RC Capital Management is an Investment Advisory Firm specializing in identifying and investing in high quality companies that trade at a substantial discount to our conservative estimates of Intrinsic Value.

This report is a compilation of our analysis of Financial / Business performance "**Jubilant Ingrevia Limited**" from an investment perspective

The report is meant for subscribers of RC Capital Management Investment Advisory only. Unauthorized circulation of this report is prohibited

RC Capital Management is a SEBI Registered Investment Advisor

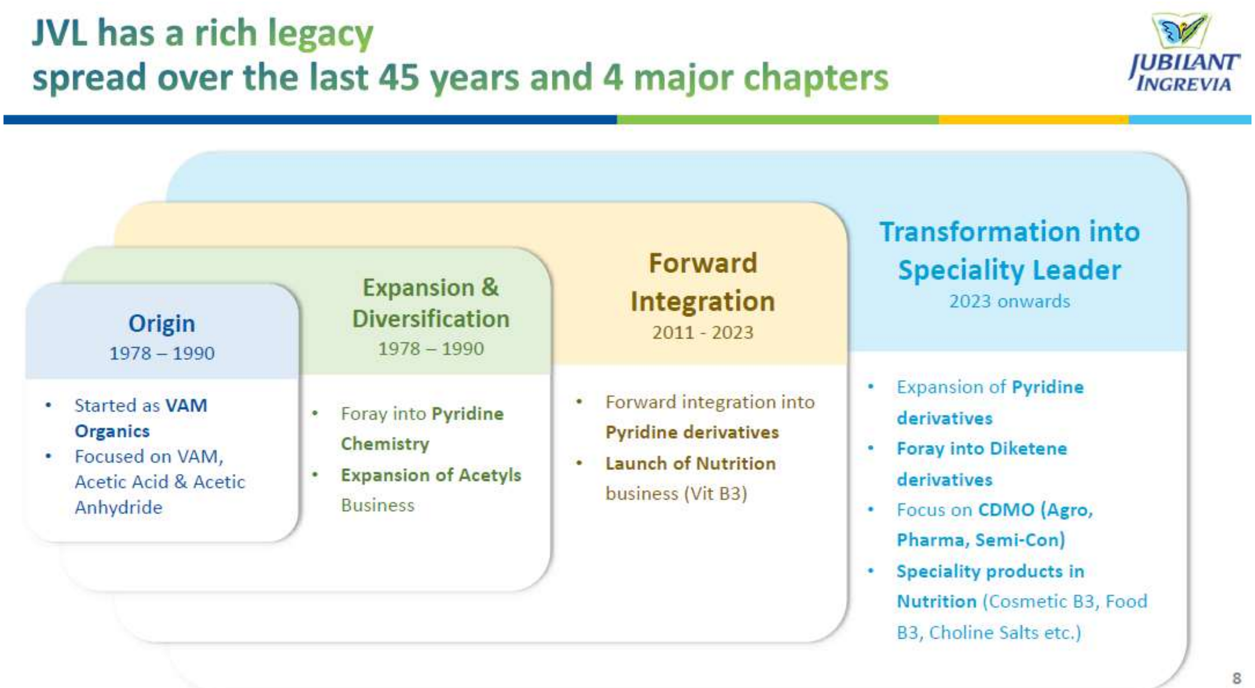
Registration Number – INA000004088

Company Analysis: Jubilant Ingrevia Limited

Posted on 2nd May 2025

Company Overview

Jubilant Ingrevia Ltd, part of the Jubilant Bhartia Group, was created through the demerger of Jubilant Life Sciences' chemical division in 2021. It specializes in life science chemicals, with vertically integrated manufacturing across five sites in India producing over 165 products



Business Segments

The company operates across three main segments:

- **Specialty Chemicals**: Includes pyridine derivatives, diketene derivatives, pyrithiones, and custom manufacturing (CDMO). Jubilant is among the global leaders in pyridine, with recent expansions into diketene chemistry and pyrithione for personal care.
- **Nutrition & Health Solutions**: Produces Vitamin B3 (niacinamide, nicotinic acid) and Choline Chloride (Vitamin B4), serving human and animal nutrition markets. Jubilant is globally the second largest Vitamin B3 producer and has recently entered food-grade markets.
- **Chemical Intermediates**: Produces bulk chemicals such as acetic anhydride and ethyl acetate. It leverages backward integration (ethanol from molasses) for cost-effective operations and dominates global acetic anhydride production

Industry Overview

The specialty chemicals industry globally has seen sustained growth driven by demand from pharmaceuticals, agrochemicals, personal care, nutrition, and various industrial sectors. Jubilant operates at the intersection of these markets, each with distinct demand drivers and growth trajectories.

