



“INEOS Styrolution India Limited Q4 and Year Ended
on March 31, 2017 Results Conference Call”

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MANAGEMENT:

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Moderator: Ladies and gentlemen, good day and welcome to the INEOS Styrolution India Limited fourth quarter and year ended on March 31, 2017 results conference call. We have with us today on the call Mr. Sanjiv Vasudeva, Managing Director and CEO, and Mr. Bhupesh P. Porwal, Chief Financial Officer and Mr. Haresh Khilnani, company secretary and head-legal from the management side of INEOS Styrolution. 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 “*” and then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bhupesh Porwal, CFO. Thank you and over to you Sir!

Bhupesh Porwal: Thank you. Dear shareholders, investors and analyst fraternity, we welcome you to this earnings call. Your company INEOS Styrolution India Limited has declared its results for the fourth quarter and year ended March 31, 2017 on May 26, 2017. With effect from April 1, 2016 the company has adopted Ind-AS for the first time with the transition date of April 1, 2015 and the impact has been given in the opening results of that date. Financials have been restated accordingly for 2017 as well as 2016 both the years. I will now brief you about the major highlights of the performance regarding year to date performance, profit before tax for FY2016-2017 increased by 67% as compared to previous year FY2015-2016. The PBT increased from Rs.6025 lakhs in previous FY2015-2016 to Rs.10030 lakhs in current year FY2016-2017. PBT increased mainly due to competitive pricing, focus on margin improvement and inventory gains. Sales volume decreased from 142.5 KT in FY2015-2016 to 125.2 KT in FY2016-2017 it was mainly due to currency demonetisation impact in quarter October to December 2016, which continued partly in the last quarter also, lower production owing to constrained supply of Butadiene as we discussed earlier a key raw material during quarter April to June 2016. The sales revenue decreased from Rs.172925 lakhs in FY2015-2016 to Rs.162819 lakhs in FY2016-2017 that is a decrease of 6%. The reduction is mainly due to decrease in both the basic raw material prices as well as the international market prices of the finished goods, constant supply of key raw material Butadiene and lower sales volume due to demonetisation as stated above.

Regarding quarterly performance, profit before tax increased to Rs.3881 lakhs in quarter January to March 2017 compared to Rs.2731 lakhs in quarter January to March 2016 and Rs.923 lakhs in quarter October to December 2016. The increase in PBT in this quarter was mainly driven by better margins and inventory gain; moreover there is an increase in sales volume in quarter January to March 2017 after the impact of demonetisation in respect to the previous quarter.

Segmental results, first segment specialties, revenue increased from Rs.27262 lakhs in quarter January to March 2016 to Rs.33510 lakhs in current quarter January to March, which is an increase of roughly 23%, revenue increased from Rs.25480 lakhs in quarter October to December 2016 to Rs.33510 lakhs in current quarter January to March 2017, which is an increase of 31.5%. Specialties profit before interest tax and other unallocable expenditure increased from Rs.2214 in quarter January to March to Rs.3724 lakhs in the current quarter of January to March 2017,

which is an increase of 68.2% and specialties profit before interest tax and other unallocable expenditure increased from Rs.1553 lakhs in quarter October to December 2016 to Rs.3724 lakhs in current quarter January to March 2017, which is an increase of roughly 140%.

Polystyrene, this is our second segment, revenue decreased from Rs.13619 lakhs in quarter January to March 2016 to Rs.10765 lakhs in current quarter January to March 2017 decrease of 21% and similarly revenue increased from Rs.9154 lakhs in quarter October to December 2016 to Rs.10765, which is increase of 17%. Polystyrene profit before interest tax and other unallocable expenditure increased from Rs.639 lakhs in quarter January to March 2016 to Rs.668 lakhs in current quarter January to March 2017, which is an increase of 4.5%. Polystyrene profit before interest tax and other unallocable expenditure increased to Rs.668 lakhs in quarter January to March 2017 from loss of Rs.239 lakhs in quarter October to December 2016, which is a substantial increase from loss to the profit. This sums up about our financials in nutshell. We can go ahead to take further queries or any other clarifications. Thank you.

