INDIA GLYCOLS LIMITED

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14th August, 2023

The Manager (Listing)	**The Manager (Listing)**
BSE Limited	**National Stock Exchange of India Limited**
1st Floor, New Trading Ring,	**Exchange Plaza, C-1, Block G,**
Rotunda Building, P.J. Towers,	**Bandra Kurla Complex,**
Dalal Street, Mumbai – 400 001	**Bandra (East), Mumbai- 400 051**
Scrip Code: 500201	**Symbol: INDIAGLYCO**

Dear Sirs,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of Q1FY24 Results Conference Call

Further to our letters dated 31st July and 9th August, 2023 and pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Results Conference Call for Q1FY24 held on Wednesday, 9th August, 2023 is attached.

The same is also being hosted on the Company's website at www.indiaglycols.com.

This is for your information and records please.

Thanking you,

Yours truly,
For India Glycols Limited

ANKUR JAIN

Digitally signed by ANKUR JAIN
Date: 2023.08.14 18:17:11 +05'30'

Ankur Jain
Head (Legal) & Company Secretary
Encl: A/a

“India Glycols Limited
Q1 FY2024 Earnings Conference Call”

August 09, 2023

MANAGEMENT:	**MR. RUPARK SARSWAT – CHIEF EXECUTIVE OFFICER** **MR. ANAND SINGHAL – CHIEF FINANCIAL OFFICER** **MR. RAJESH MARWAHA – HEAD, SALES & MARKETING (BSPC)** **MR. S.K. SHUKLA – HEAD - LIQUOR BUSINESS** **MR. ANKUR JAIN – HEAD (LEGAL) & COMPANY SECRETARY**
MODERATOR:	**MR. ROHIT SINHA – SUNIDHI SECURITIES & FINANCE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the India Glycols Q1 FY24 Earnings Conference Call hosted by Sunidhi Securities & Finance Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rohit Sinha from Sunidhi Securities & Finance. Thank you and over to you, sir.

Rohit Sinha: Thank you, Aman. Good evening, everyone. Thank you for joining on India Glycols Limited Q1 FY2024 Results Conference Call.

We are joined on this call with India Glycols management represented by Mr. Rupark Sarswat -- Chief Executive Officer; Mr. Anand Singhal -- Chief Financial Officer; Mr. Rajesh Marwaha – Head, Sales and Marketing, Bio-based Specialty Chemical Division; Mr. S.K. Shukla -- Head, Liquor Business; and Mr. Ankur Jain – Head (Legal) and Company Secretary.

I would like to invite Mr. Rupark Sarswat to initiate this proceeding with his opening remarks, post which we will have a Q&A session. Thank you and over to you, sir.

Rupark Sarswat: So, thank you. Rohit. Happy to be here again with you all. Thank you for giving us the time this afternoon to give you an overview of how the Company performance has been. I know there is monsoon season in Mumbai, so I'll try and do a shorter presentation today evening.

Coming to high level numbers in terms of business performance:

Overall, we had quite a strong quarter, particularly from the point of view of profitability and margins. You see that our gross turnover is up 1.4%, net turnover is somewhat down 14.7%, largely because of certain low margin businesses from last year which we discontinued, which therefore helped the quality of the business in marketing.

If you look at the EBITDA at Rs.106 crores compared to same quarter of the last year; it is up 54%. Our PAT is up 85% for the same comparison.

A combination of some of the actions that I spoke about, our EBITDA margin is 15.2%, up 697 basis points and PAT margin is up to 7.4% as well.

As I mentioned about the discontinued business, apart from that one of the things that we've spoken about before is the speedy installation of grain-based ethanol plants that has helped us mitigate the ethanol cost increases and saved us in some ways and part of the recovery in margins and good margin is because of that.

