“Godavari Biorefineries Limited Q2 & H1 FY25 Earnings Conference Call”

November 19, 2024

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Moderator: Ladies and gentlemen, good day and welcome to the Godavari Biorefineries Limited Q2 & H1 FY25 Earnings Conference Call.

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

I will now hand the conference over to your host, Ms. Prachi Ambre from Orient Capital. Please go ahead.

Prachi Ambre: Good afternoon everyone for Godavari Biorefineries limited earnings call. Today on the call we have Mr. Samir Somaiya – Chairman and Managing Director and Mr. Ashish Sinha – Assistant General Manager, Investor Relations & Finance.

Before we begin the call, I would like to give a short disclaimer. This call may contain some of the forward-looking statements which are completely based upon our beliefs, expectations as of today. The statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties.

With this, I would like to hand over the call to Samir sir for his opening remarks. Over to you, sir. Thank you.

Samir Somaiya: Thank you, Prachi. Good afternoon, ladies and gentlemen and on behalf of Godavari Biorefineries Limited, I extend a very warm welcome to all the participants on our Q2 & H1 FY25 Financial Results Discussion Call. I hope that everyone has had an opportunity to go through our Investor Deck and Press Release that we have uploaded on the Exchanges and the Company's website. I want to express my gratitude to the entire capital market fraternity with a special mention to our shareholders for their enthusiastic reception of our IPO. Our IPO was successfully subscribed. Your strong faith in our company's business model, management and industry is deeply appreciated. We are dedicated and focused on growing substantially in the coming years, and we remain steadfast in our mission to consistently generate value for all our stakeholders in the long run.

The world is in the midst of change. Climate change is a reality and there is a move towards a green transition in energy in India as also in the world and also towards a de-fossilization of supply chain as the global economies try to chalk out a path towards net zero. We are an integrated biorefining company making sugar, renewable energy and chemicals from biomass. Research and science are the foundation for our company as we work with our business collaborators across the globe to co-create solutions so that they can advance their individual targets to reduce their carbon footprints. The evolving environment provides us with new

opportunities to grow our business in ways that was not possible a few years ago. I will now outline the purpose of the IPO. As of 31st March 2024, our consolidated total borrowing stood at Rs. 663 crores. We intend to allocate Rs. 240 crores from the net proceeds for the full or partial repayment or prepayment of certain company borrowings. The repayment is aimed at reducing our outstanding debt and servicing costs, improving our debt equity ratio, and allowing us to channel our internal accruals now towards business growth and expansion. The improved debt equity position and savings in principal and interest payments will be strategically used to advance our biobased chemical business, as I mentioned earlier and , some increase in the biobased chemicals will start becoming visible from Q4 2025. As you know, this marks Godavari's inaugural earnings conference call subsequent to our IPO. It is also valuable to spend some time delving into our company's story to provide an overview. I trust this will be helpful to all the participants.

Godavari Biorefineries stands as one of India's larger manufacturers of ethanol-based chemicals, operating as an integrated biorefinery with an ethanol production capacity of 570 kilo liters per day as of June 30, 2024. We had solidified our position as among the country's larger ethanol producers by volume and emerged as one of the world's leading manufacturers of MPO. We are also proud to be one of only two global manufacturers of natural 1,3 butylene glycol and the sole producer of bio ethyl acetate in India. Additionally, we pioneered the country's first bio-based EVE manufacturing facility.

Our diversified product portfolio encompasses bio-based chemicals, sugar, various ethanol grades and power, serving diverse industries such as food, beverages, pharmaceuticals, flavors and fragrances, personal care, cosmetics and more. We leverage sugarcane as a primary feedstock to produce a wide range of products, including sugar, ethanol, bio-based chemicals, and power. We were one of the early adopters of using sugarcane juice and syrup for ethanol production and continuously strive to optimize sugarcane valorization and diversify towards value-added downstream products. Our capabilities extend to the production of bio-based chemicals, such as ethyl acetate, bioethylacetate, MPO, 1,3 butylene glycol, crotonaldehyde, acetaldehyde, bio-acetic acid, biobutanol, EVE, paraldehyde and a host of other chemicals. We are also exploring grain-based ethanol production. This would help us further increase our production of ethanol as India continues the transition to green energy. Furthermore, this will also make the facility dual-feed and fungible. It will help us mitigate climate risk and any disruptions caused by a poor monsoon and consequent government policy should it occur again.

