



“INEOS Styrolution India Limited
Q4 FY2021 Results Conference Call”

May 20, 2021



MANAGEMENT:

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**MR. JIGAR SHAH - INEOS STYROLUTION INDIA
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Moderator: Ladies and gentlemen, good day and welcome to the Q4 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; Mr. Abhijaat Sinha, Company Secretary and Head Legal, India and Ms. Amita Mistry, Litigation and Secretarial Officer. 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: 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 year ended March 31, 2021, on May 19, 2021. We will brief you about the major highlights of the performance.

First regarding quarterly performance, revenue net of GST from operations in current quarter is Rs.63655 lakhs as compared to Rs.35900 lakhs in January to March 2020 and Rs.48483 lakhs as in previous quarter. Profit before tax in current quarter stands at Rs.21645 lakhs as compared to Rs.889 lakhs in January to March 20 and Rs.13526 lakhs in previous quarter.

Regarding year-to-date performance, revenue, net of GST from operations stands at Rs.163148 lakhs in FY2020-2021 as compared to Rs.157900 in previous year. Profit before tax and exceptional items in FY2020-2021 stands at Rs.37607 lakhs as compared to Rs.2446 lakhs in previous year; however, after inclusion of exceptional item loss before tax stands at Rs.1350 lakhs in FY2019-2020.

Now regarding quarterly segment performance; first specialties, profit before interest, tax and other unallocable expenditures stands at Rs.17656 lakhs in current quarter as compared to Rs.10402 lakhs in previous quarter and profit in FY2020-2021 stands at Rs.29153 lakhs as compared to Rs.2905 lakhs in previous year which excludes exceptional item of Rs.1525 lakhs.

Polystyrene profit before interest, tax and other unallocable expenditure is Rs.4330 lakhs in current quarter as compared to Rs.3348 lakhs in previous quarter and profit in FY2020-2021 stands at Rs.9414 lakhs as compared to loss of Rs.1830 lakhs in previous year which include the exceptional item of Rs.2270 lakhs.

During the quarter under review, the company operated all its operations at all locations at normal level. The second wave of COVID-19 has badly hit the country post March 2021 with lockdowns, restrictions on movement imposed by state government in the country due to second wave of COVID-19. The business of the company may get affected to some extent impact of the same is unknown, impact assessment of COVID-19; however, is the continuous process given the uncertainty associated with its nature and duration.

The company continues to monitor changes in economic condition, and it is prepared to take measure to safeguard its business operations. The company has elected to exercise the option permitted under Section 15BAA 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 year ended March 31, 2021 and remeasured 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.

This is all about clarification and details about our financial. Now we can go forward for the queries or any clarification which is further needed. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sudhir Beda from Right Time Consultancy. Please go ahead.

Sudhir Beda: Good afternoon and congratulations on exceptional set of numbers. My questions are on the one hand we are seeing the COVID impact and auto sales are down by 30%-35% as per the commentary of all automakers and on other hand raw material prices are going up, so how do you see your margin panning out in the current quarter as well as in the year ahead and spread also, how do you see your volumes growth in the current quarter as well as in for the year FY2022 and spread and the margin?

Sanjiv Vasudeva: Surely, we will see some impact on the volume as you know what is happening in automotive also and in general with economy in India, our company is not isolated from it, so we will see the impact to the extent the economy is down in all the segments, so that effect will be there for sure. In terms of margins, the raw material prices are still holding pretty well, and we still see healthy margins for now. It is very difficult for us to speculate and predict the margins six months down the road. All I can say is that as of now the margins are healthy.

Sudhir Beda: Any sustainable margin do you foresee in the current year?

Sanjiv Vasudeva: What we have seen is very unprecedented margins for the chemical industry in general, not just for Styrenics but for other polymers, in the chemical industry. In general we are seeing very high margins, so at some level of sustainability will be there. And most companies keep working on new products and applications to do a mix and we do the same, so we expect good margins to continue but would it be to this high level or something which is very difficult for us to comment on.

Sudhir Beda: Thank you Sir. Thank you for the opportunity.

