



“I G Petrochemicals Limited
Q3 FY26 Earnings Conference Call”
February 13, 2026

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

Moderator: Ladies and gentlemen, good day, and welcome to I G Petrochemicals Limited Q3 FY '26 Earnings Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. This conference call may contain forward-looking statements about this company, which are based on the beliefs, opinions and expectations of the company as on the date of this call.

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I now hand the conference over to Mr. Pramod Bhandari. Thank you, and over to you, Mr. Pramod.

Pramod Bhandari: Good Afternoon, everyone, today. On behalf of IG Petrochemical, I would like to extend a warm welcome to all the participants. We are also joined by SGA, our Investor Relations Advisor. We trust that everyone has had an opportunity to review our financial results and the investor presentation, which were uploaded on the stock exchange as well as the company's website.

During today's discussion, we will briefly begin with a quick overview of the recent industry development, provide an update on the IGPL financial performance as well as the project progress, which will be followed by the financial highlights for the quarter. Coming to the industry.

The Indian chemical industry continued to operate in a challenging environment shaped by the combination of factors, including ongoing geopolitical developments, volatility in crude prices, rising global trade and the logistic cost, subdued demand from the key Western markets. These headwinds have impacted the performance of the major chemical companies across domestic as well as international market. IGPL is also not entirely immune to these pressures.

Companies with a higher dependence on the import of raw material, particularly those sourcing the raw materials, such as Europe, China have forced competitively faced greater challenges. As you see the player with a significant exposure to the U.S. market are impacted by the tariff-related uncertainties. However, following the announcement of the U.S.-India trade agreement, uncertainty surrounding the tariffs have been moderated.

Further, the recent development around the EU free trade is also expected to open up the new opportunities for the industry over the medium to long-term. While certain downstream segment experienced temporarily softening in demand in earlier quarters, the current trend indicate a healthy demand revival from various end user industries.

The impact on IGPL was relatively limited. This is primarily due to the localized customer base. Majority of our customers are located within radius of 200 to 300 kilometers from our facility, providing the logistic efficiencies as well as demand stability. Although IGPL doesn't directly export to U.S., however, some of our customers' downstream industries cater to the U.S. demand.

About IGPL, IGPL continued to stay on a strong foundation, built our focus on the operating efficiency and cost leadership. We are one of the lowest cost producers of phthalic in India. We are the largest producer of phthalic in the domestic market and second largest producer of phthalic in the global markets.

Over the decade of focused efforts and continuous improvement, IGPL has developed a strong manufacturing excellence, ensuring a consistent and reliable supply of high-quality products. In addition to phthalic anhydride, our diversified product portfolio includes maleic anhydride, benzoic acid and DEP, which cater to the broad range of industries.

We expect these products to meaningfully increase their contribution to the company overall financial performance over the next 4 to 5 years. Particularly about the Q3, our performance for the quarter was impacted because of the compressed margin, lower realization of phthalic as well as soft pricing for the domestic products. These price pressure largely affected our revenue as well as margin during the period.

In addition, the profitability was also impacted by the higher cost inventory buildup, which has been carried forward from the earlier period. From a balance sheet perspective, the past quarter, we had also converted most of our euro debt, euro-denominated debt into the rupee. So that has significantly saved us in terms of the currency fluctuation.

And we also repaid a significant portion of our outstanding loan. So these initiatives have helped overall reduce the forex exposure and strengthen our overall financial position. As a part of forward-looking strategy, we are continuously focusing on upgrading our key equipments and improve plant reliability, ensuring we are well positioned to capitalize on the future growth opportunity.

On capex front, our Advanced Plasticizer project is progressing well and expected to achieve the mechanical completion by the end of March 2026. The plant will have an initial capacity of around 75,000 ton, which can be later on scaled up to 1 lakh ton. The facility will be manufacturing a wide range of plasticizers, including DOP, DINP, DBP, and DIBP, which are captively -- which will captively consume approximately 30,000 to 35,000 ton of phthalic anhydride when operated at optimum capacity.

Thereby improving the overall value chain and integration. In parallel, we are also doing the debottlenecking of our DEP plant, which will increase the capacity of DEP from roughly 8,000 ton right now to 12,000 ton by the end of March 2026. IGPL is also taking concrete step towards green chemistry and sustainable circular economy. As part of this, we have, we plan to set up a compressed biogas plant at Karnataka.

The project is expected to generate the revenue from sustainable resources by reinforcing our long-term commitment to the environment. CBG project is under implementation and is on track to achieve the commercialization or mechanical completion by the end of the June or July 2026, while the pyrolysis plant is expected to be on schedule.

Along with these initiatives, we remain focused on enhancing operating efficiency, lowering our carbon footprint across our operations. We are steadily increasing the integration of solar power and other renewable energy sources at our facility, which will support sustainable and long-term cost optimization.

In addition to this, we are also begun a phase transition from the conventional fuel, including LSFO/diesel to the natural gas. This shift is expected to save the cost over the period of time, but also improve the energy efficiency and reducing the emissions, thereby aligning our operational objectives with the broader sustainability commitments.

We believe that the period of subdued demand for the phthalic anhydride is behind us. Price level across the key products appear to be bottomed out. Looking ahead, we expect to have a gradual improvement in the demand from end industries, supported by the normalization in the market condition.

Additionally, the recent developments such as U.S-India trade agreement, EU-India trade agreement present meaningful opportunity for the chemical sector. These initiatives are expected to enhance the market access and improve competitiveness and support export-led growth. For IGPL, this evolving trade environment also opens up the opportunity for potential revenue stream, positioning the company to benefit from the global demand condition will improve.