Starting with our manufacturing capabilities, our Sameerwadi facility in Karnataka continues to be a cornerstone of our operations, boasting of an impressive sugarcane crushing capacity of 18,000 tons crushed per day. As of June 30, 2024, it has an installed rectified spirit capacity of 600 kilo liters per day, and we have secured the necessary environmental clearances. To expand this capacity to 1 million liters per day, creating an optionality for us to scale operations. Additionally, the facility houses power plants with a combined generation capacity of over 45

megawatts, contributing not only to energy self-sufficiency, but also providing much needed renewable surplus power to export to the grid.

Our Sakarwadi site in Maharashtra is dedicated to the production of bio-based chemicals. We are planning a demonstration plant of our 2G ethanol production using bagasse at Sameerwadi, a significant milestone backed by a grant of Rs. 150 million from the Centre for Higher Technology under the Ministry of Petroleum and Natural Gas. India has plenty of biomass that could be converted into biofuels, that is to make 2G ethanol. Godavari will endeavor to demonstrate a process to make 2G ethanol. This initiative exemplifies our basis of research and our drive towards sustainability and innovation. Our commitment to research for converting biomass, either physically, chemically, and or biologically to biobased chemicals drives our future opportunities. We pride ourselves on a strong research foundation supported by three DSIR research R&D centers located in Sakarwadi, Sameerwadi, and Navi Mumbai. Our team comprises more than 50 dedicated research professionals, including eight doctorate-level scientists who push the boundaries of innovation. Our feedstock is derived from the farm. If done right, this can be regenerated so that what is extracted or harvested from the soil is also restored. This is very different from an oil economy or a fossil economy that depletes the resource as it extracts. Our collaboration with the K. J. Somaiya Institute of Applied Agriculture Research allows us to advance agriculture research, conduct soil testing, tissue culture, develop biofertilizers and more. This initiative helps ensure soil health for the production of biomass both in the short and the longer term.

To date, we have secured patents for 19 products and processes with 54 registrations across the global jurisdictions. We work with our customers in their decarbonization journey. We are privileged to serve a distinguished client base that includes Hershey's India, Hindustan Coca-Cola, LANXESS**,** IFF among others. Our international footprint has grown significantly with exports to over 20 countries, including key markets such as the USA, Germany, Japan and Australia. Our global presence is further supported by our offices in Hoofddorp in the Netherlands and in Philadelphia, USA, enhancing our reach and product development capabilities. Additionally, our consumer brand Jivana offers high quality sugar, jaggery, coriander, chilli, that is mirchi, dhaniya, and turmeric, which are available in retail outlets and other platforms.

Coming towards updates on the development in the sugar sector:

The company strategy is to develop enduring relationship with strong b2b customers such as Hindustan Coca Cola, Hershey’s and other such companies. The company is also developing a retail brand under the name of Jivana to market it sugar, brown sugar, jaggery and other food items. The Jivana brand has grown almost three times in the last three financial years. The strategy is to develop a strong relationship with our B2Bcustomers and the retail consumer. I

would now like to hand over the call to Ashish Sinha to discuss the financial performance. Over to you Ashish.

Ashish Sinha: Good afternoon, everyone. It gives me immense pleasure to announce that the company delivered revenue growth of 34% year-on-year in quarter two of FY25 and 25% of year-on-year in H1 FY25 despite seasonality in business. Some of the business segments are of seasonal nature and accordingly impact the results in the respective quarters. And the financial results for the quarter as such are not representative of the annual performance of the company.

In Q2 FY25. We reported an EBITDA of negative Rs. 31.5 crores and for H1 FY25, the EBITDA stood at negative Rs. 41 crores. Along with this, our PAT for Q2 FY25 was negative Rs. 75 crores and for H1 FY25 it was negative Rs. 101 crores. This performance is primarily attributed to the seasonality of our business model which is inherently tied to the sugarcane harvesting cycle. Our harvesting season typically spans from November to April, which means that the first half of the fiscal year is historically lower profitability with lower production and sales volume. For the last 3 years, EBITDA for H2 is more than 100% against the total EBITDA for the financial year. The company has commenced its sugarcane crushing from November 2024 and H2 results will reflect a much better number because of the crushing and restoration of ethanol blending program from sugarcane juice.

As we move into the second half of the year, we expect a significant improvement in both, production and revenue as the harvesting season comes into full swing. This season shift is a key driver of the stronger performance we anticipate in H2 FY25. Therefore, we remain confident that consistent with past trends, the second half of the fiscal year will deliver stronger results, and we are optimistic about achieving improved profitability and cash flow in the upcoming months.

