I G PETROCHEMICALS LIMITED

12th August, 2022 SECT/1042

BSE Limited	The National Stock Exchange of India Ltd.
Corporate Relationship Department 1st Floor, P J Towers, Dalal Street, Mumbai - 400 001 **Scrip Code: 500199**	Exchange Plaza, Bandra Kurla Complex, Bandra (East) Mumbai – 400 051 **Scrip Code: IGPL**

Dear Sir,

Sub: Transcript of the Earnings Conference Call

With reference to the above, we enclose herewith the transcripts of the Earnings Conference Call held on 8th August, 2022.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For I G Petrochemicals Limited
SUDHIR RAMDHANI SINGH
Digitally signed by SUDHIR RAMDHANI SINGH
Date: 2022.08.12 17:14:10 +05'30'
Sudhir R. Singh
Company Secretary

Encl: As Above

"I G Petrochemicals Limited Q1 FY2023 Earnings Conference Call"

August 08, 2022

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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 FY2023 Earnings Conference Call. This conference may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pramod Bhandari, CFO I G Petrochemicals Limited. Thank you and over to you Sir!

Pramod Bhandari: Thank you. Good evening friends and everyone. On the behalf of IGPL I extend a warm welcome for joining us on our call today. On this call we are joined by SGA our Investor Relations Advisor. I hope everyone had an opportunity to go through our financial result and investor presentation, which were uploaded on the stock exchange as well as our company website. To begin with, I will give you a quick overview of the recent development in the chemical industry followed by operational and financial performance of IG Petrochemicals. Overall the Indian manufacturing has been expanding rapidly over the last two years. Overall domestic market is progressing due to the rising condition of the Indian consumer an opportunity to become a trusted competitor and sustainable supplier to the global energy as the global corporate look for China plus one business strategy. They wanted to diversify their supply base in terms of sourcing of chemical and a lot of Indian players are getting into other chemistries. They all need phthalic anhydride as one of their key raw material or intermediaries. The chemical industry had faced thermal head win including the rising input cost as a result of soaring coal prices and supply chain disruption in the last couple of years. Although the demand of phthalic anhydride remained strong not only for paint, plasticizer and EPR but also for the new end user industry like specialty chemical, agrochemical, UPR which are growing their consumption of phthalic in their new products and chemistries. We are witnessing rising demand from end user industry like building and construction, automotive, paints and coating, electric vehicles, electronic, marine, agriculture industries. Rapid industrialization and urbanization in the major emerging market have increased the construction infrastructure in automotive industry. Rising construction activity has increased the demand for architecture, machinery, furniture, fixture, paints, coating etc which indirectly increased the consumption of phthalic anhydride. The phthalic anhydride chemical is widely used in the production of plasticizer, 90% of plasticizer are using the phthalic anhydride. It is also being used in the PVC manufacturing. Huge demand of PVC in turn raise the demand for the key chemical which is phthalic because that is also used in the raw material. Phthalic anhydride industry is primarily served by small number of manufacturers in the global market. Being the largest manufacturer in India and second largest player in the world, we wanted to highlight that phthalic anhydride is no longer a commodity, it has become an essential commodity which is produced by handful of manufacturer in the world consumed by a wide spectrum of industry where the demand is growing at healthy rate.

Let me take you through the company performance. IGPL is the largest producer of phthalic anhydride in India with more than 50% market share. We manufacture the product at a scale with capacity of 2,22,000 tonne. We have four key products in portfolio apart from phthalic we also produce maleic anhydride, benzoic acid and DEP. We have four units of phthalic manufacturing facility at Taloja, Maharashtra. DEP has just started contributing to our business in terms of the overall revenue and EBITDA. This product is primarily used in industries like incense sticks, personal care products, cosmetics, toiletries, plastic, aromatic. In the financial year 22, we have clocked total revenue of 120 Crores from non-phthalic product. In Q1 FY2023, the non-phthalic product revenue which has contributed to our business around 48 Crores which includes maleic anhydride, benzoic acid as well as DEP . In terms of the expansion, the company has planned the expansion to add another unit of 53000 tonne at our existing location. This Brownfield expansion is estimated to cost around 350 Crores and target to complete by March 2024. Post PA5 unit our total capacity will increase to 275000 tonne. We also wish to expand our downstream derivatives and plan to expand our footprints in Indian and export market, which will improve our operating leverage and boost our profitability. The expansion aims to diversify and increase the revenue pie of downstream products and other derivatives. IGPL is in a solid position with around 300 Crores plus cash on the balance sheet as on June 2022. The fund will be partly used to fund the PA 5 project. Along with PA 5 , we have also set up a ETP unit along with PA 5 unit for all the five plant which we have spent around 35 Crores in FY2021-2022. This will ensure that all our five plant are collected to ETP and will remain a zero discharge facility at later stage. The company has also signed up with leading power company for installation of solar power panel so that we can also get the advantage from the solar power plant and reduce our operating cost. That solar power plant will be set up at our existing phthalic anhydride storage location. The capital investment will help us on energy conversation and expected to have a payback period of around less than 2 years. Coming to our operating performance we have reported highest quarterly revenue of 664 Crores. Our profitability stood at 81 Crores for Q1 FY2023. We have continued to maintain strong business performance despite uncertain external events and volatile prices. Our performance for last six to seven quarters reflects our resilience to the external market. We have continued to report a healthy revenue and profitability. Over last few years under the backdrop of capacity expansion and operational efficiency, We are forcefully integrated plant at single location and operating cost are lower which lead to a strong competitive advantage.

