



“IG Petrochemicals Limited
Q3 & 9M FY2023 Earnings Conference Call”

February 03, 2023

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**MANAGEMENT: MR. PRAMOD BHANDARI – CHIEF FINANCIAL OFFICER
– IG PETROCHEMICALS LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the IG Petrochemicals Limited Q3 and 9M FY2023 Earnings Conference Call. This conference may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pramod Bhandari, CFO, IG Petrochemicals Limited. Thank you and over to you Sir!

Pramod Bhandari: Thank you. Good evening everyone. On behalf of IG Petrochemical, I extend a warm welcome for joining us on the call today. On this call, we are joined by SGA our investor relations advisors. I hope everyone had an opportunity to go through the financial results and the investor presentation which has been uploaded on the stock exchange and our website. To begin with, I will like to give you a quick overview of recent development in chemical industry followed by the operational and financial performance of IG Petrochemical.

Given the distinctive advantages of the Indian market many chemical manufacturers in India has reaped the benefit of being an alternative supplier to the global market. Although in recent times, the chemical industry has been facing huge cost pressure due to multiple headwinds like strict COVID policy in China, policy tightening across the central bank, higher energy prices in Europe, other geopolitical uncertainties which has basically limited the overall consumption right from textile to paint in the global market. Despite multiple headwinds, many organised players have been able to sail through it and had a nominal impact on their business. Over the last few quarters, overall global freight cost has also normalized. The same has been mirrored in the import parity price of the many imported goods including phthalic anhydride. Phthalic anhydride is our main product and we have not only pioneered it in India but also we have imprinted our global leadership in it since our foundation. It is used an intermediate product to paint, plasticizers, resins, pigment, UPR and many other specialty chemicals, we produce phthalic anhydride, maleic anhydride, benzoic acid and recently started the production of advanced plasticizer at our plant at Taloja. We are delighted to say that our PA5 project which is the fifth project of phthalic is progressing well and we are targeting to commence the same by March 2024.

In terms of operational highlights before we move to quarterly results, let me give you a context of recent development in paint and end user industry. We have witnessed a few



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hiccups in the demand of the PAN during the quarter gone by specifically post festive season of Diwali, our product finds application in more than 20 user industry. Our revenue contribution from paint, plasticizer, and pigments are more than half and these markets are facing subdued demand in the global market mainly with China increasing the antidumping duties on CPC pigment which has demonstrated a slowdown and the shutdown of a few of CPC players in India which comprise around 15% to 20% of overall customer base. On the other hand US in October also introduced the antidumping duty of 400% on the UPR which has decelerated the overall demand of PAN however the same has been withdrawn in December and has increased the stock pile globally. Globally the UPR is an important and major market for PAN. During the year we observed that apart from increasing the stocks for the company, lot of companies because the prices was declining were destocking their stocks across the customer segment especially in UPR and pigment and the same has been echoed in price and the spread of PAN. Despite this we have showed a resilient performance in the overall business. Now we are seeing the uptake in the demand in January and February and going forward destocking is also over. Now we are seeing the good demand across all the segments.

Coming to our operating performance and the financial performance for the Q3 FY2023 the revenue stood at Rs.525 Crores a growth of 3% and EBITDA is 55 crores with a margin of around 10.5%. Overall margin has been affected primarily due to couple of reason: 8% to 10% drop in the volume, which has resulted into lower contribution of the MAN as well as the realization of PAN. We have made a provision of around Rs.11 Crores on account of forex of the Euro. Rs.8 Crores is reflected in the M2M and Rs.3 Crores is a part of the financial cost. Lower spread between OX and PAN in overall global market is also highlighted a few minutes back. Despite lower spreads we are able to register a profit of Rs.25 Crores. Had not it been the forex M2M and the lower of the production, the PAT margin would have been much better. On nine month performance the total revenue stood at around Rs.1764 Crores a growth of 29%. Revenue contribution from non phthalic businesses is at Rs.129 Crores a growth of around 36% which include mainly the maleic anhydride, benzoic acid and DEP. EBITDA for nine months stood at Rs.270 Crores. Operating margin at 15% and profit after tax stood at Rs.162 Crores a margin of around 9.2%. As on December, the company's net debt is negative by Rs.200 Crores that means that we have a higher cash than the debt. We have more than Rs.300 Crores of cash on the balance sheet right now.

