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| To, The Manager- CRD Bombay Stock Exchange Limited Pjiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001 Scrip Code: 524820 | To, The Listing Head National Stock Exchange of India Limited, Exchange Plaza, 5 th Floor, Plot No. C/1 G Block, Bandra-Kurla Complex Bandra (E) , Mumbai-400 051 Scrip Symbol : PANAMAPET |
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Dear Sir/Madam ,

Sub: Transcript of Analysts/Investors Call

We are enclosing herewith a copy of the transcript of the Analyst/Investors Call on the Audited Standalone and Consolidated Financial Results of the Company for the quarter and year ended March 31, 2022.

This is for the information of the exchange and the members.

Thanking You,
For **Panama Petrochem Limited**




Gayatri Sharma
Company Secretary & Compliance Officer



“Panama Petrochem Limited Q4 FY22 Earnings
Conference Call”

May 31, 2022



MANAGEMENT: MR. HUSSEIN RAYANI – JMD
MR. PRAMOD MAHESHWARI – CFO
MR. MAHESH NARVEKAR – VP CORPORATE
RELATIONS



*Panama Petrochem Limited
May 31, 2022*

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY22 earnings conference call of Panama Petrochem Limited. As a reminder, all participants' lines will be in the listen-only mode and anyone who wishes to ask a question may enter '*' and '1' on the touchtone phone, to remove yourself from the queue please enter '*' and '2'. 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. Mahesh Narvekar – Vice President, Corporate Relations. Thank you and over to you, Mr. Narvekar.

Mahesh Narvekar: Thank you. Good morning, everyone. Welcome to Panama Petrochem Limited earnings conference call for Q4 and year ended March 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 and about the company which are based on the belief, opinions, and expectations of the company as on the date of this call. These statements are not guarantee of future performance and it involves risk and uncertainties that are difficult to predict.

I would like to introduce Mr. Hussein V Rayani – Joint Managing Director of Panama Petrochem Limited and Mr. Pramod Maheshwari – CFO, Panama Petrochem Limited.

Now I request Mr. Hussein Rayani to share the Q4 performance overview of our company. Over to you, sir.

Hussein Rayani: Thank you Mahesh. Good morning. It is my pleasure to welcome you all to the quarter ending March 2022 earnings conference call of Panama Petrochem Limited. Let me begin by giving an overview of the business. I wish to stress that the company produces petroleum-based value-added specialty oils for diverse industries with products like rubber process oil, printing ink, textile, anti-static proving oil, drilling fluids, etc.

And now about performance:

We witness good stable demand across all product categories during the quarter stable margins. Domestic industrial activity has been encouraging growth. That's enabling the company to report revenues of more than 2000 crores for the year ending March 2022. Despite uncertain geopolitical conditions, exports grew and accounts for 40% of the revenue. Volume uptake has been quite stable during the quarter with abjure subsidiary showing 26% grow in volumes. Grow prices has been very volatile during the quarter, which led to revenue being postponed to future periods. The company has successfully passed on these price increases to most customers which has formed up operating margins. The ongoing capacity expansion is on

due course, and we will see additional capacity going on stream in batches during from second half of the current year, 2022-23.

Now I request to Mr. Mahesh Narvekar to give the financial highlights.

Mahesh Narvekar: Thank you, sir, on a consolidated basis in Q4 FY22 the operating income for the quarter was 510.9 crores, which was an approximately 6% decline over March 2021. Operating EBITDA reported was Rs. 72 crores against Rs. 82 crores on a year-on-year basis. Operating EBITDA margins stood at 14.1% for the quarter, net profit after tax reported was 56.2 crores for quarter ended 31st March 2022 and flat margin reported was at 11%. As 12 months ending FY22, audited accounts the operating income was 2,138 crores which was an increase of 47.2% on a year-on-year basis. Operating EBITDA reported was 301.7 crores which was an infuse of about 54.1% on a year-on-year basis. Operating EBITDA margins stood at 14.1% for a year FY22 was it 13.5% in FY21. Net profit after tax reported was Rs. 230.3 crores, which was a net increase of about 70.4% on a year-on-year basis while PAT margin was reported was at 11%. With this now, we can open the floor to question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Deepak Darapurkar an individual investor. Please go ahead.

Deepak Darapurkar: Good morning, everybody. My first question is giving the uncertainty in the global market, how has the company fair on export front?

Hussein Rayani: Yes. The export constituted about 40% of the total revenues, we have further increased new territories and new customers in the export market. The challenges were quite great, but it is a global phenomenon and India as a country is quite well placed to cater the export markets. So, we have been growing aggressively on the export front with export constituting about 40% of our total revenues, and we wish to carry this forward in the current year.

Moderator: The next question is from the line of Naveen Goyal an individual investor, please go ahead.

Naveen Goyal: My question is, could you please guide us on revenues and operating margins in coming quarter and how do you see a forward from here?