Now I request the moderator to open the floor for Q&A. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Siddharth Gadekar from Equirus Securities. Please go ahead.

Siddharth Gadekar: First question on the sugar side, how should we look at our crushing for this season given that we have started? So where do we typically look at ending in terms of crushing for this financial year?

Samir Somaiya: So, I would like to say that if you look at the monsoons in the calendar year 2023, they were poor monsoons. And we also had the disruption of the ethanol blending program from sugarcane juice. Godavari had created some additional capacity of crushing sugarcane to take it directly to ethanol. Because was disrupted, and this affected the amount of sugarcane that we could crush. If you look at calendar year 2024, that is this past monsoon, we had a very good

monsoon across the country. So, the cane crop is very good. That's point one. And the second thing is, looking at the availability of sugarcane in the coming year, the government has restored the ethanol blending program from sugarcane juice, which will also enable us to crush additional cane to convert that into ethanol. So, looking at both these issues, that is a better monsoon, a better cane crop, and a favorable government policy to enable us to utilize our expanded sugarcane crushing capacity we see a much better season going forward beginning in November. And of course, part of that will spill into the first quarter of FY26.

Siddharth Gadekar: Secondly, in terms of our CAPEX plan, can you just throw some light on the CAPEXs that we are looking to do over the next 2 to 3 years?

Samir Somaiya: Thank you for that question, Siddharth. The idea of the IPO, what the company did was first and foremost to, you know the whole climate today, because there is climate change in the world, we are also seeing a different climate in our customers as far as the transition to decarbonization . So, a lot of global customers are partnering with us to see how we can create bio-based chemicals that meet their particular needs in their end-use applications, often which are specialty in nature. So, the idea of the IPO was to pay down the debt and we will release free cash flow in terms of reduced interest payments and also reduced principal repayments. And that free cash flow will be then utilized to increase the capacities of our biobased chemicals going forward. Some of these increases will be immediately seen in certain capacity expansions beginning from Q4 2025, and then we will also further expand to increase capacities of more biobased chemicals going forward.

Siddharth Gadekar: Lastly on the chemical side, in terms of the ramp ups that we have planned, any responses from our customers in terms of how are they seeing the demand or is it safe to assume that things are now normalizing back and we will see a very healthy uptake or a ramp up in our capacities over the next 12 months?

Samir Somaiya: In terms of the biobased specialty chemicals chemical business is stronger in this financial year and in some of the chemicals that we operate in, we are expecting to see a higher demand in H2 of 2025 itself. And that's why we have seen certain de-bottlenecking and capacity increases that we will see in the last quarter of this financial year.

Siddharth Gadekar: Last question on the cancer drug, do you want to show me updates on what is happening on that front?

Samir Somaiya: Currently that molecule is undergoing trials in safety. And we will definitely share updates as and when they become available, Currently that molecule is under trials in phase one for safety. On that question on that cancer molecule, I'd really like to say it also underscores the commitment of the company to research as a bedrock of things what we want to do and how we want to do things differently.

Moderator: Thank you. Our next question comes from the line of Bharat Singh Rawat from Trust Plutus Wealth India Private Limited. Please go ahead.

Bharat Singh Rawat: I have two questions. My first question, can you elaborate on the company initiative to develop capability for using grains such as maize as feedstock for producing rectified spirits and ethanol and how does this align with your broader production strategy?

Samir Somaiya: Thank you very much for that question. The company plans to invest in that grain-based ethanol facility. Today, the company's facilities are using sugarcane juice and B molasses, that is primarily B-molasses, to produce ethanol for participation in the ethanol blending program. The strategy of the company is to invest in grain-based ethanol in the future so that it gives the company a dual feedstock to produce ethanol, which will help mitigate climate risk, such as what happened in the poor monsoons of 2023. Corn, for example, is grown very much in the area in Karnataka where we operate. Corn being a four-month crop, it will allow the company to mitigate climate risk andconsequent policy decisions that the government may take following a poor monsoons. So, this is something that the company is going to advance towards because India is growing its energy requirements for mobility. As it increases the energy requirement for mobility, the requirement of ethanol for the blend will keep increasing. And we definitely want to look at how we can continue our participation in this program. And we want to make sure that we add a dual feed capability to our distillery. This will help us grow the business as well as mitigate risks of climate as well as give us fungibility. So that if there is an uncertainty in one of the feedstock, the other feedstock can fill in that.

