"I G Petrochemicals Limited

Q2 & H1 FY'25 Earnings Conference Call"

November 14, 2024

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

Moderator: Ladies and gentlemen, good day, and welcome to I G Petrochemicals Limited Q2 and H1 FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Pramod Bhandari: Thank you very much. Good afternoon, everybody. On this call, we have joined by SGA, our Investor Relations Advisor. I hope that everyone was able to review our financial results and the investor presentation, which were uploaded to the stock exchanges and on our company's website. After providing a quick overview of the recent industry development and IGPL progress, we will proceed to the operational and financial highlights for the quarter and the six months ended September.

Over the last few quarters, the chemical industry has faced several challenges, including the subdued price volatility in the crude markets, rising trade costs, moderate demand from the western markets for key chemicals. This has softened the performance of many prominent Indian chemical manufacturers, particularly those export to the export market, commodity products or reliant on the raw material from the Europe or China.

No company is entirely immune from and we are not exception. However, the impact on IGPL is minimal as our primary raw material sources as well as the customers, which is around 80% to 90% are in a range -- in the domestic market in the range of 200 to 250 kilometer radius. Our key product realization remained more or less steady.

Additionally, we have observed that there are many European refineries who are struggling and sustaining to sustain their operations given the current crude price movement, environment and slugging demand for the key products. Though we expect demand of phthalic anhydride in India is in the range of 500,000 to 550,000 tons with an annual growth of around 5% to 6%. The PAN and the OX spread has come back to between the $150 to $200 range, which is the historical average for the last 5 to 10 years.

In the first half of FY '25, we have registered a total revenue of around INR1,082 crores with a 15% year-on-year growth. We have seen some sign of recovery in the selected end user industry with a notable revival in demand for the phthalic anhydride.

IGPL is renowned globally for its efficient phthalic anhydride production, ranking as one of the largest producer. This versatile product is essential for various industries like paint, plasticizer pigments, polymers, coatings. Post PA-5 commissioning, our total capacity stands at 275,000 tons. Apart from PAN, our product portfolio also includes maleic anhydride, benzoic acid, DEP, and other products. We are also on -- plasticizer is also under construction.

For the capex, we would like to highlight two points. As our planned strategy company is investing in a greenfield unit at Taloja, Maharashtra to produce various types of plasticizer like DOP and DINP and other plasticizers. The project is under construction stage, and the plant is expected to complete by Q3 FY '26.

Additionally, the company has also planned to set up the CBG plant that has moved from planning stage to now the design and implementation stage. We already awarded the contract of EPC to set up the CBG plant. And that plant is also expected to come online by the end of December 2025.

Now coming to the financial performance for the quarter ended Q2 FY '25. The total income stood at INR587 crores, reflecting a growth of 15% year-to-year basis. Revenue contribution from non-phthalic business stand at 9%. EBITDA was around INR69 crores with a margin of around 11.7%.

The financial performance of the company was mainly impacted because of the M2M charges we have to provide for the euro loan because we have most of our debt is in euro, and we have to provide the MTM charges. This is reflected in the forex loss as well as interest loss with the total amounting around INR12 crores, which we have provided because the euro has moved from INR89.6 to around INR93.5.

The profit after tax stands at INR28 crores for the quarter. For the half year ended, the total revenue stand at INR1,182 crores, a growth of 10% year-to-year basis. Revenue contribution for the 6 months ended is INR92 crores, which is 8% of the total revenue. Gross profit margin has improved by 300 basis points. EBITDA for H1 came at INR140 crores with operating margin of 11.9% and profit after tax is around INR64 crores for first half.

As of September 2024, our company maintained a net debt-free position with a strong balance sheet and cash flow by prioritizing our long-term growth, we believe that we will build a solid foundation for our future. We have increased our capacity. We are well prepared to seize the emerging opportunity, including the rising domestic demand. Additionally, we'll continue to expand our product offering, which will help us to build a sustainable growth portfolio and widen our capability to serve the end industry.

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

Moderator: The first question is from the line of Nirav Jimudia from Anvil Research.

Nirav Jimudia: I have a few questions to ask. So first is on the volume numbers for Q2. I think predominantly, we were in the range of 45,000 to 48,000 tons of volume on a quarterly basis. So has that volumes ramped up during Q2? And if you can also share how are the things looking up for Q3 and Q4 in terms of the overall volumes?

