



“Styrenix Performance Materials Limited  
Q2 FY 2023-24 Conference Call”

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**MANAGEMENT: MR. RAHUL AGRAWAL – MANAGING DIRECTOR –  
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LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Styrenix Performance Materials Limited Conference Call. We have with us today from the management of Styrenix Performance Materials Limited Mr. Rahul Agrawal, Managing Director; Mr. Munjal Parekh, Head of Accounting and Reporting; and Mr. Abhijaat Sinha, Head Legal and Company Secretary.

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, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Munjal Parekh. Thank you, and over to you, Mr. Parekh.

**Munjal Parekh:** Thank you. Dear all, good afternoon. We welcome you to this Earnings Call. The company Styrenix Performance Materials Limited has declared its results for the quarter and half year ended September 30, 2023 on October 20, 2023. Our quarterly performance July to September '23 versus April to June '23, the operational revenue for the quarter is INR595 crores versus INR543 crores. EBITDA is INR86 crores versus INR53 crores and margin stands at 14.4% versus 9.7%. The net profit before tax is INR76 crores versus INR43 crores and the margin is 12.8% versus 7.9%. Profit has improved over the previous quarter due to higher sales and effective cost management.

About half-yearly performance April to September '23 versus '22. The operational revenue for the half year April to September is INR1,138 crores versus INR1,199 crores. EBITDA is INR139 crores versus INR170 crores and margin stands at 12.2% versus 14%. The profit before tax is INR119 crores versus INR148 crores and margin is 10.5% versus 12.3%. These are brief details about the financials. And now we can take your queries. Thanks.

**Moderator:** Thank you very much. The first question is from the line of Nirali Gopani from Unique PMS. Please go ahead.

**Nirali Gopani:** Yes. Hi, thank you for the opportunity and congratulations on a very good results and announcing the new growth capex also. Sir, my first question is that in your presentation, you have given a capacity numbers till FY '28, which roughly indicates a growth in capacity of about 25%. Sir, my question is can we do a similar level of growth on the revenue side also?

**Rahul Agrawal:** Thanks, Nirali. This is Rahul Agrawal. Thanks for your question. So essentially, the pricing of the products will determine the revenue, what we have given our volume numbers. The pricing of the products typically tracks in along with the raw material pricing and the market pricing of the products at that time. But if one was to consider current pricing as normalized basis, you -- taking that assumption, yes, the revenue would also increase in the similar manner, the capacity would increase.

**Nirali Gopani:** Okay. Perfect. And Rahul you had also guided for a target EBITDA margin of 15%, and we are very pleased with that number when you see this quarter's result. So were we conservative when we said 15%?

**Rahul Agrawal:** I have never given any indication of target EBITDA margins of 15%. However, I have mentioned earlier as well in all my calls that we need to come to a normalized basis for EBITDA margins, which is achievable in the company using measures such as better capacity utilization, and having a better product mix, improving cost efficiencies wherever possible. And we are doing all that we possibly can and there is still work continuously going on to improve on that front.

**Nirali Gopani:** Okay. And lastly, Rahul also currently we have a gross loss of about INR530 crores and we do a revenue of about INR2,300 crores on an annual basis. So when we say a capex of INR650 crores, what kind of asset turn should be assumed?

**Rahul Agrawal:** So if you're assuming -- the assumptions being that you will be able to kind of -- with a similar pricing as an assumption and keeping revenue 3x, I think we can calculate the asset turn based on the additional revenue that would be generated from that capex.

**Moderator:** Thank you. The next question is from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.

**Jayesh Gandhi:** Congratulations on good set of numbers, sir. Sir, my question is regarding -- can you throw some light on the industry growth? I mean, I'm seeing at all your competitors' announcing capexes, most of them are running at 100% capacities. Any competitive landscape? And all the more, when you are saying that you are increasing your -- I mean, enhancing your capex, it is more towards specialty? And if yes, then can we think that in future -- currently material cost is closer to like 80%, 85% of our sales. Can we gravitate it downwards towards 60% or 70%? I mean, can we increase our EBITDA margin in that case?

