



“INEOS Styrolution India Limited  
Q2 FY2021 Earnings Conference Call”

November 11, 2020



**MANAGEMENT:**

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LIMITED**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 FY2021 Earnings Conference Call of INEOS Styrolution India Limited. We have with us today from the management of INEOS Styrolution India Limited Mr. Sanjiv Vasudeva, Managing Director, Mr. Sanjeev Madan, Director (Finance), Ms. Amita Mistry, Litigation and Secretarial Officer; and Mr. Abhijaat Sinha, Company Secretary and Head Legal India. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, 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. Sanjeev Madan. Thank you and over to you Sir!

**Sanjeev Madan:** 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 half year ended September 30, 2020, on October 11, 2020. We will brief you about the major highlights of the performance. Regarding quarterly performance, revenue net of GST from operations in current year is Rs.39458 lakh as compared to Rs.43684 lakhs in July to September 2019 and Rs.11552 lakhs as in previous quarter. Profit before tax in the current quarter stands at Rs.5507 lakhs as compared to Rs.705 lakhs in April to June 2019, and loss of Rs.3071 lakhs in previous quarter.

Now regarding year-to-date performance, revenue net of GST from operation stands at Rs.51011 lakhs in YTD September 2020, as compared to Rs.88032 lakhs in YTD September 2019. Profit before tax in YTD September 2020 stands at Rs.2436 lakhs as compared to profit of Rs.2138 lakhs in YTD September 2019. Regarding quarterly segment performance, specialty, profit before interest, tax, and other unallocable expenditure stands at Rs.3529 lakhs in current quarter as compared to loss of Rs.2435 lakhs in previous quarter. Polystyrene profit before interest, tax and other unallocable expenditure is Rs.2154 lakhs in current quarter as compared to loss of Rs.418 lakhs in previous quarter.

The outbreak of COVID-19 pandemic and the consequent lockdown impacted regular business operations. Gradually, the operation has started attaining normalcy. The company has assessed the impact of COVID-19 on its assets including property plant and equipments, receivables, inventories, etc., and it was concluded that the impact is not significant; however the estimate of the impact of COVID-19 may differ from the same ascertain up to the date of approval of these financial results by the board of director. This is how the COVID-19 situation holds over the period of time.

So, this is all about the clarification and update about our financials for this quarter. We can go now for any clarification is needed. Thank you.

- Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Kaushik Poddar from AB Capital Market. Please go ahead.
- Kaushik Poddar:** What is the demand supply situation of ABS as far as India is concerned?
- Sanjiv Vasudeva:** So, the demand has improved across all industries for all polymers including ABS in the last couple of months and I believe this quarter also the demand seems to be pretty good for ABS and other polymers.
- Kaushik Poddar:** Okay, that in terms of tonnage, what is the kind of tonnage production and what is the kind of demand?
- Sanjiv Vasudeva:** Now, this was a very unusual year because of the COVID, typically between 250000 to 300,000 tonnes will be the demand in India and production less than 200,000 tonnes and the remainder of the volume is imported into India.
- Kaushik Poddar:** I understand there was a big fire in LG plant yesterday or day before, so consequently do you see more shortages and hence the price looking up?
- Sanjiv Vasudeva:** That is for styrene which is one of the raw materials and it does affect the total supply and demand because Korea is a big supplier of both the raw material and ABS to China and that eventually should affect our supply demand.
- Kaushik Poddar:** My last question, since there is a deficit as far as India production vis-a-vis the demand, do you see yourself expanding your capacity?
- Sanjiv Vasudeva:** We have looked into this, we have done some level of engineering and we continue to look into these types of options and as when the economic situation improves, the cash position of company improves, we can always consider that-
- Kaushik Poddar:** As of now what is your production capacity?
- Sanjiv Vasudeva:** We do not disclose our exact number but we are running pretty close to full capacity right now.
- Kaushik Poddar:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Anuj Jain from Globe Capital. Please go ahead.
- Anuj Jain:** Good evening and congratulations on the good set of numbers. Sir, basically the demand, which we have seen in this quarter is basically from the consumer electronic side or from producer side or mix of both?

