



“INEOS Styrolution India Limited Q3 FY-21 Earnings
Conference Call”

February 11, 2021



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Moderator: Ladies and gentlemen, good day and welcome to the INEOS Styrolution India Limited Q3 FY21 Earnings Conference Call. As a reminder, all participants' 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 from INEOS Styrolution India Limited. 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, 2020 on 10th Feb, 2021. 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 48,483 Lakhs as compared to INR 33,968 Lacs in Oct-Dec 19. And INR 39,458 Lacs as in previous quarter.

Profit Before Tax in current quarter stands at INR 13,526 Lakhs as compared to loss of INR (4,376) Lakhs in Oct-Dec 19, however Loss Before Tax and Exceptional items it was INR (581) Lakhs. And profit before tax in previous quarter stands at INR 5,507 Lakhs.

Regarding year-to-date performance:

Revenue (net of GST) from operations stands at INR 99,494 Lakhs in YTD Dec 20 as compared to INR 122,000 Lacs in YTD Dec 19.

Profit Before Tax in YTD Dec 2020 stands at INR 15,962 Lakhs as compared to loss of INR (2,239) Lakhs in YTD Dec 19, however profit Before Tax and Exceptional items it was INR 1,557 Lakhs.

Regarding quarterly Segment performance:

Specialties:

Profit before Interest, tax and other unallocable expenditure stands at INR 10,402 Lacs in current quarter as compared to INR 3,529 Lacs in previous quarter.

PS:

Profit before Interest, tax and other unallocable expenditure is INR 3,348 Lacs in current quarter as compared to INR 2,154 Lacs in previous quarter.

The Company has elected to exercise the option permitted under section 115BAA of the Income-tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognized Provision for Current Tax for the nine months ended December 31,2020 and re-measured its Deferred Tax basis the rate prescribed in the said section. The full impact of this change has been recognized in the financial results for the quarter ended December 31, 2020.

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. We will now begin the question-and-answer session.

The first question is from the line of Rushabh Sharedalal from Pravin Ratilal Shares & Stocks. Please go ahead.

Rushabh Sharedalal: Just I had one question pertaining to the revenue growth and the profit growth. So we have seen a significant growth in the revenue as well as the profit. Just wanted to know that how much of it is actually sustainable in the quarters to come? If you can just throw some color or light on that?

Sanjiv Vasudeva: Yes, I am Sanjiv Vasudeva. I will take this question. So both revenue and the profits are related to what happens in the market in general. Styrenic is a global market both for ABS and for polystyrene and over the last one year the prices of ABS went up very dramatically.

How long it sustainable difficult to tell. And same we are seeing for the margins which have kind of improved a lot. Very difficult for us to predict how long this can sustain but for now the business is in a good shape.

Rushabh Sharedalal: Yes, but if you can just repeat yourself as to you said that this profit of revenue and profit came from somewhere but I just lost your line. So if you can just repeat that portion please?

Sanjiv Vasudeva: So the profit has come because of high margins. Margins is the difference between your selling price of ABS and the cost of the raw materials here. So those margins have improved significantly over the last one year and how long that is sustainable it is very difficult for us to forecast.

Moderator: Thank you. The next question is from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.

Vaibhav Badjatya: Sir, I have couple of questions. So one is that in our presentation we have reported polystyrene and specialties are the two different things. So in most of our specialties business is polystyrene used as a raw material or it is something else?