Going forward, in our market per capita consumption many goods and services that finds application of PAN is still quite low. We anticipated good demand of PAN and will to continue to expand at healthy rate. This is because the rising income and ongoing



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government spending and focus on the infrastructure which will create a lot of opportunities for us. The long term story of India is still intact and the same has been voiced by many global agencies. Phthalic anhydride is a very essential chemical and finds end application in most of the other chemistries in the downstream. India still imports around 8,000 to 10,000 tonnes of phthalic in the domestic market. We are prominent manufacturer of phthalic. We are well positioned to capitalize the upcoming demand. On the other end we continue to explore the opportunity in the downstream derivative segments and committed to diversify our product portfolio. Revenue contribution from non phthalic anhydride has also been growing at a healthy rate. We believe that we have laid a strong foundation for our future. We will continue to maintain our growth trajectory. With this, we will open the floor for the question and answer. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Aditya Khetan from SMIFS Institutional. Kindly proceed.

Aditya Khetan: Thank you Sir for the opportunity. Sir the first question into your initial remarks you mentioned that China has imposed some antidumping duty? If you could give more clarification of what was that? I missed that point?

Pramod Bhandari: So basically they have put the antidumping deputy on the CPC and the pigment so a lot of players in India which are generally manufacturing in India and selling it to China they find it very difficult. That was the one part and second part is COVID disturbance in the China, that has resulted into the lower demand in Phthalic selling in CPC segment. All the players of the CPC are our customers.

Aditya Khetan: Okay and also similar antidumping duty on UPR is imposed in US that has also led to that?

Pramod Bhandari: In October, November and December, during October they have imposed 400% duty. On the UPR a lot of Indian players are selling their final product of UPR to US. They put the duty in October and withdrawn in December.

Aditya Khetan: Okay so how is the demand right now like are we witnessing?

Pramod Bhandari: Right now I think looking at the last quarter in the performance of the demand the quarter which we are starting right now the demand is very good. In fact the guys who have done the destocking of their product demand is coming from both sides. First they need to stock and second there is a demand for the actual product. So what we have seen in last quarter is you can say exceptional cases where everything happens together the China, the US and overall demand and now the demand will again get back to the normalcy.



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- Aditya Khetan:** Okay but did antidumping duty in China so that remains, so now we have to wait and watch and see if the demand picks up?
- Pramod Bhandari:** That is why we have seen the slow pickup in the CPC and pigments, but we are not that much worried because we have diversified. We have supplied to almost all the chemical industries but in that side slightly the growth is we are able to see the growth, but it is slow compared to the other segment.
- Aditya Khetan:** Okay and Sir the volumes for the quarter you mentioned they have also declined by 8% to 10%?
- Pramod Bhandari:** Typically we have 50,000 to 53,000. This time we have around 49,000. That is our production. Typically we sell 50,000 to 51,000. This quarter we sold 46,000.
- Aditya Khetan:** 56,000?
- Pramod Bhandari:** 46,000 8% to 9% lower so that has resulted into the lower.
- Aditya Khetan:** It is because?
- Pramod Bhandari:** It was a shutdown for 25 days for two of the units so as to hook up with them for PA-5.
- Aditya Khetan:** 25 days shutdown we had taken okay?
- Pramod Bhandari:** That is small. 10 days for one and 15 days for another.
- Aditya Khetan:** Okay so next quarter definitely there would be volume growth at least we can expect?
- Pramod Bhandari:** There will be a volume growth or you can say normalcy in the value. Again 50,000 to 52,000 per quarter.
- Aditya Khetan:** Got it Sir. Sir into the export side so we had witnessed that in the months of October, November and December there was were huge inventory which has been lined up and because of that and demand has started to weaken hence we had seen lot of inventory liquidations across the globe so how is the export market now shaping up?
- Pramod Bhandari:** Export is good. We sold more than 6000 tonne in export. Exports are doing very well but now the domestic demand is also good. Generally we maintain the same of 10% to 15% of our products to be sold in export market and 80% to 85% in domestic market.



