

June 09, 2023

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: Transcript of Earnings Call with Investor / Analyst held on June 05, 2023**

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 May 31, 2023 informing about the earnings call organized by the Company on June 05, 2023, please find attached Investor Call Transcript for your record purposes.

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

[www.styrenix.com](http://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**

Abhijaat Sinha  
Head – Legal & Company Secretary

**Styrenix Performance Materials Limited**  
(formerly known as INEOS Styrolution India Ltd.)

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“Styrenix Performance Materials Limited  
Earnings Conference Call”

June 05, 2023



**MANAGEMENT: MR. RAKESH AGRAWAL – CHAIRMAN AND WHOLE-TIME DIRECTOR – STYRENIX PERFORMANCE MATERIALS LIMITED**  
**MR. RAHUL AGRAWAL – MANAGING DIRECTOR – STYRENIX PERFORMANCE MATERIALS LIMITED**  
**MR. SANJEEV MADAN – CHIEF FINANCIAL OFFICER – STYRENIX PERFORMANCE MATERIALS LIMITED**  
**MR. ABHIJAAT SINHA – HEAD, LEGAL AND COMPANY SECRETARY – STYRENIX PERFORMANCE MATERIALS 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. Rakesh Agrawal, Chairman and Whole-Time Director; Mr. Rahul Agrawal, Managing Director; Mr. Sanjeev Madan, Chief Financial Officer; 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 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, Mr. Madan.

**Sanjeev Madan:** Thank you. Dear shareholders, investors and analyst fraternity, we welcome you to this Earning Call. Your company, Styrenix Performance Materials Limited has declared its results for the year ended 31st March '23 on 26 May '23. We will brief you about the major highlights of our performance.

First, regarding the quarterly performance, revenue net of GST from operations in current quarter is INR615.3 crores as compared to INR557.2 crores in October to December 2022, and INR623.9 crores in January to March 2022. Profit before tax in current quarter stands at INR58.22 crores as compared to INR40.43 crores in October to December 2022, and INR130.09 crores in January to March 2022.

Regarding the year-to-date performance, revenue net of GST from operations stands at INR2,372.3 crores in financial year ended March 2023 as compared to INR2,179 crores in financial year ended March 2022. Profit before tax for the year ended March 2023 stands at INR247 crores as compared to INR442 crores for the year ended March 2022. Segment performance specialties, profit before tax and other unallocable expenditure stands at INR40 crores in current quarter as compared to INR30 crores in October to December 2022 and INR91.9 crores in January to March 2022. Profit for the year ended March 2023 stands at INR174.4 crores as compared to INR324.3 crores for the year ended March 2022.

For Styrenix profit before interest, tax and unallocable expenditures stands at INR17.97 crores in current quarter as compared to INR11.48 crores in October to December 2022 and INR40.4 crores in January to March 2022. Profit for the year ended March 2023 stands at INR81.88 crores as compared to INR121.97 crores for the year ended March 2022. This is all about clarification and details about our financials. Now we can go forward for the queries or any clarifications which are needed. Thank you.

**Moderator:** Thank you very much. The first question is from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead.

**Bhavesh Chauhan:** Sir, question on your margins. We have seen some 300 basis points improvement in gross margins in this quarter. So what has driven that? And secondly, in our previous conference call, we had mentioned that we are working on some cost efficiencies, which should lead to margin

improvement. So my question is, sir, whether we will be able to reach that 15%, 20% EBITDA margin?

**Rahul Agrawal:**

Bhavesh, thank you for your question. This is Rahul Agrawal, Managing Director. With regards to the margin improvement that we have seen from October to December quarter, Jan to March, it is in line with what our expectations was in terms of cost efficiencies improvements. We believe going forward, there will be further opportunities for those improvements as well. It will be difficult right now to predict or give you an exact time line or exact EBITDA margin on what could be realized at what point of time.

All I would say is that in terms of margins, one has to look at global cues, understand how the global deltas work in polymers and specific products that we are dealing with. And we would be in line with that. Whatever efficiencies we believe we can bring in, we are already working towards that.

**Bhavesh Chauhan:**

Yes. Got it. But my point was, sir, if we are working on internal risk cost efficiencies, is it significant, if you may, or are we looking at only maybe 100 -- already, we have seen 200 basis points improvement in EBITDA margin, so only 100, 150 basis points more because of efficiencies. If you could know, directionally, or how significant it can be -- if you can tell us?

**Rahul Agrawal:**

So it could be more or less than the number which we are assuming over here or whatever that 15% on EBITDA margin, which you have mentioned. It is not a number which I am prescribing to. Like I said, again, one has to follow our global cues. And one has to see how best we can perform under the set of conditions we have.