Overall, considering the favorable global environment and anticipated demand recovery, we remain optimistic about the outlook for the coming quarter with a strong operational capability and integrated product portfolio and disciplined capital allocation, IGPL is well positioned to capitalize on this opportunity and drive sustainable growth.

For the quarter ended '26, total revenue was INR471 crores, reflecting a 17% decline, primarily due to lower realization and impact of high-cost inventory. However, the overall sales volume has improved by more than 10% compared to the last quarter.

Revenue contribution from the non-phthalic business was about INR41 crores. Export contributed 15% to the overall revenue, which we -- expect a significant growth opportunity going forward. Gross profit was INR86 crores. EBITDA was INR16 crores, mainly impacted by the compressed margin, high-cost inventory and lower realization of the maleic anhydride. For the quarter, company has reported a loss of around INR7 crores.

Total revenue for the 9 months was INR1,424 crores. The non-phthalic business for the 9 months was INR114 crores. Gross profit was INR303 crores and EBITDA stood at INR56 crores. The total loss for the 9 months ended INR14 crores because the first quarter was also having a loss, second quarter was profitable and third quarter against the INR7 crores loss. Overall profitability was impacted because of multiple factors: inventory cost adjustments, M2M charges for the forex, as well as the compressed margin.

With this, I conclude my presentation and open the floor for question and answers.

Moderator:

The first question is from the line of Riya from Aequitas.

Riya: So I would want to ask since we have all the 5 plants running, what is the capacity utilization this quarter? And what would be the kind of volumes we have done?

Pramod Bhandari: So typically, we are operating right now 4 plants, not 5 plants. And also one of the plant was shut for 1.5 months. So for 4 plants, the capacity utilization was around 80% to 85%.

Riya: And why was the fifth plant working only for 1.5 months?

Pramod Bhandari: That was some technical snag that need to be changed. Otherwise, we intend to operate only 4 plants, but there was some technical issue because of that, it was shut for around 20-25 days. But again, it has started in December. Overall sales volume compared to the last quarter has improved by more than 10% to 12%. It was more than 51,000 ton.

Riya: I think last quarter also, we had some maintenance shutdown, right?

Pramod Bhandari: Last quarter was -- there was a change in the catalyst. We have 5 plants. And every year, we need to take 2 plants for the change in catalyst. Every 2 to 3 years, we need to change the catalyst.

Riya: Yes. But however, every quarter, there is 1 plant or so, which is so which is under maintenance or not operational?

Pramod Bhandari: Generally, we are operating 4 plants. And in that 4 plants, 1 or 2 plants need to shut down for changing catalyst. Fifth plant is expected to start in line with the plasticizer.

Riya: Okay. Fifth plant will only start on the line with the plasticizer, this March, April?

Pramod Bhandari: Which is March, April, yes. When plasticizer production will start because that plant will cater 70% of the requirement. 70% of that plant production will go to the plasticizers.

Riya: Right, right. Also in terms of spreads, what are the current spreads? Also I'm understanding this since last two, three quarters on the call, we have been mentioning that it is going upwards of \$100 to \$150 range. However, it is not reflecting in the margin?

Pramod Bhandari: Yes, yes. It is -- last quarter was, I think you can say that for last 9 months, it was the worst quarter where the margin has compressed to around \$50 to \$100, which was the lowest. And that also the impact of the lower realization from the product, the higher cost of the Orthoxylene, which has compressed the margin.

Second, the reason is the lower realization because \$670 was around maleic anhydride, which has a revenue of around INR11 crores to INR12 crores, while we were expecting INR15 crores to INR18 crores every quarter. So that December quarter seemed to bottoming out all the margins. Since then, the prices has gone up from INR82-83 to INR90 to INR93. Now there is improvement in the margin.

Riya: This was maleic or phthalic?

Pramod Bhandari: Phthalic, phthalic.

- Riya:** So INR80 to INR90?
- Pramod Bhandari:** Yes. December quarter seems to be the bottoming out of most of the product prices as well as the margin. In Jan-Feb, we have seen very good improvement in overall margins.
- Riya:** Okay. Could you help me in terms of dollar terms, what are the current spreads right now?
- Pramod Bhandari:** When you are talking about the market margin, it's between \$100 to \$120. And I G margin is generally \$40-50 or \$60 higher because the operating efficiency, maleic, benzoic acid all advantage if you consider, then you need to add around \$70 to \$80.
- Riya:** Yes. So earlier, I think this number was like I think last Q2 and Q1, you -- I think Q1, you had mentioned that the spreads were around \$100 to \$120 levels only?
- Pramod Bhandari:** \$100 to \$120 was right when the maleic prices are very good. Now that \$100 to \$120 moved to \$60 to \$80 because of the decline in the maleic prices because maleic realization in our case, is directly added to the EBITDA. The maleic prices have gone down significantly by, I think, last – 20-25% in the last 6 months. Today the maleic price is around \$600.
- Riya:** I think maleic is reducing since last 1 year only, right?
- Pramod Bhandari:** Actually, historically, if you look at maleic was around 20% higher than phthalic. So suppose phthalic is \$1,000-1,050, maleic is \$1,200. Ideally in last 20 years. But in the last 1-1.5 or 2 years, the maleic is 20% or 30% lower than phthalic. When Phthalic is \$150 (Errata: Actual Number to be read as \$1,050), Maleic is \$670. So that has impacted the overall edge of our \$100-150 has reduced to \$60 to \$80.
- Riya:** Right. So my question is that the maleic prices have remained subdued since the last 1-1.5 years. However, we were doing much better margins than the current quarter. So what has changed given that the industry spreads have also remained the same, why is the margin impacted to this extent?
- Pramod Bhandari:** So there are two reasons. First reason which I have mentioned, there is a compressed margin for last quarter. Second, we were carrying some inventory.
- Riya:** Sorry, I couldn't get you.
- Pramod Bhandari:** So first reason is there is a compressed margin for the last quarter. Second, we were carrying some inventory, which is of higher cost. So that inventory we are carrying at higher cost that you need to sell as per the prevailing market price. So the result inbuilt the inventory losses in itself. The third point which I mentioned is about the lower realization of the maleic anhydride.
- Riya:** Right. Could you help me on the first point a little?
- Pramod Bhandari:** Typically, the margin across all segments were impacted because the downstream industries to whom we are supplying, some of them are supplying it to the U.S. market. They were not doing

