



SUPREME PETROCHEM LTD

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July 30, 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
1st Floor, Dalal Street,
Mumbai - 400 001
Script Code - 500405

National Stock Exchange of India Ltd
Exchange Plaza, Bandra Kurla Complex
Bandra East,
Mumbai - 400 051
Script Code - SPLPETRO

Dear Sir/Madam,

**Sub: Transcript of Earnings Conference Call of Supreme Petrochem Ltd
(‘The Company’)**

Ref: Regulation 30 of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (‘Listing Regulations’)

Please refer our letter dated July 22, 2024 wherein we had informed you that Earnings Conference Call with investors of the Company will be held today i.e. July 25, 2024 to discuss Q1-FY/25 earnings.

Please refer to our letter dated July 22, 2024 wherein we had informed you that the Company is conducting Virtual Conference Call with Investors/Institutional Investors on July 25, 2024.

Please note that the said conference call as scheduled was held at 03:30 PM (IST) on July 25, 2024. In this regard, pursuant to Regulation 30 of Listing Regulations, please find attached transcript of the call with the Investors/Institutional Investors.

This is for your information and records.

Thanking you

Yours faithfully,

For SUPREME PETROCHEM LTD


D. N. MISHRA
COMPANY SECRETARY



Supreme Petrochem Limited
Q1 FY25 Earnings Conference Call
July 25, 2024

Moderator: Ladies and gentlemen, good day and welcome to Supreme Petrochem Limited Q1 FY25 Earnings Conference Call.

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 this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Thank you. Good afternoon everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of Supreme Petrochem Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the First Quarter of Financial Year 2025.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's Earnings Call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to Management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's Earnings Conference Call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, let me introduce you to the Management participating with us in today's Earnings Call and hand it over to them for opening remarks. We firstly have with us Mr. Rakesh Nayyar - Executive Director and Chief Financial Officer; Mr. Dilip Deole - Chief Executive of Finance and Accounts; Mr. D N Mishra - Company Secretary.

Without any further delay, I request Mr. Rakesh Nayyar to start with his opening remarks. Thank you and over to you sir.



Rakesh Nayyar:

Thank you Anuj. Good afternoon, everybody. It is a pleasure to welcome you to the earnings conference call for the first quarter of the Financial Year 2025.

Let me give you brief details of the financial performance of the quarter. The operating income for the first quarter was approximately INR 1,574 crores, which has grown by around 28% on a year-on-year basis. The operating EBITDA was reported at INR 161 crores, representing an increase of around 78% year-on-year. Total EBITDA for the quarter is Rs.184 crores for the first quarter. The net profit after tax is around Rs.122 crores which increased by 76% year-on-year.

The company's sales volumes of manufactured products in the first quarter of F.Y. 2025 increased by 21% on a year-on-year basis to 93,323 metric tonnes. Domestic volumes showed a robust growth rising by 38% on year-on-year basis. Export volumes decreased due to substantial increase in the container freight rates caused by West Asia crisis, leading to a shortage of shipping space. Exports during the first quarter of 25 were at 7,990 metric tonne compared to 11,370 metric tonnes during the quarter one of financial year 24. The price of styrene monomer during the quarter ended June 2024 was stable. Company remains debt free with an investible surplus of INR 1040 crores at the end of the June 2024. With this, now I open the floor for the question-and-answer session. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Aditya Khetan from SMIFS. Please go ahead sir.

Aditya Khetan:

Sir my first question is on to the volume side. Sir last quarter you mentioned that for full fiscal we are expecting around 8% to 9% volume growth. And sir in Q1 we had made around 93,000 tonnes. So, if we annualize this number also considering a bit upward number in Q4 because of the stocking which happens, so we can clock at least around 14%, 15% volume growth with the current run rate. So we can maintain these volumes or we will see some dip in second and third quarter?