So, talking about the business performance, as I said, continuing with that discussion, strong growth, PBT share, there's a strong profit growth, excellent EBITDA performance compared to Q1 of last year, largely led by the bigger segments of potable spirits and biobased specialties & performance chemicals. And you see EBITDA up 54.0% with EBITDA margins of 15.2%. Revenue I spoke about down because of discontinued low margin businesses. But potable spirits has overall seen good growth at 14.7%. Even in chemicals, some of the core businesses have actually shown decent growth. To an extent, margin growth over Q1 of last year led by portable spirits in particular, where EBIT was up by 97% and BSPC EBIT is up 73%. So, if you look at the EBIT margin percentages for the sector, which is 10.3%

So, I was giving an overview of the performance and I understand that I was not that audible because I'll repeat a couple of high-level sentences. So, you see overall strong profit growth in Q1. So PBT including share of profit from JV is up 83.7% on a year-on-year basis. PAT at Rs.51 crores in Q1 is up by 85.4%. Excellent EBITDA performance compared to Q1 FY23. This is led mainly by potable spirits and BSPC we've seen a good EBITDA growth about 30%. So, revenue growth as I said has come down by 14.7%, but it is mainly on account of relatively low margin business that we've discontinued compared to same quarter of last year.

Portable spirit, however, has seen a healthy top line growth of about 14.7%. And in the core businesses in chemicals also, as I said, we've seen decent growth. And if you see our performance in portable spirit, EBIT is up 97.4%, helped both by top line growth but also importantly by cost mitigation of raw material, packaging, ethanol and so on. So, EBIT percentages for the segments are healthy, BSPC 10.3%, Portable Spirits 18.3% and Ennature Biopharma 24.0%. Within portable spirits, headlines were country liquor growth in UP and Uttarakhand, particularly in eastern UP. IMFL sales also, we saw a dip, but a lot of it was also because of sales channel optimizations to improve cash and collections.

Coming to some high-level highlights:

As I mentioned, we have commissioned the grain-based ethanol capacities which has helped us mitigate impact of ethanol cost increases. Ethanol international stock prices have continued to remain high for the quarter that we are talking about, however, I may say that in the last one, one and a half months, we've also seen significant softening of the future ethanol prices with respect to imports, which is good from our perspective, but it is too early to say whether the trend will be sustained.

I may like to bring you back to some of the discussions we may have had earlier, is if you go back roughly two years, imported ethanol landed per liter was roughly Rs.35 a liter. It went up to well above Rs.60 a litre and it held there for quite some time. There are many various factors, green energy transition related issues in Europe, energy prices in Europe, countries wanting to have increased self-dependence on energy and therefore blending more crop factors and also the Ukraine war which is a big producer of grain. So, this is what led to a big challenge for the business because our business particularly for chemical was largely dependent on imports over the last few years before they hit the price of Rs.60. But taking advantage of the Government of India blending program and encouragement to grain-based ethanol, we speeded our plans to modify, add augment capacity for grain-based ethanol which has allowed us to mitigate costs, but we are very closely watching the global ethanol prices. As I said, there has been softening over the last one, one and a half months and we'll see whether this continues. It will help us to in that case continue to import for our chemical consumption while continue to deliver ethanol that we make for biofuel sales. That will be good if it continues to see a correction to anywhere close to two years back.

We have spoken about new value-added products and addition of some assets for making new specialty chemicals. So, we have commissioned part of that, a smaller one and we expect to have a full commissioning by year end. But this is a specialty business. It takes time because these are new product lines where the lead time to establish our product opposite customers is long. But we are working on product as well as business development work with several reputed customers.

Ennature Biopharma commenced production of nicotine. One of the therapeutic plant extracts that we make at the capital side, doubling the overall capacity, and we continue to focus on branding nutraceutical range.

For Shakumbari Sugars & Allied Industries Limited, you are well aware... I will leave, Anand maybe you can give a quick update.

Anand Singhal: In Shakumbari Sugar in this quarter, we have got an additional amount of Rs.24.8 crores, total received is around Rs.80 crores against our deal amount of Rs.87 crores. Basically, we are most likely in the process of closing this transaction with the buyer.

Rupark Sarswat: Okay Thank you.

A small milestone sometimes makes us feel good. So, we received the certificate from India Book of Records for the highest sales of any country liquor brand, which is probably in a year which is selling 1.63 crore cases in a year.

