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. Varun Gupta, CFO – Jubilant Ingrevia Limited
5. Mr. Arvind Chokhany, Group CFO, Jubilant Bhartia Group
6. Mr. Pavleen Taneja, Head – Investor Relations

External Participants during Q&A session

1. Siddharth Gadekar – Equirus
2. Gaurav - Invesco
3. Tarang Agarwal – Old Bridge Capital
4. Rohit Nagraj – B&K Securities
5. Prateek Poddar – Bandhan
6. Gokul Maheshwari – Awriga Capital Advisors LLP
7. Resham Jain – DSP Asset Advisors
8. Nitesh Dhoot – Dolat Capital

Jubilant Ingrevia

Q3 & 9M FY25 Earnings Conference Call Transcript
January 28, 2025

Moderator Ladies and gentlemen, good day and welcome to Jubilant Ingrevia's Q3 and 9 months FY25 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 this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pavleen Taneja – Head of Investor Relations at Jubilant Ingrevia Limited. Thank you and over to you, Mr. Taneja.

Pavleen Taneja Thank you, Nirav. Good evening, everyone. Thank you for joining the Quarter 3 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 Bhartiya – Co-Chairman; Mr. Deepak Jain – CEO and Managing Director; Mr. Varun Gupta – CFO Jubilant Ingrevia Limited and Mr. Arvind Chokhany – Group CFO, Jubilant Bhartia Group.

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

Shyam Bhartia Thank you, Pavleen. A very good evening to everyone. Thank you for joining us on Quarter 3 of the Financial Year 2025 Earnings Conference Call of Jubilant Ingrevia Limited.

We are pleased to announce significant year-on-year growth for this quarter attributed to enhanced performance of our Specialty Chemicals and Nutrition businesses, as well as to the benefits derived from cost-saving initiatives implemented in recent quarters.

We are also glad to share that the board has recommended an interim dividend of 250%, which equates to Rs. 2.5 per equity share with the face value of Re. 1 each for FY25. This will result in a cash outflow of Rs. 39.8 crore.

Let me share the overall market update with you all:

Globally, chemicals markets are witnessing gradual volume improvements. But pricing is staying muted in most segments and regions. We expect the volume growth momentum to continue into 2025, while the price recovery may still be slow. The pharmaceutical end-use market continues to see steady demand, bolstered by stable pricing and volume placements.

Our pharma portfolio in the Fine Chemical business mirrors these trends. However, we continue to encounter challenges in the Acetyl business due to low demand in the paracetamol segment.

The agrochemical sector has continued its upward momentum in this quarter, driven by positive volume growth on both year-on-year and quarter-on-quarter basis. However, average prices in the sector have remained flat, indicating potential price stabilization.

The Nutrition market experienced a continued resurgence in demand. Niacinamide volumes remained stable with a slight price increase during the quarter. Choline demand saw stronger growth, however, faced pricing pressures from imports.

Now let me talk about our business updates:

In the Specialty Chemical business segment, we observed a notable year-on-year increase in volumes for the high margin fine chemical segment. The diketene segment within fine chemicals experienced significant year-over-year volume growth and stronger price improvements. Pyridine and picoline segment also showed substantial year-on-year growth driven by higher volumes. Additionally, the CDMO business continues its traction with an increase in inquiries from customers in the pharmaceutical, agrochemical and semiconductor sectors.

The Nutrition and Health Solution business segment experienced continued year-on-year and quarter-on-quarter volume growth, primarily driven by significant volume increases in choline products while niacinamide volumes remain stable. We also saw an uptick in niacinamide prices last quarter.

In the Chemicals Intermediates business segment, we observed year-on-year volume improvements driven by ethyl acetate sales. Acetic anhydride volumes were muted due to low demand in paracetamol segment. Prices in this segment remained under pressure and impacted margins significantly. We are pleased to announce the commissioning of our new cGMP compliant vitamin B3 facility in Bharuch, Gujarat. This facility will produce nutraceuticals and dietary active ingredients for human consumption in food and cosmetic segments. The production of these new grades of vitamin B3 will significantly boost our presence in the value-added products market offering high value and high margin solution.

We are also proud to announce that Jubilant Ingrevia Limited has received the prestigious "Global Lighthouse Network Award" from the World Economic Forum. This honor recognizes our Bharuch manufacturing facility for its outstanding integration of "Fourth Industrial Revolution Technologies", making us the only chemical Company worldwide in the 2024 cohort to achieve this distinction.

Let me share a few details on our future outlook:

We anticipate continued improvement, continued upward momentum and improvement in our overall business performance in the ensuing quarters, driven by advancements in Specialty Chemicals and Nutrition health solutions business segments, as well as through our continued efforts to manage the cost efficiently. In line with recent quarters, our primary focus remains on leveraging newly commissioned plans and enhancing operational efficiency to deliver improved sequential performance in Q4 of FY25.

We are committed to our growth plans through our ambitious Pinnacle 345 Vision, and we are on track to achieve the same.

With this now I hand it over to Deepak to discuss the business in detail. Thank you.

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 Q3 FY25 Industrial Call of Jubilant Ingrevia Limited.

