

21 February 2019

To,
BSE Limited
Dept. DSC_CRD
Phiroze Jeejeebhoy Towers,
Dalal Street
Bandra (E)
Mumbai 400 001
Stock code No. **506222**

National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, 'G' Block,
Bandra- Kurla Complex,
Bandra (E)
Mumbai 400 051
Stock code. **INEOSSTYRO**

Subject: Transcript of Earning's Call

Dear Sir,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the attached Transcript of the Earning's Call held on 14 February 2019 for the third quarter ended on 31 December 2018.

You are requested to kindly take the above information on your records.

Thanking you.

Yours Faithfully,

For **INEOS Styrolution India Limited**

Sanjiv Vasudeva

Sanjiv Vasudeva
Managing Director.





“INEOS Styrolution India Limited Earnings Conference
Call”

February 14, 2019



**MANAGEMENT: MR. SANJIV VASUDEVA - MANAGING DIRECTOR,
INEOS STYROLUTION INDIA LIMITED
MR. SANJEEV MADAN – DIRECTOR (FINANCE), INEOS
STYROLUTION INDIA LIMITED
MR. ADIL MARAWALA – MANAGER (CORPORATE
COMMUNICATIONS), INEOS STYROLUTION INDIA
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the INEOS Styrolution India Limited Earning Conference Call. We have with us on the call today Mr. Sanjiv Vasudeva – Managing Director, INEOS Styrolution India Limited, Mr. Sanjeev Madan – Director, Finance and Mr. Adil Marawala – Manager (Corporate Communications) from the management of INEOS Styrolution India Limited. 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sanjeev Madan – Director, Finance. Thank you and over to you, sir.

Sanjeev Madan: Good evening dear shareholders, investors and analyst fraternity, we welcome you to this earning call. Your company INEOS Styrolution India Limited had declared its result for third quarter and 9 months ended December 31st, 2018 on 12th February 2019.

We will brief you about the major highlights of the performance. Kindly note that the revenue from operations for the period up to June 30th, 2017 include excise duty which is discontinued effective from July 1st, 2017 upon implementation of GST in India.

In accordance with IndAS GST is not included in revenue from operations. In view of the aforesaid restructuring of indirect taxes, revenue from operations for 9 months ended December 31st, 2017 is not comparable with the 9 months ended December 18

Regarding quarterly performance, loss before tax in October to December 2018 stands at Rs. 3546 lakhs as compared to profit of Rs. 2283 lakhs in October to December 2017. Revenue NET of excise or GST from operations in current quarter is Rs. 44552 lakhs as compared to Rs. 45304 lakhs in October to December 2017. Loss before tax in October to December 2018 stands at Rs. 3546 lakhs as compared to profit Rs. 1073 lakhs in previous quarter. Revenue net of excise or GST from operations in current quarter stands at Rs. 44552 lakhs as compared to Rs. 56837 lakhs in previous quarter.

Regarding year to date performance, profit before tax in YTD December 18 stands at Rs. 186 lakhs as compared to Rs. 5273 lakhs in YTD December 2017. Revenue net of excise or GST from operations has increased to Rs. 160836 lakhs in YTD December 2018 as compared to Rs. 138483 lakhs in YTD December 2017.

However, on gross basis including excise duty revenue was Rs. 144017 lakhs.

Now coming to the segment results, specialty loss before interest tax and other unallocable expenditure stands at Rs. 1251 lakhs in current quarter as compared to profit of Rs. 2328 lakhs in July to September 2018 and YTD December 2018 stands at profit of 4506 lakhs vis-à-vis profit of 6605 lakhs in YTD December 2017. Polystyrene loss before interest and other unallocable expenditure is Rs. 2004 lakhs in current quarter as compared to loss of Rs. 670 lakhs

in July to September 2018. And YTD December 2018 stands at loss of Rs. 2733 lakhs vis-à-vis loss of Rs. 218 lakhs in YTD December 2017.

The company suffered inventory losses during the quarter with the sharp fall in the prices of styrene monomer being its main raw material, SM prices fell from high of USD 1450 per metric ton to USD 950 per metric ton.