A quick summary of how we performed in our business segments:

Starting with bio-based specialties and performance chemicals:

So, our Q1 revenues are at Rs.401 crores, which is down 26%. But our EBIT for Q1 compared to Q1 of last year is actually up at 41 crores, which is up 73%. EBIT margins are also looking healthy now at 10.3%, up 596 basis points. I mentioned about the impact on sales because of discontinued non-profitable sales.

We've also made operational changes to bring down costs, which have primarily benefited not only specialties, but also the portable spirit business and we continue to look at other actions to reduce costs, we have more actions planned.

The thing that we have been watching very closely is the price of crude-based products against which we compete. We do not necessarily compete for price-to-price. People do pay a premium for being a product, but I think the delta with respect to crude-based product as of now continues to be high, which is also putting pressure on our joint venture as well as our chemical product. As ethanol price gets corrected, as energy prices become better, we hope this impact will be reduced, but for the near future, we expect this broad trend to continue.

As I said, grain-based ENA now available means that we have not been importing ethanol for our internal use or captive use, which has also helped us improve margins.

And as I mentioned about new value-added chemicals, we continue to look at various segments which include oil field, brake fluids, exploring collaborations for green solvents, bio-based amines, etc.,

In the portable spirit sector, Q1 revenues at Rs.235 crores are up 14.7%. EBIT, there is a lot of recovery and also growth is at 43 crores which is up 97%, and the EBIT margin is also up at 18.3%, which is up 767 basis points.

Growth was driven by country liquor in UP as well as Uttarakhand particularly in UP and IMFL growth in Delhi, we are continuing to look at selectively new areas, new paramilitary business in Uttarakhand, Tamil Nadu and Delhi, helped by in-house manufacturing of grain, packaging material costs have also been stabilizing, which has been good, and the plan to continue to increase sales in other markets which is ongoing.

As far as Ennature Biopharma is concerned, revenues up at 53 crores, margin is down by 3.3%. EBIT at Rs.13 crores and EBIT margins at 24%.

I spoke about nicotine capacity, we are at wider customer base for nicotine and business development on value-added derivatives which will put us in a stronger position, and we're also focusing on building, branding nutraceutical range.

I have given the overall kind of gist of my commentary. Now, I will request my colleague, Mr. Anand Singhal, to give you a summary of the financials.

Anand Singhal: Just to give the brief Financial Results:

The Company's income from operations is Rs.1,899 crores in the current quarter Q1 financial year '24, with an EBITDA of Rs.105.81 crores. The company has PBT of Rs.63.72 crores and PAT is Rs.51.14 crores. The Company has shown an EPS for this quarter is Rs.16.52 per share vis-à-vis the Q1 of the last year, the Company achieved EBITDA of Rs.68.7 crores and PBT of Rs.34.68 crores, PAT of Rs.27.59 while the EPS for the Q1 financial year 23 was Rs.8.91 crores. So, as Mr. Rupark Sarswat has already given the presentation that overall, the results as compared to Q1 of the last year has shown a very good growth. Because most of the persons had already received the results, so that's why I have covered in brief.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Vaibhav Gupta from Bowhead India Fund. Please go ahead.

Vaibhav Gupta: Recently, FCI has stopped selling grains to distilleries, which has led to like a significant jump in the price of ENA as well. So, sir, what would be the price of ENA now versus Q1 FY24 average?

Rupark Sarswat: So, let me give you another point. In the meanwhile, maybe Anand if we can get the numbers. Yes, we have read the news that FCI had stopped supplies. We are quite aware we believe of what is going on in terms of what's going to happen. So, the larger picture there is two things. One, the blending program of Government of India is going on as planned. The target for this year, if I'm not wrong, is close to 12% and I think we are very close to doing that. Don't hold me for these numbers, but broadly grain required for the future part of the year is broadly 1.5 million tons or something, but the stocks are of the order of 40 million tons. So, from whatever I hear is while there may be some bit of policy thing in terms of pricing, etc., which may have caused a bit of a holding in terms of grain supply. We are expected to see increases in bioethanol prices because the government will want to blend more and more. In fact, the target to blend 20% has been preponed from 2030 to 2025. Broadly, there is no shortage of grains and we believe that they will be made available. We see it as a minor hiccup, we don't see it as a problem from a strategic, time price perspective. I don't remember the exact numbers of the price, but we can maybe give you details later on.

