“I G Petrochemicals Limited

Q3 FY'25 Earnings Conference Call”

February 14, 2025

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '25 Earnings Conference Call of I G Petrochemicals Limited. 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.

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.

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: Good afternoon. Thank you very much, and good afternoon, everyone. Thank you for joining this call. On this call today, we have SGA, IR Advisor with us. I hope everybody had an opportunity to go through the financial results and investor presentation, which is uploaded on the stock exchange and the company's website. After providing a brief overview of the industry and the company, we will begin the question-and-answer session.

As you are aware that the global geopolitical environment has been challenging and leading to a lot of economic uncertainty, largely impacting the global trade investment and consumption. This has largely impacted the performance of the prominent Indian chemical manufacturers, especially those who are dependent on the imported raw material.

The prices of the product remain under pressure due to continuous weakness in the demand and supply dynamics in the international market. The rupee depreciation has further escalated the cost and adding pressure on the raw material expenses.

Additionally, many of them have faced oversupply and aggressive pricing from the competitors. After witnessing few challenges like weak food feedstock prices, rising freight costs, subdued demand for the past few quarters, prices of the key petrochemical has seemed to be bottomed out and started seeing some recovery probably in last one quarter.

Although there was a gap in the domestic demand supply, but the production was sufficient to meet the domestic demand. Recently, the trade tariffs imposed by the U.S. President has further added the ambiguity over the demand visibility in the international market.

To reiterate that the IGPL operation experienced minimal disruption as the majority of our business conducted within the domestic market, which comprises around 80% to 85%, especially within the 200 to 300-kilometer supply chain radius.

IGPL is one of the lowest cost producer and largest producer of the phthalic in India and the second largest globally in the capacity of 2,75,000 tons. With a strong focus on the operating efficiency and the cost optimization, IGPL has built a reputation of excellence in the phthalic anhydride production, ensuring the high-quality output and consistent supply to the various industries in domestic market as well as in the industrial market.

Phthalic anhydride is a critical raw material used across the diverse end user industry, including paint, plasticizer, pigments, polymers, coatings. We continue to expand our product portfolio, manufacturing a lot of downstream, especially chemicals like maleic anhydride, DEP, benzoic acid, and advanced plasticizers.

Our facility is strategically located near the key industrial hub, ensuring the efficient supply chain management, reduce the logistic cost, seamless distribution to our customers. Most of the customers -- 80% to 85% receive direct deliveries from us. This enhances the production infrastructure of PA5 unit, reinforces the IGPL position as the leading and cost-efficient manufacturing in the global market.

The expected market size of phthalic anhydride is around 5,00,000 to 5,50,000 tons per annum. We foresee the demand to grow at an annual rate of 5% to 10% per annum. We are well equipped to meet the rising demand of diverse end users industry, offer high-quality phthalic anhydride as a key raw material for the various downstream products.

As highlighted earlier, our active pursuit of diversification into the wide range of the downstream products, we are setting up the -- up to 75,000 ton capacity of advanced plasticizer plant, which we will be investing around INR165 crores plus the GST and expected to commission it by December 2025 with a wide range of advanced plasticizers such as DOP, DINP, DOTP and other plasticizers being added to our product portfolio.

This plasticizer project is expected to consume around 30,000 to 35,000 tons of the inhouse phthalic anhydride. Additionally, our company has ventured into the CBG compressed biogas by setting up the 5 ton per day plant in India. The project has moved from planning stage to implementation stage.

EPC contract has already been assigned. The initiatives are in line with our goal to increase the revenue contribution from the non-phthalic product and also venturing into the new and green energy. As a part of our ongoing effort to enhance the efficiency, we have integrated the solar power and other renewable energy sources in our warehouse and the operational area. This strategic initiative not only aligns with our sustainability goal, but also provide a significant cost advantage by reducing the overall power expenses.

By leveraging the clean energy, we aim to lower our carbon footprint, improve energy security, and enhance our overall operating efficiency in the long run. Coming to the financial performance, the total revenue for the quarter stood at INR567 crores, reflecting a 15% year-on-year growth.