In terms of Q1 FY2023 financial performance the total revenue of the company stood at 664 Crores as against 389 Crores in Q1 FY2022 indicating a growth of 71%. EBITDA stood at 124 Crores in Q1 FY2023 against 86 Crores for the corresponding previous quarter, a growth of 45%. EBITDA margin stood at 18.7% for the quarter supported by a better product mix. Profit after tax stood at 81 Crores compared to the 52 Crores for the previous quarter for the last year, a growth of 56%. PAT margin stood at 12.2%. Our capex plan for PA5 is on track and expected to commence the production in March 2024. EBITDA and PAT have seen a good impact. Basically EBITDA and PAT overall in absolute term has improved however in terms of percentage if you look at it has been reduced because of higher value of the final product. In terms of long term vision we continue to explore the opportunity in downstream derivative chemical, chemical and other specialty chemical to diversify our product portfolio. We believe that we have laid a strong foundation for our future focusing on long term growth in end user application markets. To reiterate our long term goal is to become a well diversified chemical company with leadership position in our core business. India is currently net import of phthalic and maleic, around 25% of phthalic and 80% of maleic is imported in India. As a result there is ample room for the import substitution. With our capacity realization and technical expertise we will be well positioned to capitalize in the prospect. We have added a new product to our portfolio which is DEP which will further help us to reach out to new clients and new industry. Diversification will eventually lead to sustainability. With this I would like to conclude the presentation and open the floor for further discussion. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. We have our first question from the line of Nikunj Garg from Arete group. Please go ahead.

Nikunj Garg: Sir I wanted to know that apart from the Brownfield expansion for 250 Crores at Taloja plant do you have any other plants for Greenfield expansion as well.

Pramod Bhandari: So, the PA5 expansion which we are doing is 350 Crores at the same location at Taloja. The other plant which we have we are evaluating and awaiting the approval from Environment Ministry, once we get the approval we will disclose in the public.

Nikunj Garg: So you are expecting that to start from 2024. We are expected to commence construction.

Pramod Bhandari: Basically when we are about to complete the phthalic in December to March 2024 before that we are planing to start the construction for the new plant for downstream segments.

Nikunj Garg: Okay thank you so much and what is the size you are looking for and what is the capex plans you have for that.

Pramod Bhandari: Capex plan is 100 to 150 Crores which we have already finalized for one plant but I think we need to wait till we come up with the final because it has to be approved by the board and that will happen once we get the approval from Environment Ministry.

Nikunj Garg: Thank you Sir.

Moderator: Thank you. We have our next question from the line of Aditya Khetan from SMIFS Limited. Please go ahead.

Aditya Khetan: Thank you Sir for the opportunity. Sir first question is what will be the revenue of maleic anhydride and advance plasticizer in this quarter.

Pramod Bhandari: So in this quarter we have achieved 27 Crores for maleic anhydride revenue and advance plasticizer of around 14 Crores which is 50% of the capacity so when we reach to 100% capacity of DEP then it is expected to bring 80 to 100 Crores of revenue of annualized basis, for the last quarter the revenue was around 14 to 15 Crores.

Aditya Khetan: Okay and this peak utilization could be obtained in this year only.

Pramod Bhandari: Yes we are planing to close DEP between 60 to 80 Crores this year.

Aditya Khetan: Okay. Sir what is the target for the non phthalic business like for FY2022 we had done around 120 Crores for what is the target for FY2023 for non phthalic business segments.

Pramod Bhandari: So today for this quarter we achieved around 45 to 48 Crores so we are targeting around 150 to 200 Crores of non phthalic business which includes DEP, benzoic acid as well as maleic anhydride. We will about to close between 150 to 200 Crores of revenue for the year ended March 2023.

Aditya Khetan: So it is 150 to 200 Crores of revenue this is build on realization of maleic anhydride somewhere around Rs.200 per kilo or what will be the realization that you have taken.

Pramod Bhandari: We are expecting to sell maleic around 7000 tonne. On 7000 tonne if you are counting a particular rate, right now the rate is around 100 to 110., we are assuming 1800 Crores we will be fetching around 80 to 100 Crores of maleic anhydride.

Aditya Khetan: Rs. 100 to 150 per kilo you said right Sir.

Pramod Bhandari: 130 to.150 per kg so around 1700 to 2000 per dollar per tonne.

