I G PETROCHEMICALS LIMITED

"I G Petrochemicals Limited

Q1 FY27 Earnings Conference Call"

August 07, 2026

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I G PETROCHEMICALS LIMITED

CHORUS CALL

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

Moderator: Ladies and gentlemen, good day, and welcome to the I G Petrochemicals Limited Q1 FY27 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. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

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

I now hand the conference over to Mr. Pramod Bhandari, CFO, IGPL. Thank you, and over to you, sir.

Pramod Bhandari: Good afternoon, everyone, and a warm welcome to all the participants. On behalf of I G Petrochemicals, we thank you for joining us today. We also have the SGA, our Investor Relations Advisor, with us.

We trust that you have had an opportunity to review our financial results as well as the investor presentation, which has been uploaded on the stock exchange and also available on the company's website. During our discussion -- today's discussion, we will be giving you a brief overview of the industry, followed by the IGPL operating and financial performance for the quarter ended June 2026.

In terms of the industry, the overall domestic demand across several downstream industries continues supported by the infrastructure spending, manufacturing activities and healthy industrial demand. As a result, the Indian chemical industry demonstrated resilience and reflecting a gradual transition from cyclical weakness towards a more stable growth trajectory. While the global commodity chemical market remains competitive, however, the geopolitical uncertainties have improved the operating environment in the domestic market compared to the corresponding previous quarter for the last year.

Although the near-term volatility may persist, however, the industry long-term outlook remains positive, supported by the rising domestic demand, global supply chain shift, infrastructure growth and favorable government policies.

The chemical industry continues to operate in a dynamic environment. Ongoing geopolitical tension in the Middle East have also created a near-term uncertainty for Indian economy, particularly through their impact on the energy prices, supply chain and logistics. This has led to the volatility in the prices of key raw materials, including the ortho-xylene as well as several other chemical products across value chain.

However, we expect the disruption to gradually ease over the short to medium term and supporting a more stable operating environment. Against this backdrop, IGPL has delivered a strong operating performance during the quarter. Our business continued to benefit from a strong domestic presence, a well-established customer network across key end-use industries, primarily within a range of 150 to 200 kilometer radius of our manufacturing facility. This localized customer base enhanced supply chain efficiency, foster a strong customer engagement and contributes to the stable demand.

While certain downstream industries served by IGPL experienced temporary moderation in their demand over recent quarters, we are also now witnessing increasing signs of recovery in several end user segments.

IGPL continued to maintain its leadership position in phthalic anhydride market. We are among the largest producer of phthalic anhydride in India and among the largest producers globally. Over several decades, the company has built a strong reputation of manufacturing excellence, operating efficiency, product quality and customer reliability.

One of our key strengths is low-cost manufacturing through our continuous operational improvement, efficient plant management and disciplined cost control, we have maintained our position as one of the lowest cost producers in the industry. This enabled us to navigate the market cycle more effectively while continuing to deliver the value to our customers and the stakeholders.

In terms of the business performance and operating performance, Q1 FY27 was a strong quarter for the IGPL. We delivered a healthy revenue growth along with a significant improvement in the profitability supported by the improved realization across all product portfolio.

Our performance benefited from our continued focus on the operational excellence. As a part of our ongoing focus on strengthening long-term competitiveness, we have continued to invest in the equipment upgrades and maintenance to enhance the operating efficiency and support the future growth.

Now turning to the greenfield expansion. As you are aware that we have concluded the mechanical completion of our plasticizer plant in March 2026. The facility will have an initial capacity of 75,000 tonnes and expected to start commercial production before September 2026.

The plant will manufacture a broad portfolio of plasticizers including DOP, DINP, DBP and DIDP, catering to a wide range of downstream industries, several of these industries have a healthy domestic demand with limited import dependence. This development represents a significant step in expanding our value chain, strengthening product diversification and enhancing the profitability. We believe that the plasticizers business offer attractive long-term growth potential and will become a meaningful contributor to IGPL revenue going forward.

To capitalize on the growing demand, we successfully completed the debottlenecking of our DEP plant during the last quarter, increasing its production capacity. We expect the diversified product line to contribute meaningfully to our overall business performance over the next 4 to 5 years and creating a more balanced and resilient revenue mix.

In terms of the sustainability, we remain -- it remains integrated part of IGPL long-term strategy, guided by our commitment to the environment and circular economy principles, we continue to invest in the initiatives that support the sustainable and long-term value creation.

Our CBG plant at Raichur is progressing well and the project will support renewable energy transition, while creating a sustainable and diversified revenue stream. The project not only diversifies our business opportunity, but also reinforce our commitment to sustainable industry practices.

In addition to the growth, we remain focused on improved operating efficiency across our manufacturing network. We have continued integrating solar power and other renewable solutions into our facility to reduce overall carbon emissions intensity in our businesses and optimize energy costs.

Furthermore, we have initiated the phased replacement of conventional fuels such as LSFO and diesel with the natural gas. This transition is expected to deliver multiple benefits, including improved energy efficiency, lower operating cost and reduced emission and sustainable performance.