This contributed around 93% from the phthalic anhydride and another 7% from the Maleic, benzoic acid, DEP, and other income. Gross profit for the quarter was around INR123 crores, 94% increase on year-on-year basis and gross margin improved by 890 basis points. EBITDA was around INR54 crores, a margin at 9.6% and profit after tax is exactly the same as last quarter of Q2 FY '25, INR28 crores.

For the 9 months ended for FY '25, our revenue was INR1,749 crores, a growth of around 12% on a year-on-year basis. Gross margin for the 9 months ended was around INR411 crores with a 480 basis point improvement in gross margin. EBITDA margin for 9 months ended was INR195 crores, a 94% increase compared to the corresponding period of the last year. Profit after tax for the 9 months is INR91 crores, which is a robust increase on a year-to-year basis because for the last full financial year the profit was around INR40 crores.

We remain a net debt-free company with a strong balance sheet. As there was a demand and supply gap, overall production increased during the quarter. We witnessed steady demand from anhydride industry compared to the last quarter despite shutdown for a few units for the statutory requirement or changing the catalyst.

We remain optimistic about the upcoming quarter, and we are well prepared to capitalize on the emerging market opportunity. Additionally, demand from the end user industry continued to show strength reinforcing our growth outlook. With this, I would like to conclude the presentation and open the floor for question and answers.

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

Aditya Khetan: Sir, my first question is on a sequential basis, sir, we are witnessing a dip on top line. As you had mentioned in your presentation that volumes have been higher. So I believe this decline is largely led by the realization decline in PAN only. Sir, is it possible to highlight what was the volume growth quarter-on-quarter basis on the base business and how much we have operated the PA-5 plant during the quarter?

Pramod Bhandari: So first, I'll respond to your second question. We were continuing to operate the 4 plants because another one plant was shut down because of some inspection, some change in the cable and other things because we do the maintenance shutdown also. In terms of the production, we continue to operate the 4 plants because the one plant was shut down for the statutory requirement and the routine maintenance.

In terms of the overall sales, there is improvement of around 15% to 16% compared to the last quarter, it was more than 55,000 tons in terms of the sales. But the overall realization has gone down because if you see there is a continuous decline in the phthalic prices as well as the OX prices.

So although the volume improved by 15%, but still there is a decline in the prices, the overall realization was INR557 crores. The main reason for that apart from phthalic is the maleic prices. The maleic price has also gone down compared to the last quarter. That both have contributed into a decline in revenue in spite of higher production and higher sales.

Aditya Khetan: Okay. Okay. Sir, you had mentioned sir 15-16% jump in sequential jump of volumes.

Pramod Bhandari: In the sales volume, there was a jump because although production was lower, inventory was sold and we come to the inventory level, which is below the historical level. Since the demand was very good in the market, we were able to sell most of our products, not only the product which is produced but also the product which is lying in the inventory.

Aditya Khetan: Okay. Okay. But sir, on to the demand side, like you have mentioned some muted sort of a demand given the cautious commentary, the demand is weak. Any sense on the ground, how this is changing.

Pramod Bhandari: Actually, the demand in the global market has been impacted. But I think in the domestic market, you ask me the demand that's why we are able to sell 10% to 15% higher than...

Aditya Khetan: Okay. Okay. Sir, on to the spreads, like there is a clear contraction in...

Moderator: Aditya can you come back in the queue for further questions? The next question is from the line of Nirav from Anvil Wealth.

Nirav: Yes, sir, I have 2 questions. So first is on the raw material side, because we have also expanded and the competition has also expanded given the kind of press releases and everything what we have seen from them. How do we see the availability of raw material over a period of next 2-3 years?

Because like there is only one producer of that raw material in India. So if you can share your views here in terms of...

Pramod Bhandari: Yes. You are right that there is a one producer of the raw material, but I think they have a sufficient capacity to feed the entire market, including the new unit, which is started by IGPL PA5 but that all depends upon how much percentage of the capacity we are utilizing and they're producing. In terms of the capability, they can go up to 5 lakh ton plus while Indian requirement remains between 450 to 475.

Sometimes they get the shutdown or sometimes they are not able to supply for some commercial reason , but by and large, if you look at the overall demand supply scenario of the raw material, and if they utilize their capacity 80% to 90%, it will be sufficient. But as a policy, we diversify our raw material sourcing from 70% to 80%, we tried to source from domestic and 15% to 20% we import. So we keep a fair balance.