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

Vaibhav Barjatia: Thanks for conducting the call to your team. Last quarter, you said that there was some 500-1000 capacity of ABS coming in China, so has that come or what is your estimate and when it is going

to come and any other capacity expansion that they are foreseeing any large capacity that is coming up for ABS which can significantly impact the demand?

Sanjiv Vasudeva: The announced capacity in for the coming two to three years or even more than that, or it is a couple of million tonnes, now how much of that actually happens is something to be seen. We continuously monitor the progress on any capacity which is in China because at the end of the day, India is the net importer, the good part for us is demand is there in India but initial capacity which will surely impact, so there is something that we keep monitoring and not all the announced capacities actually happen, so that is something we have to keep in mind, so wait and see game on the capacity going forward.

Vaibhav Barjatia: Anything new commissioning that you are estimating in three months to six months, or all of the capacities are given?

Sanjiv Vasudeva: Nothing we are expecting that will impact right away in the current three months to six months.

Vaibhav Barjatia: Okay, that is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Rushabh Sheredalal from Pravin Ratilal Share & Stock Broking. Please go ahead.

Rushabh Sheredalal: Thanks for the opportunity and congratulations. Just one question on the second wave, in May the country had seen big second wave, so what kind of impact has it had on sales and ultimately your margins? One more question pertaining to your investor presentation on slide 9 where you say that INEOS Styrolution acts as an exclusive distributor for INEOS ABS plant in Ohio, so how much of sales is generated from this particular thing and what kind of margins do we have in this transaction? Thanks.

Sanjiv Vasudeva: To answer your first question like I said earlier we do expect impacts on our volumes. As you would understand you know most of the sales of white goods, automotive and in general all kind of applications where plastics go not just our plastics from ABS but other plastics and other metals and all have got affected, my guess is as good as yours at least we are talking about 30 to 50 percentage of demand erosion, in the month of May, let us keep our fingers crossed for June and we see how it shapes up. So that is all I can comment on this right now. As far as your slide number eight or nine is concerned we do not sell any of the ABS from the plant in Addyston, Ohio those sales are predominantly done in America's only so that does not affect us at all.

Rushabh Sheredalal: Okay and one more question pertaining to if I see your total income in March 2020, it was roughly 360 Crores and of which the cost of material was 275 Crores, so your gross margin was pretty low during that time, so what led to this sudden upsurge in the gross margin front, if you can help me explain that?

Sanjiv Vasudeva: Basically your gross margin is nothing but the difference between the cost of your raw material and your selling price of your finished course. The key raw material for both for polystyrene and

styrene and one of the key materials in ABS is styrene yes itself so if you look at the prices of styrene they have not increased to that extent as much as the prices of ABS or polystyrene have increased and that is not just in India that has happened across Asia Pacific and globally as well. So that is the main reason for expansion in the margins for both our products.

Rushabh Sharedalal: But these sorts of ABS prices are expected to sustain in the coming quarters as well?

Sanjiv Vasudeva: Like I said earlier, it is very difficult for us to speculate and predict. ABS prices are at all-time high, nothing stays at high forever. How long it will last is something that we cannot speculate.

Rushabh Sharedalal: Thank you and all the best.

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

Rajesh: Congratulations for fantastic set of numbers. What was the capacity utilisation on last quarter and at what capacity are you working now?

Sanjiv Vasudeva: We do not disclose the numbers but we are at a high utilization rates last quarter and needless to say in the month of May because of COVID our utilization guides have reduced.

Rajesh: What is the capacity utilization we have up to?

Sanjiv Vasudeva: Our factories are partially working, so the utilizations are lower in line with the market demand.

Moderator: Thank you. The next question is from the line of Ankur Jain an individual investor. Please go ahead.

Ankur Jain: We are having around 20% gross margin generally on an average for last few years and this time there is last two quarters we have quite a big jump in the gross margin so just wanted to understand to make the margin a little steady do we have any hedging policy? That is my first query. Second query is I mean if the cost is so less right now and when we see that there is I mean in future again the pricing may change so should we not buy a lot of inventory and keep with us to which may help in coming quarters as well?

