"I G Petrochemicals Limited

Q4 FY'25 Earnings Conference Call"

May 22, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 22, 2025 will prevail.

MANAGEMENT: **MR. PRAMOD BHANDARI – CHIEF FINANCIAL OFFICER – I G PETROCHEMICALS LIMITED**
SGA – INVESTOR RELATIONS ADVISOR – I G PETROCHEMICALS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to I G Petrochemicals Limited Q4 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performances and involve risks and uncertainties that are difficult to predict. 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. Thank you, and over to you, sir.

Pramod Bhandari: Good evening, friends and everyone. Thank you for joining us today. On the behalf of I G Petrochemicals, we extend a warm welcome to all of you. We are also joined by SGA, our Investor Relations Advisor. We regret to inform you that our Chairman and Managing Director, Nikunj Dhanuka, could not participate in today's earnings call due to some unforeseeable medical event.

I hope everybody had an opportunity to go through our financial results and investor presentation, which has been uploaded on the stock exchange as well as the company's website. After providing a quick overview of recent industry development, IGPL progress, we will discuss about the operational and financial performance of the company.

Before we started, I think you all are aware that I would like to share that the -- it is with very heavy heart that we have lost our ex-Chairman and Co-Founder Member of I G Petrochemicals, Mr. Madan Mohan Dhanuka, who left us a month ago. Mr. Dhanuka was a visionary leader whose guidance and mentorship shaped IGPL's journey over the decades for the last 4 to 5 decades, helping the company to scale new heights. His commitment to excellence and the spirit to transform IGPL as one of the leading powerhouse in the chemical space, we also celebrate his enduring legacy and remarkable contribution he made to the organization.

Coming to the industry, the crude price has declined around 20% to 30% on a year-to-year basis, have further affected the entire value chain of chemical industry. Along with this, the demand from the Western market has continued to remain soft, and China has shown no major respite.

This has softened the performance of the many prominent Indian chemical players, especially those who are reliant on the imported raw material. The ongoing U.S. tariff has further created an ambiguity of confusion around the chemical industry. However, this has no direct impact on the IGPL. Of course, the downstream sectors to a certain extent got some impact.

The foundation of any business is built over the years. I would like to state that our company foundation is very strong and withstand many challenges, not only in last few years, but last couple of decades. The foundation of company is built with the great hard work and commitment of all the employees at the ground level.

They are the strongest pillars of our firm. Because of them, our company has shown the resilient performance even during the challenging time. On this forum, I would like to thank them for their support and the contribution, inching towards the pole position as the largest phthalic producer, manufacturer in the world. IGPL is a renowned player into the phthalic and downstream product. We are one of the largest players of phthalic in India and second largest in the world.

Current demand for the phthalic in the domestic market is around 5,00,000 to 550,000 tons per annum and is projected to grow at around 5% to 6%, led by the steady demand from various end user segments like paints, plasticizers, pigments, coating, polymers. Our current capacity is around 275,000 tons.

The plant, of course, is not right now operating at a full capacity because of the various planned shutdown because of the change in the catalyst, because of the boiler inspection and some unplanned shutdown because of the repair, maintenance and statutory requirements during the year ended as well as quarter ended.

We also produce Maleic Anhydride, Benzoic Acid and DEP at our Taloja plant. These products are used in the industry such as lubricant, additive, agrochemical, perfumes, plastics. As a part of our strategy to diversify our product portfolio and increase our contribution from non-pan product, we are setting up a plasticizer -- advanced plasticizer project from 75,000 to 1,00,000 ton capacity with an investment of INR165 crores.

The plant is expected to commence -- to be completed by the end of this year, say, December 2026. This will manufacture the DOP, DINP, DPP, DIPT. This plant will consume around 30,000 to 35,000 tons of the phthalic anhydride. Additionally, the company has decided to venture into the green side of the chemistry to -- indulging into the setting up of the CBG plant. As highlighted in earlier quarters, this has indicative has -- this initiative has already progressed well from planning to implementation stage.

The construction of plant has commenced and EPC contract has been awarded. This move is aligned with our strategic objective to double size the revenue from non-phthalic and the green side of the chemistry. Addition to that, we have extended our expansion into the green segment by entering into a production of pyrolysis oil, which is basically a different form of the fuel oil.

The Board has approved the project to produce pyrolysis oil through the sustainable plastic waste chemical recycling, thereby converting the plastic waste entailing a capital expenditure of INR16 crores. That project will also be set up in the Raichur adjoining to the CBG plant. Also to increase the operating efficiency, we have integrated the solar panel and other renewable energy resources into our warehousing and the key operational areas.

This strategic initiative aligned with our sustainable goal provide a significant cost advantage by reducing our power expenses. By leveraging the clean energy, we aim to lower our carbon footprint, enhance energy security and improve long-term operating efficiency. Apart from that, we are also planning to replace some of the fuel oil, LSFO and the diesel, which we are using with the gas, which has started in the last quarter, natural gas.

These initiatives will open up a new horizon building up a new expertise and improve our relationship with the new clientele. The expansion aligned with our long-term strategy focus on sustainability and scalable growth.

Now coming to finance performance. If you look at the overall scenario, the overall revenue for the quarter stood at INR485 crores. The revenue contribution from the non-phthalic business stand at INR33 crores, which is 7% for the quarter. The volume was lower due to the -- compared to the last quarter because of the various factors as mentioned above about planned and unplanned shutdown.

