“Godavari Biorefineries Limited Q2 FY '27 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Godavari Biorefineries Limited Q2 and H1 FY '27 Earnings Conference Call.

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

I now hand the conference over to Ms. Prachi Ambre from MUFG Investor Relations. Thank you and over to you, ma'am.

Prachi Ambre: Thank you. Good morning, everyone and welcome to Godavari Biorefineries Limited Q2 and H1 FY '27 Earnings Conference Call.

Today, on the call, we have Mr. Samir Somaiya - Chairman and Managing Director; Mr. Ashish Sinha - Deputy General Manager, Investor Relations and Finance, to provide insights on the operational and financial performance.

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 and expectations as of today. The statements are not a guarantee of our future performance and involve unforeseen risks and uncertainty.

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

Samir Somaiya: Good morning, everyone. Thank you for joining us today for the Q2 and H1FY27Earnings Call of Godavari Biorefineries Limited. First of all I wish everyone A Very Happy Dhanteras and A Very Happy Diwali. It was an auspicious day 2 years ago that Godavari went public. I am grateful to our investors for their confidence in us. I am glad today to share with you the encouraging progress that our company has achieved with a strong growth in a bio-based chemicals business and a meaningful improvement in operating performance. Despite continued challenges in the sugar and ethanol industry, our focus on operational efficiency portfolio that is product and feedstock diversification and disciplined execution has helped strengthen our business fundamentals.

Let me briefly touch upon the broader industry environment:

The world is in a state of flux. Geopolitics and climate are creating volatility. In these past few months, we have been transported into a world where fossil resources have become scarce and this underscores the fact that the work we are doing is even more relevant today. The global

transition towards renewable and bio-based alternatives continues to create new opportunities with industries increasingly recognizing the importance of sustainable feedstocks, energy security and reliable supply chains. At the same time, the domestic sugar and ethanol industry continues to witness evolving dynamics particularly around feedstock availability, production economics and changing demand patterns.

India's achievement of the E20 blending milestone is an important step towards energy self-reliance while the development of new applications with greater feedstock flexibility will be important for the industry's next phase of growth. We believe these developments further reinforce the relevance of our integrated biorefinery model and our vision of transitioning from oil to soil. Our strategic efforts are towards increasing our high-margin bio-based specialty chemicals and products. As we had indicated in our earlier calls, the debottlenecking initiatives undertaken in the chemicals business are translating into stronger commercial performance. We continue to see opportunities across domestic and international markets supported by demand for sustainable bio-based alternatives. We are building on this progress through further debottlenecking, product development and a focus on higher bio-based chemicals including the additional Rs. 25 crores investment announced in the previous quarter.

In our integrated sugar, co-generation and ethanol business, the industry continues to face challenges arising from feedstock availability, weather conditions and recent policy developments. Maharashtra and Karnataka are both suffering from a drought and this can affect the farm economy. The government has recently restricted the diversion of sugarcane juice and B-heavy molasses towards ethanol for the upcoming ethanol supplier with the objective of ensuring adequate domestic sugar availability. While ethanol production from C-heavy molasses and permitted grain-based feedstocks continues, the rise in maize prices has further increased maize margin pressures on grain-based ethanol production. Against this backdrop, our integrated operations and multi-feedstock capabilities remain important strengths. Our total distillery capacity stands at 800 kL per day. Our ability to cater to both fuel ethanol and ENA markets and to use ethanol for bio-based chemicals provide us additional product flexibility, allowing us to evaluate opportunities based on prevailing demand and realization. We remain focused on optimizing feedstock utilization and balancing opportunities across sugar, ethanol and bio-based chemicals to strengthen operating performance.