But given the total capacity, it can be supplied -- but it all depends upon the supplier, how much they wanted to supply in terms of their capacity utilization. That depends upon your internal economics. So right now, we are sourcing from domestic as well as the international market.

Nirav: Got it. And sir, how cost efficient it is to import OX in India, is availability an issue globally also because we see that a lot of specialty chemicals in India also do imports of OX in India. So your views here would be helpful.

Pramod Bhandari: I think OX is sufficiently available in the international market. Price is not that much different, but you need to incur extra freight, transportation, logistic cost, the port cost and domestic transportation and the forex. So these things we need to add over the actual cost, so these are the differential between the OX when we are buying in domestic market vis-a-vis the imported. But in terms of the availability of the raw material, I don't find any issue in terms of availability. It's only the pricing. If it is available at a right price, you can source that compared to the domestic market, but the freight and other things, you need to add it on that.

Nirav: Got it. And sir, last 2 clarifications. So one, you mentioned that our volumes were 55,000 tons this quarter, how we see coming quarters in terms of volumes A. And B, if you can share the breakup of revenue of INR39 crores between maleic and DEP.

Pramod Bhandari: Basically, first, I've not mentioned 55,000, I said higher than that. But second, I think because we were carrying some inventory, we are able to offload that inventory. Going forward, we are expecting probably for the next quarter, it will be 50,000 plus minus 5% or 2% or 3%. 50,000 is the way we are looking at.

Probably from April onwards, we see picking up in the overall volume. Right now because the demand was very strong and there was inventory available, we are able to offload most of the inventories to the market. Today, we are at negligible inventory and since production is happening right now between 16,000, 17,000 and 18,000, so that much we are planning to sell. If we sell 17,000 it will be around 50,000 around. So April onwards, we are planning to increase it to maybe 55,000 or 56,000 tons.

Nirav: Got it. Got it. And sir, last question on the maleic and DEP sales breakup.

Pramod Bhandari: So the -- generally, we don't give the directional breakup, but you can say that maleic since the volume was same, but the prices have gone down, so around INR15 crores was the maleic and DEP was INR22 crores.

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

Kunal: So just wanted to understand the supply, which is coming on China side, where in some 2 million ton MAN capacity has been put up? And what is the demand and supply scenario globally? Secondly, what were the average spread for this quarter?

Pramod Bhandari: First, China has set up a plant for maleic because of that, there is over supply in the market for last 1 year. Right now, when we are talking, the maleic prices are actually in the last 2 to 3 years low, $780 to $790 in the international market. Indian demand remained around 80,000 to 90,000 tons, we produced roughly 7,000 to 7500 tons on annual basis and 1600 to 1700 tons per quarter.

Moderator: Sir, your voice is cracking a bit. Can you repeat?

Pramod Bhandari: I am saying that maleic prices are typically 20% higher than phthalic historically. But we have observed that in the last 2 to 3 years because of oversupply and other matters, it is 15% to 20% lower than the phthalic. We estimate a INR100 crores plus revenue from maleic, but since the prices are low, our revenue annualizes around INR60 crores to INR65 crores. So right now and since we are using the wastewater to produce the maleic, it doesn't have a direct impact to us, whatever the revenue is translated to EBITDA. But anybody who's producing based on n-butane and all that, I think every player in the international market is having a loss in maleic today because of the pricing.

What was your second question?

Kunal: What were your spreads during the quarter?

Pramod Bhandari: So spread is $150 to $170 how much that is separate, but...

Kunal: And the decadal leverage, the last decade the average would be...

Pramod Bhandari: Last decade, it will be around $200 to $220 is that and we have made, I think, $150 to $170 is the spread in the international market...

Kunal: Sir, your voice is cracking.

Pramod Bhandari: So I'm saying market spread is $150 to $160, $170. We are making over and above $50 to $60 or $100 depend upon the realization from the maleic operating efficiency and other products.

Kunal: Somewhere it is normalized now.

Pramod Bhandari: Not normalized I think still it is 20% below the normal average and if it is normalized and then around the $200 plus, then the margin would have been much better.

Kunal: And sir, for the capex we have done, are we eligible for any subsidies?