Let me first take you through the overall market overview for the 3rd Quarter:

Pharmaceuticals:

During the quarter we experienced steady demand with clear volume visibility across pharma end use segments with notable growth in pyridine derivatives and stable prices with some areas seeking, seeing an uptick. However, paracetamol demand remained under pressure as customers run their plants below optimal capacity.

In the agrochemical sector, global inventory destocking issues are diminishing and demand is gradually returning with a full volume recovery expected in coming quarters. Volumes in pyridine-based products are also recovering and future expansion in the select agrochemical products will further boost pyridine demand. In Nutrition, we observed significant year-on-year and quarter-on-quarter volume increases for choline though pricing remain muted due to competition. Niacinamide volumes remain stable while prices saw some uptick. With the newly commissioned cGMP plant, we are poised to increase traction in human food and cosmetic-grade products. As you know, we have rolled out several new initiatives in the last few quarters in line with our Pinnacle 345 growth roadmap that we announced a few months back.

Let me share some key highlights to demonstrate the progress:

#1. Our product platforms continue to drive growth and leadership in Quarter 3. Pyridine and Picoline experienced significant year-on-year volume growth with prices also rising across several segments. In Niacinamide, we maintained our top two leadership position in feed grade with year-on-year growth in volumes and an uptick in prices showing both year-on-year and quarter-on-quarter growth. In Choline chloride we maintained our number one position in the dry Choline chloride market and recovered market share with both quarter-on-quarter and year-on-year growth in volumes.

#2. We have increased our revenue share of the specialty and Nutrition business in the portfolio to 62% up from 59% last quarter and its EBITDA share in the overall portfolio has grown to 87% up from 73% last quarter. Our pyridine and picoline, fine chemicals and microbial segments are showing strong year-on-year revenue growth. Growth areas like diketene continue to gain traction with stronger year-on-year growth. In the semiconductor end use segment too, we sent more new samples to our customers in Quarter 3.

#3. In acetyl we observed year-on-year volume growth in non-acetic anhydride products like ethyl acetate and acetaldehyde. This positive impact of volume increase was offset by slight dip in acetic anhydride volumes. However, prices remain under pressure across all products. Despite the market challenges, we have retained our market share in acetic anhydride market while increased shares in both ethyl acetate and acetaldehyde segment.

#4. We are increasing our revenue mix in the US, EU, and Japan and continuously investing in building capabilities in these regions. During the quarter, we increased our international revenue share to 45% compared to 34% in the same period last year, achieving an exports revenue growth of 47% year-on-year. Our US revenue doubled on year-on-year basis while EU and Japan revenue grew by 43% year-on-year. Thanks to our structured key account management program. To further scale up our international business we are expanding our BD teams across US, Europe and Japan.

#5. Our key efficiency initiatives have delivered substantial annualized savings of over Rs. 120 crore from Surge, Lean, BE and Energy Saving programs. We are now launching phase two of our cost program and we hope to achieve even higher efficiencies in coming quarters, thus improving our margins further.

#6. On the CAPEX front we have commissioned our niacinamide facility for food Nutrition and cosmetic applications, marking a significant milestone in our journey. Already being one of the world's largest producers of niacinamide, we aim to become global leader in vitamin B3 as we ramp up the utilization of this new plant. This positions us among the select few capable of producing high quality vitamin B3 for high value, high margin offerings providing a strategic moat against industry volatility in feed grade niacinamide. Also the CAPEX for upgrading the existing agrochemical plant has commenced. This investment is aimed at establishing a dedicated facility to fulfill the five-year agreement which we signed last quarter with a multinational agro innovator producing a key intermediate for one of their strategic agrochemicals. We anticipate beginning deliveries from this plant towards the end of the next financial year. Likewise, our existing multipurpose plant in Gajraula is being readied to serve the second agrochemical order we announced in the last quarter. We expect both these orders to add significantly to our revenue growth in coming years in Specialty Chemicals business. In coming quarters, we also plan to announce the launch of more CAPEX projects in line with our long-term growth strategy.

#7. On sustainability front too, our core initiatives remain on track to keep our leadership position intact. As we announced earlier, we hope to move more than 30% of our power requirements to renewables in FY26, which will not only contribute significantly to the reduction of scope 2 emissions, but also reduce our power cost in coming quarters. Likewise, we have taken several other green initiatives which will help have significant impact both environmentally and commercially.

Let me now take you through the update on all of our three businesses individually:

Starting with Specialty Chemicals:

During the quarter the Specialty Chemicals segment revenue grew 28% year-on-year and 8% quarter-on-quarter basis on account of higher volumes coming from pyridine and diketene portfolios. During the quarter, Specialty Chemicals achieved its highest ever EBITDA of Rs. 121 crore in a given quarter and also highest EBITDA margin of 26%, in the last 14-quarters. EBITDA for Specialty Chemicals grew by 120% on a year-on-year basis. Improvement in EBITDA was also witnessed on account of cost efficiencies gained from initiatives focused on enhancing productivity, yield, and reducing energy costs through lean initiatives. The CDMO business continued to grow with capital expenditure initiated for the two contracts we talked about earlier. We also witnessed a growing number of inbound inquiries from the agro, pharma, and semiconductor sectors. The high margin Fine Chemical business volumes increased year-on-year and quarter-on-quarter, with diketene volumes rising significantly with improved pricing.