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- Aditya Khetan:** And domestic demand is anywhere strong so there is no big impact?
- Pramod Bhandari:** Yes. It is the same. Now it has come to normalcy. I think there was some disturbance in November and December post Diwali.
- Aditya Khetan:** Okay Sir if you can share the revenues for the DEP business for the quarter?
- Pramod Bhandari:** So all the DEP, maleic and everything was Rs.15 Crores, because the maleic prices has gone down so typically we are expecting Rs.20 Crores to Rs.25 Crores of the revenue from maleic but this time since there was a shut down the lower production of maleic and the price realization on maleic was also on lower side so Rs.15 Crores was the revenue from maleic.
- Aditya Khetan:** Rs.15 Crores both from maleic and from DEP?
- Pramod Bhandari:** It is the same Rs.14 Crores to Rs.15 Crores and Rs.7 Crores is the other income which is the interest income of the investments.
- Aditya Khetan:** Got it. Sir onto the spreads part now Sir we are again back to the historical spreads like where we used to make around \$150?
- Pramod Bhandari:** Yes typically it was around \$100 for the last quarter. Now we are running between \$170 to \$200 again which is historical average.
- Aditya Khetan:** So this quarter was around \$100 per tonne but current spreads are \$170 to \$200?
- Pramod Bhandari:** Correct.
- Aditya Khetan:** Okay Sir is there any impact on?
- Pramod Bhandari:** One point which I need to highlight is the results was impacted because we have debt facility for PA- 4 in Euro and we have provided Rs.11 Crores on account on M2M charges on the forex and depreciation of the Euro from Rs.79 to Rs.88 against the Euro versus the Rupee in one quarter so we need to provide Rs.11 Crores on M2M and forex exchange gain and loss. This Rs.8 Crores been provided in forex exchange gain and loss and Rs.3 Crores has been provided into the financial cost.
- Aditya Khetan:** Got it Sir. Sir just one last question. Sir on the prices Sir for this quarter we were witnessing Ox prices were moving up quite fast and current trend also you can take around Rs.95 to



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Rs.100 a kilo? How do you see the trend Sir right now considering the phthalic anhydride prices they are not moving up but the spreads are declining so what is your outlook on to the OX prices only?

Pramod Bhandari: So I think it is very difficult to predict the prices of the crude oil or any of the intermediary product of the petrochemical. I think we are not worried about what are the prices of OX. We are just looking at what is the margin so even if prices are Rs.85 or Rs.90, it does not matter for us because we have made sufficient banking limit to take care of the raw material requirement. What we are always concentrating on is the margin. Right now the margin is fairly between \$170 to \$200.

Aditya Khetan: So for the current quarter in terms of demand for where it can take any impact?

Pramod Bhandari: I think I would like to avoid the question about the forward looking. I think for the next quarter our board meeting is expected in May. We can discuss about that.

Aditya Khetan: Sure Sir. Thank you Sir. That is all.

Moderator: Thank you. The next question is from the line of Nirav Jimudia from Anvil Research. Kindly proceed.

Nirav Jimudia: Sir in your opening remarks you mentioned that pigments had an impact in Q3 so if you can just help us explain that when we started this financial year or probably H1 of FY2023 and take it on a base of 100 so let us say the demand was 100 when we started the year or probably in H1 how much the demand has fallen in Q3 and from that Q3 levels how much it has improved now so if you can just share?

Pramod Bhandari: You are talking about only CPC and pigment.

Nirav Jimudia: Yes so pigments

Pramod Bhandari: We typically sell between 10% to 15% of our overall production to the CPC and pigment segment. I think India has four or five plants. Out of that three or four plants are shut during the one or two months and now the plant has started but demand has picked up to 50% to 60%. Still we are yet to see the full demand pickup in the pigment segment.

