



“I G Petrochemicals Limited Q2 and H1 FY '24 Earnings Conference Call”

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**MANAGEMENT: MR. PRAMOD BHANDARI – CHIEF FINANCIAL
OFFICER, I G PETROCHEMICALS LIMITED**



Moderator: Ladies and gentlemen, good day, and welcome to I G Petrochemicals Limited Q2 and H1 FY '24 Earnings Conference Call.

This conference call 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 “*” and 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. Thank you and over to you, Mr. Pramod Bhandari. Go ahead, sir.

Pramod Bhandari: Thank you very much. Good afternoon, everybody.

On this call, we are joined by SGA, our Investor Relation Advisor. I hope that everyone was able to review our financial results and the investor presentation, which were uploaded on to the stock exchange and our company website.

After providing a quick overview of recent industry development and IGPL progress, we will proceed towards the operational financial highlight.

During the year, which is the six-month ended September, prices of the petrochemical products are swept by the multiple factors including the Central Bank policy for the tightening, weak demand in China, which led to the increased inventory across all the chemical sector companies.

Q2 saw a slight increase in the price of Phthalic Anhydride, although the demand continued to remain fragile for certain end user markets. We are seeing a sign of demand revival. We expect price and demand to be stabilized in the next one or two quarters.

IGPL being a market leader and one of the lowest cost suppliers of Phthalic in India, our portfolio includes the Maleic Anhydride, Benzoic Acid, and DEP, which is the advanced plasticizer, which we started around one-and-a-half year ago.

Domestic demand of the PAN is expected to around 450 to 480K MTPA and is growing at a CAGR of around 5% to 6% every year. Further, the usage of the Phthalic Anhydride has grown significantly in last few years due to the multi-purpose usage of Phthalic as a raw material or as an intermediate by most of the downstream chemical companies.

In terms of our expansion of 53,000 tons at our existing location at Talaja is on track. We are expected to complete it by March. We are planning to start the trial run probably in December



and Jan. Following the implementation of PA-5, our total capacity of Phthalic Anhydride will increase to 275,000 tons. This expansion will lead IGPL to be the next leg of growth.

We have successfully stabilized the DEP business, which is one of the key advanced plasticizers. We are also assessing a couple of more downstream derivatives, few more plasticizer product to add to our overall product portfolio. We will announce more details whenever it is finalized and approved by the board.

For the quarter ended Q2 FY '24, the total income stood at around Rs. 509 crores with a decline of around 11%. EBITDA was around 33 crores with a margin of around 6.5%. The margin has been subdued because of the lower spreads as well as the lower volume of our production due to the shutdown of PA-4 for changing the catalyst for 27 days, and margin was around \$80 to \$100 compared to an average of \$150 to \$200 for last couple of years.

For the half year ended, the total revenue for the first half was Rs 1,072 crores, which is a decline of around 13% on year-to-year basis. That is mainly on account of the lower volume because of the shutdown, lower margin of Phthalic, lower realization on the Maleic Anhydride, and some extra charge which has been provided during last quarter because of shutdown which is Rs. 6 crores to Rs. 7 crores of the repair and maintenance as well as the energy which is required when you shut down the plant and again restart your plant.

EBITDA for the first half of '24 stood at 100 crores with an operating margin of around 9.3%. As of September, our company is net debt free. With the strong balance sheet and cash flow, we expect cash flow to continue to remain strong post PA-5 expansion, which will further strengthen our company balance sheet.

We believe we established a solid foundation for the future by focusing on a long-term expansion plan. The company foundation is robust enough to resent any volatility despite a few quarters of sluggish demand, which we have been witnessing in the last probably three to six months.

With our increased capacity, we will be in a good position to capitalize on our upcoming opportunities such as rising domestic demand and import substitution. We will continue to evaluate and add new product to our product portfolio, which will facilitate our expansion into new markets and new end users.

With this, I would like to conclude this presentation and open the floor for question answer. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kumar from TCS. Please go ahead.

Kumar:

So, I got couple of questions. My first question is that I remember last year we had mentioned in the ConCall that the company would be able to generate a minimum net profit of around 50 crores per quarter, but then the company is falling very short of that for the past one year or

maybe three to four quarters. So, I just wanted to know the reason behind that and what steps the company will be taking for that minimum target?

And my second question is about the Greenfield expansion project. Because in 2021, the company had announced that project to the tune of 600 crores. So, is that project still on or what's the update on that Greenfield expansion project?

Pramod Bhandari:

So, let me answer your first question first. Your question is regarding the margin. The company has made around 40 to 50 crores of PAT for the last consecutive eight quarters apart from the last six month, and nobody can certainly give the guarantee about the profits. It all depends on the margin, but in terms of the operation, the company is consistently performing in terms of the capacity utilization and selling the product in the market.

Having said that, the margin if you ask me today in the market was around \$80 to \$100, which was negative. That was one of the key reasons that profitability was impacted. The second reason is company is producing the Maleic Anhydride, which is roughly 7,100 tones today. Post PA-5, it is around 9,000. Realization from Maleic is typically for last 10 years is 10% to 15% higher than the Phthalic. But today, the Maleic price is around 10% to 15% lower than the Phthalic Anhydride rate. So, that is one of the key reasons.

So, today, when we are talking about, we need to have around 100 crores to 120 crores of revenue from Maleic and post PA-5, 150 crores, but right now the annualized revenue is around 60 to 70 crores because the prices of the Maleic has gone down drastically in last six to nine months. So, that was the key reason. The guarantee I think we will not be able to give the guarantee for the profitability, but we can assure you about the operational excellence and overall cost optimization.

Your second question is in terms of the expansion. I think PA-5 is on track. We will start December and January the trial production, and probably before March, it will be a commercial production for PA-5.

Kumar:

Sorry, I was talking about this Greenfield expansion, which you had announced in 2021.

Pramod Bhandari:

2021, the expansion which we have announced is about PA-5 and plasticizer. PA-5 is just completed in next couple of months, say, December to March, and another expansion of the downstream derivatives, there we are evaluating various plasticizers. I think, we have applied to the Government of India for the environment clearance. Once we are able to get the clearance and subject to the Board approval, we will be able to announce the same. It will take around 15 to 18 months for implementation.

Kumar:

So, that is to the tune of 600 crores, right?

Pramod Bhandari:

No, this project which is the Phthalic is around 350 crores. That project will be between 150 to 200 crores.

Kumar: No, there are two expansions, right? One was the Brownfield expansion, that is the PA-5, which is currently going on, and the first one which you had announced was about the Greenfield expansion which was a totally new expansion to be set up in Gujarat.

Pramod Bhandari: Yes, that has split into two parts. One part is the PA-5, which is completed. The second part is the downstream plasticizer. So, 350 plus 200 is 550.

Moderator: Thank you. The next question is from the line of Aditya Khetan. Please go ahead.

Aditya Khetan: Sir, in your opening remarks, you mentioned that the demand is muted. So, which are the segments, like the plasticizer, paints, pigments, which segments like hasn't shown that pickup?

Pramod Bhandari: So, basically, the paint industry is doing well. Specialty UPR is doing well, but the biggest impact is coming on the CPC and pigment. There the guys are operating around 50%, 60% of the capacity. That is because of the turmoil in the Europe, demand sluggishness in Europe, and impact from China. So, that is the one segment.

And second, the plasticizer demand, I think, more or less stable, not growing very well. Right now, the plasticizer and pigment are the two segments which comprise around 20% to 30% of the overall sale. They are not in a good position right now in terms of the overall demand and the growth, but we expect that after March, we will see an improvement in this. And that is not because of the domestic market. Domestic market demand remains the same. Whoever is dependent on the exports, like if the downstream industry is selling the product to Europe or China or other places, that has been impacted heavily.

Aditya Khetan: But sir, our export, so that is very minimal. So, like we are not materially impacted on the export side. Because the domestic pigment players are impacted, so we are taking that.

Pramod Bhandari: Yes, I am not saying about our impact. We are selling 10% to 15% to generally Middle East. I am saying the downstream sector. If they are impacted, of course, there will be a sluggishness in the demand from their side.

Aditya Khetan: And sir, onto the spreads part, as you mentioned like we are at \$80 to \$100 per ton, so like, sir, these spreads I believe, sir, like in '20 just so before COVID only, I believe, so we were at the same level of spreads like \$80 to \$100 per ton.

Pramod Bhandari: I think in 2020, the difference in terms of the margin was at that time the crude has touched to zero. The margin has collapsed because of some geopolitical issues which have taken the crude to negative. So, this time the overall geopolitical issues, supply chain issues in the various parts of the Europe as well as the issues, the GDP of China, which is around 37% of the chemical production, their GDP has gone down from 8%, 8.5% to now 4.5% to 5%. So, overall, in the global market, apart from India, India is growing extremely well, but the sectors which are depend on the export of their chemicals, that has got impacted.

Aditya Khetan: So, sir, now since you are also expecting a pick-up, like, probably by February or March, so we can expect margins also to remain at the same level for the next two quarters.

Pramod Bhandari: I think we need to disengage with two. First, the demand is the one part which will improve once there is a improvement in the downstream segment. When we are talking about the margin, margin is global phenomena. By increasing the demand in India, margin is not going to change.

In the global market, the overall sentiment of the entire chemical sector has to improve to margin to improve. So, once it starts, it will be reflected on for all. If you look at all chemical players, the margin has swept in the last two quarters. So, if global demand improves, then you see the improvement in the margin. Right now, we are at the bottom of our margin. There IG is making minimal profit. Lot of guys will be making cash losses.

Aditya Khetan: So, suppose for this quarter, suppose, sir, if we exclude the Phthalic Anhydride EBITDA, so like how much EBITDA would be contributed by the Maleic Anhydride?

Pramod Bhandari: Maleic was around 14 to 15 crores. Sorry, 12 to 13 crores. DEP was 24 crores. Phthalic I am saying the revenue. I am talking about the revenue. And the other income was 8. So, you can say that we have marginally or make nil to marginal EBITDA in Phthalic. Balance is all other products and operating efficiency.

Aditya Khetan: So, sir, at least at the bottom line, Phthalic Anhydride is negative.

Pramod Bhandari: Yes, not negative. No profit no loss, and we have spent around 7 to 8 crores for change in catalyst. The catalyst is being taken in three years, but the energy cost if you see compared to the last quarter, we have spent 6 crores to 7 crores extra in the energy cost and around 1 crore to 2 crores on the repair maintenance. So, 8 crores to 9 crores has been put specifically as a one-time charges in the P&L.

Aditya Khetan: That would reverse next quarter, okay, along with the ramp up in running.

Pramod Bhandari: I think let's understand it, because IG will have five plants at the end of next 3 months or 4 months. So, every 3 years you need to take a shut down. So, every year, there will be two shutdowns. Probably, in the third year, it will be one shutdown. So, every year there has to be one or two shutdowns for IGPL.

Aditya Khetan: And sir, just a clarification onto your this 200 crores expansion of plasticizer. So, sir, do we have some plan like current....

Pramod Bhandari: That is under evaluation. Request has been put for the environmental approval. Post that, it is approved by the Board, and then it will be implemented. It's subject to final approval from the Board.

Aditya Khetan: Also having in place that 8,500-ton capacity, we can take that to around 14,000.

Pramod Bhandari: We can, but that is what we have realized, that while the margin of the Phthalic keep on changing based on the demand supply, the DEP margin more or less stable because most of the DEP we are selling it to the aromatics and the fragrance industry, which more or less remain stable.

Aditya Khetan: So, we would be first, sir, from 8,500 to 14,000, and then that 200

Pramod Bhandari: That is the secondary phase. We are right now focusing on completion of PA-5, and then along with the plasticizer, which is at a different site, we can plan for the same.

Aditya Khetan: And sir, just a last update onto the Maleic Anhydride realization. So, does that continue to remain sluggish or there is some improvement for the current month?

Pramod Bhandari: Compared to the last quarter, there is an improvement. It was around Rs. 70 to Rs. 72, right now between Rs. 80 to Rs. 85, but compared to the Phthalic Anhydride which is around Rs. 98 to Rs. 102, it is still 15% down.

Aditya Khetan: But why, sir? Like, since Maleic Anhydride is a chemistry which is not that fragmented, it is only consolidated by a few players globally. So, how come these value-added product prices are down as compared to a base commodity?

Pramod Bhandari: So, the Maleic is very typical case. Maleic is a starting point of a lot of new chemistry. So, in India, there is a demand of 80,000 ton. We are producing 7,000 tons. So, demand is not a challenge, but prices are determined by the global factor.

If you look at the last two years, China has built up around 2 million ton of capacity keeping in view the single use plastics, which is built in 2022 earlier. They built 2 million capacities, and now they have postponed that date keeping in view the Maleic implementation to Jan 2025. All the excess Maleic, which eventually they will be using for their downstream of PBAT, PBT, they are flushing in with the market.

So, IG is very marginal player. The bigger players who are producing in the U.S. and Europe, they are facing the challenges because right now Maleic, if you ask me, if you are using the n-butane route, you are not making any money.

Aditya Khetan: Sir, what was that capacity figure in China you said? How much capacity has been built up?

Pramod Bhandari: They added 2 million tons.

Aditya Khetan: On the base capacity, sir, what would be the base?

Pramod Bhandari: I don't have any idea, but I think they already had 1-1.5 million tons, but they built 2 million ton brand new. You can go in Google and check. They will give you the list of plants which is built in last two years.

- Aditya Khetan:** So, two times the new capacity has been built, sir, you mean to say?
- Pramod Bhandari:** Yes. That capacity was supposed to cater to the BO2, PBAT and PBT for their dissolvable plastics which was earlier dated Jan '22 single-use plastic. Now they defer it to Jan 2025. So, that has created a flush in the market of the excess Maleic is coming dumping into the global markets.
- Aditya Khetan:** So, sir, we can expect like the prices might not substantially go up till like they are inventory, or they would not be using it downstream. They would be continued to...
- Pramod Bhandari:** So, probably for next one or two years, you will not see the exceptionally high prices in the Maleic. Maleic is typically when Phthalic was 100, Maleic was 120 to 130. When the demand was very high, it reached up to 300 at some point in time for one or two months and again come back to 150. So, typically, it remained 20% higher than Phthalic historically, but right now it is 15% lower than Phthalic indicates that there is an oversupply in the market.
- Moderator:** Thank you. The next question is from the line of Nirav Jimudia from Anvil Research. Please go ahead.
- Nirav Jimudia:** So, sir, you mentioned about the demand part, but if you can walk us through in terms of the domestic capacity increases which we would witness over next 6 to 12 months. So, we are expanding. Even our competitor is also expanding. And one of our customers has already put up a plant. So, in terms of capacity now from the industry point of view, where do we stand? How much are the imports coming to India?
- And what I could understand from your remarks is that whenever we put up our own plasticizer plant, most of our new PA would be consumed over there. So, if you could just walk us through in terms of the capacity part and where each of the player would be placed over next one or two years, that would be very helpful.
- Pramod Bhandari:** So, typically, IG has 2,22,000, which will end by the end of say March '24, be 2,75,000. Thirumalai is having 1,20,000 – 1,30,000, and I think KLJ has started between 90,000 to 1,00,000. So, all put together India will have by the end of March a capacity equivalent to 4,50,000 to 5,00,000 ton, and that is what the demand is. Typically, the input which is happening around 30,000 to 35,000 ton per quarter or say 1,00,000 - 1,20,000 ton per year, that has gone down.
- For the last quarter, the import was 9,000 ton, but keeping in view the demand and supply, still import is happening between 5,000 to 6,000 ton because all the existing players which are producing in India, they are not only selling in India. They are selling in the export market also. So, whatever there is the equilibrium balance, that has to be imported. So, that is one part.
- So, demand of supply without ex-import is more or less matching today. If somebody is adding the new capacity, if the growth remains 5 to 6%, it will take 1, 1.5 year to absorb or to create

equilibrium in the market. So, till that, you can see slightly excess in Indian market. Provided if there are no imports, it will more or less match with the domestic demand, but that is not impacting the margin. Margin has to improve in the global market. Even if you have excess supply for say, 6 month, 9 months, or one year down the line, and if the global margin is good, most of the players are equipped to export their products outside India.

I think one or two years, you will see equilibrium in the Indian market before the margin further improve because of the local sector. Otherwise, international market margin will be driven by the international demand and supply.

Nirav Jimudia: So, here just one thing. One of our customers, which put up a plant last year of close to 1 lakh ton, has he rammed up fully in terms of his volumes? Because probably he was earlier buying from us, importing also some of the volume.

Pramod Bhandari: They have already ramped up to their, I think, optimal capacity, and they are right now consuming 80% to 90% of what they produce as their captive consumption, and 5% to 10% available in the market.

Nirav Jimudia: That's very helpful. And so, this compression in the spreads which we have seen this quarter, and probably from last two, three quarters, we have seen some compression in the margins coming on. It's more because with the ortho-xylene prices not coming down. So, it's more of the raw material trouble which is actually putting the pressure on the margins or it's because the demand for Phthalic globally would have some issues. That's why the margins have fallen.

Pramod Bhandari: So, it's a two-way around. Phthalic, I think move generally directionally in line with the crude prices. So, the demand of the Phthalic as well as the end consumer who are able to sell into the European market, Chinese market, and American market, their demand has been seriously impacted in last six months because of the geopolitical issues, the war between Russia, now the Israel and all that. The entire supply chain is also distorted and the demand.

Suppose there is an industry which is doing very well, growing very well. Suddenly there is a fight, fire. There is a geopolitical issue of the war between two countries. Overall demand got impacted. Similarly, China, which is growing at 8%, 8.5% started growing at 4%, 4.5%. So, overall global demand needs to improve. There has to be peace in the global market for demand to improve, and then there is growth. So, both sides got impacted. Because of that, the margins are sluggish.

Nirav Jimudia: Sir, just a clarification on, one on the capacity utilization side. So, I think normally we used to sell close to or produce and sell close to 16,000, 17,000 tons per month. So, on a quarterly basis, it used to be around 45,000 to 48,000 tons. So, because of the shutdowns which we have taken in this quarter for catalyst change.

Pramod Bhandari: It's a 10% impacted, yes.

- Nirav Jimudia:** So, Q-on-Q basis, there was a volume down by 10%, right?
- Pramod Bhandari:** Correct. 9% to 10%.
- Nirav Jimudia:** And sir, one more thing which I would like to ask you is that in one of the calls you mentioned that some of the specialty chemical companies have also started purchasing Phthalic for various chemistries and applications which would have developed over a period of time. So, there, have we seen any Improvement in the volumes coming?
- Pramod Bhandari:** Yes. So, basically, because the downstream plasticizer started their own plant, so that 10% to 12% capacity which we had at that time, we are selling it to UPR, speciality chemical, agrochemical. That has been taken over by them.
- Nirav Jimudia:** So, there, have you seen any green shoots coming on in terms of some of your pigment volumes are being replaced over?
- Pramod Bhandari:** I think, not pigment. UPR is one which is doing very well, and the overall demand in UPR is growing very well. So, the speciality chemical is doing very well. The agrochemical is doing very well. So, I think speciality and UPR is one which we have seen the green shoot in terms of the overall demand growth.
- Nirav Jimudia:** And sir, you mentioned 9,000 tons of imports have come to India in Q2, if I have heard it correctly?
- Pramod Bhandari:** Yes, right, compared to 33,133 for Q1.
- Moderator:** Thank you. The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.
- Madhur Rathi:** So, you have guided that for the next one to two years with capacity coming up in India as well as so crude prices rising, do we see our margin pressure to sustain, or do we see some kind of improvement there, as Maleic Anhydride prices have increased a bit?
- Sir, I just wanted to understand regarding the margin pressure that we have right now, and the capacity is coming in India. You guided that there could be some kind of pressure for the next one to one-and-a-half years. So, how do we look from that perspective? So, what will be the growth driver we are seeing?
- Pramod Bhandari:** Capacity is coming up in India is fine because that Indian demand is also growing between 5% to 6%. Apart from that, India typically used to import around 1 lakh to 1,20,000 ton. That has moderated to around 50 because that existing player who was doing the maximum import, they have started their own Phthalic plant. So, to that extent, you will see the decline, a drastic decline in the overall import.

While India is continuing to grow at 5% to 6% in terms of Phthalic, you will see the equilibrium because new capacities are added. You will see the equilibrium plus there is always an opportunity for the existing player to sell in the export market. There is a good market available in the Middle East and other places like Egypt, South Africa.

But the question is, and we are also planning to get into the downstream derivatives. So, once the plant starts, most of the production which we are doing in PA-5 will be utilized for the purpose of the downstream derivative products.

Madhur Rathi: So, the government had given a quality control order on these products. So, have we seen any impact of that on our revenues and all?

So, I want to understand there is a quality control order that government of India has released two quarters back. So, how has that impacted on the industry?

Pramod Bhandari: As such there was no direct impact because the government wanted all the guys who are importing or who are selling to the India need to have that certain parameter. So, all the companies need to register. They see that slowly, steadily most of the companies got registered, and they are complying with the government notification.

Madhur Rathi: So, we are not seeing a significant decline in import?

Pramod Bhandari: Import is declined because the players who were importing, now they set up their own plant. So, definitely import has gone down, but you can't say that it is because of that order. The order requires a lot of companies who are selling it to Indian market to register with the government and comply with the quality standard. So, most of the companies are already in the process of doing that and most have already done that. So, that was the compliance in terms of maintaining the quality of Phthalic coming into India.

Madhur Rathi: And sir, what is the steady-state margin for Maleic acid as well as DEP going forward when in a steady-state environment?

Pramod Bhandari: So, I will not be able to comment about Maleic acid because we don't produce Maleic. We produce Maleic Anhydride. The Maleic Anhydride right now is moving between Rs. 80 to Rs. 85. Steady-state margin for Maleic has to be the price 15% to 20% higher than Phthalic. Phthalic is hovering around 98 to 100. So, Maleic has to be 120. Today, if you ask me, it is 30%, 40% lower than its original price.

Madhur Rathi: So, we guided \$150 to \$200 per ton would be a steady-state margin for Phthalic. So, for Maleic, it would be around 20% higher on a steady-state basis.

Pramod Bhandari: Correct. 20% higher than Phthalic.

- Madhur Rathi:** So, we have seen an improvement in Maleic prices right now. So, in quarter three, are we seeing further improvement in Phthalic prices and Maleic prices?
- Pramod Bhandari:** Maleic prices compared to the Q1 has improved 15% to 20%. It was around 70 to 75. Right now, between 80 to 85. We have seen the improvement, but the visible improvement will be there once it crosses the Phthalic prices. Right now, for the last 6 to 9 months, it is below the Phthalic prices. While the Phthalic has moved from 85 to 100, 105 in between and again come back to 95 to 100, but still so long as the Maleic prices remain below 10% to 15% of Phthalic prices, improvement is gradual. But ultimately, it needs to go past the Phthalic prices to see a real impact on the overall market.
- Moderator:** Thank you. The next question is from the line of Chirag Vekaria from Budhrani Group. Please go ahead.
- Chirag Vekaria:** So, just wanted to know, sir, what are the spreads in Phthalic currently doing, sir?
- Pramod Bhandari:** It's around 100 to 120.
- Chirag Vekaria:** 100, 120?
- Pramod Bhandari:** Yes. Around 100. Moving around plus minus \$10 to \$15.
- Chirag Vekaria:** This PA-5, will it start contributing from Q4 of '24 or Q1 of '25?
- Pramod Bhandari:** It will be Q4, but it will be very marginal because suppose you are starting the trial production, and all the trial production profit and loss is generally capitalized along with that. So, in terms of the profitability impact, it is expected in Q1 FY '25.
- Chirag Vekaria:** So, in your outlook, sir, how do you see this thing panning out, sir? As far as the Phthalic Anhydride goes on globally
- Pramod Bhandari:** I think, first, we need to wait for the geopolitical issues to settle, and then there is an expectation of revival in Chinese demand. If these two factors corrected, we can see the good amount of recovery in the overall market.
- Moderator:** Thank you. The next question is from the line of Munzal Shah from Antique Stock Broking. Please go ahead.
- Munzal Shah:** Sir, I have a couple of questions. So, one is supposing the Grasim has announced, you know, a decent expansion for their paint venture, and they are very close to maybe, you know, in few quarters they will be commissioning. So, have they started speaking for their procurement? And how does it work actually? Like, you know, they will procure from couple of guys, or they will procure from one guy? How does it work actually from a new player perspective?

- Pramod Bhandari:** I think they are looking at the market. They started discussion with all the players, and they will have a fairly big requirement, and they are gradually increasing their production over the period of next 1.5 to 2 years. Right now, they may be started 15%, 20% and then, gradually, they are going up. So, they have already started the discussion with the marketing team. I think we need to wait till their plants are operational, but the discussion they already started, and I think they are doing the Phthalic base as well as water base. So, we need to see how much is their total requirement once they start their, commissioned their plant.
- Munzal Shah:** But at full capacity, how much will they require approximately, like, any idea?
- Pramod Bhandari:** Capacity is they are planning to take their capacity equivalent to Asian Paints which will take time. So, right now whatever they are producing, I believe that will be a requirement of around 2,000 to 2,500 tons.
- Munzal Shah:** 2,000 to 2,500 tons per month?
- Pramod Bhandari:** Per month, per month requirement.
- Munzal Shah:** And so, secondly, any update on this import from China this naphthalene-based Phthalic?
- Pramod Bhandari:** So, overall, there is a decline in the import from 32,000 to 35,000 ton to 9,000 ton, but as such we have not find anything stopping for the naphthalene base because the BIS strictly don't provide the naphthalene base or the ortho-xylene base. They provide certain parameters. If you fulfill that parameter irrespective of the source of raw material, you can import this.
- Munzal Shah:** And sir, just last update. Beyond China, what is the capacity addition in Phthalic?
- Pramod Bhandari:** I think mostly all capacities are coming up in India only. Otherwise, one or two, probably one plant in China. Otherwise, we have not seen any new capacity coming up.
- Moderator:** Thank you. The next question is from the line of Marsal, who is an individual investor. Please go ahead.
- Marsal:** Can you please advise that during the Q1 and Q2, how much of Phthalic in terms of quantity we sold? What was the price? Average price? And currently, how is the prevailing price, for example, what are the average price in the month of October? And how is the offtake now?
- Pramod Bhandari:** So, generally, we don't provide the quantity, because every company have a different, different yield proposition. So, typically, in Q1 and Q2, we sell between 45,000 to 46,000 tons, same, because Q1 was also shutdown of one plant and Q2 was also shut down of the one plant. And the pricing remains in the range for both quarters because at that time crude price was high which was between 100 to 110, and this time when we are talking about, it is between 90 to Rs. 100 per Kg.

- Marsal:** So, you are saying this now the price is reduced by about \$10 something.
- Pramod Bhandari:** Yes, because OX has also gone down.
- Marsal:** Sorry.
- Pramod Bhandari:** Because Ortho-xylene has also gone down up to certain extent. If you look at the price is the moment of crude, Ortho-xylene. If Ortho-xylene goes up by \$50, then Phthalic will also go up. If the OX is going down, then Phthalic will also go down. There is no meaning to look at the specific only final product price. The raw material prices are also equally important.
- Marsal:** Yes, we need to see raw material also. So, if you talk about EBITDA margin, for example, so how is the margin in the October month? And how was the margin in the previous quarter, like September quarter, for example, after rate exchange?
- Pramod Bhandari:** October month, I think it is not right for me to comment about the October margin, but September margin, I think it's already visible that EBITDA margin is around 6% and the gross margin was 17%. It was a decline compared to Q1. Q1 was 22% gross margin, which last quarter was 18%, and the EBITDA margin was 12% in Q1, which is now 6.6%.
- The reason for the decline in the margin for the Q2, there are three reasons. First, the overall quantity was less. The second reason was the Maleic Anhydride rate, which you are producing almost similar to what you have been producing, the realization of Maleic continuously down by 15% or 20% of Phthalic prices for last three quarters. And the third reason is we have provided 7 crores to 8 crores extra on account of change in Catalyst in Q2.
- Marsal:** So, sir, what I was saying is that as we discussed during this call that means already our customer has set up the plant. New plants are coming up. So, how do you see the prospect of this industry Phthalic in the next one year, two year, for example?
- Pramod Bhandari:** So, Phthalic prospects in Indian context has been very good because Phthalic typically around five year ago used to be used in the four to five industry. Now it is more than 20 to 25 industries are using. Not only the plain plasticizer PVC pigment is the key user earlier. Now you see the UPR, speciality chemical, agrochemical, photo films, all type of new specialty chemicals, which are coming up in India, are expanding. They somewhere need Phthalic for all their chemistry. So, Indian demand continue to grow.
- Of course, you will see a slightly for 6 to 9 months there is excess supply in terms of the new production coming up at the same time, but if you take the Indian growth momentum in next 1, 1.5 year, it will be plateaued. And there is an opportunity to go into the downstream because that is also growing very well, and then there is opportunity to do the export in the Middle East. We are in the right location. We can do the domestic as well as export. We continue to maintain 15% to 20% export.

- Marsal:** So, sir, have we taken target to make certain percentage in export or is it like it's in normal way or are we going some aggressively?
- Pramod Bhandari:** No, no, there is no force majeure. Please understand that the force majeure is when you need to shut down the plant. When you are selling in the domestic market, export market, everybody is getting a different, different margin and different, different segments. So, there is no force majeure. There is an opportunity in the domestic market as well as export. If you see the Middle East, there is a demand. In the Middle East market, the demand is 50,000 to 60,000 tons, and there is no player who is producing in Middle East.
- Marsal:** Very good. So, we need to explore it now. We need to just like explore it.
- Pramod Bhandari:** We are doing it. We are doing it 15% to 20% for last 10 years of our production.
- Marsal:** Now we are going to increase it, right?
- Pramod Bhandari:** It may be increased for some period because then we have our downstream derivative plasticizer is coming up. Then we will not have that much product available.
- Moderator:** Thank you. The next question is from the line of Aditya from Securities Investment Management. Please go ahead.
- Aditya:** So, you mentioned that currently you are making a spread of around \$100 in Phthalic Anhydride, and we are at breakeven level. So, the other players would be making losses at current levels. Would that be a correct understanding?
- Pramod Bhandari:** Not exactly losses. There would be hardly anything in terms of EBITDA. They are making slight addition to the EBITDA on account of Phthalic.
- Aditya:** Sir, do you pose a situation where the spreads can fall down further?
- Pramod Bhandari:** I don't think so because right now if you are talking about \$100, it is I think 80% of producer have a conversion cost of around 150 to 160. So, most of the guys are making cash losses. So, it is not possible. If it goes down, you will see a lot of plants getting shut down in the Chinese, Taiwan, Korea. You will see a lot of shut down if it goes below that.
- Aditya:** That was my next question. So, are we seeing any shutdown of capacities?
- Pramod Bhandari:** There are six to seven plants which were temporary shut, and they extend the shut down by one or two months in Korea, Japan, and Taiwan.
- Aditya:** And what is currently the import duty or the anti-dumping duty for Phthalic Anhydride?

Pramod Bhandari: It remained between 3.5% to 4.5%. It depends on different, different countries and the players who are exporting to India.

Aditya: And when is it getting over? This import duty?

Pramod Bhandari: Import duty for some of the countries are forever because import duty. Anti- dumping, I think the four countries which they have applied will be expired on 2026.

Aditya: And since India is the only, you know, growing market in globally, do you pose a situation where these other players will start dumping more and more into India because the overall global demand is pretty weak? So, do you think that these companies can increase the imports which would lead to pressure in the end prices for us?

Pramod Bhandari: So, I don't think so because at couple of times and places, our sale price is below the import prices. So, it is not possible to compete because the cost of production of Indian players and the ability for them to supply at the right time, it's much, much higher. So, at times if you need to compete with the import, I think the domestic player will be more beneficiary.

Aditya: And sir, now we are getting into plasticizer segment, so would this product be competing with our customers? And is there any pushback from our customer?