well. So that has impacted the overall demand and the margin. And margin -- when I'm saying margin is compressed, it's not just because of Indian market.

In the global market, margin has gone down, which indirectly impacted the domestic player also. So it's a three factors put together. One is the compressed margin. The second is lower realization of the maleic anhydride. And third is the high-cost inventory, which we were carrying. Now that all are settled up to December.

- Moderator:** The next question is from the line of Aditya Khetan from SMIFS Institutional Equities.
- Aditya Khetan:** Now sir, the remaining catalyst change for this fiscal year has been completed. When you see like the next catalyst change would start in second quarter or?
- Pramod Bhandari:** I think it is not there in -- next 6 months, it is not there. It is not planned in March or June. It may be after June, but I don't have exact date today.
- Aditya Khetan:** Got it. And sir, now we had mentioned like because U.S. market was -- because of this tariff impact, volumes of end user industries have been impacted. So sir, now what is the negotiations going on, on the table? Are the customers witnessing an uptick the volume?
- Pramod Bhandari:** I think the volume has already improved because the U.S. matter more or less settled. And whatever the -- actually, if you look at last 9 months, so MTM inventory loss comprises around INR40 crores to INR50 crores in last 9 months in the results. So that all matter has settled. Now the prices has already bottomed out, expected to go up.
- And we are expected to have more than 50,000 ton of the volume every quarter or more than that. And then there will be PA-5 along with the plasticizer, which will further improve the phthalic volume as well as the volume of plasticizer, which will add -- if at optimum capacity of plasticizer and PA-5, it will add INR1,000 crores to the revenue. But I expect 30-35% on an annualized basis starting off the plasticizer. Gradually, it will go up to optimum capacity.
- Aditya Khetan:** Got it. Sir, on to the DEP in our existing plant of 8,000 tons, we are debottlenecking to 12,000 tons. Already, sir, we have a 75000 tons plant in completion right now. This plant is different?
- Pramod Bhandari:** No, there is a difference.
- Aditya Khetan:** Is there any specific Reason for expanding into this?
- Pramod Bhandari:** There are two plants. One plant, I'm talking about the DEP, which we started in '22, that is catering to the fragrance industry, mainly like all type of fragrance chemicals companies like Orient, JB and all that. So this plant, which has a capacity of around 8,000 ton, that we are right now doing the debottlenecking, which will improve the capacity to 12,000 ton. So that is already under progress, expected to complete by March 2026. And another plant of plasticizer, which is under construction, that is separate that doesn't have a DEP. That is actually DOP, DINP and other products.

Aditya Khetan: Got it. So sir, like expanding into DEP, is there more rational like because more customers are phasing out from DEP and looking to other options because of trade restrictions from other nations?

Pramod Bhandari: If you ask me, first, there is a better margin. There is a stability in the pricing and there is a good growth demand. We are not only supplying DEP, which is the base for the fragrance for all type of perfumes and all to domestic market, but we also cater to the export market. So for us, I think DEP is something which provides greater stability in the overall margin.

Right now, we are also at DEP 40% of market share with 12,000 ton, we will have more than 50% market share in DEP. DEP is a good product. All the perfumes which you are using, like a lot of market perfumes are available, the fragrance, agarbatti and all that. The base is DEP.

Aditya Khetan: Got it, sir. Sir, what would be the capex on to this debottlenecking?

Pramod Bhandari: It's INR2 crores to INR3 crores, very small. It is not the capex, it will be part of the operating cost -- operational cost, yes.

Aditya Khetan: Got it. And sir, this new deal, new plant of plasticizers, volumes and revenue will flow from Q2?

Pramod Bhandari: Q1 will be there, but very small revenue, but yes, Q2, gradually, it will go up in Q2-Q3.

Aditya Khetan: Got it. Sir, with this -- with the high tariff imposition on China, so it seems like more of material will not go into U.S. and flow into other markets. So maleic anhydride is there any sort of a concern like outside of U.S., the inventory would be very higher that would lead to further softening in prices or still like you say like this is the bottom in maleic?

Pramod Bhandari: So the maleic anhydride prices, I think I believe in next 1 or 2 years is tight because China has extra capacity, which they are supplying to catering to the global market. However, with the India and Europe deal, trade -- free trade is signed, there will be a lot of opportunity for Indian phthalic, maleic guys even to sell into the European market. U.S. market has a certain type of deal, but they are providing certain concession to the Chinese market.