Moderator: Thank you very much Sir! Ladies and gentlemen we will now begin the question and answer session. Our first question is from the line of Dimple Kotak from SKS Capital & Research. Please go ahead.

Dimple Kotak: Thanks for taking my question. Sir my first question is how is the industry panning out for ABS?

Sanjiv Vasudeva: Good morning. This is Sanjiv Vasudeva I will take that question. The overall industry seems to have recovered in the last quarter, the previous quarter October to December as you all know we had demonetisation effect, which severely impacted October to December period and fortunately the industry seems to have recovered between January to March specific segments like automotive, two-wheelers saw 5% or 6% kind of growth numbers in the last quarter, same for the household segment and these are the kind of segments where we sell our ABS products so there has been a positive impact on the segments and that led to improved margins and volumes.

Dimple Kotak: Sir correct me if I am wrong, I think the market for ABS is 3 lakh tonnes in India right?

Sanjiv Vasudeva: It is lower than that.

Dimple Kotak: What is the growth we are seeing over the line next three years if I want to predict how this market is expected to grow?

Sanjiv Vasudeva: We expect close to a double-digit growth in this market.

Dimple Kotak: Currently in the past what has been the trend in the growth for this market last five years?

Sanjiv Vasudeva: Last five years it has been close to double-digit as well, some good year, some not good year, but on an average...

- Dimple Kotak:** Quantify may be high teens or lower levels?
- Sanjiv Vasudeva:** 8% to 10% growth a bit higher than GDP, 1.3, 1.5 is GDP.
- Dimple Kotak:** We expected to grow above 8% to 10%?
- Sanjiv Vasudeva:** Yes.
- Dimple Kotak:** What is the margin for ABS? The EBITDA margin on the EBITDA per tonne if you can share with us overall on an industry basis?
- Sanjiv Vasudeva:** The EBITDA per tonne we do not publish such data because it depends upon quarter-to-quarter and the price fluctuation impact. We talk about total gross figures only, which I had already discussed in my presentation.
- Dimple Kotak:** What has been the crude impact on your because I believe this crude is one of the important essential products inputs for ABS, so how have we impacted?
- Sanjiv Vasudeva:** Well crude is one of the elements right, other elements to the overall prices of Styrene, which is Benzene what happens with the overall Styrene capacity, what happens with the ABS capacity globally or their shutdown, so crude does play a role, but it is not the single driving factor for prices that we see in the market.
- Dimple Kotak:** How was the prices driven, how do we come to the realization I mean because is it formula fixed or do we have escalation clause if there is an increase in the prices of RM or do we have to bare in it goes after one quarter lag to the enduser how is the realization?
- Sanjiv Vasudeva:** It is dependent on customers, with some OEMs we have formula pricing and others based on the market.
- Dimple Kotak:** Has it increased or declined trend if I want to understand over the last three years or five years?
- Sanjiv Vasudeva:** The prices like I said keeps going up and down depending on the overall market.
- Dimple Kotak:** What would you like if you can throw some light on your outlook on that?
- Sanjiv Vasudeva:** Well we do not expect major events leaving aside GST we will have to see the impact what happens, but that will be more around the overall market and may have impact on some inventory in the industry, which is not related to prices, but prices we do not foresee major changes.
- Dimple Kotak:** Sir Final question what would be the impact of GST?