Rakesh Nayyar:

Aditya, as I have been saying in the past also the second quarter when the monsoons start, is generally a weaker quarter in terms of the volume, because the lifting by the OEMs are slow, even in the non-OEM segment, the demand falls. Third quarter due to the festival season for that short period picks up and post the festival season again there is a lull. And only towards the end of the third quarter, the last month of the third quarter or rather the last fortnight of the third quarter onwards the market picks up again. So, from mid-December till June or June end, the season is generally good and then because of the monsoons, there is a slight weakness in the market in terms of demand. We still maintain that we could be doing better, but then on a conservative basis, I would maintain that we would be having a volume growth of around 8% to 10% only.



Aditya Khetan: Okay. Sir on to the spread kind of polystyrene and your styrene monomer, for the last so, two to three months we had witnessed on spot basis the spreads have gone up to almost \$300 to around \$350 per tonne versus the normalized average of around \$150 to \$200 per tonne. So, this spreads can it maintain for a very long period of time and what is the reason for such higher spreads?

Rakesh Nayyar: Normal is also not 150, you are talking about what GPPS or HIPS?

Aditya Khetan: Sir GPPS.

Rakesh Nayyar: GPPS spreads are between \$150 to \$200 but because of the high freight rates of the imported cargo some delta has gone up but not really to this extent what you are saying. The deltas have not increased to \$300 or \$350 for GPPS.

Aditya Khetan: Okay. So, this delta for HIPS has it gone up?

Rakesh Nayyar: Both GPPS and HIPS both have marginally gone up but not to the extent you are saying, we haven't seen that.

Aditya Khetan: Okay, got it. Sir on to the expansion side, apart from ABS which we are planning to start by Q4 the EPS expansion and the XPS expansion. So, this expansion when we are planning to commission?

Rakesh Nayyar: EPS expansion also will be through by the end of this current calendar or in the last quarter of this financial year and XPS will happen sometime in next financial year.

Aditya Khetan: And sir the special compounds business?

Rakesh Nayyar: That keeps on going as and when the demand is there. When demand requires the lines are added there, because they are kind of a very modular thing, it's not something like PS or ABS or EPS.

Aditya Khetan: Got it. Sir just one last question, relating to the Haryana plant expansion, wherein we are looking to invest around 800 crore, apart from the existing announced expansion of 3D panels, any other new projects has been lined up?

Rakesh Nayyar: No, we have said 3D panel, sheeting and also XPS there. Now, we are taking all the statutory approvals in terms of environment clearances, and other things that will take some time and we always look out for new avenues and if we find some other interesting projects, we will implement there.

Aditya Khetan: But sir the revenue potential could be around 2500 crore from that Haryana business?



Rakesh Nayyar: Based on the current capacities announced by us, the revenue potential would be around 2000 crores.

Moderator: Thank you. Our next question is from the line of Shailesh Raja from B&K Securities. Please go ahead sir.

Shailesh Raja: Sir three years back PS demand was best we used one of the lines for producing SMMA product and last two years we used the same line for producing only PS because of good demand. Now, with capacity available is there any plans to reenter in SMMA product to fill the available PS capacity sir?

Rakesh Nayyar: We had added some small equipment to one of our existing polystyrene line for manufacturing small quantities of SMMA because we had surplus capacity of PS then. And now, the PS market is growing. So we have not looked at SMMA at the moment and we continue to focus on PS. SMMA market as such was very small and so, we are only considering doing may be some SMMA compounds but not actually going into SMMA.

Shailesh Raja: Who is supplying sir currently and what is the market size?

Rakesh Nayyar: The market size in India is very small. Since we stopped supplying SMMA, so people have again gone back to PS and currently in India nobody manufactures.

Shailesh Raja: Okay. Sir my second question given that our current power cost is approximately Rs.2 per kg for the existing product lines, with the mass ABS technology we are implementing, so what is the projected power cost per kg for the ABS line sir for the 1.4 lakh tonne capacity?

Rakesh Nayyar: Shailesh, I can't give you that number because we are still not in production and numbers what we have given are provided by our technology suppliers. So really it will not be right for me to comment on that.

Shailesh Raja: Okay. Sir we have entered a JV for the generation of 12.5 megawatts of solar power. And also we have installed one megawatt of rooftop solar power. The annual report mentioned that we can meet 50 percentage of our power requirement from renewables. Sir does that include the power requirement for the ABS line?

Rakesh Nayyar: No, that is for the current power requirement. When the ABS comes up, then we will go in for additional solar power capacity, may be in the current JV itself or may be with some others but currently, this will meet only our existing power requirement to the extent of 50%.

Shailesh Raja: Okay. Sir one last question, for the two phases of ABS, 1.4 lakh metric tonne, it records roughly around 7000 tonnes of master batch. So, that is sourced entirely from our SPC division or how is it?



Rakesh Nayyar: Sorry, what did you say?

Shailesh Raja: The total ABS capacity is around 1.4 lakh tonnes, so that records roughly around 7000 tonnes of master batch. So, this is sourced entirely from our SPC division or how?

Rakesh Nayyar: Masterbatch requirement of 7000 tonnes which you have calculated, as and when required will be always supplied by us only, it will be sourced from our own SPC division.

Shailesh Raja: Okay. So, the SPC effective capacity is 75,000 that we are targeting capacity?

Rakesh Nayyar: 75000 is our proposed expanded capacity over a period of time. What we have said is, currently where we are now and as and when the demand goes up, we shall keep on adding the lines for that. So, our ultimate aim is to reach 75,000, that is the provision we are doing. We shall keep on adding lines as and when the demand is there and the market needs it.

Moderator: Thank you. The next question is from the line of Dhruv from HDFC AMC. Please go ahead sir.

Dhruv: Sir, is it possible to say how much PS in a 20 feet container, can get imported, in terms of quantity. And what would be the freight rates currently and how has it increased over the last months from say Southeast Asia, I believe that's the largest part destination for exports to India. So, how the rates change, I am just trying to understand how meaningful the benefit can be for us?

Rakesh Nayyar: The freight rates in the last couple of months have gone up by almost \$150 a tonne. But with the capacity available in the country now, the imports are reducing. With the increased freights people have stopped importing in big way, earlier the imports used to be around 6500 to 7000 tonnes a month which has already come down to 3500 tonnes in the last one or two months which going forward may further go down. And as far as the stuffing in a container is concerned, it can vary the way the packing is done and it could be 17 tonnes and it can be 19 tonnes also. So depends upon the factory size or palletized or loose cargo.

Dhruv: So 17 to 19 tonnes in a 20 feet kind of container?

Rakesh Nayyar: Yes, it can be as low as 16 tonnes also. The standard is 16 to 19 tonnes depending upon the various combinations.

Dhruv: Got it. And this \$150 per tonne is what you mentioned is the freight rate is your estimation of the freight rate from say Southeast Asia to here?

Rakesh Nayyar: Freight rates is our estimation, but now I understand that this is getting rationalized and the market expectations are that the freight rates will start going down now, that's the information what we are getting today.



- Dhruv:** So, even if the imports reduce, and even if there are some small quantities of import, shouldn't on an import priority basis you still tend to capture some reasonable part of the gain of the freight rate or no it will not work that way?
- Rakesh Nayyar:** No, it does not. One has long standing customers and can't take undue advantage of customers and two, by doing that demand in the market is also affected. So, it has to be balanced approach always.
- Dhruv:** Got it. And sir for your raw materials it does not change materially because they are imported in tanks right?
- Rakesh Nayyar:** Bulk rates have also gone up. The raw material, freight rates have also gone up but not to the extent of the solid cargo. The liquid cargo bulk rates have gone up but not very high as in the case of the solid cargo.
- Moderator:** Thank you. Our next question is from the line of S Ramesh from Nirmal Bang Equities. Please go ahead sir.
- S Ramesh:** So, if you were to look at the growth outlook for polystyrene and ABS, can you give us what is the expected CAGR and demand for polystyrene and Acrylonitrile Butadiene Styrene and what is your current market share in polystyrene and what is the kind of market share you are expecting in ABS?
- Rakesh Nayyar:** The expected market growth will be in line with the GDP growth on an overall national basis. And as far as our market share of the polystyrene market is concerned we are close to around 55% or so. And ABS going forward, when we reach there then we will decide once our both the lines are operative and depending upon the market size and imports. We always try to get a substantial share in the market but then I can't really comment on what it will be at this stage.
- S Ramesh:** So, what is the current consumption of Acrylonitrile Butadiene Styrene in India now?
- Rakesh Nayyar:** That is around 2,80,000 Tonnes to 300,000 tonnes.
- S Ramesh:** Okay. So in terms of the economics of the new project for the ROCE, what are you really counting on in terms of your differentiating factors is it more competitive technology, is your capital cost lower so how do you expect to compete because it's a very mature market and possibly it has been a bit late in entering the ABS value chain. So, how do you see your project delivering shareholder value, say over the next five, 10 years?
- Rakesh Nayyar:** Our technology is good, it is one of the best technology in the world from Versalis. So, we see that our product quality would be best, the mass ABS is odour free, good for use in the interiors of the automobiles, it has low carbon footprint, there is zero water consumption