**Rahul Agrawal:** Is that all Mr. Gandhi?

**Jayesh Gandhi:** Yes. That's all.

**Rahul Agrawal:** Okay. With regards to competitive landscape, there is the sectors that we currently sell our products into, include automotive, household, consumer durables, electronics, medical devices, toys, stationary and many sectors, many other sectors as well. All the sectors have a fairly robust growth and the outlook for the next three years to five years is also fairly robust growth.

Currently, if we break up the polystyrene as well as ABS market, the ABS market is between 2.5 lakh tons and about 1.5 lakh tons thus far has been serviced by the local incumbents. Assuming a 7% to 9% kind of a growth rate is what we are assuming based on the growth rate of the target industries, which information has been provided to us, we believe that there will be ample opportunity for us to participate with the added capacities as those additional capacities come online and enough opportunity for us to still remain at fairly fully utilized kind of capacity levels once those capacities are adding on.

Polystyrene also, similarly, we have announced capacity augmentation from where we are at. And there also there is current imports which are happening. And we believe, again, with the downstream growth in the segments where we participate, we assume that we shall be able to have kind of fully utilized capacities in that case as well.

As far as your question on material cost is concerned, I think material cost is around -- yes, around 73%, 74%. It's not at 85% but it's around those numbers. We assume that currently this is the normalized situation. There will be, of course, an effort to improve the product mix, thereby reducing your material cost as a percentage of sale value. However, that will be a gradual process, and I cannot comment whether that would come down to a level of 65% as of now.

**Jayesh Gandhi:** Okay. And sir, while I was looking at two of your competitors who are increasing the capacity, looks like by next three year, four years to five years probably we will reach at around 6 lakh tons per annum production in India itself. And you are just saying that from 2,70,000 to 7% annually, we will grow at what, in next four years only 4 lakh tons of demand? So in that case, will there not be glut?

**Rahul Agrawal:** Can you please explain the breakup of the 6 lakh tons?

**Jayesh Gandhi:** Sir, Styrenix is looking at from 85,000 to 2,10,000.

**Rahul Agrawal:** Right.

**Jayesh Gandhi:** Supreme is looking at 1,40,000.

**Rahul Agrawal:** Okay.

**Jayesh Gandhi:** Bhansali yesterday announced from 75,000 to 1,45,000.

**Rahul Agrawal:** Okay.

**Jayesh Gandhi:** So it looks to me like -- okay, I'm missing out. It should be closer to like 5 lakh tons.

**Rahul Agrawal:** Right. I think I cannot actually comment on the competitor's capex plan. However with Supreme, I think you need to relook at them as Phase 1 and Phase 2 is coming online and also, you have to consider the timeline in which the entire capacities will be added on. If you look at total market being between 2.5 lakh tons to 3 lakh tons and an average growth rate of 7% to 9% year-on-year, actually the math does work out, where there is not too much of excess capacity in the market. Because we are looking at a next three years to four year horizon where additional about 1 lakh tons, 1.5 lakh tons additional demand will also be generated in the market.

**Jayesh Gandhi:** Okay. And one last question, sir. Any discussion in the management to bring down the debt of promoters? I mean not the debt, sorry, pledge.

**Rahul Agrawal:** So that is a separate conversation. We are working on that. And the promoter has its own strategy to take care of it. However, any of the promoter pledges have no recourse to the company of Styrenix or its balance sheet. So that is not a concern for any of the shareholders.

**Moderator:** Thank you. The next question is from the line of Pratik Banthia from Girik Capital. Please go ahead.

**Pratik Banthia:** Yes, so I just had a couple of questions, first one being, what is the incremental demand size that you see from the IT hardware manufacturing opportunity that would come up in India? And the second question is what are the threat of imports in both products that you manufacture namely ABS and PS? That's it.