Aditya Khetan: So around 150 Crores could be achieved for this quarter so for the whole fiscal FY2023.

Pramod Bhandari: For FY2023 for maleic anhydride we are assuming between 100 to 120. For DEP we are assuming around 60 Crores and for other products it will be 20 Crores so that is why I am saying around 180 to 200 Crores for all the non phthalic revenue.

Aditya Khetan: Okay so on to Dyes and pigment which is also one of the end user of phthalic anhydride so that is witnessing a slowdown in demand so how you think this could impact the phthalic anhydride demand.

Pramod Bhandari: Yes you have correctly observed there is slowdown in certain segments however there are some of the segments which is growing more than 10% to 15%, one of them is UPR, then specialty chemical, then agrochemical. There are other segments which are going very well because in India we do not find any challenge because still 20% of phthalic anhydride is imported in India around 10,000 tonnes basically per month and around 30,000 tonnes per quarter so one segment is having some challenge because of the end product not able to pass on the pricing to the customer but other segments are doing well for which we look at the balance because each segment we cater around 10% to 15% to 20%, paint and plasticizer are biggest balance all segment make for 5% to 15% so for us okay we are happy to supply for various industries. We are supplying today more than 15 to 18 industries with 120 players so one or two segments does not make any difference really because India is already short of phthalic anhydride and we are importing 10,000 tonne per month.

Aditya Khetan: Okay but conversing this segment contributes roughly 15% to 20% of the end user so if there is a slowdown so can we shift our volumes more towards the agro chemical or construction side.

Pramod Bhandari: The composition of our sales every quarter, Even if you look at last 20 quarter each segment percentage keeps on changing based on demand supply like in this October, November, December phase it will be high, plasticizer will be low. In raining season plasticizer will be low so like that the composition of the segment keep on changing quarter to quarter basis so we are not that much worried about that however having said that we have witnessed slow down in some of the segments in downstream and I think it is not the slowdown because of industry but sometimes if the crude is able to correct, like crude has gone from 120 to 95 dollar similarly the OX which is raw material for phthalic also moved from 1250 to 1150 dollar per tonne and probably the industry will get into the wait and watch mode. We are just waiting for the prices to settle before they give the order but in India because 80% is produced in India, 20% is imported so always there is a demand. It is always about the question of pricing. Demand we do not find any big challenge in India because it is a deficit market. It is always about the pricing at which price you wanted to sell.

Aditya Khetan: So if we can change the sales mix every quarter so you do not enter into long terms contract with the client so how would that split would be, out of total revenue how much in the long term and how much would be on spot contracts.

Pramod Bhandari: We have 40 to 50% on long term but having said that the long term means there is a commitment from the buyer to buy but pricing is always decided based on the international market price so when I am saying long term contract it is guaranteed about the quantity which we need to supply. The pricing is always based on the formula which is linked with the international market price in the market.

Aditya Khetan: So 40 to 50% is long term and remaining would be on spot basis.

Pramod Bhandari: Mainly paint plasticizer are long term balance all are based on the actual requirement.

Aditya Khetan: Got it so on to the other expenses so they were down on Q-o-Q basis so is there any one off which we are witnessing in this quarter.

Pramod Bhandari: In last quarter because we have changed in the catalyst so we need to incur the extra expenditure or repair and maintenance, which has reduced plus the logistic cost for supplying the product because the FO and all other has gone down so that is the reason it is reduced because last quarter it was high by 7 Crores to 8 Crores rupees now it has gone down because there was no shut down in this quarter.

Aditya Khetan: So this would be sustainable run rate around 40 Crores per quarter.

Pramod Bhandari: Yes 40 to 41 Crores is per quarter other expense.

Aditya Khetan: Okay and Sir one last question. Onto the spread part so what we are witnessing that the spread has contracted quite sharply in the month of June and July so we do not look at the quarterly spread but still we are maintaining our guidance of 200 dollar per tonne sustainable margins for the long term so how we should see.

Pramod Bhandari: 200 average for the year in what you can expect.

Aditya Khetan: And Sir for the coming quarter can you share guidance in terms of spread being contracted.

Pramod Bhandari: I would not like to give guidance for the next quarter however there are some basically you can say in terms of overall demand there are some industries which are showing some signs of slow down and because of the continuous decline of crude and OX so lot of guidance defer the purchases because they are waiting for the crude and OX to settle which I believe is now settling because now 90 top 95 is the fair range. . Every weeks it is going by 5 to 7 dollars now it seems to be settled. Demand is not an issue and I think margin is ultimately the result of demand and supply of the global market so right now in India we are seeing good pickup. Even if there is some slow down in some factor it will not impact the overall demand of phthalic because phthalic is now supplied to more than 20 industries and 120 players in domestic market.

Aditya Khetan: Okay Sir got it. Thank you Sir. That is it for me.

Moderator: Thank you. We have the next question from the line of Yogesh Tiwari from Arihant Capital. Please go ahead.