Agrochemicals have historically been cyclical, currently impacted by an oversupply due to excess inventory buildup, particularly from Chinese exports. Despite this volatility, the fundamental long-term demand for crop protection chemicals remains strong due to global food security needs.

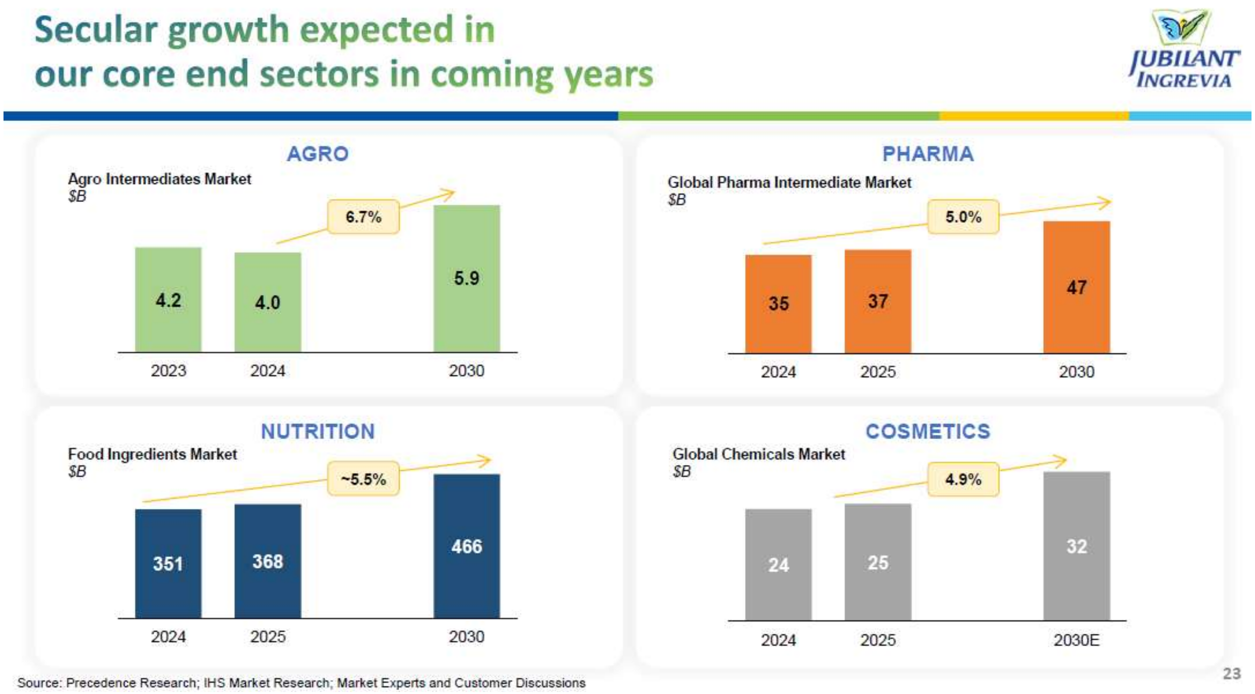
The pharmaceutical segment offers stability and consistent growth driven by healthcare needs and the continuous rise in generic and specialty medicines. Jubilant's pharmaceutical-related intermediates are well-positioned to benefit from ongoing outsourcing trends by global pharmaceutical companies.

Nutrition and health solutions have faced recent pricing pressures, notably in vitamin markets due to oversupply issues. However, this segment also benefits from growth trends driven by rising global awareness of preventive healthcare, increased consumption of nutritional supplements, and functional foods. Jubilant's recent investments in high-purity, food-grade vitamins align with these demand trends.

The demand for critical intermediates like acetic anhydride is stable, supported by diversified applications in pharmaceuticals, textiles, and industrial sectors.

The ongoing "China+1" strategy, adopted by global manufacturers to diversify supply chains and reduce dependency on China, presents significant growth opportunities for Indian chemical companies like Jubilant

All the major end sectors for the company's products have steady growth expectations for the next 5 years



Competitive Analysis

Key competitors differ by segment and most of this competition is global in nature

- **Pyridine Derivatives**: Vertellus (USA) and Red Sun (China) dominate alongside Jubilant. Jubilant's advantage is green, bio-based manufacturing with cost benefits.
- **Vitamin B3**: Competitors include Lonza (Europe) and Brother Enterprises (China). Jubilant differentiates through backward integration and new premium-grade capacities.
- **Choline Chloride**: Competes mainly with Balchem (USA) and Chinese producers.
- **Diketene Derivatives**: Laxmi Organic (India) is a primary competitor. Jubilant differentiates through new flexible, multi-product plants.
- **Acetyls**: Faces global majors like Celanese, but Jubilant benefits from bio-based production and backward integration.