Gross profit for the quarter came at INR136 crores, which is a 30% over and above the year-to-year basis increase and 950 basis improvement in gross margin. EBITDA has reached INR54 crores, an improvement of 51% compared to the corresponding previous year same quarter.

Profit after tax is INR21 crores, a robust 128% increase compared to the previous year same quarter. Subdued demand in downstream segment due to increase in the price of the other raw material has impacted the profitability. For the year, if you look at the performance, the revenue remained almost flattish at INR2,234 crores. The revenue contribution from the non-phthalic business remained INR165 crores, which is around 7% for FY '25.

Gross profit has zoomed from INR547 crores. It's a 587 basis points, or say 587% improvement in the gross margin. EBITDA stood at INR248 crores, 82% increase compared to the last year. Margin has improved and profitability has also improved.

The profit after tax is INR112 crores, which is 183% higher than the previous year. For this quarter, the profitability was impacted because of the mainly lower volume in terms of the sales, the lower prices of the maleic anhydride and other DEP and other products and M2M of the INR10 crores, which we have provided in our quarterly performance, which is around INR6 crores was the M2M and INR4 crores was a part of the interest and finance cost.

And because of the planned and unplanned shutdown, there was an energy cost and the repair and maintenance cost has been incurred during the quarter. So put together, INR10 crores to INR15 crores, INR10 crores on account of M2M and INR5 crores on account of the repair and maintenance and energy cost extra indulged into the profitability, which has impacted overall profitability.

The Board on account of the good profitability compared to the last year has recommended a dividend of INR10 per share for the financial year. The company for the March has maintained a net debt-free position with a strong balance sheet and cash flow by prioritizing the long-term growth. We believe we will build a solid foundation for future, have increased our capacity.

We are well prepared to capitalize on the emerging opportunity, including the growing domestic demand. Furthermore, our expansion into the plasticizer will offer built a sustainable growth portfolio, enhance our ability to serve the end user necessarily.

With this, I would like to conclude my presentation and welcome your questions. Thank you.

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

Aditya Khetan: Sir, first question is on to the volumes. As you had mentioned that because of change in catalyst, there were -- so volumes were impacted. If you can share the volume figure, sir, for the quarter and for full fiscal FY '25.

Pramod Bhandari: Generally, we don't share the volume figure specifically for the quarter and year. Indicatively, it was 20% lower than the last quarter. That is why the overall revenue impacted from INR565 crores (Errata: Actual Number to be read as INR 567 crores) to INR487 crores (Errata: Actual Number to be read as INR 485 crores). On a yearly basis, the volume was actually around 2,00,000 compared to 195,000 last year.

On a yearly basis, it is almost same except 4,000 to 5,000 difference. But from a quarter-to-quarter basis from Q3 to Q4, it was 20% lower because of the planned shutdown as well as unplanned shutdown for change in catalyst, boiler inspections and other things.

Aditya Khetan: Got it. So sir, on Y-o-Y basis for full fiscal FY '25, the growth seems to be lower, like we have added this new...

Pramod Bhandari: I agree with you because if we need to go full potential because still we are hovering around because we have given you an indication of around 2,00,000 to 2,10,000. We are around 2,00,000-2,05,000 in view of the internal consumption for the DEP. So this year, if you ask me, frankly speaking, with the PA-5, we can reach up to 2,40,000 to 2,50,000 – 2,30,000 to 2,40,000 clearly. But we are right now between 2,00,000 to 2,10,000. I think there is scope to go by at least 5% to 10% higher next year.

Aditya Khetan: Got it. Sir, on to the spread side, it was clearly visible like on spot also for Q4 that spreads have improved. But sir, when we look at the last 2 months spread, they again seem to be contracting. Any thoughts on this, sir? And what is the outlook for the long-term spread?

Pramod Bhandari: I think there are a lot of factors which is impacting. You can't pinpoint the one factor. Domestic demand, however, is steady in the paint and plasticizer segment. But a lot of things have changed in the geopolitical. U.S. policy for the import has impacted some of the downstream segment. Of course, they keep on changing, like UPR segment was impacted because the earlier -- because a lot of UPR send their product -- final product to the European -- American market.

Earlier, they put duty from 6% to 26%, then they revised to 16%. But of course, even 6% to 16% has a big impact because the margin is really low in that UPR segment. So that has some sluggishness in the demand. But of course, that will be reviewed again after 90 days.

The second thing is the price of some of the raw materials required for our downstream like CPC has also got impacted because other raw material, apart from phthalic, which is required for the CPC, the price has gone up by 10% to 15%. So overall, the demand is steady, but it could have been much better if there is no other geopolitical issues.

And third point is because there is a duty on China, of course, it was very high, then it reduced to 120, then 130 because they are changing every week. So China used to sell a lot of product to the domestic market. Of course, that is restricted because there is a lot of limitation in terms of what they can sell to India because of the BIS standards are there.

But overall, the demand was okay, not good, not bad. But typically, for our production, it was low. The overall profitability was impacted because of the -- first, the volume second, because of the shutdown, there is a high energy cost and repair maintenance, which has increased by INR7 crores compared to the last quarter.