Pramod Bhandari: The capex, which we have done on the PA 4 and 5, we have opportunity to get the subsidy, how we can get it because in the policy provides INR750 crores plus investments there is availability for policy that is under evaluation.

Kunal: So in case we get this, how much is the subsidy?

Pramod Bhandari: I think we will discuss it once we are able to get a confirmation from the government, but not right now.

Moderator: The next question is from the line of Ashish from EverFlow Partners.

Ashish: So my first question was with regards to the spread, how have you seen the spreads come about in the quarter? Like what was the spread previous quarter? And I think you mentioned it was around $150.

Pramod Bhandari: I think this quarter was around $200 to $220 in the market, what we have realized in the result is $240. Previous quarter, it was around $300. So what we realize is $50 to $100 over and above the market spread depending upon the capacity -- operating performance, capacity utilization as well as the realization from maleic. So compared to the last quarter, it has gone down, but we have seen the stabilization of net for 2 to 3 months now, and we have seen some improvement in the overall margin going forward.

Ashish: Sir, can you just repeat that again? There was some kind of a disturbance.

Pramod Bhandari: The margin is lower by 5% to 10% compared to the last quarter. However, we have seen the stabilization of the margin or bottoming out of margin in the current quarter and expected margin to improve going forward.

Ashish: Okay. And what were the spreads, sir, last quarter to this quarter?

Pramod Bhandari: For the company, it was $242. If you include everything operating efficiency and all. And from the last quarter, it was around for company side $270 to $280. But in the market, it was around -- the spread right now was $150 to $170 compared to $200 last quarter.

Ashish: Okay. Got it. Got it, sir. And secondly, I wanted to know what the management's outlook was on the demand side and the spread side going forward for PAN.

Pramod Bhandari: It's improved because right now, it is actually below the historical average of $200 to $220, so it needs to improve further. And we have seen that demand is across the segment including DEP and UPR , demand in Indian market is very good, but it has to improve in the international market to see the overall jump in the margin. So demand side, I don't find any problem or challenge in the Indian market.

But when it comes to the margin it is related to the international market margin. So internationally the marketing margin needs to stabilize and improve. We have seen the bottoming out of the margin in the last quarter, we expect margin to improve and go beyond the historical average of $200 to $220.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I wanted to understand, previously, we used to say that when we earn $150 to $160 spread, then we get a 10% to 15% EBITDA margin. Right now, the market is earning $150 to $170 spread, but still our margins are at 8%. So sir, I am trying to...

Pramod Bhandari: Because the reason is very simple. We are not operating all our plants. Right now, we are at 75% to 80% of capacity utilization. So all the profitability you are looking at is from 4 plants while we are providing for all the expenditures, all the interest cost, everything from the 5 plants. So what you are looking at, all the employee costs, the other expenses, everything is for 5 plants and we are operating 4 plants. So the burden of 5 plants are taken out by the profitability of the 4 plants, that's why the margins are looking like that.

Madhur Rathi: So sir when do we aim to reach optimal capacity of 90%, 95%.

Pramod Bhandari: I think beginning from April onwards you'll see the improvement in capacity. In April to June, we will be reaching at our historical average of 90% to 95% -- 91%, April to June quarter.

Madhur Rathi: Okay. Got that. Sir, my next question was, sir, on the plasticizer segment. Sir, when we look at the imports that have happened in India, sir they are happening at a very higher rate of $2 to $3 per kilogram. So based on that, our capacity would be -- the revenue potential would be much higher. So I'm now trying to understand why is this discrepancy.

Pramod Bhandari: So actually, the plasticizer we have a capacity, mainly operating at 70,000 to 75,000 tons probably after ramp-up. Suppose it's at optimum capacity, our revenue is based on the historical average price. We are expecting INR900 crores to INR950 crores gross revenue from plasticizer.

But addition to the overall revenue will be INR500 crores because INR400 crores will be the phthalic, which will be utilized. So when you are talking about only plasticizer revenue, it is INR900 crore plus. But when we are talking about its addition to the company's revenue, it will be INR500 crores because INR400 crores phthalic will be used.

Madhur Rathi: Okay. Got it. But sir, if I consider a $2.5 per kg of phthalic prices -- of plasticizer prices, so sir, are we going to manufacture plasticizer that would be of a low -- like of a lower quality at lower prices?