Companies such as Lonza in the specialty chemicals space have an average of 20% operating margin. In the commodity chemicals space most companies have high single digit to low double-digit margins over the entire cycle. In an upcycle, companies may enjoy higher margin, but this usually drops when the cycle turns

As a result, most companies have low ROC in the commodity space. This is also the reason for Jubilant to focus on the Specialty chemicals space.

Capital Expenditure

Jubilant has embarked on a significant ₹2000 cr capital expenditure program over FY22-25 for expanding production capabilities and moving into higher-value-added product segments. Major initiatives include:

- A new multi-purpose specialty chemicals plant at Bharuch dedicated to agrochemical intermediates and actives, designed for flexibility in multi-step chemistry and enabling the company to rapidly adapt to shifting market demands.
- Expansion of diketene derivatives capabilities at Gajraula, designed to produce a diversified range of derivatives for coatings, personal care, and polymers, significantly enhancing Jubilant's specialty portfolio.
- Construction of a new Vitamin B3 plant at Bharuch specifically for food-grade and cosmetic-grade niacinamide. This plant positions Jubilant to capture growing global demand in higher-margin, regulated markets like infant nutrition and premium cosmetics.
- Additional acetic anhydride production capacity to support global market share growth, taking advantage of Jubilant's cost-effective bio-based production processes and captive raw material supply chain.

These expansions are expected to increase specialty and nutrition segment revenues and margins, enhance overall profitability and reduce business cyclicality by FY26.

Financial Performance

Revenue grew from ₹3170 Cr (FY20) post spinoff to ₹4136 Cr (FY24. EBITDA margins have been between 11%-18%, with the drop in the last 2 years mainly due to oversupply in the agrochemical sector from China. The same has occurred in the nutrition segment too

Inspite of margin pressures the company has maintained its work capital at the same levels. The cash flow conversion has been in excess of 80% and the company has re-invested this cash flow into the new capex. The company has raised a small amount of debt for its capex plans and as a result the balance sheet has low debt (Debt/Equity ~0.27).

The return on capital is 12% and management expects it to improve to 17-20% as the company moves away from the commodity chemicals space

Management Assessment

The Jubilant group promoters Shyam and Hari Bhartia have a track record of building successful businesses across various sectors such as QSR, pharma and chemicals.

The recent appointment of Deepak Jain, a senior partner at Bain & Company, as CEO, has been done to bring in professional management at the senior levels. Each of the business segments has individual leaders with considerable experience in that space. Some of these leaders are from within the company and others have been recruited to fill a skill gap in the company

Capital allocation record: Management has been improving its capital allocation performance over the last few years. It is moving from low value add/ROC businesses to higher ROC businesses (specialty chemicals). Also, these investments have been made through the company's operating cash flow without adding much debt

Shareholder communication: appears adequate. Management communicates regularly with investors via annual report, quarterly updates and conference calls. On the conference calls, they are open about the prospects of the company. It had an investor meet in Jan 2025 where the senior leadership discussed the company's performance and detailed plans for achieving the next 5-year goals

Accounting practices: appear reasonable

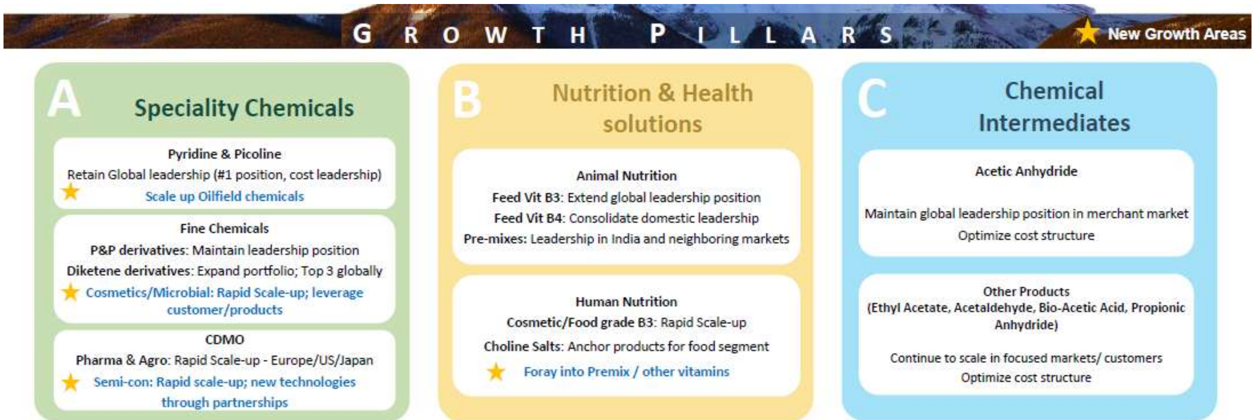
Strategic Direction and goals

The company has announced a 345 plan – 3X revenue, 4X EBDITA and 5X net profit in the next 5 years. This translates into 25% topline and 38% net profit CAGR over the next 5 years

