



“INEOS Stryrolution India Limited Earnings
Conference Call”

June 26, 2020



**MAIN SPEAKER: MR. SANJIV VASUDEVA – MANAGING DIRECTOR,
INEOS STYROLUTION INDIA LIMITED
MR. SANJEEV MADAN – CHIEF FINANCIAL OFFICER,
INEOS STYROLUTION INDIA LIMITED
MR. ABHIJAAT SINHA – HEAD, LEGAL AND COMPANY
SECRETARY, INEOS STYROLUTION INDIA LIMITED
MR. MUNJAL PARIKH – HEAD OF BUSINESS PARTNER
INDIA AND SM ASIA, INEOS STYROLUTION INDIA
LIMITED
MS. AMITA MISTRY – COMPLIANCE OFFICER, INEOS
STYROLUTION INDIA LIMITED
MR. JIGAR SHAH – HEAD OF ACCOUNTING, INDIA,
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 Stryrolution India Limited Earnings Conference Call. We have with today Mr. Sanjiv Vasudeva – Managing Director, Mr. Sanjeev Madan – Chief Financial Officer, Mr. Abhijaat Sinha – Head, Legal and Company Secretary; Mr. Munjal Parikh – Head of Business Partner India and SM Asia; Ms. Amita Mistry – Compliance Officer; Mr. Jigar Shah – Head of Accounting, India; and Mr. Adil Marawala – Manager, Corporate Communications.

As a reminder, all participant lines will be in a listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanjeev Madan. Thank you and over to you, sir.

Sanjeev Madan: Dear Shareholders, investors & analysts fraternity, we welcome you to this earning call.

Your Company, INEOS Stryrolution India Limited, has declared its results for year ended Mar 31, 2020 on 25th Jun, 2020. 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 35,900 Lakhs as compared to INR 48,218 Lacs in Jan-Mar 19. And INR 33,968 Lacs as in previous quarter.

Profit Before Tax in current quarter stands at INR 889 Lakhs as compared to loss of INR 2,034 Lakhs in Jan-Mar 19.

Profit Before Tax in Jan-Mar 20 stands at INR 889 Lakhs as compared to loss of INR 4,376 Lakhs in previous quarter. However, after exclusion of exceptional items loss was INR 581 Lacks in previous quarter.

Regarding year-to-date performance,

Revenue (net of GST) from operations stands at INR 157,900 Lakhs in FY 2019-20 as compared to INR 209,053 Lacs in previous year.

Profit Before Tax and Exceptional items in FY 2019-20 stands at INR 2,446 Lakhs as compared to loss of INR 1,848 Lakhs in previous year. However, after inclusion of exceptional items loss before tax stands at INR 1,350 Lacks in FY 2019-20

Regarding quarterly Segment performance:

Specialties:

Profit before Interest, tax and other unallocable expenditure stands at INR 1,333 Lacs in current quarter as compared to loss of INR 891 Lacs in previous quarter (which includes Exceptional items of INR 1,525 Lakh). And Profit in FY 2019-20 stands at INR 2,905 Lakh (Which includes Exceptional items of INR 1,525 Lakh) as compared to INR 2,840 Lakh in previous year.

PS:

Profit before Interest, tax and other unallocable expenditure is INR 647 Lacs in current quarter as compared to loss of INR 2,968 Lacs in previous quarter (which includes Exceptional items of INR 2,270 Lakh). And Loss in FY 2019-20 stands at INR 1830 Lakh (which includes Exceptional items of INR 2,270 Lakh) as compared to INR 2,639 Lakh in previous year.

The Company has adopted modified retrospective approach as per para C8 (c) (ii) of Ind AS 116 – Leases, effective from April 1, 2019. Accordingly, comparatives of the year ended March 31, 2019 (including quarter ended March 31, 2019) have not been retrospectively adjusted. On the initial date of application, the Company has recognised right of use of assets (an amount equal to the lease liability, adjusted by prepaid lease rent) as at April 1, 2019. In the financial results for the current quarter/year, operating lease expenses has changed from rent (included in Other expenses) to depreciation cost for the right of use assets and finance cost for interest accrued on lease liability.

Consequent to the nationwide lockdown announced by the Government of India, the Company's plants and offices were shut down from March 23, 2020 onwards. Since the gradual easing of the lockdown from May'2020 onwards, and in line with the various directives of the Government, the Company's plants have commenced operations in a phased manner, in line with the market demand. The COVID-19 crisis has caused significant disturbance and slowdown of economic activity. The Company's Management has done an assessment of the situation, including the liquidity position and the recoverability and carrying value of all its assets and liabilities as at March 31, 2020, and concluded that there are no material adjustments required in the financial statements as of March 31, 2020. However, the impact assessment of COVID-19 is a continuing process given the uncertainty associated with its nature and duration. The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these financial statements. The Company will continue to monitor any material changes as the situation evolves.