And third, we have most of our debt in euro. So we have provided INR6.7 crores on the foreign exchange M2M loss and then INR4 crores was included in the finance cost. So effectively, INR10 crores to INR11 crores is the M2M charges and INR5 crores to INR7 crores on the repair and maintenance. That has impacted the profitability. Third, of course, is the volume, which I already indicated.

Aditya Khetan: Got it, sir. And sir, on the non-PAN side, like from second quarter like where we were standing at around INR52 crores, now we are at INR33 crores. Sir, when we look at the price of maleic anhydride and for DEP, they are more or less stable only. So why this dip is there?

Pramod Bhandari: I think the price of maleic and DEP, you are absolutely right is stable. But when you reduce phthalic production, automatically maleic and DEP will be impacted because maleic is produced from the wash water of phthalic. If phthalic is down 20%, automatically maleic production will be down. That has a direct correlation because maleic is in proportional to the phthalic production.

Aditya Khetan: Got it. And sir, this expansion of advanced plasticizer, like sir, what guidance we had given like we could be increasing our top line by INR1,000 crores. Are those things impact like on EBITDA also what...

Pramod Bhandari: So the guidance is very clear. We will be increasing our revenue -- gross revenue by INR900 crores to INR950 crores, but the net revenue will be INR500 crores because around INR400 crores, phthalic will be used. So when gross plasticizer revenue is INR900 crores to INR950 crores based on the today's prices, but the net revenue, which will be increased in the P&L and profitability statement is INR500 crores because phthalic will be used between INR300 crores to INR400 crores.

Aditya Khetan: Yes. Sir, just one last question. Sir, on to the import side, are you witnessing any sort of a structural change like imports are coming down or they are still at the same level?

Pramod Bhandari: I think compared to the last year, when KLJ was not started their production, import was between 1,00,000 to 120,000. Now structurally, import is between 50,000 to 60,000 tons per annum. That means around 15,000 tons. Sometimes it is 13,000, sometimes it's 16,000, 17,000. So import more or less in the same range.

But ideally, if you ask me when the India is having the production of I G, Thirumalai and other players, the import has to be substantially reduced. But still, there are guys who are looking to import because import is good when the market is steady because now the market is having too much fluctuation because imports take time then there is too much fluctuation in the foreign exchange and all that.

So somewhere the import traders are making losses, somewhere they make the extraordinary gain. If you import at say, x price, INR1,000 and by the time it comes if price is INR1,200, you will make money. If you import at INR1,200 and by the time it reach to you, price is INR1,000, you will make loss. It's like more of a speculation in the import gain or loss rather than the actual money making.

Aditya Khetan: Okay. Okay. Got it. Got it. Sir, any idea on the spreads, like how they will behave from here on, considering all these geopolitical tensions. And sir, like for the last 2 years, the cycle has been quite depressed. Any chance like the spreads are bottoming out and there is a chance of a super cycle, if suppose some capacity is globally shut down in this...

Pramod Bhandari: I think rather than asking about depress or super cycle, it's absolutely right to maintain if spread right now is between $150 to $200. And I believe this is a fair range. It may go to $300. It may come to $150 also. But average, I believe $200 is a fair range to assume for the purpose of spread. For long-term average, it's better.

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

Nirav: I have a few questions to ask. So first is you mentioned that our production in FY '25 was close to around 2,00,000 tons. So if we exclude what is used for captive DEP...

Pramod Bhandari: After at around 2,00,000 tons.

Nirav: Okay. Okay. So captive would be close to around 4,500 tons.

Pramod Bhandari: 4,000 to 5,000 tons.

Nirav: Correct. So actual sales in the market from I G was close to around 2,00,000 tons, correct?

Pramod Bhandari: Yes, between 1,95,000 to 205,000 tons. Yes.

Nirav: 1 Correct. And sir, you mentioned that consumption of phthalic in India is close to around 550,000 tons.

Pramod Bhandari: Right.

Nirav: So you also alluded on the fact that like the imports this year have been in the range of 50,000, 60,000 tons. So is it fair to assume that -- yes, so is it fair to assume that domestically, the players would have produced close to around 4,80,000-4,90,000 tons and which also includes the production of KLJ or it is only between the 2 of us, which...

Pramod Bhandari: No, no. I'm talking about Indian demand, Indian production. Indian demand 5,00,000 to 5,50,000 and import is between 50,000 to 60,000. So balance is produced by all the balance players.

Nirav: Got it. And sir, what was this consumption of phthalic in FY '24? This is for FY '25, which you mentioned. So what was for FY '24?

Pramod Bhandari: 4% to 5% lower, 1,90,000 to 1,95,000 tons. Only 5,000-7,000 tons improvement compared to last year. It would have been much better, but our capacity utilization for -- effectively, we have utilized 4 plants only in spite of having 5 plants.

Nirav: Got it. So sir, now you also mentioned that we have some shutdown issues, some boiler inspection, which you also mentioned in the earlier calls. Now I believe that all those issues are behind us. So going forward in FY '26, how do you see our volumes...

Pramod Bhandari: See, I think I can give you a projection, but it will all really depend upon how it will be. I think it should be between 2,20,000 to 2,30,000 tons. At least 10% should be higher.

Nirav: Got it. So on a, let's say, base of 2,00,000 tons, we are almost talking about 14%, 15% or anywhere between 10% to 15% volume.

Pramod Bhandari: 10% to 15% is a fair assumption. Then plasticizer will start by the end of year, which is, say, December, Jan, Feb, March by commissioning. So FY'26, '27, you will see the incremental revenue of INR500 crores from plasticizer. Phthalic if go by 10%, so it will be INR2,500 crores, then INR500 crores is on account of plasticizer. So INR3,000 crores to INR3,200 crores for other income, DEP and other is our target for FY'26, '27.

Nirav: Got it. Got it. So my question was slightly different. My question was that which of the user industries would drive the demand, like which according to you would be the driving force of this incremental volumes getting absorbed in the market. So how...

Pramod Bhandari: Yes, I understand your question. How incremental demand is being absorbed in the market? So if you ask me typically for the market, I think CPC paint and plasticizer remain the majority. CPC, which is 20% to 25%, 22%, the alkyd resin between 18% to 20% and the plasticizer between 12% to 15%. These 3 are the majority which cover 50% to 55%.

Balance segment is now the specialty chemical and UPR. UPR actually 5-6 years ago were 2% to 3%, now it's 10% to 11%. And plasticizer remain between 13% to 15% and DEP is another segment, which is doing around 10%. So if you ask me, the major 3 is the paint, which is the alkyd resin, CPC and plasticizer between 50% to 55%. Balance includes the UPI, DEP, specialty chemical, agrochemical and all other sort of industries.

Nirav: Got it. And sir, like when we see the plasticizer consumption in India, predominantly a few of the plasticizers also goes into the production of soft PVC, which ultimately goes into production of toys and carpets and everything.

Pramod Bhandari: Correct, correct.

Nirav: So with new players setting up the PVC capacities in India, how we are placed in terms of capturing the upstream demand for this PVC? So the products what you mentioned in your opening remarks, like DBP or DIPP, will this qualify for this demand coming from this segment?

Pramod Bhandari: Yes, we will. So all PVC players will ultimately looking for the various type of plasticizer. And most of these players are either direct customer for phthalic. So if there are plasticizers guys are already there into the PVC. So PVC will have a direct demand. Some of them have the resin and the PVC resin and PVC capacity combined. So they will have a demand for phthalic as well as plasticizer. I think 50% plus customer will be common, which is the customer for phthalic as well as the plasticizer.

Nirav: Got it. Sir, is there any benchmark which we can look into like how much of the plasticizers would be going into the PVC end use segment? Because generally, the capacities which are getting built up...

Pramod Bhandari: See, probably that we'll keep it for next quarter. I will dig and get you data that plasticizer usage industry-wise, like we have for phthalic, plasticizer, I think we will be able to get it probably for next quarter onwards. How much plasticizer -- and also the plasticizers are different -- like different, different quality, DOP, DEP, DIPP and all that. So majority 2 plasticizer, DOP and all that, we will get the segment-wise consumption in domestic as we reach near to our production, yes.

Nirav: Sir, last question from my side, like out of INR165 crores of Non-PA sales, which we have registered in FY '25, how much would be from maleic?

Pramod Bhandari: So typically, if you ask me, the maleic sale has to be -- on an annualized basis, it has to be equivalent to INR55 crores to INR60 crores. DEP sales has to be same between INR50 crores to INR60 crores. But because of the lower volume, we have reached around the same level, which we have indicated. And balance was the -- DEP and maleic was the majority, 70% portion, balance is the benzoic acid export incentive, duty drawback, interest income.

Moderator: The next question is from the line of Raghav from Aequitas Investments.

Raghav: I had 3, 4 major questions. I'll just figure that out. Sir, one would be regarding the spreads of phthalic in Q4 and in May '25, both for the company and industry level, if you could throw some light on that.

Pramod Bhandari: Sorry, can you repeat your question? Your voice is cracking.

Raghav: Sir, my question was regarding the spreads of phthalic in Q4 and in May '25, both for the company and at the industry level.

Pramod Bhandari: I think in the industry, it is between $170 to $200. For company, it is between $300 to $350 because I G always make $100 to $120 higher on account of the operating efficiencies, yield as well as byproduct. You can easily calculate by reducing the revenue from the raw material, you will get the gross margin. This time, the gross margin was around 27% for the last quarter. For the year, it was 23.4%.

Raghav: And sir, my second question will be regarding the Reliance thing, whether they have started the raw material supply?

Pramod Bhandari: Yes, yes, they have started supplying, yes.

Raghav: And sir, that has started from which month, perhaps?

Pramod Bhandari: I think April, May onwards. They have taken a shutdown. They have not stopped. They have taken a shutdown. Now they have started.

Raghav: Perfect. Right. And sir, the plasticizer plant, which we have announced will be commissioned by what time next year?

Pramod Bhandari: I think it's expected to complete in December. So you can say 2-3 months for the purpose of ramping up the capacity. So '26, '27, you can easily take around 60% to 70% of capacity utilization.

Raghav: Perfect. 60% to 70% is what we -- and sir, any impact of tariffs as announced by U.S. on our revenue that we can predict?

Pramod Bhandari: As such there is no impact directly because for our raw material, there is no impact because we are not buying anything from the U.S. And in terms of the selling, I G doesn't have any sale directly to the American market. We generally sell some portion, 10% to 15% to the Middle East market.

However, downstream segment, some of the players have direct or indirect link with the U.S., which is dependent upon what is the tariff because in UPR, they have gone from 6% to 26%, then they reduced to 16%. And that is also under review in next, I think, 60 to 90 days, they will review it. But I believe whatever tariff is being imposed is for the purpose of negotiation. Finally, next 3 to 6 months, it will settle to the what level they were.

