



“Panama Petrochem Limited
Q2 FY ‘23 Earnings Conference Call”

November 15, 2022



**MANAGEMENT: MR. HUSSEIN RAYANI – JOINT MANAGING DIRECTOR
– PANAMA PETROCHEM LIMITED
MR. PRAMOD MAHESHWARI – CHIEF FINANCIAL
OFFICER – PANAMA PETROCHEM LIMITED
MR. MAHESH NARVEKAR - VICE PRESIDENT,
CORPORATE RELATIONS – PANAMA PETROCHEM
LIMITED**



*Panama Petrochem Limited
November 15, 2022*

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY '23 Earnings Conference Call of Panama Petrochem Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and zero on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mahesh Narvekar, Vice President, Corporate Relations. Thank you, and over to you, sir.

Mahesh Narvekar: Thank you. Good morning, everyone. Welcome to Panama Petrochem Limited Earnings Conference Call for quarter 2 ending 30th September 2022. I would like to begin by expressing my gratitude to all of you by taking your time to join us on this call. This conference call may contain some 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 guarantee of future performance and involve risks and uncertainty that are difficult to predict. And now I would like to introduce Mr. Hussein Rayani, Joint Managing Director, Panama Petrochem; and Mr. Pramod Maheshwari, CFO Panama Petrochem Limited. I request Mr. Hussein Rayani to share the quarter 2 performance overview of our company. Over to you, sir.

Hussein Rayani: Thank you, Mahesh. Good morning, everybody. It is my pleasure to welcome you all to the quarter ending September 2022 Earnings Conference Call of Panama Petrochem Limited. Let me begin by giving an overview of the business environment, there is an element of uncertainty and recessionary concerns, we have observed a bit of instability and volatile pricing instances.

The business move is not very buoyant, and the global scenario remains a challenging near future. However, we have achieved stable performance in this quarter 2 with good demand seen in our value-added offerings, enabling us to record good operating margins, which was at 14.63% during this quarter. Crude prices, though volatile, has been in range and helped the company to strategize procurement. Thus, the company has been successful in maintaining the net realizations on higher side during the quarter.

Going forward, the domestic demand has been quite encouraging, and company could capitalize due to its value-added services. The order position is quite healthy and customer forecasts are optimistic. Company hopes to provide steady growth guidance for next quarter as well as backed by good domestic manufacturing demand. On margins front, we are confident of maintaining the trend in near future, backed by increasing the product mix towards the value add.

Expansion program is on due course, and we will see additional capacity going on stream in batches starting from second half of 2022, '23. Now I request Mr. Mahesh Narvekar to give the financial highlights. Yes, Mahesh.

Mahesh Narvekar: Thank you, sir. On a consolidated basis, in Q1, ending September 22, the operating income was INR 615 crores, which was approximately 9% growth over September 2021 quarter. Operating EBITDA reported was INR 90.02 crores against INR 83.13 crores in same period, registering a growth of 8%. Operating EBITDA margin stood at 14.63% for September 22.

Net profit after tax grew approximately 9% year-on-year basis at INR 67.43 crores. PAT margins reported was 10.96%. As for six months ending September 22, consolidated operating income was at INR 1,168 crores. Operating EBITDA reported was INR 177.59 crores, which was an increase of about 10.38% on a year-on-year basis. Operating EBITDA margin stood at 15.2% as against 14.4% on a year-on-year basis. Net profit after tax reported was INR 132.01 crores, which was an increase of around 10% on a year-on-year basis, while PAT margin was reported at 11.3%. With this, we can now open the floor to question-and-answer session.

Moderator: The first question is from the line of Sudhir Bheda from Right Time Consultancy.

Sudhir Bheda: Yes. Good morning, sir, and hearty congratulations on good set of numbers given the volatile situation, sir? Sir, my questions are like what is the volume growth we have seen in this quarter vis-a-vis last quarter and last year this quarter.

Management: Yes. Thank you so much for your question. In this quarter, we had total quantity volumes of 63,808 metric tons on a consol basis compared to 57,220 in the last quarter. So almost a 12% growth on a quarter-to-quarter basis.

