"I G Petrochemicals Limited
Q1 FY2024 Earnings Conference Call"

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

Moderator: Ladies and gentlemen, good day, and welcome to the I G Petrochemicals Limited Q1 FY2024 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pramod Bhandari, CFO from I G Petrochemicals Limited. Thank you and over to you Sir!

Pramod Bhandari: Thank you very much. Good afternoon everybody. Hope everybody is doing well. On this call we are joined by SGA, our Investor Relations Advisor. I hope everyone had an opportunity to go through our financial results and investor presentation, which were actually uploaded on the stock exchange and our company's website. We will provide you a brief summary of recent industry changes, how IGPL is progressing and post that we can go through the operational and financial highlights.

So in terms of the industry, as you know that for last quarter there was a demand pressure has been a talking point for the last quarter, which has shackled the growth momentum of many chemical manufacturers and end user industry. Industries are holding back, they are buying to certain extent, slow demand recovery in China and prolonged restocking continue across the globe, and the prices of all key chemicals including the specialty chemicals were under pressure amid excessive supply. I would like to highlight that the demand and prices of Phthalic Anhydride were less affected as compared to the other speciality and the commodity chemicals. Phthalic Anhydride industry is timely served by a very few manufacturers in the global market and demand was marginally affected. Being the largest manufacturer in India and the second largest producer in the world we wanted to highlight that Phthalic Anhydride industry is an exclusive essential chemical which is consumed by a wide spectrum of industry where the demand is either stable or strong. Demand for Phthalic Anhydride has been firm from paints, plasticizers, and UPR. Over the last few years, we have witnessed a good demand from end users like CPC, pigments, specialty chemical, agrochemicals. However, last few quarters we have witnessed slow volume pickup from these industries. Despite overcast conditions our company has delivered a steady performance for the quarter gone by. I just wanted to give you a glimpse of the performance.

IGPL is the largest producer of Phthalic Anhydride in India. We manufacture roughly 2,22,000 metric tonne per annum. We have four key products in our product portfolio, which is Phthalic Anhydride; we also produce the Maleic Anhydride, Benzoic Acid, and the DEP, which has been started around one-and-a-half years ago. We have all our manufacturing facilities, 13 facilities at Taloja in Maharashtra, the plant is managed by a highly skilled workforce adheres to all the requirement protocols to meet high quality standards.

Coming to our operating performance, we have registered a quarterly revenue of Rs. 563 Crores, our profitably stands at Rs. 36 Crores. We have continued to maintain the biggest momentum despite uncertain external events and volatile pricing. On year-on-year basis our performance was depleted due to the three primary reasons. The first reason is the overall volume for the last quarter compared to the corresponding previous quarter was dropped by 10% due to the slowdown in some of the specialty chemical and pigment segment. The second reason was the MAN because as you are aware that is generally the MAN prices are 20% to 30% higher than the Phthalic prices; however, for the last quarter it was 20% to 25% lower, that has actually impacted the profitability and third overall the margins were between the 100 to 150 basis points level compared to average 200 basis points for the last three to four years. We have seen some spread revision in the last week, which we have seen some improvement at the end of July or starting from August. Price seems to be stable now and now recovering.

For Q1 FY2024 the total revenue stands at Rs. 563 Crores, the non-Phthalic product revenue contributed to around Rs. 44 Crores, export contributed nearly a 10% of the business. EBITDA stands at Rs. 67 Crores, which is 11.8%, which is very similar to the last quarter. Profit after tax is Rs. 36 Crores, the profit margin at 6.4%.

As you are aware that the company has planned expansion of the phthalic facility of 53,000 our existing location Taloja. The brownfield expansion is estimated to cost around Rs. 350 Crores and expected to complete by March 2024. Post PA 5 our total capacity of Phthalic will be 2,75,000 tonnes, which will add incremental revenue of around Rs. 500 Crores. We wanted to expand our downstream derivatives and plan to expand our footprint in Indian export markets, which will improve our overall operating leverage and boost our profitability. W ith expansion, we aim to diversify and increase the revenue pie of downstream products and other derivatives. As on date the company has a very strong balance sheet with best in class working capital days which is around 10 to 20 days. Post expansion we are expecting a healthy cash flow in the business, which will further strengthen our company's position in the market. We believe that we have led a strong foundation for future by focusing on long-term growth. Overall demand for few quarters may look slightly sluggish, but the company's foundation is strong enough to weather any volatility. With our additional capacity we will be well positioned to capitalize on the multiple prospects like growing domestic demand, import substitution. We will continue to add new product to our product basket, which will further help us to reach out the new clients and new industries. With this I would like to conclude the presentation and open the floor for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. We take the first question from the line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: Good afternoon Sir. First question is on the capacity utilization what we have achieved in Q1 of FY2024 so if you can let us know what was the capacity utilization because you mentioned that we sold some 10% lesser volumes on a Q-on-Q basis so if you can share the capacity utilization for that?