Now if 200 basis points have been already achieved, as we have mentioned, it is possible that we will have further improvements as well. One of the things which I can give you directionally is that we have been able to increase our volumes in terms of sales. And that has obviously helped in reducing -- having some dilution on our fixed costs and also on our operating efficiencies that has improved in margins. Now this is a continuous effort. We believe there is still headroom to do that, and we are working continuously in that direction. So it could be more also, that would be our target.

**Bhavesh Chauhan:**

Yes. Sir, that's quite helpful. And secondly, in terms of expansion, are we looking at capacity expansion or still we've not finalized any plans?

**Rahul Agrawal:**

So currently, with the infrastructure we already have in place, we believe there is a significant improvement as we are studying and understanding the assets which are already in place. With some minor investments, we should be able to augment the output significantly. So that is the first order of business, as I've explained earlier as well. And I think once we are able to achieve that fully, in the interim, we are already working on further expansions. It's just difficult at this point today to give you an exact time line of that.

**Rakesh Agrawal:**

I'll step in here as the Chairman. This is Rakesh Agrawal. See, as the Managing Director has explained, since we have debottlenecking opportunities, as you mentioned, we are increasing capacity. You have seen it probably the capacity utilization from the previous quarters to this quarter. And we believe that there is a significant scope of increasing further. But we are also

planning to increase the capacity substantially. Currently, we cannot make any plan. And at some point of time, we will be disclosing it to SEBI and also to the investor community when the plans are finalized along with the other details. But we are already working on it, and I think we should be in a position to give in a few months' time.

**Moderator:** The next question is from the line of Ajay Sharma from Maybank India.

**Ajay Sharma:** I want to check...

**Moderator:** Sir, sorry to interrupt, but the line for you is very low in volume. If you could please speak closer to the mic or use the handset.

**Ajay Sharma:** So I just want to check, basically, considering the end user sectors, auto and even the appliances and everything is kind of doing well. Basically, is there a chance that the spreads in India are better than what we're seeing globally? And even the global spreads seem to have improved in the last few weeks or so. So I guess, my question is whether in terms of your long-term history, are we closer to the average spreads or are we at the low end? Or how would you -- how should we look at it -- for both ABS and polystyrene, please?

**Rahul Agrawal:** Yes, I can. Ajay, thank you for the question. Again, I will answer it in 2 parts. You mentioned on ABS and polystyrene. With regards to ABS, auto and the other consumer durables sector, as you already mentioned, are the important sectors that we cater to. The sectors are doing well. There is a fairly good demand in India. However, we have to look at global demand-supply kind of cues as well. And these are -- varies all over the place. And eventually, those to affect the global spreads as well.

So I would recommend you look at kind of global cues on data or spreads internationally. And you're right in that we would be broadly following that. Having said that, obviously, we have a huge amount of grades and specific customized products, which we have for the customers within these segments where we get higher value addition. So the idea, obviously, is to have a continuously better spreads than what you would see globally as well.

And going forward, we do see things in a very positive and optimistic light. As far as polystyrene is concerned, again, it goes into sectors which are having a fairly good robust demand in India. And there again, I think it follows the same kind of argument, which I mentioned about ABS, that there will be -- there is an improvement in spreads. And going forward also, we do see kind of a robust demand situation there.

**Ajay Sharma:** Okay. And then you guys don't disclose the actual volume number. So is it possible to get some sense on what sort of capacity utilization you guys are running at for both ABS and PS, please?

**Rahul Agrawal:** So in terms of what volume utilization, I'll tell you why it's been challenging. Essentially, the assets which have been installed, have got certain nameplate capacities. And as you know, we have acquired this business in November, we have taken over management. And the nameplate capacities and the actual true potential capacities, there may be a certain gap.

We are closer to understanding what those gaps are and also understanding how best we can produce or how much we can produce. And that's really the reason, no other reason for not giving exact numbers. So far, I think we'll be in a position to give those numbers soon. All -- as the Chairman already as well said and I've said earlier, there is significant room to further get more output out of the same assets, and that's the direction we are working in.

**Ajay Sharma:** So let me ask the other way, like you have capacity of 100,000 in ABS and 78,000 in PS, if got those numbers right. So I'm just wondering whether we are fully utilizing that sort of capacity number, which was -- I think I picked up maybe from annual report or some presentation, I don't remember. But are we operating in that sort of -- fully utilizing that capacity or even not even fully utilizing that capacity?

**Rahul Agrawal:** So 78,000 is the nameplate capacity, which was on polystyrene. However, prior to us taking over management, the capacity utilization there has not been really more than, you can say, 60% or 55%. We believe that reaching close to that 100% capacity over there is feasible based on whatever we have done work on that so far. And we are also seeing that kind of output in the last few months after engaging in what we can possibly do.