**Rahul Agrawal:** I'm sorry, can you repeat your second question again?

**Pratik Banthia:** Threat of imports in the products that we manufacture?

**Rahul Agrawal:** Okay.

**Pratik Banthia:** Yes.

**Rahul Agrawal:** So as far as IT hardware is concerned, government did announce -- has announced its clear intention that it would like to have more and more manufacturing within India. We do believe that with the government's intention and, of course, the demand of the aligned sector in India, there will be more manufacturing in India so long as the right ecosystem does develop over a period of time.

And we do believe that will eventually also be a good growth driver for the use of our products. So -- but we shall wait and watch as that unfolds. Because currently, the products that we supply into IT hardware is a smaller component, and we'll have to see how that pans out over a period of time.

We do believe that the existing segments that we cater into are also growing at a robust pace, which will allow us at least to have a good demand for our products in the future. As far as threat of imports is concerned, I -- we do believe that -- again, breaking this into two products, ABS business as well as polystyrene business. On the ABS business side, we have a good kind of position with the market and with the customers, where our brand is the preferred brand.

Most of the producers, our customers in India, would prefer a locally produced product so long as the local product is available and the capacities are there. So that has been obviously also our first intention, is to first debottleneck and try to maximize the capacity that we can produce. And also to -- now, of course, we have announced what we intend to do going forward as well in terms of capacity augmentation.

So I think we are well positioned to cater to the demand which is already present in India as far as all of our products in ABS is concerned. Even in polystyrene, we do believe there is going to be a kind of a significant demand which is going to come from some specific sectors such as air conditioning market, refrigerator market, also in toys and other areas.

We do believe that there will be ample demand growth where local production will be preferred, and we will be in a good position again to cater to that demand. In terms of threat of imports, that will always remain because we live in a fairly globally transparent world where how demand-supply scenarios pan out in other parts of the world would affect us. But I think we are placed in a strong position to undertake any challenges that come our way.

- Moderator:** Thank you. The next question is from the line of Nihar Shah, an investor. Please go ahead.
- Nihar Shah:** Yes. So in the last few quarters, we have seen good growth rate. So is this growth sustainable...
- Nihar Shah:** Yes, I was saying that in the last few quarters, we have seen a good growth rate. So going down the line, do we see the sustainability in the growth? Or do we expect to cross that growth rate?
- Rahul Agrawal:** So Nihar, thank you for your question. And like we have mentioned earlier, so the demand in India where we primarily cater to does exist. Currently, the total production in India is not catering to the entire demand, which is existing in the country. So long as we are able to augment our capacities and produce quality products, which is meeting the demands of these customers, we do not see any problem in us being able to capture more of the market.
- In addition, the overall market will also increase because that is increasing in relation to our GDP, it's increasing in relation to our consumptions and also increasing in relation to all the specific sectors that we are catering to, whether it is automotive, whether it is household, consumer durables, electronics, medical devices.
- All these other sectors are also witnessing robust growth. So our own sense and judgment is that for the foreseeable future, there will be good growth in India, for the Indian consumption potentially even as an export hub. And that in turn will mean a good growth for the overall industry and also for us.
- Moderator:** The next question is from the line of Yogesh Bhatia from Sequent Investments. Please go ahead.
- Yogesh Bhatia:** Sir, I have two questions. One, I want to know what is our annual envisaged capex for the next two years, three years? And secondly, do you -- how sustainable are these margins, do you think? And why? Maybe if you can throw some light on that.
- Rahul Agrawal:** Thanks, Yogesh, for your question. We have, in our recent declaration as well as the announcement that we have made, we have estimated a certain cost associated with the capex that we are planning for the growth sales, next growth sales of the country. However -- for the company. Now in terms of -- this is an overall capex number we are carrying out engineering studies to fine-tune those numbers.
- Once those engineering studies are completed, we'll have a better idea. And we'll also have a better idea of the exact timelines on how the capex will be carried out and how -- in which year, exactly that will be done. So that still remains to be fully mapped out. However, we have given a number of around INR650 crores odd, which will be required for the entire capex wherein we will move ABS capacities currently from 80,000 tons per annum to 2,10,000 tons and polystyrene from 66,000 tons to 1,50,000 tons. So we do believe that, that capex would be spent in the duration of the projects that is anticipated, which is the next 36 months to 48 months.