Nirav Jimudia: Sir so let us say on a quarterly basis if our sales volumes is 50,000 tonnes we typically sell something around 7,000 to 8,000 tonnes?



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- Pramod Bhandari:** Yes 10% to 15% correct.
- Nirav Jimudia:** Yes so 7,000 to 8,000 tonnes that demand has fallen to literally nil or let us say a few thousand tonnes and that has now recovered 50% so 15% of 7,000 tonnes right?
- Pramod Bhandari:** Correct 3000 to 3500.
- Nirav Jimudia:** Got it
- Pramod Bhandari:** It keeps on changing every quarter and every month based on the demand. I think the China anti dumping duty is one part. Second there were some challenges in the China because of the COVID because China has opened up. We are able to see the gradual improvement in the demand.
- Nirav Jimudia:** Correct Sir the second question is on the new phthalic anhydride plant which is going to be commissioned by March so when we compare across all phthalic plants which we have set up whenever we have some interaction you mentioned that every time we used to have some cost advantage over the previous phthalic plants so if you can just walk us through the cost advantage in terms of the new phthalic plant vis-à-vis the latest plant which we have commissioned that would be helpful?
- Pramod Bhandari:** So basically every phthalic plant advantage is because the plant is at the same location so all the utilities, infrastructure and land which you need to have for a new plant will not be there number one. Number two manpower is almost same except some labors in lower level management people are recruited. So all management costs will remain more or less same so overall cost of production which is typically 120 when we started first plant to 150. Right now for the conversion courses it is \$75 to \$80 for the new plant which is the lowest.
- Nirav Jimudia:** Correct so it is safe to assume that so whenever this new phthalic plant will come probably the cost would be again 15% to 20% lower than this existing setup ?
- Pramod Bhandari:** correct.
- Nirav Jimudia:** Sir thanks a lot Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Rajesh Jain from NB Investments. Kindly proceed.



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Rajesh Jain: Goodevening Sir. I did not get this non maleic sales? You said Rs.15 Crores or Rs.15 Crores plus Rs.15 Crores?

Pramod Bhandari: So Rs.15 Crores for maleic , Rs.15 Crores for DEP and Rs.7 Crores for interest in the investments.

Rajesh Jain: So total Rs.30 Crores plus Rs.7 Crores and what is the EBITDA for this segment Sir for these non maleic products?

Pramod Bhandari: It is not possible because maleic whatever is the revenue is the EBITDA because there is no other raw material is required so maleic of course today the prices of the maleic in the last quarter has gone up around 10% to 20% below phthalic so for us there is no challenge because whatever is the revenue we generally expect between Rs.20 Crores to Rs.25 Crores quarterly basis. This time because the production was low and the pricing was low we were able to realize around Rs.14 Crores to Rs.15 Crores and there is no specific EBITDA you can assign because it will be wrong to assign because there is no raw material involved. You are realizing that maleic from the wash water of phthalic.

Rajesh Jain: Sir what is the reason for this weakness in the demand for maleic?

Pramod Bhandari: I think the key reason was the China which has set up a lot of plants for the purpose of using the maleic for the BDO, PBT and PBAT. Since lot of PBAT, PBT & BDO plant has started and does not have direct demand so they are trying to sell a lot of maleic in the international market which has compressed the margin for maleic. However, having said that the pricing was around 800 to 900 now it has improved to around 1100 to 1200 for maleic.

Rajesh Jain: So the way you are saying it looks like from Q4 things would be back to normal or would it take one more quarter for the maleic?

Pramod Bhandari: For maleic it is improving gradually. I believe that once it is fully improved you will be able to see the impact in the market. Right now at fully improved level the revenue from the maleic at full production we are expecting around Rs.20 Crores to Rs.25 Crores of which will be annualized Rs.100 Crores.

Rajesh Jain: Okay and Sir my next question is if you see this quarter sales, it is around Rs.518 Crores and similarly in last year March quarter we had almost Rs.517 Crores. Now the net profit made during March was Rs.73.6 Crores whereas this time it is Rs.25.5 Crores? Now you



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have already given me the currency loss of around Rs.11 Crores so that means whatever the difference is all due to low realization in the phthalic?

