



“INEOS Styrolution India Limited
Q3 FY2022 Results Conference Call”

February 09, 2022



MANAGEMENT:

**MR. SANJIV VASUDEVA – MANAGING
DIRECTOR AND CHIEF EXECUTIVE OFFICER –
INEOS STYROLUTION INDIA LIMITED**

**MR. SANJEEV MADAN –DIRECTOR FINANCE
OFFICER – INEOS STYROLUTION INDIA
LIMITED**

**MR. ABHIJAAT SINHA –COMPANY SECRETARY
& HEAD LEGAL INDIA – INEOS STYROLUTION
INDIA LIMITED**

**MS. AMITA MISTRY - LITIGATION &
SECRETARIAL OFFICER - INEOS STYROLUTION
INDIA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2021-2022 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 and CEO, Mr. Sanjeev Madan, Director Finance; Ms. Amita Mistry, Litigation and Secretarial Officer; Mr. Abhijaat Sinha, Company Secretary and Head Legal India. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanjeev Madan. Thank you and over to you Sir!

Sanjeev Madan: Dear Shareholders, investors & analysts fraternity, we welcome you to this earning call. Your Company, INEOS Styrolution India Limited, has declared its results for third quarter and Nine month ended Dec 31, 2021 on 9th Feb, 2022. We will brief you about the major highlights of the performance.

Regarding quarterly performance,

Revenue (net of GST) from operations in current quarter is INR 51,191 Lakhs as compared to INR 48,483 Lacs in Oct-Dec 20. And INR 58,848 Lacs in previous quarter.

Profit Before Tax in current quarter stands at INR 7,343 Lakhs as compared to INR 13,526 Lakhs in Oct-Dec 20. And INR 12,061 Lacs in previous quarter.

Regarding year-to-date performance,

Revenue (net of GST) from operations stands at INR 155,511 Lakhs in YTD Dec 21 as compared to INR 99,494 Lacs in YTD Dec 20.

Profit Before Tax in YTD Dec 21 stands at INR 31,248 Lakhs as compared to profit of INR 15,962 Lakhs in YTD Dec 20.

Regarding quarterly Segment performance:**Specialties:**

Profit before Interest, tax and other unallocable expenditure stands at INR 5,645 Lacs in current quarter as compared to INR 8,961 Lacs in previous quarter.

PS:

Profit before Interest, tax and other unallocable expenditure is INR 1,843 Lacs in current quarter as compared to INR 2,999 Lacs in previous quarter.

In earlier years, the Company had incurred certain expenses aggregating to Rs. 2,820.34 lakhs (including applicable taxes) towards engineering studies and other directly and indirectly attributable costs for project expansion and included in capital work in progress as at 30th September 2021. In the current quarter, considering the existing available production capacity, business priorities and the continuing effects of COVID-19 pandemic the continuation of the said project is uncertain hence, the Company has written off capital work in progress of the said project and is included in other expenses

So this is all about clarification and details about our financials. We can go forward for the queries or any clarifications, which are needed.

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

Hemat Gupta: Thanks very much. Congratulations for this result. My question was like what part of raw materials of Ineos India are secured from Ineos Worldwide and is there any specific trend around that? Thank you.

Sanjiv Vasudeva: Thank you. Thanks for the question. We procure Acrylonitrile from Ineos Nitriles. It is one of the raw materials that we use, and we have another supplier for Acrylonitrile. We have multiple suppliers.

Hemat Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Lakshmi Narayan from ICICI Mutual Fund. Please go ahead.