- Sanjiv Vasudeva:** Styrene is a basic raw material and polystyrene and ABS and SAN are the end products that we sell in the market.
- Vaibhav Badjatya:** Okay styrene is a basic raw material?
- Sanjiv Vasudeva:** Yes, styrene along with Acrylonitrile are used for ABS.
- Vaibhav Badjatya:** Okay so basically polystyrene is not used in any of the other specialties things like that?
- Sanjiv Vasudeva:** No, polystyrene is an end product in itself.
- Vaibhav Badjatya:** And sir, you have earlier said that prices of ABS have gone up dramatically in last one year or so. So can you just explain a bit actually what are the various driving factors of ABS and who are the other global players and there is shortage in some markets and that is why the ABS prices have gone up actually what is this driving this sharp run up in ABS prices if you can explain that?
- Sanjiv Vasudeva:** Yes, we are seeing a steep increase in prices of ABS post Covid globally predominantly driven by Asia and within Asia by China. So right from February-March 2020 onwards is when China kind of recovered and soon India in the second half of the year. The overall consumer goods market, automotive market in China picked very fast during the course of 2020 and of course for India in the second half of 2020 which has resulted in a very strong demand for ABS in China and which has influenced the overall prices not just in India but globally. It is also dependent on how much capacity is there verses the demand. The capacity addition will eventually be there for ABS but the existing demand supply has lead to high prices driven by China.
- Vaibhav Badjatya:** And as far as I understand most of our raw materials are linked to the oil prices. So do you think there are some on one side we have witnessed good pricing on our finished products, on the raw material because of some kind of may be a lag effect or something the prices on the raw material still subdued and that is why on the both sides we have been benefitted significantly, is it the case?
- Sanjiv Vasudeva:** Well, prices of some of the raw material like the ABS prices increased more dramatically than the prices of styrene. Styrene is one of the key raw material for us. Though the styrene prices doubled in the span of last one year but ABS prices went up nearly 2.5x so that has made a difference in the margins.
- Vaibhav Badjatya:** And sir, lastly, so in terms of the prices at which we sell our products so we have the contact with the customers which as far as I understand the contract provide for direct pass through of the fluctuations in the raw material prices. So can you explain a bit more as to what is the lag impact there and what period of like for example the current prices are based on raw material prices of the previous months or how does it work in terms of so that we can understand the lag effect if there is any in the short term numbers?

- Sanjiv Vasudeva:** So we do have contracts based on M-1, M-2 prices with the OEMs. The prices are based on the previous month's prices. So typically, it is M-1, M-2. In some places we also have quarterly prices with some of the OEMs and we have a blend of both contracted customers and spot customers.
- Vaibhav Badjatya:** And basically then what is the processing time in terms of from the time we procure the raw material to the delivery of finished goods, what is that duration is it less than a month or two or it is more than a month or two?
- Sanjiv Vasudeva:** No styrene manufactured in India so it is procured from other parts of Asia so there is a timeline associated with that of purchasing and the shipping time and receiving, etc. Then there is a processing time and then we also have lead times with our customers. So basically it will be a two months' time frame.
- Vaibhav Badjatya:** So basically it is two months' time frame then practically you have some match on the pricing of the finished products and the pricing of the raw material so is my understanding correct?
- Sanjiv Vasudeva:** So what is your question?
- Vaibhav Badjatya:** So basically I just wanted to understand that if sir, today if we are supplying to a customer at x prices so that x price is depended on the price of the raw material which was prevailing say two months earlier?
- Sanjiv Vasudeva:** Correct a month earlier or two months earlier. That is correct.
- Vaibhav Badjatya:** And given our processing cycle we are anyway must have procured the raw material one month or two months earlier so it is pretty much a match in terms of the price that is there in the contract and the price at which we actually acquire the raw material?
- Sanjiv Vasudeva:** That is correct but this is not true for all customers like we have a blend of contracted and non-contracted customers.
- Vaibhav Badjatya:** And for non-contracted customers the current pricing is what is working, right?
- Sanjiv Vasudeva:** That typically based on what the market prices are.
- Moderator:** Thank you. The next question is from the line of Dilip Meha from SunCity Advisors. Please go ahead.
- Dilip Mehta:** My first question is regarding the capacity of the company. Can you tell me what is the installed capacity and what is the capacity utilization for this quarter and the likely for the coming quarter? And is there any capacity expansion is going on when it will be completed and how much it will contribute to the sale?

