

July 23, 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: Transcript of Earnings Call with Investor / Analyst held on July 16, 2024

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 July 11, 2024 informing about the earnings call organized by the Company on July 16, 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**

Chintan Doshi

Manager Legal & Company Secretary

Styrenix Performance Materials Limited

(formerly known as INEOS Styrolution India Ltd.)

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“Styrenix Performance Materials Limited Conference Call”

July 16, 2024



**MANAGEMENT: MR. RAHUL AGRAWAL –MANAGING DIRECTOR,
STYRENIX PERFORMANCE MATERIALS LIMITED
MR. BHUPESH P. PORWAL – CFO, STYRENIX
PERFORMANCE MATERIALS LIMITED
MR. CHINTAN DOSHI – MANAGER, LEGAL &
COMPANY SECRETARY, STYRENIX PERFORMANCE
MATERIALS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Styrenix Performance Materials Limited Conference Call.

From the management team, we have with us 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 listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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 has been conducted subject to and in line with the disclaimer mentioned in the Investors 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: Yes. Thank you very much. Ladies and gentlemen, namaste and good afternoon, everyone. I am pleased to welcome you to our Quarter 1 Financial Year 2025 Conference Call.

As we reflect on our performance in the Fiscal Year 2024, I am delighted to announce that we have witnessed the robust demand for our products marking a significant growth trend. We are on schedule of our debottlenecking and expansion projects announced in previous year.

Coming to the Financial Performance, the highlights are as under:

Sales volume has increased by 8.6% compared to Quarter 4 of FY24 and by 21% compared to Q1 FY24. Revenue increased by 16.7% compared to Q4 FY24 and 28.5% compared to Q1 FY24. PBDIT stood at 13.1%, which is better by 0.7% compared to Q4 FY24 and 3.7% better compared to Q1 FY23.

Profit after tax stood at 8.7%, which is better by 0.5% compared to Q4 FY24 and better by 2.8% compared to Q1 FY24.

These are all about the highlights of this quarter and now we may proceed to answer the questions you may have. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: Sir, I have 2-3 questions to ask. So, the first is on our ABS. So, if you can just help us understand how were the imports of ABS in India in 1st Quarter of FY25 vis-à-vis last year and 4Q of FY24 if you can just share that trend?

Rahul Agrawal: Nirav, so in terms of imports for this quarter, we don't have that complete data yet because as you know specifically for the month of June, the import data would be really available to us only by early August. However, as far as imports are concerned, year-on-year, there doesn't seem to be any major shift or any major change over there. We have got some share of that import. Obviously as our volumes have increased, but overall the imports are more or less stable, if I must say.

Nirav Jimudia: Correct. Sir, reason for asking the question was because there were a lot of challenges in terms of container shortages globally and even freight cost was elevated. So, I was trying to understand whether this has helped us to put some additional volumes and gain those volume share in the domestic market. Whether if you can also explain that whether these gross margins which we have reported this quarter includes some element of those higher freight costs, which would have elevated the domestic prices of ABS?

Rahul Agrawal: We have seen the impact of ocean freight. So, ocean freight impacts us in two ways. There is bulk ocean freight which is impacted on our raw materials which comes in by way of styrene and acrylonitrile. And there is of course ocean freight involving containerized movement of finished goods which comes into the country. If we look at bulk freight, actually there was a mismatch towards the end of the last quarter and early part of this quarter where a lot of our material in fact got delayed and due to that, we in fact had to even buy some material in the spot market because we didn't have the availability of raw material coming in at that time. So, in fact, that was a bit of a negative, if you will, because we had to buy some material when that material did not come in on time. Overall, not a major impact but some impact was there. In terms of finished goods coming in, in terms of the shortages of freight vessels, that is happening more so in this quarter as opposed to the last quarter. So, there is not a major gap there. I mean, if you look at our overall EBITDA margin, that hasn't changed much, right? And even kind of quarter-on-quarter, so that's very similar. It's just that our volumes have increased and that is purely a function of us being able to produce more and sell more.

Nirav Jimudia: Correct. The second question is in terms of our sales volume for ABS. So, I just wanted to understand from you like do we sell more of those colored ABS and the compounds of ABS as against those white or the black master batches which are coming to India and when we generally say that 65% of our sales volume for the ABS are of specialty grade, does this include those colored ABS and the compounds which we sell to the customers here?

Rahul Agrawal: So, when we talk about specialty ABS, it does include some of the colored grades, but not all colored grades. There are some colored grades which should be more along the lines of the

standard grades of products that we supply in the market. So, it's difficult to give that exact breakup over here during this call. But there would be, like I said, some component of the natural grades of products or the base grades, which should be in the 35% or actually that number is even lower and that would also consist of some colored products, but not all colored products. We determine the specialty of the product based on the complexity in manufacturing it as well as the value addition while selling the product.