Pramod Bhandari: So as indicated last time, we are in the range of around 48,000 tons for the last quarter. And we are expected to have about 50,000 for the next quarter. And probably after that, we will be testing 55,000 tons. So for the guidance which we have given earlier for the entire year, the volume is expected to be between 200,000 tons to 210,000 tons for the current year and expected to be around 230,000 to 250,000 tons for the next year.

Nirav Jimudia: Got it. And sir, was there any catalyst change happened during this quarter for any of our...

Pramod Bhandari: No, there was no change in catalyst, but there was some disruption happened in one of the unit for 8 to 10 days. Catalyst change is expected probably next quarter. Management is yet to take the final call for that. But every year, we need to change catalyst in one or two plants because every 3 years, you need to change. So for this year, we have already taken the shutdown once for the last 6 months, and we are expected to take probably one shutdown in the next 6 months.

Nirav Jimudia: Got it. Got it, sir. Sir, secondly, in our earlier discussion, you were mentioning that the newly commissioned trail could be lower in terms of the overall opex cost. I think something close to around \$20-30 as compared to the prior 4x what we have been currently having at a single location. So just wanted to understand from you like is there any chance of -- or any scope of opex reduction in the earlier four trail? Or are we undertaking any projects there?

Pramod Bhandari: So I understood that. There are two, three things which is happening is, first, since all plants are similar locations, so all the infrastructure like the power, utilities, teams are commonly shared, including the manpower. So overall cost compared to the 4 plant, the 5th plant will be lower by \$20 to \$30 on overall -- individual basis. On an overall basis, it will impact \$10 to \$15 per ton.

Number second, we are implementing a lot of new initiatives like we are planning to replace the FO, which we are using to restart any plant that will be replaced with the natural gas. We have already given the orders that things are under implementation. So probably FY26-27, you will see there is an impact because there is a price gap of around 15% to 20% compared to the fuel or LSFO we are using compared to natural gas.

Secondly, we have already implemented the solar power plant for our warehouse and other things. So that has reduced the overall power cost for some portion of the power through which we are generating the solar power. We are evaluating to expand it. Earlier, the policy for the solar power was the government was giving you fixed return for the solar power which you are generating.

However, now the policy for last 3 years back, it has changed. The total power unit you are consuming, out of that the total unit you are generating are reduced. And then you are getting the advantage of the current premium rate. Today, we are saving INR9 to INR10 per unit. Earlier the advantage was INR2, INR2.50. Now we are getting the advantage of INR9 for any other natural resources based power we are generating.

So that has already been implemented. The balance increase that capacity by 50% to 100% is under evaluation. That is a good move for the industry if you are able to generate the power from other natural renewable resources and it is reducing your cost for your overall power for the current rate, then it is beneficial for the industry.

Nirav Jimudia: Okay. So sir, you mentioned that FO to natural gas could happen in FY26-27. What could -- what sort of annual benefit could accrue to us once these are fully operational and given the current difference of 20% between both the fuels.

Pramod Bhandari: The annual advantage because you are aware of that most of the power which we use in our plant instead of steam generated through the process. So there is a very minimum power we use. But on an annualized basis, for the FO replacement of the gas, we expect between INR4 crores to INR6 crores of annual advantage in the savings. Similarly, for the power plant of the solar power base, we expect INR102 crores of savings annualized basis.

Nirav Jimudia: Okay. Sir, you also touched upon the user industries like paint, plasticizer pigment. So if you can share your views in terms of the consumption of phthalic between these major three sectors like paint, plasticizer and pigment. And how do you see the things shaping up over H2 in terms of these three demand areas?

Pramod Bhandari: So the majority of the three components, the paint, plasticizer and the CPC, they are the major three areas, which are consuming around 40% to 50% of the overall. Paint is around 20%. CPC is also 20% to 25%. Plasticizer is between 10% to 15%. These are the three main. Apart from that, we are selling it to the specialty chemicals, the UPR and other things. The UPR is the one segment, which was actually 2 years back around comprises 2% to 5%, now it's around 10% to 15%. So we have seen the demand growth in specialty chemical and the UPR segment. Balance all areas are steady around same type of range, which we have indicated.