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

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Mayur Mathani from ICICI Securities. Please go ahead.

Mayur Mathani: Sir I just wanted to have a view that how do we see the outlook going forward in terms of the volumes? Because that has happened is that in spite of we being optimistic or not to say its volume in the consumer durable volumes, we have not been able to have the increase in volumes as expected. In fact, there has been a decent decline in terms of the volumes. So I wanted to have a breakup on the ABS volumes how are they doing and polystyrene volumes. And second in terms of the inventory losses, how much inventory loss did we have in the current quarter.

Sanjiv Vasudeva: To answer your question on the outlook yes indeed, the expectation just before the Diwali time was that the sales will pick up not just in automotive, also in household and electronics. Unfortunately, the way the last quarter turned out, there was a big build up inventory especially in automotive and also due to some regulations specific to insurance which is needed which added to the cost for cars that was a deterrent for a lot of consumers to go for new vehicles. So that really affected the automotive segment. As far as household electronics it was something very similar. We expected the sales to be a good in the last quarter but post Diwali the decline was there. The outlook we see as of now, is that the automotive growth has kind of bottomed down. It has not come back to a double-digit growth yet. What we saw between October to December was a negative growth in automotive about 20% versus the previous quarter, so that decline has kind of stopped. So, having said that we are into an election year in India as you know, so that causes uncertainty also with what is going on between China and US in terms of the trade war. There is an uncertainty with Brexit. So there are too many parameters, so very difficult for me to say a specific outlook but things should be better than last quarter. That is our judgment.

Mayur Mathani: And in terms of the inventory losses?

Sanjiv Vasudeva: Yes, it was one of the key contributors for our losses and to be fair to our company, it was not just our company, but a lot of other companies incurred the loss. I was going through IOC's results and they are down 90% due to inventory losses, so are some of our competitors and some

of the other chemical players. So that has affected across the industry and we have been also victim of the same.

Mayur Mathani: So can you share the figure for the same because unless we know that figure it is getting difficult to analyze the numbers.

Sanjiv Vasudeva: Like I said it is a substantial portion, so you can draw your conclusion.

Mayur Mathani: Just one feedback because if you see all the companies in the industry, all the companies give the inventory losses data. Unless and until we have the data on the inventory losses it will be difficult for us analyst as well as the investors community to have the understanding about the numbers.

Sanjiv Vasudeva: To give you a feeler, about 40-50%, like I said a significant portion. And the rest is because of the demand and lower margins etc.

Mayur Mathani: How do you feel about the margins going forward because globally I believe that the margins have come off in the ABS and the polystyrene segment, so how are you seeing that in India specifically?

Sanjiv Vasudeva: These are very cyclical segments and market. We expect that the margins are bottomed down and you can also see with the raw material prices, for example styrene has bottomed down to about 900 level drop from 1400-1500 level within a span of 3 months drops it from the dollar. And it has gone back to 1100-1200 number and we see some margin expansion coming up but too early for us to comment on it but direction looks better.

Mayur Mathani: So can we maintain margins at probably last year's level in probably times to come like FY18 margins can we achieve in the next year, do you feel that?

Sanjiv Vasudeva: Margins go up and down based on the quarter.

Mayur Mathani: Yeah, on an annualized basis I am saying.

Sanjiv Vasudeva: We have no reason to believe that ABS margin going forward in the medium to long term will be squeezed forever but there is pressure and we are expecting the pressure to ease off in due courses.

Mayur Mathani: And just one last question, how much has the inventory degrown as compared to us as per our understanding?

Sanjiv Vasudeva: I did not understand your question.

Mayur Mathani: How much has industry degrown in the current quarter?