- Sanjiv Vasudeva:** Well, our nameplate capacity for our Nandesari plants is about 27KT and our Moxi Plant has the capacity of 100 KT. And as and when we have plans for future investments we will let you know.
- Dilip Mehta:** So it is 128,000 tons per annum?
- Sanjiv Vasudeva:** That is correct.
- Dilip Mehta:** Is any of this capacity is used for the final product or it is a cumulative capacity?
- Sanjiv Vasudeva:** So the Moxi makes the final product while the Nandesari, rubber is the raw materials.
- Dilip Mehta:** And what is the capacity utilization currently going on?
- Sanjiv Vasudeva:** Well, typically you do not run the plant based on the nameplate so it is a factor lower than that. We do not generally disclose that number.
- Dilip Mehta:** But in general terms what you can define is?
- Sanjiv Vasudeva:** All I can say they are well utilized. Our assets are well utilized. We normally inform the shareholder on the nameplate capacity only and not utilization percentage.
- Dilip Mehta:** And what is the capacity expansion going on?
- Sanjiv Vasudeva:** If there any expansion plan we will inform the shareholders.
- Dilip Mehta:** No sir, in the last annual report there was some Rs. 100 crores CAPEX was shown, work in process. So is it not for the capacity expansion?
- Sanjiv Vasudeva:** It is those are to do the technical studies expansion.
- Dilip Mehta:** No, this Rs. 100 crores which you are talking about was related to Moxi which was?
- Sanjiv Vasudeva:** That is correct.
- Dilip Mehta:** Maintain already and it has already capitalized?
- Sanjiv Vasudeva:** That is correct.
- Dilip Mehta:** So that amount is included in this 128,000 tons?
- Sanjiv Vasudeva:** That is correct.

- Dilip Mehta:** The second thing is regarding the margins because INEOS being the market leader and pioneer of this product but your margins are less than the competitor. There is only one competitor in India known competitor Bhansali so in their Q3 results they have shown some 45% EBITDA margin whereas you guys have given a 30% margin. Can you explain why we are operating at a less margin?
- Sanjiv Vasudeva:** We have a good blend of both contracted and spot customers like I was mentioned earlier to one of the questions and obviously we do not disclose that ratio and apparently that ratio is different for the competitors.
- Moderator:** Thank you. The next question is from the line of Samir Rachh from Nippon India Mutual Fund. Please go ahead.
- Samir Rachh:** Sir, my questions are not related to quarter but broader question. So I just wanted to get some sense that how our parent looks at India as an opportunity? Our company has been around for many years and somehow I think its performance has been subpar so what are the reasons for that and is this something likely to change in future with they are taking some higher interest in the company? That is question number one.
- Sanjiv Vasudeva:** Well, all I can say that INEOS is looking at Asia as a region for investment. They announced investment of ABS plant in China and needless to say that India, China are two of the largest economies so India and the growth of India is surely on the radar scheme.
- Samir Rachh:** So can we expect some bigger things from them in years to come the way they have announced in India?
- Sanjiv Vasudeva:** That is something for the parent company to decide. I cannot make a comment on that. But all I can say is India is a growing market and with the results that we have and the business performance has to be a good sustainable business performance. Surely investment should follow.
- Samir Rachh:** And sir, if I look at our history of our performance and the way our competition has gone ahead of us despite they were being global leader, can you say something about the past performance? I am sure you are not responsible for that but when we look back and look at lost opportunity and I think we are still have a lot of room to cover the lost ground so what you feel about the overall opportunity in India and what are your plans to like recover the lost ground over the years?
- Sanjiv Vasudeva:** Well, like I said we have a very good blend of different markets. We are betting on some specifics segments based on our triple shift strategy. We believe that some of the segments will really play for us going forward automotive in particular. It is a specification segment so there are times when we have to put your efforts and have some years of patience and we have had less of profits in some of the years for various reasons.

There were times when we have had inventory losses because of the tough supply chain and dramatic fall in international prices. Then we had to take some exceptional item hits different reasons associated. Having said that we see the future to be bright. I think India has recovered well post Covid and with the government's focus on making manufacturing more predominant as part of the GDP in India so called Atmanirbhar Bharat and Make in India I expect overall market to improve and for us accordingly we should be able to grow our business profitably going forward.

Samir Rachh: And sir, third and last question from my side. I believe we have enough land at some of our sites for future expansions like is that understanding correct?

Sanjiv Vasudeva: Could you repeat your question?

Samir Rachh: So I believe we have enough land at some of our sites for future expansion so is that understanding correct?

Sanjiv Vasudeva: We have a piece of land in Dahej which is non-utilized.

Samir Rachh: That is the only surplus land?

Sanjiv Vasudeva: That is not the biggest issue. The biggest issue is the business profitability and the growth in India because land we can always purchase, right. If you want you can go Greenfield. So we do have surely have the land and it always helps with the whole expansion process but that is not our concern.