On ABS, the 100,000 ton capacity number is mostly on compounding. As you know, ABS, we produce HRG rubber graft and SAN and then we compound that into the final compounding facility. So while we had a compounding capacity of 100,000 tons, the actual capacity is on HRG and SAN, which are critical and driving it. There, again, historically, the capacity utilization has been around 60%, 65%. And there again, getting to 85% and closer to the 100% number, we believe, is technically feasible.

**Moderator:** We have the next question from the line of Pranav Tendulkar from Rare Enterprises.

**Pranav Tendulkar:** Congratulations on the improvement in numbers. Sir, I have 3 questions. First is that, when it comes of technical expertise, I know that we're best in India. But does anything prevents in our understanding with the previous owner? Does anything prevents the owners to also participate and compete with our products in India?

**Rahul Agrawal:** Pranav, this is Rahul Agrawal. And let me understand your question. Are you talking about previous owners being INEOS Global participating in Indian market. Is that you're mentioning?

**Pranav Tendulkar:** Yes, yes.

**Rahul Agrawal:** Yes. So there are several companies already participating as far as the customer base in India is concerned. And INEOS is also participating already from their other locations. So there is no such thing where no one can compete. But I believe that with our brand positioning and our product placements, we are very well positioned to handle any such competition.

**Pranav Tendulkar:** Right, right. So second thing is on a similar product, what is the kind of premium that we charge and it is for what type of scalability? Is it that fast customization that we do or the typical expertising in getting the required properties? What is it that we can charge a premium on a similar product, vis-a-vis other competition or vis-a-vis global competition or domestic market?

**Rahul Agrawal:** So we -- there are, of course, 2 segments, again, ABS and polystyrene. And I'll answer -- I'll give you some illustrations or examples in ABS. We supply, of course, into automotive, into consumer durable, household electronics, different applications. Each of these applications is -- can be said to be somewhat unique to Indian conditions, whether it is automotive, if you look at, for example, Indian road conditions, weather conditions. And there are certain set of challenges, how the product needs to be customized for those applications for those set of conditions.

So we have had the rich experience of even from prior actually managing this business as a family or my father having -- who as the Chairman having managed the business as Managing Director and founded this company. There is, of course, the technical expertise, which has been created in the company to do that customization and develop those grades for those customers. It's a very well-trusted process that we have run over years.

Now going forward also, the skill sets and technical capability do exist in the company to develop even further grades which need to be developed with the newer models or newer application requirements. Today, even in the EV segment, for instance, we are a front-end center in terms of development and also the preferred choice of raw materials. Again, would have a different set of requirements and different applications, which would require that kind of customization.

In terms of premiums that we can charge for any specific part or any specific customization. Again, it is difficult to say because there are many, many grades that we do across different components, across different industries, across different customers. So that is difficult to say, but we definitely have a defensible position there.

**Pranav Tendulkar:** So in that case, there is the risk of imports or dumping is very less or more? Or is it always existing? Suppose somebody like, say, Kingfa can actually import from their parent. Is that a risk?

**Rahul Agrawal:** So in terms of import, of course, when there is a global demand-supply mismatch, that would put some amount of pressure on spreads internationally. Like I said, there has to be a significant incentive for any customer to switch from us to any other supply choice. So if that incentive exists, obviously, one would make that effort. But it's not very easy. So as long as we can demonstrate significant value, that is less likely to happen. You see historically, I think we have been able to defend that position. And I think going forward also, we would be able to the same.

**Pranav Tendulkar:** Last question from my side. Sir, in terms of -- if I analyze your business, there are like multiple margin levers possible. So one is, obviously, for an existing volume, we can actually do efficiency increase. Then there is operating leverage and then there is a global spread leverage. Now I will not bank on global spread leverage because that is always a market phenomenon and have price takers mostly.

So in that case, second and third -- so first and second, that is actual -- on a given volume efficiency increase and second is that operating leverage. So how much is the first component of this? Operating leverage, we all understand that the fixed cost will actually get spread, but I believe that if you like -- if I know anything about like Indian innovativeness, it is that -- even

on a given volume, we can actually increase efficiencies and productivity. So am I right in this guess? Or am I too optimistic about this?

**Rahul Agrawal:**

So there is an opportunity on both fronts as you have rightly pointed out. To quantify exactly what would be that percentage to a great level of accuracy is always a bit challenging. As you know, a large international firm having multiple operating units had been running this business. So it's not like they would not be understanding the business.