Sudhir Bheda: And going forward, since our new capacities are coming into stream, I believe it is INR 30,000 per NOI, right?

Management: That's right.

Sudhir Bheda: What kind of volume growth we are anticipating in the second half?

Management: We anticipate about 15% to 20% growth going forward.

Sudhir Bheda: Compared to first half?

Management: Yes.

Sudhir Bheda: Okay. And just wanted to know from where -- which segment that growth will come? Is it a drilling specialty oil or rubber side or inside if you can quantify?

Management: Yes. So we are seeing the major growth pattern in the segments, the ink and coating industry in the rubber industry and in the Pharmaceutical & Cosmetics segment.

Sudhir Bheda: And sir, my last question would be like if you -- margin is slight bit of down compared to the Q1 in the Q2. So what kind of margin we are expecting given the good volume growth we will see in the second half. So we will -- can we expect some margin improvement going forward in the second half?

- Management:** As I said in my opening speech, the environment is quite challenging. We also saw a lot of volatility in our -- in the oil prices and there are definitely global uncertainties and recessionary pressures. But even with these factors, we had a steady margin in our current quarter in the Q2. And going forward in the current and forward-looking, we are expecting to maintain our margins.
- Sudhir Bheda:** So can you quantify the brand where we can expect the -- because of new capacity, I believe, will be more towards the specialized product?
- Management:** Yes. So we are expecting in the EBITDA margins to remain in the level between 12% to 15%.
- Moderator:** The next question is from the line of Rohan Kumar an Individual Investor.
- Rohan Kumar:** Sir, my question is due to crude volatility and the supply chain concern, what is your view for going forward with respect to the sales growth and margin?
- Management:** Yes. Thank you, John, for your question. There is instability in the markets, particularly on the exports front. The supply chain has also been affected due to geopolitical tensions. We are facing pricing volatility, which has been managed and were successful and we are successful in passing it on to our clients. Going forward, we maintain in-line performance with cautious optimism as domestic markets have shown good resilience and the demand has been encouraging. India has been far better placed compared to the other markets.
- Moderator:** The next question is from the line of Mulesh Savla from Sion Savla LLP.
- Mulesh Savla:** Mr. Rayani, Heartiest congratulations for a good set of numbers. Sir, you said our expansion is on track and probably the production levels will keep on increasing in patches. So how is the demand scenario looking like? And suppose now we -- the world returns to the normal circumstances. Maybe the war is ended and inflation levels are under control. Then in that case, how will be the demand in domestic market as well as export market? How will be the margins, whether export market will have better margins or domestic will have better margins?
- Hussein Rayani:** Yes. Thank you for your question. Of course, it involves a lot of anticipation about what goes forward. But looking at the current scenario, we feel that there are definitely a lot of uncertainties. Yes is one of the most resilient market and a bright spot compared to any other global markets? So we have seen in the second quarter, good demand from our domestic customers and the demand from the local industries as compared to the export market.
- Considering things become normal, which there are a lot of ifs and buts. But going forward, we anticipate in this turbulent scenario in the Indian market to be performing far exceedingly well compared to the overseas market. So reflected in our current performance when we have got a good set of numbers, a good demand forecast from our customers. Typically, we expect higher margins from our export business -- is the domestic. But in this current scenario, we are currently more optimistic on the domestic market compared to the global markets.