The Chinese continue to sell their maleic to the U.S. market and Europe market. So whoever is selling in China and Europe, they need to compete with the Chinese. But I believe that next 6 months to 1 year, there will be a compressed margin. But logically, because today, the margin of maleic is below the cost of production through the butane route.

If you get the butane today in India, it will cost INR500 to INR550, INR300 is conversion. So INR850 to INR900 is your break-even. Prices are INR670. I G case is different. We are using the -- we are getting maleic from the wash water. So cost is practically nil. Otherwise, if you use the butane route, maleic is not viable today.

Aditya Khetan: Got it. Sir, just one last question. So we maintain that our top line of INR2,000 crores would be visible, so INR1,000 crores of incremental addition on top line and subsequent like 14%, 15% margin?

Pramod Bhandari: Right now, we have revenue between INR2,000 crores to INR2,200 crores, which is roughly INR2 lakh crores -- of 2 lakh tons of the phthalic which we are selling with maleic and benzoic acid with optimum utilization of say, 90% utilization of PA-5 and the plasticizer, we expect to add INR1,000 crores revenue. If we do utilization of 40-50%, accordingly, revenue will change.

Moderator: The next question is from the line of Chirag from Keynote Capital.

Chirag: Pramod, sir, my first question is related to the time of frame you are talking about. So just on a comparative basis on Q1, Q2, were you also specifying Q1, Q2 spread with maleic acid or maleic anhydride into picture because in our understanding, it was like the spread that you always talk about is PAN-OX spread. So this \$60 to \$80 spread that you are speaking about is something new that you have incorporated while specifying maleic anhydride into it. So could you give a comparative directional for the spreads for Q3?

Pramod Bhandari: Can you just repeat your question? Because I've not got -- you wanted to ask a question why the additional margin over and above the market margin is coming from? That is your question?

Chirag: No, sir. I'm just saying that since in last 2 quarters, Q1 and Q2, when you were specifying about the spread, it used to be \$100, \$120 in last quarter, \$120, \$150?

Pramod Bhandari: Correct.

Chirag: You were talking just about PAN-OX spread, right?

Pramod Bhandari: So I will repeat again. Whatever is the market margin, I G used to have \$80 to \$100 to \$120 extra because of operating efficiency, yield by product like maleic anhydride and benzoic acid. When the market is compressed, when I'm talking about is the margin plus the addition. If there is some inventory inbuild loss and all that loss, that will be reflected in the financial results.

Chirag: Okay. So it was just the extra that we were earning was because of the maleic anhydride and benzoic acid specifically?

Pramod Bhandari: Maleic anhydride and benzoic acid and the operating efficiency of the yield advantage all 3 together.

Chirag: Okay. And that spread has come down to \$60 to \$80 for the quarter?

Pramod Bhandari: Yes. But \$60 to \$80, it was for the last quarter, now it has again improved it. And in our case, it has also got impacted apart from market margin because of the high-cost inventory, which is now nil because that has been adjusted or sold and now the prices have gone up.

Chirag: Got it. Sir, my second question is related to the 4 plant that you are specifying about to run every time in the year around the year. So based on my understanding, once the plasticizer plant will come up, so we will be using 3 plants for phthalic and 1 plant for plasticizer and 1 plant will always be shut down roughly on an average?

- Pramod Bhandari:** No. We will be operating 5 plants. One plant, 70% will be utilized for the purpose of plasticizer. And out of 4 plants, 1 plant will be taken the shutdown for change in catalyst every year.
- Chirag:** Probably we would be having 2 shutdowns every year as you specified earlier in the call?
- Pramod Bhandari:** I think I will repeat it again. Every 3 years, we need to take shutdown. So if we have a 6 plant, we need to take shutdown -- two shutdown in every year. Now we have 5 plant. So every year, there will be two shutdowns, 1 year, there will be one shutdown.
- Chirag:** Got it. And sir, this technical problem that we faced during the quarter led to 1 month shutdown for the plant?
- Pramod Bhandari:** Yes. That has been sorted out and started again back in December. But that has not impacted the sale.
- Chirag:** What kind of volumes we did in this quarter compared to last quarter?
- Pramod Bhandari:** Last quarter was around 47,000 tons and this quarter it was more than 51,000 tons.
- Chirag:** This quarter was 51,000 tons. Roughly last quarter was 46,000 tons if I'm not wrong?
- Pramod Bhandari:** So basically, I don't want to comment directly on volume, but we improved around 10% compared to last quarter. Sales has improved although there was a good inventory line.
- Chirag:** Fair enough. And maleic prices currently 35% is down compared to PAN prices?
- Pramod Bhandari:** Maleic prices are today is less than \$700 in international market. Less than \$700, \$670 to \$680.
- Chirag:** And this is because of the excess supply from China?
- Pramod Bhandari:** I think there are multiple factors. It has actually been going down for last 1-1.5 years from \$1,000 to \$850, \$900, \$800, now \$750 then now again below \$700.
- Chirag:** Got it. Just two questions from my side. So first is when you're saying that we are expected to get mechanical completion for the plant of plasticizer in Q4, when can we expect the plant to commission completely after the dry runs?
- Pramod Bhandari:** I think generally, 1 month. So that's why I mentioned it. There may be some quantity of production of plasticizers, but that will not be high in April, May, June. But you will see the gradual improvement from July, August, September in production of plasticizer.
- Chirag:** Got it. And just last, any update on the CBG plant? It is expected to be completed in Q2 as per schedule?
- Pramod Bhandari:** I think construction is going on. We expect mechanical completion to happen in June 2026. Construction is right now on.
- Chirag:** And what are the -- what is the raw material that you would be using in CBG?