On the innovation front, we continue to make progress in strengthening our intellectual property portfolio. During the quarter, we secured European patents for our anti-cancer pharmaceutical composition and bio-based rubber enforcement technology along with a Chinese patent for our antiviral compounds. Subsequent to the quarter, we also received patents in Mexico and United States relating to our antiviral and anti-cancer research. We continue to advance our triple-negative breast cancer drug discovery program subject to the necessary regulatory approvals. These developments reflect our focus on developing differentiated products and expanding the applications of bio-based technology. We are pleased to share that Godavari Biorefineries was

recently recognized with the Manufacturing Process Innovator of the Year Award at the FICCI Chemicals and Petrochemicals Award 2026, reflecting our team's continued commitment to manufacturing excellence and innovation.

Looking ahead, our priorities remain focused on scaling our bio-based chemicals business, improving operating efficiencies and strengthening our higher value product portfolio. In sugar and ethanol, we will continue to optimize our integrated operations while remaining responsive to feedstock availability and market conditions. The progress in our chemicals business during the first half gives us confidence in our strategy and the opportunities ahead. We remain committed to building a more diversified innovation level business and creating long-term values for sustainable solutions.

With that, I would now like to hand over the call to Ashish Sinha, who will take you through the financial performance in greater detail. Over to you, Ashish.

Ashish Sinha: Thank you, sir. Good morning, everyone.

Let me take you through the key financial highlights for Q2 and H1 FY '27:

For Q2 FY '27, revenue from operations stood at Rs. 549.2 crores, growing by 27.5% year-on-year, while total income increased by 26.6% to Rs. 549.8 crores. EBITDA improved to Rs. 10.9 crores compared to a loss of Rs. 4.4 crores in Q2 FY '26, with EBITDA margin improving to 2% from negative 1% last year, supported by stronger performance in our bio-based chemical business.

Our business performance of Q2 FY '27 has been encouraging, particularly for our bio-based chemical business. The bio-based chemical business delivered strong growth, with revenue increasing by 38.8% year-on-year to INR 204.2 crores and segment EBITDA, growing by 47% to Rs. 22.1 crores. EBITDA margin improved to 10.8% from 10.2% reflecting the benefits of earlier debottlenecking initiatives and improved operating efficiency. Q2 FY '27 EBITDA of bio-based chemical, is 46% of annual EBITDA for FY '26 (errata: to be read as 46% of annual EBITDA of bio-based chemicals for FY26). In our integrated sugar, co-generation and ethanol business, combined revenue stood at Rs. 334.2 crores compared to Rs. 275.7 crores last year. The sugar and co-generation segment reported an EBITDA loss of Rs. 19.3 crores compared to Rs. 23.1 crores in Q2 FY '26 (errata: actual number to be read as negative Rs. 23.1 crore). While ethanol EBITDA improved to Rs. 10.6 crores from Rs. 4.7 crores. Despite seasonal and feedstock related challenges, the overall operating performance improved year-on-year.

At the consolidated level, the net loss narrowed to Rs. 15.2 crores compared to Rs. 41.6 crores in the corresponding quarter last year. For H1 FY '27, total income grew by 14.6% to Rs. 1,109.7 crores, while EBITDA improved to Rs. 13.4 crores from Rs. 2.1 crores in H1 FY '26. The bio-based chemical business remained a key contributor, with revenue growing by 29.3% year-on-

year to Rs. 372.9 crores and segment EBITDA increasing by 50% to Rs. 41.2 crores. EBITDA margin improved to 11.1% from 9.6%. H1 FY '27 EBITDA of bio-based chemical is 86% of annual EBITDA of FY '26 (errata: to be read as 86% of annual EBITDA of bio-based chemicals for FY26). The consolidated net loss narrowed to Rs. 34.6 crores compared to Rs. 57.6 crores last year. Overall, the improvement in operating performance reflects stronger contribution from bio-based chemicals and continued focus on operational efficiency. While seasonal feedstock challenges persists, we will remain focused on the strengthening margin, optimizing working capital and maintaining financial discipline to support sustainable profitability.

Thank you. We can now open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Vivek Gupta from Star Investments. Please go ahead.

