"I G Petrochemicals Limited
Q1 FY'25 Earnings Conference Call"
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MANAGEMENT: MR. PRAMOD BHANDARI – CHIEF FINANCIAL OFFICER – I G PETROCHEMICALS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to I G Petrochemicals Limited Q1 FY25 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict.

As a reminder, all the participants' line 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 star, then zero on your touch-tone 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.

Pramod Bhandari: Good afternoon and thank you everybody for joining this call. We are joined by SGA, our IR Advisor. I hope everybody had a chance to review our financial results and the investor presentation available at both the exchange and on our company website, we will provide you a brief summary of recent industry changes and how IGPL is progressing. And post that, we will talk through the operational and financial highlights. After the recent challenges in the chemical sector, the demand for end user industry has started showing signs of revival.

Despite the de-stocking of major chemicals in the past quarter, chemical prices have started seeing a modest recovery. We have witnessed a similar trend in our phthalic anhydride market, though the export and import of the same has been slow due to the ongoing challenges in the sourcing due to the freight containers' heightened shipping charges. The company, like us, is marginally impacted because most of our suppliers' clients are within 200 to 250 kilometre radius in the domestic market.

So this gives us a better edge. IGPL is renowned for its proficiency in phthalic anhydride products in the market and holds the second largest position globally. The product serves diverse industries with significant application in paint, plasticizers, polymers, pigments, coatings.

Post our recent addition of PA5 unit, our capacity has enhanced to 2,75,000 tons per annum. Currently, our facilities are operating at around 80% to 85% utilization, with two plants undergoing maintenance shutdown due to the statutory requirement. Demand for phthalic anhydride in India is expected to grow.

Right now, it is in the range of 5,00,000 to 5,50,000 and expected to grow between 5% to 6%. The utilization of phthalic anhydride has been firm and growing over the last few years, driven by its versatile application as a key intermediary. We foresee a steady demand for PAN, especially for downstream derivatives.

Our product process also includes maleic anhydride, benzoic acid, and DEP. IGPL is a key manufacturer of maleic anhydride in India, using wash water from the PAN manufacturing facility. These products are utilized in the industry, including lubricant additive, agrochemical, perfume, plastics.

It primarily caters to non-food market in India and have a huge potential to serve the domestic demand and substitute import to certain extent. On the other hand, the DEP has also been growing at a healthy rate, with nearly 1,700 to 1,800 tons per quarter. Coming to the plasticizers, we are actively pursuing to add new range of downstream products. We are setting up a plasticizer plant of around 75,000 tons, which includes the products like DOP, DINP, DOP, DBP, DIBP, DINP.

Our project of the plasticizer is on track. We are expected to commercialize it in Q3 FY26. Notably, this project will consume around 30,000 to 35,000 tons of phthalic. This project will enhance our non-phthalic revenue contribution and improve our product mix accordingly. Our company has proposed to set up a CBG plant of 5 tons per day as a trial and test plant and the Board has decided to pursue the same project in IGPL instead of IGPL Biofuels with an expected investment of between INR30 to INR32 crores. We will share more information about this in the coming quarter.

Coming to the financial performance, the total revenue, including the other income, stood at around INR595 crores with a year-on-year growth basis of 5.7%. The margin between the PAN and OX on quarter-to-quarter spread is ranging between $150 to $200, which is a good increase compared to the previous quarter, indicating a price recovery. The price of maleic anhydride continues to remain moderate between $860 to $900. EBITDA for the quarter stands at INR71 crores a growth of 7.3%. EBITDA margin stood at 12% compared to 11.8%.

Profit after tax for the quarter is at around INR35 crores. We continue to enjoy the benefit of the Net Debt Zero company. We have expected to generate, or are generating right now, healthy cash flow. We are not able to utilize our full capacity due to the shutdown, which has been undertaken for the two plants for the compliance with some statutory requirements.

The production remained at similar level what it was for the last quarter. However, the depreciation interest for all the five plants were considered in the P&L, which is not reflecting the true picture for the company's profitability, because profitability is for three plants, while the interest depreciation is taken for the five plants. With our additional capacity, we will be well positioned to capitalize on the multiple prospects like growing domestic demand, import substitution.

We'll continue to add new product to our product basket, which will further help us to reach out to the new clients in new industries. With this, I would like to conclude the presentation and open the floor for question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: Good afternoon, sir. I have a few questions to ask. Yes. The first is on, you mentioned that like now we have five plants running out of which two were under the maintenance shutdown.

Pramod Bhandari: Not maintenance shutdown, it is a statutory required shutdown for boiler inspection.

Nirav Jimudia: Correct. And what we have discussed earlier, you mentioned that this new plant could give us an operating cost benefit to an extent of $25 to $30. I just wanted to understand from you that with this new plant which has come up, one is the cost benefit, but is it also possible that the yield in terms of input output ratios are also better than our previous trends what we have already been running on? So how the situation looks like? And a related question to this is that, is it also possible that with some sort of modifications or further capex in our earlier prior four plants, there could be yield benefit coming to us also with respect to the newer plant what we have commissioned?

Pramod Bhandari: So typically our yield benefit range between 7% to 8% and we are enjoying similar yield benefit for all the plants, including the new plant. So the new plant, when it reaches to the optimum capacity, will give the similar yield. The yield which we are talking about is already optimized and 7% to 8% is the peak.

Sometimes it is 8.5% to 9%, but it's not correct to take for one or two quarters. In overall, it is between 7% to 8%. When it comes to the cost, since the PA5 train has been added at existing sites, so all the supporting infrastructure, the pipeline, the streams, the water, electricity is shared, including the manpower cost.