Pramod Bhandari: I think we are evaluating that. It is subject to environmental clearance and Board approval. I think, let's wait for that, and the product is something which is growing at 10% to 15%, and more or less the customers are similar.

Aditya: Right. Once you get the environmental clearance, but would there be any push back from our customers because we would be competing with them?

Pramod Bhandari: Not exactly, because there are only two players of plasticizer in India. One has already set up the plant.

Moderator: Thank you. The next question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: In first half, sir, we have made from the non-Phthalic business, the top line contribution is around 83 crores. So, sir, if you can quantify like how much was from Maleic Anhydride and from plasticizer?

Pramod Bhandari: So, you are talking about Q2 or H1?

Aditya Khetan: H1.

Pramod Bhandari: So, Maleic Anhydride was, just give me a sec. Maleic Anhydride was around 32, 33 crores. And the plasticizer was around 37 crores.

Aditya Khetan: And sir, in terms of the non-Phthalic business, so suppose if we annualize this number, 83 crores, somewhere around like 165 crores we can make for full fiscal. So, this is similar to like FY '23 level.

Pramod Bhandari: Basically, let me explain you. If you are producing the 6,500 to 7,000 tons of the Maleic, post PA-5 say 9,000 ton, you will be adding up provided the price of Maleic is coming to near to the Phthalic or higher than Phthalic. On Maleic you will be generating revenue between 120 to 150 crores. For plasticizer, we are running a run rate of around 20 crores to 25 crores per quarter. So, it will be 80 to 100 crores. So, if you take the full potential of Maleic, it is 150 crores. Full potential of plasticizer, it's 100 crores. So, it will be 250 crores, and the other income which is around 25 to 30 crores. So, you will have around 250 to 300 crores of other revenue post PA-5.

Aditya Khetan: Sir, that you are talking when the Maleic Anhydride realizations were at the normalized level.

Pramod Bhandari: Correct.

Aditya Khetan: Now sir, for the next one to two years, we will not witness that scenario. That 150 crores you are talking, that would be currently 80 crores net-net.

Pramod Bhandari: No, no, I think that is the assumption. When I am saying is equivalent to Phthalic. I am not saying higher than Phthalic. Maleic has gone to Rs. 350. I am not talking about it. I am saying when it is between 100 to 110, which is 10% higher than Phthalic.

Aditya Khetan: And for the non-Phthalic business, like, currently, it is contributing only 7%, 8%. So, like, even if you annualize, the figure will remain the same, but, sir, like we were earlier guiding by at least 25% of our total top line would be from the non-Phthalic business. So, this is like constituting the new plasticizer expansion 200 crores that comes and so that can like materially to shift to the non-Phthalic portion.

Pramod Bhandari: If it added, it would add 800 crores to 900 crores of revenue.

Aditya Khetan: Sir, the 200 crores can add 800 to 900 crores, four times the asset turn.

Pramod Bhandari: Correct. 4 to 4.5x.

Moderator: Thank you very much. The last question is from Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Sir, I just wanted to understand that you have guided last quarter that from the new Phthalic plant, our fix conversion cost would go down. So, do you see this kind of improvement to help our margin in the FY '25?

Pramod Bhandari: Yes. It's surely the conversion cost will go down because it is being set up at same location, and the land, infrastructure, the power, water, everything will be used by same. And the fixed cost



which is right now incurred by the company will be allocated to the fifth plant also. The overall cost of conversion will go down.

Madhur Rathi: Sir, just I am trying to understand we are selling Phthalic at 100 and our conversion cost is 150.

Pramod Bhandari: No, conversion cost is between \$80 to \$85. When you are talking about the depreciation, interest cost, then it will come to around 130, 140. Conversion cost is \$80 to \$85.

Madhur Rathi: And that is coming down to 75.

Pramod Bhandari: Depreciation and all are not part of conversion cost, correct.

Madhur Rathi: And sir, the conversion cost will come down to \$73 to \$75.

Pramod Bhandari: It is right now 80 to 85. It will be reduced overall by \$10 to \$15.

Madhur Rathi: From once the new plant commercializes.

Pramod Bhandari: Yes.

Moderator: Thank you very much. Ladies and gentlemen, due to time constraint, that was the last question. I now hand over the conference over to Mr. Pramod Bhandari for the closing comments. Please go ahead, sir.

Pramod Bhandari: Thank you very much everyone for joining us on the earning call. We appreciate your time and showing a deep interest in our company. On behalf of IGPL team, we wish you very Happy Diwali in advance. In case you have further query, please get in touch with SGA, our Investor Relation Advisor, or you can send the mail to us. Thank you very much, and Happy Diwali again.

Moderator: Thank you very much. On behalf of I G Petrochemicals Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.