Pramod Bhandari: We will be using the Napier grass and the agro waste as a raw material for CBG production. Yes.

Chirag: And the raw material would be available in the nearby area as well?.

Pramod Bhandari: Yes, yes, it is abundantly available. It is -- actually, the plant is in between the sugar belt and all other belts. It's Raichur is the center place surrounded by a lot of sugar factories and other factories. Agro waste is available and Napier grass is being grown to supply.

Chirag: And what would be the size of the plant?

Pramod Bhandari: The size of the plant is 5 ton per day, the production of CBG, 5.2 tons or 5.3 tons. It's a pilot plant for CBG.

Chirag: Yes. Got it. And expected to run 300 days in a year?

Pramod Bhandari: 350 days because there is no other problems in that plant. 330 to 350 days is the production period. So 1,500 tons in a year. 1,500 to 1,600 tons in a year, yes.

Moderator: The next question is from the line of Nirav Jimudia from Anvil Wealth.

Nirav Jimudia: Sir, 2 questions. So first is on the user industry side, like UPR and pigments were indirectly affected due to the U.S. tariffs because we were doing a lot of exports from India in terms of both these products put together. So if you can just help us understand in terms of the volumes, which we were catering to these segments before the tariff and after the tariff, how much of the volumes would have impacted?

Pramod Bhandari: So I think, at this point I can't give you because after the tariff volume is yet to improve, which we will see gradually. Typically, paint, plasticizer and pigment put together is 50% to 55% for us. Paint, pigment and plasticizer between 50% to 55% put together. Balance is the specialty chemical, DEP and other plasticizer.

Nirav Jimudia: No sir, what I was trying to ask is that, let's say, when the tariffs were in place and when the tariffs were not in place, I'm not talking about the existing situation?

Pramod Bhandari: So basically, two segments which were impacted. One is UPR and some portion is the resin and the CPC. So overall difference will be 5% to 10% of the sales. We expect that in this segment, sales will improve by 5% to 10%.

Nirav Jimudia: Got it. So let's say, if you are doing a volume of 50,000 tons, 2,500 tons were impacted, which should come to us on a steady-state basis as the tariffs go?

Pramod Bhandari: Correct. Correct. Absolutely right.

Nirav Jimudia: Got it. And sir, with reference to the paint, which you just touched upon, like a new player Grasim has been consistently increasing its market share. So are we currently supplying to them? And if yes, what sort of monthly volumes we are catering to?

- Pramod Bhandari:** So typically, we have supplied to all paint companies in India. And the typical volume for the paint company is around 15% to 20% of our production.
- Nirav Jimudia:** So close to around 10,000?
- Pramod Bhandari:** 15% to 20% because it's a seasonal. Sometimes it's 15%, sometimes 17% because in gaining season, the paint demand will low, plasticizers will improve. So it's changed quarter-to-quarter.
- Nirav Jimudia:** Got it. The second question is on the imports of OX. So with this EU FTA going -- so like EU FTA in place, so from next year onwards, we will start getting the benefits of trade deal. So are we importing anything from Europe in terms of OX so that the duties which currently are there?
- Pramod Bhandari:** No. We don't import anything from Europe, but there may be opportunity to sell the product in Europe where the prices are good. However, we need to check the logistic point of view. And second is 60%, or 65% of product which is being sold for Phthalic in Europe is molten. And around 30%, 35% is on flakes. So we are generally domestic market, we produce flakes because molten is not easy to transport. So there is a limited opportunity for the Indian player in European market. However, we need to check the commercially based on the logistics. Duty has been made to nil.
- Nirav Jimudia:** Yes, correct. And sir, last question from my side. You mentioned about 9-month inventory loss figure of close to around INR45 crores, if I heard you correctly. If you can just quantify?
- Pramod Bhandari:** No. I will tell you. I will just mention that the M2M charges and inventory impact is INR40-45 crores, both put together. So M2M was around INR25 crores to INR28 crores and INR10 crores to INR15 crores was inventory. Both put together was INR40 crore to INR45 crore in the financial results for 9 months.
- Nirav Jimudia:** Correct. Sir, is it possible to share the inventory loss figure for Q3?
- Pramod Bhandari:** So we don't have a direct number calculated for that. It is cumulatively and it is not reflected in the results. That is how we internally calculate because the high-cost inventory remain in your books and then you are selling it, then the loss which is being calculated. So it is -- there is no separate calculation done by us for inventory. However, for M2M, we have already provided in the 9 months' results.
- Nirav Jimudia:** Correct. And sir, with the plasticizer plant getting commissioned, currently, we are around, let's say, give or take 2,00,000-2,05,000 tons of volume?
- Pramod Bhandari:** Correct.
- Nirav Jimudia:** How our volume should optically look like in terms of production for FY '27? Any guidance that you can share?
- Pramod Bhandari:** '26, '27, ideally, it should be between 2,30,000 tons to 2,35,000 tons. Out of that 5,000 to 10,000 tons will be for plasticizer and DEP and around 2,20,000 tons to 2,50,000 tons would be for phthalic.