So like I pointed out on the 2 areas where improvements are possible or further efficiencies are possible, you're right, both the areas, there is a potential, and there's a possibility. It is difficult to specify very accurately, exactly in terms of net addition what that would be in relation to each other. But having said that, we are already seeing some improvements, both on the operating side in terms of the existing volumes as well as on augmenting and getting some value out of that as well. So both places, there is significant amount of value being created.

**Pranav Tendulkar:**

Super, sir. And thanks a lot for the great dividend amount that you are distributing. And I have a few questions, but I'll come back in the queue after others' questions are answered.

**Moderator:**

The next question is from the line of Abhishek Getam from Alpha Invesco Research.

**Abhishek Getam:**

Sir, so first question was on overall India. So roughly, India consumes around 2.5 lakh tons ABS. And then we've seen the resurgence of imports very high in the last 1 decade. So how do you see that? I mean imports move from, I guess, 30,000 to roughly around 1 lakh tons, if I'm not wrong in last 7, 8 years. So how do you think about this?

Because globally, where companies are adding capacities also and 20%, 25% global addition in ABS. So how do you think the delta -- about the delta industry panning out?

**Rahul Agrawal:**

Abhishek, thank you for your question. So I see in the last 10 years, as you have rightly pointed out, imports have grown from whatever level to say 100,000 tons, 140,000 tons, you can see of last year. See, the market is anywhere between 2.5 lakh to 3 lakh tons because there is some amount of change which happened in the COVID year as well. So there was some reduction in some segments. But I would say -- I would put the numbers maybe between 2.5 lakh to 3 lakh tons.

Now historically, if you look at the 2 incumbent manufacturers in India and right now I'm talking about ABS, and I'm assuming that is also your question is more on ABS rather than polystyrene. There has not been any significant capacity addition, which has happened by the 2 companies in India, whether it was INEOS earlier and now Styrenix, and the other entity. Now since not a significant capacity increase happened, whatever market grew, that was largely captured by the imports. So if you think about it now going 20 years behind or even 30 years behind where our -- the Chairman, the current Chairman, who was also the earlier Managing Director, who was managing the business, the same situation did exist even then.

Actually, there was ample excess capacity sitting in Far East or wherever the current competition is from, where material could have come into India, but largely that position was defended in India by the Indian manufacturers because there was sufficient capacity. We believe that by



adding capacity or increasing volumes in India, we can safely capture a larger part of the market, which is existing in India today.

In terms of defending against imports going forward, post adding capacities or post increasing our own output, we believe, again, we have a defensible position because we are a preferred choice. Local manufacturers would be a preferred choice. We would be a preferred choice on most of the segments that we cater to, whether it is automotive, household, consumer durables, wherever. So I think with, again, the customization, the great differentiation and the value that we deliver to our customers, we would still be able to defend against the additional capacities which are being created globally.

**Abhishek Getam:** Understood, sir. Understood. So just an extension on that one. In this Indian market of 2.5 lakhs to 3 lakhs, so what would be the split of mass ABS consumption or sort of emulsion. I'm just -- I'm trying to understand it. Is imported grade mostly mass ABS and then Supreme will just replace that or in that angle, I'm just trying to understand.

**Rahul Agrawal:** Now you asked a question about emulsion, I guess, versus the mass ABS market in India. So currently, if I kind of spoke the number of different players which are present in the market, whether it is domestic manufacturers as well as product, which is coming via imports, there is almost no mass ABS actually being sold in India today.

I would say, it is closer to almost you can say 99 or 100% is the current immersion ABS. Mass ABS I believe, has more of a market in other areas. How that plays out into the Indian market we still have to see.

**Abhishek Getam:** Understood, sir. So what you're trying to say is, the application -- end applications of emulsion and mass can be different, is that right, sir? Because we were thinking it's mostly similar lines of application.

**Rahul Agrawal:** So obviously, almost all of ABS is used in similar applications. However, the customizability of ABS is different between emulsion ABS and mass ABS from what we understand. So I believe that customizability is key in the Indian market, which would still give emulsion ABS kind of a differentiator over mass ABS in the future as well. So there would be some, obviously, areas where there would be overlap.

**Abhishek Getam:** Yes, just one last question. So I think from the earlier con calls, I think earlier management in-house management mentioned that plants are pretty old. Do we expect sort of renovation capex or anything to bring them up the capacity, or do you think, that this, whatever phase they're, they are sufficient enough to reach 100% utilization?

And just an extent that is, from the presentation also, we've gathered that roughly in India, two wheelers consume 2.5 kgs ABS. And what I understand is for EV two-wheeler, this number can significantly go up, is that right? Yes, that's what.

**Rahul Agrawal:** I'm sorry, are you talking about EVs consumption of ABS per vehicle going up?

**Abhishek Getam:** Yes.

**Rahul Agrawal:** Okay. Yes. I'll answer both your questions because I think it's in two parts. With regards to consumption of ABS in two-wheelers, I believe the EV market is still kind of developing. It's growing very fast, and we believe that it will be a significant percentage of the overall two-wheeler market in India. However, exactly what will be the consumption of ABS in two-wheelers, we have to see. Currently, you are right.

In terms of per vehicle, the amount of ABS consumed is a little bit higher, but we do believe that there might be some tapering off over there as well. And we'll have to just wait and watch on how that develops and exactly what kind of material is required or how much material is required in two-wheeler. In any case, it's a good sign for us because I think the overall market will definitely grow as a result of this.

**Abhishek Getam:** Okay. Understood. Just on the plant side, sir, any comments?

**Rahul Agrawal:** Yes. So with regards to the old management's comments, I can't comment on their comments. But we have done our own fresh audit when we again, in our due diligence when we did the acquisition of the company. And we know from our perspective, we have a high level of confidence with the quality of assets, which are in place, and a great deal of confidence in the same assets being able to give the kind of output which we are looking for or targeting. So we believe that some minor improvements may be required, but these are not significant. And these are already being done, if not already done in the last few months.

**Moderator:** Thank you. The next question is from the line of Jojo Shaju from Alpha Invesco Research. Please go ahead.

**Jojo Shaju:** My question is regarding the polystyrene business. So sir, apart from the packaging sector, is there any other sector that will drive the growth in the polystyrene market, or what is the overall growth rate that you are expecting in this polystyrene?

**Rahul Agrawal:** Hi, Jojo. Again, Rahul here. Thank for your question. So polystyrene, again, we produced two types of polystyrene. One is the GPPS or General Purpose Polystyrene and the other is high-impact polystyrene. Other than packaging, it also goes into, again, consumer durables. It goes into stationery. It goes into other areas, which are also significant volumes and growing in India. It goes into -- for instance, it goes into air conditioners. And air conditioners in terms of overall market has doubled or tripled in the last five years. And we believe that it is going to be on that growth path going forward.

There is significant additional volumes or capacities for air conditioners, for instance, coming into India because of, again, the schemes by the government. We also believe that potentially India will become, in fact, an export hub for a lot of these kind of markets. So other than air conditioner, there's also refrigeration market. So again, polystyrene is used in all these areas as well. And these are, again, high growth areas going forward.

**Jojo Shaju:** So can you give some number like what is the growth rate you are expecting in this market?

**Rahul Agrawal:** I can give you an idea. So if you look at just split air conditioners, for instance, in the last three years, it has grown from 3.5 million units to almost close to 7.5 million, 8 million units. And we

believe or at least there is some research, which suggests that, that number may go up to, well, very well to 25 million units in the next five years. So we are looking at -- you can calculate from that what is going to be the growth rate for say, certain applications. The refrigeration also, again, there is a lot of push for Make in India. And there is significant capacities coming up all over India for the same.

So again, growth rates can be anywhere from as low as 5%, 6% to as high as 10%, 12%. So again, difficult to put an exact number on it, but the capacities which are coming online for the applications where we are catering to are definitely a good and promising sign for the potential growth that we are going to have.

**Jojo Shaju:** Okay, sir, sure. Understood. And sir, can you share how much is the capacity utilization in the polystyrene segment right now? And I just need to understand, like do we have enough capacity to grow this business, or do we need another capex for the growth?

**Rahul Agrawal:** So Jojo, as we discussed earlier in the call, historically, say, if the nameplate capacity was 78,000 tons of the polystyrene business, the capacity utilization has been between 60% and 65%. Like I said, that we are already working towards achieving 100% of that. So that itself, you can calculate the growth in volume, if we are talking, is close to 40% to 50% previously achieved. So that in itself requires obviously some time and effort, which we are already working towards.

I think we will do this in phases. I think first, we will achieve that, and then we will move on to the next phase of expansion. But we are definitely looking at significant growth in both the businesses, ABS as well as polystyrene and there is ample room, ample opportunities to expand there.

**Rakesh Agrawal:** And to further augment, this is Rakesh, we have already reached 80% right now with -- already small debottlenecking and all that. And reaching 100%, we may require a very small capex and all that. I can't give you exactly a time frame, but it will not be a very long period. In a very short period, we'll achieve that capacity, and we have plan to even further augment it, which in time, we will be probably able to address it.

**Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** So first off, I just wanted to understand in terms of products. I mean the nature of the product that we have. I mean, how would you categorize it as a commodity product or value-added product among all the four categories you have ABS, SAN, GPPS or HIPS? And are we also looking into any new product that is on the value-added side? So some understanding on that would be quite helpful, sir.

**Rahul Agrawal:** Deepak, thank you for the question. So if you look at the four products that we have in the company right now, we believe that there is always going to be a certain component or a certain part of the product or the market that the product goes into, which is a little bit more commoditized, and there is going to be a part of the market which is more customized or specialized. The idea would be that we work towards more of the specialized side, while we have to continue to service a part of the commoditized market as well. That's a balance which

has to be struck between the two, keeping our capacity utilizations in mind as well as getting a higher margin for our product.

So that's a kind of a balance, which has to be drawn, and we will continue to draw it. We believe, like I said initially, there is ample room for us to grow and increase our volumes, so that volume growth will come in both areas. It will come partly in the commoditized space and partly in the specialized space. So in all the four segments, there are specific advantages that we have in our product vis-a-vis the competition, where we believe we can do even more specialized work, and we can get higher margins. So that is an area we are looking in.

As far as new products are concerned, yes, there is another key area of focus as far as the R&D and the team is concerned over here. We have already started working on several new products, several new blends. So there are alloys of polymer, which we were not earlier producing or were very active in, as part of the earlier management is something that we have taken on, which will also add additional vertical to what we are offering to our existing customers and new customers. So that is also an area which we are working on. In the next couple of quarters, we are looking to kind of commercialize and add that to our existing portfolio of products.

**Deepak Poddar:** Okay. And what would be the mix in terms of commodity and value-added currently in terms of revenue?

**Rahul Agrawal:** So again, hard to explain. But I think as far as the ABS is concerned, I think about 70% would be -- yes. So 67%, 33%, you can see roughly. 70-30, 70% you can see specialized, 30% is commoditized roughly. Again, I don't like to give it in terms of commodity because I believe that even in that 30%, there is potential for differentiation and further improvements.

**Deepak Poddar:** Okay. And what about the polystyrene?

**Rahul Agrawal:** So polystyrene, again, I think in the case of polystyrene, maybe you can say 60% is kind of commoditized, 40% is specialized. There again, there is a room for further improving the specialized business. We have a continuous program now to increase our OEM business, for instance, in polystyrene, which is going to be a little bit more specialized and has higher value-addition.

In the past, in terms of our own production, we were not being able to produce enough what is needed, and that I think has changed. So we -- our production volumes have gone up. As well as in polystyrene, we are more able to cater to the needs of those kind of customers. So that is also something we are working towards.

**Deepak Poddar:** Understood. And sir, how do we see the growth as we go into FY '24? So you did mention that we are seeing a quite robust growth or the volume growth is quite good. But is there any range we are looking at?

**Rahul Agrawal:** So it's difficult to give a specific number. All I can say is there is volume growth at our company level, right? So there will be a growth that we will have based on the total volumes that we are going to give. In terms of pricing, in terms of revenue, that, of course, will follow global cues to some degree on how the pricing works because again, as you know that a lot of the pricing is

based off of raw materials, which are also quite volatile in nature. So it's very difficult to give in terms of revenue growth, but volume growth will surely be there.

Like, we mentioned already in the call a few times that we are being able to produce more output, whether it is going from 65% to 80% or 90% of capacity utilization, that definitely we will see in this year.

**Deepak Poddar:** Understood. And my final question is on your margins. I mean, you did indicate in your opening remarks that you do expect some more operating leverage advantage to get through. And even the increase in spread as well as a robust demand situation in both ABS and polystyrene, so any kind of aspirational margins that we would want to look at over the medium term?

**Rahul Agrawal:** I can't give you a specific margin number. Like I said, these are products we do follow global cues and global deltas are relevant as far as these businesses are concerned. So if one follows that, one gets a good idea. And I think relative to global cues, I think Styrenix will do well, I believe. And that is going to be our effort that we outperform over there. And to that extent, we do see a lot of optimism.

**Moderator:** Thank you. We have the next question from the line of Sanyam Veera from Yes Securities. Please go ahead.

**Sanyam Veera:** Sir, I wanted to understand on the front of raw material costs. Sir, we have been having at around 75%. So can you guide for the coming year? How is it going to be? Is it going to go down given the specialized products are going to be increasing?

**Rahul Agrawal:** I think are you alluding to, again, margin or are you alluding to raw material cost?

**Sanyam Veera:** So yes, on that front only, the raw material side.

**Rahul Agrawal:** Yes. So again, it's essentially the same question in a different way. But of course, the overall, if you look at global demand-supply situation of all the products or all polymers, the prices have come off as opposed to the values which existed a few years ago. The global spreads have also changed from historical highs, which existed a few years ago, a year ago. So we are going to be in line with that, with what is now kind of a normalized situation, if you will. And the raw material prices have also come down and so has the pricing to some degree. I think we will be working within that framework going forward.

**Sanyam Veera:** Sure, sir. Sir, and on the front of capex, can you give us guidance how much is going to be the capex expenditure for the year?

**Rahul Agrawal:** Again, capex is not very significant because at least for this year, we are not looking at any significant capex. We are looking at capex more from the perspective of improving efficiencies and debottlenecking or whatever is needed to ultimately improve the efficiency of the company. So there is no major capex which we are announcing as of today. There is work is going on. And there is a valuation which is happening by the management team. And as and when we are ready to announce a major capex, definitely, we will make that announcement at that time.

- Sanyam Veera:** Okay. Sir. And lastly, do you have any dividend policy in mind as of now?
- Rahul Agrawal:** So ultimately, the dividend is in line with what we believe is the right thing to do for -- in the interest of the company and its shareholders and all decisions are taken based on that philosophy. So there is no alternate policy, if you will. The policy is very much to do whatever is in the interest of the company.
- Sanyam Veera:** Okay. So there won't be any payout ratio as well that you will be maintaining, right?
- Rahul Agrawal:** No.
- Moderator:** Thank you. The next question is from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.
- Pranav Tendulkar:** In the product acceptance from various auto OEMs and consumer durable companies, how is or how difficult it is to replace something which is domestically produced by something which is imported? That is first question.
- Second is that what is the price difference between import ABS or competitive products vis-a-vis domestically produced products right now? Thanks a lot, sir.
- Rahul Agrawal:** Thanks, Pranav. So in terms of change, like I mentioned earlier, there is a fairly long qualification process, like whether you look at automotive or you look at household or consumer durables or most of these areas that we are catering to in ABS, there is a long validation process, which companies will get into only they feel the need to do it either from a strategic or a commercial standpoint. So there has to be significant merit in the long term for any company to undertake such activities.
- If you look at the history of Styrenix and its customers, over the last four decades, rarely has the company lost any of its marquee clients, only, in fact, the business has grown. So that just demonstrates that it is not very easy for importers to come in and replace. In fact, the company has maintained its volumes, while the company had not increased its output or capacities. The added market is what had to be met by imports rather than replacement of existing business of the company with imported product.
- So I believe that, again, it will always make sense for domestic customers to buy domestically if the product is available. And that is what we intend to make happen, that we have to be in a position to be able to supply to the needs of our customers, the growing needs of our customers, and this is the area where we will focus. Again, to give you an exact idea on what would be the margin difference.
- There is some margin difference. There is a better margin. But it's impossible to give you an exact number because, like I said, there are hundreds of grades that we are producing. And each grade, the margin might be different because the complexity, the [inaudible 0:46:46] producing specific products or grades or the costs associated with those grades can be a little bit different. So there is no set margin per se, which we can define as being the delta between an imported product and the domestically produced product, if that answers your question.

- Pranav Tendulkar:** Right, sir. Right. So if I assume that more-and-more you install capacity, you will be able to successfully replace imports, that will be a correct assumption because domestic players will rely on a more reliable supplier than import?
- Rahul Agrawal:** Absolutely.
- Pranav Tendulkar:** Okay. Perfect, sir. Also, I just wanted to request if you can arrange some Analyst Day or if you can actually improve the access to your investor relationship team to various investors and market participants, that would be great.
- Rahul Agrawal:** Pranav, it's a great suggestion, and we'll definitely take you up on this, and we will work with our team to coordinate with all interested investors and our greater shareholder community to engage more and kind of communicate better. That's a welcome suggestion.
- Pranav Tendulkar:** Right. The last question from myself. So you have actually given a very generous dividend to shareholders. So on promoter side, will the dividend be deployed to reduce the pledged amount going forward?
- Rahul Agrawal:** So Pranav, again, that is not necessarily directly in line with what the company's business is, but at the promoter level, whatever we feel is the right use of those funds. The promoter level, of course, is a different entity. And as would be managing its own cash flows, fund flows and use of cash flows accordingly.
- Pranav Tendulkar:** Right. So because what I've noticed is that pledged share, I understand that it's a very great balance sheet, that is acting for some institutional players to actually become a shareholder because that is perceived as a risk. So anyhow, I know that you will do the best for the shareholders.
- Moderator:** Thank you. The next question is from the line of Ajay Sharma from Maybank India. Please go ahead.
- Ajay Sharma:** Yes. Actually, I was wondering for the spreads, right, the deltas. If I look at your company's profile, margin profile for last several years, looks like, I just want to confirm with you, basically, it looks like in terms of the deltas right now is kind of at the mid-cycle number at this point of time. So is that accurate?
- Rahul Agrawal:** So Ajay, thanks for your question. I would not hazard, whether we are in the mid or the bottom of the cycle. All I can say is that based on current market conditions and potential sentiments of the market going forward, I don't see any reasons for significant downward pressure. I do believe, we are in a kind of a normalized situation now. I do believe there is kind of a robust market situation in the medium-to long-term future. And we have to see when and if that happens. However, as far as the current condition is concerned, I think it is in line with what I would consider as a normalized situation.
- Ajay Sharma:** Right. Okay. And then comparing yourself with Bhansali, which is other ABS player, I guess I'm just wondering, they are pretty much operating at full utilization. And I think the margins,