Anand Singhal: Initially earlier when the FCI grain we were getting, the open market grain price was around Rs.21.5 to Rs.22 which has now increased to Rs.24, Rs.24.5. While the government has also increased the prices of the ethanol by Rs.4.75 paisa, making it Rs.60.29 paisa. So more or less, whatever price of the grain has increased is now being compensated by the government by increasing the prices.

Vaibhav Gupta: And for the country liquor business, like there also ENA would be used, right, like given our huge volumes. So, like for that, like ENA how would be the change for ethanol? You have told that government has given this price increase of Rs.4.5, but there what would be the change like of ENA raw material?

Rupark Sarswat: There of course, a significant chunk of the ENA used is also based on molasses, all of it is molasses broadly, I think that's my understanding. So that segment is relatively unimpacted by increasing grain-based ethanol prices.

Manish Pant: So ballpark number would be around 80% is molasses and 20% is being used from grain.

Moderator: The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: You summed up earlier that for the country liquor business, our raw material is molasses, we are not dependent on the grain from FCI?

Rupark Sarswat: Largely, yes. That 80% of the ethanol broadly that goes into country liquor is molasses.

Anand Singhal: The entire FCI grain which we are getting is compulsorily we have to supply for the blending. Yes, we cannot use that ethanol for internal consumption.

Saket Kapoor: Currently, FCI has banned the sale. So, has the ban not been implemented, can you put some thought on the same what is then the embargo created by FCI?

Rupark Sarswat: I started this discussion while Anand was looking at numbers, there is no official written ban on it is my understanding. There has been a little bit of a hold up because of some policy with respect to pricing and so on and so forth. I gave you an overall picture. That is my understanding of the stock versus requirement, which I think the stock position is very good. The amount of grain which you go into blending compared to the overall thing is minuscule. The government has been talking about still pushing for the blending program. I do not know. Have you seen a notice something which is saying there is a ban? I have not seen.

Saket Kapoor: We have seen in many distilleries coming up with a notification that FCI has stopped the supply of grain. So, my point was that.

Rupark Sarswat: You are right and as I said that it seems there is a bit of a policy thing on a few factors. It is true. We expect it to be resolved quite soon. That is the information broadly that we have. But there is no ban as such. It is true that for a short period not supplying, but we have not been served any notice as such that this is banned and so on and so forth.

Saket Kapoor: As of now, we have been sourcing the grains but at the higher prices?

Rupark Sarswat: The moment the government says it is banned; the government will have to largely drop its blending program. So, there may be some issues, all of which I may not be completely aware of. We are thinking in terms of pricing, balancing, review of monsoon and so on. Obviously, government works in a sociopolitical environment. But the feedback that we have is that the broader picture is intact, some corrections here and there should be okay and I'm quite hopeful that is how it will be.

Saket Kapoor: So just to clear it, we are receiving the government blending program which is in progress and they have raised the grain prices and to commensurate the same, ethanol prices have also been raised and we are participating in the ethanol blending program. This is what the current situation is?

Rupark Sarswat: Except it is true that for some days supplies have been withheld, which we don't think of it as a ban, and the reason it is not a ban is from my understanding of the matter is the blending program is intact, the PM has been talking about the blending program even after what I think is a temporary hold on supply and the stock position seems to be okay. So, it's not a ban. There has been a hold up. In order to resolve it. One of the actions that Anand Ji said is to improve the pricing for blending. So, it is a very clear intent by the government.

Saket Kapoor: Please repeat yourself what are you saying.

Rupark Sarswat: Stock position as a proportion looks fine. There is no as such official ban. Yes, there has been a hold up on supplies. The government is acting on several fronts, including improving final prices, as my colleague just told you. The government is completely on with this blending program. So, I am quite optimistic and hopeful that while there has been a hold because of internal review of some things, it's a bit of a speed breaker, it is not a dead end or anything.

Saket Kapoor: That has resumed already the way you are saying that the hold which was there….

Rupark Sarswat: But we are expecting that it should be resolved soon.

Saket Kapoor: That will impact our production numbers on the distillery front for this quarter as of now?