- Moderator:** The next question is from the line of Madhur Rathi from Counter Cyclical Investments.
- Madhur Rathi:** So Mr. Bhandari, disappointment seems to have become the destiny of I G Petrol shareholders every quarter, either there is a planned shutdown or unplanned shutdown or some technical breakdown. So -- but the bottom line is that the numbers are really disappointing. And it is reflected in our stock price. The net worth is over INR1,300 crores and market cap is around INR1,000 crores?
- So basically, market doesn't believe our net worth that -- so I mean, that's what the -- means when the market cap is below net worth. So any plans to do share buyback? And why are we wasting money on CBG plant, pyrolysis oil and other exploring downstream chemistries when our core business is trading below book value. So why not just do a share buyback?
- Pramod Bhandari:** Okay. Let me explain you about the industry first. Your comment is very blunt, but let's understand the industry how it works. So phthalic IGPL is the largest player phthalic. It is a cyclical industry. Please understand that the margins move in line with the international market price. We have expanded our capacity.
- However, the plasticizer got delayed by some 3 to 6 months. When we start the plasticizer, then we will get the advantage of complete integration of PA-5 and the plasticizer. Coming to your point, the market, the book value and all that, I think that is the one way of looking at the investments, but we are focusing on improving our efficiency.
- When the market is bad, you can look at how you can optimize our cost, how you can improve our overall margin. When market turned up, like in Jan, Feb, you see that there is a good revival in the market, the margin has improved. So I don't think the investors should look at 1 or 2 quarter results.
- And if not for I G, you look at the entire industry of the phthalic anhydride market. So company is -- when the company is doing or company is not making money, it's nothing to do with the company. It's the performance of the market and the margin. Company is not different from the market. If market is having x margin, company can have an improvement of \$50, \$60, \$70 over and above.
- Madhur Rathi:** So Mr. Bhandari, I understand the point you are making. In fact, you are proving my point that we are in a cyclical down cycle. We have a great future ahead of us. We have expanded capacity. And this is a temporary down cycle, then that is exactly the time when share buyback should be done so that all the future growth can get divided on a smaller base?
- Pramod Bhandari:** My dear friend share buyback decision is taken by the management and the Board. You and me discussing can't decide that. That is one. But the other opportunity, you always look at the equity market point of view. I understand your point of view. Another thing which I need to highlight for last 9 months -- while we are operating 4 plants, the interest and depreciation is being charged for the 5 plants. So what happened in the last 9 months doesn't necessarily mean that the future will not be changed. You need to wait for one or two quarters, you will see a drastic improvement in the performance of the company.

Madhur Rathi: Right. Sir, so why is our interest cost high for the past two quarters, if you could just help us bifurcate, is it because of the euro loan that we -- sir, if you could just help us bifurcate, why is the interest level was high?

Pramod Bhandari: I will do it. The interest cost is not high. We have already projected for INR36 crores. In the interest 2024 March, when we completed PA-5, the debt of the PA-5 is also reflected in the P&L. In depreciation and the interest of PA-5, which is yet to start the operation in terms of the production. So what you are seeing is INR30 crores, INR36 crores, INR36 crores to INR38 crores was the financial interest and finance cost. However, there is a minor impact of change in the interest rate from converting into euro to rupee. However, we have prepaid a loan of INR45 crores.

So that is somehow balance sheet route. So if you look at the overall interest cost because we have a treasury income of INR20-24 crores, effective interest cost in our balance sheet is INR15 crores. For a company which is revenue between INR2,000 crores to INR3,000 crores, I think this is a fair -- one of the best in the industry.

Madhur Rathi: Right. Sir, if I were to bifurcate the INR10.4 crores of finance cost that we did in this quarter. So if you could just help us understand how much was towards interest and how much was towards other charges related to all these factoring and euro loan conversion?

Pramod Bhandari: INR3 crores to INR4 crores was on account of term loan interest. Balance is the working capital charges, LC charges, bill discounting charges and other bank charges and around INR1 crores, INR1.5 crores was the M2M for balance EUR 5 million loan, which is lying in the balance sheet because we have converted INR100 crores loan from euro to rupee, but one loan, which is 1.1% interest is still in euro. For that, we need to charge M2M, which is reflected in M2M as well as part of interest cost.

Madhur Rathi: Right. Sir, just a final question from my end, sir, at what multiple do DEP and plasticizer realization can we expect versus phthalic realization? And sir, is it fair to assume that closer to 3,000 metric tons of phthalic will be used for the expanded DEP capacity?

Pramod Bhandari: Correct. So basically, when a DEP is -- as I'm assuming DEP is operating at 75,000 tons, then 30,000 tons to 35,000 tons phthalic will be used in that, which is roughly 40% of the DEP. Now coming to your second question, what is the margin? I'm assuming we are transferring the phthalic at a marginal cost or the lowest cost to the DEP plant at which we are selling our phthalic in the market. If you consider that, then the phthalic -- the plasticizer margin is around 10% to 12% over and above the phthalic margin today.

Madhur Rathi: And sir, on the realization front?

Pramod Bhandari: Basically, realization front, you can assume that right now at 75,000 ton, sales is coming around INR950 crores to INR1,000 crores. So typically, when you are considering phthalic, say, INR 90-91, the weighted average because there are 6, 7 type of plasticizer is coming between INR100 -- 105 to 110 depending upon which type of plasticizer because plasticizer raw material is not only phthalic, but also the different, different type of alcohol and some catalysts. So all put

together, you can say if plasticizer is INR110, then 100 is the cost of raw material for the -- all plasticizers. Including conversion cost, yes.

Madhur Rathi: And sir, for DEP, what would that number be?

Pramod Bhandari: DEP -- again, DEP, we are actually more than 12%, we are making the margin on DEP.

Madhur Rathi: And sir, what was the revenue?