So the overall cost for the conversion will be around $20 to $25 cheaper compared to the earlier plant. That advantage will be available once we operationalize the (Inaudible-8:40) in terms of the production of the PA5 plant into our system, which you will see probably next quarter onwards. The production is improving to what is the optimum level for all five plants.

Nirav Jimudia: Correct. So, sir, the catalyst change is what we normally undertake every three years for, let's say, each of the plants. How does it help us? Whether it helps us in terms of maintaining the yield or maintaining the current cost? How does those catalyst changes help us?

Pramod Bhandari: It helps us in terms of the maintenance of the yield. After three years, it is going to deplete. Once we change the catalyst, the guarantee of the catalyst will come into the picture for maintenance of the yield. Number one. Number second, the energy consumption will also be moderate compared to if it is delayed by one year, there will be higher energy consumption. So it is always advisable to maintain or change the catalyst every three years so that the guarantee of the catalyst remains valid.

Nirav Jimudia: Correct. Sir, and a related question to this is how much was the utilization of the PA5 plant in the first quarter?

Pramod Bhandari: It was around 50% to 60%.

Nirav Jimudia: Correct. And it is ramping up. And the two plants which were under the inspection shutdown, when do you expect them again to be back into the production?

Pramod Bhandari: I think in August first week.

Nirav Jimudia: August first week. So then possibly put together all the plants should start ramping up and producing close to 80%, 85% utilization once those…

Pramod Bhandari: I think ideally we need to reach at 90%. But initially it will be gradual. Then you will see probably from this quarter onwards the output is going up and then it will be fully achieved at the next quarter.

Nirav Jimudia: And both these plants would have a capacity of 50,000 tons each?

Pramod Bhandari: 53,000 tons each.

Nirav Jimudia: Correct. The second question is on if you, so you mentioned about the global margins and the realizations of MA in the international market. But if you can just help us in terms of what was the realization of PA and MA in Q1 FY '25 in the domestic market?

Pramod Bhandari: So, I think it is not correct to give the pin point because it is always there. The margin for the phthalic anhydride in the international market was between $150 to $200, which is the difference between the OX price and the PA price. IGPL because of the operational efficiency and the maleic, benzoic acid is making around 80 to 100, 120, the over and above sales.

Nirav Jimudia: So, last from my side is if you can just share about the mix of OX what we have sourced from the domestic as well as from the imports?

Pramod Bhandari: I think typically it is in between 80% to 85% from domestic market, 10% to 15% from import market.

Nirav Jimudia: And when we will improve the production quarter-on-quarter and sequentially, does that incremental OX will come from the imports or?

Pramod Bhandari: No, it is the same ratio.

Nirav Jimudia: Okay, it will be maintained at the same ratio.

Pramod Bhandari: Same ratio, yes.

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

Aditya Khetan: Yes, thank you, sir, for the opportunity. Sir, first question is on to the shutdown which you have taken. Sir, you have said that volumes have remained flattish only like despite so taking the shutdown. So, for how many days the shutdown was taken? And we are not witnessing any sort of increase in other expenses because of the shutdown?

Pramod Bhandari: So the shutdown, there was some increase in the expenditure that is for the purpose of the energy cost of when you need more LSF for the purpose of ramping up, which is INR2 crores to INR3 crores. That is very small. But the shutdown is generally there is a regulation for instruction in the boiler. On that account, we have taken the shutdown, which is, I think, long overdue from our plant, existing plant.

So, we have taken the shutdown in line with that shutdown generally last for 30 to 45 days because somebody needs to come down and check and you need to shut down the entire plant before they start the checking at least 10 to 15 days. So almost you can say the 70% to 80% of that quarter has gone for the shutdown and inspection.

Aditya Khetan: This is in the month of July you are stating right now?

Pramod Bhandari: No. I am talking about last quarter, April, May, June.

Aditya Khetan: Okay. But then how come the volumes can be flattish? You had stated that.

Pramod Bhandari: No, no, it was flattish for the last quarter. Now you will see the gradual improvement. July, August, September will be better in terms of the overall production, maybe 10% to 15% better than the last quarter. And October, November, December will be further 10% better than the current quarter.

Aditya Khetan: Okay. But on like when we look at numbers on sequential basis, so is there any sort of reduction into RM prices which we have, or we have got some benefit of lower cost inventory because of the spreads have gone up on quarter-on-quarter basis by roughly around $50 to $100 per ton. But when we look at the spot figures, their numbers are not reflecting this sort of a jump. So, have we got some benefit from the low cost inventory or such?

Pramod Bhandari: No, there is no absolute inventory gain or loss. It is just because the margin has gone up because the inventory remains the same while the Phthalic price has gone up. So you can say otherwise the raw material is cheaper compared to the sell price, or sell price is higher compared to the raw material. Ultimately, the profitability is a reflection of difference between the final product price and the raw material price.

Aditya Khetan: Okay. Got it. But sir, like on spot basis, when we were tracking the prices, the prices were also showing in line with the rise into the PAN prices. So that was -- I was trying to understand that -- so spreads have gone up materially, you have said that?

Pramod Bhandari: I think compared to $100 to $120 to $140 last quarter, this quarter was between $150 to $200.

Aditya Khetan: Okay. Sir, on to the compressed biogas, sir, I believe, sir, like this is a very big market and big players are only investing today. So, like we had initially sought given an investment of INR32 crores. But like when we look at the bigger picture, so to set up a 1 CBG plant, it requires at least INR100 crores to INR120 crores. And so, sir, like what is the bigger plan, like would we be investing a bigger amount into this business going ahead?