Sanjiv Vasudeva: Let me answer the first question. Basically the margins are something which are very difficult for us to predict as you said that the gross margins over the last few years is 20% and now they are much higher right they are driven by what happens with all the commodities globally correct, ABS, polystyrene, and all these are globally traded commodity products as well, along with other polymers like polypropylene, LDPE, , benzene etc., so very difficult for us to say because there is so many factors which affect these margins so that is something that we really cannot comment as to how long it is going to last and all and what would be your second question?

Ankur Jain: My second question was I mean considering as of now the inventory cost is very less so should we not add the inventory which may help in the quarter?

- Sanjiv Vasudeva:** We generally do not try to do trading of raw materials, and take these speculative bets and because it is difficult to time the market. you may get right once or twice as a trader but you know every time it may not work so we try to balance our inventories to the ideal levels as to what is needed based on the production numbers and forecasts from our customers and we generally would not try to do all these speculate buying, We have all seen what happened is with oil when it went into negative territory.. At \$20 or \$5 or \$3 people were saying that oil is at a great price to buy, and then it went negative so it is very difficult for us to predict these things so best is to be steady and follow the right technicals.
- Ankur Jain:** Okay, so just to add here I mean how much percentage of overall revenue would be of based on the periodical contract may be their rates will be fixed for six months or one year something like that or where it will be for each PO there is a different rate?
- Sanjiv Vasudeva:** We do not disclose all these percentages but we have a good balance. That is all I can say.
- Ankur Jain:** Thank you.
- Moderator:** Thank you. The next question is from the line of Aagam Shah from Raj Trading. Please go ahead.
- Aagam Shah:** Congrats on good set of numbers. I had two questions, on the Polystyrene business part, your competitor let us say based on in India is gone out of competition, so how is the scenario playing out there, is the plant coming up again?
- Sanjiv Vasudeva:** On LG side to our understanding is they have not restarted the plant yet. We do not know if they will be restarting the plant this year, we do not know that so then not being there of course the utilisation rates and our competitors utilisation rates had improved, and we did benefit from that.
- Aagam Shah:** Any such thing is happening on the ABS side or any plants globally getting shutdown or may be taking time to come up for anything on that side?
- Sanjiv Vasudeva:** These plant shutdowns and start ups keep happening across the globe and that is the continuous process and there are more than 50 supplier of ABS, so some of them do shutdown, some of them do not, so that really does not affect, it is only when very, very large amount of capacity which comes on stream is when we expect some impact prices
- Aagam Shah:** But do you see the Styrene stabling here for next three months to six months?
- Sanjiv Vasudeva:** It is very difficult for us to speculate on going forward numbers. Thank you.
- Aagam Shah:** Thank you. All the best.
- Moderator:** Thank you. The next question is from the line of Bhavesh Patel from Patel Investments. Please go ahead.