Raghav: Perfect. And sir, I just wanted some sense of you regarding the demand scenario. As I see the paint industry is declining. So what do we foresee in our demand scenario? Do we see any effect?

Pramod Bhandari: So I don't think any impact. It's not declining because the new player has entered, he has captured some of the share of the existing player as well as some of the known branded player. So paint industry is continuously growing. If you look at the total number, it is growing well. So we have seen the good growth in the paint -- overall paint. I'm not specifically talking about 1 or 2 companies. In overall paint, it's doing well. It still comprises around 15% to 20% of overall phthalic consumption, paint.

Raghav: Perfect. Sir, there has been consolidation, of course, due to the entry of...

Pramod Bhandari: Consolidation is separate because in this one company is acquiring another company or new player is entering, but that is not changing the overall consumption.

Raghav: Okay. So it hasn't had any significant effect on us?

Pramod Bhandari: Yes, yes. Absolutely.

Raghav: And sir, for FY '26, non-PAN maleic and DEP, what would be the contribution?

Pramod Bhandari: FY '26?

Raghav: Yes. What are we targeting at?

Pramod Bhandari: We target -- actually, we are targeting always the INR100 crores, but it's all depend on the pricing. If the prices of the maleic and the DEP remain higher than the phthalic, in case of DEP, it is always 20% higher. Maleic has to be higher than the phthalic by 20%. But right now, maleic is 20% lower than the phthalic. If it remains in the same range, we expect to have around INR130 crores to INR150 crores, both inclusive of the maleic and DEP.

Otherwise, INR80 crores to INR90 crores from the maleic if prices are good and INR60 crores to INR80 crores from that. It all really depends on pricing. It may range between INR130 crores to INR200 crores depending upon where the pricing of the maleic and DEP is.

Raghav: Absolutely. And sir, the spreads you identified were 20% lower, right, at this point?

Pramod Bhandari: Maleic right now, the pricing is 20% lower. But in terms of the spread, we are producing the maleic from the wash water. So whatever is the revenue, it directly flow to the EBITDA. For maleic and for plasticizer -- for DEP, it ranges -- gross margin -- the margin remain between 10% to 15%.

Raghav: For DEP, 10% to 15% is the target.

Pramod Bhandari: Over and above phthalic because phthalic is one of the raw materials.

Raghav: Absolutely. Absolutely. And sir, for phthalic, what volume have we seen for Q4? And what would be our target for '26?

Pramod Bhandari: Generally, we don't give the indication, but the Q4 volume was 20% lower than the Q3 and annualized around 2,00,000 tons.

Raghav: 2,00,000 tons. And we are -- approximately we are targeting 2,20,000 tons this year?

Pramod Bhandari: 2,20,000 tons, 2,30,000 tons. If we reach at a peak, we can go up to 2,40,000 tons, 2,50,000 tons, because capacity is 2,75,000 tons and ideal operating is at 90% to 91% is the standard.

Raghav: Right. And we can -- if things play out in the right direction, we can reach 90% to 95%?

Pramod Bhandari: In any case, when the plasticizer starts, we need to produce it to that level of 240,000 tons, 2,50,000 tons because 25,000 tons to 30,000 tons will go into plasticizer.

Moderator: The next question is from the line of Gunit Singh from Counter Cyclical.

Gunit Singh: My first question would be, so what is the IRR on our plastic pyrolysis project and the CBG project?

Pramod Bhandari: So first, to answer you, we don't do any project if IRR is less than 15%. So it has to be higher than 15%. As a part of our green initiative and enteringN into green chemistry, we started the first trial CBG plant, which is based on the agro waste as well as the Napier grass.

Adjoining to that, we are setting up the pyrolysis plant. It is a pilot plant in which all type of plastics, all type of -- it's PVC, PP, UPR, all type of plastics available that will be used to produce the fuel oil, which is the pyrolysis fuel oil. It is generally used for the industry. We expect depending upon the pricing today between 15% to 20% higher. That's the green side of the project, yes.

Gunit Singh: All right. So sir, currently, in FY '25, we did about 10% EBITDA margins. So at what kind of spreads do we expect to reach 15% plus margins? And we have already seen about 1.5-2 months in FY '25.

Pramod Bhandari: Our gross margin for FY '25, EBITDA was around 11.3% (Errata: Actual Number to be read as 11.1%), including the other income, DEP and maleic. So if overall maleic and the DEP revenue increased directly translated -- the maleic will directly translate to EBITDA. So right now, EBITDA compared to the FY '24, it was 6.5%. It has improved to 11.3% (Errata: Actual Number to be read as 11.1%) in this year. And we expect if the similar margin remains, and we are able to achieve the operationalize of our -- all the 5 plants up to 2,20,000, 2,30,000, you will see the uptick of 2% to 3% in the margin, even with the similar margin with a higher volume.

Because right now, in our profitability, all the fixed cost, whether it's interest cost or depreciation of PA-5 is also in built, while the volume is not there for the PA-5. That is why the margin looks to be 11.2% (Errata: Actual Number to be read as 11.1%).

Gunit Singh: All right, sir. Sir, you're guiding 220,000 tons of volume?

