November 14, 2024

To,

BSE Limited
Dept. DSC_CRD
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai 400 001

BSE Scrip Code: **506222**

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

Subject: **<u>Transcript of Earnings Call with Investor / Analyst held on November 8, 2024</u>**

Ref: Regulation 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir,

In continuation to our letter dated November 5, 2024 informing about the earnings call organized by the Company on November 8, 2024, please find attached Investor Call Transcript for your record purposes.

The transcript is also being uploaded on website of the Company and the same can be downloaded from following path:

www.styrenix.com – Investors – Earnings Call – Call recordings & Transcripts

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

Thanking you.

Yours faithfully,
For **Styrenix Performance Materials Limited**

CHINTANKUMAR SURESHCHANDRA DOSHI
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Date: 2024.11.14 11:23:11 +05'30'

Chintan Doshi
Manager – Legal & Company Secretary

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"Styrenix Performance Materials Limited Q2 & H1 FY25 Conference Call"

November 08, 2024

MANAGEMENT: **MR. RAHUL AGRAWAL - MANAGING DIRECTOR, STYRENIX PERFORMANCE MATERIALS LIMITED**
MR. BHUPESH P. PORWAL - CHIEF FINANCIAL OFFICER, STYRENIX PERFORMANCE MATERIALS LIMITED
MR. CHINTAN DOSHI - MANAGER, LEGAL AND COMPANY SECRETARY, STYRENIX PERFORMANCE MATERIALS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to 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. Bhupesh P. Porwal – Chief Financial Officer and Mr. Chintan Doshi – Manager, 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 call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

Further, on behalf of the Management of the Company, we would also like to remind the participants that this call is being conducted subject to and in line with the disclaimer mentioned in the Investor Presentation as is available on the Stock Exchanges.

I now hand the conference over to Mr. Bhupesh P. Porwal. Thank you and over to you sir.

Bhupesh P. Porwal: Ladies and gentlemen, Namaste, everyone. I am pleased to welcome you to our Q2 and Half Year Ended September '24 Conference Call.

As we reflect on our performance in Fiscal Year 2025, I am delighted to announce that we have witnessed a robust demand of our products in H1 FY25, marking a significant growth trend.

We have also completed debottlenecking activity at Dahej in end of September '24, increasing the capacity of PS from 66 KT to 100 KT. We are pleased to inform that with the minor capital expenditure, we have significantly augmented our PS capacities. We plan to complete the debottlenecking of ABS in the second half of this Financial Year. Our focus on sustainability and cost optimization is continuously aimed to maximize business value.

In Dahej, we have successfully converted our fuel source from natural gas to renewable fuel source for achieving our sustainability targets and better cost optimization at the end of September'24. We are on track to carry out similar changes in our other plants as well. Our expansion plan is going as per schedule. We will update you on this more once further details are available.

Coming on to our Financial Performance:

Q2 FY25 highlights. Sales volume for Q2 was 42 KT vs 48 KT in Q1 FY25 that is it has dropped by 13.5% and by 7.3% compared to Q2 FY24. This is mainly because of shutdown taken at Dahej plant for the debottlenecking. Revenue stood at Rs. 653 crores in Q2 FY25 vs Rs. 699 crores in Q1 F25 i.e. decreased by 6% and increased by 10.3% compared to Q2 FY24 which was

Rs. 595 crores. PBDIT stood at Rs. 105 crores i.e. 15.9% which is better by 2.8% compared to Q1 FY25 and better by 1.5% compared to Q2 FY24. PAT stood at Rs. 70 crores that is 10.6% which is better by 1.9% compared to Q1 FY25 and better by 1.2% compared to Q2 FY24.

Coming to Half Yearly FY25 Highlights:

Sales volume for H1 FY25 stood at 90.1 KT vs 84.7 KT in H1 FY24 i.e. it has increased by 6.5%. Revenue stood at Rs. 1,352 crores vs Rs. 1,139 crores i.e. increased by 19% compared to H1 FY25. PBDIT stood at Rs. 197.4 crores i.e. 14.5% which is better by 2.4% compared to H1 FY24. PAT stood at Rs. 131.3 crores that is 9.6% which is better by 1.9% compared to H1 FY24. Q2 FY25 saw a better price realization.

We expect Q3 to be average based on historical industry trends. This is all about highlights for the quarter and half year and now we may proceed to answer the questions you may have. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. First question is from the line of Nirali Gopani from Unique PMS. Please go ahead.

Nirali Gopani: Rahul, since the last few quarters, you have been really emphasizing on improving the product mix to enhance overall profitability and this quarter results reflect that change. So, can you elaborate, like how has the product mix changed over the last few quarters?