Bharat Singh Rawat: Second question would be, could you just share more details about the planned introduction of new specialty chemical products within the value chain? And what are the anticipation margins for these offerings? And also, what is the expected timeline for their launch?

Samir Somaiya: So, thank you again for that question. The company has a goal to create valorization from biomass and very much and strongly participate in the green transition, whether it be in energy, which government of India is strongly encouraging, or in biobased chemicals where we are co-creating value with our customers around the globe. So, we are definitely seeing strong demand in sectors such as fragrances, where we are making products such as 1,3-butylene glycol that we make and we also launched our product, ethyl vinyl ether a couple of months ago, which is used primarily as a feedstock for agrochemicals and also in fragrances. We are seeing demand for somemany of these products, and we will see capacity increases in the Q4 of 2025 onwards.

Moderator: Thank you. The next question comes from the line of Mahesh Patil from ICICI Securities. Please go ahead.

Mahesh Patil: My first question, as someone highlighted earlier, regarding the dual feedstock, right**.** And you also highlighted that the ban on or the cap on the use of sugary feedstock or rather sugar the

government has taken away. And so my question is regarding the CAPEX. So, for this dual feedstock, what would be the kind of investment that will be required is my first question, sir?

Samir Somaiya: So again, thank you for the question that you asked. And you repeated the question that the previous person had asked. The dual feedstock in grain will very much give us an optionality and flexibility in mitigating against climate risk and take advantage of India's growing need for fuel, energy security, and also to provide farmer income security. So right now, we are working on the capital expenditure required for the grain-based ethanol and we would be able to give an much stronger update in the next quarter call.

Mahesh Patil: And sir, for this from what I understand there are limited players or equipment suppliers that are there in India or rather two major players Praj and Regreen and there are some other smaller players. So, is the equipment supply an issue, or I mean from what I understand Praj is the biggest one. So is that an issue or the equipment supply that is not an issue for you or no in terms of bargaining power etc.?

Samir Somaiya: No, it's not an issue. The equipment supply is not an issue. We are quite confident of our relationship with our vendors and suppliers. We have been in the field of ethanol production for many decades now, and we are confident of being able to take this forward.

Mahesh Patil: So, all these players they offer the similar kind of technology or is there some particular kind of technology that we require is offered by a particular player or 2 or3 players, is that the case?

Samir Somaiya: Grain based ethanol is a relatively a standard technology across India and around the world. There might be some differences between each technology provider, but more or less it is quite a standard technology.

Mahesh Patil: And sir, my last question was regarding the 2G demo plant that you mentioned, right?

Samir Somaiya: Yes.

Mahesh Patil: Just wanted to understand your view on the viability, I know the government is now pushing for 2G ethanol. Just your view on the viability of the project. It's kind of interesting.

Samir Somaiya: So once again, thank you. Thank you for the question. It is very important to think of the current times we live in as well as the future times we want to create as a company also and also as a nation. Long ago, if you would have discussed whether the surplus of sugarcane could be used as a feedstock for energy security of the country, 10 years ago it might have thought or 20 or 15 years ago it would not have sounded very realistic. But if you look at the way in which 2018 onwards, a 2% or less than 3% blend has now converted to almost a 20% blend in the coming year with much greater gasoline consumption shows that if there is good policy and there is raw

material feedstock, then the country and the companies that make this can make this happen. Now if you look at the cellulosic feedstocks, India is hugely surplus in cellulosic feedstock. In fact, you are well aware that there is feedstock bagasse surplus (there is also rice husk across) so there is a lot of cellulosic feedstock. India is rich in biomass. We at Godavari have always pushed for looking at science and research as creating a future. Bagasse being surplus with us, the feedstock is already at our doorstep. The science needs to be done to see how in the time in which there – we are a seasonal business. So of course, sugar is seasonal, sugarcane, ethanol also. How do you create dual feed or multi-feed We already talked about dual feed with grain or corn, and there could be also bagasse as a feedstock. The whole idea is to work on the science and the engineering, so you could reduce the operating as well as the capital cost. Our attempt of Godavari is to demonstrate that we will be able to do this at a more, shall I say, a much more viable platform. And so that's how we look at it. But I will repeat to say that, you have to create the future by doing work and research in the present.

Moderator: Thank you. The next question comes from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead.

Vikram Suryavanshi: How much quantity we have bid for ethanol under this tender?

Samir Somaiya: We had a bid for, I may not have the exact number, but we had bid for a little more than 10 crore liters. That's what we had bid for.