Looking ahead, we remain optimistic about the growth opportunity ahead. Demand across all key end users expected to improve, supported by the infrastructure development, manufacturing activity and increasing industrial demand. With our strong market position, expanding manufacturing capability and diversified product portfolio, we are well positioned to capitalize on the opportunity.

On our ongoing investments, product diversification and operational excellence are expected to further strengthen the competitive position and support the sustainable profitable growth over long-term. We continue to execute our strategic initiatives with a disciplined capital allocation. We remain focused on creating long-term sustainable value for our stakeholders.

With this, we thank our shareholders, investors, stakeholders for their continued trust and support. We remain committed to execute our growth strategies with the discipline and deliver sustainable long-term value for our stakeholders.

Now coming to the financial performance for the quarter for Q1 FY27. Company delivered a strong quarterly performance with revenue rising by 30% to INR625 crores, driven by the improved realization across all product segments. Revenue contribution to the non-PAN was standing at INR49 crores, led by a better realization of maleic anhydride and DEP.

Gross profit and the margin was around INR207 crores at a 33%. EBITDA was INR120 crores compared to INR13 crores for Q1 FY26. EBITDA margin was 19.2% compared to 2.7%, reflecting the strong improvement in the profitability. Profit after tax for the quarter stood at

INR71 crores, reflecting a significant improvement over the corresponding quarter for last few years.

India has extended the antidumping duty. I think the notification has come as recent as last 2 days back on phthalic anhydride, which is $40 for China and around $140 for Korea. That is effective for 5 years effective from 1st August 2026.

With this, I conclude my presentation and open the floor for question and answers. Thank you.

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

Nirav: I have a few questions to ask. So sir, in our earlier conference call, like we used to say that the Indian demand for phthalic anhydride is close to around 4,50,000 to 5,00,000 tons. So on a run rate basis for Q1, how has been the industry demand? Because you mentioned that there were some user industries where the demand was slightly subdued, which have now recovered. So if you can just say -- if you just indicate in terms of how was the demand in Q1 and how from there onwards, it has recovered too?

Pramod Bhandari: So basically, there was an impact when there is a sudden jump in the prices of various petrochemical feedstocks, including phthalic because most of the industries which we cater like plasticizer, pigment, CPC, UPR, alkyd resin, they are not only using phthalic as a raw material, but also multiple other petrochemical feedstocks are used.

So because of that, there was some moderation in the demand we have witnessed because the pricing has gone up by 50% to 60%. While we have seen there is a moderation in demand in April and May. By June, we have seen again the good recovery of the demand.

So the segment which has gone very well is the alkyd resin in the paint segment, while the segment which has impacted was the specialty chemical and plasticizer. UPR remained more or less same. CPC remains same. So some of the product line has improved. Some of the product line remain moderated for first 2 months, April and May. But in June, we have seen the similar demand which was prevalent before the Feb 2026, like the demand has come to the normalization.

Nirav: And sir, in terms of our production and sales this quarter, how was the situation in terms of when we compared to Q4 of FY26? So if we see this quarter, if you can throw some understanding in terms of the production and sales part?

Pramod Bhandari: So actually, in terms of the production, we are operating around 3 to 3.5 plants. So we were between 40 to 45 (Errata: to be read as 40,000 tons to 45,000 tons). For the overall sales compared to the last quarter, the sales was 10% to 15% lower compared to the last quarter. However, the overall price realization was very high because the prices have jumped by 30% to 40% for feedstock as well as final product. That's why if you look at the revenues, the reflection of the revenue is basically indication of the higher price realization rather than the higher quantity.

Nirav: Correct. And safe to assume that this run rate of 40-45,000 tons, which we have seen in Q1 and the demand improvement what we have been just discussed, there would be an uptick in the numbers in the quarters coming by?

Pramod Bhandari: Yes. We will see that there will be uptick in improvement in overall quantity of the production and the sales as well as there will be the sales from the plasticizer, which we are planning to start by the end of this month or probably early next month. So that volume will also be added.

So we will see a good overall revenue, increment revenue as well as the overall quantum of phthalic and plasticizer to improve. We have also improved our DEP because we have done the debottlenecking last quarter. So now we are running at a run rate of around 10,000 tons per annum basis compared to 6,000-7,000 tons earlier.

Nirav: Correct. So sir, like between INR49 crores of revenue from non-phthalic business, how much was the DEP sales this quarter?

Pramod Bhandari: So this time, we have crossed highest ever in the quarterly basis. It was INR28 crores to INR29 crores for the DEP and around INR17 crores to INR18 crores of maleic.

Nirav: Correct. Sir, last question from my side. What was the gross margins this quarter? And if you can share for Q4 of FY26, that would be helpful.

Pramod Bhandari: But typically, the gross margin for this quarter was around 32% compared to the Q4 FY26, 73% (Errata: Correct number to be read as 28%). So typically, right now, the margin is between $250 to $300, I G is making around $100, $150 -- $120 extra because of the operating efficiency and the byproduct. And since the prices were very high and operating efficiency give us some extra yield, that has translated into the higher margin.