- Sanjiv Vasudeva:** It is a mixture of both as you read in the paper, most of manufacturers for washing machine, even for refrigerators and all they are all talking about 20% to 30% depending on which OEM growth versus last year, so these are for automotive. Both for two-wheelers and for four-wheelers 10% to 30% depending on the OEM they are talking about increase in the production.
- Anuj Jain:** Sir, we are skewed to passenger vehicle side, if I am right, we have major portions coming from passenger vehicle side?
- Sanjiv Vasudeva:** We do not disclose exactly, but directionally we are a strong player in automotive.
- Anuj Jain:** Sir, given the Styrolution prices they have moved from 750 mark to 1150 somewhere in the last one-month timeframe so do we see going forward, where the prices will settle?
- Sanjiv Vasudeva:** Very difficult for us to predict, but yes, the short-term demand that is pretty good considering the global supply demand scenario.
- Anuj Jain:** Sir, given the margins, which we had delivered in this quarter like 17% kind of EBITDA margin and 9% absolute PAT margin, so will we able to sustain these margins going forward?
- Sanjiv Vasudeva:** The margins depend on a lot what happens with the global supply demand and the delta margin between the base raw materials and ABS, we cannot predict them, but for now we are enjoying good margins.
- Anuj Jain:** So, we can expect such kind of margins for the quarter also?
- Sanjiv Vasudeva:** We cannot predict what it is going to be for the quarter, but the last quarter went well and October has also been pretty healthy.
- Anuj Jain:** Okay, thanks. That is it from my side. I wish you all the very best.
- Moderator:** Thank you. The next question is from the line of Viraj Mithani from Jupiter Finance. Please go ahead.
- Viraj Mithani:** Good evening and congratulations for the good numbers. I want to know that what is the amount of inventory gain in this numbers, is there any inventory gain in this numbers, this quarter numbers?
- Sanjeev Madan:** I must say not very significant numbers because we anyway were sitting with very small inventory, that is very much cleared in our balance sheet as well so it is much not very material or significant.

- Viraj Mithani:** And Sir when I look at your numbers, the major gain has come from raw material prices going down, like Rs.80 to Rs.90 Crores so the coming quarter, is raw material expected to remain soft or any trends on that?
- Sanjiv Vasudeva:** We cannot predict the prices going forward, but like I said and one of the gentleman mentioned that they all are pretty high and with the supply and demand situation of LG and in general what is happening in China one could expect this to be remain for a while.
- Viraj Mithani:** And Sir your sales breakup is 69% speciality and 21% polystyrene so is it going to be the same sales breakup going forward or are we trying to change it from there.
- Sanjiv Vasudeva:** We continue to work across both side of the segments and directionally specialty has given over the last few years better profitability so we obviously try to push more of specialty sales but polystyrene is something which also this quarter has given very good results.
- Viraj Mithani:** The next question is Sir if I see the numbers from 93 lakh loss, in polystyrene we made some Rs.21 Crores profit so what has changed so much, has the prices gone up, market prices or the cost is going down?
- Sanjiv Vasudeva:** It is a combination of all, combination of the delta margin between Styrene and polystyrene prices combination of supply demand scenario also as you may know made that LG polymer had an issue with their polystyrene plant and that kind of helped local players in filling up their volume gap commanding high prices.
- Viraj Mithani:** Sir my last question are we back to the pre-COVID levels of the production or are we still suffering?
- Sanjiv Vasudeva:** Our sales volume is similar to last year.
- Viraj Mithani:** So we back to almost pre-COVID level, right?
- Sanjiv Vasudeva:** Yes much ahead of the pre-COVID level and I think if you look at our numbers from here our revenues were pretty much similar to pre-COVID.
- Viraj Mithani:** So what is the capacity utilization level would be now?
- Sanjiv Vasudeva:** We are on the higher side of the utilization level now.
- Viraj Mithani:** That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Amitabh Sonthalia from SKS Capital & Research. Please go ahead.

- Amitabh Sonthalia:** My question was regarding the recent de-listing attempt which failed, could you throw some light on the background of that and what was the thought process behind de-listing, why it failed and will that be revived again?
- Abhijaat Sinha:** Regarding the de-listing plan I think the promoter has an interest and wanted to de-list this company to get the complete shareholding and the price was much above their expectations, but currently so there is no current plan to revive that de-listing proposal as of now, but they continue to have interest in holding the entire stake.
- Amitabh Sonthalia:** So is there any other option such as buy back?
- Abhijaat Sinha:** We are not aware of anything as of now.
- Amitabh Sonthalia:** Okay, but just curious currently the promoters own 75% is that right?
- Abhijaat Sinha:** That is correct.
- Amitabh Sonthalia:** Okay, so they obviously cannot do any creeping or anything like that, de-listing is the only option available to them and so basically, they invited de-listing bids and then they decided to reject it. Is that right?
- Abhijaat Sinha:** The discovered price was higher than the anticipated, the price that they were willing to pay. So yes, they did not go for it.
- Amitabh Sonthalia:** And was it disclosed, what price they were willing to pay?
- Abhijaat Sinha:** No. That was not the disclosed.
- Amitabh Sonthalia:** Okay, and I am just curious I mean you cannot speak on behalf of the promoter, but what is the time lag between one de-listing attempt in the next one? are you aware of that?
- Abhijaat Sinha:** As you have rightly said, so I cannot comment on behalf of the promoter, legally there is no time lag.
- Amitabh Sonthalia:** That is what I meant, legally promoter can attempt another de-listing bid if they want to...
- Abhijaat Sinha:** The law does not say anything about it, unless you have de-listed already and re-listing, those are the regulations.
- Amitabh Sonthalia:** And just I missed the beginning of the call if you gave any outlook on the business and realizations etc., going forward next second half of the year, both on our realizations as well as the raw material side and volumes?