Vivek Gupta: Thank you, sir, for the opportunity. My first question is on the bio-based chemical business delivered around Rs. 204 crores of revenue in Q2 ahead of the earlier Rs. 190 crores expectation. So, when the company continues to target Rs. 240 crores in quarterly revenue by Q3 FY '28, how much of the recent performance is attributable to higher volumes from debottlenecking versus the product mix or the realization? And what needs to happen operationally to bridge the gap to Rs. 240 crore's target?

Samir Somaiya: Thank you for the question, Vivek. So, we are targeting the growth in Q3 FY '27 that comes with the investment of about Rs. 25 crores in further debottlenecking bio-based chemistry. The improvement that we have seen in bio-based chemicals of Rs. 204 crores in the quarter gone by ahead of our Rs. 190 crores target that we had and ahead of the Rs. 140 crores (errata: actual number to be read as Rs. 147 crore) about number that we had in the same quarter last year. So, the Rs. 140 odd crores (errata: actual number to be read as Rs. 147 crore) last year to the Rs. 190 crores this year was projected on the basis of the debottlenecking investments that we did since then. So, that answers partly your question. To some extent, we have received certain higher volumes because of, say, I would say the crisis in the Hormuz area. And it has resulted in some price increases in some products and so therefore that also gives us the increase from Rs. 190-Rs. 200 crores that we have targeted. So, I would say it is a combination of the increase of the business itself over because of the debottlenecking done and the next year's Rs. 240 crore will come from the investments that we are doing now which we hope to start by April of next year, but then it will take some time for that to get into the market in terms of market entry. So, we have projected the Rs. 240 crores to be operational from Q3 FY '27. I hope that answers your question.

Ashish Sinha: Just want to get,Q3 of FY '28.

Samir Somaiya: Sorry, Q3 FY '28. Thank you very much.

Vivek Gupta: Sir, as we increasingly position ourselves as a specialty bio-based chemicals company, how is the revenue mix evolving between relatively commoditized products such as ethyl acetate and differentiated higher volume molecules and what would be the key milestone indicating our structural improvement in the segment's margin profile?

Samir Somaiya: So, structurally, the growth is definitely to add bio-based specialty chemicals as we go further. In the last half year, 62% of our business has come from the bio-based specialty chemicals versus about 38% which has come from about.

Ashish Sinha: Just want to correct, it is about 52% of bio-based specialty chemicals.

Samir Somaiya: Sorry, 52% has come from bio-based specialty chemicals in the half year. So, our structural movement is to move towards bio-based specialty chemicals. If we do see an opportunity in ethyl acetate, because of certain market conditions, we will be responsible to them and we will increase the business for that accordingly. But structurally, our business strategy is clear to continue to improve bio-based specialty chemicals.

Just to add, even the investments that we are making of this additional debottlenecking, all of that will go to increase the business of bio-based specialty chemicals.

Vivek Gupta: Got it, sir. Sir, like the commissioning of the 200 kilo liters per day green-based distillery, the total installed distillation capacity now stands at around 800 kilo liters per day. So, given the lower ethanol tender allotment in H1, what kind of utilization levels are currently being achieved across the grain-based and sugarcane-based units? And also, how is the management evaluating the opportunity to increase grain processing flexibility within the existing capacity?

Samir Somaiya: So, this is an evolving situation. As we know, in this last quarter, the monsoons have failed. The drought is there in Maharashtra and Karnataka. The Government of India has reduced completely the allocation of sugarcane juice and B molasses to ethanol. So, therefore, what we can make is use C molasses and separately our fungible grain-based facility is also running. And it is running right now, as we speak for the new tender. It will depend on also maize economics, the economics for rice, the economics for food grain. So, this will be the cane available. So, it is an evolving landscape that we are looking how best to optimize feedstock availability, feedstock economics and products that we will ultimately use it for. The ethanol can be used for the fuel blending program and we are also users for ethanol in our chemical business as well as the ENA market. Definitely, the optimization or the utilization of the distillery, had it been purely a sugarcane at the main distillery would have been much lower because of the change in the government policy from only using C molasses. Because we have created ethanol capacity which is fungible, partly with our current facility, we will be definitely able to produce more ethanol optimizing on feedstock availability. We also expect that the sugar prices will definitely in light of the poorer monsoons, we expect the sugar prices to be stronger going forward. And

sugar production will be also because if we do not divert sugarcane juice to ethanol, it means you are diverting sugarcane juice to sugar.