Pramod Bhandari: That is right, lower production of phthalic and maleic and lower realization of maleic.

Rajesh Jain: Lower realization of both the products as well as the volume also?

Pramod Bhandari: Correct.

Rajesh Jain: Sir my third question is like we have given an announcement about formation of a subsidiary if you could give some details about that?

Pramod Bhandari: So the company is exploring the opportunities for the downstream product as well as marketing of the phthalic product as well as sourcing of orthoxylene. For that purpose we thought to set up a subsidiary and maybe we may be setting up the office also for that purpose.

Rajesh Jain: And lastly you were already has some spare land and scouting for new land also regarding for the downstream products any latest update on that?

Pramod Bhandari: I think it is under progress. Once we finalize we will be able to inform. The land is not that easy transaction to go ahead with. A lot of due diligence is required. That is under process right now.

Rajesh Jain: Okay Sir this is we have been hearing for the last few quarters so what I wanted to ask is till the PA5 comes into stream will the management do not want to venture into any other capex related?

Pramod Bhandari: We are simultaneously working on two or three projects so right now it will not be fair to share the details because it is to be approved by the board. Once we finalize it whether it is land or the project it will directly come into the board and public domain. Till that I would not like to prefer to comment on it?

Rajesh Jain: Fair enough Sir. Thank you very much wish you all the best Sir.

Moderator: Thank you. The next question is from the line of Yogesh Tiwari from Arihant Capital. Kindly proceed.



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- Yogesh Tiwari:** Good afternoon Sir. Sir my first question is after the new plant comes up the PA-5 what would be the blended cost of production for our company for phthalic anhydride approximate?
- Pramod Bhandari:** I think it is slightly 5% to 7% lower than what it is today. Conversion cost today is around \$80 to \$100. It will be \$70 to \$75 conversion cost. Apart from that there is a fixed cost of manpower and all that so you can say 4% to 5% lower than blended compared to what it is today.
- Yogesh Tiwari:** Sure Sir and Sir in terms of the new PA-5 coming what would be the incremental production we can do for maleic anhydride?
- Pramod Bhandari:** So for phthalic it will be 50,000 to 53,000 tonnes and maleic we are expected to add around 2500 to 2600 tonnes so today we are expecting 7000 to 7500 from maleic. It will be 10,000 tonnes around plus or minus 2% to 3%.
- Yogesh Tiwari:** Sure Sir and Sir lastly just on the raw material so is there any increase in ortho xylene prices in the coming quarter?
- Pramod Bhandari:** Ortho xylene prices for the last quarter which we are talking about has moved from Rs.95 to say Rs.80 and right now it is hovering around between Rs.80 to Rs.85.
- Yogesh Tiwari:** Sure. Thank you that is all from my side. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Alakmar from iThought PMS. Kindly proceed.
- Alakmar:** Good evening Sir. I have a couple of questions. My first question is how effective is the antidumping duty to curb the dumping of PAN into the country like have you seen any instances from the suppliers will bring some other ways to work on this duty?
- Pramod Bhandari:** So antidumping duties was in place for a couple of years back. Then it has been removed. Then it has been added for some of the countries. For some of the players it is there. Some of the players for the same country it is not applicable. It is generally the country wise and player wise so right now in some of the places there is antidumping duty and that is also liberalized one. That means it is in some places it is basically 5%, 7%, and 8%. The slabs has been given so antidumping duty is generally applicable in case there is too much dumping happening from outside India but as you know that India is deficit of 1 lakh tonne so in any case 8000 to 10,000 tonne is imported in India. Last quarter when the demand was



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low in India you have seen the overall import in India has also gone down from 25,000 to 26,000 tonnes to 15,000 tonnes but so long as the demand is there more than what is supplied in India import has to happen irrespective of duty so right now you can see little impact of duty because right now what is imported in India is actual requirement which is deficit. The deficit because also we are also exporting 10% to 15% plus the actual deficit. Both put together India has to import that.