- Sanjiv Vasudeva:** We will wait and see how it shapes up. We are all optimistic about it; everyone believes that in the long-term GST is good. The transition phase is something all industries will have to carefully manage.
- Dimple Kotak:** Yes currently what we are paying in terms of taxes overall?
- Bhupesh Porwal:** It is 12.5% excise and VAT depending upon the states, roughly 18% bracket.
- Dimple Kotak:** That is all from my side. Thank you so much.
- Moderator:** Thank you. Our next question is from the line of Hitesh Shah an Individual Investor. Please go ahead.
- Hitesh Shah:** Good morning Sir! Sir my first question relates to raw materials. I see that raw material has gone up by around Rs.128 Crores raw material and finished goods basically inventory has gone up by Rs.128 Crores can you explain it Sir?
- Sanjiv Vasudeva:** Yes in raw material inventory as well as finished goods inventory both has increased in this quarter, the main reason behind the demonetisation of the currency, which forced for a short-term inventory buildup in this quarter. It will be diluted slowly.
- Hitesh Shah:** Is it because of any new product line, which you may have launched that new product may have given rise to inventory also?
- Sanjiv Vasudeva:** As I explained you it is due to demonetisation impact because the whole supply chain has already worked according to our earlier forecast and this impact has increased the inventory levels.
- Hitesh Shah:** So it can go up to normal level in very short time and can go down considerably?
- Sanjiv Vasudeva:** Sure.
- Hitesh Shah:** Around Rs.17 Crores of capital working progress is seen this is related to what Sir?
- Bhupesh Porwal:** This is related to a normal capex is in the plan, every year we investment something, so may be you can understand maintenance capex so nothing new it relates to.
- Hitesh Shah:** Except automobiles which user industry is showing good traction going ahead?
- Sanjiv Vasudeva:** Well household and electronics is the segment that we playing. We also sell our materials in the packaging industry, bid in building construction industry, something that we calls toys/sports, things like Helmet, our polystyrene goes into multiple application like bangles and jewellery, so it is pretty spread out.

- Hitesh Shah:** Can you quantify inventory gain basically this quarter and the year both have seen some inventory gain, can you quantify that?
- Bhupesh Porwal:** Hitesh we do not publish inventory gains although quantification is also difficult in overall dynamic scenarios so hence we do not publish this data.
- Hitesh Shah:** Last question any major capex plan for integration in polystyrene?
- Bhupesh Porwal:** Can you explain me integration in polystyrene?
- Hitesh Shah:** Polystyrene integration basically value added.
- Bhupesh Porwal:** Whenever it comes you will be able to know this, right now we do not have anything to disclose here or discuss here.
- Hitesh Shah:** Thank you so much. That is all from my side.
- Moderator:** Thank you. Next question is from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.
- Giriraj Daga:** Good morning and thanks for the good performance. Congratulation for the good performance. Sir few questions what is the capacity of ABS in Styrolution?
- Sanjiv Vasudeva:** You mean in India or?
- Giriraj Daga:** India.
- Sanjiv Vasudeva:** In India, we have close to about 80,000 tonnes of ABS, we have close to 100,000 tonnes of SAN and polystyrene close to 78,000 tonnes
- Giriraj Daga:** Polystyrene how much u said?
- Sanjiv Vasudeva:** Nearly 80,000 tonnes the nameplate capacity.
- Giriraj Daga:** What was utilization in FY2017?
- Sanjiv Vasudeva:** See the plans at present if you talk about ABS. As I said 80 KT so it is completely utilized at present and we are utilizing as per the requirements both our captive consumption and as for our merchant requirement so both are optimum utilized.
- Giriraj Daga:** If you can give the total volume breakup would you be able to give the breakup of ABS in polystyrene separately?
- Sanjiv Vasudeva:** Both these details we have not published yet.