- Sanjiv Vasudeva:** Generally our forecast for the remainder half of the year, like I said this Diwali season has been extremely healthy as you would have all read in the papers, for automotive, appliance and general economic, the stock market what is happening lately so things are positive this quarter as well and hopefully stays the same for the remainder of the financial year that is all I can see.
- Moderator:** Thank you. The next question is from the line of Subrato Sarkar from Mount Intra Finance. Please go ahead.
- Subrato Sarkar:** Just two to three questions, one on the raw material side I supposed like styrene is the raw material which we use so what is the current trade between like polystyrene and ABS vis-à-vis styrene monomer, number one this and second Sir if you give some rough idea about the input and output ratio, how much styrene monomer will get converted to how much polystyrene and this number two and third question is Sir if you can give current Indian total production and demand figure, how much is the imported and how much in the production and like you, Supreme Petro so what is the distribution of production roughly any ballpark figure?
- Sanjiv Vasudeva:** To answer your question spreads are healthy between styrene and polystyrene as of now and same goes for the styrene and ABS that is the answer to your first question. I think I mentioned earlier right that overall market demand typically in normal year it is 250-300,000 tonnes for ABS and supply of local production is less than 200,000 tonne in India so the rest are imported and you asked the question on the input and output of styrene so typically you would have 60% styrene in ABS about 95% styrene in polystyrene.
- Subrato Sarkar:** Okay Sir perfect and just have small information if you can share Sir. Is there any way we can track these prices from a common platform or anything? So if you want to share only then you can share?
- Sanjiv Vasudeva:** Most of the information is in the public domain you can just use the internet and go to internet and go to ICIS and then you can see raw material price there it is all in public.
- Subrato Sarkar:** Okay thanks a lot Sir.
- Moderator:** Thank you. The next question from the line of Ayush B, an Individual Investor. Please go ahead.
- Ayush B:** I just wanted to understand our Moxi plant has started in December what kind of capacity utilization is it operating at?
- Sanjiv Vasudeva:** As of now it is pretty well utilized.
- Ayush B:** Okay and what kind of topline is it expected to contribute full capacity?
- Sanjiv Vasudeva:** What kind of topline?

- Ayush B:** What kind of sales will it contribute to overall topline?
- Sanjiv Vasudeva:** Well Moxi 100 is 100 KT, so it can go up to 100 KT as a whole?
- Ayush B:** We added 35000 KT right?
- Sanjiv Vasudeva:** Yes, that is what Moxi 100 is about, so it is Moxi 100.
- Ayush B:** So 35000 tonnes capacity that we added so how much additional sales that can turn into?
- Sanjiv Vasudeva:** Typically you do not reach the whole 35 KT right, so there will be some changes, we can work to 80% or so right, 80% to 85%, you can assume 25 to 30 KT can be added. But the demand has to be there, there should be demand and hopefully once the demand is back the capacity will be even better utilized.
- Ayush B:** So that is what basically our volumes can grow 25% to 30% more from current levels if we have the capacity?
- Sanjiv Vasudeva:** Yes that is true.
- Ayush B:** Okay and secondly Sir we were also planning to do some HRG rubber capacity debottlenecking where we have faced some capacity constraint so what is the update on that?
- Sanjiv Vasudeva:** So we continue to work on those small tweaks to improve capacity very small incremental capacity and so that is ongoing effort that we have in our production site\_.
- Ayush B:** Okay and any other capacity expansion we have lined or planned?
- Sanjiv Vasudeva:** None as of now.
- Ayush B:** And lastly on the polystyrene business so the LG plant closures is it more of a temporary thing or it can become a permanent closure?
- Sanjiv Vasudeva:** We do not know; all we know as of now it is still closed and it has been nearly five months.
- Ayush B:** Okay Sir. Thank you.
- Moderator:** Thank you. We will take next question from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.
- Jayesh Gandhi:** This is just confirmation to earlier caller's question, you said that the market size of ABS in India 200 to 300000 tonnes is it?