- Bhavesh Patel:** Good afternoon and first of all, thank you for the opportunity. Mr. Sanjiv and your entire leadership team, I do want to congratulate on a great set of numbers, and I do hope and pray you and your family are safe in this crazy times. Coming to the question with a duopoly play in India especially ABS are there any plans for increasing the scale of ABS because the demand is going to go up, we are still importing part of the capacity so are we looking at capacity expansion and if yes, any strategic direction on that side, please?
- Sanjiv Vasudeva:** Thank you Bhavesh for your kind comments and hope that you and your family are also keeping safe and doing well. On the expansion side as you know, India is a net importer of ABS, so the demand is there. As economics of ABS and the margins improve, and the company becomes more profitable for us or anyone else we should think of investments in the future. In our case as and when we have any such plans, we will communicate it to the shareholders.
- Bhavesh Patel:** Sure, and again I do understand business situations do vary and you and your leadership team does adapt to it but knowing that we are like literally 40% net importer of the overall India capacity maybe it makes sense and especially looking at the growth both in demand as well as economy having gone through very bad phase and I think that would be interesting to know but once again best wishes and congratulations again. Thank you.
- Moderator:** Thank you. The next question is from the line of Abhishek Jain, an individual investor. Please go ahead.
- Abhishek Jain:** First of all, congratulations on a great set of numbers. My question was as I understand that the key raw materials for us is styrene and the prominent product is ABS, so how sensitive is the spread to be moment in crude oil prices in general that is whether margins have a possible or negative correlation to be moment in crude oil prices?
- Sanjiv Vasudeva:** Typically, Styrene is tied with crude oil and benzene and as their prices goes up, Styrene will go up and logically if styrene goes up, ABS goes up, so normally that does happen, and it is constant correlation between all the raw materials.
- Abhishek Jain:** Assuming say 10% increase or decrease in a crude oil prices, how our margins get affected?
- Sanjiv Vasudeva:** So that is the point. The question is how linear is the correlation right between the two is it one on one that need not necessarily be true so the positive correlation is there generally they would go up together but you know would they go up at the same at the same extent is something which is difficult for anyone to predict because there are lots of factors which determine this. It depends on for that specific raw material or finished good, how much capacities are there, what is happening in the supply demand in one region versus the other, in one country versus the other, are there some the duties, which countries have laid on each other, US China or something that happens so I mean they are a very dynamic situation so it is not that straightforward right you cannot just clock high raw material and then draw a line and say this goes up this will expand by

so much you know not that simple but we do monitor you know what happens with the raw materials and we will price it accordingly.

Abhishek Jain: So we are we are saying that we have a situation wherein if the price goes up the end product pricing would also go up but at the same time our costs will also go up on the other hand if the price goes down we will have a decreased cost of production but we might also have inventory losses right?

Sanjiv Vasudeva: We are dealing with those kind of situations earlier because like I said directionally you are right most of these raw material will go up and down together directionally but it is not that straightforward.

Abhishek Jain: So, it is good actually is bad, so just one thing as a company what do you see if the ideal level of crude prices which would all be well for the company from the margins perspective?

Sanjiv Vasudeva: So we do not have any such a crude price in mind but \$50 to \$70 is a good number for crude to stay for the companies.

Abhishek Jain: Okay. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Anindita Das from SKS Capital. Please go ahead.

Amitabh Sonthalia: This is Amitabh Sonthalia actually. Just some my questions have been answered. I wanted to clarify from your presentation you made an outlook line and the outlooks which I wanted just to understand, just a quote, it says, we expect the ABS and Styrenics market to get long sometime this year, what does that mean, I am sorry I could not get it?

Sanjiv Vasudeva: Long means that the demand will become lower and as of now short means the supply situation is very tight

Amitabh Sonthalia: Okay, so basically right now there is supply squeeze due to supply chain disruptions globally, correct?

Sanjiv Vasudeva: Yes, part of it and also it has a buyer market.

Amitabh Sonthalia: So, by this you mean it will normalize sometime this year basically?

Sanjiv Vasudeva: We expect it because these kinds of margins how long they last, it is very difficult to predict, so yes that should get normalized some time.

Amitabh Sonthalia: Yes, so that is what I was just trying to understand very quickly what are the factors that have led to such a squeeze and global factors or local factors that has led to this mismatch demand supply mismatch in the short run which has benefitted us in such strong margins?

Sanjiv Vasudeva: China has played a very big role here. You know China plays a very big role in what has happened in the global economy and with materials and all and the demand which kind of got ramped up in China from March, April last year because China COVID recovery was faster. They fell into COVID earlier about, three months to six months earlier than some of the other countries and they recovered faster. So, I think that demand growth has helped with the raw material prices, because the demand– supply dynamics was in favour of the sellers. So, we hope that the demand in China continues to grow, but nothing keeps growing forever, so China may have been slowed a bit still China may still grow, still economy should be about 4% to 5% and for the economy of that size it maybe numbers there but may not be at 10% - 12% kind of a number which is China had a very steep recovery. So, that is a very, very big factor which affects the price of the raw materials.