Nirav: Correct. What was this for Q4, sir, if you can just clarify?

Pramod Bhandari: 32% gross margin.

Nirav: No, sir, in terms of dollars per ton, like you mentioned this quarter was $250 to $300.

Pramod Bhandari: Typically, for gross margin, industry was around $250 to $300, we were $100 or over above that.

Moderator: The next question is from the line of Mohit from Subh Labh Research.

Mohit: Sir, my first question is, since we have got the ADD approval once again from Minister of Finance. If you could please tell us what the landing price of China and Korea would be after the ADD, a ballpark number?

Pramod Bhandari: Can you repeat your question? I'm not getting your voice clearly.

Mohit: First, what would be the landing price of PAN from China and Korea after the ADD addition?

Pramod Bhandari: So basically, whatever is the price today, $40 will be added to the China and around $140 to the Korea. So basically, whatever is the price in China and Korea, it added 4 things: First, freight transportation cost, the insurance cost, then the port cost, then local logistic cost, then the Forex hedging cost plus the duty, which is import duty already there in some cases, then the antidumping duty of $40 and $140.

So typically, if you ask me today, today, if the price is, say, let's say, assume today price is $1,000, so it will be around $1,100 to $1,150, depend upon country price. Around 10% to 15% higher. For particularly, the Korea and China will be because, there is already a duty, import duty in some of the cases. So apart from these 4 costs, it will be applicable of import duty, it will applicable and over and above antidumping duty will be applicable.

Mohit: Very clear. Also, sir, can you tell us what percentage of our PAN revenue comes from paints and specialty chemicals. I am asking this because we are seeing good growth in both industries. Also the growth in these industries, if you can provide some guidance also going forward, what would be the volume coming?

Pramod Bhandari: Typically, we were selling around 20% to 25% for the paint industry in terms of the quantity of phthalic goes to, and it maintained during even Q1 FY27. So for specialty, we were selling between 4% to 5% and remain 4% to 5%.

Mohit: Okay, sir. And are you expecting some volume increase from paint industries?

Pramod Bhandari: Yes, yes because there are a lot of new players entering into the paint and the segment is using not only for the 2-wheelers, 4-wheelers, but there are alkyd resins demand growing across all the paint segment. And since infrastructure is being developed in India, we expect that demand to grow between 8% to 10%.

Mohit: Okay, sir. Very clear. And sir, my next question is on plasticizer plant. Since we have done the mechanical completion and we are just getting ready to start from September sometime. Can you give some idea on how customers visits, plants scrutiny and approvals are going on?

Pramod Bhandari: So I think all approvals are fairly in place. We are planning to start probably either in August or early September. And we expect that we will start with around 1,500 to 2,000 tons, and we expect around 2,000 to 3,000 tons per month, we will be able to sell for the balance period of 6 months. That is what our target is.

So it will generate roughly a revenue of INR250 crores to INR300 crores. Gradually over the probably next 6 to 9 months, it will reach to a capacity of 50,000 to 75,000 tons.

Mohit: Okay, sir. And sir, if also, can you please share the end user industry, which we will be focusing on more, so for the plasticizer plant?

Pramod Bhandari: I think all the plastics users, which is some of them are phthalic and maleic customers, particularly it will be leather industry, it will be the cable industry, it will be the other plasticizer industry. It's -- I think wherever you see the plastic is all result of the plasticizers. So we will be focusing mainly on the cable industry, which is DINP and the DOP, which goes for the various plastic modules.

These are the key focus area. And since it is a batch processing, we will be producing based on whatever is the requirement in the market or demand in the market. So our production is fungible. We will be able to produce based on the requirement of the market.

Moderator: The next question is from the line of Riya Mehta from Aequitas Investment.

Riya Mehta: Congratulations on the good set of numbers. Just wanted your input on -- in the current quarter results, what would be the amount coming from inventory gain? There is a lot of disturbance.

Pramod Bhandari: Inventory gain as such, we have not concluded. But of course, there are inventory available because at that time when we were in April, there was a lot of inventory was pending at our end in March. And then that inventory of 5,000 to 10,000 tons is available at a lower cost has been sold at a higher price. So typically, whatever is the inventory loss which we have taken in the 9 months has been able to -- we are able to cover it up in the current quarter.

Riya Mehta: Right. And what will the amount, if you could help me on the volume?

Pramod Bhandari: I have not calculated specifically, but you can say it range between INR10 crores to INR15 crores.

Riya Mehta: INR10 crores to INR15 crores. Okay. And in terms of volume, we were always guiding for 50,000 tonnes kind of volume to be done. However, this quarter, we've done 40,000 to 45,000 tons. So are we -- is this because of demand impact?