Pramod Bhandari: I think CBG, if you look at it always depends upon the availability of raw material. So even the big players are setting up the CBG of similar size. They may be setting up maybe 50, 100 or 200 plants. The CBG typically in India is set up at 5 ton per day to 10 ton per day. We are planning to do the 5 ton per day. And it's basically the test and the trial. Once you are successful, then you can repeat a similar model across all other different, different locations based on the raw material availability.

We are setting up this plant if flexible for entire raw material, but mainly it is predominantly based on the Napier grass. It can be set up on the agro waste, rice straw waste, food waste. It's a combination of all you can use it. We have a full flexibility. But our focus is basically the agro and the napier grass. We are trying to set up the plant, which is 5 ton per day.

And generally, in these all the plants, which is the blending of the CNG, which is effective from next year, government has allowed to do the CNG blending up minimum 1%. It will go to 5% by '28, '29, which is the compulsory. And generally, it has a buyback by HP, BP, IOC and the case. So, once we set up the one plant, we understand the economics profitability and everything, then we can replicate the similar model for all other places whenever we wanted to set up the plant.

Aditya Khetan: Sir, any sort of capex figure we have outlined, so how much number can it be? Because I believe so this is a very big area like where we can invest. So somewhere INR400 crores to INR500 crores also would be less...

Pramod Bhandari: Right now, I think it is long for me because Board had approved the one plant and costing can go up to INR30 crores. INR30 crores to INR32 crores is the gross amount. You will get the capital subsidy, you will get other subsidies, net will be lower. We have given what is exactly approved in the Board.

Aditya Khetan: Got it. And sir, just one last question, sir, how sustainable your numbers of the current quarter can be like for the full fiscal? Can we expect some moderation in your numbers and all going ahead?

Pramod Bhandari: I think it's not correct for me to compare what is going to be for the next 6 months or 9 months, but I believe that this year is expected to be much more better than the last year.

Moderator: The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Thanks for the opportunity. Sir, just to understand this shutdown in the utilization part, so typically if you had not or what is the amount of production loss, volumes loss for the plant shutdown which has been taken?

Pramod Bhandari: For two plants, which is typically 1,06,000 tons, we lost almost 80,000 tons to 85,000 tons annualized basis. So, if you count it, it will be between 10,000 tons to 15,000 tons for the quarter. Compared to if you operate all at full capacity.

Rahul Jain: Okay. And we have an additional 53,000 tons plant which has started operation in the month of April, right?

Pramod Bhandari: I am counting that also into that.

Rahul Jain: Okay. So typically for this year, the way we look at it now, assuming that further shutdown which is to be completed in this current quarter and also the increased utilization from the new expanded 50,000 tons capacity.

Pramod Bhandari: Yes.

Rahul Jain: For the full year, what kind of volume do we expect?

Pramod Bhandari: I think anything between 2,05,000 to 2,15,000 or 2,20,000. I think it is better to take 2,10,000 to 2,15,000. It may be 5,000 here and there, but annualized basis we should touch between 2,10,000 to 2,15,000.

Rahul Jain: Which last year was around 2,04,000, 2,05,000, somewhere between 2,04,000 and 2,05,000.

Pramod Bhandari: Correct. Absolutely right.

Rahul Jain: Fair enough. And then going into the next year, all the plants will be operational, or you have some plant shutdown for the next year based on the timelines and…

Pramod Bhandari: There may be a shutdown for the change in the catalyst. Even for this year, after considering that, I am counting this between 2,05,000 to 2,10,000. Next year also minimum one or maximum two shutdowns for change in the catalyst, but I think it is too early for me to give the projections. But I believe, as per my understanding, if we take the two shutdowns for the change in catalyst, it has to be between 2,25,000 to 2,35,000.

Rahul Jain: Fair enough. And secondly, on the spreads, you mentioned that the spreads in the previous quarter were around $120.

Pramod Bhandari: $120 to $140 for the previous quarter. When I am saying previous, it is Jan, Feb, March.

Rahul Jain: And that is for our company as such, right?

Pramod Bhandari: No, it is for the international market. Our company is making around $80 to $120 over and above because of operational efficiency and the by-product of maleic, benzoic acid and DEP.

Rahul Jain: Okay, got it. So, when you said currently it is 150 to 180, again that is for the...

Pramod Bhandari: It is a market. It is a pure difference between OX minus PA.

Rahul Jain: So we will be around 80 to 100 higher than that. Is that right?

Pramod Bhandari: Yes.

Rahul Jain: And those spreads continue to be present even today?

Pramod Bhandari: Yes.

Rahul Jain: Sure. And lastly, sir, as we go ahead with expansions coming from our competitor also, and we also gradually picking up our utilization, do you see anywhere an issue with regards to procurement of OX or maybe the prices of OX changing because of the increased demand from the manufacturers of phthalic anhydride?

Pramod Bhandari: So overall, if you look at the market, we continue to expect to get 80% to 85% of our total requirement. 10% to 15% in any case we are importing. Similarly, everybody, whatever is available in the domestic market will take and balance need to be imported. When it comes to the pricing, I think the market is big enough not to impact because of the small demand from the domestic market.

It's ultimately the OX and the PA margin, which is determined based on the global demand and supply. I don't think any challenge. The second question is the new plant coming up. I know that the new plant is expected to come up in the next two to three months.

Our plant will also be ramping up. So right now, we are not exporting a minimum export 5% to 7%, which may go to 5% to 10% to 15%, which is our average. And secondly, once we start our plasticizer project, around 30,000 tons to 35,000 tons of the phthalic will go into the plasticizer project. So I think it's a matter of, say, 9 to 12 months where everything will get adjusted.