Rahul Agrawal: Hi Nirali, is that all? Do you have anything else to ask as well? If you can ask all your questions together, I can answer accordingly.

Nirali Gopani: Then I will do that. Also wanted to know that how has the raw material price behaved? Does the quarter have any special one-offs when it comes to raw materials, any inventory gains? And lastly, you had mentioned in the last call that we will update on our CAPEX number after the engineering studies and so any update on that side?

Rahul Agrawal: Thanks, Nirali for your questions. With regards to product mix change, this is a continuous process. We are continually looking at product mix improvements that we can do, however as far as this particular quarter is concerned there is not anything significantly different. Yes, there is a product mix which is reflecting certain realizations that we see in this quarter, but it is not of a significant nature per se. I mean there is a specific trend and that trend and that trajectory is in the manner which we have projected and we are working towards. As far as raw material changes are concerned, raw material changes have not been again very significant. If you look at the three key raw materials which we use Styrene monomer, butadiene and acrylonitrile, if I look in quarter-on-quarter, raw material prices have not changed too much. Butadiene prices did increase if I look at year-on-year. Similarly, acrylonitrile prices have remained, acrylonitrile and styrene prices have largely remained stable. However, as far as raw material changes are concerned, that has not impacted us significantly because we have been able to pass on those increases to customers is reflected in our realization. There is no significant inventory gain or losses in this quarter as well that we see. With regards to you, the CAPEX numbers, there is engineering studies which are almost closing. We have some idea of how the CAPEX will be and what kind of expansion we will be able to achieve with that, however, we are in the process of ascertaining the same and ensuring that we have the right information and we are sure of it before we release that information into the public domain, which we plan to do in a short period. But as Mr. Bhupesh has already highlighted, we are on track to meet our expansion schedule as earlier indicated.

Nirali Gopani: So, just one follow up if you can allow. So, Rahul, then what would you attribute to this improved profitability to unflush that on a lower volume?

Rahul Agrawal: Nirali, there have been some movements in freight as well. You know, I think in the earlier quarter I had mentioned that in the next quarter there might be some changes in freight. We saw some price movements on account of international freight, particularly for the first month, which was in July. However, that normalized in August and September. So, there is some impact of that. There is some impact, of course, of product mix as well. And finally, there is also an impact of certain better price realizations on account of optimization at our end for those specific products. So, it's really a combination of all these different factors which have resulted in the numbers that you see for the specific quarter.

Nirali Gopani: And we can assume that this will be sustainable, given all the efforts that we are taking in the similar direction?

Rahul Agrawal: As you have seen, and I have emphasized in earlier calls as well, one has to look at our annual performance because quarter-on-quarter, there are changes because of these different markets that we cater to. There are certain markets for which demands are not necessarily entirely even across the year but on an annualized basis we get a truer picture. So, I think if you look at it from that perspective we are definitely on the right trajectory, and it would be sensible I think it would be who was to do that kind of analysis instead of quarter-on-quarter.

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

Pooja Doshi: I wanted to know what is our current OEM, non-OEM mix, or target mix, and any new client addition that you want to talk about in the OEM space? That's the first question. The second is, can you just give a few examples of value-added grades that you're planning to develop? What would be the margin profile versus traditional products and how do you see the mix changing? The third would be, what is the purpose behind setting up a subsidiary in UAE? If you could just broadly talk about it. Yes, those are the three questions.

Rahul Agrawal: We are engaged in two lines of business. One is what we call ABS in SAN and the other one is polystyrene. Our OEM percentage in the ABS-SAN mix has been always a little bit higher than 50% and you know, we are tracking the same. We have seen incremental increases only in the OEM percentage. As far as polystyrene is concerned, our OEM sales were much lower historically that has increased. So, if it was less than 25%, we are seeing increases going up to 30% or higher than 30% and there is an ongoing effort to increase that further. In terms of value added grades, we have launched two new brands as we have indicated in our investor presentation. One is STYROLOY and the other is ASALAC. STYROLOY is a blends of PC ABS, Nylon ABS and other products and in the case of ASALAC it's ASA which is a weatherable product which has applications again in automotive and other industries. So, these grades have come into the fold. Today the percentage of these grades sold in the overall product mix is still small, but we have seen a fantastic response from all our customers and a very fast rate of adoption and qualification across all key customer segments. So, we do see growth there to be quite good. But the order of magnitude today is probably a few hundred tons, which we expect to increase significantly quarter-on-quarter. And I think the next year is when we will see the full effect of all these additional products that we are adding into the mix. Even in the existing product lines, we have started with more FR products, in the case of ABS, HIPs, pre-colored in the case of HIPs. All these are also continuously adding to our overall product mix. It's hard to quantify exactly what that percentage is today, but definitely that's a trend in which we see a higher percentage of value-added products in the mix. As far as the UAE subsidiary is concerned, as you are aware, we are largely focused on the domestic market in India. And as we expand capacities, we do believe we would look for opportunities internationally. And we do understand and believe that UAE would be the right place for us to carry out our international activities as a base. Hence, that's the logic of setting up the subsidiary over there to carry out business in the near and medium term future for Styrenix at a global level.