Vivek Gupta: Thank you, sir. That helps a lot and all the best for the future quarters.

Samir Somaiya: Thank you.

Moderator: Thank you. The next question comes on the line of Kranti from WealthMills Securities. Please go ahead.

Kranti: Hi, sir. The initiatives what you are making, it shows the long-term visibility. But in the medium to short term, the key concern has been the profitability. When we can see the shareholders seeing the profitability of the company in the medium to short term, how much time it will take? And you have made some initiations like the DME and all. When they are going to turn into revenue, how much the timelines you have? And also with respect to the drug discovery and all, what kind of progress you are making. Can you just throw some light?

Samir Somaiya: Thank you for your questions. Firstly, let us divide the businesses into two broad sections. One is a section of your bio-based chemicals and the other is our integrated sugar ethanol power business. The second one which is sugar ethanol power is a seasonal business. In our scheme, the first two quarters, that is the first half year is always negative on profitability. And the second half year is very much positive on profitability and makes up more than what is done in the first half. So, that is how our business is configured. As far as the bio-based chemicals is concerned, it is not a seasonal business. And there, we have shown substantial improvement over the past year. As Ashish just mentioned, in the profitability for H1 FY '27 for the bio-based chemical division, we have achieved about 90% of last year's full profitability of the chemical division. So, we see that business being strong and at the same time, in this second 2 quarter, you will start seeing also profitability in the integrated sugar ethanol power model that we have. That answers your first question.

As far as the second question on DME is concerned, this is a project that we are doing with ICT in Mumbai for the conversion of carbon dioxide directly to dimethyl ether. As mentioned in the past, this is currently in a pilot plant stage. And this pilot plant stage is expected to complete by March of 2027. So, we would have something to show on what are the outcome of these pilot plant trials only after March. This is something that is real innovation to look at carbon dioxide as a feedstock to make DME which can be used as an LPG substitute to advance energy security for us and at the same time work against climate change.

The last is on drug discovery. Drug discovery we are doing primarily on taking and advancing our triple-negative breast cancer molecule. This currently we have applied for permissions from CDSCO to do preliminary efficacy trials. We are hoping that we will get this permission in this current quarter. So, we should be able to commence the trials right after we get these

permissions. This is a trial which typically takes 33 months. But we should get some numbers on how this molecule is behaving in patients within 6-9 months of the starting of the patient trial. So, this is where we stand as far as our innovation in drug discovery is concerned. I hope I have answered your three questions.

Kranti: Thank you, sir. Thank you.

Moderator: Thank you. The next question comes from the line of Nivesh Verma from Verxora Securities. Please go ahead.

Nivesh Verma: Good morning, sir. Am I audible?

Samir Somaiya: Yes.

Nivesh Verma: Sir, I had a few set of questions. My first one was with the lead triple-negative breast cancer molecule progressing towards preliminary efficiency evaluation, how is the management thinking about funding requirements for subsequent clinical developments?

Samir Somaiya: So, our aim is to only do preliminary efficacy trials. A budgeting for this would be in the range of Rs. 15-Rs. 20 crores max. If we get positive results in these preliminary efficacy trials, then we would look to out-license this molecule to pharma companies in India and abroad. Because we are not a pharmaceutical company, this requires a different skill set and finance required to take it to the next level of clinical trials. We believe that there is going to be interest once we show preliminary efficacy. In the past, conversations with these companies, I wanted also safety trials to be conducted. These were conducted successfully, post the trials in the preclinical trials being successful. So, that is what our strategy will be.