In terms of margins sustainability, we do believe that, again, going back to both the businesses, that we are a preferred supplier in the country. So long as the capacity is in place, we would be able to meet good sales numbers. Having higher sales or better asset utilization is going to be key.

Secondly, as we are doing most of the projects are brownfield or are augmenting existing infrastructure, existing capacities with a lot of it being existing infrastructure, hence, our fixed costs would get diluted. To some extent our efficiencies would improve. And any kind of margin pressures would also get then offset by some of the benefits we would see on those fronts. I think net-net, we do see that the margins should be sustainable in the business.

**Moderator:** Thank you. We have the next question from the line of from Naitik Mohta from Sequent Investments. Please go ahead.

**Naitik Mohta:** Congratulations for a good set of numbers. So just to reiterate on the questions of the previous participant, so like I wanted to understand how susceptible are our margins to the polystyrene - national polystyrene prices in the very short term? And are we like more secure compared to our peers because of a better product mix or something like that?

**Rahul Agrawal:** Thanks for your question, Naitik. I won't comment as to our competitors. But as far as our own polystyrene is concerned, we do believe that we have certain inherent advantages in the product mix that we have. We are also targeting more OEMs as we go along. We have been able to produce more polystyrene in this last year than probably the last decade.

And we have proved to be a far more reliable supplier once we have taken over management in the last one year for the entire market, and we see a lot more acceptability from key, reliable, large OEM customers.

So this is going to help us going forward as well, where, again, the preference is to buy local. As you know, government has come out with a lot of PLI schemes where there is a lot of manufacturing of consumer durables and other products, other sectors where our product is going in. And there is a clear push on part of all of these customers to buy more locally rather than import raw materials.

So with -- in spite of global pressures, we'll be well placed because there will be some preference given to us. Of course, we cannot escape what happens globally and there will be some pressure on account of that. But we definitely are placed better than companies globally.

**Naitik Mohta:** Sir, just to add on to that. So you have seen additionally this business, it involved a very wide swing in margins in the short term. So do you think that from here on, with the step that you have taken and the foresight that you have regarding the market, the delta of these margins going forward will not be as wide as they used to for the company?

**Rahul Agrawal:** So I can't completely comment on what was done earlier when we didn't have -- we were not in management control. But we do believe and what we understand is the last few years, you can say '21 and '22, those years, there was of course kind of an up cycle for a lot of products,

including the products of this company, where the margins were unusually high because of demand/supply gaps and supply chain issues internationally during COVID.

However, that has lapsed and that period has passed. And we -- what we see today is more of a normalized kind of a situation. We do believe that the measures we are taking, that we should be able to effectively control our margins and keep on trying to improve it.

**Moderator:** Thank you. We have the next question from the line of Utsav Adani from an individual investor. Please go ahead.

**Utsav Adani:** I have a fairly basic question on the technology aspect. So what are the major differences between mass ABS and immersion process? And what are the primary reasons why you prefer immersion process?

**Rahul Agrawal:** So immersion process consists of producing HRG rubber and SAN and then compounding the final product to make ABS. Mass ABS, we don't produce. But from what we understand, it's a continuous process where a specific grade of product is produced in C2, where the rubber is purchased from outside and then dissolved into the other monomers.

And finally, in a continuous process, the ABS is produced. What we believe is that the immersion process or immersion ABS process allows for more flexibility, specifically for making the specialty grades, which the Indian market does demand, and hence, our preference is clearly towards that technology.

**Moderator:** Thank you. The next question is from the line of Kunal Shah from Enam Investments. Please go ahead.

**Kunal Shah:** So sir, we've done around 88,000 tons of volumes in H1. So what is the expectation for the full year FY '24 volumes?

**Rahul Agrawal:** So Kunal, we believe that based on our capacity utilization, which is close to fully utilizing it, we are looking at this year on an annualized basis around 1,70,000 tons of product. So essentially, it would be similar levels of what we have seen in the first half. And going forward, I think in the investor presentation, we've even outlined what the next three years to four years our targets would be in terms of capacity augmentation and subsequent sales.