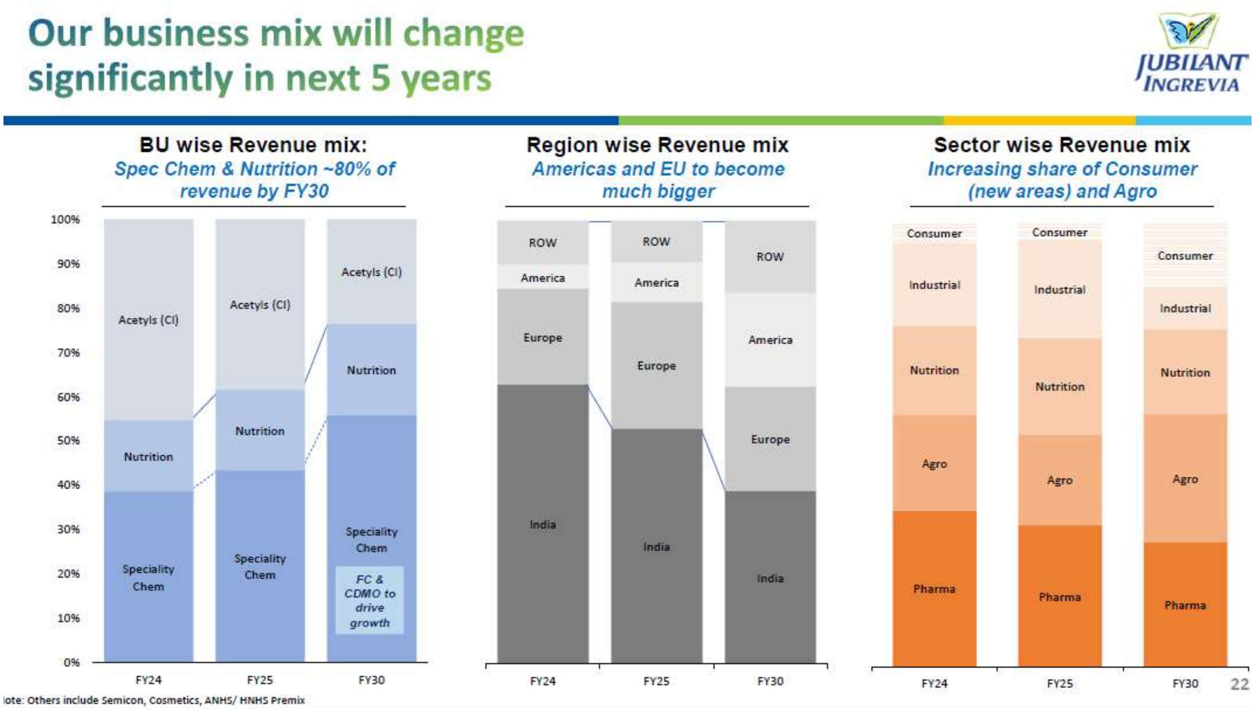
The company wants to transform into a high-margin specialty chemicals and nutrition-focused player, reducing cyclicality and enhancing profitability. Key pillars are:

- Increasing the share of specialty chemicals and nutrition products through targeted investments, particularly in higher-value segments such as custom agrochemical actives and high-purity vitamins.
- Strengthening customer relationships and securing long-term supply agreements (CDMO) to ensure steady utilization rates and predictable revenue streams. The company has already received two CDMO contracts in the last one year
- Achieve 3X revenue in the specialty chemicals space with 25% margins
- Achieve 3X revenue in the Nutrition space with 20% margins
- Focusing on continuous innovation and R&D to regularly introduce new high-value products, leveraging existing chemistries and capabilities to efficiently enter new market segments.
- Enhancing operational efficiency through digital initiatives, including advanced process controls, predictive maintenance, and data-driven decision-making, to improve asset utilization and cost efficiency (Project Lean which will save 125 Cr in FY25 with plans to save 100+ Cr every year)

The slide below shows the product level plans for each of the three segments



As a result, the company expects the revenue mix to shift to higher margins, specialty and nutrition products. The company is also targeting a higher revenue in the developed markets of the US and EU



Key Risks

The company operates in the agrochemical space which is cyclical in nature. Also, there is competition from China with aggressive pricing for the commodity chemicals.