- Mullesh Savla:** And given the circumstances, you said that in H2, probably our volume growth can be about 15% to 20%. So sir, can we expect the similar run rate for FY '24 and '25 also?
- Hussein Rayani:** Definitely. We hope and we look forward to continue the good work with similar and better performance.
- Moderator:** The next question is from the line of Rohan an individual investor.
- Rohan:** Sir, my question is regarding the debt, whether the debt has been repaid in total? And if not, what is the view of management going forward on this?
- Hussein Rayani:** Yes. Thank you for your question. The company has paid up its short-term working capital borrowings of INR 29.81 crores. And currently, our short-term debt is almost negligible. The uncertainties in the global markets have taken the finance international financing and incidental charges to exorbitant levels, due to the continuous increase in the interest rate by the US Fed to tame the inflation. And anticipating these high cost, the company has, as you mentioned, we paid the short-term working capital borrowings of INR 29.81 crores, resulting in considerable savings in interest costs and ensuring better working capital management.
- Rohan:** Actually, this will help company to reduce the interest and I mean, it will add to the bottom line. So thank you for the clarity.
- Moderator:** The next question is from the line of Harshal Solanki from Equitree.
- Harshal Solanki:** I have one couple of question. Sir, first one is on drilling fluids, has the commercial supply started? I remember we were on the testing phase. We had given samples and as the commercial supply started?
- Management:** Yes, Mr. Solanki. So as you know, the drilling fluids is one of the new products which we have introduced in the past few years with all our approvals to the major service providers. The last two years has been due to the COVID lockdown, things have not moved much on that front. But yes, we are commercially offering and supplying our range of products to international service providers on a regular basis.
- Harshal Solanki:** So what percentage of our total revenue would be drilling is, right now?
- Management:** Right now, it is not a major part of the total revenues. But going forward, as things open up, there is more stability, we see that it would, we are very optimistic to be a considerable part of our revenues going forward.
- Harshal Solanki:** Sir, any new products you are looking to launch in the value-added segment as you try to increase your value-added mix?
- Management:** Yes. As Mr. Solanki, you know that the direction of the management is to get into more value-added space. We are continuously increasing our range of products in this space. We have some new products in the pipeline going forward, which we will introduce. And in our current

setup and some segments which we are servicing also we are continuously changing our product qualities to meet international compliance. So there is a lot of R&D work going on as we speak and as we go forward. And the direction is to increase further the value-added part of our business to about 75%.

Harshal Solanki: On the export front, I wanted some clarity, we largely don't apply to US and Europe a large PMS. We are mostly in Africa, Southeast Asia. So still, we are facing export issues because of the demand challenges or what are the problems in the export side? Can you like...

Management: So currently, we have a presence in close to about 75 countries world over, major concentration on African subcontinent and Southeast and South American countries as well as in the Asia Pacific. But what we have seen recently due to the inflationary pressures and the recessionary concerns are world over in every country which we are dealing, so we have seen definitely a slowdown in demand in the export markets because of these current uncertainties, which we feel going forward once things are normalized, it will get better with time.

Harshal Solanki: Sir, last question. Sir, in the last quarterly call, you revised our EBITDA margin guidance to 13% to 16% range, but today, you said the range would be 12% to 15%. So why that change?

Management: Yes. So we are keeping up with our guidance of EBITDA margins about 15% going forward. And as we go forward with the product mix more in the value-added segments, we will see an upside on the EBITDA margins going forward.

Harshal Solanki: Sir, should we consider 12% to 15% is a range?

Management: That would be a safe guidance.

Moderator: The next question is from the line of Santosh and individual Investor.

Santosh: My name is Santosh. I'm calling from Chennai. So expansion of the company is in progress. Just wanted to know how much of the quantity will be added in this year?

Management: Thank you, Santosh, for your question. Yes, the expansion is in process. And most probably, we will be adding 30,000 metric tons in the current and the next quarter. The expanded capacity will commercialize in two months to three months thereon.

Moderator: The next question is from the line of Suresh Kumar from SK Investments.

Suresh Kumar: Congratulations on good set of numbers. Sir, before I start up with my questions, I had wanted to take two clarifications for the question that you have answered to the previous participant. One is you said 20% volume growth in H2, is it compared to H1 of this current year or H2 of last year, sir?

Management: Compared to the last year.

Suresh Kumar: Last year. Fair enough. And second is the export margins are relatively better than the domestic sales?

Management: Currently, this quarter, in the quarter 2, we did an export sales of about INR 142 crores, compared to INR 130 crores in the previous quarter, approximately a 12% increase, but the total export is about 30% of the total revenue, which we would see is compared to the previous year, slightly down. But going forward, we are expecting things will pick-up.

Suresh Kumar: Sir, I was asking about the margins, not on the sales volume?

Management: The margins, yes, definitely, the margins, we get a better margins in the export compared to the domestic.

Suresh Kumar: Sir, now I'll start with my questions. Now you have mentioned that we export to 75 countries and so many you have said Africa and Southeast Asia and all that. So what I want to know is, first of all, we have a wide range of products like white oils, petroleum jelly, all that. So first thing I want to know is among these eight or nine categories of products that we have, which are all considered as the specialty oils. And because this particular segment that we export and what are over USP? See, you will be competing with the international players there, and many of them may be MNC. See, unless our quality price are not better, it will be very difficult to get the business. So if you could throw some information on this, sir?

Management: Right. So majorly, our specialty segments would be in the ink and coating industry, in the rubber industry, in the textile lubricants and also our pharmaceutical oil that we supply to the pharmaceutical industries. Out of this, we are majorly exporting goods catering segments of cosmetics and pharmaceutical industries in the overseas market, the rubber industry and also the textile. So more or less, all segments, the products catering to all segments, we do export going forward.

Our USP, I would say that majorly if you see in the local markets, in the domestic front, we are giving an import substitute to most of our customers who are otherwise importing these oils from overseas players. And a lot of these multinational companies, who are now increasing their demand forecast in the last few years and going forward, they always prefer the just-in-time delivery. So we are approved vendors for them servicing them over decades and also giving them just-in-time delivery and import substitute at comparable prices. So this helps us to gain further of their business, especially in the local markets.

Suresh Kumar: Sir, when you say all these different oils ink and coating rubber and all, even though they may be falling under lubricants category, these are not the regular lubricants that we see the PSUs or the other big names like Shell, Castrol make. Are these are all different than what these companies make?

Management: Yes. So we are not in the automotive segment or the B2C segment. We are majorly in the process oils, white oils, petroleum jellies and other petrol specialty products. So the

competition is not from the automotive segment, but majorly from the process oil manufacturers and white oil manufacturers.

Suresh Kumar: So for us, the big brand companies are not our competitors in this segment?

Management: No, because they are more in the automotive side Automatic segment...

Suresh Kumar: Yes. Okay. Sir, now you said that we get higher margin relatively compared to the other regular oil for this premium saying ink and coating and rubber. So that means naturally, we charge premium for this product. So the question is, is the competition is less for these products?

Management: Yes. Because as you go into more value-added space, the competition decreases because, again, there are entry barriers, major competition is from the international players. So as you go more in the value added, the margins improve and also the competition is competitively less as in the conventional side.

Suresh Kumar: Sir, if it is okay, would you mind sharing that some of these international competitors?

Management: Those would be trade thing. We won't be able to share those details.

Suresh Kumar: Sir, my next question is for all these exports, who there is the freight cost? And what is the modality of passing on either the decrease or increase in these costs to the customers?

Management: Correct. So the freight cost is payable by us. So we normally give a delivered price to the destination country. And what would the rate on actual basis are charged to the customer.

Suresh Kumar: So that means whatever increase is there, let's say, within a months or so, even 15 days also, you immediately pass it out...

Management: Absolutely.

Suresh Kumar: Sir, my next question is...

Moderator: Kumar. Sorry to interrupt, sir. I request you to kindly get back in the question queue for further questions. Participants are requested to kindly restrict your questions to two per participant. The next question is from the line of Kumar and individual Investor.

Suresh Kumar: My question is in the present scenario, has the company added any new markets in exports? And what are the challenges you facing on exports?

Management: Yes. Thank you so much for your questions. Due to the uncertainty in the global markets and the inflationary trend prevailing, the export sales has been a bit slower compared to the last -- to the previous years, there has been a continuous endeavor on our part to explore new markets to enhance our reach. We are quite optimistic on export front in the coming quarters.

Moderator: The next question is from the line of Sohail and individual Investor.

Sohail: This is Sohail from Mumbai. See, I would like to ask one question. In this period of crude volatility is the company facing any challenges or anticipate any in future with regard to the base on procurement?

Management: Thank you for your question. We have been provided with a steady flow of our raw materials, the base oil requirements due to established contracts with the suppliers, and we are not facing any challenges on procurement.

Moderator: Thank you. The next question is from the line of Deep Gandhi from Astute Investments.

Deep Gandhi: Good morning, Sir, my first question is that you gave the volume data for Q2 of FY '23. So can you also give the breakup of volume for the export and domestic market for this quarter?

Management: Yes. So the export is about 30% compared to the domestic sales about 70% of this total volume.

Deep Gandhi: And this is volume wise, right?

Management: Yes. Sure,.

Deep Gandhi: And sir, if you can also give a separate volume number for your value-added products?

Management: So it's about 65% of the total sales.

Deep Gandhi: Okay. And what will be the -- in terms of volume the number, if you can share?

Management: So it's somewhat 65%, almost about 40,000 tonnes.

Deep Gandhi: This was for Q2, right? Q2 2018.

Management: Yes.

Deep Gandhi: And what will be the same number for the first half?

Management: So in the first half, it was about close to about 38,000 tonnes you mentioned 40,000 was for Q2 and first half as 38,000. So numbers are not managing. There is a gradual increase in the value-added segment. So currently, we are doing about 65% of the total sales indeed value-add space.

Deep Gandhi: I understand, sir. But so for this quarter, you mentioned the volume of value-added products is 40,000 and then you mentioned that the first half, which is the sum of Q1 and Q2.

Management: Preceding quarter, the Q1.

Deep Gandhi: I was actually asking for this number for the first half of FY '23.

- Management:** For the first half, so would be a Close to about 78,000 to 80,000 tons.
- Deep Gandhi:** Sir, my second question is, so I was just looking at your volume data from 2018. So you had done a total volume in FY '18 of almost 2,60,000 tonnes, which is quite similar to what we have, I think, also done in FY '22. So my question is since last four, five years, you have actually not seen much volume growth. And so what is the reason behind this?
- Management:** See, as you know, the last two years, we are going through a lot of ups and downs in terms of stability and the volatility that we are experiencing though we have been continuously been able to keep up the performance in line. If you see in this quarter compared to the previous quarter, we had about a 12% growth in the volumes. So we will definitely going forward, trying to be in line with our performance.
- Deep Gandhi:** Okay. But sir, actually, this number was also reducing since FY '18, you had done almost 2,60,000 tonnes. So even before COVID, this number had reduced almost, say, 1,80,000 tonnes in FY '20 and similarly, almost 1,95,000 tonnes in FY '19. So even before COVID actually, was there any specific reason why our volumes were decreasing...
- Management:** There has been a lot of challenges as you must be aware. And in terms of the volatility because whenever there are such unstable times, we see that the customers have become more cautious in the uptake of the product. So -- but still, as I told you, we are continuously adding new customers out reaching into new markets and holding ground because things have not been needed in the last two years, but we are still trying our best to keep the performance in line. So once things are more stable, definitely, we expect further demand in all our existing segments.
- Deep Gandhi:** And sir, in the past calls, you have been mentioning that you feel the revenues will grow at 15% to 20% in the next few years. So if you can break up what will be the volume growth out of this total 15% to 20% growth?
- Management:** So it will be similar growth, about 15% in volume and in value.
- Deep Gandhi:** And sir, my next question is, so you mentioned that your USP as compared to other competitors globally that you are providing an import substitute product. So is the pricing of your products similar to the global competitors or you are able to charge a lower price to our customers.
- Management:** We are come compared to the overseas players. So we give them an import substitute at a much more competitive price.
- Deep Gandhi:** Can you quantify the difference, sir? On an average, it will be...
- Management:** There's many products because it is very difficult to just quantify for because we are in about 80 products that we are -- so generally, a value-added product gives us a margin of about 15% to 18% compared to 10% to 12% in the convention. So it depends on the range about -- in the segment, in the products that we are supplying. And this is a general guideline.