Yogesh Tiwari: Thank you Sir. I had one question on the revenue growth so it is up by about 28% on Q-on-Q basis so how much of that will be driven by volume and how much by product mix.

Pramod Bhandari: So basically if you look at the last quarter with this quarter only 1000 tonne is the difference. Actually the prices of product has gone up that is why the revenue is looking 660 Crores had it been the last quarter pricing it has between 550 to 560 Crores so that is one. Somebody asked me why your margins looks down compared to the last actually it is not the margin, margin remain at 200 to 250 dollar per tonne but because the prices of the final product has gone up. On the higher prices the margin look low. I think you understood my point. Margin per unit remains same but still the prices has gone up. Your sales revenue has gone up compared to 570 to 660. My margin remains the same. Quantity almost remains the same but when you get the gross margin higher in absolute term but when you compare it with the higher sales your margins like that it has gone down that is the reason.

Yogesh Tiwari: Sure Sir and what would be like the realization on phthalic anhydride between Q4 and Q1.

Pramod Bhandari: I think same 200 to 250 dollars is the margin for the quarter and company makes because of operational efficiency, yield advantage and other advantage company and maleic anhydride revenue the DEP revenue. Company is making slightly 100 to 120 dollars over and above the margin. Market margin remains the same 200 to 250 dollars.

Yogesh Tiwari: Sure the margin is like between 200 and 250 what will be the realization on phthalic anhydride for Q4.

Pramod Bhandari: Absolute realization does not make any difference. I think the margin is the key, Blended realization is Rs.160 per kg.

Yogesh Tiwari: Okay for Q1 and for Q4.

Pramod Bhandari: Q4 was 80 but I think in absolute term whether you are making 80 or 160 does not make any difference because ultimately compared to the raw material what is the pricing. If the margins remains same that is why I told you last quarter average realization was 80, now it is 160. Revenue has gone up in good proportion because of the increase in pricing however the margins remain same. On the similar margin and the similar quantity the percentage of gross margin and EBITDA margin has gone down because of the final product price has gone up.

Yogesh Tiwari: Sure. Thank you Sir. That is all from my side.

Moderator: Thank you. We have our next question from the line of Rajesh Jain from NB Investments. Please go ahead.

Rajesh Jain: Good evening Sir. Congratulation on good set of numbers. I have two questions first one is in the last con call you had mentioned that you are evaluating three project and out of which even two are implemented that will ensure a growth of 20 to 25% CAGR in the revenue for the next three years so now I just want to know which are these three projects you were referring to.

Pramod Bhandari: One is the PA5 which is under implementation which is expected i to complete by March 2024. Out of balance two we are yet to get the board approval. We have send the application to the Environment Ministry for approval which is the downstream project once the approval comes then we will be able to declare about that project so that too is very eminent because we plan to implement more. PA5 is under construction and balance downstream is matter of time. First is under evaluation.

Rajesh Jain: So that means at least two are confirmed that you will be implementing. It is only the timing that when you have to implement and all.

Pramod Bhandari: One is already under implementation, second we are in environmental approval space and third is under evaluation.

Rajesh Jain: The second is that you had mentioned in the last call you are also planing to do some increase in the capacity of non phthalic anhydride products like benzoic acid etc, that is another third project or it is already part, I know you are not consulting among the three project that I was taking on.

Pramod Bhandari: So when I am talking about increasing the capacity of phthalic so in line with that the maleic and benzoic acid will automatically go up by 15 to 30% because it is the same part of the same product range and I am talking about diversification, I was talking about DEP. Today we are 14 to 15 Crores per quarter DEP in terms of revenue which is 60 Crores but today we are again 50 to 55% of capacity utilization. If we reach at say 90% then we will be having 90 -100 Crores of revenue from DEP so that is providing extra EBITDA margin of around 10 to 11% and then the PAT margin of around 5 to 6%.

Rajesh Jain: So that means the increase in capacity of this is part of PA5 project only is what you are saying.

Pramod Bhandari: PA5 we may look at but not right now to increase the DEP capacity also from 8400 to 12000 tonne but that is right now under discussion.

Rajesh Jain: Why I was asking that question is see as you already given up this during the current year you are expected to achieve around 200 Crores of revenue from the non phthalic anhydride products.

Pramod Bhandari: That I have mentioned because maleic we are assuming 100 Crores plus, 80 Crores of DEP may be 20 Crores is the other product.

Rajesh Jain: So this is all projected. I am just asking for the discussion purpose. So assuming that the prices remain same and you are going to clock whatever the Q1 revenues in the remaining three quarters also so what happens that we will get around 2640 Crores for revenue for FY2023 so my question is 200 Crores out of 2640 comes to around 7.5% so assuming that you will do 20% CAGR for next two to three years FY2025 your topline would become 3800 Crores.

Pramod Bhandari: So there I need to correct you, if all prices remain same.