Alakmar: Okay another question is like i what is the industry sector of phthalic anhydride globally like has the industry consolidated amongst players which is fragmented?

Pramod Bhandari: So I think in the global market overall in the phthalic side there is no as such new plant is coming up because everybody which has a refinery cum petrochemical they have phthalic but phthalic is less than 1% of the overall scheme of when you were talking about the big player and no new production is expected to come up so when we see the demand is going into downstream lot of new industries like UPR, specialty chemical, agrochemical, phthalic demand not only the existing players the demand in downstream has gone up but also the number of industries it is catered to has also gone up so we see the good demand going forward for the phthalic and no new excess capacity is being built up. As you go into various downstream industry in the various chemistries everywhere phthalic is the intermediate and required. We do not find any problem or challenge in terms of the overall demand.

Alakmar: You talked about the application of PAN in specialty chemicals so can give some specific applications of this PAN in specialty chemical segment?

Pramod Bhandari: So lot of specialty chemical I will not give you the exact detail but I can give you like Laxmi, Deepak Nitrite, Deepak Fertilizers, Meghmani Organics. Lot of specialty chemical companies are buying the phthalic and it is required in various small chemistry. I do not have right now the detail about the individual product but almost all the specialty chemicals buy the phthalic.

Alakmar: Thank you. That is it from me.

Moderator: Thank you. The next question is from the line of Aditya Khetan from SMIFS Institutional. Kindly proceed.

Aditya Khetan: Thank you for the followup. Sir how is the import trend is like? I believe Sir I was checking the government data? For the month of October and November we are witnessing some



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increase in imports because of normalization of demand and supply so on that we are witnessing imports also have started to increase how are you looking at this?

Pramod Bhandari: So import for the last quarter has gone down from 25,000, 26,000 tonnes to 15,000 to 16,000 tonnes. Import is generally equivalent to what is the deficit demand that means if demand is X and production is X-10 so 10 has to be imported, so we are seeing right now import in line with what is the requirement in India. We do not see the excess import in India.

Aditya Khetan: Okay but trend is similarly only?

Pramod Bhandari: Typically it is 8000 to 10,000 tonne or 10,000 to 12,000 tonne every month but last month it was 5000 to 6000 tonne lower in terms of the overall lower demand. As I mentioned in my earlier discussion it is because of the pigments, UPR segment slightly there is a deterioration in the demand in that segment. The import was also low and overall domestic sale was also low.

Aditya Khetan: Okay but Sir if the demand is weak but the supplies are constant right?

Pramod Bhandari: No supply was constant but earlier it was 8000 to 9000 tonne import. This time it was 4000 to 5000 tonne import. We also from typically from 3000 to 4000 tonnes sold more than 6000 in export. It is basically every industry needs equilibrium. It is a lower demand in domestic market you sell export. Similarly the input volume has also gone down so it affects both the sides and reflected in both the sides.

Aditya Khetan: Okay Sir apart from our existing expansion into the phthalic anhydride so is there any expansion which has been lined up into the downstream apart from the maleic anhydride which anyways will be expanding? Apart from it like so going into a new downstream chemistry or adding capacity for DEP more is there anything like into the downstream which we have?

Pramod Bhandari: I think we are working on that. I think at appropriate time we will be able to disclose all the information. Right now the information is under discussion and once it is approved by the board it will be discussed and informed to the analyst investors as well as stock exchanges.

Aditya Khetan: Okay Sir.

Moderator: Thank you. The next question is from the line of Anshul Mittal from Care Portfolio Managers Private Limited. Kindly proceed.