Rahul Jain: Sure. And one last question, sir, with regards to the demand for phthalic anhydride, the various segments which we are taking to how do you see the demand changing in the last two months, three months and how do you see the demand going ahead. Specifically, if you can also share some details about which are the segments or which are the sectors where the demand is picking up or you expect it to pick up much better than the other segments?

Pramod Bhandari: So I think the demand for overall phthalic anhydride it is growing at around 5% to 6%. I think out of that paint, plasticizer and CPC account around 50% to 55% for Indian market and for us. Similarly, the area which is doing very well is the specialty chemical and UPR. If you talk about that two years back UPR and specialty was around 2% to 3%. Today they are between 13% to 15%. So that segment is going well.

We expect paint and infrastructure segment to further do well because paints a lot of new capacity is being added by existing players and the new players have also entered into the field. So it is expected to do well. Similarly, the plasticizer and the CPC segment is also growing at their own pace, but the actual demand or you can say the exceptional demand is coming up in specialty and the UPR segment.

Rahul Jain: Sure. That's helpful, sir. Thank you, Pramodji and all the best.

Pramod Bhandari: Thank you.

Moderator: Thank you. The next question is from the line of Chirag from Keynote Capitals. Please go ahead.

Chirag: Thank you for the opportunity. Pramod sir my question is related to the catalyst that you changed on three years basis. So in FY25 are we expecting any catalyst to change and what is the rough timeframe?

Pramod Bhandari: Yes, it will be for this year, and it is expected generally catalysts take around 30 days, 25 days to 30 days, but if you are planning the catalyst change along with some other changes inside the repair and maintenance because we wanted to do both the things together, it will be around 40 days to 45 days for one plant. When I was mentioning that overall capacity or the production it counts for the one plant at all.

Chirag: Right. The second question is related to the prices per ton for Maleic anhydride. Could you just give me a directional pathway for how it has been in the last six months. So currently if it is at USD860 to USD900 per ton what was it three months back and what was it six months back?

Pramod Bhandari: I think three or six months back it was between typically it is between USD850 to USD900 and USD950. Today, it has gone up to around USD1,000 to USD1,200. So it has sequentially if you're talking about last two quarters, it is improved by around 15% to 20%.

Chirag: Right. And what is the decadal average for this?

Pramod Bhandari: Decadal average is for the phthalic compared to phthalic it is always 20% higher than the phthalic. Today, if phthalic is $1,200. I'm just giving you an example. Suppose phthalic is $1,250, so Maleic was always $1,500 plus, 20% higher than phthalic. Today, it is 10% to 15% lower than phthalic.

Chirag: It is currently also at 10% to 15% lower than phthalic?

Pramod Bhandari: It was 20% now it's 10% to 12%.

Chirag: Perfect. The third question is related to the capacity expansion plan that we have related to the plasticizers. Aren't we expecting that the plant was expected to commence in FY26. As per your recent commentary or the presentation that you have uploaded, we are expecting it to start by Q3 FY26. So could you just let me know what is the reason for the 9 to 12 months delay?

Pramod Bhandari: No, it's not delay. We were planning to do it in September to December. Earlier the communication was we will do the trial run started somewhere in September, October. Higher we are again maintaining that commercial production will start in December. So it was always between September to December, but for the purpose of the statutory requirement and other requirements we always maintain that it will start in FY26.

Because there are certain regulatory requirements which you need to follow. If you delay beyond that then there is an implication at banking side there is an implication at construction side and everything you need to manage. So we always give two to three months higher side so that we are comfortably to complete within that time.

Chirag: And sir just wanted to understand what amount of time frame will it require for the testing or the trial production period and we can expect that we have started gaining clients within plasticizers. So what is generally the...

Pramod Bhandari: Two to three months is the standard time frame.

Chirag: Okay. And have you already started having conversations with the clients for plasticizers?

Pramod Bhandari: Sorry, can you repeat again?

Chirag: Just wanted to know have you already started having a conversation with the clients for the plasticizer plant or it will start after the commencement of the plant only?

Pramod Bhandari: You are talking about the customers, or you are talking about the equipment supplier?

Chirag: Customers.

Pramod Bhandari: Customers so we are already producing one of the plasticizers called DEP. And I think most of the customers of the phthalic and the plasticizers are common. So we are already selling the phthalic to most of the customers. So it's 70-80% customers are similar.

Chirag: And sir last question from one side related to the CBG plant expansion that we are taking place. The Rs. 32 crores of the capex that we are doing, does it include the land acquisition, or it is just the plant cost?

Pramod Bhandari: So the land is taken on lease 15 acres from the group company. They have the land available which is in the Mysore Petrochemical.That has been taken on lease. So the land cost is the lease rental is included, not the land cost.

Chirag: Perfect. Got it. Thank you so much from my side. Thank you.

Moderator: Thank you. The next question is from the line of Jainam Ghelani from Svan Investments. Please go ahead.

Jainam Ghelani: Hi sir. All my questions have been answered. Thank you.

Moderator: Thank you. The next question is from the line of Niharika from Aequitas Investments. Please go ahead.

Niharika: Hi, thank you for the opportunity. So my first question is on this new facility PA-5, so how much volumes did we did from that facility and are we on the run rate of INR500 crores for the full year like we guided in the last concall?

Pramod Bhandari: So I think we in terms of the overall volume was almost similar to what it was last year. In fact 3%, 4% lower than that and you will be able to see the gradual improvement in terms of the overall from August onwards. So you will see the improvement by 10%, 15% in overall volume in the current quarter and then 10%, 15% of overall volume from the next quarter.