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 Amit Thawani from Zenith Capital. Please go ahead.
- Amit Thawani:** During the March quarter, we saw that there was some disruption in China as far as supply chain goes. And I think they were more badly affected then we are in the June quarter, as far as their supply chain goes. So in fact, a lot of areas in Wuhan and all were completely under lockdown. So was it that their supply was affected so we got the advantage of their supply getting disrupted? Is that where we got a certain advantage in the March quarter?
- Sanjiv Vasudeva:** Your definition of March quarter is from April onwards or in the month of March?
- Amit Thawani:** March quarter is January, February, March.
- Sanjiv Vasudeva:** No, not really. I mean, we didn't see a lot of benefit because of the disruptions in supply chain or the situation of COVID in China, which happened more so in January, February timeframe, we didn't see in the January to March quarter any major advantage because of the issues in China.
- Amit Thawani:** Okay. So, the competition was able to supply their material in India quite comfortably, is what you are saying?
- Sanjiv Vasudeva:** I did not catch you 100%, your voice was cracking.
- Amit Thawani:** So our competition, the Chinese competition was able to supply into the Indian market quite easily?
- Sanjiv Vasudeva:** Well, the products that we deal, with both ABS and polystyrene, there are as such not many imports from China. It is predominantly from Korea or from the Middle East.
- Amit Thawani:** Okay. And so our benefit we got on the margin front, is that purely because of oil price decline?
- Sanjiv Vasudeva:** Yes. The delta margin improved not just for us, but across the industry, in Asia and globally. So that helped. And we look oil to be more or less steady at around \$40 going forward.
- Amit Thawani:** So are these are these margins sustainable at \$40 oil?
- Sanjiv Vasudeva:** For a foreseeable future, it looks like. But these are very cyclical markets, so every quarter things can change.
- Amit Thawani:** That's correct. And we have seen because of the complex situation at the border with China, but you are saying that we don't compete with China on imports at all, so that part doesn't impact the China situation on the border?
- Sanjiv Vasudeva:** That's correct.

- Amit Thawani:** Okay. And are our plants completely back to normal what they were pre COVID, are they functioning at the same rate right now?
- Sanjiv Vasudeva:** The plants as of now are not at the pre COVID rate, because the market demand has not picked up 100% and it is not back to normal. Surely we are having decent capacity utilization, more than 50% capacity utilizations now.
- Amit Thawani:** Okay. And as you as you mentioned that margins in this industry are cyclical, you think we have reached the trough for the margins is over, can you call it the bottom as far as the trough in the margins goes?
- Sanjiv Vasudeva:** Difficult for me to speculate ~~yet~~ on this.
- Amit Thawani:** But if you were to give a more sustainable margin number going forward. A long-term numbers, I am not really asking for next quarter or something like that.
- Sanjiv Vasudeva:** I think long-term typically, you would see a \$400 margins in ABS, and about 150 to 200 kind of margins in polystyrene. But that's the average over a span of last 10 years in Asia, that is what we have seen.
- Amit Thawani:** And as far as capacity building, with the demand supply kind of scenario in the industry, do you think are we seeing a phase where not many people are looking to add capacity as far as Asia goes, because of really weak margins? So are we seeing that play out, the capital cycle theory, are we seeing that play out that not much capacity is getting added?
- Sanjiv Vasudeva:** Well, in ABS the capacity is getting added, in polystyrene there is not much capacity being added in Asia as well. And as far as we are concerned, we just added ~~over~~ compounding capacity which got operational in December last year. We went from 65 kt to 100 kt at our Moxie plant, and we shut down 10 kt of the old assets at Nandesari.. So from that perspective, our capacity is good enough to cater to the Indian demand as of now.
- Amit Thawani:** Okay. And you said that in polystyrene you are still seeing capacity additions for the industry?
- Sanjiv Vasudeva:** We are not seeing.
- Amit Thawani:** But in ABS we are seeing?
- Sanjiv Vasudeva:** ABS in Asia we are seeing, right, in China we have companies adding capacity.
- Amit Thawani:** Why would that be the case even though the margins are so weak?
- Sanjiv Vasudeva:** Well, the margins, I think you misheard, the margins in the last few months have been pretty good. And historically, the margin of abs are \$400, like I said.