Pramod Bhandari: I think it is not only the demand because you are aware that there are certain exports we are not able to do because there is a logistic congestion in the market. The containers are not available. There are a lot of other geopolitical issues. Typically, we sell around 15% to 30% to export. The export volume was around 7% to 8% or 10%. So that is one of the reasons.

Some of the industries we are able to sell, but it has been not taken into -- like it has been at the end of, say, it has been sold at the end of June when our order is actually on delivered basis. So if we are selling in last 5 days, it delivered in the first week of July, then it is considered in the next quarter.

Riya Mehta: So overall for the year, we are still there at a 5 lakh tons, right?

Pramod Bhandari: 2 lakh tons, not 5 lakh tons. But we have a capacity of 2,75,000 tons. We are guiding again for the 2 lakh ton of plus/minus 2% to 3% on either side. The 2 lakh ton is intact.

Riya Mehta: Yes, because I think that is a flat number since last 2 years. So I think...

Pramod Bhandari: Yes, yes. I know it. It is expected to improve once we start the plasticizer project. And if the plasticizer project is expected to grow in terms of the quantity and the sales, then automatically phthalic will also grow in overall.

Riya Mehta: And for the full year for plasticizer, we would be able to do around INR500-odd crores of revenue, right, at full capacity utilization?

Pramod Bhandari: At full capacity utilization of 75,000 tonnes, it will a generate a revenue -- gross revenue of around INR1,000 crores, but that will be the gross revenue and net revenue will be around INR600 crores because INR350 crores to INR400 crores will be phthalic, which will be...

Riya Mehta: Sorry, that would be how much? You're not audible.

Pramod Bhandari: Net revenue -- just a minute. Net revenue will be between INR500 crores to INR600 crores because there is a higher prices for plasticizers right now.

Riya Mehta: Right. Also going from this, how much time will we take to ramp up the capacity? When we will be able to complete full there a process where it goes into testing phase with companies, etcetera? And what would be the typical time frame?

Pramod Bhandari: For this year particularly, for the remaining 6 months, we are targeting around 2,000 to 2,500 tons per month. So for 6 months, it will be between 15,000 to 20,000 tons for balance period of FY26-'27. Then it will grow up to 50,000 to 60,000 to 65,000 tons in next year. That is our target. We are planning to achieve it.

Riya Mehta: Okay. Got it. Now in terms of realization, you mentioned that it was up 30% to 40%. This is for phthalic, right?

Pramod Bhandari: Phthalic as well as Maleic .

Riya Mehta: And so now.

Pramod Bhandari: And so I think realization remain at an elevated level because the overall demand in the market is good since everybody is using 60-65% of their capacity. So overall supply is also limited in domestic market.

So an import is hardly happening, it is happening at a very, very little quantity. So right now, whatever is the demand is feeded by the domestic players. And the margin remain between $250 to $300 level right now, which is on a higher side because there is a lot of geopolitical tension. And because of that, all the feedstocks of the petrochemicals are at higher price. When the prices of the raw material is high, we ended up higher realization for the final product.

And second point, we have some operating efficiency because of that, we are getting some extra yield that is also being sold at a higher price. So there is a double benefit happening on that account.

Riya Mehta: Got it. So even after war situation easing out, we have not seen spreads reducing is my takeaway, right?

Pramod Bhandari: So I think we should not take any extraordinary higher or lower spread. I expect between $200 to $250 would be the average spread, which is the last 10 year average.

Riya Mehta: It is around $150 to $200, sir.

Pramod Bhandari: Right now, market spread is between $250 to $300 and I G makes $100 over and above because of operating efficiency and the byproduct.

Riya Mehta: This is the EBITDA per tonne you are mentioning?

Pramod Bhandari: No, I'm talking about the gross margin dollar.

Riya Mehta: I agree with the EBITDA per tonne, which you used to mention that last year, around it was around $150 to $200, $100 to $150 for the last Q4 and then we did on this quarter extra, sir.

Pramod Bhandari: Typically, if you remove the advantage of the yield as well as the byproduct, which generally cover around 80% to 90% of the operating cost. So whatever is the margin remain EBITDA margin. So if you take only the phthalic margin, you will be able to get the EBITDA margin.

Riya Mehta: Actually not audible with some disturbance coming from there.

Pramod Bhandari: You're not able to listen to me.

Riya Mehta: Some disturbance, sir.

Pramod Bhandari: But there is no more...

Moderator: Sir, I'm able to hear your voice properly.

Pramod Bhandari: Okay. There may be disturbance and your end. I'm saying if you take our gross margin and reduce the operating cost, conversion cost and other cost, conversion cost is around $150 to $160 will be at EBITDA level. And then there is the other cost, which is interest and other. So total cost for us is around $150 to $200. So typically, when you are making $400 margin, including the byproduct yield and remove $200 to $250, you will end up at $200 for the EBITDA margin in the current model.

Riya Mehta: And this is sustaining...

Moderator: Sorry to interrupt, ma'am. May we request you to join the question queue again. The next question is from the line of Chirag from Keynote Capital.

Chirag: Yes, so just a couple of clarifications. You said that on a Q-o-Q basis, our volumes are down about 10% to 15%, right?