Niharika: So will we be on the run rate of INR500 crores, or it will be slightly lower than that?

Pramod Bhandari: No, we are already at INR600 crores, INR550 to INR590 crores and I think next quarter it should be between INR600 to INR650. When I am saying INR600 to INR650 I am assuming prices remain same ultimately it is a matter of volume as the price. So if price remains same it will be between around INR650 crores next quarter.

Niharika: Okay, understood. And last concall you said that a lot of capacities were like a lot of plans were getting closed, so are any of those plans restarting or any update on the same?

Pramod Bhandari: Not exactly the plans which were closing was generally in China and some portion of Taiwan and Korea, but Chinese are some opportunistic plant which were producing the Phthalic from the naphthalene bases. They were getting close because the naphthalene prices and the downstream of the naphthalene prices have gone up because of that the non-phthalate based non OX based plant Phthalic which is like naphthalene-based plants are getting closed in China and because these are the opportunistic plants otherwise I think more or less the scenario will be the same for the OX based plant, one or two which was already closed is closed no other new closer has been announced. And generally the closer is announced when the margin is low or below USD100 then it is unviable for them to operate the plant. Right now this is not the scenario.

Niharika: And what is the percentage of current exports and on the freight hike like because of the Red Sea crisis, are we also facing any freight rate hike?

Pramod Bhandari: So right now for the Red Sea crisis there is a - I think there are two ways to look at that, it is not only Red Sea crisis, I think if you look at the overall global scenario the US government has imposed duty on a lot of products from China which is effective from I think September or August. Because of that China has cornered around 80% to 90% of the containers or basically the vehicles which is required for the purpose of supplying the goods. Because of that overall pricing for that container has gone up by 10%, 15% to 20% that has created an environment where the freight for the import and export is up by more than 10% to 20% compared to the last quarter.

So in a certain way it is beneficial because if you need to import, you need to incur 10% to 15% or 20% extra in terms of freight. Since we are selling 80% to 85% in domestic markets not that much impact. Then we are selling into the export market which was I think export was around 5% to 7% of the overall sales this quarter. I will just confirm it to you what was the export sale overall. But export sales was generally lower in this quarter compared to the other quarter. This quarter I think the sale was around 7% to 8% for the quarter.

So when the export is higher then you need to incur the higher freight cost, but generally in our case provide delivered supply, but whenever we provide delivered supply we consider the existing freight available and there is always a provision in which if freight goes up by a certain percentage then agreement provide for flexibility in the freight rate which you can charge from the customer.

Niharika: Okay. And if we see that the freight situation will normalize in quarter 3 how do we feel that like then the imports would start coming up? How do we feel the domestic demand sustaining up then?

Pramod Bhandari: I think domestic demand if you look at the overall typically one year back India was importing around 1,20,000 to 1,30,000 tons. Today, when the new capacity has started by the downstream the import is around say around 50,000 tons to 60,000 tons. It's already half the import. It's already half because existing customers who are using they will not do the import. So import has already been reduced plus the domestic demand is of course when two or three capacity additions are coming at the same time it will take for the market around 6 months to 12 months to absorb that.

And we are also starting our plasticizer project which will take around 30,000 to 35,000 tons in our downstream production of plasticizer. So overall it takes around say 12 to 15 months to absorb or create the equilibrium in the demand supply. Till that time all the players has to do 10% to 15% export which we are doing it historically. Last quarter domestic demand was good, so we are selling 92% to 95% in domestic market and 4% to 5%. Now again export will come back to 10% to 15%.

Niharika: Okay. Understood. And that was it from my side. Thank you.

Moderator: Thank you very much. The next question is from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.

Rohit Sinha: Yes. Thank you for taking my question, sir. Most of my questions are already answered. Just a couple of from my side. One is from the UPR side. Although it's a small revenue contribution as of now, but it's increasing quite significantly, and I believe that margins are also much better in UPR segment. So how is the overall outlook we are seeing? How is the market acceptance for this product as of now and what sort of a bit bigger picture we can expect in this segment?

Pramod Bhandari: So, UPR is basically unsaturated polymer resin where the phthalic, maleic and sort of other chemicals are used. So, today, if you look at around 90% to 95% of Indian market are filled with PVC, CPVC, UPVC, which has a life of typically 10, 15 to 20 years. Generally, in all the households these type of pipes are used. But if you look at the interstate or big infrastructure projects like agriculture or water pipeline then they don't use PVC, CPVC based pipe because their life is 10 to 15 years.

The UPR based pipe have a shelf life of 80 to 100 years. Plus, they have a lot of flexibility not impacted because of the any corrosion. There is no corrosion not affected because of the water pressure and all that. So, all the governments in Europe, America, when they are building big infrastructure project they prefer UPR. In India, the concept of UPR has started off late by last three to four years.

It's going around 15% to 20%. And you can see that in companies as big as Tata Steel, which is INR2 lakh crores of revenue from steel and steel-based pipes and other equipments. They have started manufacturing UPR based pipes. And recently, they crossed INR100 crores revenue from that. So, future is, of course, UPR. But it will take time for India to go because right now the volume is very small. That's why you can see 20% growth. But we believe the UPR is the next segment.

Globally, UPR consumes 25% of Phthalic. In India, it is still less than 5%. So, the opportunity to go into the UPR segment is enormous. But it will take time because generally it is costly. But it provides the enduring benefit for large infrastructure project. So, we believe, I think the time has come. It is growing at a healthy pace. At some time, it will take some leap in terms of the overall growth when some big infrastructure project will be undertaken by either private sector or the public sector. So, UPR is the segment apart from the paint which is expected to grow very well and the speciality chemicals for Phthalic purpose.