- Moderator:** Thank you. The next question is from the line of Amit Thawani from Zenith Capital. Please go ahead.
- Amit Thawani:** Sir, thank you for taking another question of mine. Sir, can you please update us as to what is happening on the delisting front?
- Abhijaat Sinha:** So, after the shareholders' approval, the promoters will give a go ahead for filing the application. I think we were waiting, because of the COVID it has got delayed much longer than we had anticipated. So I think once these things relax, and the agencies are back on track, I think there could be some. So we are still awaiting internal clearance from the promoter to make an application to the stock exchanges. That's where we are.
- Amit Thawani:** So we still don't have exchange approval, am I right when I say that?
- Abhijaat Sinha:** We have not applied for it yet. It got delayed because of the COVID thing. So since February, March there has been no movement there.
- Amit Thawani:** Okay. And what about SEBI approval? Or will that come after the exchange?
- Abhijaat Sinha:** There is no SEBI approval involved here. It's only to the stock.
- Amit Thawani:** Okay. So once the COVID situation settles, then we will apply for exchange approval?
- Abhijaat Sinha:** Correct. And anyway, you will have to look out for the public announcement, and also it will be once we apply in the approval comes through, you will see it in the public announcement and the shareholders will get all the necessary details.
- Amit Thawani:** Correct. But, I mean, I am just thinking, are we running out of time, because I think our shareholder approval date is 1st of October. So, I think we have a one year timeframe within which we need to launch the offer, right?
- Abhijaat Sinha:** That's correct. I know we are a little light on those segments, but yes, once we know it will all be in the public domain, right, so whenever it happens.
- Amit Thawani:** Right. So, this one year is what, is it one year from the date of you launching the reverse book building? Is it one year from the date coming out with a public announcement, what is that one year?
- Abhijaat Sinha:** The one year is for completing the process, including the reverse book building and the buy out.
- Amit Thawani:** Okay, including the payment to the shareholder. Okay.
- Abhijaat Sinha:** Yes.

- Moderator:** Thank you. The next question is from the line of Kushal Borlikar, an individual investor. Please go ahead.
- Kushal Borlikar:** Could you please take us through your projection for your end user segments, the industries to which you cater to post COVID over the next three to six months? And the related margin that you expect in your various product lines?
- Sanjiv Vasudeva:** So, as you know, we cater to automotive, household electronics and we have small appliances, packaging. In automotive, we see a healthy recovery in two wheelers versus the four wheelers. I would say they are back to at least 50% to 70% kind of capacity utilization. As far as four wheelers are concerned, they are still below 50% utilization. And I think for the foreseeable couple of months it is going to stay that way. Household electronics, we see the capacity utilization over 50% and should get better with each passing month. Same goes for some of the other segments like packaging. In terms of margins, like I mentioned earlier, we are enjoying healthy margins across the industry for both ABS and polystyrene, not just in India but at the APAC level. And for the foreseeable few months, we expect it to be healthy. But you never know, these are very cyclical markets, it can change within a month or two. So it's very difficult for us to predict the margin. But as of now, things are looking better for India coming out of the COVID with each passing day.
- Kushal Borlikar:** Okay. Just a small follow-up question, given the volatility in the raw material prices that we have seen over the last three, four months or so, have you gone about any hedging or taken a call on procurement amid this volatility? Or is it just business as usual as you were used to?
- Sanjiv Vasudeva:** Yes, we do not speculate and try to do so called trading of some of the raw materials. We make our plans based on the demand that we have, and then procure our raw material accordingly to manage our inventory levels.
- Moderator:** Thank you. Next question is from line of Kushal Borlikar, an individual investor. Please go ahead.
- Kushal Borlikar:** A small follow-up on the earlier participant's question with regard to the delisting. When you do go for promoter clearance and with further updates in the public domain, will the original floor price and cap which was mentioned in the delisting approval hold or will it change?
- Abhijaat Sinha:** Nothing changes to whatever was announced.
- Kushal Borlikar:** The original approval was for a floor price of Rs. 419 and a cap of Rs. 480. So just trying to understand the formalities.
- Abhijaat Sinha:** No, that was not the cap. So that was a suggested price. So there's no cap, the cap is determined by the shareholders once they start bidding the reverse book building.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Abhijaat Sinha for closing comments.

Abhijaat Sinha: Thanks, everybody for joining the call. And thanks for showing interest in the company. And we will see you and answer your further queries in the next investor call. Thanks and have a nice day. Thank you.

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