Rupark Sarswat: It may to some extent. We had also stocks of grain, you can also buy some grain from open market, etc., for some other purposes, we also can run on molasses, we can buy molasses, base ethanol and all, we can also import ethanol. I told you that import prices are looking interesting now. So. whilst I agree there is a bit of a road bump and a speed breaker right now, it is too early for me to sound alarm bells for the quarter.

Saket Kapoor: We are again pursuing CAPEX on grain based. So, once we come to know about this kind of risk propping up, how confident are we on further CAPEX again on the grain-based distillery or do we have other feedstocks also, provision for further CAPEX?

Rupark Sarswat: Strategic decisions are not completely changed based on technical situations. So broadly, our plan is that we are also in touch with people. But what does happen is, supposing we feel that there is going to be some delay, supposing that's our starting point. So, with the CAPEX approval we have, my intention is very clear. We can always phase it out.

Saket Kapoor: With this portable spirit numbers, there is also profit margins. How sustainable are these numbers on a top line of Rs.235 crores we reported probably the highest number in my nearest memory. So, are these numbers sustainable on ongoing basis or what should be penciling in going ahead?

Rupark Sarswat: For the time being, yes, we are on a little bit of high spirits on PS. Yes, they are good… and I think look, if you look at fundamentally, we have done a significant margin recovery, margins used to be quite good in potable spirits even before. So given the broad operating environment and the cost structure with some price movements may impact. I mentioned to you about ethanol cost stabilizing, I mentioned to you about packaging cost stabilizing. Of course, we are also taking actions to improve our portfolio in terms of margins, look at a few markets. Let me summarize it this way. There is no reason to believe that it is a blip. But if you look at data numbers earlier, we had a decline where our margins really eroded because of packaging, because of energy because of ethanol. Now, a lot of this improvement is on ground of top line sales, better product mix, better raw material cost, better packaging cost, and better energy cost. I don't see energy cost suddenly sharp rising again… I think they have come down from quite high levels. I think we are expecting packaging costs to be stable. We are not expecting huge movements in ethanol availability and cost. We hope we'll maintain our market. You need not fear, which is my perspective to your point is that I don't see that as a blip in this quarter.

Saket Kapoor: And a small point, what are our current utilization levels in the entire portable spirits currently, how are the plants? As you mentioned that we had closing stock of grades. As of now, what are our utilization levels?

Manish Pant: So, I could tell you that we are running on 100% capacity right now still, though the FCI has banned this grain, but you must understand that whatever the grain we are taking from the FCI grain has to be catered to the ethanol blending program. Our ethanol blending program sales could affect for the time being, otherwise, we don't see any shortage in reduction of the capacities or shortage of the raw material for us in any segment.

Saket Kapoor: On the Ennature Biopharma as you have told that if we compare it from the last year it has shown a flattish revenue growth but according to your product profile and your trajectory what criteria do we have as far as Ennature Biopharma is concerned?

Manish Pant: For this Ennature Biopharma, our main two USP products like Thiocolchicoside and nicotine. The sales have been booked for the forward months also in advance and there is a stress, that's why the margin has not picked up in this year because of some sales pressure on the nicotine by international scenario. Otherwise, the third product which we are right now trying to envisage the possibility and we are having some breakthrough in the US market with respect to our branded nutraceuticals product like Ginger, Lutin and other products. So, we are expecting that the same scenario would continue for the next quarter, but after the next quarter, we are expecting a huge jump in our branded nutraceuticals product.

Saket Kapoor: So, sir for the year what should we penciling in from this segment when we did revenue closer to Rs.192 crore last year?

Manish Pant: So against, last year of Rs.192 crores, we are expecting that our revenue would be around 250 crores.

Saket Kapoor: The margins should be similar to what we posted last year because of the improved value-added segment?

Manish Pant: So, this should be in the in the range of 30% to be precise.

Saket Kapoor: Anand ji, what is our net debt number, cost of funds?

Anand Singhal: Average cost of fund is around 9.2% as of now. Regarding the debt number, our term loan outstanding as on 30th June is Rs.650 crores, EPBG is Rs.145 crores, apart from this, we have working capital fund base limit of Rs.350 crores and non-fund base limit of Rs.850 crores. So, this is all the debt.