As the company expands in the Pharma and GMP space, the company has higher compliance risks from FDA. Finally, the company also faces operational risks due to the hazardous nature of its products

Management has an aggressive 5-year plan and has made the necessary investments to transform the business from a commodity to a specialty chemicals business. The company faces execution risks to achieve the necessary results. Also, a slowdown in the global economy, especially the US due to tariffs and other uncertainties, could delay these goals

Scenario analysis

Current + Yr 3	H1	H2	H3
Sales	8000	9000	5700
OPM	17%	19%	15%
NPM	11%	12%	9%
Net profit	840	1080	513
EVEBDITA	20	22	10
Mcap	27200	37620	8550
Multiple	2.54	3.5	0.80

Mcap	10700

Hypothesis 1: Management expects 20%+ CAGR growth and operating margin improves to 17-18% as per management 5-year guidance

Hypothesis 2: This scenario assumes the top end of the management's 5-year goals in terms of topline and operating margin

Hypothesis 3: This is the pessimistic scenario where topline grows 10-11% and margin has limited improvement to 14-15% due to ongoing over supply issues from China

Conclusion

Jubilant Ingrevia Ltd., established in 2021 through a spin-off from Jubilant Life Sciences, is part of the Jubilant Bhartia Group. It operates in specialty chemicals, nutrition solutions, and chemical intermediates, producing over 165 products across five integrated manufacturing sites in India.

The company is a global leader in pyridine derivatives and Vitamin B3, emphasizing cost-effective, bio-based production. Its business aligns with growing sectors including pharmaceuticals, nutrition, agrochemicals, and industrial intermediates, benefiting from global trends like the "China+1" strategy.

Jubilant has initiated significant capital expenditures totaling ₹2000 crore (FY22-25) aimed at expanding specialty and nutrition segments to reduce cyclicality and increase margins. The company is also scaling the CDMO business in specialty chemicals and has received two large contracts with 3-4 more opportunities under discussion.

The company plans to triple revenue and significantly enhance profitability within five years, which will be the key factor for us to track

Q1- 2026 Results Analysis

Posted on 4th August 2025

You can read the detailed report on the company here to get a better context of the quarter.

The company reported a 1% topline growth, 29% growth in EBDITA and 54% growth in net profit for the quarter

The company has three main segments – Speciality chemicals, Nutrition & Health solutions and chemical intermediates as shown below

The **Specialty Chemicals segment** reported a 11% growth in topline and 52% growth in EBDITA. This growth was driven by pharma and Agrochemicals end segments. The company has signed 2 CDMO contracts and has started deliveries for the same. Also the pharma segment under the CDMO business has seen doubling of its opportunity pipeline

The **Nutrition and Health Solutions, segment** had a de-growth of 4% due to pricing pressure in Niacinamide (Vitamin B3) from China. At the same time Europe has introduced anti-dumping duty on choline chloride (Vitamin B4) which should benefit the company. Overall this segment faces pricing pressure, though management is ramping up its presence in the cosmetic and human nutrition along with 2-3 new molecules to improves the margin and topline growth

The **Chemical Intermediates segment** has been facing pricing pressures for the last 8 quarters. This has stabilized as demand is normalizing in the agri segment due to which margin improved from the previous quarter. Management feels that this segment has bottomed out and should improve in the future

Management continues to make progress on the capex front for the large Agro contract and the new MPP plant at Gajraula. There is no change to fair value and position size

You can find the financials of the company at Jubilant Ingrevia Ltd Financial Results – Quarterly & Annual, Quarterly Trends, Annual Trends |BSE

Type of Registration: Non-Individual Reg. No.: INA000004088, Valid till: Perpetual
Enlistment ID with IAASB - 1329
Address : B-101, Chinar Soc., Behind Subway, Kothrud, Pune-411038 +91 88060 58625
Compliance Officer – Kedar Ghaisas (91-8806058625 / admin@rccapitalmanagement.com)
Grievance Officer – Kedar Ghaisas (91-8806058625 / admin@rccapitalmanagement.com)
Corresponding SEBI Regional Office – SEBI Bhavan BKC, Plot No.C4-A, 'G' Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400051

Registration granted by SEBI, Enlistment of IA with IAASB and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors