



## “I G Petrochemicals Limited Q3 9M FY24 Earnings Conference Call”

**February 15, 2024**

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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 Q3 & 9M FY'24 Earnings Conference Call.

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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 “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pramod Bhandari – Chief Financial Officer of I G Petrochemicals Limited. Thank you and over to you, sir.

**Pramod Bhandari:** Thank you very much. Good afternoon, friends and everyone on this call. We are accompanied by SGA, our IR advisor. I hope that everyone was able to review our financial results and investor presentation which were uploaded to Stock Exchange and on our Company website.

After providing a quick overview of the recent industry development, we will proceed to the operational and financial highlights for the nine months as well as the quarter-ended December 2023. During the past few quarters, we have seen the erratic demand of key chemicals. That was the focal point across the board for all chemicals. Because of this, the growth momentum of many chemical producers has been hindered as the end user industry has been holding back their purchases to a certain level. The demand recovery in China is occurring at a modest space. Overall liquidation is still slow, especially in Europe.

Destocking of the key commodities and essential chemicals has put some pressure on those chemicals and spun out over last few quarters. In contrast, the demand of the Phthalic Anhydride was less affected especially in domestic market, although the spread of the PAN and the OX were affected as the price of the PAN has not increased in tandem with the ortho xylene prices during that period. The red sea crisis has further prolonged the transit time for the goods and heightened the freight cost. The cumulative impact of these factors has impacted the performance during Q2 as well as the Q3 of FY'24 and has replaced the overall realization of phthalic and maleic anhydride.

There are few manufacturers in the world which supply phthalic anhydride. IGPL is one of the largest producers in India, second largest manufacturer in the world. We wanted to highlight that phthalic anhydride is an exclusive imported chemical, which is consumed by wide spectrum of inter space, whether demand is either stable or growing. Despite temporarily holding back, from a few selected end user customer, our Company has reported a steady performance on year-to-year basis especially in terms of the revenue front.



In terms of the PA-5 unit, we are delighted to announce that we have commenced our long-awaited the (PA) Phthalic Anhydride PA-5 plant at our existing facility at Talaja in line with our certain timeline. We were supposed to start before March '24 and we are happy to announce that we have declared the commercial production of the same on 12th of the Feb in current week. There we have expanded our overall capacity of phthalic anhydride to 275d KMTPA, maleic anhydride around 9000 MTPA and 1,000 for the benzoic acid.

As of now, our four key products portfolio, Phthalic, Maleic, Benzoic Acid and DEP, post PA-5, our overall capacity will reach a new effect and will add incremental revenue of roughly around Rs.500 crores for a full financial year FY'24-25.

We now have five units of manufacturing facility of Phthalic at Talaja. The plant is managed by a highly skilled workforce and adhered to all required protocols to meet high quality standards.

Globally, the phthalic anhydride in domestic market is projected to be between 4,50,000 to 4,80,000 and it's the annually growing between 5% to 6%. Moreover, the utilization of phthalic anhydride has witnessed substantial growth in last year attributed to versatile applications, both as a raw material intermediary across the majority of downstream chemical users.

In terms of Plasticizer, we are actively pursuing the addition of new downstream product in our plasticizer category to our product portfolio. We will be investing nearly around Rs 165 crores for the new CAPEX which we announced. It is expected to be completed post receipt of all the approvals between 15 to 18 months.

It is important to note that the project will consume around 30,000 to 35,000 tons of phthalic. Basically, more than 50% of the phthalic which is produced by the new plant will be used for the downstream plasticizers project.

As a part of Company de-risk and diversification strategy, we wanted to expand our downstream derivative products and expect to enhance our footprint in Indian domestic market, which will further improve our operating leverage and boost our profitability. The expansion could increase the revenue pie of long phthalic business. As on date the Company has very strong balance sheet and worldly best-in-class of working capital facility with number of days of between 10 and 20 days. Those expansions we are expecting healthy cash flow from the business which will further extend the Company foundation.

In terms of operational highlight:

The Company revenue stand at around Rs.495 crores. Non-phthalic business sales was around Rs.46 crores which include the maleic, benzoic acid, DEP in other income. Export contributed around 16% of the phthalic business.

EBITDA for the quarter was compressed mainly due to nil or negative spread as well as the inventory losses during the quarter. The spreads was recovered in the month of January. We have

observed a sharp decline in the prices of PA minus OX from October to November when the customer preferred to wait till the price of PA settle and distort their existing inventory, which one side impact the overall demand in the market and other side, expose the Company to the inventory losses on the higher quantity of inventory. The spread between the OX and PAN in interest of market reduced to link to negative due to the global slowdown which has impacted the overall demand from our existing pigment, coating, and the paint who supply their product to the Europe and Chinese market due to major slowdown in European and Chinese markets.

IGPL has term loan in euro and because of that we have provided Rs 5.5 crores on accounting and provision because of the depreciation of rupee against the euro and dollar, that has also been accounted in our system. So, basically from Rs 21 crores of inventory and Rs 5 crores of M2M, Rs 26 crores has been provided. Therefore, we have reported a net loss of Rs 15.2 crores for Q3 FY'24.

Slowdown in China resulting in export of PAN to the domestic market in addition to the historical players like Taiwan, Korea and Russia. The ongoing red sea crisis has also affected the ocean disruption, has escalated the freight which has halted the free movement of export, has also led to supply destruction. The freight rate has gone up from \$60 to \$250 generally for the export of cargo to UAE.

For the nine months, total revenue was Rs.1,566 crores. Non-phthalic income was around Rs.129 crores, EBITDA was Rs.100 crores and the margin of EBITDA for the nine months was 6.4%, and profit after tax was around Rs 30.5 crores (Rectified with correct data) for the nine months.

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

**Moderator:** We will now begin the question-and-answer session. We have our first question from the line of Nirav Jimudia from Anvil Research. Please go ahead.

**Nirav Jimudia:** I have two questions to ask. Sir, first is on the sales volume for this quarter. I think last quarter we were at 47,000, 48,000 tons. So, how were the volumes this quarter?

**Pramod Bhandari:** It is similar to the last quarter.

**Nirav Jimudia:** You also mentioned in your opening remarks that there were some inventory losses during the quarter. So, if you can if you can just quantify that number?

**Pramod Bhandari:** So, the inventory losses was generally when there is a sharp decline into the raw material as well as final product, so you need to account for the inventory loss. Generally, it is at this stage inside the cost of raw material as well as change in inventory. For the quarter-ended December, the inventory loss was around Rs.21 crores, which we have booked separately in our presentation as well as Rs.4-5 crores on account of M2M, this is the non-cash item we need to provide it.

- Nirav Jimudia:** If you can just break down the revenues from maleic, benzoic acid and plasticizers in Q3 as well as for nine months FY'24? I think you mentioned some Rs.49 crores of revenue from non-phthalic business in Q3 and Rs.129 crores for nine months , you can just break it down.
- Pramod Bhandari:** It's a 50:50 split between the DEP and the maleic anhydride and benzoic acid, and balance is the phthalic anhydride.
- Nirav Jimudia:** Sir, regarding the pricing of PA, so how was the realization for PA and MA during this quarter and how they are currently looking on?
- Pramod Bhandari:** So, the realization was actually on very lower side compared to you can say the phthalic when entered the market the margin was around negative to around \$5 to \$10. During the current quarter, it has improved to around \$100 to \$150. But the last quarter was very difficult one, because on one side the price has gone down. There were some challenges in terms of the downstream segment as well as the prices of maleic was also historically which is 20% higher than phthalic, for the last six to nine months it is 10% to 15% lower than phthalic, and along with that it has added to the inventory loss. So, basically you can say on an overall market basis the margin was made but I G because of the operational efficiency and the other by-products, we're able to just break it even. If you remove the inventory losses and M2M charges you will have around Rs.5 crores to Rs10 crores of PAT.
- Nirav Jimudia:** So, suffice to assume that like last quarter, the margins were negative on the phthalic side, which is currently trending at around \$100, \$150, right?
- Pramod Bhandari:** Correct. You cannot say negative. It was nil in the international market. So, you are making some extra which is covering your operating cost.
- Nirav Jimudia:** And have maleic anhydride prices also improved along with the improvement in the spreads of PA or they're at the similar level?
- Pramod Bhandari:** It is more or less stable. Compared to the last quarter, it is up by 5% to 7%.
- Nirav Jimudia:** Second question is on the operating cost of our new phthalic plant. So, I think if we see the current four plants, our blended level of operating cost fixed plus variable comes close to around \$150, \$160. So, do we see any improvement in -?
- Pramod Bhandari:** Yes, there will be improvement of around \$10 - \$15 because all the fixed infrastructure like power, steel, the manpower, everything will remain more or less same, so that will be divided between the five plants compared to the four plants, you will see a changing of around \$10 per ton to \$15 per ton in terms of conversion cost.
- Nirav Jimudia:** If you can just share your views on the demand for phthalic going to the paints and plasticizer segment, like how much of both these segments currently consumes how much of phthalic anhydride, because you mentioned that like Indian market is close to 4,50,000 tons?

**Pramod Bhandari:** Typically, if you look at the plasticizer and the paints which comprises around 35% to 40%, both put together of the total market.

**Nirav Jimudia:** Of 4,50,000 tons, 35% to 40% goes to paints and plasticizers?

**Pramod Bhandari:** Correct.

**Nirav Jimudia:** Sir, have we seen any recovery in terms of the offtake of phthalic from the specialty chemicals plus because that is also one of the segments -

**Pramod Bhandari:** Specialty chemicals is growing well. In fact, paint is also steadily growing. But the challenge we are facing sometime in plasticizer, sometime in CPC and the coating side. Otherwise, specialty chemicals and UPR is growing continuously.

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

**Aditya Khetan:** Sir My first question was on to the inventory losses. You mentioned the figure as Rs.21 crores?

**Pramod Bhandari:** Yeah. you heard it right. It's there in the presentation also.

**Aditya Khetan:** And sir, you said that spread has improved to \$100 currently. So, like this pricing movement is largely because of the decline in OX prices?

**Pramod Bhandari:** Sorry, can you repeat your question?

**Aditya Khetan:** This improvement in spread, so this is largely because of the decline in OX prices?

**Pramod Bhandari:** I think I will put it in that way that earlier when the PA prices have gone down, then OX prices has remained more or less same. So, there is a compress in the overall margin. Now, the OX prices has remained same because of the ongoing demand which we have seen the recovery, the PA prices has improved. So, the margin has improved. Earlier, it was depressed because the OX prices remain same, PA prices were depressed. Now, OX prices has improved slightly, but PA prices compared to the OX prices have gone up sharply because of the continuous demand from the downstream segment. It's about the size.

**Aditya Khetan:** So, PA prices have actually gone up. Okay. So, sir, with the recent price in the crude prices again now we have started to see crude prices rising. So, these OX prices might not remain at that level, they will also start to go up.

**Pramod Bhandari:** I understand that, but generally what happened is, when the crude prices gone up, there are late lag impact on the OX and then it is on PA. So, it's generally a 15 to 30 days lag effect which will be there. Directionally, when the crude prices go up, OX prices go up and accordingly PA price also go up. Then the crude prices go up, It doesn't go immediately, probably by one, one and a

half month you can see the impact on both OX and PA. One more thing I need to clarify. When the price goes down –

**Aditya Khetan:** Would be largely used for this advanced plasticizers or we would be selling to all the like PA end user itself?

**Pramod Bhandari:** I think advanced plasticizer includes a lot of plasticizers and it goes into various industries, cables, marbles and different, different industries. The plasticizer is a variety of plasticizers which will be used in various industries.

**Aditya Khetan:** As CAPEX is now complete for this PA-5 units, so now the new CAPEX would be into the plasticizer only?

**Pramod Bhandari:** This new CAPEX is going to be for plasticizer, which is not exactly adjoining to the existing area, not in the same compound, but just outside the compound.

**Aditya Khetan:** What would be the CAPEX and the capacity like we're planning for them?

**Pramod Bhandari:** Capacity, we are planning up to 1 lakh tons, initially it will be x, then it is raising up to the 1 lakh tons. And CAPEX we are planning without taxation and IDC is around 165 crores approximate. When we get that final report, then it may come to, but approximately 165 crores.

**Aditya Khetan:** And then the prices that you mentioned that are still maleic will be lower going to 10. So, like are we still witnessing higher imports of China because there was a feeding of inventories, so now they're dumping into India, that is you see like –

**Pramod Bhandari:** Seeing the import typically which was around 1,00,000 tons to 1,20,000 tons around one year back. It has gone down to now around 40,000 to 50,000 tons because we have seen that other players have started. So, overall import has gone down. And China is not as such because right now the other guys from the Taiwan, Korea and not especially China, everybody, when we are talking about 50,000 tons, I think China is number third or fourth in terms of overall import.

**Aditya Khetan:** Any specific reason why global inventory picked up into the maleic anhydride and not into the phthalic anhydride?

**Pramod Bhandari:** Because we have the ban on the single use plastics, so China has put up a lot of capacity between 1.5 to 2 million tons for maleic which they are going to use it for probably into B to PBT effective from January 2025. Till then, I think maleic is expected to be basically margin under control because there will be a oversupply in the market.

**Moderator:** The next question is from the line of Hardik Gori from Alpha Plus Capital Associates. Please go ahead.

- Hardik Gori:** Could you provide the volume number for each segment over the past nine months along with the corresponding volume?
- Pramod Bhandari:** We generally don't provide the numbers ,It's very clear we generally don't give the exact quantity. We operate around 90% to 91% of our capacity and we have a similar volume for nine months to nine months as well as the last quarter to corresponding previous quarter, it's almost same.
- Hardik Gori:** When will the production of phthalic anhydride at Taloja stabilize and how soon can we maximize the utilization of the enhanced capacity?
- Pramod Bhandari:** I think it has already started producing. From April onwards, you can assume that it will be operating at between 80% to 90%. For full year production, you can take 80% to 90% of the capacity.
- Moderator:** The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.
- Madhur Rathi:** Wanted to know what kind of IRR do you expect on this plasticizer plant?
- Pramod Bhandari:** So, let me tell you the brief how it will happen. In the plasticizer, we are expecting the revenue between Rs 900 to Rs 1,000 crores and profit is expected to be between 5% to 7%. Suppose if it is Rs 1,000 crore revenue and say 7% or 6% is profit, so on investment of Rs 165 crore or 170 crores, you are making around Rs 50 to Rs 60 crores of PAT. So, the IRR is expected more than 20%.
- Madhur Rathi:** This will be based on the current prices because the PVC prices are down and the plasticizers prices are down. So, is the -
- Pramod Bhandari:** I think plasticizer typically average profit is 5% to 6%, on a higher side it is 10% to 12% and we will have an advantage because of phthalic is in-house. So, the cost of phthalic transportation, the packaging, conversion into flex will be saved. So, that will be translated to slightly higher margins for the plasticizer.
- Madhur Rathi:** This will be on a conservative side, 5% to 7%, and it will go higher based on realization as well as our inhouse advantage, that is right?
- Pramod Bhandari:** Correct. It can go higher and then there are inherent advantage of using our own raw material. Around 30% to 40% of raw material will be used like phthalic will be used, 30,000 to 35,000 tons post operational commencement of production in plasticizers.
- Madhur Rathi:** Sir, can you just provide me your guidance where you see the PAN as well as the Maleic going forward because I wanted to get your understanding where we are seeing and how the margins move forward for FY'2024.





- Pramod Bhandari:** So, generally, we don't comment on the future, but in terms of the growth, we believe that now phthalic is used in the various industries like paints, plasticizers and the PVC was the historical. Now it is used in the UPR, specialty chemicals, agrochemicals and a lot of new segments have opened up. As India grow their business and economy and getting into new areas of specialty chemicals, most of the chemicals and chemistry required phthalic. So, we are sure about the momentum and the growth in the phthalic business. For maleic business, we are around 8% to 10% of production. 80% to 90% in India is imported. So, it continued to grow because maleic is the start of the entire chemistry, it goes to Medio, PBATT, PBT which in India nobody has even come up with that. So, once there is sufficient availability of maleic, then you will be able to assess the actual demand. Right now, everybody is buying the downstream product directly from the market. But still it is growing at a healthy rate and once there is a supply of maleic, then we will know the actual potential demand of the maleic.
- Madhur Rathi:** The margins are around \$100 to \$150, is it so?
- Pramod Bhandari:** So, I think it's not correct to talk about the margin for a particular quarter. It's better to look at the average because the margin moves between \$100 to \$300 to \$400 and in extreme case it goes to zero to \$50 and in extreme case and that's why it goes to \$350 to \$400. It's better to take for yearly next five years an average between \$150 to \$200.
- Moderator:** The next question is from the line of Rajesh Jain from NB Investments. Please go ahead.
- Rajesh Jain:** With this commissioning and with now 2,20,000 capacity of phthalic anhydride, where do we stand? Are we the largest producer at the global level?
- Pramod Bhandari:** So, we are the second largest producer in the world. If you're talking about the largest producer of single location, we are #1, because other companies have six, seven plants in different, different location which is #1. But even after commissioning of that, we continue to remain #2.
- Rajesh Jain:** The second question is you have already given this additional PA-5 plant will generate around Rs.550 crores based on the current prices of PAN?
- Pramod Bhandari:** Around Rs.500 crores. When I'm saying PA, it includes PA, maleic anhydride and benzoic acid, all put together.
- Rajesh Jain:** To the previous questioner, you said that you are expected to ramp up total capacity to 80% to 90%. So, this PA plant is also expected to ramp up to let's say 60% to 70% in FY'25?
- Pramod Bhandari:** Yes.
- Rajesh Jain:** Next question is, you had mentioned in the earlier calls, it is no more works economically to put up a Greenfield plant for phthalic. So, in the existing plants that we have around five numbers, is there any possibility to do the debottlenecking and increasing the capacity?

- Pramod Bhandari:** I think we already have that five plants in place and there are chances to go better into the downstream rather than debottlenecking because the cost and expenses of the debottlenecking is very high. It's better to set up a new plant. Actually, for the Brownfield it's cheaper. For Greenfield, it costs you around Rs.600-Rs700 crores for the similar capacity.
- Rajesh Jain:** Since it is a very costly affair, you may not be looking for this debottlenecking as of now?
- Pramod Bhandari:** Right now, I think all the plants at current location are optimally utilized if you are operating at around 90% to 91% capacity, which is the case for the last 10 years average.
- Rajesh Jain:** Sir, you are already optimally using. That is no doubt. What I'm asking is, is there any possibility to increase the capacity?
- Pramod Bhandari:** No, actually even if there is, it is a costly affair. That is what I'm saying is the chances to bottleneck into the other like DEP and other plasticizers are better than looking at the phthalic for bottlenecking.
- Rajesh Jain:** Sir, with the commissioning, is it possible to give some figures for the interest and depreciation cost for FY'24 and FY'25 also?
- Pramod Bhandari:** I think the depreciation right now, which is being charged in the P&L is expected to increase by 25% to 30% for the year. Right now, we are between 45% to 50%, so it will be increased by Rs 12 crores to Rs 15 crores for the depreciation. Interest right now is coming around Rs.6-7 crores per quarter and it may go up to Rs 9 crores or Rs9.5 crores to Rs10 crores. But since we have the liquid investment which is generating around Rs 6 crores to Rs 7 crores, so net-net interest income will be hardly anything, because today we are having a Rs 7 crores of interest and Rs 7 crores of other income. Right now it is nil. Probably post PA you will see Rs2-3 crores in addition to the other income.
- Rajesh Jain:** Sir, my next question is regarding the plasticizer. You have already mentioned it is expected to generate around Rs.900 crores to Rs.1,000 crores -
- Pramod Bhandari:** Let me correct it, because this time alone plasticizer has generated Rs.900 crores to Rs.1,000 crores. But since the raw material is used as a phthalic, so that will be net off in consolidation. So, net income generated will be Rs 500 crores to Rs 600 crores depends upon. If I'm saying Rs 900 to Rs 1,000 crores which I consolidate because everything is part of I G. In raw material, suppose Rs 300 crores or Rs 400 crores of I G, so consolidated level, it will be in addition of Rs 500 crores. Today, the revenue is Rs 2,200 to Rs 2,300 crores with PA-5 which is Rs 2,700 crores to Rs 2800 crores, this plasticizer will be around Rs 3,200 crores to Rs 3,300 crores because the phthalic will be net off.
- Rajesh Jain:** My question is, have we got the approval for this adjoining plot already?
- Pramod Bhandari:** There are multiple approvals required. Most of the approvals are in place.

**Rajesh Jain:** Including the environmental approval, which takes normally very long time.

**Pramod Bhandari:** We are saying that it will be operational before September '25.

**Rajesh Jain:** So, any inkling you can give us how much time it would take to ramp up to this full capacity?

**Pramod Bhandari:** In two to three months post-commissioning.

**Rajesh Jain:** Plasticizer, sir?

**Pramod Bhandari:** Plasticizer will take three to six months. In Phthalic we are used to do that, but plasticizers like take two to three months you can take in '26-27, you will be able to see the full capacity utilization up to optimum level.

**Rajesh Jain:** In the previous quarter that is Q3, you said the ortho xylene selling prices went up, whereas the phthalic prices did not go.

**Pramod Bhandari:** No, in Q2 the PA price has gone down, phthalic prices remained same. In Q3, phthalic prices have gone up slightly, but because of already done the destocking as well as the continuous buying, so the phthalic in December it remained same but in January we have seen the slight improvement in the phthalic prices. So, overall margin has improved to around \$100 to \$150.

**Rajesh Jain:** But other than using it for manufacturing phthalic, is there anywhere this ortho xylene is used?

**Pramod Bhandari:** I think globally 95% to 96% ortho xylene is used for the phthalic, 4% to 5% it goes into different, different chemistry, a very small quantity.

**Moderator:** The next question is from the line of Prolin Nandu, an individual investor. Please go ahead.

**Prolin Nandu:** So, a few questions from my side. Let's say at around \$100, \$150 and \$200 of spread, what are the different ranges of margins that we earn -- is it fair to assume 10%, 15% and 20%, everything else being equal?

**Pramod Bhandari:** I think it's not right for me to directly comment on the margin, but I will give you the broad picture. Typically, whatever is the market margin, I G will have around \$100 to \$120 higher than that. And based on that, if you calculate it, so at EBITDA level, you should have around 15% average when the margin is around \$150 to \$200, you will have EBITDA level around 15%.

**Prolin Nandu:** So, when the spreads are \$150 to \$200 at EBITDA level 15%, 16%, right, sir?

**Pramod Bhandari:** Correct.

- Prolin Nandu:** What you were saying was that historically maleic acid has traded at a premium to phthalic anhydride, but now it is trading at a discount. And you expect this to continue for entire FY'25 as well?
- Pramod Bhandari:** So, I would not like to comment because it will all depend upon if there is oversupply in the market, which has happened because of China up to what extent it remains. But for us maleic anhydride which we are recovering from the wash water is directly income translated to EBITDA. So, right now, it has improved, but still it is 10% to 15% lower than phthalic. We expect in long run it has to be 10% to 15% higher than phthalic.
- Prolin Nandu:** And how soon that long run comes will depend on how much -?
- Pramod Bhandari:** I think we need to wait probably for the next three to six months to see how the market behaves.
- Prolin Nandu:** Now, what are the spreads on plasticizer, like say \$150 to \$200 is an average based on phthalic?
- Pramod Bhandari:** Because it is not one or two plasticizers, it's a combination of various plasticizers, every plasticizer has different economics. Sometimes they use phthalic, somewhere they use alcohol, somewhere they use terephthalic acid. So, different, different raw material is required. So, on the gross basis on all plasticizers put together, your EBITDA is between 10% to 12% or 15% depend upon what your phthalic prices are in terms of transfer and net profit margin is between 5% to 10%.
- Prolin Nandu:** But the spreads would be higher than what we make in phthalic, right, on a dollar per ton basis?
- Pramod Bhandari:** I think you need to look at from a point of view whatever you are making from phthalic, on plasticizer you are making over and above that.
- Prolin Nandu:** No, sir. Why I was asking you this question is that because we are going to use phthalic which is already in-house production, right? So, the other way to put it is this is like this, that let's say if we are using \$165 to expand either in some Brownfield capacity of phthalic acid, what are the kind of IRR that we would be making, right? I mean, I understand that –
- Pramod Bhandari:** I understand your question. I think you need to understand that, in plasticizer, the asset turnover ratio is around 5 to 6 times. We are investing Rs.150 crores to Rs.160 crores. Your revenue is around Rs.900-1,000 crores. On Rs.900 crores and Rs.1,000 crores you are making suppose 5%, so you are making 50%. Your payback period is less than four years. So, it is not the absolute margin, the actual payback is different, because it is on the revenue you are making the money and that also depends upon the price at which you are transferring the phthalic. If you are transferring the phthalic at export price, domestic price at cost, that will also affect your plasticizer margin.
- Prolin Nandu:** So, basically ROCE for plasticizer would be much, much higher than for our core phthalic business.

**Pramod Bhandari:** It's because of asset turnover ratio.

**Moderator:** The next question is from the line of Chirag Vekaria from Budhrani Group. Please go ahead.

**Chirag Vekaria:** Just wanted to understand first is the turnover that you have done, so can you give the give the breakup of phthalic MA and PA in the turnover for quarter?

**Pramod Bhandari:** So, I told you that already that the overall the non-phthalic we have already given in the presentation, non-phthalic revenue which is split between DEP, plasticizer and MA equally. And for phthalic, I think generally we are making 90% revenues.

**Chirag Vekaria:** Sir, in Q3, you said there were negative spreads. How do you -?

**Pramod Bhandari:** When I am saying negative spread, it is in the market, the spread was between you will see the -\$10 to plus \$10.

**Chirag Vekaria:** What is attributed to this negative spread? Any reason that -?

**Pramod Bhandari:** There are multiple reasons. There is challenges in the downstream segment, which is the CPC coating. They are supplying their product to the European markets, there was challenge, there was a challenge in the Chinese side because some of the guys and downstream are selling it to China because there was a slowdown in China. Second, a lot of guys who are doing the export, there are a challenge in terms of the red sea issue where the freight cost has gone up from \$50, \$60 to around \$200 to \$250. And overall demand, when it goes down, you try to export. On the export side, you have another challenge of the freight cost. So, that all put together and that is the domestic change. Then the interest is changing. When you see the overall margin in interest of market because of the demand/supply has gone down, so it also affects domestic. Domestic, you are not insulated from the international market. You are making what is available in the international market over and above that because of your operational efficiency and the other products. So, all three factors put together have compressed that margin. And lastly, the most I think margin is the one part, still you can manage. But what happened is there was so sharp correction in the OX and the phthalic prices that everybody who maintain the inventory has to face the inventory losses. So, if you look at the total profitability, we lost Rs.21 crores on the inventory loss and Rs.4 crores or Rs.5 crores on M2M Forex so . Rs.26 crores has lost which has nothing to do with the margin.

**Chirag Vekaria:** So, two things. what are the current spread and sir, how is the inventory placed now?

**Pramod Bhandari:** I think inventory, we always keep between 10 to 15 days. So, inventory is not something which is abnormally high or abnormally low. We always keep 10 to 15 days inventory. The challenge is when the correction is so far within a month, if it goes down by 10%, 15%, 20%, then the end user customer is in a wait-and-watch mode. They are saying, let the price settle then we will buy. And when it started to be going up, then suddenly you will get 2x of the order. So, it is the

phenomena which is happening every three to four years. In the last 20 years we have seen five, six incidents which have happened.

**Chirag Vekaria:** Sir, in Q4, what are the spread levels moving right now internationally?

**Pramod Bhandari:** Spread has improved and right now it is between say \$70, \$80 to \$100, \$120, \$130 because it move for the different, different periods. Then first last 15 days in Feb, it moved to a range of around \$100+- 20%.

**Chirag Vekaria:** Sir, on the plasticizer unit, is there a cost-plus markup or there also you have spread, I mean, how do you calculate the margins?

**Pramod Bhandari:** So, margin, we are calculating is that like what is the phthalic average selling price that we will take as a cost and then we calculate the spread for the plasticizer.

**Chirag Vekaria:** So, you would mark up and then sell plasticizer?

**Pramod Bhandari:** 100% because phthalic margin should not be translated to the plasticizers margin.

**Chirag Vekaria:** So, here sir, in case of the way it happens in phthalic business, similar would not be the case in plasticizer, right, irrespective you will make money in this plasticizer plant?

**Pramod Bhandari:** Plasticizer is a separate demand/supply equation and a tepid margin. There are various types of plasticizers, and apart from phthalic, there are 60% other raw material being used. So, all that raw material and the selling price will determine the margin. You will only get the advantage because phthalic is in-house, there is no transportation, packing or flexing is involved because you will be directly supplying phthalic liquid portion to your plasticizers plant. To that extent, we'll get that one.

**Moderator:** The next question is from the line of Lohit Reddy, an individual investor. Please go ahead.

**Lohit Reddy:** So, my question is with respect to the domestic PAN supply. So, we see that the major domestic players are increasing doing CAPEX at the same time. So, is there any chance for an excess supply situation, can there be a pricing war?

**Pramod Bhandari:** I think there are two ways to look at that. So, I G has added. While the market continues to grow between 6% to 7%, but if all players capacity coming at same time, which I believe still there is a gap of 1-1.5 year, it will take around nine months to 15 months for the market to absorb and then accordingly it will be decided. Till that time, I think all the players need to export to a certain extent, but right now also I G is exporting around 15% to 20% and we continue to export. And I have a different take because in the next 15 to 18 months when we start our plasticizer, then I think more than 50% of the phthalic of the new unit will go into the plasticizer. So, hardly anything is available in the market. So, you will see the equilibrium in the market in the next probably 12 to 15 months.

- Lohit Reddy:** My next question is on like how are domestic PAN players with respect to the Chinese players in terms of pricing? I believe anti-dumping duty must be helping to curb the imports to certain extent, but our Indian players exporting like if you want to gain market share, how are they placed compared to -?
- Pramod Bhandari:** No, no, I've not understood. What is your question?
- Lohit Reddy:** With respect to the domestic PAN suppliers, how are we placed in terms of pricing with respect to the Chinese competition?
- Pramod Bhandari:** I think we are the most competitive in terms of the pricing. I think we can compete anywhere because we are one of the lowest cost producers. The question that comes is, do we want it to compete? Because if they need to export, they need to incur the freight, transportation, Forex, insurance and duty. For domestic players, while supplying to domestic markets will always be in an advantageous position. When we export, then you need to be very, very competitive because they are also exporting from their countries to Middle East and Europe and you are also exporting. We can sense that we are very competitive even when we are selling it to the Middle East where we need to compete with these guys. In domestic, there is no as such because their costing is very high compared to us, but even in international market we are very competitive.
- Moderator:** The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.
- Madhur Rathi:** You were going to start compressed bio ethanol. We have invested Rs.3 crores. I just wanted to know the status of that.
- Pramod Bhandari:** So, that is still under the evaluation stage where we are evaluating project report and all that. We are evaluating not actually ethanol; ethanol is not part of that but biogas and CPC which is exploratory where we have mentioned that we are looking at various opportunities in terms of the green side of the business. So, that is when there are at an exploratory stage. As and when it is cleared by the board, we sum up the plan, we always come up. Like last quarter, we have firmed up the plan about plasticizer, we have already declared that.
- Madhur Rathi:** You have guided that 30% of our revenue to come from non-PAN by FY'26. This plasticizer plant will be included in that or just -
- Pramod Bhandari:** Yes, because plasticizer will include around Rs.1,000 crores revenue, Rs.200 crores will be maleic, benzoic acid and others. So, on your Rs.3,300 crores, Rs.1,200 crores will be the revenue from other SKUs.
- Madhur Rathi:** But sir, you we are saying that the full impact for the plasticizer will come in FY'27.
- Pramod Bhandari:** Yes, '26-27 because it will be planning to be started somewhere in September 2025.

- Madhur Rathi:** So, 30% diversification will go to FY'27, right?
- Pramod Bhandari:** Actually, effectively when you start the plant, diversification is done by the end of March 2026. But the effect of the same when the revenue will be visible once you look at the full year.
- Madhur Rathi:** For these Chinese single use plastic coming in FY'25, so do we see like by maybe second quarter or fourth quarter FY'25 do Chinese imports to go down drastically?
- Pramod Bhandari:** I think Chinese are not the biggest exporter to Indian market. If you look at the last two quarters, also Chinese is not even in top three. And India is importing because still there are deficit because if we do export and other players do export, you will find there is a deficit in the Indian market, to that extent, import will remain because import typically which was 1,20,000 to 1,50,000 , now it has gone down to around 40 to 50 per year. It's already half.
- Moderator:** Due to time constraint, that was the last question for today. I now hand the conference over to Mr. Pramod Bhandari for closing comments. Thank you and over to you sir.
- Pramod Bhandari:** So, thank you very much for joining this call in evening today. If you have any questions, please contact SGA, our investor relations advisor or you can send us the mail. Thank you very much. Bye.
- Moderator:** On behalf of I G Petrochemicals Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.