Nirav Jimudia: Got it. Got it. And sir, last from my side is in second quarter, we have reported non-phthalic revenue of INR52 crores. So what was for maleic and benzoic acid put together?

Pramod Bhandari: I think it is -- because the plant capacity was around 45,000 to 50,000 tons. So the quantity which has been produced for maleic was-- is anything around INR15 crores to INR16 crores. INR20 crores to INR25 crores is for DEP. The balance is for other income and other purposes.

Moderator: The next question is from the line of Aditya Khetan from SMIFS Institutional Equities. I'm so sorry. The line for the participant seems to be disconnected. The next question is from the line of Srinath Sridhar.

Srinath Sridhar: My first question is what was the average realization of phthalic in Q2. Hello? My first question is what was the average realization of phthalic in Q2?

Pramod Bhandari: So, see we don't comment about the specific product realization. But in general, the realization range between 95 to 105.

Srinath Sridhar: 95 to 105, okay. I think in the last 2 weeks of September, the PAN and OX spread had narrowed to almost...

Pramod Bhandari: Please can you repeat again because your voice is not clear.

Srinath Sridhar: Yes. So wanted to know what the average PAN, OX spread is in October and November, so far because in September, it had dropped to $85-90 per ton in the last 2 weeks?

Pramod Bhandari: So what happened is -- so for the last quarter ended September, which is July, August and September, the margin is between $150 to $200 -- $100 to $200. However, there was a complete decline in the OX prices, which is followed by the OX and the PA. So when there is a declining market, then generally, what happened is margin although good, but you are impacted because you continue to carry the inventory and the prices are continuously going down.

So that has impacted your inventory valuation and the overall valuation of the product. So margin compared to the June quarter has actually improved. If you look at the gross margin level. So margin has improved, but the inventory and other things has also impacted your profitability.

So your specific question answer is the margin was very thin in the market, which was around $50 to $100 to $110 for last quarter. This quarter, it has improved average around $150 to $170. But you can't look at margin -- margin is on a stand-alone basis. You need to look at along with the decline in trail and the inventory side.

Srinath Sridhar: Right. So…

Pramod Bhandari: I'm still not able to get your voice.

Srinath Sridhar: I'm asking you in October, has the spread still remained at $150 or has it come down?

Pramod Bhandari: Spread is stable. In fact, spread is good. If you ask me for last 3 months and even the current quarter, the spread is good. It is between $150 to $200, which is the historical average. Spread is good. But once the prices of Ox and the PA, then you will be able to realize the full potential of that spread.

Srinath Sridhar: Right. How do you see the trend going forward, sir, from here for the next 6 months?

Pramod Bhandari: I think I generally don't comment for future. But as of now, looking at the market and the demand, spreads seem to be stable. There is a good demand in the market between 500,000 tons to 550,000 tons and all the other segments of downstream, which was not doing well probably from December to May and June are recovered well, and they are doing very well. When I'm saying downstream segment include paint, plasticizer, pigment, specialty chemicals, they have recovered a lot compared to the first 6 months of Jan to June from now June to October.

Srinath Sridhar: Okay. And last question is, what is the amount of imports that is coming from other country is there any dumping going on in India from China and stuff?

Pramod Bhandari: You will not say the dumping, but import is continue to happen in India. The last quarter imports were around 15,600 tons to India.

Srinath Sridhar: Okay. And has it seen an inclining trend or a declining trend?

Pramod Bhandari: So I think in April and June, when one more player, plasticizer has started their production, then the import, which was typically 25,000 to 30,000 has declined to less than 10,000. Now it is range between 12,000 to 15,000 last quarter.

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

Aditya Khetan: My first question is on the volumes part. Sir, last quarter, you had mentioned that so there was a shutdown because of which the quarterly volumes were around 46,000 tons, if I remember it correctly. So sir, this quarter, ideally, it should have been around 52,000 tons from the base capacity, adding on to the PA-5 could have been around 3,000 to 4,000 addition. So 55,000 could have been...

Pramod Bhandari: I understand that, but we were not able to utilize the capacity for our existing units properly because of some other issues happening at the plant. It was around 48,000. We expect the next quarter will be between 50,000 to 52,000, and then we can expect between 52,000 to 56,000 tons.

Aditya Khetan: I think next quarter...