- Deep Gandhi:** Sure. Sensor will also -- a follow-up, and then I'll join back the queue. Sir, can you also share with you some names of the global competitors who would be competing in the similar product as yours, so it will be helpful to us in understanding the ore...
- Management:** That question to the previous participant, it won't be possible to disclose NIMs.
- Moderator:** The next question is from the line of Soumen Chatterjee from JRK Stock Broking.
- Soumen Chatterjee:** Well, if we can recall from the last con call, there were -- you mentioned that there is slight I mean orders. uptake was -- if customers were deferring their orders, right, that was the reason some dip in the sales from the UAE unit. I think remains the same or it has changed because a lot of clinical companies have indicated that the customers are actually deferring their optic orders. Actually, due to multiple reasons, maybe due to freight rates are coming down. So is this -- we are facing some similar kind of situation like what we saved in the last quarter?
- Management:** Yes. So as I mentioned in our previous earnings call, we hope that there would be more stability, but we are seeing still a lot of unstable scenario on all fronts. So customers are still very cautious and they are taking need to order basis. So part of their requirements, they are definitely deferring ahead. So we see that going forward once there is more stability, there would be an increased demand from these customers.
- Soumen Chatterjee:** Sir, they are postponing the orders because of demand slowdown, any sort of demand slowdown scenario or any other reason, for example, freight rates are coming down in something like that. If they want to take the advantage of that. But you are saying that you are we are only paying the freight rates, right?
- Management:** Yes. So majorly -- as I say, if I'm saying on the -- for the domestic customers and all the freights are quite stable. But majorly, we see that because of the uncertainties and fluctuating markets, both in the oil in the forex, there is a more cautious approach from the customers because of the volatility and the unstable geopolitical situations.
- Soumen Chatterjee:** And sir, can you guide us what is our share of men's export business coming from Europe?
- Management:** So we -- Europe is not one of our major markets for the exports. We are mostly concentrated in other regions because there are a lot of domestic producers also in these regions who cater the domestic market.
- Moderator:** The next question is from the line of S A Naryana from Capricorn Research.
- S A Naryana** Mr. Rayani the receivables plus inventories are about INR 930 crores compared to half year revenues of INR 1,160 crores. This is almost five months tie-up. Do we consider this as a pattern? Or would there be any improvement?
- Hussein Rayani:** Yes. I will ask over the CFO to answer this question, please online Mr. Pramod to you.
- Pramod Maheshwari:** Sir, we will see the improvement in the second half of the 2023 financial year.

S A Naryana: Pramod, what would be the normalized...

Pramod Maheshwari: Normally have 3-month inventory and 2 months debtors.

S A Naryana: So that would still make 50 days?

Pramod Maheshwari: Yes, on an average 60 days debtors.

S A Naryana: So 90 plus 60% is what we consider for our workings?

Pramod Maheshwari: Three-month inventory and two month debtors set 5 months.

Hussein Rayani: Rayani again. In the past, we had given intercorporate deposits to promote the companies in the construction business.

S A Naryana: Have all these been recovered from related parties?

Pramod Maheshwari: Sir, we have not given any inter-corporate deposit. We have just provided bank guarantee to our subsidiary company.

S A Naryana: Related party transaction. Now you don't have any.

Pramod Maheshwari: No sir.

Moderator: The next question is from the line of Suresh Kumar from SK Investments.

Suresh Kumar: Sir, I just wanted to know what is our customer concentration, like top five and 10 customers contribute to the sales?

Management: So 10 customers contribute around 18% of...

Management: The top 10 customers contribute about 18% of the total revenues.

Suresh Kumar: Sir, second is, you had given the capex schedule that every year, you would add on, I think, some 30,000 of capacity at the different plant locations. So the first question is, do you -- in spite of all these challenges and whatnot, do you still maintain that you would be adding the capacity every year?

Management: Yes. We still maintain the expansion plans in line.

Suresh Kumar: And it is fair to assume that most of it would be from the internal accruals only -- capex?

Management: We are totally debt-free company and all the expense -- on the capex for the expansion will be through internal accruals.

Suresh Kumar: Sir, my next question is we have so many plans. So do we run in two shifts or a single shift?