In the Nutrition business, during the quarter, revenue for the business increased by 25% year-on-year, driven by higher sales volumes coming from niacinamide and choline products. EBITDA for the quarter increased by 44% on a year-on-year basis primarily due to higher year-on-year volumes and prices of niacinamide.

On quarter-on-quarter basis, EBITDA remained stable due to the positive impact of niacinamide and choline volumes, but impact of higher niacinamide prices got offset slightly by dip in Choline realizations. We witnessed increased niacinamide sales volume and pricing on a year-on-year basis and marginal price increase for quarter-on-quarter basis. We also observed improved demand for food grade products with both year-on-year and quarter-on-quarter growth. For Choline products volumes were strong both quarter-on-quarter and year-on-year basis, whereas pricing remained under pressure. With our new cGMP plant getting commissioned, we expect our revenue and margins to increase in coming quarters on the back of increased volumes of food and cosmetic-grade vitamin B3. Our food-grade choline chloride and choline bitartrate products have started to get good traction in the market, and we expect their volumes to grow in coming quarters.

In Chemical Intermediates business quarterly revenue and EBITDA declined due to continuing headwinds from the primary end use markets for paracetamol impacting both volumes and pricing of acetic anhydride. During the quarter, higher year-on-year and quarter-on-quarter volumes of ethyl acetate partly cushioned the impact of declining acetic anhydride volumes. We have taken a few strategic measures to counter the downward impact in this segment such as higher share of domestic sales of acetic anhydride to mitigate the impact of increased logistics cost associated with export sales, secondly, improvement in our cost structure for key products, and thirdly, renewed push on non-acetic anhydride portfolio in this segment, such as ethyl acetate and acetaldehyde.

With this, let me now hand over to Varun to discuss the overall financials of the Company. Thanks, Deepak.

Varun Gupta A very good evening to all of you. I would like to thank you all for joining us today for Quarter 3 of the Financial 25 Investor Call of Jubilant Ingrevia Limited.

The overall revenue during the quarter stood at Rs 1057 crore as against Rs 966 crore in Q3 FY24. The revenue was higher mainly due to the higher year-on-year revenue from Specialty Chemicals and Nutrition and Health Solutions business segments. The EBITDA for the quarter was Rs 148 crore reflecting a 9% sequential increase and 42% rise on year-on-year basis. The growth in EBITDA was primarily driven by margin improvements in the Specialty Chemicals, better mix along with the cost optimization initiatives. The net debt of the Company as on 31st December 24 was Rs. 684 crore and net debt to EBITDA ratio was 1.36 times on the basis of trailing 12 months EBITDA.

During the quarter we also optimized the overall finance cost and reduced it through a combination of strategic initiatives. The capital expenditure incurred during the quarter was Rs. 92 crore and YTD in the first nine months is Rs. 299 crore which was primarily funded through internal accruals. The net working capital percentage to turnover for Quarter 3 was at lower at 18.4% against 22% in the last year same quarter. The number of days of working capital has reduced to 67 as against 80 days in Quarter 3 Financial Year 2024.

Lastly, the PAT for the quarter was Rs. 69 crore as against Rs. 39 crore in Q3 Financial Year 2024, witnessing an increase of 80% on year-on-year basis.

Before we conclude our opening remarks, I would like to inform you that the Company is organizing its Investor and Analyst Day in Mumbai on February 28, 2025.

On behalf of the entire management team of Jubilant Ingrevia Limited, I would like to invite you all to join us at the event. This will be an opportunity for you to meet in person and interact with the entire leadership team of Jubilant Ingrevia Limited, where we will showcase organizations' future plans and highlight the key growth levers for the coming years.

We will now be happy to address any questions that you may have.

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

Siddharth Gadekar The first question is regarding the Specialty Chemical business margin. Given the sharp improvement that we have seen in this quarter, how should we look at it on an annual basis? Because maybe this quarter there was some product mix towards higher value products. On an entire pull year basis, how should we think about the Specialty Chemical margins for FY25 going ahead?

Deepak Jain Yes, Siddharth, thank you. It's a good question. A few things I would say, number one, as we have been saying in the previous quarters as well, Specialty Chemical business is something which we have been continuously focusing on and there are multiple drivers which are helping us improve the overall growth as well as mix of the business. So, like I said in my opening remarks also, the Pyridine portfolio of course continues to do well on the back of the additional volumes we have gotten which helps us in improving efficiency and improving the cost structure. At the same time the Diketene portfolio has started to grow, and the utilization levels are growing, and we are getting high margin products there and of course we have the CDMO business which is a high margin business for us. So, what happened in the last quarter was all three converged and led to the kind of margin that we have delivered. Having said that, now obviously last quarter was also a quarter where both Pyridine and Beta prices were on the higher side which we understand and appreciate, will or not remain at the same level all through the year and hence there will be some volatility. Even if I adjust for that, our expectation is that our specialty business should remain at least at 23% to 24% EBITDA margin versus the 26% that we have given in the last quarter. That is our expectation for a steady state**.**

Siddharth Gadekar Secondly, in the Chemical Intermediates business was there any inventory losses because our EBIT has come at Rs. 9 crore which is at a historic low level?