Pramod Bhandari: We are still -- if you look at the overall capacity utilization, we are between 3, 3.5 to 4 plant operational. Total capacity right now utilized somewhere some -- there is a change in catalyst, somewhere there is some requirement from the government side for the inspection of boiler. So right now, we are operating on an average four plants. So that's why you are not able to see the full reflection of PA-5. And the PA-5 will be reflected, then your capacity utilization will be between 53,000 to 55,000. So we are still 10% below that, 10% to 15%.

Aditya Khetan: Okay. Okay. So sir, on these five plants, when are we expecting this to come on stream like by Q4?

Pramod Bhandari: So generally, PA-4, 5 is working, 3 is set for change in catalyst. Sometimes PA-3, 4, 5 is working, 1 and 2 is shut for some inspection. So something is going on a continuous basis for the statutory requirement. We believe by FY26-27, we'll be able to see the full operational of all five plants. FY25-26, sorry.

Aditya Khetan: Sir, on sequential basis also, we have witnessed the improvement in spread for the phthalic anhydride and the ortho xylene. I believe sir, now these levels of spreads would be very comfortable when we look 2-3 quarters back, so we were standing at a loss in terms of EBITDA. Now we have reached a sizable like chunk of around INR60-65 crores of EBITDA. So sir, how sustainable you see these numbers in terms of coming quarters -- what are you expecting.

Pramod Bhandari: This number is sustainable easily, but that is still the 75% of the volume. Volume has to go to 90% to 95%. As I mentioned, the total capacity is 275,000 tons. If you take 90% of volume has to be -- I believe that all plants are operating between 240,000 to 250,000 tons. That means if you divide it by 4, it has to be around 55,000 to 60,000 tons at optimal capacity utilization for all five plants. So we are still far away from around 20% to 25% of that. So that is one part. One is the improvement in the overall operations for the increase in volume.

Second, the margin is, I think, is reasonable, okay. But if we will see the continuous demand from the downstream segment, we can see further improvement in the margin.

Aditya Khetan: Got it. Also, sir, in your opening comments, you had mentioned that the realization has been quite steady. But now with the crude oil prices declining, have you seen any sort of decline into the phthalic anhydride and the maleic anhydride prices also as of now? And what are you expecting for second half?

Pramod Bhandari: So I mentioned that there was a continuous decline in PAN for the last quarter, which has impacted in terms of the inventory and other variations. However, the margins continue to remain good. But when there is a decline in trend, then the customers are wait and watch to wait for the prices to stabilize. And you have continuous manufacturing plant, you need to carry the inventory and then you have some impact of the inventory valuation.

When the prices are stabilized, you are able to achieve your optimum potential for the profitability. Now the prices have stabilized and if we continue to have that similar margin, you'll see the good profitability.

Aditya Khetan: Got it. Sir, my last question is on to the non-phthalic business. Sir, in first half, we have done almost around INR90 crores of top line from the non-phthalic business. If we annualize it, somewhere around INR170 crores to INR180 crores should be done by the company. But this figure, again, would be, you can say, a high of the last 4 years because INR170 crores of the non-phthalic business we have done in 2023. So what is driving this growth into the non-phthalic business at a time when the maleic anhydride prices are still below the PAN prices?

Pramod Bhandari: Yes. So the reason is very simple. First, we are fully utilizing our DEP capacity. DEP right now is around INR24 crores to INR25 crores on a quarterly basis. So that is the one segment, which has come up to optimum capacity utilization. Second, we are in the range of INR15 crores to INR16 crores for the maleic.

However, if you ask me, is it the level right? No. Because there are two reasons for that. We expect maleic to INR25 crores per quarter. But right now, it is INR15 crores. There are two reasons. First is the quantity because we are on and off operationalized around 3.5 to 4 plants compared to 5. So one is the quantity because if you are not operating all the plants, maleic quantity will be lower.

Second, the price of the maleic is 20% lower than phthalic. Typically, the phthalic is between INR1,000 to INR1,050. Historically, maleic has to be INR1,200, INR1,250. But right now, the maleic is between INR800 to INR850. So these two reasons have kept the maleic potential revenue from INR25 crores to INR15 crores. So INR15 crores, if you annualize it is INR60 crores. Ideally, it has to be INR100 crores. So that is the second reason.