- Sanjiv Vasudeva:** Sorry, I got it now. So industry also degrew like if I recollect automotive figures in the October to December versus July to September, I think automotive was like 8.6 million units in July to September and dropped down to like 7.2 million units, 2-wheelers and 4-wheelers included, so 15-20% kind of a decline is what we saw. And we saw similar trend in our volumes, about a 15% decline versus the previous quarter.
- Moderator:** The next question is from the line of Viraj Mithani from Jupiter Finance. Please go ahead.
- Viraj Mithani:** I have just two questions. In your slide you mentioned about proximity to market, right, which is there. What does the slide indicate? The slide which you have shown, global deals and proximity to customer market, does it indicate that we are planning to do some export from here or that is why you have shown us this slide?
- Sanjiv Vasudeva:** So which specific slide are you talking about, the last slide?
- Viraj Mithani:** After investor evolution at glance and then global proximity to – slide #8.
- Sanjiv Vasudeva:** That slide is basically showing the global reach that we have in all geographies, that is the purpose of this slide.
- Viraj Mithani:** Next question is as I was reading about the China-US problems, lot of MNCs are shifting their base to India for export to China and other countries. Are we thinking same in those terms, like Cummins has recently done it?
- Sanjiv Vasudeva:** Well as we speak, we are also looking at China as region for expansion in new establishment as a company. Also, we are looking at India, as we have mentioned earlier we are already expanding our Moxi compounding. And we are in the final stages of engineering study for expansion of the rubber and SAN. So from our side we are looking at growth in India and in China. I do believe India could benefit from the US-China fall off, but a lot depends on the government policies and how quick we react to it and whether India can really make it happen as a country.
- Viraj Mithani:** Do you think the company is thinking on those grounds, may be not now in future like to have a base in India for the export to this country because our duty coming in US and China?
- Sanjiv Vasudeva:** No, we are predominantly looking at our capacity additions in India for India market.
- Viraj Mithani:** One more question, all these are imports which we import from our parent company are in dollar terms, not in rupee terms, right?
- Sanjiv Vasudeva:** Yes, all the imports are not from our parent company. The only portion is the rubber because we are short is from the parent company. Our imports are from other companies like Shell, Mitsubishi, Sabic etc.

- Viraj Mithani:** So whatever the imports from the parent are in dollar terms or are in rupee terms because a lot of MNC they give rupee term agreement to their subsidiaries in India to support them.
- Sanjiv Vasudeva:** Import from our parent company is a very small portion. Our parent company and for all other companies it is all in dollar terms.
- Moderator:** We will take the next question from the line of Abhishek Jain from Vallum Capital. Please go ahead.
- Abhishek Jain:** Sir just wanted to understand how much HRG is being imported currently into India?
- Sanjiv Vasudeva:** For our consumption?
- Abhishek Jain:** Both.
- Sanjiv Vasudeva:** Will have to look at the complete data but I think we import about 5000-6000 tons of HRG. And I think all-India would be about 10000 tons as well. This is data in public domain, you can get the import data and you can see it.
- Abhishek Jain:** Sure sir. And sir just wanted to understand, has our specialty or high-grade mix has been reduced this time by seeing the margin we are getting that sense. Is it like that?
- Sanjiv Vasudeva:** Could you repeat your question?
- Abhishek Jain:** Our value-added or high-grade mix has been reduced this time in the total revenue mix.
- Sanjiv Vasudeva:** No, not necessarily. I think it is just a demand which went down. Like I said automotive is where the high grade goes, and if automotive went down along with the other segments so proportionately everything went down. So it should come up as those segments grow.
- Abhishek Jain:** And sir our effective compounding capacity is 80K including Moxi and Nandesari or is it 110K?
- Sanjiv Vasudeva:** There is a difference between your nameplate capacity and actually what you can make.
- Abhishek Jain:** So name plate is 110 and actually it is 80?
- Sanjiv Vasudeva:** Yeah.
- Abhishek Jain:** So you mean to say that utilization level cannot go beyond 80K, right?
- Sanjiv Vasudeva:** No because you have grade changes, you go from one grade to another, you have change over time. You are scheduling of different multiple type of products, there are some minor

breakdowns, some planned shutdowns. So all those things you have to take into account when doing the planning.

Abhishek Jain: Sir what is the normal accrual time like of powers vis-à-vis the industry standard?

Sanjiv Vasudeva: Accrual time for our specification with our customer or?

Abhishek Jain: Yeah, right.