Moderator: Thank you. The next question is from the line of Raj Kumar from Green Portfolio. Please go ahead.

Raj Kumar: Sir, would you like to provide some light on what is the status of K-Resin product launches in India?

Sanjiv Vasudeva: So K-Resin has been launched in India and we sell few thousand tons of it already in India and we expect it to improve in the coming years.

Raj Kumar: How much it will contribute to revenue?

Sanjiv Vasudeva: It is less than 10% of the revenue that is what I can say.

Raj Kumar: So will it improve or it will be range bound?

Sanjiv Vasudeva: It is difficult for us to say. Our job is to grow all the different products that have K-Resin included.

- Raj Kumar:** Sir, I just want to know that how much toy manufacturing industry contribute to the revenue?
- Sanjiv Vasudeva:** Toy manufacturers are one of the customers for us and I do believe that manufacturing is an area of focus from the government which will surely help us as well.
- Raj Kumar:** So actually I just want to know automobile is greater component in the revenue so that is why I was asking that toy manufacturing will improve because in the earlier con calls you were asking about that it will improve?
- Sanjiv Vasudeva:** Yes, so automotive is still one of the biggest areas and much more structured. Toy manufacturing, we do sell into and also to some of them directly but that is an area which will improve going ahead but so will automotive, so will households, so will the electronic segment. So all segments are supposed to grow in India.
- Raj Kumar:** Sir, the next question is that the prices of the product are improving very fast so will this prices sustainable or the demand will come from more on the side?
- Sanjiv Vasudeva:** It is very difficult for me to predict how sustainable the prices are going forward but from our side the efforts are to maximize our margins and improve our profitability and price to the market.
- Moderator:** Thank you. The next question is from the line of Shivan Sarvaiya from JHP Securities. Please go ahead.
- Shivan Sarvaiya:** Couple of questions. Sir, one is the inventory gain for Q3. Could you just give some color on that?
- Sanjiv Vasudeva:** Sanjeev, can you take that question?
- Sanjeev Madan:** So for Q3 inventory gain I will not say very significant because in the last quarter we all know that the inventory was not very high in that perspective but yes, overall around I think Rs. 10 crores approximately you can say that.
- Shivan Sarvaiya:** So sir, going forward if these are normalized profits then we expect to maintain these gross margins over the next couple of quarters?
- Sanjiv Vasudeva:** Like I explained earlier it is very difficult for us to predict because the margins are depended on what happens with the raw material and prices of ABS, polystyrene which are driven by overall supply demand situation globally and in APAC as well. So it is very difficult for us to predict but like I said we are in a good position right now and we would like to maximize margin and keep improving our product mix and segment mix going forward.

- Shivan Sarvaiya:** Okay sir, and one other question was on the sourcing of raw material. Sir, you mentioned there are some container shortages which you have been experiencing so sir, if you could give some color on that?
- Sanjiv Vasudeva:** The container industries is between Korea, China in the whole APAC region predominantly driven by their shipping lines where we saw the prices of some of the containers going 4x, 5x the normal container cost and even if people were prepared to pay 4x, 5x higher the containers were not available. So there was a supply demand issue happening in the China, Korea belt. That has improved over the last two months and we expect the situation to get normalized in a month or so.
- Shivan Sarvaiya:** And sir, if you could since we face lot of issues in our raw material procurement, is the company looking at backward integration to manufacture the product within India, is that a possibility going forward?
- Sanjiv Vasudeva:** That is a very big step because the key raw material like I mentioned is styrene and for styrene the total demand in India is about 1 million tons and for a 1 million tons we will put a multibillion dollar plant which is a very, very big step. So as of now there are no such plans.
- Moderator:** Thank you. The next question is from the line of Anuj Jain from Globe Capital. Please go ahead.
- Anuj Jain:** I have broadly two questions. One is I just want to understand how is the demand scenario on ground which we have seen in the last quarter from October to December so how it is panning in the month of January and till now February? So how is the demand scenario on ground?
- Sanjiv Vasudeva:** We see the demand to be pretty good. It has been a V-shaped recovery last year across segments when we look at the automotive number, the household electronics number and in general the refrigerators sold, air-conditioner sold everything was up at 30%, 40%, 50%. Automotive were up nearly 35%, 40% in some cases. Now it has come down but still in double digit I would say. I just look at the SIAM data it is still double-digit number for two-wheelers based on the forecast I still believe the next three to six months should be pretty strong. None of us can predict what happens in India.
- Anuj Jain:** Yes, just normal business scenario.
- Sanjiv Vasudeva:** Yes, that is still sustainable.
- Anuj Jain:** And the other thing is I just want to understand on the inventory side. How you are managing I mean what are your plans on managing the inventory side because styrene and ABS sizes are on a pretty high levels. So how much inventory you are maintaining I mean what is the cycle you are maintaining?
- Sanjiv Vasudeva:** Well, we typically try to maintain a month's inventory.