Amitabh Sonthalia: But this is a standard commentary coming from lot of companies and that is what you said is absolutely true about China, but what is your sense from dealing with this and China macro data is as we know is all enigma, there is very little macro information available on China or like UK for country type of information is just through these pricing balances and demand side commentary that we get to know that China has been so strong last one year. So, what is the driving factor in China according to you which makes it so strong and sustainable, we are not talking about the COVID recovery here we are talking about sort of almost boom phase as if China is going 10% a year plus for the next couple of years and that is the kind of the message that we are getting from whether it is metals or whether it is your products. So, what is your sense, I mean what is going on here?

Sanjiv Vasudeva: Traditionally China has relied a lot on the exports, the Europe and America and other being the manufacturing facility for the whole world and over the last few years the government has also, again I am not an expert on China, but what I have seen is here they have also tried to balance their domestic consumption versus just the export-oriented country, and government has also given incentives, in fact during the COVID I do know the government had are given the incentives for people even up to 30% to go and buy new appliances. So, the government is very conscious about how they want to motivate people to go and spend. So, I think that balance they are trying to strike, I think especially also after the US – China trade war, over the last one year they have become more sensitive to focusing more on domestic economy, so I am not sure what percentage is ideal or suit it for them between both, but that is the change which we have observed over the last year versus what is happening the recent few years.

Amitabh Sonthalia: Right, so just quickly to wrap up, you had some delisting plans a year or two back which was then later withdrawn. So, could you just throw some light on what is the rationale behind that and about trying to de-listing and then of course rejecting the bids okay, is there something that can be revived in future, what are your thoughts on that if you are able to share something?

Abhijaat Sinha: I think the delisting was promoter decision at that point of time to attempt for delisting and the price at which the big game was not feasible for them, but we cannot comment on their ability to

or willingness to go for another offer again, so we will not be able to comment on that, we are not aware at least.

Amitabh Sonthalia: Sure, and any plans to return to super normal cash that you generated to investors in the form of special dividend or buyback?

Sanjiv Vasudeva: As and when we come out with these plans, we will keep you informed. We did declare a dividend higher than last few years. If there are further plans you will hear it from us, okay. Thank you.

Moderator: Thank you. The next question is from the line of Shivan Sarvaiya from JHP Securities. Please go ahead.

Shivan Sarvaiya: Good evening Sir. I had a couple of questions, so one is if you could just help me with the ABS prices in the quarter?

Sanjiv Vasudeva: These are all public domain information, the prices of ABS in the last three months had been around \$2300 if I am correct?

Shivan Sarvaiya: These are at the current level also at the same prices?

Sanjiv Vasudeva: At least last month the prices are on the current levels.

Shivan Sarvaiya: Sir, is there a situation because of the current lockdown situation in India where the realizations in India are much lower than what has been quoted globally, is that a situation of that sort?

Sanjiv Vasudeva: Not really, India follows more or less the global price, and it is not isolated from what happens with the pricing in other regions.

Shivan Sarvaiya: Is there any raw material supply chain issues that we are seeing from the Styrene point of view, any supply chain issues?

Sanjiv Vasudeva: Not this quarter we did see some disruptions in the supply chain last quarter. I am not sure when the Suez Canal was cleared right, but did happen about a month back or so, that is sorted out. So, we do not expect any major supply chain issues.

Shivan Sarvaiya: Okay, and Sir, there has been a reduction in the COVID cases in the country and a qualitative perspective would do Sir, what is your sense on the how the revival is going to be once things start getting normalized. Just a qualitative thought process, just a colour be good?

Sanjiv Vasudeva: My personal take is I do not expect the steep recovery which we saw last time, because this time around people are trying to conserve cash, as a lot of people have suffered because of the lack of healthcare infrastructure and they have been really left dependent even their family, so I think people will conserve cash prudently which can be around.