Sanjiv Vasudeva: It depends on the segment. Some segments like automotive, they go through more stringent specification process, so they keep coming up with new models every year, every 2 years. So much longer time, so you need to work on some of those specifications for sometimes for up to 2 years or 1 year. 2 wheelers may be a bit faster and household electronics probably also a bit faster. It is seasonal. Every season they come up with, so six months kind of a thing and there are other segments where you can have much-much shorter, right? So if you go to the pen industry or bangles and other kind of industries, toys, so that is a much faster specification time to the customer.

Abhishek Jain: Is it like that we are getting some sort of setback even if we are serving to the other countries with similar approvals, or we are serving in other countries with a similar approval time or you see some kind of difference in Indian matter?

Sanjiv Vasudeva: Auto industry takes similar time every place. The trend what we see in India in terms of specification is very similar to what you would see in China or Japan or Germany, so that is no different.

Abhishek Jain: And sir just wanted a clarification, our FOREX is 100% pass through?

Sanjeev Madan: Yes, it is 100% pass through but depending upon the contract agreement like with the OEMs, maybe somewhere it will be weekly or somewhere it will be fortnightly or monthly or quarterly depending on how the agreements is with the customer.

Abhishek Jain: And sir like in this quarter how are our credit receivable days? Was it different from the previous quarter because of some slowdown or something?

Sanjeev Madan: Not much, controlled.

Abhishek Jain: So you see a better position in quarter 4 from this situation as you are mentioning about the Styrene and this bottoming out of automotive segment. But how is the outlook on the household applying segment?

Sanjiv Vasudeva: This last quarter was a very-very tough quarter, it was a very unpredictable quarter with high volatility in the raw material prices. It truly affected our profitability and the demand was also

low across the industry. So we see the demand picking up and we also see the margins and the raw material prices improving.

Moderator: We take the next question from the line of Mayur Mathani from ICICI Securities. Please go ahead.

Mayur Mathani: Just one follow-up on the polystyrene segment, so how do we see the polystyrene segment going forward because we have been making a lot of losses and this being a cyclical business you have mentioned that there will be some improvement due to efficiencies. So it has not happened till now. So how do you see that segment?

Sanjiv Vasudeva: Well it was a tough segment for polystyrene last quarter as well as evident in our and the loss phase of our competition, as you may have seen. We expect this quarter to be better and as the utilizations grow, because no one else is adding any capacity in polystyrene. Both us and some of our competitors are adding capacity in specialty ABS, right? So as you can imagine the polystyrene demand is still growing at 4-5%. You can debate whether it is 4-5 or 2-3 but it is still growing. So we expect directionally the utilizations to improve and like I mentioned earlier the demand is also coming back. Also being an election year could be good for demand for some of these plastic packaging materials.

Moderator: Next question is from the line of Viraj Mathani from Jupiter Finance, please go ahead.

Viraj Mathani: Just one follow-up question. What is your market shares in different segment? Can you share the data?

Sanjiv Vasudeva: We do not give segmental share data but our share in the market is in the range of 30-40%.

Viraj Mathani: So we are the major right now in India, in terms of the market share. Is it fair to assume?

Sanjiv Vasudeva: I would say yes, we have a larger share than some of the other players.

Viraj Mathani: And is it fair to assume that the last quarter was a very chaotic quarter, in the days to come the things would be soothing out. Is there a sense you are getting it because last quarter is a lot of currency movement, rupee going haywire? Lot of things happened in the last three months.

Sanjiv Vasudeva: Yes, it was unprecedented unexpected the most volatile quarter I have seen in the last few years. And it was not just India, it was at a APAC level. Like we are a global company and we talk to our colleagues in China and other regions, so I mean something very similar happened across the board.

Moderator: Ladies and gentlemen as there are no further questions, I would now like to hand floor over to Mr. Adil Marawala for his closing comments. Over to you.

Adil Marawala: Thank you ladies and gentlemen for attending our conference call. We hope we have answered all your queries. You can look at our website for a transcript of the same. We wish you a nice day ahead. Thank you.

Moderator: Thank you very much ladies and gentlemen. On behalf of INEOS Styrolution India Limited we conclude today's conference. Thank you all for joining us. You may now disconnect your lines now.