- Management:** No. We are working on all three shifts in all our facilities.
- Suresh Kumar:** So we are already running on three shifts.
- Management:** Yes.
- Suresh Kumar:** Sir, my last question is, sir, we had some four new products under the pipeline, like one which was mentioned is for the drilling and oil exploration then for the ink and coating industry, some Aroma Free Distillates and so on. So I won't ask specifically any of these oils, but in general, if you have to launch any new grid for any particular segment, just wanted to know what is the minimum potential that you look there? Then what are the USPs that you want to offer to the customers, some info about the new products, sir, in general?
- Management:** So generally, there are a lot of new products being introduced in our existing segments. So majorly, this is due to the global compliance in terms of the environmental regulations. Most of the countries have compliances which you need to follow. And that's why we have to continuously change our product meeting those requirements. And this is generally coming in from the customers and the period is anywhere between about one year to two years to get any new product introduced commercially in our portfolio.
- Management:** So this is basically the existing products to meet the global compliance, you would be either doing some, whatever the additional processing or something to meet that requirement, correct?
- Management:** Yes. So it is, yes, majorly from the existing segments.
- Suresh Kumar:** So for example, like in the case of the drilling and oil exploration, I think we did not had any oils earlier. Now you have come up with some biodegradable, yes, sir, please go ahead.
- Management:** No. I'm hearing to your question
- Suresh Kumar:** No, what I wanted to say, let's say, for a biodegradable oils for drilling and oil exploration. Just to give us an idea how much is the potential for this segment? What are the USPs you're offering? I think because this is a new segment for us?
- Management:** Yes. So see, this is a fairly large segment, and we expect about 3% to 4% revenues from this segment going forward.
- Suresh Kumar:** Sir, when you say very large means, is it in terms of thousands of crores or something like that?
- Management:** See, if you see globally, yes, it's a very huge segment. And so we are slowly penetrating that. And now we are successfully and commercially supplying our range of products to international service providers. So we see good potential going forward.

- Suresh Kumar:** And what is the, we are completing most of these oils with the MNCs, so other than the just-in-time that you said, what is the other benefits you would be offering to the customers?
- Management:** Yes. So it is mostly on the pricing, competitively priced, meeting all the requirements and with the just-in-time deliveries.
- Suresh Kumar:** So these are basically on the pricing, we would be better compared to our competitors?
- Management:** Yes, one of the part, yes.
- Suresh Kumar:** Sir, similarly, you were to introduce some oil for plastic side industry also?
- Management:** So we have actually a range of products which are still in the pipeline, which are into the new segments. So once we are commercially fit to introduce them, we will definitely announce about it, but there are a lot of new products which are in pipeline.
- Suresh Kumar:** So that means whatever the new capacities you're coming up, these are all for these new type of oils which you are developing?
- Management:** So it is mostly in the value-added space, and when each product is introduced, we will be increasing the capacity for those products.
- Moderator:** The next question is from the line of Harshal Solanki from Equitree.
- Harshal Solanki:** Sir, I had a question on the per unit numbers. So in Q2, we have done EBITDA per unit of INR 14,500. So do you think this number is sustainable or this may reduce going forward?
- Management:** It is sustainable going forward. With the change in the mix of our product portfolio, it is sustainable.
- Harshal Solanki:** So in the FY '22 whole year, it was around INR 11,300. So what has changed materially? So there is a lot big jump in the per unit number, what has change in the six months?
- Management:** Yes. So as I said, we are continuously the direction of the management is more on to value-added segments, which definitely help us to contribute to higher EBITDA margins.
- Harshal Solanki:** But sir, the value-added mix is in the similar range, right?
- Management:** We guess it will be increasing year-on-year.
- Harshal Solanki:** But when compared to March '22, it has not materially, but my EBITDA per unit is material. So what is the reason behind that?
- Management:** Always, there are a combination of factors. But in general, I would say the direction is more to introduce these new products, which are more value added. So that's the idea of the management going forward.