- Anuj Jain:** One month is a normal scenario in the normal business scenario?
- Sanjiv Vasudeva:** Yes, you will have it at least a month. So there is always a bit of concern what if the prices decline correct? You seen it happen in the past at times the price suddenly drops for raw material and that is why some of the contracts come into play. When the market prices drop your contracted customers still value and respect the old prices based on your contracts based on the formula while the spot prices if I go to the market with the spot pricing I may not be able to realize the complete raw material costs.
- So our take on this is have a very balanced portfolio about contracted, non-contracted customers, number one. Number two, try to keep your inventory better and have a very accurate forecast planning from our sales team because inventory is in relation to what sales forecast you have and depending on the different raw materials. So those are the kind of levers that we use but the supply chain is such because styrene is not manufactured in India it is imported.
- Butadiene probably lesser because Butadiene now we are manufacturers in India. You have IOC, OPAL they make Butadiene so we can source locally. So there is no need to carry a month's inventory because you can source it within India but acrylonitrile , styrene, we are getting from other parts of Asia.
- Moderator:** Thank you. The next question is from the line of Ayush, individual investor. Please go ahead.
- Ayush:** So sir, what was our volume growth during the quarter?
- Sanjiv Vasudeva:** Versus?
- Ayush:** Year-on-year, versus quarter 3 of last year?
- Sanjiv Vasudeva:** We generally do not disclose volume numbers. I think we disclose the revenue numbers but it was double digit growth.
- Ayush:** And because new capacity I guess almost 30% capacity came in last year so at least on the volume side can we expect a double digit growth going ahead?
- Sanjiv Vasudeva:** We hope so.
- Ayush:** And sir, just wanted to understand so what was the ABS prices during quarter 3 and how have they moved in January and February?
- Sanjiv Vasudeva:** So ABS prices were more I think 2,300 kind of levels, 2,300 at peak and they are at around 2,000 levels right now. So it went up from 1,800 levels to 2,300 and they are at 2,000 levels right now.

- Ayush:** So actually I am talking about the spread not the prices because spread between our ABS and raw materials?
- Sanjiv Vasudeva:** Spread is also pretty healthy.
- Ayush:** So it has continued to be healthy in January and February?
- Sanjiv Vasudeva:** I cannot comment on February. January you can check the data on ICIS spread between ABS and styrene prices, the spread is healthy.
- Ayush:** And sir, on the LG chemicals has their plant restarted?
- Sanjay Vasudeva:** To the best of my knowledge they have not restarted.
- Ayush:** And lastly sir, what kind of capacities are coming in ABS over the next one year?
- Sanjay Vasudeva:** I do understand that there is at least 500,000 tons coming in China in the next one year.
- Moderator:** Thank you. The next question is from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.
- Vaibhav Badjatya:** What about the mix of contracted and non-contracted customers? So you also said that it is somewhat different than what the competitors have so is it like our mix towards non-contracted customers are higher than our competitor, is it the thing?
- Sanjiv Vasudeva:** All I can say is we have a mix of contracted and non-contracted customers.
- Vaibhav Badjatya:** But I think earlier you have indicated that the mix was higher but I missed those comments, so I just wanted to confirm?
- Sanjiv Vasudeva:** I think I have said that we have a good mix. And our mix are probably different than what the competition mix is.
- Vaibhav Badjatya:** And on the polystyrene there is this anti-dumping duty and on the top of it Ladies and gentlemen Chemicals, LG plant is not there so what is your current trends on the margins there in that segment? Is it here to stay or you are seeing some kind of new capacity coming in somewhere within India to put pressure on margins? What is your sense on that margin trend in that segment?
- Sanjiv Vasudeva:** So you are talking about antidumping duty for polystyrene?
- Vaibhav Badjatya:** Yes.