Nivesh Verma: Got it, sir. Thank you. And the second question was going to be simultaneously pursuing chemicals debottlenecking.

Samir Somaiya: So, we lost your line, if you are still there.

Nivesh Verma: Yes, am I audible?

Samir Somaiya: Yes, now you are.

Nivesh Verma: Simultaneously pursuing chemicals, de-bottlenecking, ethanol flexibility, downstream partnerships and research led opportunities, with chemicals now contributing approximately to 37 of Q2 revenue, how does management envisage the business mix evolving over the next 3-5 years?

Samir Somaiya: So, broad strategy is two-fold. One was to make our ethanol facility to be a multi-feedstock facility. So that we can diversify away from climate policy and feedstock risk. We believe we have accomplished that. We also had said and articulated that our growth focus will come on bio-based specialty chemicals. And that is the work we have done over the last year to debottleneck the business. And we are continuing to do work in bio-based specialty chemicals. So, going forward, a lot of our attention and growth will come to build this business. And the focus will be on bio-based specialty chemicals with our customers co-creating solutions with them in India and abroad.

Nivesh Verma: And sir, how will the capital allocation priorities change as the company seeks to improve consolidated returns?

Samir Somaiya: As I repeated, our large investment was to make the ethanol facility multi-feedstock. So, going forward, capital allocation will focus on the bio-based specialty area. If we have to do some minor investments in the ethanol facility just to optimize, we may do so. But larger investments will now go towards the bio-based specialty business.

Nivesh Verma: Got it, sir. And the last question would be the company has prioritized de-bottlenecking over the large capacity additions in bio-based chemicals as the existing acid base generates higher throughput. How much further growth can be achieved through operational improvements before a large Greenfield or Brownfield investment?

Samir Somaiya: See, we had talked about certain larger investments in bio-based chemicals, which we are also continuing to explore. We are looking for larger off-take agreements before we proceed with those larger investments while we pursue them also strongly. So, as we get much more visibility in customer off-takes is when we will start working there. And until we go there, we will keep doing debottlenecking and minor investments to keep growing our bio-based specialty chemical portfolio. We believe that the demand is strong and which is what is demonstrated over the last one year. As I said, we went from Rs. 140 crores (errata: actual number to be read as Rs. 147 crore). same quarter last year and we have gone to crossing Rs. 200 crores this year. We see a strong interest by customers in looking at reliable supply chains and as I mentioned, the fossil costs have gone higher. So, the gap between fossil and green for some customers is now bridgeable. So, this is how we see that growth coming and our scientists are working closely with customers in India and abroad co-creating solutions to give these opportunities to the company.

Nivesh Verma: Got it, sir. Thank you. Thank you for answering the questions and wishing everyone, Happy Diwali.

Samir Somaiya: Happy Diwali.

Moderator: Thank you. The next question comes from the line of Hitesh Agarwal from Investment Partners. Please go ahead.

Hitesh Agarwal: Yes sir. Thanks for the opportunity. I hope I am audible.

Samir Somaiya: Yes.

Hitesh Agarwal: Sir, I have a couple of questions. First one is the bio-based chemical. So, bio-based chemical revenue is increased by 29% and the EBITDA grew by roughly 47%, right. So, how one can give the incremental EBITDA margin improvement I mean we would see further and the future growth proportion?

Samir Somaiya: I would ask you to please repeat your question.

Hitesh Agarwal: So, yes. I have a question on that bio-based chemical revenue has increased by 29%, right in Q2?

Samir Somaiya: Yes.

Hitesh Agarwal: While EBITDA grew by 47%?

Samir Somaiya: Yes.

Hitesh Agarwal: So, however, the EBITDA margin improvement was relatively modest at 60 basis points, how one should think about the incremental margin as the business scale up further and what proportion of the future growth is expected to come from the higher value specialty products rather than the existing products?