Pooja Doshi: I just have two more questions. You said that, you will update us on the CAPEX plan of the Rs. 650 crore. Just wanted to know if you have any idea about the asset terms at this moment and how do you plan on funding the CAPEX and with this huge CAPEX is there any change in our payout policy? Yes, like those two are the other two questions.

Rahul Agrawal: So, like I said, engineering studies for at least part of the Rs. 650 crores is nearing completion and we have some sense of what will be the CAPEX required and when would the expansion timeline be frozen. However, we are ascertaining that and being sure of all our numbers before we release it into the public domain. So, that will be forthcoming soon. I think the payout policy or whatever, as I mentioned in the past, is all a function of how best those resources of the Company can be utilized. If we do believe that the expansion can be brought forward and funds are required for the same, then the funds would be demarcated towards that purpose. However, if we believe that is going to be prolonged, then the funds may be distributed as per, as would be the management decision at that time. So, I think we will take that decision into advisement at the right time. However, there will be some kind of information which will be forthcoming from our end, vis-à-vis once we have complete clarity on all our numbers with regards to CAPEX and the expansion plan.

Pooja Doshi: And do we hold on to our 15%-20% volume growth guidance and Rs. 18 to Rs. 20 EBITDA per kg guidance for FY25 or is there a change?

Rahul Agrawal: We have never given any guidance on rupees per kg. These are all in numbers which have been inferred or implied based on our discussion and investor calls. And we do not also even now give any such guidance. However, as far as volume growth is concerned, we have given some indications of how our capacities would grow over year and our volumes would follow along with those capacities and we are maintaining the same guidance currently.

Moderator: Thank you. The next question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: My first question is onto the ABS and Polystyrene. So, this quarter, we are debottlenecking the capacity. So, any broad numbers you can give onto the topline, how much topline would be added from this PS and what is the timeline when we can achieve the peak utilization levels here. And similarly for the ABS, what would be the expected topline and how much time we will achieve the peak level?

Rahul Agrawal: So, typically, Aditya, we have had a revenue split of between 65%-70% to about 30% between ABS and PS historically. You can assume that as a basis. In terms of Polystyrene, we have completed our debottlenecking exercise as was mentioned in the opening remarks by the CFO. So, on an earlier realized volume, maximum volume of about 65,000 tons we believe that our enhanced capacity after the debottlenecking would be to the tune of 100,000 tons. This is of course on an annualized basis. We have completed the debottlenecking by end of September and we are gradually now ramping up to realize that entire capacity. We do believe that the next financial year we would have the benefit of the entire capacity which should be 100,000 tons. To that effect, in this year you would have to assume a number between 65 and 100, considering that the debottlenecking has happened after half part of the year. With regards to ABS, also I think we have given some idea of what would be our production numbers. So, I think you have to assume that we are on track to reach those numbers and topline of both ABS and PS as for the earlier revenue splits can be extrapolated to get those numbers.

Aditya Khetan: Sir, any broad figures if you can help so this 40,000 tons of Polystyrene can add somewhere around Rs. 400 crores to Rs. 450 crores to the topline?

Rahul Agrawal: That would be a fair estimation. Of course, as you know that the pricing of Polystyrene or ABS for that matter tracks with raw material pricing, which can be volatile as we have seen historically. But assuming current pricing of RM, that would be a fair estimation to make.

Aditya Khetan: My second question is on the raw material side. On sequential basis on most of the like we had seen that the raw material prices have been slightly up but sir in our case there has been a benefit in terms of the lower raw material prices or there is some inventory gain benefit that has been clearly seen. Any idea sir, you can give this boost in EBITDA on sequential basis and on per kilo basis also when we calculate the gross EBITDA, so we are standing at the highest level. How this is like, is this related to the better product mix or higher the OEM contribution or there is some inventory gain benefit which is there?

Rahul Agrawal: Like I have already mentioned, there is no significant inventory gain in this last quarter. It is all on account of the 2 or 3 factors which I have mentioned. One is of course OEM, non-OEM, there is also a product mix factor which may or may not be related to OEM or non-OEM. Certain additional value added grades being added into the product mix. There is of course certain better price realizations on account of certain freight-related movement which was in the earlier part of the quarter, which of course normalized in the last two months of the last quarter as well. So, all these factors have played a role in achieving the numbers that we have in the last quarter as mentioned and explained earlier.

Aditya Khetan: Just a follow up on to this. So, sir is there any idea, so from where are we taking the raw material, acrylonitrile, styrene and butadiene?

Rahul Agrawal: So, a lot of this information is easily available. Styrene and acrylonitrile are largely imported into the country. Acrylonitrile of course, there is now some domestic production as well. Butadiene is largely or completely sourced locally. And the manufacturers for this is well known. So, that information can be found easily online.

Aditya Khetan: Sir, just one point to clarify here. What we have heard from some of the other companies that the Butadiene prices in India are much higher as compared to the European market by around 15% to 20%. So, that should have led to some higher raw material prices only in our product basket also. Any idea how this has been in our case like how this has been versus the other company?

Rahul Agrawal: Are you mentioning that Butadiene prices are higher in India or lower in India? I am not clear. Can you repeat that?

Aditya Khetan: Butadiene prices are higher in India by around 20% as compared to the European market. So, players who are taking butadiene locally are at a disadvantage and their raw material price basket is a bit high. So, naturally, margin should have been declined. So, that's what I want to clarify. So, that has not been in our case. So, I wanted to know what has been the reason for this?

Rahul Agrawal: There can be price volatility month-on-month, but as you know that all the three key raw materials are fairly large commodities, with a fair amount of elasticity in pricing globally. So, there would never be such massive arbitrages on a prolonged basis between any two specific regions globally. I don't know if you are referring to a specific month, but on a medium to long term basis, this kind of price differential does not exist between butadiene or any other raw material or commodity material that we use. So, we don't see any real gap on a sustained basis between our pricing as well as pricing for companies across the world.

Moderator: Thank you. The next question is from the line of Pritesh from Lucky Securities. Please go ahead.

Pritesh Chheda: On your comments about the profitability change for the quarter, you mentioned that there was no RM price, there was no significant product mix change. So, it is fair to assume that the large part of the GP change is because of a better price realization that you realize in the quarter and which in turn was going to higher pricing because of the freight issues and where the finish goods usually comes from Southeast Asia? I would like to know then what is the sustainability of these prices as of now? What are the prices? My second question is, the natural gas benefit, conversion of natural gas to renewable is implemented in the September quarter in one of the Dahej plant. Is it fair to assume that the benefits of it will now flow incrementally and when will, you know Dahej is basically a polystyrene plant. So, when will the benefits or your project get implemented in your ABS plant? And when will the benefits accrue on these two areas? And my third question is, in the next four quarter or 12 months, what is the ABS capacity that you will bring on production, the newer Brownfield capacity?

Rahul Agrawal: As far as the last quarter is concerned, I did mention that there are of course product mix changes which do happen naturally between quarter-and-quarter and this is not necessarily a trend per se, but we do see some product mix changes which did take place. There was of course also higher price realizations as you have correctly seen and some of it is also attributed not only to product exchange, but also to the freight movements. But of course, this was largely restricted to the first month of the quarter, which then quickly normalized in the subsequent two months of the quarter. The third part is, of course, we have also done, like I mentioned, some optimization in our own formulations of products and pricing. So, in terms of costing, that is also improved, which has also led to better price realizations. I think overall in terms of sustainability, I think again I mentioned looking at it quarter-on-quarter can be a little misleading. So, it's better to look at an annualized level. And annualized, we do see changes or movements which can happen in a quarter or two in any given year on account of freight or any other reason. But on an annualized basis we are you know again kind of in a trend which is in line with the direction that we are working with in terms of cost rationalization, in terms of better operating leverage, on account of capacity, being build better product mix. So, I think a lot of that is being seen in the quarter. And I think that is how I would look at it. As far as natural gas and renewable is concerned, you're right, it has been done very recently. So, some benefits would accrue incrementally. But the real full year benefit we will see in the next financial year. We are also doing things gradually. As you know these are all continuous product plans and highly sensitive to process conditions which can be affected on account of process parameters, on account of fuel or what kind of fuel we use in terms of temperatures and such things. So, this has to be done in a gradual manner which will not affect product quality output or safety in any way. So, this all has to be taken into account. And we will be doing this gradually and you will see the full benefit of the same in the next financial year, but you will see some benefits in the following quarters as well. In case of ABS, again, you know, we did some exercise where we outsource steam in one of our plants and this has been mentioned in one of the investor presentations much earlier on and that has led to a significant benefit on an annualized basis already for us. As far as our other plants are concerned, we are looking to change again to renewable and that would happen in the next few months. Again, realistically we will see the benefit of those kind of changes in cost rationalization in the next financial year, but you would see potentially some benefit in the next quarter. But it's a little bit early to be sure of that, depending on when that project is completed. As far as ABS capacities are concerned, whether it is bottlenecking or Brownfield, I think this has been elaborated in the earlier investor presentations. And all we can say we are either in line or well ahead of schedule to complete the same.

Pritesh Chheda: So, my question was on ABS, how much in the next 12 months you will get capacity addition from this current 100,000?

Rahul Agrawal: So, I think we have mentioned that this is an incremental process. So, again, hard to quantify at this stage, but on an annualized basis, we will be in line with what we have mentioned in our investor presentation.

Pritesh Chheda: On my natural renewable energy question, so Dahej was the first plant where you have implemented this, right? The other plants, the implementation will come now and the benefits will flow in thereafter, right?

Rahul Agrawal: There a few things which we have done with regards to fuel. In the case of Nandesari which is where we make rubber, we changed, and we outsource steam now over there, which we have explained in our earlier investor presentation, which has led to significant saving for us already, because that steam also uses renewable sources of energy already, but it's outsourced, given the land requirements in Nandesari and how to best optimize the same this is what we decided as a management to do. So, that benefit started accruing in fact, as of January of this year itself. In the case of Dahej is where we have obviously installed our own system. And we will see, we are starting to see some benefits now and again, full benefits we will see next year.

Pritesh Chheda: In Moxi, that's the main ABS?

Rahul Agrawal: So, Moxi is our compounding facility. They don't use really any fuel. Fuel would be used more in Katol where the SAN production takes place.

Pritesh Chheda: So, in Katol, even Katol has gone through, or it will go through the renewable change?

Rahul Agrawal: Next few months is when we are anticipating to complete that.

Pritesh Chheda: Okay, that will be completed in the next few months. Okay, and just one question on my first question on the profitability part. I understand your answer. Is it fair to assume that the more sustainable profitability at the GP level based on whatever changes that happened between quarter one and quarter two, will be somewhere midway between quarter 1 and quarter 2 GPs?

Rahul Agrawal: Hard to quantify at this stage, Pritesh, I would not hazard a guess, but I think when you look at year-on-year and you look at specific quarters, we do know that specific quarters behave in a certain way due to certain product mix, which is driven by demand in those specific industries in those specific quarters. That is why it is better to compare it year-on-year. And on an annualized basis, as long as you're able to see the overall benefits in the organization based on the steps the management is taking, then we know what we are doing. We are on the right track.

Pritesh Chheda: But directionally we will see GP improvement on a year-on-year basis. And we will see OpEx reduction as well via the conversion to renewable, right? Both things have to play out eventually, right?

Rahul Agrawal: Right, so like I said, the three so called pillars of our strategy remain the same. One is we do cost rationalization measures through different means. We try to get better operating leverage with higher capacities, build up and utilization. And finally, obviously, better product mix. And that strategy is still exactly what we are following today. And we do see benefits of the same on an annualized basis for sure.

Pritesh Chheda: You had given a 2 lakh volume guidance earlier in your quarters for FY25. Is that guidance intact considering what volume number you have done for H1?

Rahul Agrawal: So, 2 lakh is what we have given on production. And I think, like I said, our sales volume would follow that and would probably, we will be in line with whatever we have said in terms of growth for this year.

Moderator: Thank you. The next question is from the line of Ranveer Singh from Yashwi Securities. Please go ahead.

Ranveer Singh: I had a couple of questions. I will ask all of them at once. So, question number one was, Rahulji, do crude oil prices impact our raw material prices? That's question number one. Question number two is, how are contracts with our customers decided? Say for example, is it something like, you know, we sign a contract with them to say that we will supply you xxx tons for the next three months at a certain price, or is it like on a made to order basis? And are we able to pass on raw material price changes to customers efficiently? And question number three is, recently we are witnessing that there is a slowdown in the auto sector. So, does this also impact our sales? These are the three questions.

Rahul Agrawal: Thanks Ranveer. So, as far as crude oil is concerned, you know crude oil of course has an impact on a lot of basic chemicals. So, crude oil has a very strong correlation with say for instance, benzene. Now benzene is one of the key raw materials for styrene monomer. However, what we have seen is while crude oil and benzene have correlated or tracked quite predictably, the correlation between benzene and styrene has not necessarily been elastic in that sense. So, I think the supply chain dynamics of our raw materials have been slightly different from that of crude oil. So, while crude oil on a very, very long-term basis would have a fairly strong correlation, many times on specific quarters or specific years, we may not see that stronger correlation depending on the demand-supply scenario of our key raw materials. And that is a case we have seen in recent past as well. However, I think this kind of flows into your next question that while this is important, this is not 100% relevant as far as our pricing and our margins are concerned, because a lot of our contracts are dependent on publication pricing of key raw materials and the contracts with many of our customers are decided vis-à-vis formulations, vis-à-vis formula pricing and these formulas are derived from commodity pricing which is published and transparently available. So, we are able to effectively pass on is what your question was, what increase or decreases that we see in our raw materials to our final customers as well. This is for bulk of the business, of course there is some business where it is open as well. In terms of auto slowdown, actually, we do supply into two-wheelers, four-wheelers, commercial vehicles, the entire segment. We, in fact, have a large presence in EVs as well. So, if I look at the entire breadth of the auto industry that we supply , our demand has still been quite good. We may have seen slowdown in certain pockets, as you rightly know. However, in other pockets, the demand has been quite good. So, for us, it is all been even and we have seen a decent growth in our numbers.

Ranveer Singh: A followup, where my question came from is like, I saw that crude oil prices slashed by 25% from say July, August, September, these three months. So, sir, going forward, can there be any pressures on our margins?

Rahul Agrawal: I think I answered that question in the previous answer, that crude oil prices may or may not have an impact first of all on our raw materials. And again our raw materials determine our pricing of our finished products. In the case of where we have contracts anyways it is fixed vis-à-vis formula. So, it really doesn't have any impact on absolute margins. Percentage margins of course will vary based on pricing movements. But in terms of absolute contributions, I think we are still well protected in spite of say movements in crude oil pricing.

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

Meet Parikh: I had a question related to the working capital changes. This year for the first half, we had almost Rs. 210 crores of increase attributed to 123 from inventories and 78 from trade receivables. So, I understand that our business is expanding, it's a new chapter. We are growing, but I would still if you could throw some light onto this rise in inventory, obviously revenues are increasing, but it is slightly more in proportion to that. So, if you could throw some light on that?

Bhupesh P. Porwal: I am Bhupesh here. Meet, you are very correct. So, inventories and trade receivables have increased. So, as trade payables have also increased. So, somewhere compensating on the inventory is part of that. So, receivables have increased because of particular rates which has gone higher, so the volume in comparison to the last quarter the receivables are higher. Inventory, yes some of the inventories we have kept intentionally high because of some of the other debottlenecking exercise going on so that in future we don't lose the sales like in September we had the polystyrene also debottlenecking exercise we are soon going to start the rubber debottlenecking exercise also. The second reason for inventory is that sometimes it happens at the end of the quarter or end of the month, you get some of the vessels coming together instead of coming in fragmentation. So, that's the reason inventories were higher. So, maybe it is a temporary effect. At the end of the year, we see a more normalized inventories at the end of the year.

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

Chirag Shah: Sir, I had two questions. One was, of course, a repeat question. The first question is, we're doing this fuel mix change across all of our plants. And I believe in one of our calls earlier, we had said that that should contribute around Rs. 2 to Rs. 3 per kilo kind of productivity gains. So, do we still believe that will happen? That is the first question. And the second question, a lot of participants have actually asked it and of course you've also answered it, but I think what most participants want to know is we have seen a significant jump in this, what does profitability per ton, is the EBITDA per ton as has moved. We were always in the range of 15,000 to 18,000 per ton kind of EBITDA which has now moved to around 25,000. So, yes, we understand there are a lot of one-offs. Maybe there are some structural changes as well. But where does it settle? Does it settle? You said that, okay, let's look at YoY basis. Don't look at it on a sequential basis. But where does this settle? Does it settle on the upper side of, say, around 18,000 odd per ton or does it settle structurally at a higher level because of the product mix change or operating leverage? So, just I think maybe some better sense will definitely help us.

Rahul Agrawal: Yes, Chirag. So, with regards to fuel, I don't believe we have given any specific guidance of Rs. 2 to Rs. 3 per kg. We might have explained how fuel cost works in terms of calorific value and the cost of producing steam which varies based on fuel type. So, I think we still believe that to be the case. Of course, all of those numbers are dependent on what is the cost of natural gas versus what is the cost of renewable fuel. We still believe there is a strong business case, you know, in terms of the delta between the two costs, and of course that measured as per unit of calorific value that we are able to generate from each of those fuel sources. So, that indeed holds true and we will see benefit. Again, it's a little difficult to quantify the exact benefit in terms of rupees per kg in the final product or for that matter in the price per steam and I think we will be in a better position to do that once we have an annualized saving that we are able to demonstrate. So, I think we have been able to demonstrate that for one of our plants, like I mentioned for our rubber plant, and we have got significant savings over there in the fuel, in the steam cost that we are consuming. And we will see similar if not higher savings in the case of our other plants where we are conducting the same kind of process improvement as well. The other benefit this also gives us is it moves us from using fossil fuels or non-renewable into renewable, which helps in meeting our sustainability targets. As you know, this is becoming increasingly important, not only for us, but for all our key stakeholders, including our customers. And this is a very positive change for us in that direction. And net-net there is cost saving and sustainability which is both demonstrating a big positive for the company but in terms of exact quantification we will see that going forward. There will be some incremental changes in the quarter but next year we will see the full effect.

Chirag Shah: Sorry, but you believe that is the case for substantial savings?

Rahul Agrawal: Yes. With regards to product mix, yes, there is a product mix which has changed in this specific quarter. And quarter-on-quarter we do see changes in product mix which does affect our EBITDA per ton. It's very difficult to say exactly what that is going to be. That's why I always say it is better to look at on an annualized basis where there is less noise in terms of specific factors impacting a monthly or a quarterly EBITDA. On an annualized basis, we get a much better picture of overall product sales of different product categories that we supply. All we can do is, in terms of management strategy, is to move towards a better product mix and better operating leverage, both which will contribute to better realizations. And that is a case we have seen ever since we have taken over management control in November'22 and we are continuing to demonstrate the same.

Moderator: Thank you. The next question is from the line of Rohit Ohri from Progressive Shares PMS. Please go ahead.

Rohit Ohri: A couple of questions. The first one being, can you take us through the progress of Toyo Engineering for this expansion of 150 KTPA at the Dahej for this expansion of 150 KTPA at Dahej for the HIPS line, by when will that be ready? And what is the money that you've deployed and what sort of returns should we expect going forward? And are these margin accretive or some value-added products that you are looking at?

Rahul Agrawal: Thanks Rohit. So, we awarded the contract to Toyo only recently. I think we mentioned also in our statement that this is almost kind of a 6 to 7 month type of an engineering study which has to be carried out. The value of the engineering contract also has been mentioned. Now at the end of the engineering study we do anticipate to be able to augment our HIPS capacities. So, currently we do believe that we will be able to effectively more than double the HIPS capacity that we have. There is certain debottlenecking which is going on in our existing HIPS capacity which should ideally augment our existing HIPS capacity by around 30% to 50%. And when we look at a new HIPS line for which we have awarded the engineering contract to Toyo we do anticipate to have a new HIPS line with that augmented capacity, if not higher than that. That of course is also within the scope of the engineering study to what extent we can augment given the kind of engineering design and process philosophy we have with the existing HIPS production. We do believe that this project, based on a very initial estimation, would be value-accretive. However, this will all depend on once we have the engineering study carried out, we would know exactly what the CAPEX amount would be and when that would be completed and exactly what the capacity would be. So, these are of course very key variables to determine exactly the return on that investment. And in the absence of those key variables available, it is hard to give a number to you in this call as of now. It is just our management kind of estimation that that would be the case and on the basis of which we have taken management approval or board approval to start the engineering study itself.

Rohit Ohri: Rahul, can you take us to the global demand, the strength, weakness, or maybe some discounting that we see in our PS, HIPS, or maybe GPPS prices because of the entire volatility that is happening in the system as of now?

Rahul Agrawal: Global demand, I am not sure in terms of how entirely relevant it is for the Indian market. There is of course a knock-on effect when there is a huge supply overhang or supply constraint globally in India. However, this does not translate to 100% impact on how we conduct our business in India. There are specific OEM, specific contracts which require local players, which require local production, which also require customized grades, which is also something we are looking to do in all the products that we are doing, whether it's ABS or Polystyrene, including HIPS for that matter. So, these all are somewhat insulated from what happens at the global level. We are very much focused on first trying to meet the requirements of our domestic customers before we venture outside. So, I think we are still on track to do that. And we do believe that whatever we have seen in the past few quarters has already considered or past few years for that matter, since you have taken over management control, we do see that whatever global impact could happen on the Indian market has already happened or is happening as we speak. So, there is not much that is going to necessarily change in that context going forward. So, we can keep that same set of parameters as relevant in terms of impact to the Indian market. And within that kind of environment, we are able to achieve what we are looking to do.

Rohit Ohri: We're not anticipating any sort of seasonality effect which generally comes in the month of December with certain bleak volumes or something of that sort?