**Kunal Shah:** Right. Got it. So coming back to that capacity margin. So your presentation mentions that capacity is 85,000 tons for ABS and 66,000 tons for polystyrene currently?

**Rahul Agrawal:** Right.

**Kunal Shah:** But our production is much higher than that. So where is the gap in the understanding, sir?

**Rahul Agrawal:** Yes. So there is, of course -- what we have not mentioned in that is there is also immersion SAN that we are selling. So if you calculate all those 3 things, then it will come close to the number that we have already projected. There's also some tolling product that we get work done outside and there are some additional blends and products which we are also making in



addition to ABS and polystyrene and SAN. So all of that putting together would be the number that we have published.

**Kunal Shah:** So this is something which we are making outside? And even the SAN would be made outside or that will be at our plant?

**Rahul Agrawal:** SAN is made at our plant.

**Kunal Shah:** Okay. And that we are selling? Okay.

**Rahul Agrawal:** Correct.

**Kunal Shah:** Got it. And so again, on the capex, so a lot of the capex is coming in FY '28. So I think that's the green -- is it mostly Greenfield or there's a Brownfield element to it?

**Rahul Agrawal:** This is -- mostly all of it is Brownfield. So it is going to be at the existing sites where we already have the infrastructure or large part of the infrastructure, where some infrastructure would be augmented. And of course, new plant in machinery would come in for the additional capex.

And the investment or the capex is going to be done over a period of time. So it's not going to be back-ended or front-ended. But again, like I mentioned in our previous call, it will depend on -- once the engineering studies are completed on exactly how the capex is going to be carried out.

**Kunal Shah:** Right. So there is scope or there is chance of front ending it in maybe in even FY '27, if needed?

**Rahul Agrawal:** Yes. So generally, these projects, the way we have planned it, it will be over a period of time. So it will be spread out and wouldn't be necessarily in a single year.

**Kunal Shah:** So it will be in phases? Okay.

**Rahul Agrawal:** Yes.

**Moderator:** Thank you. We have the next question from the line of Ajay Sharma from Maybank. Please go ahead.

**Ajay Sharma:** I just want to check you gave the production numbers. So is sales number equivalent to the production numbers?

**Rahul Agrawal:** Yes, almost the same. There would not be major difference. Because we are, like I said, running at 100% utilization. And of course, we are able to sell pretty much everything that we produce.

**Ajay Sharma:** Okay. Right. And then if I look at your EBITDA per ton, it kind of comes to around INR18,000 per ton for this quarter. Whereas I think last quarter was around INR15,000. So I'm

just wondering, is that INR18,000 number kind of a normalized number? Or how should one look at it?

**Rahul Agrawal:** Yes. I mean, again, depends on market conditions, a little bit on product mix. And also finally, as -- like I said, if you're able to improve efficiencies, all these numbers can improve. So we'll -- there will be a range to it. I can't commit to a specific number.

**Ajay Sharma:** But based on the global market situation currently, how would you characterize the market? Is it kind of mid-cycle spread situation? Or how should one look at it?

**Rahul Agrawal:** So globally, there is, of course, more pressure on margins than it is in India as of now or at least with us. We are in a better position in at least some economies which -- where we are linked to. We believe that situation is likely to persist in a similar fashion going forward.

**Ajay Sharma:** So despite the trend in the global market, you think you can protect this kind of EBITDA margin basically, what we saw in Q2?

**Rahul Agrawal:** That will be our effort, yes.

**Ajay Sharma:** Right and right, clarified. So all the expansion for ABS and PS is Brownfield basically?

**Rahul Agrawal:** That's right.

**Moderator:** Thank you. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

**Alisha Mahawla:** Most of my questions have been answered, just one or two clarifications. For this year, we're expecting to do volume of about 1,70,000 tons, right? What is the volume for FY '23?

**Rahul Agrawal:** I think we have mentioned that in our plans, I think we haven't done a full entire sales budgeting process yet, but the total volume available for business is, I think, going to be close to 2,10,000 tons, 2,05,000 tons to 2,10,000 tons.

**Alisha Mahawla:** No, sorry, I was asking for the -- if this year, we're expecting to do 1,70,000 tons, what was the volume last year?

**Rahul Agrawal:** Last year, it was around 1,30,000 tons.

**Alisha Mahawla:** Okay. And this 2,00,000 tons, 210,000 tons, you are saying is post debottlenecking which will come on-stream later this year, early next year?

**Rahul Agrawal:** It's for next year. Because there is continuously some debottlenecking activity which is going on, which is helping us augment our volumes. And of course, there is a capex plan as well which we have outlined.

**Alisha Mahawla:** Sure. Sir, my second question is, we did mention earlier at the start of the call that we're targeting or based on the aspiration that we said in the presentation of almost a 25% volume growth. And industry growth is about 8%, 10%. So we're talking of going at more than 2x,

2.5x the industry. What is changing significantly for us? Because it is a competitive industry and there is significant amount of imports also. So maybe if you'd like to highlight or throw some colour on, what we are doing differently.

**Rahul Agrawal:** So like I mentioned earlier that, again, between both the businesses, there are significant imports. And in both businesses, so long as there is local production, customers always prefer local production. So we are able to substitute some of the imported products with our own product. And there is ample room to have that continued growth for the foreseeable future.

**Alisha Mahawla:** While the targeted -- or the cater import substitution, it normally comes by pricing the product slightly more attractively. So do we see that to put some pressure on our margins?

**Rahul Agrawal:** So we have done it so far and we have not seen that.

**Moderator:** Thank you. The next question is from the line of Rushabh Shah from Dalal & Broacha. Please go ahead.

**Rushabh Shah:** My question is, how much is the order book for both the Absolan and Absolac? And what can we expect the order book to grow to after the capacity expansion?

**Rahul Agrawal:** So Rushabh, typically, we have arrangements with most of our existing customers wherein almost all the volume is already committed for the entire year. We also believe that whatever capacities we are planning going forward would also be fully tapped out by existing and some new customers. So whatever volumes we are expecting to produce is also the volume we are expecting to sell.

**Rishabh Shah:** Okay. And what is the average period which the order takes to fulfil the -- to the customers?

**Rahul Agrawal:** It depends on the product. A lot of the products are fast-moving products wherein we already have stock. And normally forecast for these products are also provided to us by our customers well in advance. So the fulfilment can be one day and fulfilment can be a few weeks depending on the specific product, the specific volume and the specific customer and the specific region.

**Moderator:** Thank you. The next question is from the line of Ketan Athavale from Robo Capital. Please go ahead.

**Ketan Athavale:** Sorry, this may be repetitive but I had dropped out of the call for some reason. I wanted to know revenue and margin guidance for second half and for FY '25 and FY '26. And secondly, how do you see the prices going ahead? And I mean, are we currently in any upward or downside with regard to pricing? Or is this a sustainable pricing?

**Rahul Agrawal:** So we typically have not given any guidances, Ketan. But like I said, we are anticipating to make similar volumes that we have done in the first half, and we are assuming that the pricing would remain similar to where it is right now and so would the margins be. So yes, it's going to be similar for this year.

Next year, we have given an indication of certain growth based on additional capacities coming online. We also believe that we are in a good position to sell those capacities. And hence, the revenue would grow in accordance with that, if you were to assume pricing to be kind of assumption going forward.

Pricing, of course, moves by number of factors such as raw material costs, which are relatively volatile in this market, and also with the overall demand/supply situation in the market. So -- but if we were to take certain assumptions on those, then you can assume this as a baseline and the growth in accordance with additional capacity is being added on.