- Giriraj Daga:** The next one thing I would like to understand is how are styrene prices moved in FY2016 and FY2017 what it is as of now, average styrene prices?
- Sanjiv Vasudeva:** Styrene price have been very volatile in the last four months so we saw in February the pricing is really shooting up very dramatically and about 50% to 100% and now it is kind of come down to a similar level where it was over the last two to three months.
- Giriraj Daga:** So in between it has gone up, but now it has again come down further.
- Sanjiv Vasudeva:** January and February went up, March and April kind of come down.
- Giriraj Daga:** Just want to understand how do we pass on this to the customer with OEM that we have some formula based and market price so how periodic basis given the monthly contract and what percentage of your sale is like a long-term volume tie-up and some are at the spot basis?
- Sanjiv Vasudeva:** We do not disclose the specific breakup of OEM versus the spot prices, but the OEM price is typically or monthly based.
- Giriraj Daga:** Based on raw material do you take the call?
- Sanjiv Vasudeva:** Yes based on the raw material prices there is a formula, which is agreed.
- Giriraj Daga:** Understood. In terms of capex I would like to understand not the company specific, but somebody want to put up one lakh tonne of ABS capacity integrated capacity how much will it cost may be green field project and a brown field project, so give a broad breakup of the number?
- Bhupesh Porwal:** I think this question is a very favourite question in every earnings call and if you refer our earlier earnings call transcript also it mention that it depends upon which type of plant we are putting it, so nothing is standard into it. So when you put it which type of grades you want and all type of integration and which type of technology you are using, it depends a lot on that, so to comment on this what is the capex plan for this it is not visible for us to discuss without further details.
- Giriraj Daga:** Is this the basic material other than the value addition, is there anything base like that or now we cannot discuss any, further clarity on that, just want to understand if somebody want to set up 1 lakh tonne plant, actually the idea of asking this question is that how is the IRR project ROC as of current situation for these kind of projects that was the idea of asking the question?
- Bhupesh Porwal:** So as I told you it depends upon a lot about what integration we are looking on, what technology we are looking on, so it depends upon all those things, so it is choice of company, which type of plant it puts into it and then this is decided.
- Giriraj Daga:** Do you think that though as of now also at current prices if somebody setting up a capex obviously if you choose the higher value addition, higher integration the margin will be higher, if

you choose lower the margin will be lower, but at current price do you think anybody who choose the plant is making ROE positive above the cost of capital?

Bhupesh Porwal:

We can say about Styrolution, I cannot comment on others who can put it.

Giriraj Daga:

At Styrolution do you believe that it will make sense if we go ahead that ROE will be above the cost of equity?

Bhupesh Porwal:

When we will decide this we will let you know.

Giriraj Daga:

Perfect. Thanks a lot Sir!

Moderator:

Thank you. We will take the next question from the line of Vijay Karpe from Dalmia Securities. Please go ahead.

Vijay Karpe:

Thank you for giving this opportunity. Just wanted to know the current market size of specialities that is ABS plus SAN in terms of volume and value and our market share in the same in India?

Sanjiv Vasudeva:

Well overall market of ABS would be in the north of 200,000 tonnes. It is higher than 200,000 tonnes. The overall market of SAN would be around some 50,000 tonnes and on the market share we do not disclose the numbers.

Vijay Karpe:

And in terms of value ABS and SAN?

Sanjiv Vasudeva:

ABS is higher value than SAN and ABS value like we explained earlier changes with raw material prices.

Vijay Karpe:

The ballpark figure?

Sanjiv Vasudeva:

Well we cannot give any ballpark figure.

Vijay Karpe:

Can I get the same data for polystyrene?

Sanjiv Vasudeva:

We do not disclose specific margin data.

Vijay Karpe:

No, I am not talking about margins; I am talking about the market size for polystyrene in India?

Sanjiv Vasudeva:

The market size of polystyrene would be around 250,000 tonnes to 270,000 tonnes.

Vijay Karpe:

My second and last question would be as one of my friends had asked the question on the formula for OEMs, pricing formula, how much does OEM consist in our revenues?

Sanjiv Vasudeva:

We do not disclose specific information on the shared numbers of OEMs and direct business based on spot.