Rajesh Jain: Sir these are all assumption so my question is I will come to that so you have given us this 30% of the revenues in FY2025 in the next three year would come from non public available products? Now 30% of this 3800 or 3500 whatever it may be? I am just getting for calculation purpose comes to around Rs.1040 Crores or for our discussion stake let us take it has Rs.1000 Crores so that means in the current year you are doing Rs.200 Crores? In the next two years you will have to do five times of that so my question to you do we have capacity or do the management have done the planning or calculation how they can achieve this much?

Pramod Bhandari: The management has a reason to get 30% of revenue by FY2025 from other Non- Phthalic product and that is the reason for that and we are trying to achieve that it may be the matter of may be below by six to 12 months but we are on track to assume that.

Rajesh Jain: Okay so this is only a delay of six to 12 months?

Pramod Bhandari: That all depends upon the approval profits and actual implementation of projects and second when you are saying about the revenue Rs.2600 Crores it all depends upon the pricing but I believe that remains say 80 to 90 we will be achieving around Rs.2000 Crores of revenue. Today the revenue looks very high because of prices for the last quarter was very high.

Rajesh Jain: Got it. Sir just for our idea this non-phthalic products all the three put together what is the consolidated EBITDA margin that we can aspire in these three products?

Pramod Bhandari: So it will not be correct to calculate the EBITDA margin except the DEP because in DEP the EBITDA is between 10% and 15%. DEP, which will Rs.80 Crores to Rs.100 Crores for the full year. For the other products it is not correct to calculate the EBITDA margin because whatever is the revenue except some expenditure in EBITDA so if I say 70 to 80 it will be speculation because for them it is a part of Phthalic whatever is the revenue is direct EBITDA.

Rajesh Jain: So that means there the margins are too high so that is why you do not want to take?

Pramod Bhandari: Not margins are too high because when you are counting the revenue from that then there is no raw material cost.

Rajesh Jain: That is what I am saying so in a way margins are too high?

Pramod Bhandari: No to high. It is not correct to compare because then you are only Rs.70 Crores, Rs.80 Crores or Rs.100 Crores from maleic and you need to spend Rs.4 Crores to Rs.5 Crores you said Rs.95 Crores you have made the EBITDA it is not correct because the other way around. If you are actually producing maleic from n-butane route you need to incur 50% for the n-butane cost so in that case the other products what size the revenue is coming mostly it is by the way of directly EBITDA for benzoic acid and for DEP it is a 10% to 15%.

Rajesh Jain: Fair enough Sir. Sir my third question is Sir what is the asset turnover that we can expect from this Rs.350 Crores of investment in PA 5 plan?

Pramod Bhandari: Based on today's price around 1.2x. We expect Rs.450 Crores to Rs.500 Crores of revenue from that.

Rajesh Jain: Sir now this Rs.450 Crores what is the current capacity utilization Sir?

Pramod Bhandari: 91% - 92%.

Rajesh Jain: What is the maximum possibility can you say 100%?

Pramod Bhandari: 91% and 92% capacity utilization is standard because every year we need to take one plant into shut down for change in catalyst every three years so 91% to 92% is the standard. We maintain it for the last 20 years

Rajesh Jain: So that is the maximum okay. Now as and when we commission this PA 5 plant you are giving us the target of let us say Q4 of this financial year?

Pramod Bhandari: I am giving March 2024.

Rajesh Jain: March 2024 so let us take full capacity would be available from the next financial year how much time does it take to ramp up to run it to the full capacity?

Pramod Bhandari: 60 to 90 days that is historical we have taken for tier two and tier three 50 to 90 days.

Rajesh Jain: Sir after this current expansion of PA5 do we have some more space left for any more future expansion at Taloja?

Pramod Bhandari: At existing site no but we have a adjoining land at Taloja which is four acres in that site.

Rajesh Jain: So that four acre as and when you take a call on the downstream product you will utilizing that right?

Pramod Bhandari: Correct.

Rajesh Jain: So for any further expansion of PA you may have to look for Greenfield?

Pramod Bhandari: We have not planned anything on PA right now because PA5. I think the call will be taken later on whether we need to go into PA or other chemistry.

Rajesh Jain: Fair enough. Sir my last question is Sir we know the domestic competitors is it possible to tell us because you said there are hardly six to seven players who manufacture PA in the world is it possible to name two to three international competitors?

Pramod Bhandari: NaN YA Plastics in Korea. I think Korea and Taiwan are the major players because from China they are the net importer of the phthalic so that has no generally we do not export to the Indian market. Korea and Taiwan they are exported but because of the logistic issue, forex issue, import duties, and freight it becomes very costly but still India definitely need to import but generally guys mid and small guys avoid importing from these countries because it is not only the cost but the time. It takes 30 to 45 days.

Rajesh Jain: Sir then whatever is the difference is there may be a lag turns of annual requirement you said that it gets imported?

Pramod Bhandari: It is imported till other players build up their capacity.