Pramod Bhandari: No, no. When we have mentioned this we have not considered the current market price. It may vary, depend upon that it may be between INR900 to INR1,100 I am giving you just general idea of guidance about the expected revenue from plasticizer. It's a ballpark number. It's not the number which is based on the today's price.

Madhur Rathi: Got it. Sir, just a final question from my side. On the sir, on the CBG plant, sir, why are we getting into CBG plant when we see that the ethanol players are struggling in a segment where the government decides the end price as well as the government decides the raw material price and just becoming a converter. So why? I'm not able to understand that.

Pramod Bhandari: CBG plant is the idea -- the idea for CBG plant is management decided to venture into the green side of the energy. When we look at the various opportunities, the CBG is one of the opportunity, where there are 3 ways to look at. One is the raw material, second is the technology. Third is the optic.

In this case, the technology is proven, offtake of the government is proven. You need to just pick the sourcing of -- right sourcing of the material, which is the agro waste, napier grass, or various types of waste, agro waste or available in the market. When we are setting a 5 tons per day plant we are looking at the various options available and the nearby material availability. So I think when the material is sufficiently available to set up a CBG plant is not a challenge because technology is proven and government has the offtake agreement.

The CBG once produced, it will be blended with the CNG and government has come up with a policy to have a 1% blending of CBG with CNG beginning from this year, which will go up to 5%, so there will be huge demand on the CBG in Indian market. And I don't know how you got that information the ethanol players are struggling, they are not struggling, they are making good amount of money. And CBG, you need to just produce, everything else is taken care by the government, government policy.

And this is the another way to convert the agro waste and all type of pollutants into green type of gas. So this is the first plant we are setting up. Once it is set up and success -- commercially successfully started, we do plan to replicate at different, different locations, 5 to 10 plants.

Madhur Rathi: Okay. Sir, so just on the future, sir, if we had some -- sir the future capex would be sir on the CBG side more or on the plasticizers side more. I am just trying to get an understanding...

Pramod Bhandari: No, CBG is INR20 crores to INR25 crores project. Once -- we need to set up 1 project, evaluate that project, see the profitability, then the decision for the next will be taken. The capex on the plasticizer is already under -- plasticizer project under construction is already committed. And we are looking for other opportunities to get into the further downstream industry of the phthalic, maleic and plasticizer.

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

Aditya Khetan: My question is on to the non-phthalic business. Sir, this quarter like we have seen around almost around INR39 crores, INR40 crores of revenue from the non-phthalic side. Sir, if you can highlight like what are the margins from this business, like out of the INR40 crores, what margins we are making and from the PAN business, if you can just a ballpark figure you can give how much margins we are making over there.

Pramod Bhandari: I think whatever is the margin or EBITDA you are looking at for the MAN sales, which is around INR15 crores. The entire -- the revenue is the EBITDA margin. And for the balance side, it is 10% to 12% for INR25 crores, is INR4 crores to INR5 crores. So if you put together, it's a INR15 crores to INR18 crores EBITDA contribution of the other income and balance is from phthalic.

Aditya Khetan: Okay, okay. And sir, on to the plasticizer like you have mentioned somewhere around INR800 crores to INR900 crores. If you exclude that, that would be -- if you exclude the PAN that would be INR500-600 crores. So sir, out of the total PAN, I believe PA5 -- from the 53,000 ton almost around -- so 35,000 tons would be yield captive, right?

Pramod Bhandari: Correct, 30,000 to 35,000 tons depends which type of composition you have...

Aditya Khetan: Okay. And remaining, we would be selling in the market?

Pramod Bhandari: Between 10,000 to 15,000 tons. Yes.

Aditya Khetan: Okay. And sir, what would be the margin, sir, from the new plasticizer plant which we are setting up?

Pramod Bhandari: So plasticizer, the capex is around INR160 crores to INR170 crores total capex on the plasticizer. The revenue is expected at INR900 crores. So when you are looking at INR900 crores, we expect typically 5% to 6% is the PAT margin. So suppose you assume 5% is INR50 crores. So you can see the payback period is rather 3-3.5 years based on the historical number. You don't count it today because today the prices are high, the margin is high, the payback period will be less than 3 years. But we need to count the historical average, not the margin and the pricing today.