So today, when we are talking about, we have the INR25 crores of the optimum utilization of DEP INR25 crores, INR15 Crores is maleic, which can probably go up to INR20 crores to INR25 crores if there is a correction in the pricing -- improvement in the pricing and overall improvement in the value. And other income also added to that because of the INR7 crores to INR8 crores on account of the other income.

And some other trading, the duty drawback, the sales of wash water, export incentive, all put together is putting into the other. So the key component is maleic and DEP.

Aditya Khetan: Okay. Sir, but suppose, sir, if the maleic anhydride business comes to the normalized level, what you're saying of INR25 crores. So adding maleic, DEP and the other income, so we are talking of INR65 crores per quarter from the non-phthalic business. So that means somewhere around INR220 crores of top line from the non-phthalic business?

Pramod Bhandari: Yes.

Aditya Khetan: But historically, sir, like in FY '23, we had touched only INR170 crores. I think that time the maleic business has been normalized. And DEP also was running at, you can say, optimum level.

Pramod Bhandari: But DEP has recently touched the optimum level. It was between INR10 crores to INR12 crores. So now it is INR25 crores. And the maleic at that time was generating from the three plants. Now we have five plants. Volume has to pick up for the phthalic, then the maleic sales quantity will improve and the price. So peak potential of maleic and DEP is 200 crores.

Aditya Khetan: Got it. Sir, one last question, if I can squeeze in. Sir, the volume guidance of PAN, what you have given of 210,000 tons, how much would be...

Pramod Bhandari: 210,000.

Aditya Khetan: Yes. So sir, how much would be the internal consumption for DEP?

Pramod Bhandari: This is except internal consumption. That means internal consumption of the DEP is required around 30 tons. On 8,000 tons, we are consuming around 2,500 tons. So that is excluding because when I'm giving guidance for 200 to 210 tons , is actual sale of Phthalic to outside world.

Moderator: The next question is from the line of Pradeep Rawat from Yogya Capital.

Pradeep Rawat: Sir, you witnessed some kind of inventory losses in this quarter. So our margins were...

Pramod Bhandari: I will not say directly inventory losses because this is the phenomenon there is a continuous decline in the prices of your raw material and the final product. And you continue to hold some inventory INR5,000 crores to INR6,000 crores. So all inventory losses and gain are inbuilt in your system because it is something which you don't calculate separately because gain is also inbuilt.

So it is not right to say that you have got the loss, neither it is right to say it's profit. It's part of the business. But of course, it has an impact on the value.

Pradeep Rawat: Yes. Understood. So it must have artificially our margins this quarter. Is that understanding correct?

Pramod Bhandari: Correct.

Pradeep Rawat: Those like artificial losses are not there, what could be the margin for us for this quarter?

Pramod Bhandari: So if there is no impact of MTM, we have an impact of MTM around INR11 crores to INR12 crores on the EURO. And similarly, INR7-8 crores you had around INR20 crores was the exceptional for this quarter.

Pradeep Rawat: So it's total INR32 crores.

Pramod Bhandari: When I say INR20 crores, you need to reduce the taxes also. So INR10 crores to INR15 crores would have been extra if there is no exceptional things like that.

Pradeep Rawat: Okay. Understood Okay. And one suggestion, if you can include prices and spread of phthalic anhydride and orthoxylene, that would be great in our presentation.

Pramod Bhandari: So the challenge is that we can do it for the market because what happened is market has a different set of margin, while IGPL because of the advantage of the operational efficiency, byproduct has a generally $100 to $150 over and above the market margin. So we specifically don't give that because it creates confusion because when you look at the market, you will say $100 to $150. When you look at IGPL margin, you say $250 to $260. So whatever is the market margin, IGPL margin will be $100 to $120 higher than the market because of the other things associated with our production efficiency and all.

Moderator: The next question is from the line of Chirag Vekaria: from Budhrani Finance.

Chirag Vekaria: So can you throw some light on this compressed biogas when this will get commissioned, what is the payback and some details on it, sir?

Pramod Bhandari: Okay. So we were evaluating last quarter where we have discussed, we were evaluating that project. So that project is coming at in Karnataka in Raichur. The project will cost up to INR32 crores, including the GST and the capital subsidy, net of it will be INR26-27 crores. The project is -- we have already given the contract to set up that EPC contract as well as the plant machinery contract to set up by a player in domestic market.