Nirav Jimudia: Correct. And the imports which are coming to India is predominantly those white or the black ABS and not the colored ones, which we generally sell, right?

Rahul Agrawal: Not really. So, the product that comes into the country is a full spectrum. So, there are products which come in on the natural side as well as on the specialty side, so the percentage of natural ABS might be a little bit higher coming in from outside the country. But there is also a significant percentage of specialty ABS or colored ABS, if you will, which is sold in the country from outside.

Nirav Jimudia: Sir, last from my side is if you can just help us out in terms of both for ABS as well as PS, the split of volumes between let's say for ABS, predominantly auto and consumer durables and for PS, let's say for auto, consumer durables as well as the stationary products?

Rahul Agrawal: In PS, there is no sale to automotive.

Nirav Jimudia: So, it's more of consumer durables and the stationary ones?

Rahul Agrawal: And packaging. So, like I mentioned in my previous calls, in ABS, the automotive and household appliances are the larger markets that we cater to followed by electronics, then kind of medical devices and toys, stationery, things like that. And in case of polystyrene, it is household appliances again, which is an overlap with our ABS business and there is some packaging which is also a significant business and then followed by the other segments that we cater to.

Nirav Jimudia: Got it. Just to reconfirm, sir, the timeline for the commissioning of our debottlenecking like last time you mentioned it could be coming in H2 of FY25. So, just to reconfirm that and the volume guidance, what you said earlier, just to reconfirm if you can just share both of them. Thank you.

Rahul Agrawal: So, you know, if you look at our overall volumes that we have done in the 1st Quarter, it's close to 48,000 tonnes. As opposed to last year, we did about 39 or 40,000 tonnes in the 1st Quarter of last year. So, that's about a 20% increase. This incorporates obviously the debottlenecking which has happened over the course of last year as well as beginning of this financial year. As we go along, that is on track and we will have additional volumes coming in, in the second and the third quarters as well. Overall, I think our volume guidance that we had given in the earlier presentation of about a 15% to 20% growth over the previous year, that continues to be the case.

- Moderator:** Thank you. Next question is from the line of Rahul Agarwal from IKIGAI Asset Management. Please go ahead.
- Rahul Agarwal:** Firstly, have you alluded to the sales volume outlook? Just wanted to add a bit here. So, obviously it implies that there is some bit of debottlenecking which would also happen going into second and third quarter, is that correct?
- Rahul Agrawal:** That is correct.
- Rahul Agarwal:** So, broadly 15%-20% is a consolidated guidance which includes ABS and PS both, right?
- Rahul Agrawal:** That is correct.
- Rahul Agarwal:** Any thoughts or any comments would like to share on the EBITDA spreads we are making on both businesses for Fiscal '25 and '26 please?
- Rahul Agrawal:** No, we are not given any guidance as such. We have iterated in the past as well that the Company has undertaken projects to increase capacities both by way of debottlenecking and brownfield expansion. Also, there are cost rationalization measures that the Company is undertaking in terms of improving efficiencies. And last but not least, trying to increase the share of value-added products, be it by way of the existing product line or the new products that we have launched in the brand of STYROLOY and ASALAC, so combination of all these three would help us in achieving better numbers going forward. But we have as such no guidance towards that.
- Rahul Agarwal:** Got it. And could you specify a bit more on what kind of new products have been launched at least this year like whatever you've sold in 1Q. Could you highlight a bit more on that please?
- Rahul Agrawal:** So, the volumes currently sold are not very significant. They are still kind of small in the relative terms compared to the rest of the business we are in. The products that we have launched right now, we have launched STYROLOY like I mentioned and ASALAC which are the two brand names. Under STYROLOY, we are doing blends like polycarbonate ABS, nylon ABS, ABS PMMA, HIPS, PPO, and other products. In case of ASALAC, it is ASA which is a kind of weatherable product which works in applications where high weather resistance is required or weatherability is required or high UV resistance is required. So, we have done that as well as blends of ASA which would be again ASA, PMMA and so on and so forth.
- Rahul Agarwal:** Got it. Perfect. And one question was on the working capital this quarter, like how did June end, broadly similar to what March was 50-55 days. Could you highlight what was the operating cash flow for the quarter?

- Rahul Agrawal:** This is not some information that we generally publish, but yes, so.
- Rahul Agarwal:** And lastly, just on the CAPEX, could you guide us for the amount of CAPEX to be done for Fiscal '25 and 26, please?
- Rahul Agrawal:** So, currently the overall CAPEX for the whole year that we estimated would be in the tune of Rs. 60 crores to Rs. 70 crores. That number will be fine-tuned actually in the successive next few months because we will have complete clarity once our engineering studies are completed and to what extent we can accelerate that the expansion projects and perhaps would also reflect on the CAPEX accordingly. So, I think by the next investor call, we'll have more information to share.
- Moderator:** Thank you. Next question is from the line of Priyank Chheda from Vallum Capital. Please go ahead.
- Priyank Chheda:** Sir, my question is on could you elaborate what would be the contribution of SAN in this total 48,000 tonnes volume for this quarter? I believe it's also part of when you disclose 48,000 tonnes it includes SAN plus PS plus ABS, correct?
- Rahul Agrawal:** That is correct.
- Priyank Chheda:** Would you be able to, how much of the SAN would be sold in this contribution in this total volumes?
- Rahul Agrawal:** Again, we don't share individual numbers or breakup. We stopped disclosing those exact details in competitive interest, but it is more or less in line with the numbers that we have been doing over the years and there is not any significant change in that.
- Priyank Chheda:** So, the incremental volumes have come from the debottlenecking of ABS and PS put together in that ratio, right?
- Rahul Agrawal:** Yes, like I said, the product mix has not changed drastically across the board and debottlenecking would have benefited all products.
- Priyank Chheda:** Coming to just a delta spread. So, we have seen slight improvement in ABS prices, maybe because of the ocean freight of the finished goods that you alluded to. While the styrene monomer raw material has also moved in tandem. So, do you see some global dislodgement in the delta spreads ahead, any global development which you would like to highlight, maybe which we should think of which can impact the spreads ahead?

Rahul Agrawal: So, the global spreads have not changed much in the last kind of 1.5 years since we have taken over management control. I think barring the 1st Quarter of 2022-23 when the spreads were a little bit higher, they kind of normalized post that and they have started a normalized level. Now I'm talking from a global perspective and that continues to be the case today. So, there is no major change from that. I think in terms of our own performance, of course we are benefiting slightly from some operating leverage as our volumes are going up and with the total sales that we have been able to achieve of different categories of products.

Priyank Chheda: Just last question on the power and fuel cost savings, which you had alluded last quarter plus some reduction in the steam cost. In Q1 at least we could see that there is a rupee improvement on a per kilo basis. Of course it has to do with the operating leverage too. Can you elaborate for us what should be the total cost savings that we should think of when it comes to FY25 in terms of power and fuel and what can be the logistics cost savings that we should see in the forthcoming year?

Rahul Agrawal: So, in terms of power and fuel, when we discussed about fuel, there are some projects that are ongoing where we are looking at more cost effective and economic sources of generating steam across all our plants in one of the plants that has already been commissioned and in the second plant also, it's near commissioning stage. The third plant also we would have that commissioned probably in the next quarter or so. So, I think over the course of this year, there will be some savings in fuel of the total savings that we are anticipating at least 30% to 40% of the total savings will come this year and the entire savings will be visible next year. As far as power cost is concerned, we are evaluating different options for which again, we haven't yet kind of come out with a kind of declaration to the public market, which we will give very soon once we have that information on what we intend to do, that power saving will also come in full force next year and for this year I think probably towards the end of the year.

Moderator: Thank you. Next question is from the line of Akshada Dev from Vivog Commercial. Please go ahead.

Akshada Dev: I have two questions for the management. Could you release the previous four-year volume data from FY19 to 22? I understand you were not the management at the time, but do you still have that data?

Bhupesh P. Porwal: So, earlier we have not been publishing those data in last few years and previous years we have published the production volume data. So, what exactly you want if you can write to secshare@styrenix.com, we will revert back to you on that.

Akshada Dev: My next question was the promoters have recently released almost 20% pledge on their holdings. Are there any more plans for rest of the pledge to be released as well? Any clarity in there?

- Rahul Agrawal:** Ma'am, if you check the updates on the Stock Exchange, we have already informed that the entire pledge has been released. So, there is no more pledge existing on any of the promoter shareholding.
- Akshada Dev:** That's great clarification. And I just wanted to confirm the debottlenecking project was the same project that you've given to Mott MacDonald. Is that right?
- Rahul Agrawal:** No, that is the brownfield expansion project.
- Akshada Dev:** So, has that started because this was given in February with the six months to start renewed, right?
- Rahul Agrawal:** So, typically what happens, ma'am, when we do any project, we have to do a basic and detailed engineering study. Mott MacDonald has been awarded the basic engineering work which is due to get completed very soon and that's when I said we will have a better idea of exactly what the CAPEX will be for that project, so that work is still ongoing and due to get completed very, very soon.
- Moderator:** Thank you. Next question is from the line of Ranbir Singh from Yashwi Securities. Please go ahead.
- Ranbir Singh:** While I was trying to calculate realization, so basically for the last quarter volume, this quarter, you reported that you did 44,094 metric tonnes last quarter, but in the last quarter the investor presentation, it was 44,538, so which would be the right number to take to calculate the realization?
- Bhupesh P. Porwal:** So, I think up till last quarter we have been publishing production numbers. So, that is the production number. And this time we have published the sales number. I think last quarter also was the sales number, up till December we were publishing the production number. So, that is the reason which is there.
- Ranbir Singh:** So, I had a question. Earlier what we have observed that realizations have increased 7% quarter-on-quarter. So, is this due to the base commodity price increase which happened in March '24 which led to better realization of existing inventory or was it due to a better product mix?
- Rahul Agrawal:** Yes. So, it would largely be a function of product mix. As you know, the product mix changes quarter-on-quarter, right? And that's why I've always guided that one should look at annual kind of data to get a blended idea of what those realizations would be, because it's possible that certain grades of products fell in higher volumes in certain quarters vis-à-vis in other quarters. So, this is more or less in line with what we would have expected for the kind of products to be sold in this quarter.