Vikram Suryavanshi: And there was also media news and related to the ethanol price revision for B-Heavy and juice**.** Any update on that?

Samir Somaiya: So, the industry has requested for an increase in ethanol price, either from sugarcane juice and from B-Heavy. Currently, we are waiting for a favorable response from the government, and we hope they consider the industry's request. And I just want to ask Ashish. Ashish is the number that I said what we had bid for correct. If I made any mistake, you may please correct me.

Ashish Sinha: So, the total allotted quantity from the OMC is 7.5 crores litres plus. So, on 5.4 crores for the juice and for 2.5 crores for B-Heavy.

Samir Somaiya: And we had bid for I think 10 crores litres, we got about close to 8 crores litres. Am I correct?

Ashish Sinha: Yes.

Vikram Suryavanshi: And grain we have not bid for any quantity as of now and it will be open depending on future tenders.

Samir Somaiya: So, we have to create that capacity right now. So, grain-based capacity we have not created as of now.

Vikram Suryavanshi: And I think because of the election have we started our factories yet or it will, how is the update?

Samir Somaiya: Again, thank you for that question. We are very happy to tell you that the factory has started about 10 days ago. So, the crushing season has commenced.

Vikram Suryavanshi: And last question is that what would be our broadly landed cost of cane for us?

Samir Somaiya: I think the factory is paying a price of Rs. 3000 per ton ex-field for sugarcane in where we operate.

Moderator: Thank you. The next question is from the line of Varun Gajaria from Omkara Capital. Please go ahead.

Varun Gajaria: I just wanted to understand what kind of expenditure will be expected to do in R&D since we are also in the chemical space. So, you will need to explain some on R&D, and especially the drug also. So what kind of expenses do we plan to do over the next two years?

Samir Somaiya: Again, thank you for your question. The company will continue to rely on research and development for its efforts to create new chemicals to co-create with customers that it will have across the globe as they move towards the decarbonization journey. Often these creation or co-creation of shall we say products which suit customers need us to partner with them over a period of 3 to 4 years in which we make the molecule whether it is in the laboratory or pilot plant or what we will call semi-commercial, in which they will also then test the product into their use case, because they often need to see whether it is a drop-in chemical, which is an exact substitute of a fossil feedstock, or it will be an enhanced performance substitute in which you're making a molecule, which is better than the fossil feedstock that it may substitute. So often these relation, this research and development is in two places. One is the research you do with the molecule that you create. And the second is the kind of work you do in the application development, which is often a co-creation between ourselves and the end user. And this is where we could talk about value creation in this decarbonization journey. That's point one. The second point is in the cancer molecule. Today we are currently in the safety trials. So, we will have to await the result of the safety trial. And after that, we will have to look at the next step based on the effect of that. As I mentioned earlier in the call, when we have an update on the result of the safety trial is then when we will look at the next step and identify what would it be to go forward there. So, this is it in terms of the historical research budgets that we put. I would like Ashish to respond to that.

Ashish Sinha: Annually, Around Rs. 10 crores to Rs. 12 crores of the expense we incurred on the R&D.

Varun Gajaria: And sir, going forward, since most of our chemicals are ethanol based, so what will be the split in terms of priority as to how much will we be expanding on the Ethanol program vs invest towards manufacturing chemicals?

Samir Somaiya: So, thank you again for that question. The company intends to partner in the green transition across the sectors. Green transition in energy is very strong in India, and green transition in biobased chemicals is strong in India and overseas. So our priorities are to expand in the field of biobased specialty chemicals, and also we are immediately also looking at the addition of grain-based ethanol to definitely participate stronger in the ethanol based blending program of the government and as I said earlier to mitigate the risk in terms of a climate so that we have a dual feed. So, priorities are to invest in bio-based chemicals and also to look at making our ethanol a dual feed process.

Moderator: Thank you. The next question comes from the line of Ankur Gulati from Genuity Capital. Please go ahead.

Ankur Gulati: Sir, can you give us margin profile for all three segments, which is sugar, biobased chemicals and ethanol, either gross margin or EBITDA margin?

Samir Somaiya: I just would like to say that the margins across the biobased specialty chemicals are quite strong. In the exact number, I would like to not be able to give immediately, but the margin numbers for the biobased specialty chemicals are a very strong gross margin.

Ankur Gulati: What is the process for the client to approve the bio-based chemicals? Does it go on a trial with these clients and then they approve it or is it produced and automatically approved by the client? What is the product development process?