Pramod Bhandari: The last quarter there was capacity utilization of around 90% to 95% which is standard; of course there was a shutdown for six days unplanned shutdown which was recovered in a period of five to six days. The capacity utilization extended remained 90% to 91%. Having said that because of the sluggish demand and in spite of order there was a lower off take because of that the inventory has gone up and we are able to sell around 45,000 to 46,000 tonnes.

Nirav Jimudia: When we started the Q2 where you also mentioned that now we have seen some improvement in the spreads, so were we carrying some inventories or high cost inventories of the last quarter or let us say the low cost inventory of the last quarter because at the fag end of the quarter the prices have fallen and now they are recovering?

Pramod Bhandari: Yes, basically the prices have fallen that is why the customer saw that there was a problem in the downstream industry in some of the segments and second when the prices were falling customer decided to destock and wait and watch. Now prices have stabilized and then again started recovering so we have seen the good demand in the market and the inventory whatever we have at the end of this quarter most 50% of that has already been sold in the market in the current quarter.

Nirav Jimudia: Sir, if you can share which of the user industries we are seeing in terms of this improvement which has happened because you mentioned that CPC and some of the other user industries were facing some sort of problem, so for which of the pockets you are seeing where we have been able to liquidate our inventories and seen this higher utilization?

Pramod Bhandari: We have seen good demand in paint segments and the plasticizer, paint and plasticizers are actually doing well. Of course the pigment was actually impacted from the last quarter. We have seen slightly uptick, but it is not up to mark to get up to 100% utilization and there was this slower demand because all other downstream petrochemicals or specialty chemicals those prices have gone down. The overall demand in that segment has impacted because of the China started destocking their inventory across all the chemical segments so that has impacted the overall pricing as well as the margin for the downstream industry.

Nirav Jimudia: So, let us say again the pigments was doing well one year before out of our total volumes what was the contribution of pigments then and now?

Pramod Bhandari: The contribution almost remains same, which is 8% to 10% because some of the quantity which we were selling it to the plasticizers now we have allocated to the paints, specialty chemical and pigments. In terms of the quantum, it is hardly 1% or 2% difference, but we were expecting 5% to 10% growth that has not happened.

Nirav Jimudia: Correct but once pigment starts picking up coupled with the growth in your paints then probably we will see those volume catch up also happening from the pigment side?

Pramod Bhandari: Volume catch up will happen from pigment side and then volume catch up will also happen in the specialty chemical segment, which actually has been sluggish in last quarter.

Nirav Jimudia: Correct is it possible to share segment wise growth?

Pramod Bhandari: I will not be able to give you full segment wise, but generally paint and plasticizer included around 30% to 35%, the pigment, UPR, PVC is around 10% to 15%, balance is other chemicals.

Nirav Jimudia: Got it. So that other chemical which forms majority part of our volumes, which is close to 50% could see an improvement which could support our volume?

Pramod Bhandari: I think actually the other chemical is 25% which include the specialty chemical, agrochemical, and UPR and other segments.

Nirav Jimudia: Second question is on the conversion cost because when we break down your conversion cost last year we were at around Rs. 250 Crores fixed plus variable and if we then break it down between the variable and the fixed cost based on the details given in the annual report it is like Rs. 100 Crores of variable cost and Rs. 150 Crores of fixed cost?

Pramod Bhandari: I will give you in the dollar term. The total cost was around $158 per tonne, $73 was the conversion cost and balance was around $80 per tonne. So $73 and $85 is the breakup of conversion cost, $73 is the conversion cost and $85 is the other cost, total cost is $158. It includes all fixed expenditure, variable expenditure, interest and all type of things which is debited in the P&L and annual reports.

Nirav Jimudia: Just want to understand from here, lets say when we will commission this 53,000 tonnes of plant it is at the same location, so probably our fixed cost won't go up in tandem with the other plants?