Pramod Bhandari: Yes.

Chirag: That means our volume for the quarter around 46,000 to 48,000, not 40,000 to 45,000, right?

Pramod Bhandari: I would not like to comment specifically, it is between 40,000 to 45,000.

Chirag: 40,000 to 45,000. Secondly, our spreads currently you said is about INR250 to INR300, right, normalized decadal run rate is about $150 to $200.

Pramod Bhandari: $200 average. $200 to $250 is average for 10 years.

Chirag: Yes, so currently even in the month of July, we are seeing the spread to be around $250.

Pramod Bhandari: Yes.

Chirag: Got it. Sir, similarly, last year or in last 6 to 12 months' timeframe, where maleic anhydride prices were around $600 to $700 per tonne. If I'm not wrong, it is around about $1,100 and sustaining at that level. Correct.

Pramod Bhandari: You're right. All feedstock prices have gone up. So apart from phthalic, maleic prices have also gone up.

Chirag: Got it. And so earlier the reason for the decrease in maleic anhydride prices was there was significant capacity built up in China. Are we seeing any kind of constraints taking place due to which there is a supply-demand mismatch and we are now back to a normalized level of...

Pramod Bhandari: It is happening because China has built up around 2 million plus capacity in maleic, while other chemical prices have gone up by 50%, 60%, maleic has gone by 30%, 40% and then again come back to 10%, 20%.

Chirag: So will it be fair to assume that this would be the normalized run rate now?

Pramod Bhandari: Run rate for you're talking about production?

Chirag: For maleic prices.

Pramod Bhandari: I think still the global market is in oversupply mode. It will take some time because China overcapacity is yet to be fully utilized. Why? Because they have decided to come up with the plan of BDO, PBAT and PBT.

Now the government has extended the deadline for single-use plastics for PBAT. So that capacity which was built for that purpose is not utilizing and they are selling the maleic into the international market. That has actually depressed the margin overall.

If you look at history, typically, maleic prices are 20% higher than phthalic. And right now, it is 20% or 25% lower than phthalic. The reason is the oversupply from the Chinese market.

Chirag: Got it. Just last one question from my side and I'll join back the queue. As there will be some dry trial runs already going on the plasticizer plant, I just wanted to check the quality as per the requirements of client, are we able to match that? And as you're saying that we would be able to sustain the run rate of like 15,000-16,000 tons, that would be about -- if I'm not wrong, on a gross level, it would be around INR200 crores, INR250 crores, if I'm not wrong. So this is the expectation for the new year?

Pramod Bhandari: INR200 crores to INR250 crores, For this quarter -- for the balance 6 months...

Chirag: For the entire year

Pramod Bhandari: Yes, for the balance 6 months because July, August, we -- by September, it will be starting and then either end of August or September. And then 6 months, we have taken 2,000 to 2,500 tonnes depending upon the production. The quality and all issues that I think we will be able to respond to you over the next 1 or 2 quarters rather than doing it today.

And generally, it's a commodity product and quality for all the plasticizers remain same, like phthalic, if you ask any phthalic producer, it's a similar quality for all phthalic across the board. Similarly, it's a commodity product like DOP, DINP.

Chirag: Just wanted to complete the question, sir. I was trying to understand how will it drill down to the profit level because we are backward integrated, which should lead us to have improvement in operating and gross level margins, right, because we would be consuming the product and selling it further.

Pramod Bhandari: Correct.

Chirag: So how will be the incremental gross profit margins and EBITDA margins would look like? And if all the costs related to plants are already incurred or it will come with quarters?

Pramod Bhandari: No. Let me explain you. So typically, the plasticizer margin is around -- EBITDA margin is between 8% to 10% or 12%. Right now, it's 15%, but take 10% to 12%. At a net level, it is 4% to 5%, which is the average of the last 4-5 years.

But since the asset turnover, we have invested around INR180 crores to INR200 crores, asset turnover of plasticizer is 5x. So whatever margin we are making, it will be translated into the higher PAT. Suppose you touch a 75,000 tonnes of the production and your sales is INR1,000 crores that you will be making around INR50 crores.

So for investment of INR200 crores, your payback period is around 4 years. And for the purpose of calculation of plasticizer margin, we are taking the average realization cost of the phthalic at which phthalic will be transferred to the plasticizer. So whatever margin of the phthalic that will remain with phthalic and at a market rate phthalic will be transferred to the plasticizer project and then margin of plasticizer project will be calculated.

Chirag: So will it be fair to assume on a longer run rate where our margin used to be about EBITDA levels 12% to 13% -- 12% to 14%. We are going to add about 300 to 400 bps on the EBITDA level.

Pramod Bhandari: I think let's wait rather than commenting on that, let it be reflected in the performance. I would not like to comment about the future. But having said that, there will be a saving because phthalic, which we will be using in-house, there is no transportation cost, no bagging cost and there is no cost to convert into flakes. So that will be saving on account of phthalic uses in plasticizer.