Aditya Khetan: Okay. Okay. So sir, like earlier guidance, what we have stated earlier, so on a base of INR2,000 crores top line, we would be reaching around INR3,000 crores of top line in the next 3 years?

Pramod Bhandari: I think by '26, '27, our revenue will have to be between INR3,200 crores to INR3,300 crores, if we optimally run all our plants at 85% to 90% capacity utilization.

Aditya Khetan: Okay. And sir, any update on the maleic side, like, I believe after some -- maleic prices for the last quarter or for the last 6 months were going upwards. But now again, like you're mentioning like there have been -- so the prices have been muted. Any sort of a trend you can give for the next year this will be remaining at this level or because the Chinese inventory is also -- so they might have been depleting now. Any reason...

Pramod Bhandari: What happened is Chinese have setup that plant of maleic to get into to BO2, PBAT and PBT and to get into the various types of dissolvable plastics and all that PBT. But of late, the deadline has been extended by the government, they started selling into the international market. The day when they divert their maleic for the downstream, you will see the improvement in the market. So recently, the prices have touched as low as $780, which is, I think in the last five year is the lowest. Typically, last quarter was $800, $850. It was $780 to $790 for the last quarter.

But I think this is the bottom. Why I'm saying bottom is this is a price when somebody is producing from the actual route of n-butane they will be making the losses. Butane price is $500 to $550, conversion cost is $300. So $850 is the cut-off price for the manufacturing of the butane and actual price is around $780. So this is the bottom, they can't go further negative. It has to improve from this level.

Aditya Khetan: But sir, I believe sir these prices were -- so these range prices are for a year now, since the prices have not seen any material improvement, so the players who are making from this route for the last 1 year they would be making losses.

Pramod Bhandari: Yes. Actually, they are making losses, if they're getting the gas on the market price and then converting into maleic no way you can make the money in today's market. So you can't sustain the losses forever. Somewhere there will be equilibrium in the market. Some plants will shut down and then there will be gradual improvement in the prices.

Aditya Khetan: Got it. Sir just one last question, sir, if you can share the revenues of maleic anhydride and for the DEP. How is the total INR39 crores we have reported?

Pramod Bhandari: INR15 crores of the maleic and INR22 crores of the DEP.

Moderator: The next question is from the line of Rishikesh from Robo Capital.

Rishikesh: Sir can you share what revenues can we do in FY '26, given that we are aiming to operate about 90% plus utilization levels?

Pramod Bhandari: So whatever is the today revenue, you can add similar INR550 crores to INR600 crores. So that will be the ending for the year for us.

Rishikesh: Got it. And what margins can we do in FY '26, EBITDA margins?

Pramod Bhandari: I will not be able to predict it today. But I can tell you, say, for the 9 months ending, we had a -- for the first full financial year last year, we have a PAT of INR40 crores. And in these 9 months, we already have the PAT of around INR90 crore plus. So I think we are going to cross, I think, 2 to 2.5x of previous year profitability.

Rishikesh: Okay. And also you shared that FY '27, if we utilize the plants optimally, we will be doing around INR3,200 crores, INR3,300 crores of revenues. Can you share what sort of EBITDA margins are you targeting on that level of revenue?

Pramod Bhandari: I think it will be too early for me to talk about EBITDA margin. I can just give you the guidance about the revenue range because it all depends upon the plant utilization, overall sales. So EBITDA and all margin, I think you need to wait for that quarter to come.

It will be too premature for me to predict the margin, it is all dependent upon the market and the margin. If market has X margin, we will have $50 to $100 above the market in terms of phthalic. Maleic, whatever is the sales we are doing and the market price, net sales will be translated to EBITDA.

For plasticizer, generally, the EBITDA margin is between 10% to 15%. So I will not be predicting the profitability and EBITDA margin on an absolute level. Individual level, I have already given you guidance.

Rishikesh: Got it. And lastly, our interest cost is very low around INR3 crores for this quarter. So can you throw some light here?

Pramod Bhandari: So actually, the interest cost for the previous quarter was INR16 crores, which has a INR6.5 crores of the -- INR6.9 crore of the forex impact of the euro depreciation. That impact of euro started from INR88, reached to INR93. Again, it's back, came to INR88. So that has been adjusted in the finance cost. So if you remove both the prices, interest cost for both the quarter is INR9, INR9.5 crores, both the quarter, Q2 and Q3. But last time it was the loss on forex, this time it was the gain on forex which has been...