- Ranbir Singh:** So, I have another question like we have a listed competitor who's producing ABS. Their realization was a little higher than ours, so ours is lesser mainly because of the product mix because we also produce polystyrene and that is sold at a lower cost. Is my understanding correct?
- Rahul Agrawal:** Yes. Broadly, you are correct. So, we also sell more SAN, and we also sell more polystyrene and the spreads between ABS, SAN and polystyrene all are different in the industry. And what we normally publish is a blended or an overall result which is different from what the competitors would be publishing.
- Moderator:** Thank you very much. Next question is from the line of Tej from Niveshaay Investment Advisory. Please go ahead.
- Tej:** Sir, I have a couple of questions. So, taking you from the previous participants, sir, you said our realization has increased because of the change in the product mix. But is there a factor of freight cost leading to this increase in realizations?
- Rahul Agrawal:** So, this question has been asked earlier, so I think in the last quarter there is no real impact of the freight cost. So, ultimately that impact may come, but as of now, we don't see it.
- Tej:** And sir, again, just a confirmation on a previous participant question, so you said there's a global spread and the spread for you too haven't changed let's say on an upward trajectory, it's at normal level only, right and you expect it to remain same going further if I'm not wrong?
- Rahul Agrawal:** So, this is the current understanding we have. Of course it can change from time to time, but as of what we as a management believe to be the case today and in the near-term future, that indeed seems to be the case.
- Moderator:** Thank you. Next question is from the line of Dattatray Chitnis, an individual investor. Please go ahead.
- Dattatray Chitnis:** Just compliments and compliments, Sir. My immense gratitude to you and the board for the bountiful dividend. The Company is highly commendable. The management of the Company is immensely reliable. And the dividend policy is just incredible. They both deserve kudos and admiration for adopting the most equitable and fair business practice towards all stakeholders, which is very rare in the domain of listed Indian corporates. I am sure that you can see only such approach towards stakeholders among only multinational companies like Nestle, Colgate, Procter & Gamble to name a few. Thank you, sir, once again and convey my thanks to the board please.
- Rahul Agrawal:** We'll do, sir. Thank you for your appreciation, sir. Appreciate your kind words.

Moderator: Thank you very much. Next question is from the line of Ashish from InvesQ Investment Advisors. Please go ahead.

Ashish: So, if I recollect the last call, you guided that the EBITDA margin of around 12% was a base and you will build up from there probably. So, that's what we could understand, but historically we've seen that given the nature of your business, the margins have both on gross and EBITDA, they've been pretty volatile over the years, So, what changes for the Company now that those bad days won't come back as in those 12% margins would be the base for the Company. I just wanted to understand that is there anything changes between you and your customers in terms of contractual arrangements or some inventory policy? Just your clarifications would help.

Rahul Agrawal: So, generally we don't give guidance on EBITDA percentage margins. What we have stated in the past is that post the 2 years of exceptional results and during global supply chain disruptions, after that things have normalized. And in a normalized scenario, what we are seeing in the industry today with all factors in play is something that is sustainable is what we have stated in the past and we continue to state the same. In terms of margins, generally the businesses work in terms of spreads, whether it is ABS, polystyrene or SAN, those spreads have remained sort of consistent. Some improvements we have seen, marginal improvements as we like I said augment our capacity and get some operating leverage. We reduce our cost in some areas that we have already mentioned and we improve our product mix. So, with these three factors and three levers that we have, we try to do whatever best we can in terms of the margin profile. In terms of EBITDA percentages, it can change because if your raw material prices go up, typically our finished product prices go up and there the EBITDA margins might look a little bit lower. And conversely, if your raw material prices come down, your finished product prices also come down where your EBITDA margins look higher. So, I think in terms of absolute profitability based on the sales volumes that we do would be a good metric for you to understand how the business works, and we believe it's sustainable at where we are at with the continued effort to improve it going forward.

Ashish: So, maybe per KG or per tonne metric, is that not going to be as volatile on those matrices versus percentage margin, that's what you are insisting?

Rahul Agrawal: Correct.