- Lakshmi Narayan:** Thank you. A couple of things; one is just want to understand the demand supply scenario across the products right now and you know there was one of the players actually had to leave the market because of some accident earlier and subsequently, there are a lot of destruction in the value chain also. So can you just elaborate in terms of the broad outlook on the demand supply for India, there are some imports so that will be helpful?
- Sanjiv Vasudeva:** Are you talking about polystyrene only?
- Lakshmi Narayan:** Polystyrene to start with.
- Sanjiv Vasudeva:** Okay so polystyrene India has sufficient capacity. There are still some imports coming from Iran and from the rest of Asia but this is a relatively smaller quantity.
- Lakshmi Narayan:** Okay and what about ABS?
- Sanjiv Vasudeva:** ABS side- the demand is more than the capacity; hence we have a relatively larger imports coming from Asia and the Middle East.
- Lakshmi Narayan:** Can you just give me the approximate in terms of tons or how much is the demand or how is it growing and in particular what has happened in the last two, three years?
- Sanjiv Vasudeva:** Overall, it depends, which data we refer to, but based on the public data in public domain from CPMA, if I remember correctly about two years back ABS was about 270,000 tons, 270,000-280,000 tons and we do not have the 2021 file numbers, but 2020 because of COVID the demand dropped by nearly 25% or so, 25% to 30%, more like 220,000 tons. Last year again, maybe 5% to 10 kind of a growth, but we have seen a bit of higher imports into India in 2021. We expect ABS to kind of come back to a 10% growth levels from this year. So, that would basically mean getting back to the 270 - 280KT kind of a number. In terms of imports, the imports are to the tune of about 100,000 tons.
- Lakshmi Narayan:** In terms of our capacity, can you just talk a bit more about our capacity and because I think there are at some point in time, we actually having some kind of capacity either on compacting or something?
- Sanjiv Vasudeva:** About two years back, we added capacity in the compounding. Earlier, we had about 55 KT now we are about 100KT capacity to make ABS, finished goods. That expansion has already taken place. It got operational in December 2020. We did not utilize that capacity completely.
- Lakshmi Narayan:** The demand of 270,000 tons, so our cumulative capacity will be around 100,000 tons, I mean, what is the kind of total capacity we have and how do we plan to increase our capacity in ABS since the demand is higher domestically?

- Sanjiv Vasudeva:** Like I said we have about 100,000 tons and then we have to pick and choose which battles to fight. We need not go for every single kg because a lot of imports which comes are also lower which relatively do not have margins so we prefer not to participate in the complete overall volume. At the appropriate time we will look at the decision of adding new capacity. I think we are going through a COVID phase and we will see what is the appropriate time to add capacity going forward.
- Lakshmi Narayan:** Polystyrene demand was around 250,000 tons if I am not wrong?
- Sanjiv Vasudeva:** You are absolutely correct.
- Lakshmi Narayan:** How that actually panned out the last, I remember that it was down there on 25% how is it shaping up in terms of demand in the Polystyrene side?
- Sanjiv Vasudeva:** We again see an uptake in demand in polystyrene and not to the same extent as ABS I would say polystyrene would be more like a 5% kind of a growth that would be my assumption, but what we have seen quarter over quarter the demand is kind of coming back as COVID is receding.
- Lakshmi Narayan:** One of the players who had 70,000 tons going away right how that has actually benefited us.
- Sanjiv Vasudeva:** Surely our pricing power gets better because it balances the supply demand situation and you know overall, some of the OEMs that you have in India would always prefer a local supplier rather than banking on imports. So the local players not just us we have other local players as well do get an advantage over imports because for the OEMs they prefer local supplies.
- Lakshmi Narayan:** If I just look at your segment results it is down driven by where were the key reasons you attribute it to and how do you think where it will settle in terms of margins for the industry as well as for you?
- Sanjiv Vasudeva:** We are still having healthy margins and polystyrene in particularly in terms of segment we had a statutory shutdown which we had to take every five years, it was a prolonged shutdown and I think we have also put it in the investor presentation. We have to do it every five years. It is cleaning of all the styrene tanks and all I think that is the issue which happened with the competitor as well as you will know. So that was an important exercise because of which we also lost quite some volume, last quarter hence you see negative number for polystyrene versus specialty and directionally we think that polystyrene should be coming back going forward like I mentioned earlier.
- Lakshmi Narayan:** Now my question is that over the next three four years what kind of capital expenditure you intend to if any?

- Sanjiv Vasudeva:** As and when we make those decisions we will let the shareholders know. Thank you.
- Lakshmi Narayan:** My question is that you have almost rolled out on your capacity or you are still having room to grow there?
- Sanjiv Vasudeva:** We have sufficient capacity in polystyrene and we do have full capacity in ABS as well.
- Moderator:** Thank you. Ladies and gentlemen as there are no further questions I now hand the conference over to Mr. Abhijaat Sinha for closing comments. Over to you Sir!
- Abhijaat Sinha:** Thank you everybody for showing your interest in the company. We thank you for participating in the call and we look forward to seeing you in the next quarterly call, which will be somewhere around May 2022. Thank you so much. Bye-bye.
- Moderator:** Thank you. Ladies and gentlemen on behalf of INEOS Styrolution India Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.