Sanjiv Vasudeva: That has not been implemented yet and there was a recommendation made by the DGTR to the Finance Ministry and eventually it has not happened. So that is something we are observing very carefully and also there were delays due to the Covid in this whole process.

So that is something that we expect should happen. LG Polymers like I mentioned to the best of my knowledge they have not started. So the supply demand scenario is healthy. I have read that Supreme in their annual report talked about adding new polystyrene capacity in a year or so. So that is the information we have here.

Moderator: Thank you. The next question is from the line of Kaustubh Datta, an individual investor. Please go ahead.

Kaustubh Datta: I have just two questions. One of course there were certain questions around capacity addition and my understanding is that you had commissioned a study couple of years back to evaluate it is sensible to go for a capacity expansion or not. I just wanted to understand what is the progress on that? Number one and number two, can you throw some color on exports, is that a strategy at all for the group or you are concentrating more on domestic?

Sanjiv Vasudeva: So from a study perspective, yes, we have done some studies. We have the kind of cost analysis of what is needed to make investments in India. The business has made no decisions yet on the investment plans because of Covid we had a very unprecedented kind of time where no one was sure what is going to happen with demand.

After Covid we are glad that things have improved for India and let us see if we can have good sustainable profitable growth. Not just for us but for all the segments in the country in general GDP growth. And as and when applicable the economics make sense. The company will consider the investment.

Kaustubh Datta: Okay and how long does it take what is the period of time you said it that if everything right on the capital expansion planned?

Sanjiv Vasudeva: It takes a couple of years. Like from taking decision. It takes couple of years.

Kaustubh Datta: And my next question was on exports. Can you throw some light on that?

Sanjiv Vasudeva: Yes, I do understand that among the product that we sell polystyrene is exported by one of the competitors. We do not have any plans to do our exports of polystyrene obviously because with LG their demand the Indian demand is pretty good. On the ABS side again India is short of ABS. 30% to 40% of India's demand is imported.

So there is no reason for India to export until and unless you get much, much higher prices than what you sell in India which is not the case because India prices are plus minus based on the global prices. So to answer you ABS we also do not have plans to export as of now.

- Kaustubh Datta:** Okay can you give me a rough sense of the market share if you could please at a high level? Your market share in the domestic market?
- Sanjiv Vasudeva:** Our market share would be higher than 30%.
- Moderator:** Thank you. The next question is from the line of Nitin Kapoor, an individual investor. Please go ahead.
- Nitin Kapoor:** Sir, I just wanted to confirm in the statement you have said we expect the ABS and the styrene market to get long sometime this year. So can you elaborate on this what can I infer from this?
- Sanjiv Vasudeva:** So today it is a sellers' market, very short where the prices are very high. We are not going to have these kind of margin in prices, sustained for a years to happens. Oil prices never stay at \$120 or never stay even at \$40, right. \$40 has become \$50 has become \$60.
- Nitin Kapoor:** The meaning is that get long. What is the infer from this to get long sometimes, long means normal or what?
- Sanjiv Vasudeva:** Long means the supply demand situation so it becomes more of a buyer market.
- Nitin Kapoor:** And secondly sir, just one more question. Sir, what is the scope of this you do not have any expansion plans and what I understand is that your capacity utilization is still quite high. So from where the future growth is expected in the company?
- Sanjiv Vasudeva:** Being a multinational company we do have our sister plants in other parts of APAC and in globally which can support the growth in India.
- Nitin Kapoor:** Sir, any fresh products you plan to introduce in India, sir?
- Sanjiv Vasudeva:** We do sell new products. Example healthcare air purifiers we sold materials which were used during this Covid times. So we keep identifying new areas predominantly on the healthcare side where we can specify some new products. Not all those new products are made in India yet we started imports and later we can always look at them as the market becomes bigger.
- Moderator:** Thank you. The next question is from the line of Shivaji Mehta from Nippon Mutual Fund. Please go ahead.
- Shivaji Mehta:** Sir, you mentioned that Supreme would also be adding now capacity as per their annual report and also LG once their capacity kind of comes back after sometime how do you really see the supply demand scenario shaping up in the next few years?