Samir Somaiya: So, I mentioned this. Our structural strategic pathway is to increase bio-based specialty chemicals. In the last quarter, we gave a projection that we would come to Rs. 190 crores in this quarter just gone by and Rs. 240 crores per quarter that is in Q3 FY '28. That improvement in growth was planned for and is planned for based on bio-based specialty chemicals. What we have seen right now is that there is business in bio-based specialty chemicals as well as an increased business in ethyl acetate. So, as opportunities will come in products such as ethyl acetate, if there is an opportunity, we will take it. We do consider that only may be temporary, we do not know how that is. Our long-term structural strategic intent is to grow the business in bio-based specialty chemicals.

Hitesh Agarwal: Got it. And sir, second question on inventory. As I see, our inventory has declined significantly from Rs. 775 crores to roughly around Rs. 260 crores. And our operating cash flow showed roughly around Rs. 65 crores. So, how much of the inventory reduction reflects the normal cash

flow cycle versus structural improvement in the working capital management? So, should we expect for rebuilding in the inventory?

Samir Somaiya: The inventory largely is coming because of the seasonal nature of the business. In March, the inventory is high because the sugar stocks are at the highest. And in September, you see those stocks much lower. So, that is a seasonal variation in the business. As the chemical business grows to some extent, our chemical inventories will go pro-rata to the increase in business.

Hitesh Agarwal: Got it. Thank you.

Moderator: Thank you. The next question comes from the line of Suhani Singh from ROS Capital. Please go ahead.

Suhani Singh: Hello, sir. Good morning.

Samir Somaiya: Good morning.

Suhani Singh: I just had a couple of questions. Given Godavari's exposure to feedstock pressures, how are you approaching procurement for the upcoming ethanol supplier?

Samir Somaiya: Given Godavari's exposure to feedstock, what?

Suhani Singh: Feedstock pressures.

Samir Somaiya: Evolving situation. Our assessment of feedstocks, now we have feedstock of cane. We have feedstock which we can take of maize. And we have feedstock that we can apply for which would be the FCI provided rice, surplus food grain. So, cane, we have been working very closely with our farmers through our Agriculture Research Station to work on high yield technologies, good agronomic practices, regenerative agriculture to better see that if there is a drought condition, how we can still maintain good throughputs in our system. That I consider is co-creating value and supply chains with our farmers. So, just like we have customers who work with us for having reliable supply chains, it is the same principle that we have with farmers, so that we have reliable supply chains. But we bring innovation and science and co-creation to that, so that the soil is healthy and the yields are better. And how we can do water conservation practices. So, that is as far as cane is concerned. When it comes to maize and rice food grain, we are trying to definitely see that it may be better right now from our rice to ethanol perspective as far as the blending program is concerned. We are looking at maize prices being high as economically a tougher situation immediately for maize to ethanol. That is our view. We also see that we can also be in the ENA markets as well as for chemicals, we have also ethanol for our own business. So, this is how we look ourselves that we have a multi-feedstock facility and we also have a facility where we can be in multiple markets. That is how we are looking at it. But we are looking at economics carefully. So, what we do, we do it in a smarter way and reduced

capacity utilizations in ethanol that is purely cane driven ethanol will be matched by higher capacity utilizations of sugar. As far as the facility is concerned, having ability to process grain helps us add ethanol capacity to what would have been reduced ethanol capacity since the policy has changed to not allow B molasses or juice to make ethanol. Is that a long answer to your question?

Suhani Singh: No, but that helps us. So, are we referring logging in the inventory ahead of the season or maintaining flexibility until tender allocations and pricing becomes clearer?

Samir Somaiya: Now, which inventory are you talking about? Sugarcane is in the field. So, we will harvest that as it goes. Then, you have maize and rice. If you apply for and if you get the tender, you will be allocated the rice. For maize, we are right now thinking that the maize prices are quite high to lock in into the ethanol price in the market.