Deepak Jain No, there is no inventory loss but unfortunately that business is going through very tough times and like the way I talked about a bunch of positive forces on specialty, on Chemical Intermediates there are lot of negative forces. So, what has happened is the biggest application of acetic anhydride is paracetamol in Indian market where we have almost 70%-80% share. So, paracetamol is going through tough times with almost 20%-25% lower volumes versus last year. Secondly, even internationally, Europe is a big market for us and I think most of us know what's happening in Europe. The growth has come down and as a result, we are losing some volumes there as well. Thirdly, the Red Sea crisis did not make life any easier with the higher logistics cost, the level of competitiveness and profitability both went down. And on top of that in the last quarter exchange rate also worked against us both on US dollar and Europe. We import our raw materials for Chemical Intermediates business in US dollar while export in Euros to Europe and both of those forces worked against us. So, a combination of all those factors led to the lower margin that you saw in the last quarter. What we expect at this moment is that these forces are continuing at least for this quarter and then for perhaps another quarter or so. But gradually we expect the inventory that is there in the paracetamol market will clear up and volumes will start to come back. Agro, and other use case or application for anhydride will start to gradually show some uptick and then Europe hopefully will start showing growth as well and then the exchange rate has already started to normalize. As these negative forces reverse one-by-one we are hopeful that in the next couple of quarters we will start to see at least some uptick from where we are in Acetyl business.

Siddharth Gadekar Secondly, on this new vitamin B3 capacity, can you just talk about the realization difference between animal feed and new grades of vitamin that we are looking to launch and what would be the margin differential between these two grades?

Deepak Jain See the cosmetic grade and food grade niacinamide and then the product is there and we sell it even today from our existing plant. There is reasonable delta of course I can't give the precise numbers but you can assume the delta could be even up to 40% to 50% sometimes in the pricing and obviously there are incremental costs associated with that as well but at an overall level cosmetic and food grade products are higher margin for us, significantly higher margin for us versus what the feed grade is. Margin is just one part of it, Siddharth, but I think what it also does is as I think most of you know there is more volatility in the feed grade product. The cosmetic and food grade products are more stable with the secular growth in the demand and volumes. So, it also brings more stability to our overall Nutrition portfolio. And thirdly, it also gives us access to human grade customers, which is a segment, as I have announced in the previous quarters also, we are anyway focusing on with more and more products coming in the human-grade side.

Siddharth Gadekar So, our mix used to be more tilted towards animal feed. Like we had 70%-75% of our revenues coming from animal feed. Now, 1 or 2 years down the line, how should this mix look in the Nutrition business?

Deepak Jain In terms of volume, we hope that human and cosmetic grade will get to at least 35%-40% and in terms of value it will be much higher than that because these are high value products.

Siddharth Gadekar Just one last question on the CDMO contract, can you just give some color in terms of how should we think about the margin profile on the CDMO business mainly for those two contracts? And by FY27, will we see a full ramp-up in both the contracts?

Deepak Jain The two contracts we announced in the last quarter are both agro contracts. The CDMO margins for good products and also for us as I think I have repeatedly said on several calls every quarter, our threshold is to get at least (20%) EBITDA and (+20%) ROCE. Both those contracts will give us returns in line with those internal benchmarks and of course we continue to work on the cost structure to see if we can get anything better. But those are more stable long-term contracts, and we are hoping that they will overall help us increase the profitability of the business.

Siddharth Gadekar And just lastly on the semiconductor side, have you seen any more traction in terms of like, are we close to make any announcements, or it is still some time away?

Deepak Jain Semiconductor, as I mentioned it's a journey we have taken only about 10 months back. We have gotten good traction, we have almost 8 to 10 different products and RFPs which we have been discussing with customers. On a few of them we have sent samples. We are hoping to get our first commercial order in FY26 but as I said in the past because semiconductor chemicals are new to India and of course to us as well. Customers will be slightly cautious in the beginning and will give only small volumes. And we expect that starting FY26, we will have a separate P&L for that business with commercial orders coming in and gradually we can ramp it up. But we're looking at semiconductor as more of at least 3-year journey in which we scale it up, rather than getting any big bang opportunities in the near future.

Moderator Thank you. Next question is from the land of Gaurav from Invesco. Please go ahead.

Gaurav We have seen consistent improvement in the numbers, EBITDA margin and all those things. So, if you can help us understand that in the last one year since we have announced this Pinnacle 345 journey, the CAPEX that we have done, the agro plant in January 2024, diketene derivative plant I think in March 2024, what would be the kind of utilization of those plants in these numbers, installed capacity versus capacity utilization and any clarity on that please?

Deepak Jain Sure Gaurav. So, not just the couple of plants you talked about, if you just go back 18 or 24 months now, I think there are at least 5 or 6 plants which we have commissioned. For most of them, we have raised at least 50% utilization level. The agrochemical plant of course as I mentioned I think on the last call also we started production but then we got this big contract. So, we are repurposing that plant and doing the modifications in that to be ready to serve that big contract by end of this calendar year or end of this next fiscal year latest. But outside of that all the other plants we put up are running at least 50% utilization level.