EBITDA margins are also slightly better than yours, so -- at least for the last financial year. So would you care to compare yourself with them and see where -- what are the differences?

**Rahul Agrawal:**

So I unfortunately, cannot comment on competitors or other players' margins on this call. I can only comment to what we are doing. And I can say that we have assumed management as of 17th November 2022. And it has been a constant effort on our part to see how we can further improve the margins of the business that we are currently managing. And I think from the last quarter to this quarter, we have seen some improvement. And going forward, I do believe there are a lot of opportunities for us to further improve the margins.

**Ajay Sharma:**

Okay. And then on the working capital, there was a fair bit of improvement in last financial year, I think, especially on the other current liability sides seem to have increased a lot. So could you comment on that? What led to that?

**Rahul Agrawal:**

So we have obviously negotiated for better supplier terms than what was existing within the company earlier. Again, there were certain transactions earlier which were from entities that either we are not dealing with or there are entities where we believe we have overall better terms, not just the kind of supplier payment terms in terms of number of days, but in terms of pricing as well. So all-in-all, I think that's improved.

Second is the inventories that we carried have also been reduced. We do not believe we need to carry the kind of inventories that the company had in the past. We believe we can manage it with a much leaner position that we currently have, and we are trying to see how we can further optimize that.

**Ajay Sharma:**

Right. And your raw materials, you're importing from -- does it come from China? Or does it come from everywhere basically for all...

**Rahul Agrawal:**

So there are three key raw materials agents. There is styrene, butadiene and acrylonitrile. Styrene, of course, is the largest raw material for us in terms of volume. As of now, styrene is all imported. It comes from the Middle East. It comes from the Far East. It does not really come from China as of now. Going forward, it is possible with the additional styrene capacity is coming up in China. But from a logistics cost point of view as well as existing prior relationships point of view, the current supplies come from either the Middle East, Middle East would be the largest share, and then a little bit from, say, the Far East.

As far as acrylonitrile is concerned, again, it comes either from Far East. Some of it comes from China as well. But we don't have kind of -- and butadiene is, of course, procured domestically. There are three large producers of that in India. So yes, that's the situation as far as raw materials are concerned.

**Ajay Sharma:**

All right. And lastly, what are the kind of import duties on both the finished product and the raw materials. Is there any -- I mean, is there an inverse duty structure? Is it a kind of favorable duty structure from your point?

**Rahul Agrawal:**

It's a favorable duty structure as of now. So on the raw materials, the duties are a little bit lower than what they are on the finished product, so there is some delta there.



- Ajay Sharma:** Okay. And just the last one on the LG plant, which has been shut down, right, and which led to kind of a big improvement in the domestic, especially on PS side. I'm not sure about the ABS - - how much were they manufacturing. I was just wondering, do you think that plant can never come back online, or is that kind of a history now?
- Rahul Agrawal:** Speculative, so I don't know what I can say, Ajay. But it seems unlikely from what we can tell. So from what we know of the facts of the matter are that what we know what we have read again is the LG plant, of course, there is -- the government is involved. The local state government has been more in kind of understanding what the situation is. It has been sealed, so to speak. And we don't know if and when that plant can ever restart.
- Ajay Sharma:** Right. So don't you see when the domestic demand for your finished products is kind of quite good, that the spreads actually can be better than what they're globally? Why can't you have that kind of pricing of bargaining power with your customer? I'm just wondering. Are you still at the mercy of the global spreads?
- Rahul Agrawal:** So I think if you look at double spreads, if you -- there are publications by ICIS or by Platts, whatever, and you can access those publications. And if you track the spreads of global products in the last few quarters versus domestic players, you will see that the domestic players are performing better.
- Moderator:** Thank you. Ladies and gentlemen, that was 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 you, thank all the investors and the investor community for joining the call and showing interest in the company, and we look forward to answering you in our next investor call, which will be scheduled sometime in August, which will be announced. Thank you so much, and have a nice day.
- 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.
- Rahul Agrawal:** Thank you.