Suhani Singh: That helps. So, the integrated sugar co-generation and ethanol segment reported an EBITDA lot of Rs. 8.7 crores in Q2. So, it is compared to Rs. 18.4 crores last year, although H1 profitability remains under pressure. So, what drove the sequential improvement in Q2 and which factors will be most important for restoring sustainable segments of stability? Would it be high sugar realization, better cane recovery, ethanol allocations or lower feedstocks cost?

Samir Somaiya: So, in our business, every year, H2 is always better than H1. So, one is just that we are a seasonal business and no matter what you do, H2 will more than make up for H1. So, H2 is always profitable if you look at even the last two H2 that you might see. So, that is a straight answer to you. We did an improvement over last year's H1 because of slightly better sugar realizations in the first half of this year.

Suhani Singh: So, that is it from my side. Thank you and all the best.

Samir Somaiya: Thank you.

Moderator: Thank you. The next question comes from the line of Snehil Surana from Star Broking. Please go ahead.

Snehil Surana: Hi, sir. Good morning, So, I have a couple of questions, sir. with the strong growth witnessed in the chemical business, could management provide some color on the volume versus realization contribution and are specialty chemical gaining shares within the segment or it is the growth still largely driven by higher volume in existing products?

Samir Somaiya: It is a combination of both, Snehil because if you see the increase, it has gone from Rs. 140 crores last year (errata: actual number to be read as Rs. 147 crore) same quarter to about Rs. 200 plus crores. So, the increase of Rs. 60 crores is based by increase in business of existing chemicals plus the debottlenecking of bio-based specialty chemicals which are also what we are

keeping doing when we do the business. So, for example, if I talk about the investment I am making of Rs. 25 crores now, which I say will further lead to business in Q3 of FY '28, then they will become chemicals that I am introducing in April to September of next year. And then they take their time to kick in when you might say that are they new or are they increased business of existing chemicals? So, that is how it is. So, last year we were debottlenecking, those chemicals got introduced in the market and then you see those chemicals become what I will say normal chemicals this year. We continue to see opportunities, we will debottleneck those as well as well as we will work on new chemicals which we will introduce. That is how we see the business.

Snehil Surana: And sir, my next question is related to the bio-based chemicals. So, it generated around Rs. 41.2 crores EBITDA during H1 FY '27 while the consolidated EBITDA stood at only Rs. 13.4 crores. So, given the significant diversion, so what level of improvement is required in an integrated sugar and ethanol business for the company's consolidated profitability to become sustainable?

Samir Somaiya: It will automatically happen in Q3 and Q4. When we start taking in cane, there is no cane processed in Q1 and Q2. So, there are no production operations as far as the sugar facility is concerned. Now, we start taking in the sugar and you will see big improvements in Q3 and Q4. This is what happens every year.

Snehil Surana: So the chemical business alone only drives some improvement in consolidated earnings over the next few quarters?

Samir Somaiya: No, we have to broadly look at it that firstly, are you looking at just next 2 quarters out of seasonality or you are looking at what just happens in Q3 and Q4? So, Q3 and Q4 will automatically have stronger operations in the integrated sugar ethanol just because it is period of operations. And so, this is what will happen. Chemicals will drive the business growth and this year, since we have put in an ethanol based facility from grain, whether it kicks in, it is already operational. We hope to see some benefits from that facility as well and we will have to see how the sugarcane and sugar economics also plays out as the months' progress.

Snehil Surana: Thank you. That is all from my side.

Moderator: Thank you. The next question comes from the line of Varun Mishra from SG Capital. Please go ahead.

Varun Mishra: Thank you for the opportunity. Sir, a couple of questions from my end. With the restrictions on the sugarcane juice and the B-heavy molasses diversion for ethanol, along with, let us say, we have an increase in the grain prices, which we see. How do you see the rates going up? Like, what do you see the economics of ethanol industry evolving, let us say, within this year and going forward? And could these developments lead to a lower industry-wide capacity in terms of utilization, like towards the sugarcane production?