Gaurav Building on this question only, just for an understanding purpose also, considering long-term investment in the Company, when we put up money in a CAPEX, what do we expect in terms of the asset turnover ratio? Like for example, I think in the last 2-3 years we have invested substantial amount in the CAPEX. So, what would be the asset turnover ratio? Like for example, Rs. 1500 crore invested then it can give us a revenue of maybe whatever X number that you envisage as a turnover ratio? Thank you very much. That's the last question.

Deepak Jain In steady state, we expect specialty turnover to be at least 1.3x to 1.5x. And for our Acetyl business, in the range of 1.8x to 2x. Having said that, and then most of the planning, as well as deployment of this CAPEX has been done keeping those kind of asset turnover in mind. Having said that in the last 18 months to 24 months as I think at least in 18 months and most of you know that there has been reduction in prices across most segments. So, obviously what it has done is at least these ratios have come down slightly in that context and how we are offsetting that part is by improving our cost structure, which is what I just announced in both Lean 1 and Lean 2.0 and obviously in certain segments as I mentioned we can already see pricing coming back. So, the combination of these two things will hopefully take us back to the original ratios on which the whole planning was done.

Gaurav One request maybe if you can take it up and if you allow, that in the numbers that we report in the presentation specifically, we don't mention the capacity in terms of installed volume, vis-à-vis the utilization. Is there any specific reason that we do not disclose, but we disclose the segment-wise revenue for sure, right? But not the installed capacity or against that, the capacity utilization? Any specific reason of not reporting that?

Varun Gupta Yes. Varun here. See, these are sensitive information which is privy and material from the organization point of view. Detailing the capacity and the utilization is something very confidential and we will continue not to publish it.

Deepak Jain And just to add to Varun, the second thing is see you have to appreciate that many of our plants are multi-purpose plants. So, depending on which product we are producing at what point in time the capacity is quite fungible as well as dynamic. So, for both these reasons, I think it's very difficult for us to disclose that information.

Moderator Thank you. Next question is from the line of Tarang Agrawal from Old Bridge Capital. Please go ahead.

Tarang Agrawal Couple of questions, one on your specialty, chemicals business. What drove the growth, I mean, which segment, which business segment drove the growth for Q3 of FY25?

Deepak Jain Yes, so Sarang as I was saying in the beginning in response to the first question also, our Specialty Chemical business is a combination of three things, pyridine and its derivatives, diketene and its derivatives and CDMO business. So, luckily for us right now all three are doing very well and all three are growing, both in terms of volumes and in some pockets, we have seen the price increase as well. So, there is no particular factor but it is a combination of all those forces which led to the growth.

Tarang Agrawal Let me rephrase, I mean how much was pharmaceuticals as a percentage of your spec. chem. revenue in Q3 of FY24 and how much is it in Q3 of FY25?

Deepak Jain I won't give you the specific percentage but your question is still pertinent. Pharma as even Mr. Bhartia said in the beginning, pharma segment is doing well and has been growing for us as well. Now at an overall portfolio level pharma is roughly 30 to 35% of our business and same will translate into Specialty Chemicals as well. But what is happening is because across our portfolio be it pyridine derivatives or diketene derivatives and even CDMO products, we have been focusing on pharma over the last couple of years. Gradually the level of penetration and share are both increasing and that is one of the key drivers. Having said that we also have other sectors which we serve through our Specialty Chemical division the agrochemical, of course where we have signed and announced these two big contracts, cosmetics and industrials as well. So, the traction is across the board. Of course, in the last 18 months because pharma has been doing well the overall share of pharma should have increased in specialty.

Tarang Agrawal And one on bookkeeping. So, if I look at your segmental operating profitability, the EBITDA number that you publish in your press release, there's almost a Rs. 25 crore to Rs. 30 crore difference on a quarterly basis, versus the operating EBITDA that gets published on the P&L. My sense is these are common costs. So, from our modeling perspective, is it fair to presume, is it fair for us to consider a Rs. 32 crore-Rs. 35 crore number on a quarterly basis? And what would be the nature of these costs?

Varun Gupta I am Varun here, Tarang. The number is in the range of Rs. 20 Cr. per quarter, which is unallocable to any specific. And these are the corporate resources which serve across all the three division of our segments.

Deepak Jain So, Tarang, I think somebody had asked that question last quarter also, you can expect it to be around Rs. 20 crore plus minus, and we are, of course, controlling it very tightly. For your modeling perspective, I'll leave it to you how you want to allocate, but revenue share will be probably the right methodology, because that's how at least we split our time across the businesses.

Tarang Agrawal And last, in your Chemical Intermediates business, I think the commentary on volumes has been strong across acetic anhydride, ethyl acetate, and acetaldehyde. I mean, this business, I think, was at a Rs. 50 crore quarterly operational profit number. And obviously, there are headwinds in the end markets. But just to get a context, how is the pricing environment in this business at the end of your products? And would Rs. 50 crore to Rs. 60 crore be a good baseline number of profitability to work with on a quarterly basis?