Pramod Bhandari: I'm not guiding. I'm saying we -- it's not guidance. We don't provide the guidance. You ask your capacity is 2,75,000, what you believe? I believe it should be between 2,15,000 to 2,20,000.

Gunit Singh: Yes, that's what I'm saying. Do you believe that at this level of conviction, I mean, even if we reach 2,20,000, so I mean, we can assume EBITDA margins to go up by 200 basis points.

Pramod Bhandari: 2% -- Without change in the margin. If margin up, it will further up. But I'm saying just we improve the volume, it will up by 2% because all the cost of the PA-5, which is the employee cost, the repair maintenance cost and the finance cost and depreciation, everything is being built in the existing profitability.

Gunit Singh: All right, sir. Got it. Sir, also, can you give a breakup of the fall in around INR70 crores revenue in Q4 year-on-year?

Pramod Bhandari: Sorry, can you repeat again?

Gunit Singh: Can you give a breakup of the reasons for fall in the revenue in Q4 FY '25 year-on-year, about INR70 crores fall in our revenues?

Pramod Bhandari: It's because of volume, 20% decline in the volume is the reason. Because the phthalic was lower produced because of planned and unplanned shutdown, similarly, maleic was also reduced because maleic is purely dependent on the phthalic production. So mainly because of volume, revenue was impacted.

If you ask me the profitability, it was impacted first, because of volume; second, because of the lower realization of the maleic, which is now $830; and third is because of the repair and maintenance and the shutdown -- because of the planned and unplanned shutdown, our repair and maintenance cost up by INR5 crores and the energy cost up by INR2 crores, INR7 crores is this.

And because of M2M, we need to provide INR10 crore extra, INR6 crores in the foreign exchange gain or loss. Of course, it is the accounting entity but you need to provide and INR4 crores into interest cost. So INR17 crores, we have provided extra in this quarter.

Gunit Singh: All right, sir. Got it. Sir, our revenues have almost been flat since FY '23. So I mean, can we consider that the worst is behind us, I mean, in terms of stagnation and FY '26 can be one of the breakthrough years?

Pramod Bhandari: I think if we are able to utilize our plant capacity up to 85% to 90%, ideal revenue when you operate all the plants of phthalic has to be between INR2,600 crores to INR2,700 crores on annualized basis. And by adding the plasticizer, gross is INR900 crores, net is INR500 crores, we need to reach between INR3,200 crores to INR3,400 crores at peak after plasticizer.

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

Chirag Maroo: Sir, if I try to look at the last 4 quarters, I'm able to see in Q1, we had 2 of the plants under inspection due to -- they were shut down for 70 to 80 days. Currently also, there are some inspections going on -- earlier in quarter 3 also, there were some inspections going on. I wanted to understand what kind of inspections are going on at this moment?

Pramod Bhandari: So there is a regulation -- every 3 years, there will be a boiler inspection. We have 5 plants. So every year, we need to have 1 or 2 boilers to be inspected by the inspector because there is a regulation in which every 2 to 3 years, there is a boiler inspection. Then we need to change the catalyst for 1 or 2 plants every year. So either you have a boiler inspection or you have some unplanned shutdown or you have the change in the catalyst. So on and off, we are using consistently 4 plants.

If you look at the volume, it looks like that we are operating 4 plants. But actually, there are 5 plants. But at a time, only 4 were operating because of some reason or other reason because of planned or unplanned reason, one plant is shut. But the expenditure, which is the interest, depreciation and employee cost, everything is there for 5 plants in the FY '25.

Chirag Maroo: So can I expect that in FY '25, we had 2 catalysts change apart from 1 new plant. So out of 4 plants, 2 catalysts were changed in this particular year. So FY '26, we would see one catalyst change and...

Pramod Bhandari: One is the minimum.

Chirag Maroo: Right, right. And almost 3 -- and all the boilers inspection are being concluded in this particular year.

Pramod Bhandari: We have concluded for the 4 plants -- 4 plants we have concluded. So 5th, again, when it is started, they will see it. But you can say that at least, even if we operate at, say, one plant is shut for 3 months, still we will be able to achieve 220,000 to 230,000. That's why we have not given any aggressive guideline. We believe that 10% should be improved from the last year.

Chirag Maroo: That makes sense. Plus the additional cost we had, it would be lower because it was a onetime expenditure.

Pramod Bhandari: Yes. Because right now, if you look at the fixed cost, we are incurring around INR50 crores to INR60 crores of fixed cost every year for one plant. So one plant is shut, that means INR50 crores is extra inside the system because of the manpower, because of interest, because of depreciation. But there is no contribution from fifth plant.

If you add the revenue, phthalic, maleic, other operating efficiency advantage, the gross margin will directly translate it to your EBITDA to PAT except -- after deducting tax because no other expenditure is going to change. The finance cost remains same. Depreciation cost remains same, Manpower cost remains same.

Chirag Maroo: Sure. Pramod, sir, second question from my end is that we had some lower inventory on books in Q3. As crude prices have soften up, are we at a normal level of inventory at this moment? Or...

Pramod Bhandari: We are at normal level of inventory.

Chirag Maroo: Normal level. And third, sir, I would like to understand, currently, as you said that the spreads are between $150 to $200, this is that you are quoting about the international market?

Pramod Bhandari: Yes, I'm talking about international market.