Rohit Sinha: Okay. And I believe margins are also slightly higher as compared to other products, right?

Pramod Bhandari: I think this is not correct to say that UPR because ultimately it is the margin of Phthalic which will decide. You can't say that you are getting extra margin in paints, plasticizers or UPR. It is not that case. Generally, everybody is smart in the market. They know what price of Phthalic is available. And generally, the pricing for all the segments are near about is similar. Maybe INR1 or INR2 here and there. Otherwise, it is similar. So, you can't say that UPR you are making extra margin. It is not the case.

Rohit Sinha: Okay. Fair enough. And what would be the capex for FY25? And considering the capex, what sort of debt level we should be expecting for FY25?

Pramod Bhandari: So, to clarify that, there is no debt taken or planning to avail in the CBG. So, there is no debt for the plasticizers which is around INR160 crores to INR180 crores project. We have tied up for INR100 crores, INR110 crores. But that is the tie-up we have done based on the actual requirement and interest rates. Now, we may decide to take the debt lower than that.

Rohit Sinha: Okay. So, overall for FY25, what would be the capex?

Pramod Bhandari: For FY25 and FY26, I will put together both because the projects are coming online in FY26. So, for these two years, the capex will be around INR150 to INR160 for this and INR40 for this. INR200 crores is the capex for two years. Okay. This will be funded INR100 and INR100. Debt equity.

Rohit Sinha: Sure. Yes. That is from my side. Thank you.

Moderator: Thank you very much. The next question is from the line of Mahima Rathod from Tiger Assets. Please go ahead.

Mahima Rathod: Hello, sir. Thank you for the opportunity. So, could you specify what is the global demand for plasticizers and paints industry?

Pramod Bhandari: So, the plasticizer, I think it is a very big market. It is around $18 billion market. It is expected to grow by 6% to $24 billion by 2028. In India, demand is between 5,00,000 to 5,50,000 tons, which is expected to grow at same 5% to 6%. So, global plasticizer is not one. There are more than 20 types of plasticizers. Even it goes into the not only the UPR, DOP, DIP, DIBP. There are multiple types. There are specialty plasticizers. There are engineer plasticizers, which are used in the jet, building the jet body and all that. So, when I am talking about plasticizers it is a whole range of plasticizers manufactured in the world.

Mahima Rathod: And the paint industry?

Pramod Bhandari: Sorry, can you repeat again?

Mahima Rathod: And the paint industry demand?

Pramod Bhandari: So, paint industry has a very smaller demand for the plasticizer. It is not plasticizer. It is generally the resin. The all the iron base or the pipes or the other things which are manufactured by the steel industry the resin is supplied by the paint industry. Resin requires phthalic. From phthalic, they produce the different resin, which is used by the steel manufacturer and other PVC and CPVC pipe manufacturer for the purpose of painting on their surface. And paint industry, for the purpose of phthalic is growing very well. And because the existing guys are expanding their capacity, I mentioned it, and the new player has entered in a big way. So, it is expected to grow between 8% to 10%.

Mahima Rathod: Okay, sir. So, and for this plasticizer…

Moderator: So, sorry to interrupt you. Ms. Mahima, may we request you to return to the question queue for follow-up questions as there are several participants waiting for their turn.

Mahima Rathod: Okay. Thank you.

Moderator: Thank you so much. The next question is from the line of Deep Chitalia from 9 Rays Equiresearch. Please go ahead.

Deep Chitalia: Sir, can you provide product-wise volumes and realizations for Q1 FY25 versus FY24 as a whole?

Pramod Bhandari: So, as a company, we have decided we are not sharing the volume for individual products and realizations. On overall basis, our quantity of the production of phthalic is similar to what was in the last quarter, typically 16,000 to 17,000 tons per month. Based on that, you can calculate what is the overall realization.

Deep Chitalia: That's helpful. Thank you.

Moderator: Thank you very much. The next question is from the line of Aditya from Securities Investment Management. Please go ahead.

Aditya: Hi, sir. Thanks for the opportunity. So, you mentioned that the spreads are around \$150 to \$200 per ton last quarter. So, have you seen the spreads come off in this quarter or seen an improvement in July?

Pramod Bhandari: I think it is – however, the spreads are something changing every week. In fact, sometimes twice in a week. So, it is not correct to pinpoint for the particular week or two weeks. Generally, we take the average for the quarter. So, that is what it is there. So, it is the same. In July, it was the same as what was in the last quarter.

Aditya: Understood, sir. And so now, if I have to understand, we have seen an improvement in the PAN OX spreads. So, to understand…

Pramod Bhandari: Sorry, I lost you. Hello.

Aditya: So, you have to operate at such lower spreads.

Pramod Bhandari: So, can you repeat it? I just lost you in between.

Aditya: So, the improvement in spreads which we saw in the last one to two quarters -- So, the reason for it?

Pramod Bhandari: The reason is very simple. Typically, when the spread was around $100 to $120 most of the companies which are producing the phthalic they are not able to cover their conversion cost because in Europe and other places the conversion cost is $150 to $160. So, it is bound to happen because a lot of guys decided to shutdown their capacity. Now, the spread has come up because otherwise it is not sustainable. They were making the cash losses. So, it is not possible for a longer period to remain below a certain say, $150 to $200. If it remains, then a lot of guys who have cash losses or it is not viable for them they need to shut down their plants.