Pramod Bhandari: Today the conversion cost is $70 to $73 and the fixed cost which includes all other costs is around $80 to $85 so that cost will go down because there will be addition of around 20% of capacity so that cost should ideally be around $70 to $75.

Nirav Jimudia: So $12 savings could come on the incremental volumes which we will sell in the market?

Pramod Bhandari: Correct. Overall you can say from $158 our cost will be around $150 to $151 total cost including conversion, fixed and variable.

Nirav Jimudia: Got it Sir. Thank you so much. I will join back in the queue.

Moderator: Thank you Sir. We take the next question from the line of Aditya Khetan from SMIFS Institutional. Please go ahead.

Aditya Khetan: Thank you for the opportunity. First question is in your opening remarks you had mentioned that PAN demand was less affected as compared to other commodity chemicals is there any data point, which you can quantify with this because of the prices of PAN have declined by 20%-25% on quarter-on-quarter basis?

Pramod Bhandari: Demand of PAN almost remained same in domestic market. There were import of around 30,000 to 31,000 tonnes and balance is sold by the other players in domestic market, so overall demand if you see in terms of the PAN it has not been impacted in domestic market. Of course, China is able to sell the product at a cheaper cost because across the board they were destocking and then they are selling all the chemicals at marginal cost or slightly better than marginal cost that has impacted the prices across the board. Now I think that destocking is over, we have seen stabilization of prices and actually improvement in the prices.

Aditya Khetan: But anyway China was not a dominant player in PAN business?

Pramod Bhandari: I understand but the last quarter the highest import is happening from China and Taiwan, South Korea was number fourth.

Aditya Khetan: Because earlier what I believe like, of the total imports of India around 55% to 60% was from South Korea now you are saying this figure has changed to how much?

Pramod Bhandari: Now the South Korea is selling 3,000 to 4,000 tonnes hardly because one of the plants in South Korea has discontinued or stopped the operation and balance they are selling it, I think their first is China and generally this is the period April, May, June when China generally do the destocking of all their chemicals so not only phthalic, across the board they sell the chemical that has actually reduced the prices as well as margin for most of the specialty chemical and chemical companies, now that destocking is over, we have seen the improvement in the prices across all the chemicals.

Aditya Khetan: The decline in PAN prices like what we had witnessed over quarter-on-quarter basis that was quite steep so what makes you comfortable, so now the prices have corrected and they have started to move up?

Pramod Bhandari: Prices has moved down to around $90-$92, today when we are talking is $100 to $102.

Aditya Khetan: Similarly, how would be the trend of orthoxylene prices?

Pramod Bhandari: Orthoxylene remained in same between $85 and $90.

Aditya Khetan: Any idea like so I think July month also the spread actually have contracted like when we look on month-on-month basis.

Pramod Bhandari: July is a difficult month because of the two reasons, one is the prices and second when you are producing, when you are holding the inventory and suddenly prices gone up the customers rather than buying will come into the wait and watch mode. Now since prices started increasing we will see the demand because all the guys who are able to do the destocking or they stock now they wanted to fill their stocks and wanted to consume the Phthalic Anhydride which is required for their operation. So whatever is the deficit generally you have in a month of July we have seen the improvement in August and we believe that August, September there will be the improvement over in July.

Aditya Khetan: So there is a chance like on quarter-on-quarter basis trends can move up considering the August and September month?

Pramod Bhandari: July was not but let us hope August; September will be improvement from July.

Aditya Khetan: For FY2024 we would not be sitting on volume growth and considering if spreads also like they are into a concern how you think in FY2024 any guidance on topline or EBITDA?

Pramod Bhandari: As a company we do not want to give any guidance in terms of the profitability because it is a purely market determined. Profits if you ask me is not that much impacted from Phthalic but because of the Maleic typically we assume Rs. 120 to Rs. 130 Crores of the revenue from Maleic which directly translated to EBITDA, this has reduced to now Rs. 60 Crores per annum, because the prices of the Maleic Anhydride has gone below Rs.80 per kg, which was generally the Phthalic and then Maleic is Rs. 120. So now it is below Rs. 80, you can understand that has also impacted the profitability.

Aditya Khetan: These volumes of 45,000 to 46,000 tonne this will rebound next quarter to the normalized range of 51,000?