- Sanjiv Vasudeva:** 250 to 300000 tonnes in a normal year.
- Jayesh Gandhi:** And supply from domestic players is 200,000 tonnes.
- Sanjiv Vasudeva:** It is a bit less than 200000 tonnes.
- Jayesh Gandhi:** Okay if it is possible for you, can you just give me competitive landscape, what is our market share what might be LG or Lotte or Bansali's market share.
- Sanjiv Vasudeva:** Well, I cannot disclose individual market shares, but we hold additional portion of market share, you are talking about ABS, right?
- Jayesh Gandhi:** ABS, right?
- Sanjiv Vasudeva:** ABS we have Ineos, Lotte and Bansali two local players, LG is not there and they do some compounding that is not big volumes so basically it is Bansali's capacity and our capacity.
- Jayesh Gandhi:** Are we more than 20% or something.
- Sanjiv Vasudeva:** Yes more than 20%.
- Jayesh Gandhi:** And purely ABS can you spell out any outlook for the next four to five years now since raw material part...
- Sanjiv Vasudeva:** ABS has been growing 8% to 10% because it is kind of market that is serves automotive, two wheelers appliances and all and all of us are consumer, last one or two years have been difficult for the country, but I expect four to five years coming back to 8% to 10% growth numbers for all the segment and may be very active in this segments and we should benefit, rest all depends o how the economy shapes up and all the initiatives that the government has taken.
- Jayesh Gandhi:** Further expansions plans if at all we are focusing on, would be on mainly ABS or it can be even on Styrene and polystyrene.
- Sanjiv Vasudeva:** Like I mentioned earlier specialty ABS over the last year have been profitable so obviously we are looking at that direction but of course we are open for all other options.
- Jayesh Gandhi:** And one last question Sir two years back and today has our market share, rose, stagnant or has it come down in ABS particularly?
- Sanjiv Vasudeva:** It has been pretty steady I would say steady to a bit high, because it all depends on how much imports coming and imports depends a lot and what happens in China, when the market is soft, you will see a lot import coming in and that truly defines the market share.

- Jayesh Gandhi:** I am talking about only domestically amongst the three to four players, domestically who dominants?
- Sanjiv Vasudeva:** Domestically we have been maintaining our share position.
- Jayesh Gandhi:** That is all from my side.
- Moderator:** Thank you. The next question is from the line of Rahul Jagwani from SKS Capital. Please go ahead.
- Rahul Jagwani:** On this LG polymer plant shut down, can you give us a sense on how big they have earned polystyrene market any broad sense?
- Sanjiv Vasudeva:** LG had a good decent share position above 25% in the market and they have a nameplate capacity of 110kt.
- Rahul Jagwani:** Actually on the polystyrene market is it some trading route or it is like they are not active?
- Sanjiv Vasudeva:** Polystyrene is one of the two main products that we sell on manufacturing side.
- Rahul Jagwani:** Okay on the import front on ABS and how the situation is there, because I think because of China policy, Chinese demand has been pretty strong. So has Inoss also been very strong in the country, what is your take on that?
- Sanjiv Vasudeva:** Like I said to the gentleman earlier, it depends on what happens in China. So it may be from quarter to quarter so you have some quarter, when you have a lot of imports, some quarter where you will have less imports, so it all depends on what happens in China and the rest of the Asia so difficult to predict, but the import will always be there till the time there is more domestic capacity added.
- Rahul Jagwani:** No, I mean I think China came up with a policy in May and I think that drove up ABS prices so are they sustaining or?
- Sanjiv Vasudeva:** They are where they are.
- Rahul Jagwani:** Can you help me with the current ABS prices, per kg or per ton.
- Sanjiv Vasudeva:** ABS prices are ranging between \$1800 to \$2000 again this is all information in public domain.
- Rahul Jagwani:** Okay thanks.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the floor Mr. Abhijaat Sinha for closing comments. Over to you Sir!

**Abhijaat Sinha:** Thank you everyone for showing your interest and attending this earnings call. We look forward to connecting with you during the next call post next quarterly results and thanks once again have a good day ahead and wishing you all a very Happy Diwali.

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