Ashish: But Sir, there have been years when I can see history where the absolute profitability of the business has gone down substantially. So, I don't have the numbers to go on per tonne, this is how the profitability went. But you may not be the management that time, but maybe I think Rs. 10 crores – Rs. 15 crores was there in one of the years. So, that which was pretty deep in terms of negatives, so you don't see such scenarios happening in this business now. So, that's what I wanted to understand.

Rahul Agrawal: I think you can answer your own question by looking at the overall industry what has happened. So, if you look at specifically Styrenix or whatever name it was in its earlier avatar, you can understand how they were performing vis-à-vis competition. While overall competition seems to have performed better, this Company in its earlier avatar has performed a little bit poorer specifically for the years that you have mentioned. Now overall, of course, as the volumes have gone up, all the players in the industry have got some benefit on operating leverage and overall the spreads have improved somewhat, but this is still a very normalized scenario today that we are at. So, we don't anticipate any such dips currently because we have all factors such as competitive pressures in terms of global demand supply scenarios, all of these has sort of normalized and have been for the last several quarters and we don't anticipate that to change.

Ashish: Yes. So, the point to take is some bit of management issues were also responsible for those years where the profitability was low.

Rahul Agrawal: I won't comment directly on that. I hope you can appreciate it.

Ashish: Sir, one more clarification wanted to understand because you said in the opening questions that the global spreads have remained more or less there, but is there any change on the India side of it in the domestic business sees a better scenario for spread somewhere because of the freight issues that are there?

Rahul Agrawal: Could be, but again my comment will be speculative in nature, which I shall refrain from making at this stage.

Moderator: Thank you. Next question is from the line of Akash Khaitan from Kredent Infoedge. Please go ahead.

Akash Khaitan: Yes. My question is on the realizations. So, I wanted to understand basically realizations per KG has jumped from around Rs. 126 to Rs. 145. So, what triggered this and are these the kind of realizations we can expect going forward?

Rahul Agrawal: No, I mean, raw material prices have gone up and so have the finished product prices. So, overall prices have moved in tandem with raw material prices. If you look at again, the overall profitability per tonne whatever, there are some slight improvements over there. And that is, like I said, on account of operating leverage and some cost savings that we have achieved, but of course they are not of the same order of magnitude that you have mentioned because just looking at a price is not going to be able to tell you the whole story.

Moderator: Thank you. Next question is from the line of Nilesh Shaha from Julius Bear. Please go ahead.

Nilesh Shaha: Just one question from my end, right. So, in your earlier calls you have made a comment that something like 65% to 70% of the ABS that is sold is sort of specialty grade which we understand

is a customized grade that you are supplying to a particular OEM could be an auto or appliances OEM to meet certain features on strength due to credibility, right. Could you comment on the nature of those contracts, right from a realization and pricing point of view, right? The reason I'm asking this is because I'm trying to better appreciate why the spreads are a bit volatile and I'm sort of struggling to understand that at least for this piece, what would be the dependence of your realizations for this piece on global ABS prices? That's my question. Thank you.

Rahul Agrawal:

Mr. Shaha, since we have taken over management control in November'22 and having more kind of control over the business, say in the quarter post that in terms of spreads that you see, there is an incremental improvement on an annualized basis. But the volatility that you're alluding to is probably more to do with pricing rather than spreads. There has not been a lot of volatility since situation has normalized as far as the global markets are concerned. So, we don't see a lot of volatility here. When we talk about specialized ABS or specialized or customized products that we give to customers, it's very difficult for me here to tell you how those spreads work because there are thousands if not more SKUs which are made as per the need of that customer and depending on the complexity of the product grade that needs to be made, the spreads can vary quite significantly. In terms of ABS, we sell ABS based on obviously base properties which impact strength. It is chemical resistance, it is tensile, ductility, processability. But then of course we can make high heat ABS, we can make electroplating ABS, paintable ABS, super high impact ABS, high gloss ABS and antistatic ABS, UV resistant ABS and many such properties can be imparted to the product based on how you customize it, how you produce it. And even within that, there are hundreds of colors which can be produced and hundreds of additional properties which can be imparted to the ABS. So, to go into detail and explain to you how each of these grades, how the realization would work, is virtually impossible.

Nilesh Shaha:

No, I am just generally asking the nature of the contract, so is it based on the sort of pricing of AB&S plus a markup or is there a linkage of the global ABS spread or ABS price that has observed. I was more sort of I wanted qualitative color on the nature of the contracts, not anything specific to do with the various products you must be selling?

Rahul Agrawal:

Yes. So, it would be in line with a kind of a cost-plus basis, right? So, depending on what my input costs are on raw materials and those raw materials would be determined by publication pricing, which is an AB&S, as you correctly pointed out. Beyond that, whatever the difficulty or complexity is would be added on in terms of margin.