**Moderator:** Thank you. The next question is from the line of Dattatray Chitnis, an Investor. Please go ahead.

**Dattatray Chitnis:** Please excuse me for my voice, I'm a senior citizen, who is 76 years old.

**Rahul Agrawal:** Thank you for joining sir.

**Dattatray Chitnis:** I'm an investor, and I congratulate you for the very good results. My only question is just that when you are associated with INEOS Styrolution, you were probably selling this Novodur and Luran. How much component it was of your total sales? And have you substituted those products? Because this Luran was high quality surface excellent chemical-resistance, good impact strength and including enhanced color fasteners and superior long-term performance. Have you substituted that product, please?

**Rahul Agrawal:** Thank you for your question, Mr. Chitnis. Overall, Novodur and Luran never constitute more than 3% -- 2% or 3% of the overall volume. We have substitute products already available for those grades of products which were being marketed earlier under those brand names. And we are confident that we'll be able to do that. And in fact, we have done it already in part. And going forward, we'll be able to do whatever we haven't so far.

**Dattatray Chitnis:** And sir, what about Novodur, please?

**Rahul Agrawal:** Sir, Novodur would be less than 0.5% or 1% of the earlier business. And that has already been substituted by our existing grades.

**Dattatray Chitnis:** Sir, are you trying to introduce specialty products matching to these products which your earlier promoter was -- they were -- had developed, please?

**Rahul Agrawal:** So we are present, sir, in several specialty products already. And we believe that there is a continued effort to do more development. We have a strong engagement with all our customers and their value engineering programs and value addition programs to continuously develop new products as well. So that's an ongoing effort, and we intend to intensify those efforts to add more products to the grade.

**Dattatray Chitnis:** I have full confidence and such because you are technocrat promoters. And I would like you to supersede the performance of INEOS Styrolution and better it and show them that Indians can do much better than what they have done. I wish you all the best, sir.

- Rahul Agrawal:** Thank you, sir. Thank you for your call.
- Moderator:** Thank you. The next question is from the line of Shivran Giri from Centrum. Please go ahead.
- Shivran Giri:** So just as you were mentioning, you're going to increase your mix towards specialty products. How much capex would you require to augment your facilities and to change them to produce it? Or are these facilities fungible for the most part? So that's one question.
- Rahul Agrawal:** Yes, Mr. Giri, thank you for your question. So most of our facilities are well equipped to produce all these specialty grades we are currently present in and also envisaging going forward. We do not anticipate significant capex as far as modification is concerned of existing facilities. The capex that we are undertaking is primarily for augmentation of overall capacity and some kind of cost savings and rationalization and improvement in efficiencies. However, the capabilities to produce specialty and produce different grades already exist within the company.
- Shivran Giri:** All right. And another question is related to the, why would an OEM prefer the local supplier for these products compared to importing them? Like is there a specific advantage logistically or on the other cost front? Just that one clarification. Or more the custom duty or whatever that may be.
- Rahul Agrawal:** So multiple reasons are there. I think the way the products have been used by these customers in India, there is a familiarity at the OEM level by their moulders, by all their tollers. So there is a better ease of use. The products are highly kind of engineered, and it takes a certain level of skill and understanding to use these products. Once that familiarity and ease is there, so there is a hesitation obviously to change too much to a different source.
- In terms of local supplies, we can obviously always be much quicker. Our main interest is in India. So this is our preferred choice, to sell products for some of our competitors. If they find better lucrative margins, they'll just move their product business elsewhere. And this has happened in the past. Hence, customers prefer to stick with the suppliers which are going to be more reliable long term. So there are many reasons, all of which are difficult to enumerate over the call, but there is a preference. Even in terms of quality, we are able to provide a lot of customizations, which is not always possible in an imported product.
- Moderator:** Thank you. Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to Mr. Abhijaat Sinha for closing comments. Over to you, sir.
- Abhijaat Sinha:** So we would like to thank everybody for showing interest in the company and joining the call. We know that we've tried to answer most of the questions and some of the questions may have been unanswered as of now if people were not able to join the queue within the time. But we apologize for that. And we look forward to seeing you at the next call and probably you can join us next time when the next quarterly results are announced and we can take your questions then. Thank you so much. Have a nice day and wishing you a happy Dussehra in advance. Thank you so much.



**Moderator:** Thank you. On behalf of Styrenix Performance Materials Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.