Samir Somaiya: Thank you very much. So, we have more than 50 scientists working across our three research DSIR labs. And we have a funnel of chemicals that we work on. And this funnel is based on our co-creating client base across India and the world. We are in many ways partners in development with them. We share goals together. This is not a commodity chemical that we have ready to produce and they are ready to buy. These are products that are co or jointly identified. So, it is either something that they will come to us, or we will present to them. If it matches a particular goal or a discussion, then the process starts of creating a molecule which they will first test also it is done at small scale. And then that keeps increasing in terms of from the pilot scale or semi-commercial. And if that works and you get approval, then it becomes large scale. So, it's a funnel. We have many chemicals, what we will say, in the early part of the funnel. And the funnel, of course, gets narrower as it goes down. But it typically takes 3 to 4 years to take a molecule through the funnel and come out. And this is in the range of specialty, biobased specialty chemicals. I would like to repeat, these are not commodities that you can make, because it is very important, let's take an example of a molecule in a fragrance industry. It is not only how pure the molecule is, it is also what the impurity profile is, which is what the customer will also need to look at.

Ankur Gulati: In product development, is there some sort of a payment which client does for the R&D effort or is it everything on our P&L or balance sheet?

Samir Somaiya: I think it is a case-to-case basis on how development is done with our customers. There could be something that we do entirely at our own risk. As you see, the research and development costs overall are quite reasonable what we do. And in some cases, the customers will share expenses because they will also be doing costs on their side of the, shall I say, the development. It's not like it is only us who are doing the work, they are also doing work to develop a particular supply chain in their decarbonization journey.

Ankur Gulati: Sir, again, if I look at your FY24 segmental result, the operating profit before interest is, in percentage terms, is lowest for biobased chemicals, given the asset base. So, over the next 2-3 years, this ratio can improve drastically. As of last year, we did Rs. 6 crores roughly on an asset base of Rs. 460 crores because ROCE is pretty low. How do you see that playing out?

Samir Somaiya: I definitely see the company making a greater transition to biobased chemicals in the chemical segment itself as we go forward. I said in the beginning that the climate change is now also affecting a change in the way the companies across the globe are viewing their own decarbonization pathways. Many companies now are reporting scope one, scope two, scope three emissions. So, there is an implied path to net zero when you do this, or at least a lower emission that you had the previous year. So, when you have to move in this journey, there has to be a way in which you interact with, again, I will say co-creating partners around the globe. So many customers on our end will work with us to see how we can come together and co-create products that fit into this larger goal. So, this would not have been possible to think about, say, 4 or 5 years ago. In the last three years, we see a big change in the manner in which our customers are working with us to move on this journey. And so, the precise reason for this IPO was to do the IPO, pay down the debt, release free cash flow, and then utilize this free cash flow in the investment of biobased chemicals so that we create value and volume in this particular sector going forward. It is definitely going to be a much different path going forward.

Ankur Gulati: The debt repayment which you're doing, what kind of incremental free cash flow to equity will you still have?

Samir Somaiya: I can only talk in general terms, you know, not to be exactly put, but the annual interest saving would be in the range of about 24-25 crores I'm just taking a 10% number, so 24 crores. And you would also have the principal that you would otherwise be paying over a particular term. So, without a particular number, you would save, if it was a five-year term of repayment, you would save about 45-50 crores of,principal repayment. I'm not giving you a financial exact number in terms of free cash flow. I'm just saying that you would probably release that kind of interest and principal repayment cash flow over the years, which would then be available for investment.

Ankur Gulati: And sir, when is grain-based ethanol plant expected to start?

Samir Somaiya: I said that in the very beginning. We are now that the IPO is over. We are now once again looking at the numbers. And in the next quarter, we will be able to give a much better estimate about timeframes regarding the same.

Ankur Gulati: And last thing, sir, last season ethanol production was stopped because of government. So, in a normal time period, if ethanol production is allowed, your sugar revenue should come down, and your distillery revenues will go up, is that a fair assessment?

Samir Somaiya: Absolutely. And not only that, if you want to finish the question, I don't know if I interrupted you.

Ankur Gulati: And I'm assuming distillery gross margins or contribution margins are better than sugar?