Samir Somaiya: It would be a good conversation to have 6 months later, Varun. Broadly, if you look at the bids that the industry has provided to ethanol, it shows that there is enough ethanol for E20 in the country. So, that is one. It also means that the Indian government's policy of creating feedstock diversification to meet E20 goals has also largely been there. So, that is at a very macro level. From a point of view of the reduction in B molasses or juice to ethanol, we have to always assume that there are going to be volatility in the world. There is volatility caused by geopolitics in the Gulf. Similarly, as we are a country of the sun, the soil, the small farmer, when the rains are not going to come up to mark, we have had last 7-8 good monsoons. We should expect that once in every few years, we will have a tough monsoon. So, when that happens, capacity utilization of ethanol from sugarcane juice or B will get affected. Our whole strategy for building capability to process grain was in event of such eventualities. Now, when we look at what is going further, there is maize or damaged food grain or rice that we can use, surplus rice. In our assessment, we may have a belief that the maize prices were higher and we may apply for, try to get surplus rice. So, in any case, each company will make its own judgments on how they want to optimize and this is what we are also planning to do. We have definitely seen our distillery as having multi-feedstock, so that we can better insulate ourselves from the volatility of having only one feedstock.

Varun Mishra: All right, sir. That helps. Also, given us a chance to **(Inaudible) 45.32** operations as of now, like, could you quantify how sensitive is this segment in terms of profitability? And what changes can we expect? And any recovery from this segment, would a modest improvement in the recovery mean, let us say, could offset the pressure on ethanol economics?

Samir Somaiya: My view is that the reduction in range is definitely going to cause tightness in the sugar market. So, we will definitely have to see how the sugar prices move and how it works in terms of sugar economics. So, clearly, we will be reducing our diversion from the sugarcane we process to ethanol because of the policy change and that will go to sugar. And the sugar prices will definitely be better than they were last year and economically, we will have to see how that plays out in the year. But sugar prices, we definitely think will move much better than they were last year. And so, we will produce more sugar than we did and we will produce less cane-based ethanol than we did. But we hope to produce, that we will definitely produce some grain-based ethanol this year in addition to the C molasses based ethanol.

Varun Mishra: Got it, sir. And sir, given our CAPEX of Rs. 25 crores to prioritize the debottlenecking, adding capacity , what would be the chemicals which we are considering to add in this?

Samir Somaiya: It is a whole range of chemicals. We make more than 20-25 bio-based specialty chemicals. This debottlenecking will be spread across a range of chemicals.

Varun Mishra: And sir, one last question from my end. So, like we have seen there has been a narrow down in terms of the Loss which we booked as compared to last year as well as on a sequential basis.

So, when do we see ourselves turning PAT positive? Can we expect it in this financial year or maybe in FY '28?

Samir Somaiya: We were PAT positive last year also and we were hoping for the next 2 quarters should be very good quarters. We will definitely. You look at the history of our past quarters. Q3 and Q4 are always strongly positive and we are hoping for the same this time.

Varun Mishra: All right, sir. That helps. Thanks a lot, sir. All the best.

Moderator: Thank you. The next question comes from the line of Snehil Surana from Star Broking. Please go ahead.

Snehil Surana: Hi, sir. This is a follow-up question from my end. The question is, the grain-based distillery was commissioned in Q1FY27. So, has this facility reached a stable operating efficiency in terms of yield and conversion cost or there are still commissioning related inefficiency that is affecting the profitability of the company?

Samir Somaiya: So, we have commissioned the facility in the end of June, i.e. end of Q1 and the facility, it is operating at capacity to meet the orders we had for the ethanol-based program. We had taken contracts from the oil marketing companies to deliver ethanol to the OMCs and then we are making the product to deliver the same to them.

Snehal Surana: Thank you so much.

Moderator: Thank you.

Samir Somaiya: Thank you. I would like to thank everyone for joining us on this call today. Once again, I wish all a very Happy Dhantheras and a very Happy Diwali in advance. Thank you.

Moderator: Thank you. On behalf of MUFG Investor Relations, that concludes this conference. Thank you for joining us and you may now disconnect your lines.