- Vijay Karpe:** Thank you.
- Moderator:** Thank you. Next question is from the line of Ankush Kedia from Avendus. Please go ahead.
- Ankush Kedia:** Thank you. My question has been partly answered, but just want to understand more about the competitive landscape like are we more cost competitive than imports of Korean players, how is the market behaving like, is imports growing faster than domestic production?
- Sanjiv Vasudeva:** The imports over the last few years have been growing, yes. The cost competitiveness and all it depends on what product portfolio, if you talk about ABS it is a very generic term, ABS is further divided into different kind of sub products. Typically we see imports growing in the more commoditized market and as Bhupesh mentioned the utilizations are pretty high for ABS, we sometimes choose not to participate in some of those markets and increase its share position there.
- Ankush Kedia:** Does this industry have high entry barriers like what are the entry barriers, why are there just two, three players in India doing this?
- Bhupesh Porwal:** I will add something here to your first question maybe it will help you to understand the second question also where Sanjiv replied about competition from importers, so he also mentioned one part the competition is in the commodity part, so if you understand particularly INEOS Styrolution we focus more on this speciality part and where we have developed a product and relationship with for years together, so that INEOS Styrolution put together has lot of products and relationship at the backup, which helps to maintain the relationship and in a way it also make entry barriers for other because we have all customized specialty product and it is not easy to enter into this immediately.
- Ankush Kedia:** Thank you.
- Moderator:** Thank you. Next question is from the line of Rohit Lala from Centaur Capital. Please go ahead.
- Rohit Lala:** Good morning Sir! During the previous quarter our parent company signed an agreement for an acquisition of the SBC business of Chevron Phillips, so I wanted to understand the implications of this been on a company in India?
- Sanjiv Vasudeva:** Yes, there will be positive implications because the whole idea for this, having this capacity in Asia is to support the Asia market growth and India being one of the key countries in Asia would surely benefit from this acquisition.
- Rohit Lala:** So does that mean will be like importing from the plant that is acquired in Korea and potential for trading opportunity?

- Sanjiv Vasudeva:** Yes obviously. When we have a plant it is meant to support the whole of Asia, yes India including.
- Rohit Lala:** If you can mention any like market opportunity size in this particular business?
- Sanjiv Vasudeva:** It could be too premature for us to talk about the market and specific applications for those products.
- Rohit Lala:** Also Sir in the previous quarter you mentioned that we were going to launch a product portfolio in the healthcare segment, so is there any progress on that front?
- Sanjiv Vasudeva:** We do have a portfolio of healthcare product, which we primarily import from our facilities in Europe and we continue to try to expand our sales in that segment.
- Rohit Lala:** Just one thing I wanted to understand about ABS, so say we want to enter a particular industry, is ABS already one of the top polymer, so it is of the industry or do we have to create the customer education to drive the demand or the demand already existing for ABS?
- Sanjiv Vasudeva:** If you look at the whole polymer basket, you can start right from LDPE, Polypropylene, Polyethylene, PVC, which are typically more commoditized plastics and then ABS is all engineering plastics, so it is higher in terms of temperature impact and other performance criteria than some of these materials I talked about, but then you have other materials polycarbonate, polyacetal, polysulfone, which are much high engineering plastics, so it is all relative and I would say in the whole polymer portfolio ABS would be somewhere in between more towards engineering plastics.
- Rohit Lala:** I wanted to understand if there is already a market like our people already knowing, so do we have to create that particular awareness that this is a product that it is better suited for your particular goods?
- Sanjiv Vasudeva:** ABS is a pretty known product like I said in the whole polymer portfolio it would be somewhat in between and all, not the most highest-end product, which is at 400 degree centigrade and very, very high impact, so these are the applications where you would like to truly educate customers, but ABS is a well known established product in the industry for several applications, whichever needs better performance than the typical commodity plastics.
- Rohit Lala:** Sir my next question is regarding the polystyrene segment, so I was just seeing the financials of our parent company and they typically do around 13%, 14% EBITDA margins on the polystyrene and you had mentioned that polystyrene is typically globally price linked, so what I wanted to know is that why is there such a wide disconnect between the margins like do we have a smaller product portfolio or is it Asia or India specific show the pricing?