Samir Somaiya: Yes, so the answer is to actually double. One is that clearly the ethanol production and therefore volume and sale will increase, and the corresponding sugar will come down, which means the diversion of sugarcane to ethanol will increase. That's point one. The second point is that the company had also invested last year of increasing its sugarcane crushing capacity and taking that entire increased crushing capacity to ethanol. So, when the disruption came, this entire expanded facility could not be used fully in the lastseason. Therefore, there will be two benefits going forward. One benefit is the increased diversion of sugarcane to ethanol compared to sugar. And the second is the increase in the overall volume of sugarcane crushed that you will take further and take entirely to ethanol,. So, there is a dual benefit in the restoration of the ethanol blending program for us, given how we had increased our capacity.

Ankur Gulati: And do we have crushing capacity at Karnataka as well?

Samir Somaiya: Our crushing capacity is only in Karnataka.

Ankur Gulati: And ethanol is in Maharashtra?

Samir Somaiya: No, chemicals is in Maharashtra. The entire value chain of taking ethanol to chemicals is in Maharashtra.

Ankur Gulati: I am trying to understand if there was an ethanol ban only in Maharashtra or was it in Karnataka?

Samir Somaiya: No, the ban was to use sugarcane juice to make ethanol across the country in view of the lower monsoon in 23. Given that the 24 monsoon is good, and the availability of cane is very good, the government has fully restored the use of sugarcane juice to make ethanol. So, this was a ban of using sugarcane juice to produce ethanol. And that prevented us from using our enhanced capacity to make the ethanol as well as divert the sugarcane juice, both.

Moderator: Thank you. The next question comes from the line of Arnav Sachdev from Cruise Capital. Please go ahead.

Arnav Sachdev: My first question would be, why do you see a potential in the green energy transition?

Samir Somaiya: Thank you for that question. I think there are three driving forces for India to look at the green energy transition. The first question, which the first point I see is climate change. So, in the whole world, you're seeing that the reliance on the fossil economy alone is causing climate change worldwide. And countries are making commitments to a net zero. In India, we have made a commitment to net zero by 2070. So therefore, there is a push in terms of climate. That's point one. The second point, which is there, is that in the new geopolitics around the world, there is a definitely greater need to increase energy security for us in India. So therefore, India has, India is rich in the sun and the soil. So, looking at biomass-based energy becomes important rather than relying on oil from different parts of the world. So that's the second. Third is, if you look at the farmer income security, we remain a largely agrarian world, and a lot of farmers have small farms. So earlier if you look at it, when sugarcane was only there to make sugar, it was a much more volatile business. With the addition of fuel, that is sugar and ethanol, you're seeing the entire sector becoming far more robust and the energy sector becomes a growth engine. And so, any surplus goes into energy in the country. So, with all of this, you see that what was less than a 3% blend in 2018 is going to become almost a 20% blend with 9 billion liters that the oil marketing companies have issued a tender for this coming ethanol year. So, this shows a remarkable growth for the sector. It is good on all three fronts, that is; to combat climate change, it helps Indian energy security, and it helps farmer income security. And for companies such as us, it gives us an opportunity to grow in the sector and do all these things together.

Arnav Sachdev: My second question would be, previously in the call you mentioned, we are going to have a dual stance on for the production of ethanol. So, this might be a little more technical question, and is there any difference in the ethanol produced from sugarcane and grain? Is there any difference as such or is it the same?

Samir Somaiya: I think as far as the ethanol blending program is concerned, it is the same for the two ethanol. It is both the same C2H5OH and so for the ethanol blending program it is the same. Technically, if there is an impurity profile that is different, I do not have the answer to that right now. But the main molecule is the same.

Arnav Sachdev: And lastly, any comments on why it's important to work on the soil health?

Samir Somaiya: Thank you very much for that question. I think ultimately carbon is the feedstock for us in the world. A lot of us look at the carbon that is available to us in oil reserves or in coal reserves or in gas reserves around the world. We all forget that there is also carbon in soil, and it is important to look at what is the soil carbon that we have because if that soil carbon level, and soil carbon

is not easy to see. Now if you are living in Mumbai and the monsoon is not very good the newspapers will report that the lake levels in Tansa or Vihar are low, and we all get worried if there is going to be a water cut for example. So, soil carbon nobody sees and if it is up or down we are not aware of it. Our whole approach is that we want to work on soil health, we want to see that even the soil carbon is strong because that soil carbon is going to be ultimately the feedstock for our crops such as sugarcane which we will convert into ethanol, sugar or bio-based chemicals. So that's why we want to also continuously look at that feedstock which is under the ground because that is ultimately we need to. It's a different model compared to the fossil economy, where you extract and depletes. Here you may extract, but you must also restore as you keep going and regenerate.