- Sanjiv Vasudeva:** So the two assumptions we are making is whatever Supreme has said they will do. And number two assumption is that LG will come back. If the both assumptions come true then we are talking of 80 KT to 100 KT coming from Supreme and another 70KT or so coming from LG.
- Then of course the supply will again become higher than the demand because the demand in India is around 250,000 tons for polystyrene. So the scenario will change but again these are assumptions. We will have to just wait and see what happens in the coming one year and then take it forward from there.
- Shivaji Mehta:** So also what will be the price difference between say the contracted customers and non-contracted customers?
- Sanjiv Vasudeva:** We do not disclose those information, sorry.
- Shivaji Mehta:** If you could also help, how would the end user industry be straight for us in terms of revenue is that something you could share?
- Sanjiv Vasudeva:** No, like I said the segments that we focus on are automotive, household electronics, toys and then emerging segment healthcare where we can get more high value products. Construction is another segment that we are focusing on and yes, we try to play in most of the segments. More so in some segments than the others. And I mentioned a few times automotive is key for us.
- Moderator:** Thank you. The next question is from the line of Ayush, an individual investor. Please go ahead.
- Ayush:** Actually coming back to my previous questions so I was asking you what kind of capacities are coming in and you mentioned some 5 lakhs tons is coming up in China, right?
- Sanjiv Vasudeva:** That is correct, ABS.
- Ayush:** For ABS so what kind is the average demand growth for the industry for the year and how much of the supply can be absorbed basically?
- Sanjiv Vasudeva:** The demand in India is more like 250,000 tons to 300,000 tons for ABS. And then you can take a double digit growth.
- Ayush:** No but I guess global demand supply will affect prices, right so I am talking about globally so with the 5 lakhs tons capacity?
- Sanjiv Vasudeva:** Good question. I would say about 30 million tons of ABS and I will have to check on that.
- Ayush:** So basically my question is are the capacities that are expected to come over the next one or two years can they be absorbed by the demand or it is significantly greater than the demand?

- Sanjiv Vasudeva:** No, lot of capacities are announced and which of them actually come through it is something to be seen. Generally there is a healthy balance between supply and demand and new capacities come every two, three years but the demand goes steadily, demand is more like a how do you say perpendicular like 45 degree angle while your working capacity comes in steps. There will be periods of turbulence. It is very difficult for us to predict but this works in cycles.
- Ayush:** And secondly, do we have any HRG rubber capacity in house or do we completely import it?
- Sanjiv Vasudeva:** No, that is what we have in **Nandesari** that is the HRG rubber.
- Ayush:** This 28,000 tons is HRG?
- Sanjiv Vasudeva:** Yes.
- Ayush:** And how much is so we have the final product EBS capacity of 1 lakhs so is the 28,000 tons capacity enough for catering to 1 lakh tons of EBS capacity or is more required?
- Sanjay Vasudeva:** Yes, it is.
- Ayush:** So we had also faced some issues on job work right like there was some job work issues which we had mentioned that once the new capacity in Moxi plants commences the job work issues will also lower down so has that played out accordingly?
- Sanjay Vasudeva:** Yes, that has happened.
- Moderator:** Thank you. The next question is from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.
- Vaibhav Badjatya:** Just a follow up on the earlier participant question. From the HRG rubber you have indicated that it is sufficient but in the credit rating reports have been clearly mentioned that there are some capacity constraints on HRG rubber at your end. So I am just trying to reconcile the two facts. Have you resolved it post December 2020 which is the date of the credit rating report or there is some misunderstanding there?
- Sanjiv Vasudeva:** So HRG we have the capacity of 28KT and I think one of the gentlemen asked like 100 based on based Moxi and typically use up to 25% to 30% HRG in the formulation. This is not rocket science you can Google it and you will find out how much numbers we are seeing. so from that theory we found that the reality is that if you want to grow further we short of HRG here.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over Mr. Abhijat Sinha for closing comments.

Abhijat Sinha: Thank you everybody for your interest in the company and attending the earnings call. We look forward to connecting with you during the next earnings call which happens probably in May. Thank you and have a nice day.

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