Chirag: And plasticizer works on what gross margin levels?

Pramod Bhandari: 10% to 12% I mentioned it to you in EBITDA terms.

Chirag: Gross. will it be possible for you to give it in gross?

Pramod Bhandari: I think typically, we have not operated right now. But typically, in the market, if the margin is between 15% to 18% and EBITDA is 10% to 12%.

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

Rohit Sinha: Yes. Congratulations for a good set of numbers. So one question is, as we are seeing that volumes are pretty much stagnant for some quarter or some year for us on a quarterly basis. And as you also indicated that we are operating at a pretty lower level as of now. But once we are through with the plasticizer and we are operating higher level of utilization for overall plant.

I mean would it be the existing customers where we would be pushing volumes or we would be also looking at newer customers to add on? And would it be more of a plasticizer volume increase or it is both phthalic and plasticizer volume increase?

Pramod Bhandari: I think it's a good question. Right now, we are targeting around 2 lakh tons. And going forward, next few years, you will see the overall volume to go up to 230 to 240 (Errata: to be read as 2,30,000 tons to 2,40,000 tons) and there are 2 parts to that.

First part, overall the plant capacity utilization will improve. Second, the plasticizer will ramp up to 50,000 to 75,00 tonnes. And third, there are a lot of other opportunities in the export market, including GCC. I think the Europe has also opened up in terms of the FTA, which has been signed and executed by the Indian government, with the U.K. government. Similarly, a lot of

FTAs are signed, and there will be a better global opportunity for us to supply the phthalic to various countries where there is an FTA signed.

So when I look at, we generally look at from the point of view of what is the total capacity utilization of plant. Right now, we are between 65% to 70%, and we hope we'll be reaching between 80% to 90% very soon.

Rohit Sinha: Okay. Got it. And secondly, as this extension of ADD was close to $40 per tonne. But currently, if we see -- yes, so currently, if we see the prices are at the higher level, so that makes a pretty low percentage in terms of ADD rate.

Pramod Bhandari: Yes. Correct.

Rohit Sinha: But I think -- I mean, just wanted to understand whether the price correction in phthalic would be benefiting us or will the higher price would be benefiting us despite this ADD?

Pramod Bhandari: So I think ADD is one part, but we hardly buy very few quantity of phthalic anhydride from China. Sometimes Korea and Taiwan is number 1 and 2, China is number 3. So I will not see it because government has not given as a percentage. It is given as a fixed Dollar per tonne. For company, higher prices are always better because your operating efficiency because of that extra yield you are generating that you will be able to get at a higher price. If the prices are lower, then your realization for extra yield will be lower.

So if you ask directly what is beneficial for the company, it is simply if the prices remain at elevated level, it is more beneficial for the company. However, if moderated, then you will see the more volume getting into the market and then plasticizers and other business will drive the overall volume growth for phthalic as well as plasticizer.

Rohit Sinha: Got it. And secondly, sir, as plasticizer plant is about to commission, just wanted to know, I mean, going forward, what sort of quarterly run rate would be there for us on the interest and depreciation side?

Pramod Bhandari: So it will be around annualized basis around INR10 crores for plasticizer. And similarly, the depreciation will be between INR8 crores to INR10 crores. This is a similar rate. Around you can say around INR20 crores plus/minus 2% or 4% annualized basis. For a quarter, you can say INR5 crores to INR6 crores.

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

Chirag: I just wanted to get your thoughts on the spread, sir. Now sir, this crude is very volatile. So sir, how -- what is your view on the spread, sir?

Pramod Bhandari: So I don't like to give the futuristic view on the spread, but the crude is very volatile and so is the naphtha and other feedstock. So sometimes it goes 5% to 10% up and someday it is 5% to 10% down. So as a strategy, we wanted to operate at a minimum inventory so that we are not having a much impact on what is the volatility. So that means whatever is required, we maintain minimum inventory, produce and sell the stock, so that we can maintain our operating margin and not much impacted because of that volatility.

And for margin, I think that if margin right now between $250 to $300, I'm not seeing that the war to end, and I can't even predict it. But so long as the crude remain elevated level, all petrochemical products prices will remain high. So similarly, that margin will be maintained at that level. Then it will be probably moderate in line with -- if there is a full settlement between the U.S. and Iran, then everything has to come probably in next 3 to 6 months in the normalized level.

Chirag: And sir, how much was the freight supply issue contributing to the jump in freight? Was it a significant part?

Pramod Bhandari: I think freight, I will tell you there are 2 or 3 important data points in the freight. First is the container freight has gone up by 30% to 50%, shipping cost. Then there is a congestion because the Strait of Hormuz is closed for most of the period. There is an extraordinary congestion at the Mundra and the JNPT port. The congestion for JNPT is around 10 to 15 days and Mundra is around 15 to 20 days. Because of that, the company who are importing and exporting also need to bear a lot of demurrages.