Aditya: Yes, sir. And for the spreads which we witnessed last year, so, were they one of the lowest which we witnessed in the last 15 to 20 years?

Pramod Bhandari: I think it is the second time. It again happened in 2020. I do not remember exactly when the crude went to zero. When crude was $0 then again, the spread was below $100. It happened in my view in the last 10 years twice.

Aditya: Okay. Understood. And sir, now this is a difficult question to answer but just to understand the future PAN OX of spreads now if the trade costs were to reduce the imports should increase and with our competitor also increasing capacity the overall capacity of our PAN would increase. So, would it be correct to say that the PAN OX spreads which we are witnessing right now would be capped and there should not be any material improvement from these spreads going forward?

Pramod Bhandari: Two things. First, the spreads in the Phthalic minus OX do not depend on domestic demand and supply. It is a global. Number second, the existing players in the domestic market who are producing that they are competitive enough to take care of any import happening. Generally, it is always easier to sell in domestic market when some domestic producer is producing and selling it to the domestic industry. Because in import apart from the product it takes 30 to 45 days to import.

You need to bear the freight, transportation costs, handling costs, local transportation, foreign exchange, plus the duty. So, it is not viable if you are buying a very small quantity say 5,000 ton, sorry, 100,000 ton or 2,000 ton. If you are buying 8,000, 10,000 ton, it makes sense. Otherwise, it doesn't make sense for the player to import because the vessel costs will be very high if you are importing in a smaller quantity. So, I think the domestic industry is very competitive. In fact, they are able to easily compete with the import. So, that is not an issue.

And when the production is available in the domestic market I think more or less imports will remain as it is where it is today. In fact, there will be opportunity for the domestic player to export some of their product to the international market at a competitive price compared to the other players in the market in the international market.

Aditya: And that's it, sir. And sir, last year, there was slowdown in the pigment industry. So, how and which is one of the bigger consumers of PAN. So, how is that industry now behaving? Are we seeing a pickup in demand from that industry?

Pramod Bhandari: Yes. They have come back very well. Now, the pigments and all are doing very well. In fact, they are around 20% of overall phthalic market. And they are doing very well.

Aditya: Aditya: Understood, sir. Thank you, sir, for answering the question.

Moderator: Thank you very much. The next question is from the line of Pinkesh Thakrani from Profit Gate Capital Services, LLP. Please go ahead. Mr. Pinkesh, your line is unmuted. You can ask your question.

Pinkesh Thakrani: I just wanted to know about the margins, EBITDA margins. The company hadn't passed a good EBITDA margins of over 20%.But now, from last couple of quarters, and I would say financially also, the margins have come down. So, what the management expects when this goes up and we see the days we had left in the past?

Pramod Bhandari: So, typically, margins move between, say, 10% to 20% for the EBITDA. And sometimes it is more than 20%. Very few times it is less than 10%. So, the margins keep on changing depending upon the demand supply and the overall margin between OX and Phthalic. So, for a long-term basis, it is prudent to assume around 15% margin. Because market is good, you are making 20%. When market is not so good, you are making 10% to 12%. If you look at the last 10-year average, you will be able to get around 15% for the margin.

Pinkesh Thakrani: Thank you.

Moderator: Thank you very much. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: Good evening, sir, and thank you for the opportunity. So, my first question is regarding the naphthalene route supply of PAN. So, what is the current spread between the Phthalic anhydride prices derived from Orthoxylene route and PAN prices derived from naphthalene route? So, what would be the spread between those prices?

Pramod Bhandari: So, I have mentioned that phthalic is between $150 to $200 in the International market. Naphthalene base will be slightly higher. But it is not an apple-to-apple comparison because the operating efficiency or yield benefit is not much available in naphthalene. Naphthalene is made in certain segments to be used.

The phthalic from naphthalene base is not used in certain segments like CPC. Number third, in naphthalene, the operating cost will be much higher than the OX base. So, even if on the face, it looks $50 to $100 better, but when you count the overall yield, the by product and operating cost, it's more or less equilibrium.

Pradeep Rawat: Sir, I was asking more about the price differential between both the prices of PAN produced from both the routes?

Pramod Bhandari: Same, there is no difference.

Pradeep Rawat: Okay.

Pramod Bhandari: PAN price is same in both the routes, but I was telling you the difference between the naphthalene price and the OX price differential, which resulted into the overall differential in these margins. But the yield and the operating cost cover it up to make it equal.

Pradeep Rawat: Yes, so earlier naphthalene route was like oversupplying our markets also. So, is it right to assume? And right now, it's…

Pramod Bhandari: Earlier, the gap was $200 plus. Now, it is $100 and $100 is exactly the extra cost you need to bear. When it was $200, then it was lucrative to supply the naphthalene-based phthalic to the other markets, including India. Now, the naphthalene, the other products generated or manufactured from naphthalene, prices have gone up, so it doesn't seem to be more attractive to produce phthalic from naphthalene.

Pradeep Rawat: Yes, so current spread is around $200 and earlier it used to be at $200. So, what is the historical spread, like 4 years, 5 years earlier than…

Pramod Bhandari: So, 90% of the plant in the world is based on OX. It is better technology, better yield, better operating efficiency, lower capex and lower opex. Naphthalene is basically waste from the steel plant. It is an opportunistic plant. Whenever the difference between the OX and naphthalene goes about $250 to $300, then some of the units try to use naphthalene to produce phthalic. Otherwise, in the last 20 years, no new plant has been set up based on naphthalene. It is obsolete technology.

Pradeep Rawat: Yes, understood. And how has been the import of…

Moderator: Mr. Pradeep, may I request you to return to the queue for follow-up questions, as there are several participants waiting for their turn.