- Shivan Sarvaiya:** Any inventory gains that we had during this quarter?
- Sanjeev Madan:** Yes, we have gained some inventory this quarter. It is maybe around Rs.15 Crores – Rs.16 Crores.
- Shivan Sarvaiya:** That is it from me. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Anuj Jain from Globe Capital. Please go ahead.
- Anuj Jain:** Good afternoon everyone. Congratulations on the superb set of numbers and all of my questions have already been answered. Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment. Please go ahead.
- Aman Vij:** Good evening Sir. My first question is on the imports and first on the polystyrene side. So, could you talk about the reasons why the import has not increased in India? It used to be 10% as you had claimed in earlier calls. But given the opportunity, given LG is not in India there is no anti-dumping duty, so why has not import increased?
- Sanjiv Vasudeva:** The last quarter imports have increased in India in the last quarter specifically both for ABS and Propylene side.
- Aman Vij:** I did know that and last quarter you mean March quarter or December quarter?
- Sanjiv Vasudeva:** January, February and March.
- Aman Vij:** Okay, it has increased, so what will be current ratio around polystyrene and ABS both?
- Sanjiv Vasudeva:** Generally, we have around 40% for ABS, and for polystyrene the imports are relatively lower in the range of 15% or so.
- Aman Vij:** Polystyrene is 15% now?
- Sanjiv Vasudeva:** 15%, lower than?
- Aman Vij:** Okay, it used to be 10%, right?
- Sanjiv Vasudeva:** Yes, it increased over the last one year.
- Aman Vij:** On ABS import side, you had explained that the import increases if China demand is not there which thankfully last year at least the demand seems to be back. So, any rough numbers you have of what was China's demand pre-COVID, what it is now, just to understand how much is the growth?

- Sanjiv Vasudeva:** It is very difficult for me to answer this question, I am not an expert on China, but we do see that whenever China slows down the Korean export would shift little bit to India and some of that we are seeing, so we are seeing a bit more of that now versus six months back, so that is all I can comment.
- Aman Vij:** The final question on the spread part, when the spreads were low for us, we used to talk about \$400 is a good number for the industry. So, obviously the spreads are higher, but do you think maybe the spreads will settle at \$500 - \$600 versus coming back all the way down to \$200 - \$300?
- Sanjiv Vasudeva:** We cannot predict how and how fast these spreads are going to come down, all we can do is try to take our actions, right to keep the spreads as high as possible, by pricing in the market, by product mix by selling to the right customer, by commanding the right price and the value for a material etc., but your spreads historically have increased to these levels which are pretty high levels and to a relatively lower levels in the past. That eventually would happen. So, difficult for us to comment on it, but we continue work on trying to maintain healthier margins by doing product mix up and even trying to hold the prices. Thank you.
- Aman Vij:** I am just trying to understand is that new norm whenever it comes obviously these kind of margins long-term might not sustain, but is the norm will be above these say last ten years average spread, what is your view on that?
- Sanjiv Vasudeva:** Like I said, how long that lasts is something which is difficult for us to speculate. So, any kind of higher spreads whether it is in our materials or whether it is in any other product it is difficult to predict and maybe the typical businesses and in the if you just see and how things in the coming quarters.
- Aman Vij:** Thank you.
- Moderator:** Thank you. The next question is from the line of Nitin Kapoor and Individual Investor. Please go ahead.
- Nitin Kapoor:** Good afternoon, Sir. Sir, most of my questions has been answered. Just want to compare your December and March quarter, there is a sales growth of around 30% in this quarter, how much is due to volume rise and how much is due to the rise in prices, number one and number two what is the approximate ABS prices internationally and the prices in India, how do you compare with landed price? Thank you.
- Sanjiv Vasudeva:** To answer your first question, we generally do not disclose our volume numbers. That is all I can say, because of high prices revenue is the key driver number one and number two the prices in India are pretty much aligned with what happens with the ABS prices globally and they are around \$2300 - \$2400.
- Nitin Kapoor:** And this is the maximum they have touched in the last couple of years?