during production. So it is not only environment friendly, but it is a very efficient technology. We think our product when it gets established in the market, will have an edge over the conventional ABS.

S Ramesh: Sir if you look at the outlook for the current financial year and the next financial year, whatever you are expecting in terms of revenue should primarily come from polystyrene right and when do you expect the Acrylonitrile Butadiene Styrene revenues to start being booked in the P&L?

Rakesh Nayyar: So, the next financial year we will be in the market, but then that will be the first year when the product would be supplied to the market and by the time the market gets used to it and starts accepting the material will take some time but starting 26-27 financial year, yes, it will be fully accounted and will add to the top line and the bottom line both.

S Ramesh: So, do you see any competition in terms of additional capacity in polystyrene and ABS from other players?

Rakesh Nayyar: I believe that other current players of ABS have announced increase in the capacities. Right now almost 50% of the ABS consumption is getting imported into the country. So there will be enough, everyone will have enough market to supply to.

Moderator: Thank you. Our next question is from the line of Aditya Khetan from SMIFS. Please go ahead sir.

Aditya Khetan: Sir my question was, on to the imports of raw material. So they are generally packed in liquid cargoes or in tanker so the freight cost is generally lower and for solid cargoes like what we export polystyrene that is in solid form, so the freight cost is higher over there.

Rakesh Nayyar: Yes, that's right the bulk cargo liquid have their own freight rate and solid cargo has their own freight rate, freight rates for the liquid cargoes have also gone up but the freight rates for solid cargoes have seen higher increase.

Aditya Khetan: Okay. Sir, when we export polystyrene so generally contract is on FOB basis or in CIF basis?

Rakesh Nayyar: It depends upon buyer to buyer if they want to nominate their own ships then it is on FOB basis, if they want us to ship we go on CIF basis.

Aditya Khetan: Okay. Sir, onto the ABS part, so when we compare ABS like a mass ABS has and emulsion ABS, whether there is any differentiation sir in terms of product quality or cost competitiveness you can highlight.

Rakesh Nayyar: I would only say, like I said just now to the previous gentleman, that as far as mass ABS is concerned there is a lot of consistency because it is a continuous process, unlike the



conventional emulsion process, which is a batch process. And there is a superior natural base color for the mass ABS. Conventional emulsion grade have generally a yellow tone and you need high doses of pigments for that which becomes expensive and mass ABS is odor free particularly for the automobile interior applications this is a better material. As far as the paint capabilities are concerned like for two wheeler bodies, you have to do the painting of the body and that the ABS is used there and mass ABS has got a better finish for the painted material there. So, these are the differences and secondly in the process while manufacturing of the mass ABS, no process water is used or the variety of chemicals which are used for the emulsion, get reduced here substantially.

Moderator: Okay. Sir just a follow up on this, sir company has witnessed because of the rise in ocean freight cost, freights are at a two year high today. So, like ABS spreads in polystyrene are also high, so sir these spreads will sustain at this level or consecutively fall in freight.

Rakesh Nayyar: Aditya your voice is cracking it's not clear.

Aditya Khetan: Sir on to the ABS spreads, I was asking on to the spreads part. So, currently the spreads are at a higher level. So, in ABS and in polystyrene both. So, with the declining freight cost and all you still expect like, this freight will remain or it can revert to normalize levels?