Hussein Rayani: We anticipate in this current year, the revenues to grow about 15% to 20%, that is definitely a lot of volatility due to the current geopolitical conditions. However, we feel the Indian market is quite resilient and the demand seems to be stable. We have some greater visibility from our customers going forward in the current quarter and in the current year, considering that there is no further escalation in the current ongoing conflict, we are quite confident to maintain our margins in this year.

Moderator: The next question is from the line of Abbas Sabbuwala an individual investor. Please go ahead.



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- Abbas Sabbuwala:** I would like to ask one question. What is the current status of expansion plans and is there any schedule change on its implementation?
- Hussein Rayani:** Yes Abbas. The expansion plans are on track in this year, we plan to further increase our capacity to the tune of 35,000 tons with these expansions coming in our subsidiary company in UAE and also our plants in India. So, we are on track with our expansion plans.
- Moderator:** The next question is from the line of Akshay Shah an individual investor. Please go ahead.
- Akshay Shah:** My question is as we are seeing the forex market has been quite volatile during the period and looks very uncertain. How is the company managed to wait for a foreign exchange transaction?
- Hussein Rayani:** Yes Akshay. We have a natural hedge about 40% from our export proceeds which give us a natural hedge to our Forex exposure and a considerable amount of the balance open exposure, we do a forward contract, so more or less we are quite covered on the Forex transactions.
- Moderator:** The next question is from the line of Manpreet Singh an individual investor. Please go ahead.
- Manpreet Singh:** First of all, thanks a lot for announcing such a great dividend that's a big jump versus last year and hoping that this trend continues. So that's great. So, I have two questions around revenues. My first question is that in Q3, the revenue had debt versus Q2, and that was because of supply chain disruption and last quarter, when we asked you this question, that what do you expect for Q4? You had advised that there would be a catch-up in Q4 and as a result, the Q4 revenues should be higher because typically you have annual contracts with clients. So, they would sort of catch up in Q4 but what we are seeing is that Q4 is also similar to Q3 revenue. So, One, I wanted to understand the reason for this. And second part to the question is that, is it that in Q4, your volume has remained same as Q3 and your pricing is also remain same or is it that your volume has reduced, but pricing has increased because of its revenue has remained same. So, these are the two questions.
- Hussein Rayani:** Yes. Thank you, Manpreet for your encouraging words first and we hope to continue our great performance going forward regarding the revenues in the Q4 versus the Q3. We have seen that in this current quarter too, there was a lot of volatility in terms of the geopolitical conflict going on and a very-very volatile crude oil price. So, whenever we see such volatility, there is a general postponement of the uptake from our customers. So, but if you see on the full year basis, we had the overall revenues increased in line with our expectation. And in terms of the volume in Q4, there was an increase in our volumes by 7% compared to the Q3. So, overall, on a full year basis, there has been just, the performance has been above our expectation and going forward, we feel that whatever the current volatility will subside in the current year and a lot of the volumes will be now taking forward in the current year.



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- Manpreet Singh:** Now, this is interesting that you said that your volume has increased by 7% in Q4 versus Q3. So, which means that probably your average selling price has some lower. Now, what is interesting is that in Q4, a lot of petrochemical companies, commodity prices have increased. As a result, a lot of petrochemical companies have shown higher revenues. So, I mean this sort of doesn't seem in line that you are sort of seeing the average selling price being lower. So, just wanted to get your thoughts on this.
- Hussein Rayani:** So, we have a monthly contract with our customers. Whatever is the volatility, there is a contractual order with customers, which are fulfilled by them. So, more, or less whenever there is such a volatility but because of our pass on pricing mechanism and monthly contracts with customers, we are quite insulated from the effects. But yes, there is a general slowdown in the uptake, which gets covered up and picked up in subsequent quarters.
- Manpreet Singh:** All right and my last question, you had mentioned that I do for FY22, your capacity would be increasing from 240,000 tons to 270,000 tons. Just wanted to confirm that is this expansion has reached the 270,000 and now you'll be talking about additional expansion in FY23.
- Hussein Rayani:** This year we have worked on more than 100% utilization for the year and in this year, 2022-23, we have a 35,000 tons capacity addition, which will be commercialized in the second half of this year.
- Moderator:** The next question is from the line of Harshal Solanki from Equity Capital, please go ahead.
- Harshal Solanki:** Good morning, I have couple questions in line with the earlier question can you give me the volume growth for the entire year?
- Hussein Rayani:** This year we had a total volume of about 260,000 tons for the full year.
- Harshal Solanki:** What was this in the last year?
- Hussein Rayani:** Last year was 256,000 tons.
- Harshal Solanki:** Okay, where I'm coming from this, when I look at your past data, you are said that you are able to pass on the prices with the lag of one month but in the past, there are few cases when crude has grown up and sales have also grown up but the margins have declined materially and in one other case when crude has come down or margin has also come down along with sales. So, I was trying to get a sense of how does this work and if the volumes, you can share.
- Hussein Rayani:** So, generally as you rightly mentioned, we have a pass on mechanism and as compared to the crude oil price, our raw materials is time lags about four weeks. So, whenever there is a stable or a range bound volatility, or the increase or decrease in crude oil price, it's not much of a concern. I think in the past, what you must be referring there have been very sharp fluctuations



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where things, because we also have a quarterly contract with customers. Sometimes it becomes a bit difficult to immediately pass on, but if it is a steep increase, we have monthly pricing, and it is easily passed on to the customers in terms of the movement of the crude oil price. It is our raw materials do not have a direct correlation, but yes, indirectly it moves in tandem with the oil prices, and we see that with crude oil price between in the range of about \$70 per barrel, it is a much more comfortable situation and increasing oil prices always has some impact on the profitability.