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- Anshul Mittal:** Sir actually I am sorry I missed the first half of the call. I just wanted to ask the current spreads and I know the sustainable for us is between 150 to 200 but what are the current spreads and how it has panned out in last three months? Also what are the current maleic prices and demand for maleic as well?
- Pramod Bhandari:** So the last quarter it was 100 and right now it is between \$170 to \$200. Maleic prices which has gone down to as low as \$800 to \$900 last quarter right now which is between \$1100 to \$1200.
- Anshul Mittal:** Sir currently the demand was impacted only because of this pigment and UPR segment and how are we planning?
- Pramod Bhandari:** Mainly these two segments. Now because the UPR again it has restored back because the US has scraped the duty. Pigment it is gradually improving because there was an impact in China because of COVID also which is also receding and we are seeing good uptake in that demand also progressively.
- Anshul Mittal:** So what is the sustainable set of margins which with are expecting in FY2023 going forward?
- Pramod Bhandari:** I think I would like to avoid to give any margin guidance but we expect that margin needs to be healthy because there is a good demand in domestic as well as international market and that very few limited supply available in international market.
- Anshul Mittal:** Okay Sir and last question from my end for the capex PA5 which we are planning so has it started?
- Pramod Bhandari:** Capex out of I think we have spent already Rs.150 Crores plus and completed almost 80% to 85% and we are targeting to complete it before March 2024. As I am talking about capex I think construction is also completed more than 50%.
- Anshul Mittal:** Because of this inflationary environment has the cost for capex increased?
- Pramod Bhandari:** No exactly because most of the capex was tied up in imported data that was freezed at that period of time and it is funded through debt sometime because it is five to seven year debt. There are MTM charges which you need to provide because of the fluctuation in the exchange rate which in this quarter the profit would have been Rs.30 Crores to Rs.33 Crores but we have provided Rs.11 Crores on account of the foreign exchange M2M



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charges. Of course there is no cash outflow but you need to provide as per the Indian Accounting Standards.

- Anshul Mittal:** Ok understood Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Nirav Jimudia from Anvil Research. Kindly proceed.
- Nirav Jimudia:** Sir thanks for the opportunity again so Sir based on the consumption phthalic in India I was doing some math so is it safe to assume that the plasticizer demand in India is closer to 1 million tonne all the three plasticizers put together?
- Pramod Bhandari:** I think it is expected to touch right now I understand that demand is around 5 to 6 lakh tonne. It is growing at 10% to 15%.
- Nirav Jimudia:** Okay correct and we are into the DEP right so out of the three major plasticizers being produced in India we are into DEP so rest of the plasticizers are produced by some unorganized players or is it?
- Pramod Bhandari:** No it is downstream one or two players are producing and we are also evaluating opportunity regarding getting into the downstream.
- Nirav Jimudia:** Okay so generally if we understand or if you want to understand the capacities which we may be evaluating or let us say we may be thinking of putting up in the future what is the asset turnover are for this sort of plasticizer if you can just share your perceptive?
- Pramod Bhandari:** So I will not like to comment on which one.
- Nirav Jimudia:** I do not want to know the product name or specific to the product but what sort of asset turnovers are there for this?
- Pramod Bhandari:** Typically in a plasticizer where the raw material is phthalic and others like alcohol and all that but asset turnover ratio is around five to six times. That means if you spend Rs.150 Crores then you will have a sale of around Rs.1000 Crores to Rs.1100 Crores so that even at 4% or 5% return your payback period is less than three years.
- Nirav Jimudia:** Got it and Sir the second question is on phthalic so are we seeing some capacities building up at the global level so are we hearing something on capacity expansion by the existing players or somebody new?