Pramod Bhandari: When I'm saying 12%, I assume whatever phthalic we are transferring to DEP, that margin considered in phthalic. Over and above, we are making 10% to 12% in DEP.

Madhur Rathi: Got it. And sir, what is the revenue from DEP in 9 months? And what was the volume in 9 months that we did for this product?

Pramod Bhandari: So DEP right now, we are selling around 1,500 to 2,000 ton in a quarter. So typically, right now, annualized volume is around 6,000 ton for the DEP.

Madhur Rathi: Got it. And revenue?

Pramod Bhandari: Revenue at 6,000-6,500 tons is around INR100 crores. But today, the last quarter, the phthalic prices and the DEP prices was low. So the revenue in the last quarter was INR15-15.5 crores.

Madhur Rathi: So Mr. Bhandari, sir, next financial year, what is the expected volume in -- of phthalic?

Pramod Bhandari: Which I mentioned, I think you were there on the call. We expect the volume of pure phthalic 2,25,000 tons. The production is expected between 2,30,000 to 2,35,000 tons, 7,000 to 8,000 tons will go to the DEP and the plasticizers and balance 2,20,000 to 2,25,000 tons will be in the -- available in the market for sale.

Moderator: The next question is from the line of Aditya from Securities Investment Management.

Aditya: Sir, I believe the Chinese government had removed the export rebate on phthalic anhydride. So have we seen a similar -- have they done similarly for maleic anhydride as well?

Pramod Bhandari: Sorry, can you repeat your question? What they removed?

Aditya: The Chinese government had removed the export rebate, which we are providing to the producers who are manufacturing phthalic anhydride. So has that similar thing happened in case for maleic anhydride as well?

Pramod Bhandari: No, not yet. I have not seen any publication on notification for maleic.

Aditya: Understood. And sir, I believe that China had expanded this maleic anhydride capacities because we are going to implement single-use plastics. So maleic anhydride was going to be used in bio -- for manufacturing bioplastics. So has that got delayed?

Pramod Bhandari: Actually, not delayed. They were planning to implement in '22 compulsory implementation, then they decided to do '25, they further extended the date. So right now, biodegradable is not compulsory by law. It's optional. So because of that, not everybody is intending to convert the maleic into BDO and BDO to PBAT and PBT, which is the biodegradable plastics. So to that extent, the maleic is not being used for biodegradable, they will continue to sell maleic into the international markets.

Aditya: Understood, sir. And now sir, you mentioned that currently, maleic anhydride producers are selling below cost, especially those who are manufacturing through butane route. So how are the Chinese able to do it? Because I don't believe they have their own butane capacities. So just wanted to get a better flavor, how are they able to manufacture at such a price?

Pramod Bhandari: The maleic in Chinese are being produced through butane and which is an integrated part of refinery petrochemical complex. So butane is basically the part of C1, C2, C3 and whatever butane is mixed butane, then they convert it into n-butane and again, balance butane because in the maleic process, you take 100 kg of gas, use 60-40 unit to again give back to the refinery to pool it with the LPG pool. So around 60% gas is used and 40% go back to the source. So they are manufacturing the maleic, which is a fully integrated refined and petrochemical complexes.

Aditya: Understood. Understood, sir. Got it. And lastly, sir, for phthalic anhydride, just wanted to get a sense, are the current lower prices, is it because of lower demand or there is excess supply? Just some kind of outlook flavor you could provide on phthalic anhydride.

Pramod Bhandari: You are talking about phthalic or maleic?

Aditya: Phthalic sir.

Pramod Bhandari: I think phthalic overall, there was a geopolitical uncertainty and everybody was under negotiation. So there was an issue because a lot of downstream of the phthalic players like UPR, they are selling 70%, 80% of their product like artificial marble into U.S. Because of geopolitical issues, the downstream industry got impacted. That has changed the balance of demand and supply. That's why the margin got impacted. Since now the Europe, Australia, the U.S. deal is concluded, we have seen an uptick in the demand as well as overall margin.

Moderator: The next question is from the line of Prasad from Kamayakya Wealth Management.

Prasad: So you mentioned that our CBG plant will go right from June 2026, right?

Pramod Bhandari: Yes.

Prasad: And when does the pyrolysis oil plant go live?

Pramod Bhandari: That, I think, I will not be able to tell you right now, but we are trying to get it before September because pyrolysis CBG, I think work is more than 50% over. CBG is under construction is given to Praj, everything is settled. Pyrolysis, I think plant construction is yet to start, Basic and detailed engineering is just completed. Probably next quarter, I will give you the exact time line.

Prasad: Okay. And can you just repeat -- I guess, I misheard. Can you repeat the spreads that we earned in Q3 on PAN-OX spreads? What are they at currently for us?

Pramod Bhandari: In the result, the spread which is reported is around \$90 per ton, which includes the basically lower realization of maleic compressed margin, inventory -- excess high-cost inventory, everything is inbuilt. Market margin is around \$60 to \$80 or \$100. Generally, IGPL earned around \$50 -- around \$60, \$80 to sometimes \$100 to \$120 because of operating efficiency as well as the byproduct.

But this time, all put together, there is a pressure of the downstream industry. There is a compressed margin, the lower realization of the maleic anhydride and overall operating performance, there was M2M in high-cost inventory, all put together is impacted. For last 9 months, if you look at the financial performance, it's M2M charges, inventory loss, everything build together and there was some unplanned shutdown also, which has also caused in all has been inbuilt in the results. We expect that Q4 will be better, much better than last 9 months. And going forward, you'll see the improvement when we start the PA-5 as well as the plant effects.