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

Chirag: Sir just wanted to understand, we have -- in terms of the other expenses, that has also gone down. So what has helped sequentially.

Pramod Bhandari: So other expenses has actually gone down from -- INR1 crores or INR2 crores. Typically other expense...

Chirag: INR55 crore in Q3 -- sorry, in Q2. And then it is INR43 crores?

Pramod Bhandari: So it's basically the CSR expenditure, the logistic expenditure. And all other expenditures are forming part of the other expenditure. If you need the breakup at the top end, just give me a second. It has gone down in energy cost typically because the last quarter was a shutdown. This quarter was lots of shutdown. The last quarter was the shutdown for the change in the catalyst. This time, shutdown was not for a change in the catalyst.

Second, the energy cost generally has gone down because the Q2 was relatively rainy season, when we need to spend more on the LSFO and all, that has reduced the INR5 crores to INR7 crores. And then there is a lower repair and maintenance. So INR8 to INR9 crores is the impact on the lower energy cost and this cost, and typically, last quarter, we have spent some money on the CSR, this quarter is yet to be spent, which we'll be spending in the Q4.

Chirag: Okay. So secondly, sir this plasticizer, this will start contributing from second half of FY '26, right?

Pramod Bhandari: This will be contributing a little bit in the Q4 of FY '26, a little bit, maybe 30%, 40%, 50%. But effectively utilization beyond 50%, 60% will be in Q1 of FY '26 -- FY '26, '27, sorry. From April '26 onwards, you will see the meaningful contribution.

Chirag: Okay. So as far as the FY '26 is concerned, what we see is increase in volume from phthalic, right? There is no other contributing factor, right? Plasticizer will come into...

Pramod Bhandari: Increase in phthalic volume, maleic prices are down right now. If they improve, you will see the improvement in this and then slightly improvement in the DEP volume and the value.

Chirag: Okay. Sir, lastly, sir, what is your debt and cash on book?

Pramod Bhandari: Debt is around INR225 crores to INR230 crores. Cash is around -- cash plus investment liquid investment is around INR300 crores, so zero effectively, you can say that.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, what kind of payback are we looking at our CBG plant?

Pramod Bhandari: Sorry, can you repeat again?

Madhur Rathi: Sir, what kind of payback period are we looking at for the CBG plant investment?

Pramod Bhandari: I think the CBG plant is expected to provide between 15% to 18% of IRR based on the today's market price of the CBG offtake by the government and availability of the raw material.

Madhur Rathi: So around 5 years kind of a payback can we expect.

Pramod Bhandari: Less than -- slightly less than 5 years because we have conservatively taken the prices. Actually government is giving now currently higher than that what we have taken. So 15% to 20% is IRR, that is for sure. We don't do any project less than 15%.

Madhur Rathi: Got you. And sir, on the plasticizer plant, sir, have we started supplying these pilot samples to end customers or...

Pramod Bhandari: No, no, no. It is under construction.

Madhur Rathi: Okay. So like nothing, so what kind of trial or pilot like...

Pramod Bhandari: I think trial, you will see October, November, December, not before that.

Madhur Rathi: And sir, from the end customer's point of view.

Pramod Bhandari: You will see the trial to begin in October, November, December, end customer point of view, we are already producing the DEP, which is a specialized plasticizer that we are already selling in the market for the last 2 years. And we have seen a very good and robust demand in the market for that specialized plasticizer which is used in the fragrance types of industry.

Madhur Rathi: Okay, sir, so ramp up kind of a scenario.

Pramod Bhandari: Correct.

Madhur Rathi: Okay. And sir, how do we -- our plasticizer would be against our competitor KLJ, and sir, what kind of plasticizer market is currently, what kind of capacity is there currently, and at what rate is it growing?

Pramod Bhandari: I think plasticizer has a capacity of 4,50,000 to 5,00,000 tons. India is actually producing 400,000 to 410,000 to 420,000, some guys projects are under construction. Growth is between same, similar to 5% to 7% like IGPL. And we are not competing in that sense, the customer because KLJ has their phthalic plant, we will have our own plasticizer plant. So both are having both the sides of the business, there are hardly 1 or 2 players apart from IGPL in the market.