Moderator: Thank you. The next question comes from the line of Ritesh Poladia from Girik Capital. Please go ahead.

Ritesh Poladia: The last year, the company has done about 24 lakh sugarcane crush. So, what would be the number for this year?

Samir Somaiya: So again, thank you for that question. In the monsoons in 2023 were poor, and as well, the government had put a stop on the use of sugarcane juice for ethanol. That prevented us from utilizing our full capacity of sugarcane crushing as well. So, this year with a much bigger monsoon, we see a better crop of being able to crush and also with the restoration of the ethanol program, we also see that we will be able to fully utilize our enhanced capacity, which we could not fully use last year. So, we definitely see a better crush for the season going ahead. This, better crushing season will be from November to April. So, we will see that crush for the most part in financial year 25, but some of it will spill over to financial year 26 in April. So, the exact numbers can only be known after the season because agriculture is exactly that, it's agriculture, but we definitely see a better crush than we did last year.

Ritesh Poladia: Sir, definitely you will be knowing the production of cane in your surrounding area. So, would it be 20% plus or the numbers should be very different from the guess estimates of 20%?

Samir Somaiya: I've been there, to give an exact number for an agriculture feedstock is really tough. If you look at the estimates of big national estimates for sugarcane availability even last year, many people got it wrong. So I don't want to make a number guess over here as what it might be, but I can directionally clearly say that we definitely see a better crush in this current season, both because of the fact that the rains were good, the crop is good, and the restriction on sugarcane juice to ethanol having been removed, the company will be able to better utilize the higher capacity that it had installed last year which it will now do a better use this year.

Ritesh Poladia: Also, before 2024 you used to divert sugar to ethanol about 35%-40% and in 2024 it was 27%. So, will we go back to 40% kind of a diversion?

Samir Somaiya: We should. I don't have the exact number, but we will be in that range. We will definitely go back to a higher diversion in this coming season than we had in the last season. The last season, again to repeat, the ethanol blending program from juice was restricted, so we could not divert as much as we would. And now current year, we will definitely see a much higher diversion than we did in the last year.

Ritesh Poladia: Apologies in advance for asking more stupid questions. How does these biobased chemicals work? So, is this a diversion from ethanol or is this a diversion from sugar?

Samir Somaiya: No, sir. In the biobased ethanol products that chemicals we make, firstly, thank you again for that question. In my opinion, there is no bad question. So, every question is a good question. In the biobased chemicals that we make today, we are using ethanol as a feedstock. But in the future, we can use many biobased feedstocks to make biobased chemicals. But today, yes, all the chemicals we make use ethanol as a feedstock.

Ritesh Poladia: About half of the ethanol what you produce, half of it goes for a bio-based chemical. Approximately because your revenue is almost 50%-50% between them.

Samir Somaiya: No, just to answer you the question, thank you again for the question. Bulk of the ethanol that we produce goes in the ethanol blending program. And most of the ethanol that we consume for biobased chemicals we are procuring locally or importing from overseas.

Ritesh Poladia: So what would be about 10%-20% of ethanol would be diverted to the biobased chemicals? Or the numbers should be higher?

Samir Somaiya: I will just repeat the answer. Most of the ethanol that we produce gets used for the oil ethanol blending program. We also sell ethanol, some ethanol to the pharma business. We might sell ethanol to some other end users. And almost all the ethanol that we use for our ethanol-based chemicals is procured either locally or imported from overseas. There will be, as and when the case arises, some quantities of ethanol that we produce that we may consume ourselves.

Ritesh Poladia: Also, you were saying that you would be switching for the grain-based ethanol. So, your feed stock can be either sugar or grain. So, entire ethanol capacity will be shifted to grain based or portion of it?

Samir Somaiya: thank you for that question. We are adding a capacity of grain-based ethanol to the capacity. So, there will be some degree of fungibility, not entirely. So, we are adding additional capacity of grain-based ethanol to our current distillery capacity. We will have more details in the next call as I said to somebody in the earlier question.

Ritesh Poladia: By next call will get much other idea about the sugarcane crush also.

Samir Somaiya: We will definitely know how the season is progressing in the next goal. But the crushing, it will be best, so that will definitely be, the directionality will be known.

Moderator: Thank you. Ladies and gentlemen, this concludes our question-and-answer session. In case you have further queries, please feel free to write on prachi.ambre@linkintime.co.in. Thank you for joining us, and you may now disconnect your lines.