Pradeep Rawat: Yes, sure. Thank you.

Moderator: Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: So, a lot of my questions have already been answered. So, just wanted to maybe get a feeling of how our revenue trajectory would maybe be in this financial year. So, in Q1, we will have more 10% of volume and Q3, we will have around again more 10% than what Q2 was. So, what kind of a range of revenue could we maybe assume for FY'25?

Pramod Bhandari: So, right now, our revenue is between, INR550 to INR600 crores. So, if you do the multiplication, we have to be between, INR2,300 to INR2,500 crores for FY'25. For FY'26, there will be improvement for one quarter when we will start our plasticizer project. But actual improvement or quantum improvement we will see in FY'26, FY'27 when the overall revenue will improve by INR500 crores net. Overall, it is INR900 crores. So, since INR400 crores will go into the system, so net revenue will be increased by INR500 crores.

Darshil Jhaveri: Okay. Fair enough, sir. That helps a lot, sir. And, sir, with regards to margin, as you were saying, in good years, we can maybe even do 20%. So, right now, as we are seeing that we are getting great spread than what we were getting last year. So, what kind of EBITDA could we maybe think for FY'25?

Pramod Bhandari FY'25 between, 12% to 15% is ideal because the $150 to $200 is the last 10-year average. And you are saying it is great. I don't think it is great. Great is when it is $250 to $400.

Darshil Jhaveri: Okay. Fair enough, sir. Yes, that's it from my side. So, all the best. Thank you.

Moderator: Thank you. The next question is from the line of Akshay Kothari from JHP. Please go ahead.

Akshay Kothari: Thanks for the opportunity. Sir, just wanted to know one thing. If I am not wrong, ADD is going away in FY'26, August. So, how sure are we that ADD will get renewed?

Pramod Bhandari: That I can't give you comment right now because it is up to government to decide. But there are some countries who have the import duty. There are some who have the ADD. I think 3 or 4 has ADD and government take their own course review and based on that recommend. So, it is not right for me to comment today what is going to happen in FY26, FY27.

Akshay Kothari: Okay. But even if ADD does not get renewed, what impact could it have on our margins?

Pramod Bhandari: So, I think with or without ADD, the domestic market, all producers are competitive enough because apart from ADD, there is an import duty, there is a freight transportation, forex, local transportation, everything. So, after that, you need to make the pricing in line with that. I think if everybody sells at typically what is the international market price, they can't compete with the domestic players.

Akshay Kothari: Okay. Thanks a lot and all the best.

Moderator: Thank you very much. The next question is from the line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: Thanks for the opportunity. Sir, just a clarification. Out of over INR40 crores of non-phthalic sales in this quarter, how much was MAN sales?

Pramod Bhandari: Around INR15 crores to INR16 crores.

Nirav Jimudia: And sir, you mentioned about various grades of plasticizers. We are into DEP, and we are going to put up a DOTP plant, DBP plant in the newer complex. So, if you can just help us, what's the market of DEP in India right now and have the margins improved this quarter that is in Q1 vis-a-vis that of last quarter?

Pramod Bhandari I think DEP market in India is around 18,000 to 20,000 tons. We are producing roughly 40% to 50% of DEP required. And overall demand for the plasticizer in India is between 5,00,000-5,50,000 tons, which include DOP, DBP, DIDP, DIOP, everything together.

Nirav Jimudia: So, what will be our addressable market? Because we are coming up with few selected products out of that?

Pramod Bhandari: 75,000 tons, which is predominantly will be DOP, DIBP, DIOP and DBP. These are the four products, which will be around 90% to 95% of our product.

Nirav Jimudia: Correct. That I understand, sir. But what is the total market of these four products in India?

Pramod Bhandari: The head is around 3,00,000 to 3,50,000

Nirav Jimudia: Thank you so much, sir.

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

Aditya Khetan: Thank you for the follow-up. Sir, I was looking at the PAN imports in India for this quarter? So, there is a significant drop of almost 70%, 75%. And I think the monthly run rate of PAN imports in India is somewhere around 3,000 to 4,000 tons…

Pramod Bhandari: When you are saying significant decline, you are comparing with whom?

Aditya Khetan: I am comparing with the Q1 of last year?

Pramod Bhandari: Okay. So, yes, compared to Q1, it is Q1 was 33,000 tons. Q2 was 10,000 tons. Q3 was 15,000 tons. Q4 was 12,000 tons. And current April to June was 13,000 tons. For last four quarters, it is between 10,000 to 12,000 tons. And April to June, when it was 33,000 tons, at that time, some new plant additional 80,000 tons has started. After that, it is already reduced by 50% to 60%.

Aditya Khetan: Sir, this figure of 13,000 tons per quarter. So, structurally, anything has changed into this business? So, we understand that the freight cost has gone up. So, that is why the Chinese...

Pramod Bhandari: No. New players who had started the production of phthalic, they were importing more than 50% of phthalic in India. So, once they started the production, it does not fit for them to import. That is the reason it has gone down.

Aditya Khetan: So, to which countries now China would be supplying the PAN apart from India?

Pramod Bhandari: I think that you need to check for China. But generally, the countries to whom China, Taiwan, and Korea are supplying is India, Southeast Asia, Middle East, and APAC countries. Yes.

Aditya Khetan: Okay. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to the management for closing comments.

Pramod Bhandari: Thank you very much, everyone, for joining this call. We appreciate your interest in our company. If you have any query, feel free to contact SGA, our Investor Relation Advisor, or you can send a mail to us. Thank you very much. Have a nice day.

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