Prasad: Got it, sir. So just one clarification. So the spreads that we mentioned at \$100-120 are what we are earning currently, right, in Jan-Feb?

Pramod Bhandari: I would not like to comment it. It's a market margin and what I G will earn in the quarter that will be reflected in the results.

Prasad: Okay, sir. So the market spreads right now are \$100-120?

Pramod Bhandari: Correct.

Moderator: The next question is from the line of Kunal from Alpha Alternatives.

Kunal: Sir, to understand the size, we are at \$110 to \$130 spread now, and we do a volume of typically between 45,000 tons to 50,000 tons a quarter?

Pramod Bhandari: We typically 50,000 -- 50,000 plus minus 5%, yes. 50,000 ton.

Kunal: Assuming there are no inventory losses now and M2M is largely gone. M2M is largely gone, we should expect an EBITDA run rate of INR50 crores to INR60 crores every quarter, right?

Pramod Bhandari: Yes.

Kunal: Sir, also, when we say that depreciation and interest is being charged for 5 plants and that is being absorbed by sales of 4 plants. But as I correctly hear you, always 1 plant will be on shutdown. So does this reason?

Pramod Bhandari: No, I will repeat it again. PA-5 will be starting along with the plasticizer. 4 plants will be operating at 90% capacity, 1 plant out of 4 will be shut for 1 month for changing catalyst.

Kunal: That is only for 1 month. Secondly, downstream capacities for PAN, they were -- downstream industries were operating at 30%, 40%. Has there any upward trend there?

Pramod Bhandari: No, no. Downstream industry is paint, plasticizer, pigment, CPC, we are supplying to most of the chemical companies. Then we starting -- plasticizer we are planning to start in March mechanical completion and April, May when we start plasticizer, the volume will not go up in one day. Gradually, it will start and gradually it will go up. We expect 30-35% of the volume in the first year for the plasticizer.

Kunal: Sir, not about plasticizers, our UPR and pigments, which are our downstream industries, which we supply to?

Pramod Bhandari: They are -- UPR -- paint, plasticizer pigment and CPC is around 50% to 55%. UPR and the DEP put together is around 20%. Balance is the other industries.

Kunal: Sir, and what would be the reason that PAN prices have risen up 10%, 15% in last 1 month? Is there any pinpoint reason? And secondly, to understand, are there any triggers in Indian market, which will drive the realization more than global markets in the next 2 years?

Pramod Bhandari: So first question, your question is what are the reasons. So basically, because of the geopolitical uncertainty, there was an imbalance in demand supply, and there were a lot of free trade agreement is being executed between various countries. So that clarity has come. I think most of the free trade for India and other European market has already been concluded.

Now U.S. free trade is also in place. So overall demand in the downstream, a lot of downstream industry, which were selling it to U.S. and Europe, they were not able to operate because there was a restriction in terms of the duty, like 50% duty, you can't sell it to Europe, whatever product you are producing. Now with that clarity, the overall production of the downstream industry has improved, which in turn -- I'm not saying improvement in demand, but returning of the demand, which was subdued because of these reasons. So that has improved.

And the second is it has gone to the level where the -- it is very difficult for the company to recover the operating cost. No product can be sold for a longer period of time below the operating cost or basically the -- your cost of production. So the prices and the margin has already bottomed out. And since there is an improvement in the sentiment, we have seen the good price appreciation between INR80 to INR83 to INR93 in a period of 15 days.

Kunal: Sir, lastly on -- if you can tell us for next 2 years, what will be the capex? Any clarity on subsidy of your old plant? And as your competitor has filed ADD measure to be considered by government, what could be the time lines we could expect for this?

Pramod Bhandari: I think it's not the competitor, all players put together has filed for ADD, which is -- review is expected to come up in August-September. So it's from industry. It's no one person is filing, it's from industry. We expect overall margin to improve in next 1 or 2 quarters. And we have already seen in Jan and Feb, March is also expected to be good. What was your second question?

- Kunal:** Sir, capex for next 2 years and subsidy clarity?
- Pramod Bhandari:** Capex. I think we have a capex of plasticizer, which will be over by March, which is -- I think we have already done INR30 crores -- around INR30 crores, INR40 crores is spending for plasticizer. CBG capex is around INR30 crores, INR35 crores. We are already doing it. So put together, right now, for the capex plan, you can say, around INR40 crores to INR50 crore for next year.
- Kunal:** Sir, subsidy clarity, if any?
- Pramod Bhandari:** We have got in principle approval from the government from subsidy -- capital subsidy from the government, and we have applied to get the money from government in -- for '24, '25.
- Moderator:** Ladies and gentlemen, due to time constraints, we take that as the last question of the day. And now I would like to hand over the conference to Mr. Bhandari for closing comments.
- Pramod Bhandari:** Friends, I think we have discussed the results in detail. Only point I need to highlight is all chemical companies, I'm not talking about I G is facing some challenges because of geopolitical issues, compression in the margin. But I believe there is a better time going ahead. I have witnessed in all chemical companies because we are supplying to most of chemical companies, which is 70% to 80%.
- So we see there is a clear cut improvement in the margin going forward. And we expect that not only there will be improvement in margin for I G, but also improvement in the volume in terms of the phthalic anhydride and plasticizers. So we expect FY'26, '27 will be much better than last year. Thank you very much for the call.
- Moderator:** On behalf of I G Petrochemicals Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.