Pramod Bhandari: Yes, 49,000, 50,000, and 51,000 this is the range. So, I will not say 17,000 generally, it is 16,000 to 17,000 tonnes is the range.

Aditya Khetan: Got it. Thank you Sir.

Moderator: Thank you. We take the next question from the line of Madhur Rathi from Counter Cyclical Investment. Please go ahead.

Madhur Rathi: Good afternoon. Thank you for the opportunity. Last quarter you had guided like our margins in steady state would be around $150 to $200 per tonne so what kind of timeline do you see based on the experience and in the market situation right now that when can we achieve this on our book?

Pramod Bhandari: Last quarter margin was actually $150 to $200 right now it was moving around $100 to $150. We have seen some improvement, but apart from the Phthalic margin, which the Maleic prices which need to improve because the guys who were making the external Maleic they making cash losses, so for us the only privilege is that whatever we are producing we are selling is translated to EBITDA because hardly any cost for the Maleic. The overall profitability will improve when you see the improvement in the Maleic prices because that is going to the account for Rs. 120 to 130 Crores per year that will be the big proportion and second is the overall improvement in the Phthalic prices and third we have achieved around optimum capacity or you can say around Rs. 650 to Rs. 700 per month or around 7,500 to 8,000 tonne in the DAP that is priced better than the Phthalic Anhydride so that is also adding to our margin overall.

Madhur Rathi: Could you give me some kind of timeline on when you can see margins in the steady state again?

Pramod Bhandari: There is no timeline which I can give because it is all demand supply in the overall market, but since I am seeing that demand continue to remain robust in domestic market so overall the global market also demand is recovering, so I believe probably in next one or two quarters there will be end and there will be stabilization in the pricing and the margin for all the chemicals and prudent chemicals.

Madhur Rathi: The quality control effort that the government had initiated are you seeing some kind of positive impact from that and could you just explain like we know that China plus one strategy so can you just highlight on the China issue a bit more?

Pramod Bhandari: China was the biggest seller to domestic market for the last quarter. Government has introduced quality standard to check that all the Phthalic which has been imported in India is complying with the norm set up by the government. So there are some places where they are producing the phthalic from naphthalene in the other places where the quality is not up to standard so that will not be able to come to India now. So that is one. Now all the Phthalic which is imported in India will be up to the quality standards set up by the government.

Madhur Rathi: Will this help the domestic industry and are you seeing some kind of positive impact from this policy by the government?

Pramod Bhandari: There will be certain positive impact, but it is too early to judge that because they have just implemented in June and we are just talking about the June quarter you need to wait for one or two quarters to see the real impact.

Madhur Rathi: My next question is we are moving into bio gas and ethanol products and which is even more commoditized product and so what kind of IRR are you expecting from the same?

Pramod Bhandari: Right now we are evaluating the project, so it is not correct for me to discuss about the commercial part. Once we finalize the project and planning to implement then it will be right time to discuss about that.

Madhur Rathi: My final question would be we are forward which we highlighted on forward integration into some of the chemical specialty derivatives so could you just highlight on that and what kind of…

Pramod Bhandari: That is under process and very soon you will hear the good news because we are getting the approval from the government, environmental approval. Once the approval is received then we will be able to disclose in the public domain.

Madhur Rathi: Thank you very much.

Moderator: Thank you. We take the next question from the line of Yogesh Bhatia from Sequent Investments. Please go ahead Sir.

Yogesh Bhatia: Good afternoon Sir. I am slightly new to this company so I wanted to understand that Phthalic and Maleic Anhydride, these chemicals, what are the two factors that you think are probably the reason that the realizations are probably bottomed out for us or is that not the case?

Pramod Bhandari: The reason is very simple because the Phthalic is very generalized essential commodity, if you look at all chemical companies in India, which is around 170-180, around 120 to 140 companies use this, so this is required in all facilities, paints, plasticizer, pigment, PVC, agrochemical, specialty chemical, UPR, you name the company. I think most of the companies in chemical industries are our customers. So a chemical which is widely used across all spectrums of chemistry and India is being seen as a next growth engine for the speciality and downstream chemical, so there is no reason that the growth will not happen. All chemical companies in India are growing in the downstream in the speciality chemical, agrochemical and all sides, and they all need because it is basically a raw material or intermediary for most of the chemistry.