Nilesh Shaha:

Right. And then these have some sort of a reset frequency, right?

Rahul Agrawal:

Yes. So, these are decided on a monthly basis because the pricing on raw materials changes on a monthly basis. And so would our contracts reflect that.

Moderator:

Thank you. Next question is from line of Aditya Khetan from SMIFS. Please go ahead.

- Aditya Khetan:** Sir, my first question is on to the ABS part. Sir, is it possible to quantify what would be the utilization level of ABS we have operated in this quarter and in FY24 and similarly in polystyrene?
- Rahul Agrawal:** Yes, I'm asking is Mr. Khetan referring to capacity utilization when he talks about utilization?
- Aditya Khetan:** Yes, Sir. Capacity utilization.
- Rahul Agrawal:** So, capacity utilization is near full utilization every single quarter. Like I mentioned, when we do debottlenecking, we realized there is a scope for additional volumes, which can be produced. Now debottlenecking is a very broad catch-all term that we are using. We also do process improvements. We also do technology improvements along with that and that helps us realize higher volumes and that's a continuous exercise, but we are at any point of time operating on full capacity at that particular point in time or have been for the last five quarters.
- Aditya Khetan:** Sir, onto the ABS, when we look at the data for the past 2 years and today, we have witnessed that the ABS spreads have gone up by almost 30% to 40%. So, now you are saying that the global spreads are almost in line as compared to last year. But the data suggests that so currently we are trading at around 30% to 40% premium in terms of spreads and that is also reflected in your numbers. So, just wanted to know this improvement in spread is only because of the shipping cost or the ocean freight or there are some structural changes like which is happening either it could be because of lower imports from Korea or any other factor like which you can allude to.
- Rahul Agrawal:** We can take this question offline because I think your data and our data is a little bit different. See basically when you compare spreads, the only data which is normally available at a global level is your general injection molding ABS grade. If I track the spreads on general injection molding ABS grade and I have that entire data for the last two years, there is absolutely no change. When you say it's increased by 30% to 40%, we can take this question offline and we'll be very happy to answer it for you.
- Aditya Khetan:** Sir, on to the ABS, sir, you had mentioned. So, we are also funding the capacity, any sort of an index figure we have outlined. So, from 85,000 tonnes taking this capacity to around 2,00,000 tonnes, what would be the CAPEX figure?
- Rahul Agrawal:** So, like I mentioned, in this year, we are targeting about 105,000 tonnes or 100 to 105,000 tonnes of ABS. We are in line to do that. To go from 105 to 210,000 and of course polystyrene also to go from 100 to 150,000 tonnes. We have outlined an overall CAPEX guidance of about Rs. 650 crores. We will have detail on that very shortly. So, hopefully in the next few months where we will know exactly what will be the cost and how much would be the spend over the next few years and in which quarters. So, that detailing has yet to be done, but that was broadly the number

which we had given earlier and that remains to be the case until we get more detail from our engineering studies.

Aditya Khetan: Got it. And sir, just one last question. Sir, on to the other expenses, the benefit which we have got in this quarter, so this we can assume it for the full fiscal FY25?

Rahul Agrawal: Again, yes, there will be a function of product mix. There will also be a function of specific seasonality in certain quarters. There could be factors which can help us, but you see there is an overall base spread which doesn't change too much or is not very volatile. There could be certain temporary or momentary changes which may happen. Like I said, we have not given any guidance, but you can consider whatever is happening currently as the normalized sustainable scenario.

Moderator: Thank you. Next question is from the line of Dhara from ValueQuest Investment. Please go ahead.

Dhara: My first question is on getting more clarity on the debottlenecking exercise that we're doing. So, I just want to understand this will open up how much capacity for us is it like 60,000 tonnes? The reason why I'm asking this question is because there will be space capacity constraint before our doubling of capacity comes in FY28. If you can help me clarify this?

Rahul Agrawal: So, prior to us taking over management, the capacity of ABS or the maximum production or sales of ABS based on own produced products was close to around 65,000 tonnes which last year we did about 90,000 tonnes of ABS. This year we are targeting between 100-105,000 tonnes of ABS. This is all by virtue of debottlenecking. So, going from 105 to 210 is the larger kind of brown field expansion which will help us double the capacity. How fast it can happen, whether it can happen in a modular fashion and what will be the exact dates of commissioning. We will give more information on that, but initially, we had given a broad guidance of 28, but we believe that it can be done sooner, and we'll have exact information in the next few months on that.

Dhara: So, sir when you mentioned sooner, does it mean that we can do it in a phase fashion, or the entire capacity needs to come online at one time? Can it be?

Rahul Agrawal: Again, I think we'll have to wait for a month or two for to share that information. Once we have it, we'll share that with you.

Dhara: And what would be the total capacity ABS, SAN, polystyrene and blends all the capacity put together? What is the total capacity that we have today?