- Sanjiv Vasudeva:** Our parent companies in Europe and US have backward integrated in to styrenes, so that benefit is there and typically in Europe and America you have higher margins for these products versus Asia, we are not backward integrated in Asia in styrenes and generally in Asia you would see relatively lower margins versus America or Europe so that play a role not just in India, but other Asian countries as well.
- Rohit Lala:** Sir my last question is like on the ABS if you can mention the total number of clients that we serve in the automotive segment by two and four wheelers like the number of tie-ups?
- Sanjiv Vasudeva:** For ABS?
- Rohit Lala:** Yes for ABS.
- Sanjiv Vasudeva:** We do not disclose the exact numbers, but we supply all the major OEMs that you can aware of both in wheelers and four wheelers in India.
- Rohit Lala:** Thank you Sir!
- Moderator:** Thank you. Next question is from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.
- Arjun Sengar:** Good morning Sir! I joined the call a little bit late, so pardon me if it is a repetition, but Sir in this quarter although your volumes are 20% lower compared to the same quarter last year, your overall margins and profitability is much higher, what is the reason for that, seems that realization has increased a lot, so just wanted some comments on that?
- Bhupesh Porwal:** So Arjun before the start I will repeat the things for you again. So the PBT for the year and the quarter mostly reasons are same, increased mainly due to competitive prices, focus on margin improvement and inventory gains especially in the last quarter, so these were the three major reasons.
- Arjun Sengar:** Your volumes though they have improved compared to Q3, but they are still substantially lower than last year, so how is the demand expected to normalize over the coming quarters?
- Sanjiv Vasudeva:** We answered that question earlier, we expect demand to be better, we have seen an improvement in the last three months, we have not seen that dramatic effect of demonetisation that we saw November, December and we do not have any reason to believe that the demand should go down except this transition period of GST in the coming month or two.
- Arjun Sengar:** Sir Increase in the pricing of your final product is it in line with increase in raw material or is it more than that because of some kind of demand supply?

- Sanjiv Vasudeva:** It is in line and of course we continue to try to improve our product mix, so that also helps us over and above.
- Arjun Sengar:** Sure. Thank you Sir! I will get back in the queue if there is anything else.
- Moderator:** Thank you. Next question is from the line of Ashok Lodha from Max Future Capital. Please go ahead.
- Ashok Lodha:** Good morning Sir! Thanks for the opportunity. If any of my questions are repetitive please pardon me. Just wanted to know in industry scenario what is the total capacity of ABS in India, India wise?
- Sanjiv Vasudeva:** Sorry is that your question our capacity I think I answered that question earlier. Total capacity is about 80,000 tonnes for ABS.
- Ashok Lodha:** That is for INEOS?
- Sanjiv Vasudeva:** Yes.
- Ashok Lodha:** Can you give me an idea what is the total capacity in India from other players including you and all, any rough idea?
- Sanjiv Vasudeva:** It is about 150,000 tonnes.
- Ashok Lodha:** You said the demand is somewhere around 3 lakh tonnes for ABS right?
- Sanjiv Vasudeva:** I said about 230 to 250.
- Ashok Lodha:** The shortfall is generally met through imports right?
- Sanjiv Vasudeva:** That is correct.
- Ashok Lodha:** One another general question. Since we have seen the wide goods and all the automotive back on track after demonetisation, so can you get some guidance in terms of growth and margins also, what I want to ask is the margins this quarter what you have achieved, we expect it to remain same or they can further increase?
- Sanjiv Vasudeva:** Margins are combination of several factors, it is a combination of product mix and that is what we can control, continue to improve our product mix to improve our margins. Margins are also tied to international raw material prices, which we cannot control and we cannot make any forecast on how those prices are.
- Ashok Lodha:** If other things remaining same, assumption, do we expect the same this quarter margins to continue or we can improve on it?

- Sanjiv Vasudeva:** It depends because like I said earlier January, February our margins the raw material delta margins were pretty good and then from March, April onwards they were a bit down, but we continue to improve our product mix to improve our margins.
- Ashok Lodha:** Growth we expect on double-digit growth?
- Sanjiv Vasudeva:** Directionally yes.
- Ashok Lodha:** Thank you so much.
- Moderator:** Thank you. Next question is from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.
- Giriraj Daga:** Just a followup question, you are talking about speciality and commodity ABS, so what is your estimate of like overall industry percentage how much would be commodity and how much would be speciality?
- Sanjiv Vasudeva:** We do not disclose specific percentage.
- Giriraj Daga:** For the industry, not for the company, but for the industry?
- Sanjiv Vasudeva:** It is very dependent, what I may call a commodity someone else may call it a speciality, very difficult to say, but there is a fair commodity portfolio.
- Giriraj Daga:** On the import side like in India also import significant amount of ABS, but as per your understanding you do not want to get into that kind of materials, it is mainly because it is a commodity material, is that the right assumption?
- Sanjiv Vasudeva:** We balance our capacity to target higher end margin, utilize it for the commodity product as well.
- Giriraj Daga:** Understood. My second question is related to like what is your reading of styrene global demand supply, has there any capacity coming in the near term and how do you see the demand panning out globally, which can give some direction to the prices?
- Sanjiv Vasudeva:** It is very difficult to predict.
- Giriraj Daga:** But if you can give some direction that what parameter should we look at, if we are looking at global demand supply of styrene, which particular country to be dragged for that import purpose or export purpose, anything directionally?
- Sanjiv Vasudeva:** Directionally we do not expect any major drop in prices, we directionally do not see major capacity coming up, so the assumption would be that the prices would be able to hold and be consistent.

- Giriraj Daga:** Sir just one last thing, have you booked any inventory loss during the previous year FY2016 or kind?
- Bhupesh Porwal:** You are talking about FY2016-2017?
- Giriraj Daga:** FY2015-2016?
- Bhupesh Porwal:** It is a comparative thing, so 2015-2016 maybe it depends upon quarter-to-quarter, for the whole year we cannot predict whether it was or not.
- Giriraj Daga:** This quarter, this year we have booked some inventory gain that was only pertaining Q4 it is pertaining to previous year, so previous quarters also?
- Bhupesh Porwal:** So right now I will talk about this quarter, we had some inventory gains, but in this whole year major was in this quarter.
- Giriraj Daga:** Understood Sir! Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Dimple Kotak of SKS Capital & Research.
- Dimple Kotak:** This is a followup question, who would be a competitors both in organized, unorganized segment for ABS?
- Sanjiv Vasudeva:** Well our competitor in the organized segment would locally be Bhansali and from imports it would be LG, Samsung.
- Dimple Kotak:** In unorganized segment or in the organized sector if anybody comes with higher capacity would that be a threat for us?
- Bhupesh Porwal:** We have our own strength, so in terms of the product mix, in terms of our supply chain, in terms of our qualitative things, our R&D and all that, so definitely competitor coming in will bring something new to the market, but we do not see them as a threat, but we see as a development of the competition and the industry as well, development of the market and industry basically.
- Dimple Kotak:** If I heard correctly raw material for ABS it had gone up sharply during the year and again it has softened in the last two months styrene monomer.
- Sanjiv Vasudeva:** That is correct.
- Dimple Kotak:** Realization we expect to be stable, have they improved or it is stable from last one year in terms of your realization?
- Bhupesh Porwal:** Realization you mean sales revenue?

- Dimple Kotak:** Yes Sir!
- Bhupesh Porwal:** So as Sanjiv explained earlier sales revenue depends upon lot of parameters basically the market prices of ABS, the raw material prices, so it is mix of all, so the moment basically is correlated in terms of raw material to finish goods, so it can be good or bad, but it does not as I had mentioned in earlier earnings calls also these moment does not effect us because it is positive for whatever is positive or negative for raw material it is similar for the FG prices also, so we have one to one correlation in most of them.
- Dimple Kotak:** Agree Sir that is you would pass on, but as per your outlook if you were to give maybe next one year or next three years what kind of pricing you are seeing in terms of your finished goods or any raw material?
- Sanjiv Vasudeva:** Look we continue to optimize our margins and improve our product mix with specifications and that is our job, I mean the overall raw material prices whether it goes up by 50% or goes down by 50% is something we cannot control. Accordingly our revenue will go up and down, so very difficult for us to predict what happen in January, February was a big spike, which we saw, but these things do not last, but over a period of next two, three years we expect pretty consistent raw material pricing leaving aside some spikes that you may see.
- Dimple Kotak:** Overall INEOS what kind of growth we can look forward on overall company basis?
- Sanjiv Vasudeva:** We are targeting double-digit growth.
- Dimple Kotak:** In terms of margins?
- Sanjiv Vasudeva:** It is in similar line or more.
- Dimple Kotak:** Thank you so much.
- Moderator:** Thank you. Next question is from the line of Jigar Jani from Edelweiss. Please go ahead.
- Jigar Jani:** Congratulations on a good set of numbers. I have two questions. Firstly you have said that you are operating almost near peak capacity, so just wanted to understand whether the double-digit growth that you are targeting will be mainly due to mix changes in the product?
- Bhupesh Porwal:** We have tie ups with various tolling agencies as tollers as explained you earlier, you are talking about FD capacity?
- Jigar Jani:** I believe you had mentioned that most of the capacities are near peak utilization earlier to when you answered.
- Bhupesh Porwal:** As we discussed in our previous earnings calls also we have also arrangement with various tollers, yes, so as a business model we have opted for that and they are tolling for us the final

product, yes, the final product into various parts of the country and they are very near to our customers, so we take out extra, other than our capacity from these tollers.

Jigar Jani: What kind of margins if you could share, what kind of delta would you take on that kind of arrangement?

Bhupesh Porwal: Margins we do not disclose product wise or maybe we produce what is the margins and toller what is the margin, but it is a good business model and that is the reason we have chosen it.

Jigar Jani: Going forward next year what is the expected inventory days that you are looking forward, would it be in line with the long-term average and this is one of aberration that we are seeing in inventory?

Bhupesh Porwal: Yes this is one time because of the demonetisation impact.

Jigar Jani: So going forward it should be normal?

Bhupesh Porwal: Yes, if you have seen earlier also we did not have such inventory.

Jigar Jani: In your specialities business you include both ABS and SAN these are the only two products that you include?

Bhupesh Porwal: Mostly yes.

Jigar Jani: That is all my questions. Thank you very much.

Moderator: Thank you. Next question is from the line of Bhavesh Jain of Envision Capital. Please go ahead.

Bhavesh Jain: Good morning Sir! Do we have the capability to produce higher grade ABS and we are ready, but market in India is still not ready, but with the changes in emission norms and everything are going up the value chain and launching higher grade products can gain more traction, can this be the scenario next two to three years?

Sanjiv Vasudeva: Yes it can be.

Bhavesh Jain: So then our margins can improve further?

Sanjiv Vasudeva: Yes.

Bhavesh Jain: Thanks a lot.

Moderator: Thank you. As there are no further questions from the participants I would now like to hand the floor back to Mr. Haresh Khilnani for closing comments. Over to you Sir!

Haresh Khilnani: Thank you all for joining in. We now close this call as there are no further questions; however, should you have any question or seek any clarification about this results please feel free to write us or call us anytime and we will be glad to assist you. Thank you and have a nice day.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of INEOS Styrolution India Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.