Harshal Solanki: Okay. My next question is what is the USP of the company, why do customers refer our company over competitors?

Hussein Rayani: It's a question the customers need to answer, but yes, our USP would be that we are more into a value-added space that we custom need product, according to the customer's requirements and specifications. So, we are more or less a very-very specialized oil manufacturing companies with a sizable portion of value-added products tailor made according to the customer's needs and requirements.

Harshal Solanki: Okay and the last question is you have given up corporate guarantee to Anirudh Distributors in FY13-61, can you tell the rationale behind that.

Hussein Rayani: There is no corporate guarantee given to Anirudh Distributors.

Moderator: The next question is from the line of Ramesh Damani from Ramesh Damani Finance, please go ahead.

Ramesh Damani: Good morning. We thank you so much for a wonderful set of numbers and thank you so much for listening to your shareholders increasing the dividend substantially, both very friendly. Thank you so much for that. Hussain, I have just few quick questions for you. First of all, you have inventories of almost 500 crores. I wonder if you could give us some color on that, are you buying it the Russian group cheaper? What is the average price that you're buying it and how sensitive is Panama to recession? Suppose the global markets falls into the recession. The global economy. Is that offtake very sensitive to that. Lastly, could you just give us your three-year vision in terms of products, geographies, revenue, so that we're understanding how this company looks three years from now.

Hussein Rayani: Thanks Mr. Damani and always appreciate your kind words and encouragement to us. Your first question regarding our raw material. So, we have contractual agreements with suppliers, mostly from the Asia Pacific region and also from refineries and middle east Europe and USA. So, most of our raw materials are under contractual formulas and under contractual quantity agreements. We do about 50% of our purchases on formula-based, a contract buying and another 50% is on spot purchases depending on the situation. So, by and large, we are quite



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covered with our quantities, with our suppliers. In regard to your second question, of course, the noise of recession is quite prominent amongst all analysts. What we see is that majorly our finished products, other raw materials to our customers and if we see in India, the Indian market seems quite resilient. We are quite optimistic with the demands as for the forecast we have from our customers. We are looking, quite confident unless there is some other major escalation in the conflict. Of course, we are at risk with the price on the crude oil and what happens with that, but more or less, Indian market looks quite stable and growing in the coming years. And we are quite confident, also our exports are increasing because we have been aggressively increasing our abundant reach in many countries worldwide. Going forward in the next three years, we have a very clear strategy to increase our share of our value-added products. Thereby we are quite confident to keep up our operating margins at these levels and to increase the share of our value-added products further going ahead. Most of our new capacity, which we are adding is all in the value-added space. So, we are quite confident going forward and hope to continue our growth at about 15 to 20% year on year.

- Ramesh Damani:** I just a follow-up, do you have any exposure to Russia in particular? I wanted to ask you.
- Hussein Rayani:** No, we do not have any exposure to Russia in terms of our raw material purchases, not our export of finished products.
- Moderator:** The next question is from the line of Rohan Mehta an individual investor, please go ahead.
- Rohan Mehta:** I have two questions. Let me shoot first one. Can you please brief us mode on the utilization of cash and especially on pent-up repayments or borrowing as well as on the investments?
- Hussein Rayani:** Yes, the cash generated has been invested in land and building to cater about future expansion plans, also the cash has been utilized to repay our working capital loans, which has been reduced from 65 crores to 30 crores and for the dividend payment in line with our dividend distribution policy.
- Rohan Mehta:** Okay, another question is that you have earlier announced interim dividend of Rs. 2 and now final dividend of Rs.4. The total dividend for the year is around Rs.6, which comes out to co-generate 400% on face value and around 16% on dividend payout ratio if I calculate. So, what do you think, or do you believe that this trend will continue in future also?
- Hussein Rayani:** Just to correct you? The total dividend payout for this year has been Rs.8 per share on the face value of Rs.2 of 400% dividend payout and we believe, we will adhere to our dividend distribution policy as we have declared going forward.
- Rohan Mehta:** Okay. My bad, I mean, it was 2 plus 4.
- Hussein Rayani:** 2 plus 6.



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- Rohan Mehta:** Yes. So, when is the expected AGM date?
- Hussein Rayani:** The expected AGM would be in the first week of September this year.
- Moderator:** As there are no further questions, 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 and have a great day.
- Moderator:** Thank you, ladies, and gentlemen, that concludes this conference. Thank you for joining us. And you may now disconnect your line.