The plant is under designing stage, and it is expected to be set up and commission by December 2025. is expected to generate around INR16 crores to INR18 crores of revenue and expect to have between 15% to 20% IRR.

Chirag Vekaria: 20% IRR?

Pramod Bhandari: Yes, 15% to 20%. It depends upon the final product price because CBG is blended with the CNG. Whatever is the CNG price, government will give it to you. There is a particular formula to determine that. And we have a raw material like Napier grass and Agro waste, which is tied up and available in the market. So based on that margin will vary and the IRR is expected between 15% to 20%.

That is the first plant or you can see the first plant to trial and test to the CNG market. Once it is successful, we are planning to replicate the similar type of plant in different locations.

Chirag Vekaria: Okay. Okay. Sir, second thing on the debt, sir, can you -- I mean, sir, you said you are net debt free, right?

Pramod Bhandari: Yes.

Chirag Vekaria: But sir, what I understand is, sir, what you have shown in your numbers is INR400 crores odd of borrowing.

Pramod Bhandari: Yes, yes, I will explain it to you. We have a total term debt of INR266 crores and cash of around INR300 crores plus. There are debt, which is the usage of CC and bill discounting, which is INR110 crores is additionally added in this quarter because at the end of quarter, we are not able to realize the money from some of the players. So we need to discount the bills, the sales CC.

That will be normalized by the end of December. So actual debt remain INR266 crores on the books today.

Chirag Vekaria: Okay, sir. And sir, just last, your thoughts on, sir, how is the demand seen from your end clients, sir? Is it good or you see some struggle still going on, sir?

Pramod Bhandari: No. I think for the quarter ended September, the demand is while actually has improved a lot compared to the June quarter, and we continue to see the good and robust demand. Because Indian, all the downstream segment, whether it's the paint, plasticizer pigment, CPC, specialty chemical, all has improved. They were impacted when there was a geopolitical issues between Russia and all that European players were impacted. Now everything has come on stream. And we expect that demand to continue to remain robust and continue to grow at 5% to 6%.

Moderator: The next question is from the line of Rohit Sinha from Sunidhi Securities.

Rohit Sinha: Some of my questions are already answered. Just one thing to check. At this time, we have some MTM adjustment on the finance cost. So in past or any time when we have observed this kind of bigger adjustment, or this is the first time we are witnessing in the numbers?

Pramod Bhandari: Typically, the euro is very less volatile. It will say INR1 to INR1.5 compared to rupee. So it is less than INR1 crore. So there is no impact. So typically, finance cost for all term loan, including working capital is around INR8.5 crores to INR9 crores, which annualized INR35 crores to INR36 crores or INR37 crores.

So this time, because there is a low in the euro because we have bought all the equipment from Germany and I say euro-based loan. So the rate has moved from INR89.25 to INR93.75 or 94 precisely. So the jump of 6% in the quarter, that's why the MTM charges and MTM charges need to be provided every quarter. So next quarter, now the rate has again moved to 92.

You will see the positive side of that, that the rate will -- there will be a gain on the foreign exchange next quarter. So that is under -- as per the Indian accounting standard, we need to provide that. As such, it doesn't have any impact on the balance sheet or the P&L in terms of the cash flow.

Rohit Sinha: Okay. So for full year, maybe as you were highlighting that INR35-36 crores kind of interest cost would be there.

Pramod Bhandari: Correct.

Rohit Sinha: So at the full year, it would be in that similar range, correct?

Pramod Bhandari: Yes.

Rohit Sinha: After adjusting all this thing.

Pramod Bhandari: Because it has to sometimes gain sometime you net it off, it has hardly any impact.

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

Aditya Khetan: Sir, in your opening remarks, you mentioned that some of the global players are struggling. Any idea, sir, like which players you're talking about? And are there any closures in terms of capacity we have seen in China on phthalic anhydride side?

Pramod Bhandari: So the global -- when I'm mentioning global, I'm not referring to the phthalic or petrochemical. I'm saying in general, the refining business in Europe is not growing. So there are challenges in the Europe because of the gas prices have increased, the manpower cost is high and there is a steady demand. Europe petrochemical players are designed in such a way to give the product back to Europe.