Rahul Agrawal: So, right now, it's going to be about 200,000 tonnes for the full year and for I think we have given that guidance as well where we have mentioned 200,000 tonnes for this year and the increases also, we have demonstrated or kind of indicated in the last few investor presentations

ago. So, you can refer to that and that number would still remain valid as far as our current planning is concerned.

Moderator: Thank you. Next question is from the line of Pratik Singhania from Sage One Investments. Please go ahead.

Pratik Singhania: Sir, with respect to adding to Dhara's question, with respect to the existing capacity in last quarter's presentation; for ABS, it was mentioned that the existing capacity is 85,000 tonnes. And for PS, it is 66,000 tonnes, but because of your internal efficiency and like process measures you said in FY24, you did a total production of 90,000 tonnes, right? So, sir, similarly for end of Q1 FY25, because of your own process improvement, what is the monthly or quarterly production capacity? It not the stated one, but the capability of the Company to manufacture like tonnage of ABS and polystyrene per quarter, how it would be?

Rahul Agrawal: So, whatever we have produced in this quarter is the maximum that we can produce. In next few quarters, there is debottlenecking which is happening on ABS, which will help us produce more. I think on the overall annualized basis, we are still on track to reach the number that we have mentioned, which is about 100-105,000 tonnes.

Pratik Singhania: Right. So, basically in terms of number, if I can assign a number, because I'm asking the historical number. So, at the end of this Q1 FY25, what would be the capability in terms of it would be similar 22,500 tonnes per month per quarter for ABS?

Rahul Agrawal: Well, if we are talking about producing 105,000 tonnes, that number would be a little bit higher, right? It would be closer to 25,000 tonnes or 26,000 tonnes and that is what in fact is the current capacity.

Pratik Singhania: So, we have already debottlenecked the ABS capacity to 105?

Rahul Agrawal: No, we have not. We have done it, but we are very close to it. Balanced part of it will be done in the next quarter and then we'll reach that exact number.

Pratik Singhania: And Sir, currently what is our HRG capacity? How much we can produce per month?

Rahul Agrawal: So, HRG capacity is 24,000 tonnes and that is currently the case. Again there will be some debottlenecking over there in the next quarter which will help us produce more HRG.

Pratik Singhania: 10% to 15% debottlenecking can be achieved over year?

Rahul Agrawal: Yes.

- Pratik Singhania:** And sir, when you'll be saying that you'll be adding like the capacity for ABS, for debottlenecking. So, we will not be sacrificing on our SAN tonnage, right? It will be incremental volume that will be added, or we have to?
- Rahul Agrawal:** No, that is correct. SAN, we have in fact additional capacity already in place. So, we will not have to sacrifice any SAN tonnage.
- Pratik Singhania:** And so similarly, if you can tell me about polystyrene like 66,000 tonnes, is it still at 66,000 tonnes per annum or you have done some kind of a debottlenecking for it to some midpoint or say 80,000-85,000 as of now?
- Rahul Agrawal:** So, SAN is currently at that capacity, what you have mentioned. In the next quarter that debottlenecking exercise should be completed and on an annualized basis, of course, it would be 100,000 tonnes. But for this year, because of sometime lost during the debottlenecking exercise itself, the overall capacity of Polystyrene would be around 75,000 to 80,000 tonnes.
- Pratik Singhania:** Sir, best wishes because like increasing 8000 tonnes incrementally Y-o-Y at an incremental fixed cost of just Rs. 5 crores net is commendable. All the best sir. Thank you.
- Moderator:** Thank you. Next question is from the line of Krunal Shah from Enam Investments. Please go ahead.
- Krunal Shah:** Yes, I have one question on ASALAC. Can you just help me understand the raw material mix that is required to make ASALAC and also on ASALAC, have you already started selling it in the market or are we still in the customer approval phase?
- Rahul Agrawal:** So, Krunal, ASALAC is composed of a different kind of a rubber which will basically like you have ABS composed of HRG and SAN for that matter. Similarly for ASALAC also, you would have ASA rubber which would be its own kind of rubber specialized rubber along with SAN and AMSAN. So, it would be similar in terms of percentages that would be used. The rubber part again is something which we have developed, and we would be partly using our own, partly buying from outside as well. The SAN and AMSAN pieces of course are pieces that we already have in house available to use, so that's ongoing. In terms of customer qualifications and validations, we have received some validations and some commercial orders have started, but these are still quite small, and we believe that the real benefit potentially will come towards the last quarter of this year.
- Moderator:** Thank you. Next question is from the line of Hemant, an individual investor. Please go ahead.
- Hemant:** So, my question is pertaining to the stake sale as a promoter. If the prospects of the Company are good and the future is very, very bright, and promising. Then why is there a **stake sale** by the promoter?