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- Pramod Bhandari:** In global level no, but in India I guess IGPL is under construction. Another two players are also looking at, one is looking at expanding capacity. One which is the customer is also looking to set up the capacity to fulfill their end need. Now India is very a growing market and I expect India of course I do not want to give any forward looking statement but I believe by next eight to 10 years say by 2030 India will be near about 1 million tonne of requirement of phthalic.
- Nirav Jimudia:** Okay which is currently four lakh tonnes?
- Pramod Bhandari:** 4 to 4.5 tonnes.
- Nirav Jimudia:** Got it Sir. Thanks a lot for the opportunity again and all the best.
- Moderator:** Thank you. We have the next question from the line of K B Sankara Rao an Individual Investor. Kindly proceed.
- K B Sankara Rao:** Mr Pramod I am just trying to understand the comparison between last quarter and this quarter so last quarter Rs.55 Crores, this quarter it is 30 crores, on the conservation so far I have understood three different reasons? One is the demand draft from about 50 to 52 to around 46, 45 to 5% drop that is one reason? The second is provision of Rs.11 Crores that we had made in this Q3 that is the second reason? The third is the price drop in phthalic and maleic? These are the three reasons right? Is it possible to split the Rs.30 Crores drop between the three reasons just to help us to understand?
- Pramod Bhandari:** So basically you can say Rs.10 Crores each. Rs.10 Crores for maleic, Rs.10 Crores for M2M and Rs.10 Crores for others.
- K B Sankara Rao:** Okay thanks a lot.
- Moderator:** Thank you. The next question is from the line of Chirag Vekharria from Budhrani Finance. Kindly proceed.
- Chirag Vekharria:** Sir just wanted to understand from you during this Q3 where you are saying the spread has shrunk what was the worst spread or the lowest spread that you saw in Q3?
- Pramod Bhandari:** The lowest spread it is about 100. I think lowest means you cannot talk about.
- Chirag Vekharria:** For Q3.



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- Pramod Bhandari:** You cannot talk about the spread for a one day. In one day suppose it is even 60-70 you are selling generally on the business of 15 days average, so one day spread does not matter so ultimately it was around 100. Sometime it is 90, 110, 120 and sometimes 80 but we have never seen the spread going below 80 because whenever it goes to 80 it again comes back to 100 because 100 to 120 is the convergence course for most of the players in the world. Actually if you look at Europe and America conversion cost is 120 to 150. If you say it is below 150 that means they are making losses so that is the reason if the spend goes down it comes back very quickly.
- Chirag Vekhar:** You are saying that if it goes below 100 then the cost of production is also \$100 and other players will start making loss you are saying right?
- Pramod Bhandari:** Correct.
- Chirag Vekhar:** Okay so 100 has to sustain and Sir if that is the case for IGPL if we are at a spread where we do not make any money then from MAN , BA everything comes to gross profit right? From there we are making money right?
- Pramod Bhandari:** Yes. From that as well as the operational efficiency in terms of current and all, all put together will make money.
- Chirag Vekhar:** Sir I just missed that number this Rs.524 Crores of top line you said non phthalic is how much Sir from Rs.524 Crores?
- Pramod Bhandari:** It is Rs.15 Crores for DEP, Rs.15 Crores for maleic and Rs.7 Crores for the interest on investments and fixed deposits.
- Chirag Vekhar:** Okay Sir. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of K B Sankara Rao an Individual Investor. Kindly proceed.
- K B Sankara Rao:** You mentioned three reasons for the drop from Q2 to Q3 Mr Pramod, is it demand drop?
- Pramod Bhandari:** It is not demand drop. Basically it is other way around you need to look at the overall volume drop basically.
- K B Sankara Rao:** Volume drop it is corrected in Q4 is my understanding? The second is price also is corrected? That also has improved from \$100 to \$172 to \$200 right?



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- Pramod Bhandari:** Yes.
- K B Sankara Rao:** Will there be any provision in the Q4 any possibility?
- Pramod Bhandari:** Provision for M2M for forex?.
- K B Sankara Rao:** Correct
- Pramod Bhandari:** I will not be able to mention because provision is based on Rs.89 Euro rate today which is peak up till now so I would not like to predict the rate. Euro is 89 today and I believe it will go down from 89 so you will see M2M gain some gain has to be there. Let see because it is very difficult to predict.
- K B Sankara Rao:** But possibilities?
- Pramod Bhandari:** Having M2M provision is very remote. It may be some gain over the period of next few years because the loan is for six to seven years but you need to provide every quarter as per accounting standard.
- Pramod Bhandari:** Okay got it. Thanks a lot.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Pramod Bhandari for closing comments.
- Pramod Bhandari:** Thank you very much friends. I would like to conclude this call. If you have any queries please get in touch with SGA our investor relations advisors or send us the mail. Thank you everyone for joining this call.
- Moderator:** Thank you. On behalf of IG Petrochemicals Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.