- Harshal Solanki:** Sir, secondly, hypothetically, suppose of crude falls down, do we see an EBITDA per unit falling from these levels, or we would be in different kind of per unit level?
- Management:** See, we have a pass on mechanism with our customers with a monthly pricing, and any ups and downs or changes in the prices are passed on. So we don't see any risk to the margins. But we do feel that lower price of the lower crude oil prices is more favorable with the customers because the inflation in check, the demand we see is much better, and it, so we always would hope and feel that a reasonably lower crude oil prices always favorable for the business.
- Harshal Solanki:** Yes, I agree that volumes would increase, but this 14,500 number may come down if my crude falls, is that understanding...
- Management:** We normally do in the percentage, so we will have the EBITDA margins in percentage intact. But what our main concerns are that the customers should also have increasing demand. So we always see that a lower oil price will generate more demand for our products.
- Harshal Solanki:** Sir, just one last point. Sir, EBITDA margin would fluctuate with my realization, right? So that wouldn't be the best way to look at it, and we should either look at it at a per unit level?
- Management:** Generally, we work on the EBITDA margin on a percentage basis.
- Moderator:** The next question is from the line of Anshul Mittal from Care PMS.
- Anshul Mittal:** Sir, actually, I wanted to ask the breakup of the industry-wise revenue as well, which industries are contributing the most? Or which product segment is contributing the most for us?
- Management:** So we are into about five or six segments, but if you can send e-mail I can send you more details on the breakup.
- Anshul Mittal:** And sir, will I be getting the exact difference between the margins for export and domestic market? So like you gave the breakup for 17% for specialty and 15% to 17% for specialty and lower for commodity. So can you give it for export as well?
- Management:** So generally, the export, see, it depends upon which products. So if it's in the specialty product or conventional product, but if you see competitively in the export market, we do get a bit of higher margins compared to the same product in the local market competitively. But again, it depends on if it's a specialty product or it's a more conventional products, it all depends.
- Anshul Mittal:** So do we have any sort of a breakup in terms of how much do exports to do for specialty or commodity?
- Management:** So this is a conventional product, as I already answered to the previous participant, it's about 10% to 12%. So depending which region and where we are selling, so it's between 10% to 12% and about 15% to 17% for the specialty product.

Anshul Mittal: And sir, I must have missed also that. Can you please tell me the capex plan, long-term capex plan for us that we are planning to do 30,000 metric ton every year for next two to three years?

Management: 30,000 tonnes for the next three years is the plan.

Anshul Mittal: And for a capex of?

Management: It's about INR 100 crores for this expansion.

Anshul Mittal: And mainly domestic market?

Management: Also, but US, subsidiary unit in UAE.

Moderator: The next question is from the line of its Utsav Anand and individual investors.

Utsav Anand: I just wanted to ask regarding the expansion plan for the UAE plant, sir? Any update on that?

Management: No, I can't hear you a question. Can you repeat?

Utsav Anand: I just wanted to inquire about the expansion plan for the UAE plant, that's expanding capacity by 50% in the UAE plat also, right?

Management: Yes, that's right.

Utsav Anand: So like any update like by when that will be commercializing?

Management: So in this year, we have some plans for expansions in the UAE plant and also in the coming years, in the next two years.

Utsav Anand: Sir, would you be adding any capacity this year, or it will be for next year onwards?

Management: Yes. So it will be from the next year onwards.

Utsav Anand: Next year from onwards. And for the capacity that you are expanding domestically in India, right? So that will be from Q3 as well or from the Q2 itself?

Management: In the Q3 and Q4.

Utsav Anand: So like the production that was starting in Q3, can we see the benefit in Q4, or no?

Management: So we've already, we will see some commercialization of this additional capacity in this quarter and in the quarter Q3 and also Q4.

Utsav Anand: So a commercialization is there in Q3 as well as Q4, both has?

Management: Yes.



*Panama Petrochem Limited
November 15, 2022*

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Hussein Rayani for closing comments.

Hussein Rayani: Thank you, everyone. I would like to thank everyone who has participated in this call. For any further queries or information, please get in touch with our Investor Relations team, and we will be very happy to answer them. Thank you very much once again.

Moderator: Thank you. Ladies and gentlemen, that concludes this conference. Thank you for joining us. You may now disconnect your lines.