And there are 1,500 plus ships are in and around the Strait of Hormuz as well as the Red Sea. So it has created a full disruption and added a cost of around $80 to $120 for most of the petrochemical products. So it's not easy to import.

If you are importing with the assumption of 30-45 days, it takes 60 to 90 days to increase -- along with the increased cost. So right now, I think there is a big disruption happening in the international market for freight, shipping and containers.

Chirag: Sir, similarly, our working capital cycle then will have similar impact, right? It would have gone up.

Pramod Bhandari: Working capital cycle for export has definitely gone up because it takes time to export the product. And similarly, for the import of the raw material, which 40-50% we are importing, that cycle has gone up because it takes now around 30 to 45 days to bring the raw material. But in domestic market, we maintain the similar cycle, which is 30 to 40 days average. We sell in 30, 60 days cash, 30 and 60 days. In domestic market, it remains same, but for the import as well as export, it has gone up.

Chirag: Okay. Sir, just one last thing, sir. The audio was inaudible. So just wanted to understand your contribution of plasticizer and CBG plant for FY27, sir, in terms of top line or EBITDA?

Pramod Bhandari: See, I think I will give you only the quantity. EBITDA and the PAT number, I think you leave it to for next 2 quarters. Plasticizer, we expect around 2,000 tonnes every month beginning from October, September, October, so around 15,000 to 20,000 tonnes.

In the CBG, we are planning to start somewhere in October, November, December quarter. So hardly any negligible amount will be there for this year. Probably next year, we'll see the full effect of the CBG project. The only thing which I need to add is the government has yesterday announced the new CBG policy in the capital subsidy has been increased for typically by 40% to 50% and the prices are up by 33% for the CBG being produced and sold in the domestic market. It was announced yesterday, new CBG policy.

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

Gunit Singh: So what were our spreads in Q1 with the low-cost inventory that we had?

Pramod Bhandari: We already mentioned the market of $300, and it was around $400, which you can easily calculate from the revenue number and the profitability number given in the financial figures.

Gunit Singh: And what are the spreads currently? I mean, with the higher cost inventory or if we procure the raw materials now?

Pramod Bhandari: I think the spread, I mentioned it earlier in the call, spread is around $200 to $250 right now in the market, and we are making extra because of the byproduct and back size operating efficiency.

Gunit Singh: Got it, sir. Right now, it's $200, $250 and with the lower cost inventory for Q1, it was around $300.

Pramod Bhandari: There is no lower cost inventory for this quarter because our inventory we maintain at a lower minimum level and whatever we are buying and we are generally selling. We are maintaining the minimum inventory in our system right now.

Gunit Singh: Got it. So I mean, as on date, I mean, we are seeing the same spreads as we saw in Q1. Is that fair understanding?

Pramod Bhandari: More or less same.

Gunit Singh: Got it. Sir, you mentioned that over the last 10 years, normal spreads have been $150 to $200 itself.

Pramod Bhandari: Around $200 to $220 average for last 10 years average.

Gunit Singh: Got it. So the current scenario is more or less not the up cycle. It's just the normal case scenario that...

Pramod Bhandari: It is slightly better than the average. It's not extraordinarily high. It's slightly better than the average.

Gunit Singh: Got it. And how are -- I mean, if we compare our prices to prices from Chinese or Korean imports, can you help me understand how much difference is in between them?

Pramod Bhandari: Hardly any difference because if you do import from these guys with the freight in transportation congestion and other things and including the duty, if you count more or less, I think between 3% to 5% because we are able to sell just on time and they take 30 to 40 days. That's all. Otherwise, there is hardly any difference for the import and the domestic side.

Gunit Singh: Got it. So this 40 or to 140...

Moderator: Sorry to interrupt, Mr. Gunit. May we request you to join the question queue for a follow-up question as there are several participants waiting for the turn. The next question is from the line of Aditya Khetan from SMIFS Equity.

Aditya Khetan: Just a couple of questions. Sir, manufacturing of phthalic anhydride via OX route and versus the naphthalene route. Any thoughts in the last 2 to 3 months, was there any instance like manufacturing via naphthalene had become more profitable? We know like because the conversion cost in naphtha base is 2x?

But because the crude prices itself jumped so that fixed cost of naphthalene got recovered and manufacturing via that route could have become profitable. Was there any day in the last 2 to 3 months wherein this route has become more profitable and customers -- have they shifted on spot, but because the trend didn't materialize for a longer-term, that didn't shape up?

Pramod Bhandari: I think there are 2 points. First, India doesn't have any naphthalene-based phthalic production facility. Generally, all the phthalic facilities converted 90% to 95% in the world on the ortho-xylene basis it's efficient -- energy efficient as well as the operating efficiency is much higher.

There are some of the Chinese guys who are operating in China at a very lower capacity, they take the advantage of the spread available between OX and naphthalene. It's not naphtha, it's naphthalene, which is byproduct of steel.

So we have not witnessed in the last 3 to 6 months, any import on that account happening in India because India has come with some standard, which generally doesn't allow you guys to sell the product to the domestic market.