Rajesh Jain: That means as on date in spite of IGPL and Thirumalai putting up additional capacity there may be still the demand may be growing up? There may be shortage of product which the users are forced to import whether they like it or not?

Pramod Bhandari: They continue to import some quantity yes surely.

Rajesh Jain: So that would be from Korea and Taiwan?

Pramod Bhandari: That is what I have seen generally. Korea and Taiwan are major but otherwise coming in small, small quantities from Asia, sometimes from China, sometimes from Russia but that is very small 1015 to 1000 tonne.

Rajesh Jain: Sir now since we have all these five units at same place are we the cheapest manufacture of PA in the world?

Pramod Bhandari: Even today it is one of the cheapest. Even in international companies it is not possible to compete with that.

Rajesh Jain: So that means whatever is the additional capacity we will be putting so it should not be a problem to sell that product you are saying?

Pramod Bhandari: Product sell not at all a problem because even if we sell today 10% to 12% to export we can go up to 20% to 25% because Middle East there is no producer. We are right now selling 10% to 15% to Middle East. There is a good demand in the Middle East plus you are coming up with the downstream like DEP or any other. You need to give 50% to 60% downstream where the new product.

Rajesh Jain: So this downstream product what you are saying is of PA only?

Pramod Bhandari: Yes.

Rajesh Jain: So now what you are saying is in the future the management would concentrate more on the downstream rather than the PA as of now?

Pramod Bhandari: Yes downstream as well as other chemistry.

Rajesh Jain: Other chemistry okay so this would diversify slowly from this PA product?

Pramod Bhandari: Yes that is what I am saying that 2025 and 2026 we need to have 30% revenue from non-Phthalic product which we are concentrating and continuously working towards that.

Moderator: Thank you. We have our next question from the line of Ravi Mehta from Deep Financials. Please go ahead.

Ravi Mehta: Thanks for the opportunity. Most of the questions were answered. One clarification I was wanting that last quarter we had taken a shut down so what could be the utilization for the Q1? Was it like 95%?

Pramod Bhandari: 91% to 92% average for the year. Typically we produce. 17,000 tonne to 17,500 tonne of Phthalic but last quarter we have taken the shutdown but inventory was already there.

Ravi Mehta: So meaning if there is no shutdown we can utilize 95% but factoring one shutdown because of a catalyst change the annualized is 91% to 92%?

Pramod Bhandari: Correct absolutely right.

Ravi Mehta: So Q1 had no shut down in the way so we could have done the peak and annualized is what you are talking 91% to 92% just a clarification?

Pramod Bhandari: Correct absolutely right.

Ravi Mehta: Okay thanks.

Moderator: Thank you. We have our next question from the line of Aditya Khetan from SMIFS Limited. Please go ahead.

Aditya Khetan: Thank you Sir for the followup. Sir my question is one of the participant has asked you regarding the margins on the advance front? You had mentioned that it is around 10% to 15% but considering today Phthalic Anhydride is making only 15% to 20% so I believe that advance plasticizers should be around 25% to 30%?

Pramod Bhandari: I am telling you the margin is over and above phthalic, yes.

Aditya Khetan: Over and above okay so 15% to 20% so we can take around 25% to 30% for advance?

Pramod Bhandari: When I am saying that margin on DEP they need to assume that company has transferred Phthalic at market price then how much money you are making over and above that.

Aditya Khetan: Okay and Sir this Rs.100 Crores to Rs.150 Crores downstream which has been approved but so it is yet to get the environment clearance?

Pramod Bhandari: We can discuss it once it is approved by the board and then we can discuss about it.

Aditya Khetan: Okay no issues. Sir I just wanted to know what would be the asset turnover if you share it no issues?

Pramod Bhandari: For PA5 project which cost Rs.350 Crores we expect to have a revenue based on the current market price as the product Rs.450 Crores to Rs.500 Crores so asset turnover reasonably coming around 1.2x to 1.3x.

Aditya Khetan: Okay got it Sir. Thank you.

Moderator: Thank you. We have our next question from the line of Yogesh Tiwari from Arihant Capital. Please go ahead.

Yogesh Tiwari: Thank you Sir. I had a followup question. Just wanted to understand what would be the contribution of Taiwan to the global Phthalic Anhydride industry? What would be their contribution?

Pramod Bhandari: That I do not have readily available. I think I can give you separately because I do not have data country wise today with me.

Yogesh Tiwari: Sure and what would be like approximately any imports from Taiwan into India for the product?

Pramod Bhandari: So typical 10,000 tonnes. Majority is coming from Korea, Taiwan and one or two more countries which is Russia, Egypt and all that. Korea and Taiwan is the major import in West Asia from where we are importing the product in the domestic market.

Yogesh Tiwari: Sure Sir and lastly like in terms of cost of production it is like our Indian players competitive with Taiwan or they are at par?