Deepak Jain These are relatively commodity products. Acetic anhydride, ethyl acetate, acetaldehyde, these are the three big products that we do in that segment. We have a couple of more products like propionic anhydride and others. These are volume products, so that's why the focus as well as commentary so much on the volumes, Tarang. The pricing in these segments is a combination of several factors right, one is obviously the input raw material so for acetic anhydride as an example what price acetic acid is trading at that plays a critical role but also the demand and supply dynamic in the end segments plays a very big role. For instance, as I said in the beginning, acetic anhydride right now, the pharmaceutical segment is going through tough times, the demand is 25% less and suddenly there is over supply of acetic anhydride and hence it puts pressure on the pricing. So, it's from both sides, from raw material direction perspective as well as from the end user or end application segment perspective. Right now, the prices are very low, of course, and they are putting pressure on our contribution margin as well. That's the reality and as I said in my opening remarks as well we hope in the next couple of quarters gradually as demand comes back we will see an uplift in both volumes and contribution margin. Now to your second question on what the baseline EBITDA should be in this business what I can tell you is we look at this business from a multi-year perspective and if I look at the last ten years, we have made good margins in this portfolio which have averaged at around 10% plus minus. And then I don't see that changing going forward as well. And that will come with a combination of demand coming back as well as we continue to improve our cost structure.

Tarang Agrawal Sure, just last, the current spreads would be what? 30%-40% away from what the normalized spreads in this business are generally?

Deepak Jain Current EBITDA margin you are talking?

Tarang Agrawal Spreads, contribution.

Deepak Jain Sorry I can't give that number but if I wish I were making 30%-40% contribution margin in this business, numbers would have been much higher at an overall level.

Moderator Thank you very much. The next question is from the line of Rohit Nagraj from B&K Securities. Please go ahead.

Rohit Nagraj First question is on the food grade niacinamide. Given that we have recently commissioned plants for food as well as cosmetic grade, from a human consumption perspective, do we need any USFDA approvals? And just a little bit on the market for human grade niacinamide in terms of the opportunity size, whether it's a domestic or international market and who will be the current competitors in the global market and how do we foresee to expand this particular portfolio maybe over the next 3 to 5 years? Thank you. A lot of questions inside but if you go ahead….

Deepak Jain So, let me just try to address them one-by-one. So, first of all to your question on USFDA, I think you might remember we got USFDA approval on our niacinamide plant last year and the new facility is an extension of the existing facility. So, technically speaking the plant is already USFDA approved. Having said that of course as we start production and send the product to different markets, we do expect at some point in time there will be another round of USFDA. I am hoping it will be at least a couple of years away but the plant has been created and constructed with all the practices that we demonstrated last year when we got zero, '483' in our existing plant as well. So, we are not worried about it, even if it happens it's just a milestone and we will get done with it. Number two, in terms of the demand, it's a global product so the market is also global. There are customers in India as well for their India business as well as their international business. So, we hope to serve both domestic markets and international markets. In fact, there will be more, there should be more volumes internationally than in domestic market, but there are customers in India as well who will be using the product to produce their end product and send them outside of India as well. Third, in terms of what kind of demand we can expect, this plant is about 4500 tons-5,000 tons between cosmetic grade and food grade, and has the fungibility to produce both kinds of products depending on what demand we are seeing at any given point. We will keep the plant production planning dynamic but the expectation is and given the strong traction we are getting from the customers and as I said in the beginning, we are already selling some of these products from our existing plants also. So, we already have access to the customers, and we are talking to some of the big customers. Our hope is that we will fill up the capacity of this plant in the next 12 months to 18 months once it has stabilized. I hope I have answered all the questions you asked.

Rohit Nagraj Yes, sir. And just one last clarification in terms of competition, are there any global players who are currently serving this market?

Deepak Jain Yes, so I think there are global players in B3 segments. It's the same set of competitors we compete against for feed as well. But we have taken share, right? In feed grade, we are number two globally. And our aspiration is with now this food and cosmetic grade coming in, there also we become a leading player globally and improve our market share.

Rohit Nagraj That's very helpful. The second question is on the CDMO contract, which we have signed, the $300 million, you gave a lot of information during the last call. Just from last call to now, in terms of the project milestones and may be towards the end of commercialization, by the end of FY25, what could be the milestones that we are looking at? So, have we done the product in the R&D pilot stage, and we are just waiting for the plan to get ready and approved? And just one consequent question to that, in terms of the $300 million of total opportunity size, will it be linearly spread over a five-year period or probably it will be relatively lower in the first couple of years and then rest of the year it will be linear?

Deepak Jain Rohit, I had talked about both these last quarter. First the correction, it's not end of FY25, it is end of FY26 commissioning. We expect to commission it by December or January timeframe. Now coming to your question on how we are doing on the milestones, so I am happy to tell and it's there in my opening remarks as well. The plant is on track. We are tracking it very tightly given the quantum of this contract and the importance of it both for our customer and for ourselves. On a weekly basis it's absolutely on track. There is no deviation, and we are meeting all the milestones which we had defined till month four of this project since the star of signing. Number two, in terms of the revenue trajectory, it's a contract in which from month one we are expected to hit certain rate but within first few months itself we are expected to get to the steady state revenue trajectory. So, it's not a linear trajectory except for the first few months which we will need to stabilize the plant as well as capacity, it should start firing at the expected annualized run rate within the first year.

Moderator Thank you. Next question is from the line of Prateek Poddar from Bandhan. Please go ahead.

Prateek Poddar Just one small question. Could you call out the cost savings from 2.0, the Lean 2.0? I think Lean 2.1 was around Rs. 120 crore if I am not wrong. Could you call out what kind of savings can we expect?