So I have not seen any impact. For the prices, I have not checked, of course, the last 6 month naphthalene prices. But 2 years back, there was a spread of between $250 to $300. Then it was profitable. Of late, I have not checked, but I have not seen any import of naphthalene-based phthalic in domestic market.

Aditya Khetan: Got it. Sir, on China, like we have seen like -- so taking a trend of the last 10 years. So earlier, so South Korea was the largest importer. China overtook it and now it became the largest importer, like some 50%, 60% imports coming from China. So any idea, sir, if you can give like over the last 10 years, how much capacity addition happened in China? And was that through the OX route like you mentioned?

And secondly, sir, like recently also like Chinese government is rolling back all the subsidies which they are giving out. So on phthalic anhydride also, is the similar trend working or like so the duties are still impacted?

Pramod Bhandari: No, no. There are 2 parts. First, right now, China don't have any new capacity which is based on naphthalene. It is the old 30, 40 years old capacity. And China is actually withdrawing all the benefit given to the various products. Specifically, they have not published any list which product they are giving what benefit. It is in the public knowledge only that it is on the public knowledge. It is not in the public knowledge that it is available to a specific product because generally, it is done inside of China, they don't publish it.

So nobody is actually aware of that what is the benefit or the benefit they are offering to particular chemical or chemistry while export -- doing export to the other countries. So it is general perception that they are giving some benefit, but it is not in public domain or published anywhere.

Aditya Khetan: The capacity additions in China, if we can get the data, like how much has been added in South Korea?

Pramod Bhandari: I don't have right now, but last 2 years, the -- 1 or 2 plants of around 2 lakh tons has been added in China. I will give you the detail of 2 plants separately. I don't have right now handy with me.

Moderator: The next question is from the line of Karan from DAM Capital.

Karan: Congratulations on a great set of numbers. So I've just got 2. One, I think we've done about INR112 crores of EBITDA in Q1, and I think INR68 crores -- close to about INR67-68 crores in Q4. Given how the entire geopolitical situation panning out, how do you -- what is the sustainable run rate for us from here on?

Pramod Bhandari: So your question is how much run rate we'll be able to maintain for the production or the EBITDA or the PAT?

Karan: On the EBITDA level, sir?

Pramod Bhandari: So EBITDA right now is around INR112 crores and including the other income, INR120 crores, which is 19%. Next few quarters, I think the next quarter is also looking good. I will not be able to predict for the entire year, but compared to the last year when we have a full year EBITDA of INR130 crores, this quarter, we have done INR120 crores.

We expect next 1 or 2 quarters is also looking good. But it's all depend upon the geopolitical and all that. Typically, when we assume that we will have all 4 plant operating or fifth plant operating along with the plasticizer, we will have a similar type of EBITDA every quarterly basis.

Karan: And sir, it depend upon the...

Pramod Bhandari: Depend upon the margin, of course, subject to the margins.

Karan: Sure, sir. And if I could just look at purely from the PAN business, then how do you look at your quarterly run rate? Are we comfortable in saying that at least for the next few quarters, it should be higher than what we did in Q4?

Pramod Bhandari: I will not be able to comment for the next quarter. I can tell you that if EBITDA remain -- margin remains between $200 to $250, then our EBITDA will remain between 15% to 16% level.

Karan: Understood, sir. Okay. And sir, second, reportedly, we hear that is there some -- how is the raw material availability more from ortho-xylene perspective? Are we running our production at optimum utilization? If you could just throw some light there, please?

Pramod Bhandari: So raw material is available in the international market, of course, the prices are high. And typically, we buy 40% to 50% in domestic market, 40% to 50% in import market. The challenge in the import market is the delivery because generally, it takes 10 to 15 days or 20 days. Now it is taking 40 to 45 days, sometimes 50 days.

So that time lag is always there. And similarly, the cost of the freight and transportation has gone up, as I indicated earlier. So it's raw material is available to bring the raw material to your country or to your plant is something which is difficult in this geopolitical scenario. But having said that, the raw material is sufficiently available in the international market. So you need to plan everything in advance.

Karan: So do we have sufficient inventory to maintain optimum utilization for plant?

Pramod Bhandari: Yes. Yes. We have sufficient inventory. We always maintain sufficient inventory.

Karan: Understood. Just for my understanding, how much -- typically, how much inventory do we maintain of ortho-xylene?

Pramod Bhandari: Typically, as a company, we maintain the ortho-xylene inventory of 5,000 to 10,000 tonne average, which is typically 15 to 20 days of inventory required for the plant.

Moderator: The next question is from the line of Riya Mehta from Aequitas Investment. Due to no response from the current participants. Due to time constraints, that was the last question. I would now like to hand the conference over to the management for the closing comments. Over to you, sir.

Pramod Bhandari: Thank you very much, everyone, for joining this call. We appreciate your time and interest in our company. In case if you have further questions, please contact SGA, our Investor Relations Advisors, or you can send directly mail to us. We will be happy to respond. Thank you very much. Have a nice day.

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