Saket Kapoor: What is our current year maturity?

Anand Singhal: Around Rs.175 crores.

Saket Kapoor: A small understanding and a submission from my side is more in the investor presentation if that could be uploaded earlier, we would be getting some more time to review the same, if that could be looked into sir, it is submitted at the fag end of the call, hardly 30-45 minutes are left when the same is being uploaded. So please I would request the team to take care that ample time is given to us so that many questions which are there in the presentation already laid out can be negated out.

Anand Singhal: We'll take care from next quarter onwards.

Moderator: The next question is from the line of Ram Mohan Rao, a private investor. Please go ahead.

Ram M Rao: I've been an investor for a long time in India Glycols. A simple question, on the premiumization of portable liquor, can you give me an update on the launch of new branded premium brands of liquor or increasing the reach of premium liquor into new markets?

Deepak Satya: Sir Ram, this is Deepak here. On the premiumization front, our Amazing vodka is currently available in three flavors and they are spread across four states currently: UP, Uttarakhand, Delhi and Rajasthan. There are two more states which are in the pipeline. Having said that, we have also launched a premium White Citrus Rum with a name of Zumba Lemoni, it's again available in these four states. Rajasthan is currently under work-in-progress. Once the paperwork is done, we'll be launching it in the second quarter. And yes, our whisky has pretty much been well accepted in the states of Delhi, which is currently like as we speak, it's the fourth largest selling whiskey in its segment, that is a mid-premium segment. This is spread across the entire portfolio.

Ram M Rao: What about nutraceuticals, are you getting into branding there as well?

Deepak Satya: Sorry, I couldn't understand your question. Can you come again?

Ram M Rao: The nutraceuticals segment.

Manish Pant: Ram, we have already got some of the patents and the brand approval for some of the nutraceuticals like Lutin and ginger and curcumin and we are in the arrangement with some US firms to cater the US market.

Moderator: The next question is from the line of Naitik Mohata from Sequent Investments. Please go ahead.

Naitik Mohata: We are launching a new product and there are a couple of capacity expansions that are coming in the latter half of the year. So, keeping all that in mind, what kind of top line could we look at the end of the year from the Company? The second question would be, are these margins that we have achieved in this quarter sustainable throughout the year?

Anand Singhal: Regarding the growth and the margin, I can only give you this picture that yes, the performance of the Company will be good or better whatever we can say and the margin whatever you have seen in this quarter, we cannot commit for the next three quarters because there are so many ups and downs, but yes, our intention is to maintain the margins for the full year '23-24.

Naitik Mohata: So, what would be the kind of scenario or basically what would be the factors that would enable us to sustain these margins and what kind of risk do you see for the same?

Rupark Sarswat: See, I have already articulated some of the factors which have led to this margin improvement. It will be better if you look at that and then I think partly it answers your question for the future. So, the reason you are seeing improved margin up to now is one, improvement in the quality of the business, discontinuing some non-profitable businesses, so therefore you see an improvement in EBITDA percentage, etc., Second, risk mitigation in terms of ethanol cost by making in-house grain-based ethanol. Third, improvement in some cases of the product portfolio, say in liquor or elsewhere, where we are selling products which are slightly better. So, none of these factors was an incidental one shot factor for the quarter. Now, as far as the risks are concerned, broadly, these factors how they play out over the remaining part of the year… and of course there was one more factor which was energy cost which have also suffered and packaging cost. Freight was another one for people. So, if you look at these four or five factors which have led to margin improvement, so we would imagine that they will not suddenly drop off the cliff. However, these very factors are also therefore something that we keep looking at going forward. I don't see a big issue happening with energy. In ethanol, there may be some variation, but fundamentally, we've set up our own ethanol manufacturing, etc., some cost fluctuation may stay. Also depends on suddenly ethanol prices for imported materials were to slide back anywhere close to what it was two years ago, it will be an upside in terms of our ability to manufacture our products as well as increase top line by selling more into biofuels. So that's a potential upside, not a risk factor, but probably an opportunity factor. The other factor is how crude prices and crude-based alternative prices behave. It's not going to suddenly change because crude and crude-based prices are already quite low. In fact, if my understanding is correct, people who are manufacturing MEG, etc., are already under a lot of pressure and they are continuing to do because they have to continue to run their plants. So, I hope that will improve. But we do understand that while India continues to do really well, but globally there is a bit of a sentiment in the chemical industry, which is slightly cautious. So, I can't quantify what this will lead to. I have given you the factors which led to the improvement for you to see what you can yourself kind of extrapolate what will happen to those. And I've also articulated what are some factors that we need to keep an eye on.