Yogesh Bhatia: I understand that the volume off take is there which is also visible in this quarter also, and their costs are fixed, right and profitability only increase if realizations go up so is there a logic that China destocking is towards the fag end or things like that?

Pramod Bhandari: That is their general phenomena happening in last 10 years. Every time there will be a destocking in April, May, and June. The margin is the interest. So now we have seen the uptick in the margin for the phthalic anhydrate, for the Maleic it is yet to be improved. Believe me the profitability could have been more than Rs. 12 Crores higher in the last quarter, if the Maleic prices were historically at the same level, which is 20% above the phthalic prices, but right now they are 25% below the phthalic prices. Our profitability would have been Rs. 50 Crores plus for the last quarter, but the Maleic price, which ideally has to be Rs.120 to Rs.130 if Phthalic is Rs. 100, which is right now at Rs. 78 that has impacted the overall profitability.

Yogesh Bhatia: Thank you Sir. That should be all.

Moderator: Thank you. We take the next question to the line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: Thanks for the followup. Sir when we say that we incur catalyst cost for one of the catalysts generally we take a shutdown in a year and we incur those expenses where does it actually fits into so does it forms a part of our repairs and expenditure or are they club under any other?

Pramod Bhandari: They club as a part of the other expenditure and when you incur expenditure for the catalyst, since the catalyst is used for the three years to three-and-a-half years it is spreaded over the period of three years.

Nirav Jimudia: So let us say if the cost is Rs. 30 Crores, Rs. 10 Crores get debited in the P&L for the next three years?

Pramod Bhandari: Correct.

Nirav Jimudia: Second question is you mentioned that like last quarter the gross margins were in the range of $150 to $200 which in Q1 had fallen between $100 and $150 and there were some lesser volumes also being sold in Q1, in spite of that our profitability has been resilient so like they have not fallen dramatically in between the quarter so if you can just explain that?

Pramod Bhandari: The reason is for the first two months April and May were good for the Phthalic as well as Maleic. In June we have seen the downfall of Phthalic Maleic margin that is number one and number second if the June would have been same the profitability would have been more than Rs. 50 Crores. June was really, really very harsh in terms of the overall decline in prices. Number second the Maleic prices have gone down drastically like I mentioned typically when Phthalic is Rs. 100 the Maleic is Rs. 120 to Rs. 125, right now it is Rs. 75. So it is other way round that has impacted the profitability of gross margin by at least Rs. 10 to Rs. 15 Crores and third is some contribution has come from the DEP. We are now able to achieve around 650 to 700 tonnes per month of the DEP which we are selling around 10% to 20% higher than the Phthalic prices so that has also given flip to the overall profitability. So that is why in spite of the lower margin, you see the last quarter, this quarter profitability remain same in spite of lower sales.

Nirav Jimudia: So let us say, when we were in the month of June, considering our monthly production in the range of 14000 to 15000 tonnes what was the closing inventory of the lower prices which we were carrying which we liquidated probably in Q2 that is number one and second question to this is out of Rs. 42 Crores of non-phthalic revenue which we done in Q1 of FY2024 what was the breakup between Maleic, benzoic acid as well as DEP?

Pramod Bhandari: Let me answer your second question first. The Maleic was Rs. 15 Crores and then balance Rs. 24 was the DEP and the benzoic acid and when you are talking about inventory generally we do not carry much inventory because whatever is the process we have advanced order we are able to sell it out. This time it happened when the order was booked price was sealed, but the customer was not ready to off take, so that has created the slightly higher inventory typically we went in 3000 to 4000 and this quarter it was 8000 to 9000, but now it will go down again because there is a good demand surge in the month of July and August. Inventory was just higher by 2000 to 3000 tonnes and now it will be recaptured and then sales are going ahead as well.

Nirav Jimudia: So that would give us some extra margins probably in Q2 plus the utilization levels also improving?

Pramod Bhandari: Utilization I think it will remain same 90% to 91% which is 16500 is the average we are producing every month.

Nirav Jimudia: Got it. Thank you so much Sir and all the very best.

Moderator: Thank you. We take the next question from the line of Aditya Khetan from SMIFS Institutional. Please go ahead Sir.

Aditya Khetan: Thank you for the followup. To the earlier participant you mentioned that Rs. 10 to Rs. 15 Crores impact on gross profit was because of the Maleic Anhydrite price decline?