Pramod Bhandari: I think Indian manufactures are much more competitive than Taiwan compared to the cost and plus if you are importing you need to incur the freight, transportation, container cost, and forex four to five days so if you put all together so the Indian guys will always be competitive. There is no question the foreigners can compete with the Indian domestic market.

Yogesh Tiwari: Sure Sir and lastly one question on the strategic side so as we know that our plant is in Taloja and there has been lots of residential development in Taloja so just wanted to understand if there is any environment concern or anything from the regulator wherein they would like to limit the operation of chemical industry as a whole in that locality going forward?

Pramod Bhandari: Your question is valid. Taloja is a big industrial centre which occupy around 3000 plus industries. It is the biggest in Mumbai. I have seen some of the residential but that is the entry side. If you look at the entire Taloja there is no directly residential inside the Taloja industry complex. Of course I have seen couple of buildings coming outside Taloja. We are very concerned about the environment that is the reason we wanted to remain a environment conscious company. We have put by investment of Rs.35 Crores ETP plant to ensure that zero discharge facility from all the plants put together. Second we are also putting a lot of thrust on the sustainability. We were just awarded a solar rooftop power plant so that our overall operating cost can further reduce in terms of the usage of power. In either way we are using minimum power. We are generating the steam inside our power plant which we are using for generation of power so we are using the external power only in case of shutdown or change in catalyst so we are very much aware of that and we keep our operations very neat and clean in terms of the environment. That is the reason we spent Rs.35 Crores although there is no requirement for say in the government side to have the zero discharge facility but we have put inside our plant the zero discharge facility for ATAB. I do not find any challenge because 3500 residences are there in Taloja.

Yogesh Tiwari: Okay so what I understand is like they are both will not be any challenge to any further expansion from regulator authorities in that locality?

Pramod Bhandari: Yes.

Yogesh Tiwari: Sure that is helpful Sir. That is all from my side. Thank you.

Moderator: Thank you. We have our next question from the line of Rajesh Jain from NB Investments. Please go ahead.

Rajesh Jain: Thank you for the opportunity once again. Sir my question was you said that we are going for downstream product for the future investments so the PA?

Pramod Bhandari: I think we said we will go. We are going is not the word I used.

Rajesh Jain: Okay we will go. Sir why I am asking this question is we are the cheapest manufacture and you are seeing PA is getting used in more and more industry and it is getting from a commodity product it is becoming a semi commodity product type then first of all what is this logic of going for a diversification where we can expand the PA capacity further?

Pramod Bhandari: So PA capacity we look at growing our capacity to maintain around 45% to 50% market share on regular basis but management is of the view now it is better to diversify into the other portfolio because sometime you can see there is some compression in the margin. If you have a four to five or six products in your portfolio then your profitability EBITDA will remain sustainable for indefinite time and then we are talking about other downstream. We are looking for specialty where of course revenue will be low but margin will be high. Low revenue and high margin products.

Rajesh Jain: Okay so when these downstream products do we the in-house technology or are we looking at acquiring some company? What is the thinking in the management?

Pramod Bhandari: I think the management is opened for all and we are evaluating multiple projects so I think it is not correct for me to comment at this juncture when the company would approve any specific projects then we will certainly come back with all the disclosures regarding this project.

Rajesh Jain: Okay Sir my last question is since you said that PA is getting into more and more industries so you feel that whatever the margin range you have given $200 to $250 so that would remain relatively stable over the next five to 10 years is that what we can take it?

Pramod Bhandari: Let me reiterate for you again. The demand of phthalic is not a problem. In India the domestic industry is growing where typically we supply around 70% to 80% to all paint, plasticizers, and PVC pigment which is growing very well. Apart from that lot of new segments like specialty chemical, agrochemical, UPR, they are getting into the new chemistry as China plus one. A lot of guys of specialty chemicals are getting into new chemistry mainly phthalic so per se from the demand side we do not see any challenge because phthalic is continuing to be basically essential commodity for most of the chemistries in downstream. When it comes to the margin we will be always better off in global markets. You cannot predict the margins today but whatever we make $100 to $150 over and above the global margin. Why we are making because of operational efficiency, your contribution of byproduct, your operating cost and because of that there is an advantage over the global industry to make the additional margin. I hope I clarified your point.

Rajesh Jain: Yes Sir and lastly like both the local players are adding the new capacity in PA does any of our international competitors are also expending their capacities?

Pramod Bhandari: No as of now there is no such expansion happening. In India it has expanded because there is a good demand in domestic market.

Rajesh Jain: Thank you very much and wish you all the best.

Moderator: Thank you. We have our next question from the line of Shanti Patel from Shanti Patel Investments Advisors. Please go ahead.

Shanti Patel: Sir I just wanted to know as far as your cost of production is concerned you told that we are the lowest cost provision in this country? What is the difference between our cost and our competitor as on today?