Rahul Agrawal: Hemant, in terms of the functioning of the Company or prospects of the Company, they remain very much in line with whatever we have been speaking about and what we believe. So, that does not change. The stake sale is frankly a decision taken at the promoter level, which is considering the promoters own options to retire certain debt, which was taken for the acquisition of the shares itself and there was of course a pledge also created as a result of that debt. We believe that in the interest of the Company, in the interest of the shareholders as well as the interest of the promoters, it made sense to dilute some equity so as to alleviate that part. And that is a decision that the promoter group has taken. Of course it does not really have any bearing per se on the operations of Styrenix for which we are talking about here. But to answer your question, I hope that addresses your concerns.

Hemant: So, Sir, you mean to say that some debt was taken in by the promoter in acquiring the Company and the stake sale was basically done to retire that debt?

Rahul Agrawal: That is correct.

Moderator: Thank you. Next question is from line of Tushar Vasuja from Yogya Capital. Please go ahead.

Tushar Vasuja: So, yes, I have a few questions and I'm a bit new to your Company, so I'm sorry if there are bit rudimentary in nature, but my first question is can you give a revenue distribution based on the end industry that you serve?

Rahul Agrawal: So, Tushar, we produce 2 lines of products broadly ABS and polystyrene. In ABS, we cater to the automotive industry, we cater to household appliances or large appliances, electronics, medical devices, small appliances, stationery, toys. Generally, the revenue mix is about 40% in automotive. Similar percentages in household appliances and then the other appliance, the other industries are of course smaller in nature. Polystyrene on the other hand again is about 40 odd percent in household appliances, similar percentage in packaging and then the other industries is where we have the rest of the sales.

Tushar Vasuja: And another thing that you mentioned a lot about debottlenecking, and you also mentioned CAPEX of Rs. 60 to Rs. 70 crores or somewhere about that for this year. So, does that include the cost for the debottlenecking or is it completely different expansion?

Rahul Agrawal: That's included.

Tushar Vasuja: Well, that's included. And I'm asking a bit of a broad question because how have things changed for the Company since the management has changed?

Rahul Agrawal: So, we believe that the Company has a very bright future in terms of growth prospects. I think that is one kind of management philosophy which has got re-instilled in the Company and its management team and in line with that philosophy, a lot of changes have happened in terms of

product efficiency, in terms of projects that we are doing in terms of customer relationships. So, the entire kind of organizational structure, part of the Company has changed and is more geared towards ensuring that we grow.

Moderator: Thank you. Next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: So, on the freight side and the price increase, so what I have been checked with the traders was that the end of June is where the prices of ABS have gone up on account of freight and you were in short to mention the RM related price increase or the bulk freight price increases and the **(Inaudible) 56.39** price increase which has flowed in. But you didn't comment on the freight related finished good price increases which have flowed in the month of June or the latter of month of June. Should we see that flowing in now in these quarters which are going to come by, that's first question? And my second question is the power and fuel cost, whatever projects you're implementing. Can you quantify the absolute EBITDA range benefit on account of this power and fuel cost and should one assume over and above this Rs. 19 a KG EBITDA which flowed in the Quarter 1 of this fiscal?

Rahul Agrawal: So, the overall ocean freight changes which have happened in the Far East which has an impact on finished goods and the market in India is not reflected in the June quarter. There could be some impact of it in the current quarter. Of course, it would be speculative of me to comment on that. But this data you can independently verify as well. With regards to your second question, which is on utility cost, which is power and fuel. I think there are a lot of projects like I mentioned on fuel where we are commissioning alternate fuel source utility operations which are going to happen in this month and then consequently in after 2-3 months as well. So, all of this is going to lead to EBITDA improvement. Again, we haven't given a guidance on exactly what that percentage will be, and it will be premature for me to do that right now because we have to understand exactly what that will entail at full capacity utilization. But you will see the benefit of that incrementally I think from next quarter and in the full year for next year for sure.

Pritesh Chheda: Are these benefits materials or are there couple of percent type margin improvements? Can you give that kind of indication?

Rahul Agrawal: So, you know, just to give you an idea, when we produce fuel using natural gas, our cost is around Rs. 6- Rs. 6.5 a KG. When we use certain alternate fuels, the cost per KG can come down to as low as Rs. 2.5 to Rs. 3. So, if you calculate and correlate that to overall fuel cost, you can see that it is fairly material.

Pritesh Chheda: So, basically freight related benefits has not flowed in Quarter 1 is what you're concluding. They can come incrementally in quarter 2 onwards and then you have the power and fuel cost saving to be written over for the Quarter 1 number that is the take away.

Rahul Agrawal: Right.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as a last question. I'll now hand the conference over to Mr. Chintan Doshi for closing comments.

Chintan Doshi: Thank you investors, investors communities for joining the call and showing interest in the Company and we look forward to answer you in the next investor call which will be announced at a suitable time in future. Thank you.

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