They are not designed for the purpose of exporting because they are not cost competitive compared to India and China. So when I'm saying they are expanding, that means there are challenges in that segment and there will be chances. Right now, I don't have any information what has closed. There are some instances in Taiwan and other places, Korea where it was.

But in next 3 to 5 years, you will see a lot of chemical industries or the players either sold out or closed. Europe. That will give the advantage to the Indian player in the downstream segment and they are increasing the capability, 2x, 3x, then it will be a big jump into the overall demand for Phthalic.

Aditya Khetan: Okay. Sir, any idea on to the domestic players or any global players who are expanding the capacity?

Pramod Bhandari: I think domestic, there are three players, IGPL and the two other players. One is plasticizer another is in there. They are -- I think it's in public domain. In global player side, I have not listened anything that they are increasing the capacity in Europe and America, maybe some places, they may be doing some debottlenecking, increasing the capacity by 5% to 7%. That is not generally in the public domain. New big capacity is coming up.

Aditya Khetan: Okay. And sir, annualized run rate for finance cost, what you mentioned around INR34 crores to INR35 crores. So that will be the rate we have to build it.

Pramod Bhandari: It will be between INR9 crores to INR10 crores per quarter for IG. So balance which you are seeing the swing of INR5 crores to INR7 crores is on account of charges.

Moderator: The next question is from the line of Naitik Mody from OHM Portfolio.

Naitik Mody: Sir, what is the capacity available for production for quarter 1 and quarter 2.

Pramod Bhandari: So, capacity available, what is the meaning of capacity available. When you look at all five plants and capacity is 275,000, and around 250,000 is the capacity. When you're saying available 250,000 is IGPL can produce at any point of time. So that us capacity divide it by 4, it is 60,000 to 62,000 per quarter.

Naitik Mody: So what was the utilization for Q1 and Q2?

Pramod Bhandari: You can say that the utilization for that is around 75% to 80% both quarters.

Naitik Mody: For both quarters.

Pramod Bhandari: Because, typically, we have a utilization of 90% historically for the last 20 years. But there are some change in the catalyst, sometimes unplanned sometimes the regulatory requirements, we are not able to reach up to the potential of 90%, which is our historical capacity -- now we are at 78% to 80%. We expect probably in FY25-26, we will be around 90%.

Naitik Mody: Okay. And sir, what is the difference between this 275,000 tons and 250,000 tons? What is that balance 25,000 tons loss?

Pramod Bhandari: 275,000 tons is the total capacity. But we are counting 90% is the extended capacity utilization in the industry. So that is why 275,000 tons, we are saying 250,000 tons because the balance 25,000 tons capacity is lost because of fuel and other requirement. That is the industry norm.

Moderator: The next question is from the line of Rahul Jagwani: from PGIM.

Rahul Jagwani: Sir, is there any specific reason we have this euro loan?

Pramod Bhandari: Yes. All our equipments for the phthalic are from Germany. And in Germany, when we are paying, we are getting the advantage of ECA. ECA is a system through which we can get a fixed amount of loan at a fixed rate. For PA-3, PA-2 and PA-4, we have taken an ECA loan. For PA-5 because of the paucity of time, we have opted for the Indian-based euro loan because all equipment are denominated in the euro. We have opted for the euro loan for that.

So blended cost of the euro loan is around 4.5% to 5%. 5.5% now. So compared to the dollar and other, it is cheaper. There is a lower fluctuation. And compared to the rupee loan, it is 3% to 4% cheaper. So that is the reason. And the ECA facility, which is the fixed interest at very low interest is available only if you are taking loans in that currency of a country through which we are sourcing.

Rahul Jagwani: Okay, understood. And out of this term debt of INR266 crores, how much is the euro loan component?

Pramod Bhandari: It is around 150 to 160.

Rahul Jagwani: Okay. And sir, what is the repayment time for this?

Pramod Bhandari: It's all loans are 2 years moratorium 5-year repayment. Now I think we have started now 4-4.5 years is pending.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to the management for the closing comments. Thank you, and over to you, sir.

Pramod Bhandari: Thank you very much, everyone, for joining this call during the peak market hour. We appreciate your interest in the company. If you have any queries, please contact our Investor Relations adviser or you can directly send up to me. We will be happy to respond. Thank you.