Varun Gupta Varun here. So, yes, Lean 2.0 will be of course more than Lean 1.0 savings where we have say more than Rs. 100 Cr. in the first round. The second round will be at least double digit higher than the first one.

Prateek Poddar When you say double digit you mean growth on that Rs. 120 Cr. or whatever Rs. 100 Cr.?

Varun Gupta Percentage. Yes, correct.

Prateek Poddar And do you wish to retain this or in terms of, or let's say pass on for more business or reinvest for more opportunities? How should I think about it?

Deepak Jain What do you think, Prateek? What do you think is the answer to the question?

Prateek Poddar I think you should reinvest in the business and grow the business more.

Deepak Jain Absolutely right. You answered it. I guess you will see more of it in 28th when you will come and visit. So, all these questions will be answered visibly and on the 28th Feb in our Investor & Analyst Day. So, I'll humbly request you guys to hold this till the next three weeks finger crossed and we should be able to answer it much more depth on that day.

Prateek Poddar And if I may please in one small question, I think this question was asked, it was basically the spreads on the intermediary business. How far are they today from the mean? And I am just trying to get a sense of profitability, right? Because look, you called out that Q4 is better than Q3 in the initial remarks as well as in the press release. And in the same breath, you also said that you're not seeing any improvement in the chemical intermediary business, which means that we see further strengthening in the other two businesses. So, I am just trying to understand from a, let's say next 3-4 quarters perspective, when do we see normalization of this business coming back, given that you have a multi-decadal view?

Deepak Jain Prateek, I don't know where you picked up that Q4 is better. I think in my view, Q4 is very similar to Q3. I am talking about Chemical Intermediates business only, Right? So, Chemical Intermediates, I would say will take at least a couple of quarters for paracetamol problems to get behind us, as well as some of the cost initiatives we are working on, and hopefully some growth coming back in Europe. For the rest of the business, yes of course we continue to improve as you can see the last four quarters trajectory, our cost initiatives now Lean 2.0 that you asked all of that incrementally should keep adding to the overall portfolio performance.

Prateek Poddar And in that case, is there a, I mean, maybe this is a question for February 28th and I'll ask it at that point of time. Thanks Deepak, all the best.

Moderator Thank you. Next question is from the line of Gokul Maheshwari from Awriga Capital Advisors. Please go ahead.

Gokul Maheshwari So, you've mentioned about cost measurements which you've taken in the chemical intermediaries business. So, can you sort of explain whether you are now cost-comparative versus your peers within India or also in terms in the region. Are you the lowest cost producer for this product?

Deepak Jain See Gokul and I don't know whether you cover the commodity products or not more broadly. You see there is nothing called best in class in commodity chemicals because it's a dynamic thing. Like the way we are working on our cost structure continuously, I am sure our competitors are doing the same. Having said that we of course have a very competitive cost structure that's the reason why we have been able to build almost 70% to 80% market share in Indian market and almost 15 to 20 percent market share in Europe despite the fact particularly if I take Europe as an example we import some of the raw materials, process them and send back into Europe. So, logistics in a commodity business can play a huge role in normal times despite doing all of that in the supply chain, we have been able to compete and gain market share in Europe. So, yes, the short answer is we are one of the lowest cost producers whether we have the lowest cost or not that depends on what point of time you are talking about. In acidic anhydride definitely there are bunch of initiatives we are doing across the conversion cost. In fact, the Lighthouse Award we got from WEF, the acetic anhydride plant was one of the plants which was covered in that assessment and some of the digital usage, automation, supply chain optimization and a bunch of other things that we are doing has held us in keeping the cost structure low. We are replicating the same across all of our products including the ones which are there in Acetyl business or Chemical Intermediates business.

Gokul Maheshwari On your power cost for the nine months, that power and fuel cost has come down from Rs. 404 crore to Rs. 359. Is this, what is the reason for this drop in power cost?

Deepak Jain Yes, of course, there has been a bunch of initiatives. Our operations team has been driving on the power cost and what I can assure you and with the announcements we have already done of moving to renewal that will only come down further from here and that's part of Lean 2.0.

Gokul Maheshwari Just lastly a data point, what was the expected CAPEX plan for FY25 and '26?

Deepak Jain FY25 we have already announced in the beginning and that's a continuation of the original Rs. 2,000 crore that we had announced almost 3-years back now. So, we are on track and by end of FY25 we will be more or less at par with the Rs. 2,000 crore number we had envisaged couple of months here and there. For FY26 we are going through the planning process and the budgeting process which we will have clarity on by March end. So, at that time we can tell but as I have said at the time of announcing our Pinnacle 345 strategy also, we do have intention to invest further in the plants as well as other areas of our business, given the growth aspirations we have. So, we will more or less continue with the similar kind of run rate CAPEX year-on-year as we have done in the last three years, ideally. But the exact numbers will work out and come back.

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

Resham Jain: I have two questions. The first one is on Pyridine and its derivatives. Last year, we saw like globally Jubilant being the only one, except Chinese player producing Pyridine and its derivatives. Is the status the same currently and because of the same, initially I think there was an assumption that some of the customers might have built a higher inventory because they were aware that some of the capacities were going out of production and all. But are you seeing any advantage of that coming in?