So I will be the niche player supplying it to the niche customer. And IGPL will be, I think second largest or third largest player and very soon it will be first or second, so IGPL is more or less -- there will be 3 players, bigger players, I'm not talking about small, small players, 2 or 3 players and Indian market is growing very well. We don't find any challenge in terms of the overall plasticizer.

Madhur Rathi: Sir one of your competitor Lubrizol is also getting very aggressive in their growth targets and capacity expansion, so sir do we see any threat of oversupply in the market.

Pramod Bhandari: Can you repeat the name of the party?

Madhur Rathi: Lubrizol.

Pramod Bhandari: Yes. They have a plant in India?

Madhur Rathi: Yes, they do.

Pramod Bhandari: You were talking about phthalic or plasticizer?

Madhur Rathi: Plasticizer.

Pramod Bhandari: Okay, they are not in phthalic, correct. I think plasticizer is a growing market in India. It can easily have 4 to 5 bigger players. For us, the advantage will be the 35% to 40% of the product is in-house produced by us, plasticizer requires phthalic and maleic apart from the other type of alcohol.

So phthalic and maleic will be in house. Some of the product we need to take from outside. Inherent advantage of production cost will be there with IGPL. So we believe that we will be competitive enough and we are in a sufficient market available for the plasticizer in terms of the overall growth in the Indian market.

Madhur Rathi: Okay. Got it. And sir just a final question from my side sir. Sir, are there any plans to get into some value-added derivatives post this plasticizer like our competitor Thirumalai is getting to formic acid as well as some other food additives...

Pramod Bhandari: That evolution is always under discussion. Once it is approved by the Board and management, we can discuss about it.

Moderator: The next question is from the line of Amit from Robo Capital.

Amit: So my question is again on the margins. I understand that it's difficult to forecast the future margins. I was just looking at historical margins. And my sense is that margin seems to be -- the peak margin seems to be -- EBITDA margin about 20-22%. And if I look at median or average, my sense is that we can probably take 14-15% margins as average margin. Over a long period of time, say 7 years, 10 years, would you agree with me broadly?

Pramod Bhandari: I think I will generally avoid of the call to give any prediction about the margin. As a company, we can always provide that if market is this margin, we will be having $50, $60, $70, $80 over and above. So whatever is the market margin we'll have over and we will have an advantage because of the operating efficiency. All plants are at single location.

So the fixed costs are divided, then we are into the maleic anhydride which give us the upper hand in terms of the overall revenue directly translated to EBITDA, then we are doing well in the DEP segment, which we have entered 2 years back, apart from that we produce the benzoic acid, now we are planning to get into the plasticizer, which will be probably 6 to 9 months from here.

So I think it's not correct for me to give the guidance. Guidance has always been with the market, petrol, diesel have a particular GRM, like in refinery, we call it GRM.

So you can give guidance, market Singapore GRM is x, I will have $2 or $3 over and above this. So nobody can give the guidance in petrochemical in absolute terms. It's always linked with the benchmark.

Amit: I'm actually not coming for guidance. I was just trying to figure out what is the internal sense of the management that suppose we were to do a capex right on the core business, typically we will have to calculate IRR, we will have to look at the margin.

Pramod Bhandari: Conservatively, we don't do any investment till it has IRR of 15%. It has to be 15%, 20%. Otherwise, we don't do investments. We have decided to not pursue certain projects if it is less than 15%.

Amit: Sure, sir, I was looking at when you calculate IRRs, you need to put some margins right? So would you take 14%, 15% that margin in your base case scenario?

Pramod Bhandari: Yes, that is absolutely fine. It can be higher than that, but base case, you can take this. For this case, you can take $200 phthalic margin in the market.

Moderator: Ladies and gentlemen, this was the last question for today's conference call. I now hand the conference over to the management for their closing comments.

Pramod Bhandari: Thank you very much, everyone, for joining this call. We really appreciate your interest in the company. In case you have any other questions, you can contact SGA, our Investor Relation advisor or can send the mail to us, we are happy to respond. Thank you very much. Have a nice weekend. Bye.

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