Pramod Bhandari: Yes, because Maleic typically we expect a sale of Rs. 30 Crores per quarter as prices remain at 20% higher than Phthalic. The sale of Maleic is to be Rs. 30, but this time it was Rs. 15 with the same quantity, so Rs. 15 Crores was the gross impact on the gross margin and it will translate into net margin which is Rs. 10 Crores.

Moderator: Sir, it looks like we have lost the connection for Mr. Aditya. We move on to the next question from the line of Chirag Vekaria from Budhrani Finance. Please go ahead Sir.

Chirag Vekaria: Sir you talked about Maleic prices going below the Phthalic prices just wanted to get a perspective from you have you historically seen such a cycle and if you have seen how long this cycle has lasted, if ever, historically we have seen such phenomena?

Pramod Bhandari: Historically if you look at last 10 years or 20 years probably one or two time in last 20 years it has seen that the Maleic prices has gone down below Phthalic. It is rarely happen in last 20 years probably this time and I remember somewhere in 2001-2002 or say 1997-1998 it happened. So basically the Phthalic prices, Maleic prices are always higher than Phthalic because it cost more to produce this, but this time it is not only the Maleic prices below, but they are below by 20% to 25% with a huge gap. So that is going to impact all the maleic producers because right now anybody who is using the n-butane route for producing the Maleic they will be making the operating loss.

Chirag Vekaria: So typically this would be a monthly kind of a thing, right it should last for some months and again the prices rebound?

Pramod Bhandari: Probably one or two quarter, it has to because all the downstream products which are produced from Maleic which is like BDO, PBIT, THF, all other products they all are impacted. So ultimately the prices have to go up there is no second thought on that but question is when probably one or two quarters more to go.

Chirag Vekaria: Thank you Sir.

Moderator: Thank you. We take the next question from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I am trying to understand that in your investor presentation one IG biofuel you have mentioned is this our CSR division or what kind of ISR we are expecting from players who are there?

Pramod Bhandari: Right now it is not CSR division, this is the new company floated or acquired by IGPL which is a 100% subsidiary of IGPL. We are planning to evaluate various green chemicals under this which include ethanol its derivative CBG and once we finalize our plant we will come back to you, post our Board approval and then discuss about what products or plants we are going to implement at that company, but essentially that company for all green chemistry.

Keshav Garg: Sir the basic thing is only yesterday in newspaper it had come that parliamentary panel had pulled up Oil Ministry that the oil marketing PSUs are not interested in investing in compressed biogas because it is unviable so government companies are wary of getting into this, but somehow we have floated one company, acquired one company, but still plants are not finalized but company has been floated?

Pramod Bhandari: No, company has been floated not for CBG only that is why I am saying it is green chemistry, we are working on three areas simultaneously in green chemistry and we wanted a separate company for green chemistry which is different from IG, which is working on getting into the chemistry of fossil fuel base. The green chemistry will be not based on the fossil fuel number one, number two the article which you have read is talking about the

CBG, which is converted from the rice stalk and one more product, there are five or six methods to manufacture the CBG. So I am not commenting right now which method we are looking at. There are multiple ways to do it to CBG. The newspaper article was referring to a particular way which is not viable, which is true, but there are other ways, which is the Napier grass, you can go to CBG, which is in Thailand. There are other ways, rice stalk, and go to CBG and then there is a bio waste of cow you can go to CBG. So we are right now evaluating various ways how you can get into CBG, why CBG because we believe that it is the future. In terms of the CBG will be finally blended with the CNG 20% government will may come out with the policy that ethanol it will do. Right now we are evaluating, we are not finalized any plant, we are evaluating, once we finalize any plant I think that will be the right time to discuss about that.

Keshav Garg: As far as ethanol is concerned, sugar companies getting into ethanol makes sense, but for our company and every Tom, Dick, and Harry is getting into ethanol they will soon be over capacity whereas CNG penetration is increasing, EV penetration is increasing, after 10 years there will be no takers for this.

Pramod Bhandari: Let me clarify you. We are evaluating not only for the purpose of ethanol we are looking at a downstream chemistry of ethanol. Right now all the players are either the politicians or the farmers they are into that business. We are a chemical company we are always looking at the chemistry side of the product. We are getting it, at all we are getting into ethanol, and we are not getting into for the purpose of ethanol. Ethanol is just the start point we will be looking at a downstream chemistry of ethanol.