Rakesh Nayyar: Whereas polystyrene as I told you earlier, for polystyrene spreads have not really increased substantially but in ABS, the imports are very high almost 50% of the local demand is imported into the country. So the increased freights have made a lot of difference in terms of the domestic pricing. So going forward when the freight rates go down all this will also go down.

Moderator: Thank you. Our next question is from the line of Jatin Sangwan from Burman Capital. Please go ahead sir.

Jatin Sangwan: Sir, if I look at the demand of the polystyrene the demand would be around 3 lakh tonnes. And if I look at our capacity, our capacity itself is 3 lakh tonnes and we have a competitor that is increasing its capacity by 150%. And then there is another competitor whose plant had a gas leak and they have shifted their plant to another location. So how do you think with the coming of the capacities of both these players will affect the realization and the margins in polystyrene?



Rakesh Nayyar: Firstly, the competitor you said that who had some gas leak, they have shifted their plant to other location is not right because no shifting of plant has been done, they have setup only a compounding facility in another location so it is not for polystyrene. Now, as far as the demand in the country is concerned, polystyrene demand is closer to 325,000 tonnes in the country. And as I said earlier, the demand will grow in-line with the GDP growth and we have a capacity of 3 lakh tonnes, but then part of that is also exported by us. So our new plant coming up in the North, of another 100,000 tonnes, and even the expansion by the other players in the industry would finally get consumed in the country over a period of time. In the next two or three years the demand will grow up also so that there is always a surplus capacity otherwise when the demand goes up immediately the plants cannot be set up. So there is always cushion in the capacity and the demand. And so this all will take care and going forward this all capacities will get exhausted.

Jatin Sangwan: Got it. And sir just a follow up on polystyrene, how much of our sales comes through direct sales to customers and how much of it is through distributors?

Rakesh Nayyar: I would say around 50:50.

Jatin Sangwan: Okay. And my last question is around ABS, since you mentioned that we will be doing mass ABS and it will be a continuous process. So will there be any customization that we can do for the customers as our two competitor does, is it possible in continuous process versus let's say batch process?

Rakesh Nayyar: We have defined grades and there are all defined grade like you have in polystyrene or other polymers, then that is the objective of the continuous process. Therefore, for specific applications recipes are made and continuous grades are produced. And if somebody wants any specific customization, that can be done in our compounding lines in our SPC plant.

Moderator: Thank you. Our next question is from the line of Anirudha Jain from HU Consultancy. Please go ahead sir.

Anirudha Jain: Sir, just wanted to understand what is the normalized revenue potential after this ABS plant and the Haryana extension takes place?

Rakesh Nayyar: Once our both the lines of ABS are on stream and our EPS and our Haryana projects are on stream, the new projects would have the potential to add close to almost 3,500 to 4000 crores of revenue.

Anirudha Jain: Okay. So, both ABS and Haryana facility combined?

Rakesh Nayyar: Yes, combined.



Anirudha Jain: Okay. And when can we expect this normalized capacity utilization for both ABS and Haryana facility?

Rakesh Nayyar: The Haryana facility would be likely to start from the financial year 28. So, I suggest 28-29 would be the financial year when both the projects would be ready and fully operational.

Anirudha Jain: Okay. And, what is our current capacity utilization?

Rakesh Nayyar: Current capacity utilization for this quarter was over 83%.

Moderator: Thank you. Our next question is from the line of Dhara from Value Quest. Please go ahead ma'am. Line from Dhara has been disconnected. Our next question is from the line of Parth from Vallum Capital. Please go ahead sir.

Parth Mehta: Sir, if you could help me what would be our revenues from trading for the quarter?

Rakesh Nayyar: Sorry, what did you say?

Parth Mehta: What would be our revenue contribution from trading for this quarter?

Rakesh Nayyar: Around 20%.

Parth Mehta: Okay. And sir the capacity utilization that you mentioned 83% that would be for PS or that impact on a blended basis?

Rakesh Nayyar: This is on a blended basis.

Parth Mehta: Okay. But more or less all our segments would be on a similar utilization level or is there a difference?

Rakesh Nayyar: They are almost similar.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to management for the closing comments.

Rakesh Nayyar: Thank you, gentlemen for joining us for this quarterly earnings concall. Thank you.

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