Chirag Maroo: Perfect. Perfect. Right. And can -- roughly, we are expecting 55,000 tons volume on a quarterly basis in FY '26...

Pramod Bhandari: Ideally, it has to be 55,000 for every quarter so that you can reach 2,50,000 to 2,20,000 but it will range between 50,000 to 55,000 because it depends on a lot of other factors.

Chirag Maroo: Generally, the plant works on 90% utilization, it is like a 24/7 running plant.

Pramod Bhandari: Yes, yes, 100%, 100%. It's a continuous plant. If continuous working, all the plants, you will -- if all the 5 plants working on a consistent basis, we'll produce 60,000 tons plus in the phthalic. We are right now between 45,000 to 50,000, we believe we will be between 50,000 to 55,000 for next year. But at peak, it has to be 58,000, 60,000. I'm talking about margin. Sales will be lower because there are some internal consumption, which will be happening for the plasticizer, DEP and other things.

Chirag Maroo: I got it. And just last question from my end. We were expecting to start almost our trial batches for plasticizers at the start of Q3, if I'm not wrong?

Pramod Bhandari: Sorry, can you repeat again.

Chirag Maroo: We were expecting to start our trial in the start of Q3 FY '26, if I'm not wrong?

Pramod Bhandari: For plasticizers?

Chirag Maroo: Yes.

Pramod Bhandari: Yes. I think we are doing it. We are on track, but we are not sure about the rainy season. It really depends on the rainy season because during the raining, your workflow is impacted by 30%, 40%. I'm talking about construction of the plant. So we got everything ready. I think plant equipment machine is also coming up in the -- some portion has come, some is coming in June, July.

So if everything goes on-line without any interruption, it will be ready by December or it will be started by December. But if it is impacted, then it will impact 1 or 2 months. It all depends on raining. I think we have seen the premature raining in Mumbai.

Chirag Maroo: I understand. I understand. Yes, I understand that. And just one thing I wanted to know if the crude prices have softened to such levels, is it possible for us to have higher amount of orthoxylene -- I mean, orthoxylene as a raw material on books so that it can benefit us for a longer run. Any thoughts on that?

Pramod Bhandari: Not higher -- 5,000 to 10,000 tons, which is always there because orthoxylene, we need to keep because there is a continuous plant. You can't wait for the ortho. So keep 5,000 to 7,000 -- typically 5,000 tons, but sometimes we need to import it, then we keep 8,000 to 10,000 tons. And there is a consistent supply every week of orthoxylene from import or from domestic market. So we keep it very consistent.

Generally, we don't want to hold or accumulate it for the purpose of taking advantage because we just wanted to price in time. When we buy the orthoxylene at x price, we ensure that 70%, 80% of our final product coming from that orthoxylene is sold and booked during the time orthoxylene reach to our factory so that the entire cycle of the pricing is maintained.

Chirag Maroo: If the crude prices are down, can I expect that ortho prices and PAN prices are also corrected by 20%?

Pramod Bhandari: Ideally, it has to be. Ortho is not down. Right now, it is maintained. crude is down, phthalic is down, but ortho slightly has gone down, but not much. Generally, there is a lag of 1-1.5 months between the crude prices to the phthalic and the ortho prices.

Chirag Maroo: And what was the imports from China for the particular quarter in India? Any idea?

Pramod Bhandari: Total import was around 17,000 to 18,000 tons compared to 15,000 tons, which is the ideal case, 13,000 to 15,000 but this time, slightly higher. And China was, I think, roughly 3,000 to 4,000 tons. Taiwan was better, higher.

Moderator: The next question is from the line of Akshay Kothari from Envision Capital.

Akshay Kothari: I have 4 questions. First one on the plasticizers business. Sir, what would -- regarding the volumes in plasticizers, I think we are going to consume 30,000 to 35,000 tons of phthalic in-house. So in FY '27, we would be having the same volume of phthalic for external sale after plasticizer consumption?

Pramod Bhandari: If we operate all 5 plants, we will be between 2,50,000 to 2,55,000 in which 35,000 will go to plasticizers. So typically, it will be 2,20,000 which will be available.

Akshay Kothari: Okay. And sir, what would be the margins in plasticizers again?

Pramod Bhandari: So plasticizer margin is actually varying because we have different, different type of plasticizer and every plasticizer have different, different margin. Typically, it range between -- the gross margin range between 10% to 15% to 20% over and above phthalic. And it also depends upon the price at which you are transferring phthalic.

If you're transferring the phthalic at average price of your average realization, then the plasticizer margin will be higher. If you're transferring the phthalic at the lowest realization, then the plasticizer margin will be much higher. If you take average, then it will be lower. So it's all depend upon. But in general, if it is a third-party plasticizer and they are buying from some third party, then it is between 10% to 15%.

Akshay Kothari: How much is phthalic as a percentage of RMC of plasticizer?

Pramod Bhandari: Around -- you can say the average between 35% to 50% for different, different plasticizer. So when we are producing, say, 75,000 tons, so I'm expecting 30,000 tons to 32,000 tons of phthalic to be used at 75,000 tons of plasticizer. So roughly, you can calculate it at around 40%.

Akshay Kothari: Okay. Understood. Sir, secondly, on the orthoxylene pricing, how much is the capacity of orthoxylene in India and world over? And what is your view? You did mention a lot about the pricing on demand of phthalic as such. But orthoxylene, what is your view regarding the pricing of orthoxylene? How are we placed?