Moderator: The next question is from the line of Rohit Sinha. Please go ahead.

Rohit Sinha: So, my question is on this new CAPEX on the specialty chemical segment which we are doing. So, I think a few quarters back we had announced around Rs.50-55 crores kind of CAPEX and now this is additional Rs.80 crores. So, wanted to understand if this is in order to expand those capacity or there are completely new products and what sort of end user industry would be focused on this?

Rupark Sarswat: See, this is part of the same thing. I think we had announced the intent now, we made a more specific announcement to the stock exchange, I think that's how it is and maybe the number is slightly higher, Rs.82 crores.

Rohit Sinha: So, we are seeing better visibility on those products or how basically we are considering this new CAPEX to culminate?

Rupark Sarswat: See, these products as you know, it's not like ethanol where the day you start manufacturing, you have a cost and you can start blending. These are performance application-based products. I can tell you that from my knowledge of the product pipeline, including products which are at an idea stage, we are looking at something like 30 products across several chemistry, of which, roughly 10 to 13 products are where we have completed the lab work, more than half of them we've done pilot plant and sampling. That's one way. The other thing is we are working with some very good customers which are global customers, which includes Tao, includes Nobel, Lanzatech, New Park, includes Baker Tools, it includes a number of these names, I can articulate a few more. So, we are building that business. I am quite satisfied with the product and business development pipeline, but this is a business which takes time building, it's a knowledge-based business. It is about developing a number of customized products for people. As per our plan, I think we are more or less on track in terms of product development. Now, we are focusing more and more on commercializing and scale up and business development as the plant comes up.

If you make a product in the plant, we have to give samples, there is a gestation period, we work with the customers, there are internal approvals. So, it is relatively far more time-consuming. But I gave you a gist of the product and business development pipeline.

Rohit Sinha: What sort of asset turn we can expect from this CAPEX at peak utilization time whenever all these products would be at a commercial license?

Anand Singhal: The EBITDA margin we are targeting is around 15% to 16%.

Rohit Sinha: On this 130-140 crores CAPEX is there, so what sort of revenue contribution -?

Anand Singhal: This is for Rs.82 crores and we are not targeting a very huge amount of revenue in the first year '23-24. And depending upon the acceptability and the product development, then we'll target for '24-25. So, this year will be a nominal kind of turnover out of NSU, and then we'll decide.

Rohit Sinha: Secondly, on the JV business, how things are now looked at, the kind of growth or any kind of guidance from Clariant we are getting there for FY24 numbers?

Rupark Sarswat: On the JV, Q1 was much better than Q4. But it was not as good as Q1 of last year, mainly because of the delta I mentioned, on any petrochemical-based alternatives. So that pressure continues, but it is much better than what it was in Q2 and Q4 and we expect to continue to improve on account of a few things. So, what the JV is focusing on is one is increased exports where the EBITDA margins are much better. So, there is a pipeline and approval process that they're working on. They are also focusing on indigenizing some products which Clariant was importing and selling in India, and they're focusing on formulations. Based on this, our objective is and the way we look at is going forward is that last year was a tough year, Q4 was quite tough. Though it continues to remain somewhat challenging, but we'll continue to see steady growth and improvement.

Rohit Sinha: And on the IMFL side, what is the current market share that we are getting there…have you gained anything during last quarter?