- Sanjiv Vasudeva:** That will be correct.
- Nitin Kapoor:** Thank you.
- Moderator:** Thank you. The next question is from the line of Paresh Shah from Noble Investments. Please go ahead.
- Paresh Shah:** Good evening Sir. Congratulations for fantastic sets of numbers. I have one question about asset turnover. I can see from the balance sheet in March 2019 we had fixed assets worth Rs.200 Crores which is now almost double and when we had assets worth Rs.200 Crores when we were doing turnover of Rs.2000 Crores, so asset turnover I could see is ten times versus the current price hike which is Rs.1600 Crores is the turnover, if I remove or make it at least equal basis March 2019 asset turnover is hardly four times, so what was the reason of that 100% increase in fixed asset? That is the first question. Secondly, by when do you feel that you will be able to go to the asset turnover of ten times which is to be the earlier trend and you rightly said that we are still importers for our products in India, many people are still importing, but why our asset turnover is not going up?
- Sanjeev Madan:** Asset turnover which you are looking at is, if you remember we have announced our capacity expansion in our compounding which we came up approximately capital investment with Rs.120 Crores, last year around December 2019. So primarily ratios related to fixed cost increased.
- Paresh Shah:** No, but Sir, my question is I think still not answered. March 2021 right now we have highest price, March 2019 prices were less, but still turnover was more, so that means output and production was more, our sales in quantity terms was more. Why as on today it is half of what it was two years back and what are your plans to increase that, physically what I am trying to ask is what action you are taking to go back to the ten times asset turnover ratio?
- Sanjeev Madan:** As you know, the whole world and India was under the COVID situation last year 2020, so first quarter was obviously the sales was down, you have seen our results as well. So overall volume definitely has gone down, so and we do not disclose what are the volume number as Mr. Vasudeva has already mentioned. Strategically Mr. Vasudeva has already explained we are working in the right direction to increase our sales volume with product mix and price mix.
- Paresh Shah:** So, is it safe to assume that if normalization happens after COVID again we will be going to asset turnover of ten times which was in past, because if COVID has impacted this, is it safe to assume ten times?
- Sanjiv Vasudeva:** It depends how the future volume growth can happen and how the prices will move on, so our revenue will change accordingly. So, in our industry the revenue and volume is bit different.
- Paresh Shah:** Because I thought it would be easy as you said that our country is still net importer for our products, and I am surprised that we have not yet reached ten times asset turnover, anyways let us see moving forward. Thank you.

- Moderator:** Thank you. The next question is from the line of Rajesh an Individual Investor. Please go ahead.
- Rajesh:** Sir, what is the capex requirement? Are you thinking of any capex this year?
- Sanjiv Vasudeva:** We keep doing our regular capex maintenance and we do not disclose those numbers in these calls.
- Rajesh:** What is our debt, do we disclose that? What is our net debt as of now?
- Sanjiv Vasudeva:** We are debt free as of now.
- Rajesh:** Okay.
- Moderator:** Thank you. The next question is from the line of Sufiyan Lakdawala from Lalkar Securities. Please go ahead.
- Sufiyan Lakdawala:** Thank you for the opportunity. How was demands that were in the Q4 and now how is it in Q1 for appliances. How is much the demand expected according to you for second wave in this time?
- Sanjeev Madan:** Sorry, Mr. Lakdawala I really cannot hear you, I think your question is something with demand in appliances in this quarter or something like that?
- Sufiyan Lakdawala:** So, I just wanted to know that how was the demand scenario from your lifeline base in Q4 and now in Q1 after the second wave how much it is impacted in the spread?
- Sanjiv Vasudeva:** As I mentioned earlier the demand in this quarter is affected in line with what you read in the papers, in the economy and the demand for automotive, appliances and in general, all kind of consumer goods equipments and packaging material, so obviously demand is much lower than earlier in the range of 30% to 50%.
- Sufiyan Lakdawala:** 30% to 50% you said?
- Sanjiv Vasudeva:** Again, depending what you read there if you look at the automotive data, the automotive is down to 30% as per the SIAM reports have been published. When you see the appliances some of the OEM have closed their factories as of now, so generally we expect a much lower demand than last quarter.
- Sufiyan Lakdawala:** So, you think then where can the pent-up demand in Q2?
- Sanjiv Vasudeva:** The demand should come back, maybe not as fast as what we did last year, but it should come back.
- Sufiyan Lakdawala:** Thank you.