Pramod Bhandari: Orthoxylene is domestically, typically the player which is producing, has a capacity of 4,00,000-- sorry, 4,00,000 to 450,000 tons, but they produce typically today at 40%, 50% capacity. And in international market, it all depends upon their own commercial economics because they produce the PX also. Typically, when the PX is produced, the ortho is the byproduct and PX goes into PTA and OX goes into the phthalic.

So it depends upon their -- if they operate at a full capacity, then I think that is sufficient for the entire India, all the phthalic players. If they are not operating, then everybody needs to import. When you import, it is amply available in the international market. Generally, it is coming from Singapore, Europe and other places.

It is available. It's only a question of you need to incur the extra logistic cost and there is no direct hedging mechanism. So you should be worried about the time it takes around 25 -- 30 to 35 days. In between, if there is a moment of price, there is no direct instrument available to hedge that. So that risk you will be carrying if you are importing more. Otherwise, it's easily available in the domestic market.

Akshay Kothari: Understood. Sir, the last question which I have is regarding the use of phthalate-free plasticizer. So Birla has come up with the Birla Twist, which phthalate-free plasticizer. So your view on the same? And how do we see this development going forward?

Pramod Bhandari: So I think there are a lot of players who are looking at that. We also have a flexibility to go for the phthalic -- phthalic-based and non-phthalic based. We can also get into DOP or DOTP. That flexibility is there. But right now, in India, all type of plasticizer is used.

Akshay Kothari: Okay. But I'm asking, sir, in terms of phthalic demand, if phthalate-free plasticizers...

Pramod Bhandari: Generally, phthalic-free plasticizer goes into toys and all that. So our plant, we have an inherent capability to move between DOP and DOTP. DOTP is the phthalic-free plasticizer.

Akshay Kothari: Okay, that's it from my side. And it would be great if you could arrange for some plant visit...

Pramod Bhandari: Definitely. You can get in touch with SGA. We will be arranging somewhere in July, August after rainy season.

Moderator: The next question is from the line of Rohan from Turtle Capital.

Rohan: Just a clarity I want. You mentioned to a previous participant's question that optimum revenue that you can generate from our phthalic plants, 5 phthalic plants is somewhere around INR2,600 crores to INR2,700 crores, right?

Pramod Bhandari: Correct. If we operate at a peak capacity of all the plants. Yes.

Rohan: Yes. And operating at that level, we can increase our margins by 2% to 3%.

Pramod Bhandari: Correct. Because it's just driving from the volume. If real margin increase, there will be increase, but only volume change will also increase the margin because all the fixed costs are already taken care for all the 5 plants.

Rohan: Okay. And so currently, can we assume that we are doing around 10% margins, right?

Pramod Bhandari: Right now, our EBITDA margin for the year was 11.3% (Errata: Actual Number to be read as 11.1%).

Rohan: 11.3% (Errata: Actual Number to be read as 11.1%). Okay, yes. And sir, apart from that, our plasticizer plant at optimum capacity utilization, what kind of margins we can do?

Pramod Bhandari: I think margin of plasticizer, as I mentioned, it depends upon the various type of plasticizer and their margin and also depend on the price at which you are transferring the phthalic. If you are considering plasticizer as an independent unit, then you will be making 10% to 12% of the EBITDA margin in plasticizer. But if you transfer the phthalic at average, it is good. If you transfer the phthalic at the lowest realization of phthalic, then you will be making 15% in plasticizer. You understood my point?

Rohan: Yes, yes.

Pramod Bhandari: Because it is 40% of the raw material. Of course, there will be saving because you will not be converted into powder and you don't need the logistics, you don't need to bag. It is just in-house transfers.

Rohan: And sir, a broad question. Seeing our last 8 to 10 years of history, we have seen that our margins have went from a single digit to say, to a double digit or as high as, say, 25%, 20%. So what -- considering that you have seen a long period of history, so how do you see our margins going forward? Like are you feeling confident that this can go from 11% -- considering plasticizer coming in, we are confident to go to 16%, 17% in 2 years?

Pramod Bhandari: So I think rather than taking call on the margin because it vary between 10% to -- gross margin vary between 15% to 25% and EBITDA margin vary between 10% to 18%. We rather than taking call on the margin, we are confident that, that is the volume we will be generating. And based on the volume, whatever is the margin, it will be there because if you predict the margin, first, we don't know about the margin.

But there are some products like byproducts, which could have ideally be INR150 crores to INR200 crores of revenue from the maleic and the DEP because prices has to be 20% higher. But last 2 years, the maleic prices were depressed and our INR120 crores of maleic is just realizing INR60 crores. That revenue is directly translated to EBITDA. Even if maleic, which we are producing 7,000 tons is at the correct market price, our margin will up by 2%. But it is not the case. So nobody can predict the pricing actually and the margin. We can talk about the volume and overall revenue.

Moderator: Ladies and gentlemen, due to time constraints, I now hand the conference over to the management for closing comments.

Pramod Bhandari: Okay. Thank you very much for the call. And I just wanted to remind that the company is constantly looking for diversification. We have got into the CBG and now pyrolysis. We are again evaluating the opportunity to go further downstream of phthalic, maleic and plasticizers, and you will hear very soon about the new projects. Thank you very much, and all the best. Bye.

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