Deepak Jain Resham, good question and the short answer is yes. The inventory was built only for the first six months. The Aurorium plant closed down in September in the US, the US one I am talking about in September of 2023. We started seeing traction on Vertellus or Aurorium volumes in FY25 itself. I think I have said that in the previous quarters and we maintain that, we were hoping to get almost (+70%) of the incremental volumes which Vertellus was serving from that plant and we have achieved that objective. And that is reflected in the volume increase in our trading business as well. So, now we are hoping even the second plant will close down which we are hearing will happen in 2025. Once that happens we hope to get more, but there is some uncertainty associated with that right now on the timeline.

Resham Jain: And the second one is on the Diketene front. I think you did remarkably well. I think you have 5000 ton capacity right now in terms of its derivatives. Given that you must be utilizing fully and the margins are also relatively much better, are you planning to further expand capacity of Diketene and its derivatives?

Deepak Jain Yes, the answer to this question is also yes, Resham. We have expanded the diketene in two phases so far. The phase one products were done almost two years back, phase two was launched last year. I think for both phases we are running the plants at a reasonably high capacity. Of course, there is some variation quarter-on-quarter based on when the products are used in their end applications. But by and large speaking it's tracking in the right direction. And with some of the commitments we have gotten for our phase two products in recent months, we are in fact thinking about de-bottlenecking those plants and already increasing the capacity that's one. And second as I have said in the past, there's a phase three also planned for diketene products for which our team is working on the CAPEX proposal which we hope to get approved in coming months and start the construction of those plants.

Moderator Thank you. Next question is from the land of Nitesh Dhoot from Dolat Capital. Please go ahead.

Nitesh Dhoot As you elaborated that in case of Specialty Chemicals in Q3, there was a product mix improvement in favor of derivatives plus there was a price improvement and also an increase in the diketene derivatives revenue. So, all put together there was an increase in revenue by around Rs. 35 crore. So, by any chance is there a sequential decline in the volume of the pyridine building block? And if yes, what would be the reason behind this?

Deepak Jain You mean previous quarter or future quarters you're talking about, Nitesh?

Nitesh Dhoot No, I am just comparing Q3 with Q2. So, there is a sequential Rs. 35 crore increase in revenue and the reasons that you elaborated, increase in revenue from the derivatives and from diketene and some bit of price improvement. So, I am just wondering if there was a decline sequentially in the volume of the building block pyridine?

Deepak Jain We have almost, you mean the base pyridine you are talking about is it, Nitish?

Nitesh Dhoot Yes.

Deepak Jain The pyridine volumes we are running over plants almost at full capacity, so there could be marginal ups and downs because of let's say dispatch issues or production issues but directionally I am telling you like we are in fact we took a CAPEX to debottleneck pyridine capacity because we want more pyridine because of the reasons that the Resham asked. We are getting traction we are the only non-Chinese scale players left in the world. So, all the incremental pyridine and beta demand or picolines demand is coming to us. So, we are running our plant at full capacity there could be marginal ups and downs but there is no secular decline so to say in the demand or volumes of our building blocks in pyridine and beta value chain.

Nitesh Dhoot And sir just one more question. So, now that we've reached high utilizations in diketene, how much is it contributing to total revenue? I mean, say Rs. 470 crore of total Spec-Chem revenue in Q3, what would be the contribution of diketene derivatives there? And secondly, what are the margins that we're making there? I mean, you're not able to give the exact numbers that I am sure, but whether it's higher or lower than the Q3 overall Spec-Chem margins.

Deepak Jain The diketene is still a growing portfolio in our business. So, you rightly said it, we don't disclose the specific numbers, but it is a meaningful part of our Specialty Chemical overall business. Of course, you have to keep in mind that we have been doing pyridine and its derivative for 30 years, so that takes lion share today and diketene started only two years back, so it will require at least a few years to have something which is reasonably big, but it is moving in the right direction and as I said at least the plants we have created are running at reasonably high capacity. In terms of margin profile, I think the answer is similar. It's tracking in the right direction and it's like if the overall margin is 26% for that segment then diketene cannot be very low. So, you have to look at it from that perspective but overall we are tracking well and in steady state which we hope to achieve very soon in diketene. It should have the margins which is the specialty segment should have which is at least 20% plus.

Nitesh Dhoot Just one last, if I may. I think I missed this point on the new niacinamide capacity. So, how do we see the ramp up happening over there in the context that, I mean, how would be the product approval cycles given that it's a food grade, I think. So much time do we see or how much time would we need to ramp this capacity up to full utilizations?

Deepak Jain See, the plant has just commissioned last week. and we are hoping within next few months or couple of months it will stabilize and will start from a production perspective will take care of all the teething issues. From a demand perspective as I said we are already in touch with most of our customers; the approval process was started almost six months back, because we were doing some of these products already so none of that will come in the way of selling the product. Obviously still it takes some time to fill up the capacity and that's what I said earlier on. We expect to fill up the capacity in 12 months to 18 months.

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

Pavleen Taneja We thank you all for joining 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 separately. Thank you once again for your interest in Jubilant Ingrevia Limited. Have a good day. Thank you.

Deepak Jain Thank you, everyone.

Varun Gupta Thanks, everyone.

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