Rahul Agrawal: I think we will see all those things. I think year-on-year, like I said, there is seasonality demand which happens for specific sectors. There are kind of peaks and troughs associated with different customers at segments that we cater to. And I think that will continue to remain. However, the height of the peak or the depth of the trough may change. So, that of course, would impact exactly what those volumes would be for that quarter.

Rohit Ohri: I know you spoke about crude oil and formula-based pricing. My question is that how frequently or what sort of periodic research do we see or how many months it takes to pass on the prices to the customers?

Rahul Agrawal: So, many times it does happen that the change may happen, most of the times rather it will happen that change happens in the month itself. There is no real lag in terms of pricing, which we have on terms of RM and our customers. However, there could be fewer instances where there are quarterly pricing involved, where we could see a quarter lag. But by and large, in terms of the contracts we have, it's a monthly pricing.

Rohit Ohri: And can you share your views or your estimates related to the competition or maybe the import pressure which comes on SPML due to Southeast Asian countries like Taiwan, South Korea, Thailand, maybe Malaysia. Have we been able to get some market share from there? Have we increased our market share in these geographies?

Rahul Agrawal: So, I think on a steady-state basis, if I look at it during INEOS's management time, we were doing close to 46,000 tons, 47,000 tons of PS. Last year, as you know, we did about 65,000 tons and this year we are projecting to do higher. I think we are on track to meet that kind of volumes. I think you have a sense of what the overall growth in the market is. So, we are definitely taking some market share in that form. And like I said, the competitive pressures that we have seen since we have management control is the same and is likely to remain the same. So, in the face of that, we have not seen any challenge in being able to acquire market share with increasing production output.

Rohit Ohri: Okay, that's quite encouraging. Last question, Bhupeshji. Can you take us through these contingencies which are arising from central GST and central excise, which was somewhere around 98.11 lakhs. Have we already provided for this or should we be seeing some exceptional item going forward in the second half?

Bhupesh P. Porwal: When there are contingencies, it means we have a firm legal aspect on it that these cases will be coming in our favor. It means we have not provided for it. That's the reason there are contingent liabilities. And if we see between the previous year and this year also, the contingencies have been reduced drastically because few of the cases have come in our favor and we are hopeful that others will also fall in line with what has happened in past, as and when cases comes.

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

Marut Shah: I wanted to know about the overall ABS market. I am actually new to your Company, so I wanted to understand how much is the current capacity of ABS in India? And how much is the overall demand? And what percentage is we do and what percentage is currently imported?

Rahul Agrawal: So, the ABS demand as of last year, I can give you numbers, was about 320,000 tons, out of which last year we did close to around 85,000 tons to 90,000 tons. And this year we are projected to do a little over 100,000 tons of ABS. So, this is what we are doing in terms of our whole market share. The competition, I think, publishes their numbers. So, you can check them on their website. And the balance would be, of course, imported into the country.

Marut Shah: I see some capacity addition from some of our competitors. And will that have any impact on our volumes, like our market share?

Rahul Agrawal: So, close to 50% or higher, numbers are still currently being imported into the country. So, I think given the timelines of expansions which are coming in by us and our competitors, we do believe that the market will be large enough to absorb most of the volumes which should be produced domestically. We also believe that the consumers domestically would prefer to buy from domestic suppliers. So, a lot of the market gains for all domestic production will come at the cost of or expense of imports which are currently happening into the country. So, we do believe that while there might be short- and medium-term kind of situations which may put some pressures from a longer term perspective, we do see all the incremental capacity additions being comfortably consumed by the Indian market.

Moderator: Thank you. The next question is from the line of Krunal Shah from ENAM Investments. Please go ahead.

Krunal Shah: I have two questions. One is on the debottlenecking Polystyrene that we had in Q2, can you just share your assessment of the lost sales in PS because of that in Q2? And the second question is in terms of the value-added STYROLOY and ASALAC. You said the run rate is like 200 tons. So, just a clarification, I want to know is it like a quarterly run rate or the annual run rate is 200 tons?

Rahul Agrawal: Thanks for your questions, Krunal. So, in terms of the lost sales, I think we have lost about 3,500 tons to 4,000 tons of loss production, and probably some of it also sales, as far as polystyrene is concerned, on account of the shutdown we had to take to augment the overall capacity of polystyrene. In terms of STYROLOY and ASALAC we are doing up to now close to 100 tons a month. And I think this number of course is on a, because it's still a low base, we have seen a significant growth month-on-month which will kind of be a significant addition to our overall product mix in the next financial year.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Chintan Doshi for the closing comments.

Chintan Doshi: Thank you, investors community for joining the call and showing interest in company and we will look forward to answering you in the next quarter at suitable time. Thank you.

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