlier, we hope and aspire, and we also have a bottom-up plan as I explained in the last call when I talked about Pinnacle 345. Within that, the Specialty Chemicals business, we can see that to reach 23% to 25%. The Nutrition business which like somebody was asking currently at 12%, 13% but with Specialty products added to it hopefully getting 17%, 18%-plus margin profile. And for our acetyl business, the long-term average should be 10% to 12%. So, if you take a weighted average of that, you will get to that 20% kind of company level EBITDA margin, which is what we aspire to get to.

Moderator: The next question is from the line of Siddharth Gadekar from Equirus. Please go ahead.

Siddharth Gadekar: Sir, you had mentioned in one of your previous comments that we are in the advanced stages in talks with the agrochemical customer. Is that CAPEX already done, or we will have to do incremental CAPEX for that project that we are looking to tie up?

Deepak Jain: Sorry, can you repeat your question? Which project You are talking about?

Siddharth Gadekar: Sir, you have just mentioned in one of the comments that we are in the advanced stages with an agrochemical customer for the contract. Just wanted to understand that from existing plants or we will have to do a new CAPEX for that.

- Deepak Jain:** No, so the one which I mentioned, I think the last quarter also I said that we commissioned an agrochemical plant in January this year which can do both intermediates and actives. At this stage we are still evaluating it and we have invested significantly in that plant. Our plan right now is to do the modifications in that plant and take some incremental CAPEX to be able to serve the demand. Having said that, we are still going through the evaluation process and obviously first objective is to sign that contract and then work out the remaining details in terms of how and where we will service from.
- Siddharth Gadekar:** Secondly, sir, in UP, if we look at the presentation we have mentioned we have around 483 acres of land. How much of that is currently utilized and how much of that is unutilized?
- Deepak Jain:** Which plant are you talking about?
- Siddharth Gadekar:** Sir, the Gajraula land we have around 483 acres. So, how much of that land is currently utilized and how much is lying idle currently?
- Deepak Jain:** It's a big plant and I think we have a significant proportion of that which is still available for us to do future expansion. So, particularly on the fine chemicals front, our multipurpose plants, we have plans to expand there. At this stage, I think I can safely say, whatever expansion plans we have thought about so far for the next five years can be served from our Gajraula and Bharuch facilities together.
- Moderator:** Thank you. 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, gentlemen.
- Pavleen Taneja:** We thank you all for joining on this call today. We hope we have been able to answer your questions. For further clarification, we would request you to contact me and thank you once again for your interest in Jubilant Ingrevia Limited.
- Moderator:** On behalf of Jubilant Ingrevia Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

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