Keshav Garg: I am just trying to understand one thing before embarking on any capex what is the IRR?

Pramod Bhandari: Minimum 15%, if any project is less than 15% IRR it is a strict no from the Board.

Keshav Garg: That is very reassuring.

Pramod Bhandari: It is 100%; by the way we have rejected 2 proposals including a JV in last six months because IRR was less than 15%.

Keshav Garg: Sir, that is good to know. Just one last thing are we seeing any improvement in the PA prices and what is the outlook going forward, you think that our performances bottomed out or is the trend continuing?

Pramod Bhandari: I think we have seen improvement in the PA prices because once the prices stabilized Ox prices going up. We have seen the PA prices touching to around Rs. 94 – Rs. 95 in the month of July now it is hovering around Rs. 100 to Rs. 102. We have seen whenever there is a decline I am just talking about the last 20 years, whenever there is a decline in the prices of the Ox everybody in the end consumer getting into wait and watch mode because they wanted this to stabilize so they started doing the destocking of their inventory. Once the prices stabilized and slightly going up we will see the sudden surge in the demand of all the domestic industries that is what we are witnessing today. July was the one when we have seen the bottoming out now we have seen 8% to 10% improvement in last 10 days.

Keshav Garg: Thank you very much and best of luck.

Moderator: Thank you. We take the next question from the line of Aditya Khetan from SMIFS Institutional. Please go ahead.

Aditya Khetan: Thank you for the followup. I had a question onto the DEP side so you stated that we are running at 700 tonnes per month so that seems we are operating at full utilization levels for DEP side and you also had a plan to expand this capacity from 8400 to around 14000, 15000 tonnes that too with minimal capex so that is on the pipeline right now?

Pramod Bhandari: That we will look at post commissioning of PA 5.

Aditya Khetan: But for this too you can do it at very minimal capex I believe you had also mentioned in. your last call also at Rs. 8 to Rs. 10 odd Crores?

Pramod Bhandari: I understand that. The question is not of capex. Right now the entire concentration is to operationalize the PA 5 which is 53000 tonne. Then all the equipment of the PA 5 which is lying at the site will be segregated and built up in PA 5 then we will look at this.

Aditya Khetan: This PA 5 which we are building so generally what we do that the IG has some 7% to 8% additional yield for making PAN from orthoxylene so this new PA 5 does it comes with, so better yields or with lower cost, is there anything new?

Pramod Bhandari: It is not IG everybody who is buying the similar equipment, similar technology, everybody have same type of it. It will remain same.

Aditya Khetan: Also the technological tie-up, so we had it from Germany I think our competitors are not having that?

Pramod Bhandari: I will not like to comment what they have because I have no idea about that, but if you are buying a particular technology because we are using the technology for last three to four decades and we have that experience of operating the similar equipment so we are sure that we will be able to get similar type of yield on our products.

Aditya Khetan: Just a last question, Sir, onto the capacity addition any idea like how much our competitor in India and globally, if they are adding capacity?

Pramod Bhandari: I think apart from India hardly any capacity is coming up except one or two plants may come up in China because they are looking at integration of Phthalic, Maleic and other things, but in Europe and America I do not find any in news also to set up any plant while the demand of Phthalic is growing continuously.

Aditya Khetan: What will be the quantum of this China like any capacity figure if you can give?

Pramod Bhandari: I am not sure about, but I think between 50,000 to 1 lakh tonne.

Aditya Khetan: In India, the Thirumalai any idea like how much they are looking to add for the next two years?

Pramod Bhandari: I think you need to ask them. They do not share the information with us.

Aditya Khetan: No worries Sir. Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question for the day. I would now like to hand the conference over to Mr. Pramod Bhandari for closing comments. Thank you and over to you Sir!

Pramod Bhandari: Thank you very much for joining us today on the earning call. The only comment I need to make is when we are in a chemical or specialty chemical, commodity chemical company, patience is the key. India is a great growth story, there is a good consumption of all type of chemicals in the chemistry is happening in India. Today India is around 3% to 4% of overall chemical consumption in the world, which is growing very well compared to China. 2008 China was similar, but China today comprise around 37% to 38% of the global chemical manufacturing, so Indian story for the chemical is just started it is a long way to go. Thank you very much. If you have any query please contact our Investor Relation Advisor SGA or directly send a mail to me. Thank you very much. Bye.

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