Deepak Satya: To answer your question, you need to look at product-by-product wise. So, when it comes to different states put together, currently we are number 2 in Uttarakhand when it comes to the vodka segment, when it comes to the whiskey segment that is assortment and it's associated with this in Uttarakhand, we currently hold number 2 position in that state, in that very price segment to be very specific. When it comes to. Delhi in vodka, we are currently the third largest selling brand in the state. When it comes to the soulmate whiskey in the Delhi market, in that particular segment, we are currently occupying the number 4 position out there. When it comes to UP where our brand has been pretty much well established over more than 3,000 plus retails, we currently hold premium position when it comes to the Tetra Vodka segment, which comes in the economy segment side. When it comes to the glass segment in UP, we currently hold number 3 position in the vodka. When it comes to the whiskey side of it, we are currently like in the phase of improving our width of distribution, so it would be too early to comment upon the market share because we are right now like 5th or 6th in the race right now. But currently the focus is all about like improving the width of distribution. In Rajasthan, currently we are in the process of introducing the brand in the market. So, we would not be in a good position to comment about the market share in Rajasthan.

Rohit Sinha: So, given the price hike which we have got in country liquor from April onwards, so can we expect somewhere around 15% to 20% kind of revenue growth in portable segment for FY24?

Deepak Satya: We are currently a bit bullish on the country liquor side of things because Uttarakhand market has also opened up a little bit. Previously, it was more from a quota perspective that okay, we were allocated certain districts, but now with the opening of market, we are expanding our footprint across the state. As we speak, we have seen a spike of about like 20% to 25% in our volumes on month-on-month. So, currently we are holding a run rate of about 1.1 lakh cases a month in Uttarakhand. And in Eastern UP, we continue to like to defend and grow in our existing market that is like Eastern UP, which happens to be the heartbeat of our operations. So, we are continuously like trying to expand towards the central side of the state and hopefully the volumes will continue to grow in the coming quarters.

Rohit Sinha: One last question on this MEG side, I mean, how has been the spread recently, obviously from last 6-7 months, it has been continuously falling, but how it has been in the recent time and how is the domestic and export business we are looking at right now?

Rupark Sarswat: Can you please repeat your question?

Rohit Sinha: So, on MEG spread, how it has been in the last few days I would say from July onwards and obviously since it has been on the lower side for the last few months, so how it is now placed?

Rupark Sarswat: Just hold on. What do you mean by MEG spread over last two days?

Rohit Sinha: I would say from July onwards for this Q2 FY24, and overall, what sort of movement we are seeing on the domestic and export front?

Rupark Sarswat: So first, let me answer your question to bring in the more relevant aspect which I have kind of alluded before as well. Our bigger MEG play's profitable growth is not competing with Reliance, at least for it has not been for the last some time one year plus and we don't see it currently, we don't see in the near future, as I commented about the delta and crude-based alternatives continues to remain quite high. So, it is not so critical for us to think on MEG cost, movement of crude or any petrochemical player with respect to MEG because we are not selling against them anyway right now.

Rajesh Marwaha: Initially my colleague mentioned that we moved out of certain markets which were low margin markets, one of the major markets was movement out of domestic MEG sales. So currently, all the sales are basically focused into exports, which is a green MEG and where we are not competing with the crude-based MEG pricing structure.

Rupark Sarswat: I would however like to add is that over the last say, four or five years we have moved bio-based MEG from being almost a one customer product to something like pipeline of 20 customers which is good. Because of a drop of one big customer which went into recycled pet, it meant it impacted our volume quite significantly, but our margins were not that significantly impacted. So, in a sense, while we may not have seen an exciting growth in bio-based MEG, but I believe it is more resilient than what it was four or five years ago.

Moderator: Ladies and gentlemen, that would be our last question for today. I now hand the conference back to the management for the closing remarks. Thank you and over to you.

Rupark Sarswat: Thank you, Rohit, and thank you all who joined us. I didn't realize that I would make a short presentation but would have a long set of questions. Anyway, that was our pleasure, it allows us to clarify things to you, also, give you a perspective on the business. Really appreciate the time of you all have. Good evening and on behalf of my colleagues, and also to them, a big thank you for hearing us out.

Moderator: Thank you, ladies and gentlemen, on behalf of Sunidhi Securities & Finance Limited, that concludes today's call. Thank you all for joining us and you may now disconnect your lines.

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