Moderator: Thank you. The next question is from the line of Dipen Sheth from Crystal Investment. Please go ahead.

Dipen Sheth: Thanks for the opportunity. Actually, I had a couple of questions which kind of have been asked earlier, but I think it is worth raising issues again. One is that you are sitting on something like Rs.200 Crores net cash as we speak for what has clearly been a very, very fruitful after very fruitful year and whether you are going pay dividends, whether you are going to sit on this cash, whether you are going to reinvest it in the business, this is a very fundamental capital allocation decision and while you may not have made up the mind by now. I can only urge you to make up your mind as soon as possible and if there is any sense of what you are going to do with this money it will matter a lot for your minority shareholders. So, is there any sense as a management what would you want to do Mr. Vasudeva, I understand that there is 75% shareholders overseas, but as CEO what is your view on this?

Sanjiv Vasudeva: Like you said we have not made up our minds it is very difficult for us to comment on it and I cannot speak the mind of the 75% shareholders, right so I am not the right person to answer that question at this moment. Thank you.

Dipen Sheth: I am asking it from your opinion, okay Sir, you can hold it back for now but I can tell you that the pressure to take a decision is only going to increase here on. It looks like a solid business at a solid point of time the temptation to reinvest is high, but we cannot understand and figure out the cyclicity here whether this year's profit have been very, very fortune test or even half of these profits if they are sustainable then we are on to something really good. That is the sense and that is the only way you can create value if you reinvest in a business that is set on a different path from there across for the last few years, if indeed that is the case that is for you to judge. Okay, that is the first bit. The second bit is pertaining to the balance sheet observations that I have and I can see not only close to Rs.200 Crores of net cash on the balance sheet, but also more than significant bloat up in both current assets and current liabilities, so at a net level it maybe you might it nets out, but how do you explain creditors going up from a Rs.137 Crores to Rs.222 Crores that is likely Rs.85 Crores jump in a year for roughly a similar topline, I dare say at a lower volume, okay even if I was to go by rupee value that is not clearly understood and even on the current asset side inventories are actually comparable at Rs.268.5 Crores and Rs.290 Crores, but again receivables have jumped up drastically from Rs.172 Crores to Rs.306 Crores, it looks like you are funding your receivables with higher liabilities to creditors, who are these receivable from and who are the creditors who are willing to give you this kind of credit and what is the underlying business dynamics here which has led to this change?

Sanjeev Madan: First of all you are seeing the absolute numbers of our receivables which it definitely is understandable from the financials, but our DSO has not yet that increase in fact it has stabled for last couple of quarters, so we not funding anybody from that perspective. Since you have seen the prices have gone up, so probably that has resulted in larger number from that perspective the DSO very much under control. Last year there was definitely of demands lockdown impact was there in March 2020 that quarter, but not in this quarter.

- Dipen Sheth:** So, what about the creditors bit?
- Sanjeev Madan:** Creditors also that again you are looking for the absolute numbers, so the line as in line with the feedstock prices going up and down, so the creditors will go up and down accordingly, but our EPO is almost similar impact is much better as compared to the last year same numbers if you look at it, in fact much, much better than that.
- Dipen Sheth:** I guess I will have look at that and naturally with a comparable top line in both FY2020 and FY2021 and prices being much higher right now, volumes have fallen although you disclose volumes, right?
- Sanjeev Madan:** Correct.
- Dipen Shah:** And you disclose volumes even in your annual report, there is not point waiting?
- Sanjeev Madan:** Yes, no company or industry in India will give the volume into the annual report as per the guidelines.
- Dipen Shah:** Thanks.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint that was the last question. I now hand the conference over to Mr. Abhijaat Sinha, for closing comments. Over to you Sir!
- Abhijaat Sinha:** Thanks everybody for your interest in the company and attending this earnings call. We know due to time constraint we have not been able to probably answer a few questions from the investors who were in the queue. But we look forward to connecting with you during the next earnings call which will happen probably in August. Thank you and have a nice day.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of INEOS Styrolution India Limited that concludes this conference. We thank you all for joining us. You may now disconnect your lines.