Pramod Bhandari: So there are two to three reasons. First we are the nearest point for the sourcing of raw materials from Reliance as our competitor has to take it down South. Second IGPL all the plants are at single location at world skilled capacity so the fixed cost in divided among all the four plants while the number of manpower more or less remains the same. Third we are at the heart of the market. We supply 80% of our product in domestic market to Gujarat and Maharashtra and we are the nearest to that so these three reasons and the fourth of course the internal efficiency using lot of internal gases and steam, inside that. It is basically downstream all put together make us one of the best lowest cost producer in the world so at present do not want to compare it because it is a different philosophy. We have built all the plants on the German equipment, latest technology which lasts for 40 to 50 to 60 years so we change the catalyst every three years so our plant if you look at the plant you will feel like you are entering into BASF facility in Germany so the philosophy of management is to spend extra, take latest technology, take best equipment and then run the plant for 40, 50 to 60 years very well. I am not saying we are not competitive. We will be competitive but I do not have information directly regarding BASF operating cost but I have mine and when I compare it with the global players we are one of the best.

Shanti Patel: Sir I am saying my suggestion is there any way for analysts for plant visit also?

Pramod Bhandari: That we will do definitely. I think we have done last quarter. This quarter also we will propose I think before Diwali we are trying to have one plant visit.

Shanti Patel: Sure thank you very much.

Moderator: Thank you. We have our next question from the line of Aditya Khetan from SMIFS Limited. Please go ahead.

Aditya Khetan: Thank you Sir for the followup again so just on the consumption number so what would be the figure for phthalic as the demand in FY2022 would it be close to 5 lakh tonnes and what would be the installed capacity figure in FY2022 in India?

Pramod Bhandari: So capacity I think IG & Thirumalai and there is another capacity which is 8000 to 10,000 tonne. In terms of the capacity I believe it is around 3,20,000 lakh to 30,000 tonne in India. The consumption of phthalic is India is around 420 to 430 for FY2022.

Aditya Khetan: Sir our 420 figure I believe it was around FY2019-FY2020 so considering a 10% growth over the last three years that should have been reached on 5 lakh tonnes like just that I want to reconcile with the numbers?

Pramod Bhandari: So I have a data but I am not sure it is correct, which shows around 420 to 450 for the FY2022 number.

Aditya Khetan: 420 to 450 for FY2022 and the figure would be around 3.5 lakh tonne.

Pramod Bhandari: No there is a difference between international consumption and Indian production because IG has to produce and export 20%. Also players also may be exporting. When I am talking about Indian consumption then we need to add what sales to players are making in domestic market three players plus the imports which is happening in India minus the exports made by the entity so in that view it is coming in my view 430 to 450 for FY2022.

Aditya Khetan: Okay Sir then one more question. Sir what would be the European company’s capacity to the global capacity in terms of percentage? Sir this question Sir I am asking because now we are witnessing that the Russian companies there has been a shortage of gas supply to some of the European companies so definitely?

Pramod Bhandari: Europe is around 13% to 15% of the total global supply. Of course they are facing challenges because of the gas. Their cost of production has gone up drastically. That is not for phthalic. That is happening across all the industries.

Aditya Khetan: Okay Sir for phthalic if you can give specific numbers so it could be similar around so 15% capacity it will be global?

Pramod Bhandari: Capacity is between 12% to 15% of the global capacity but I do not have specific numbers because generally if they have a phthalic they are fully integrated. They have a refinery com petrochemical and phthalic so I do not feel there is a disruption in direct challenge because it will be there so they may be generating their own power plant and then supplying. To what extent they depend on the Russian gas supply that has to be looked into the company by company in the European side. I do not have that info readily with me.

Aditya Khetan: Okay Sir there should be support in terms of pricing so considering if there is a cut into global supplies just any of the suggestion?

Pramod Bhandari: I do not know because some of the industries witnesses which is in Germany and other areas the power plant bill has gone up by four to 10 times because of the disruption in supply from Russia so it all depends upon what type of industry whether it is at the intensity also make a major role like cement players they need very good amount of energy. In that case, they are dependent on gas their operating cost has gone up by three to four times. The other industry where the energy intensity is less they are not impact so I think that survey has to be done and has to be done country to country and industry to industry. We do not have any data to say that that the cost of phthalic has done up or down because it is impossible. It is completely integrated and become better than the cost.

Aditya Khetan: Okay Sir.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Pramod Bhandari for closing comments.

Pramod Bhandari: Thank you very much for joining us today for the call. As you are aware that India is a population 130 Crores and middle class which is around 10% to 15% has grown up to now 35% to 40% in overall composition in the last 50 years across the industry whether it is the paint, pigment, PVC, speciality chemical India is still at 3% of the global transaction while we are having 20% of the global population so it still fills the gap. It will be a great opportunity for the growth of the infrastructure. We continue to believe that phthalic will remain the key for all the chemical and speciality chemical companies and continue to grow for the next 10 to 20 years. Thank you very much. If you have any other questions please contact with our investor relation advisor SGA or directly send us the mail. Thank you very much. Have a nice day.

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