May 14, 2024

To,

BSE Limited
Dept. DSC_CRD
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai 400 001
BSE Scrip Code: **506222**

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

Subject: Transcript of Earnings Call with Investor / Analyst held on May 8, 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 April 30, 2024 informing about the earnings call organized by the Company on May 8, 2024, please find attached Investor Call Transcript for your record purposes.

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

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

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

Thanking you.

Yours faithfully,

For **Styrenix Performance Materials Limited**

CHINTANKUMAR SURESHCHANDRA DOSHI
Digitally signed by CHINTANKUMAR SURESHCHANDRA DOSHI
Date: 2024.05.14 18:11:17 +05'30'

Chintan Doshi
Manager Legal & Company Secretary

"Styrenix Performance Materials Limited Q4 and FY'24 Earnings Conference Call"

May 08, 2024

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

MODERATOR: **MR. AMIT SHARMA - ADFACTORS PR**

Moderator: Ladies and gentlemen, good day, and welcome to Q4 and FY'24 Conference Call of Styrenix Performance Materials Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Amit Sharma from Adfactors PR. Thank you, and over to you, Mr. Sharma.

Amit Sharma: Thank you, Zico. Good afternoon, everyone. I'd like to welcome you all to the Q4 and FY'24 Earnings Conference Call of Styrenix Performance Materials Limited. From the management team, we have with us Mr. Rahul R. Agrawal, the Managing Director; Mr. Bhupesh P. Porwal, the CFO; and Mr. Chintan Doshi, Manager - Legal and Company Secretary of the company. We shall start the call with the opening remarks by the management, followed by a Q&A session.

I would now like to hand over the call to Mr. Bhupesh P. Porwal for the opening remarks. Thank you, and over to you, sir.

Bhupesh P. Porwal: Ladies and gentlemen, Namaste and good afternoon, everyone. I am pleased to welcome you all to our Q4 and FY 2024 Earnings Call. As we reflect our performance in fiscal year '24, I am delighted to announce that we have witnessed a good demand for our products, marking a healthy year-on-year growth on volumes.

Our sales volume grew by 10.7% Y-o-Y to 165 kt for the financial year 2024 and by 25% compared to the preceding quarter. This underscores the trust of our customers placed in our product quality and customer service, reaffirming our position as a market leader. In line with our commitment to meet the escalating demand of our products, we are embarking on a journey of expanding our manufacturing capacity through a strategic series of debottlenecking exercises combined with brownfield capex to substantially enhance our production capabilities.

For this, we have awarded a contract to M/s. Mott MacDonald Private Limited for engineering consultancy to increase the annual capacity of ABS production capacity to 210 kt by FY'28. We are also progressing as per schedule to increase our ABS capacity from 85 kt to 105 kt and PS capacity from 66 kt to 105 kt by various debottlenecking projects.

This expansion initiative will enable us to not only keep pace with the growing domestic demand but also position us as a leading player in the market, capable of delivery with efficiency and reliability. Furthermore, we are sure that our two new brands, STYROLOY and ASALAC which is for blends and ASA an import substitute, respectively, will add value to the stakeholders.

This strategic move is poised to elevate our market presence and bolster our revenue streams. I'm happy to share that despite the dynamic market conditions, we have successfully maintained our EBITDA margins. This achievement demonstrates our commitment to operational efficiencies also. Turning your attention to our financial performance. Our sales revenue stood at INR599 crores in Q4 FY'24 versus INR485 crores in Q3 FY'24 and INR615 crores in Q4 FY'23. Revenue for FY'24 stood at INR2,222 crores versus INR2,372 crores in FY'23.

Our PBITDA demonstrated resilience stood at INR74 crores in Q4 versus INR60 crores in Q3 FY'24 and INR69 crores in Q4 FY'23 and remaining steady at INR273 crores for financial year '24 in comparison to INR290 crores in FY'23. Notably, PBITD margins were stable at 12.4%, previous quarter 12.3% for the quarter and 12.2% for the year, which is same as previous year driven by our debottlenecking efforts and an increased share of value-added products and cost optimization products.

Overall, revenue and margins were impacted despite increase in sales volume because of higher product prices and margins, which were visible during COVID and continued till Q1 of FY'22-'23, got back to normal levels in Q2 FY'22-'23 onwards. Thank you for your attention. I would like to open the floor for Q&A session for which I welcome our Managing Director, sir, Shri Rahul R. Agrawal, sir. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Priyank Chedda with Vallum Capital. Sorry to interrupt, Mr. Chedda, may I request that you use your handset, please. Your audio is not clear, sir.

Priyank Chedda: Hello. Is it clear now?

Bhupesh P. Porwal: Yes, please go ahead.

Priyank Chedda: Okay. Congratulations team for a fantastic performance. Sir, my question is, what explains Q-o-Q quarter-on-quarter drop in spread, I understand that we should not judge every quarter. But what I'm trying to understand is while the styrene monomer prices as well as our ABS and PS prices have remained flat. Any adverse product mix, in fact, that we had in this quarter? Is that what we should think of?

Rahul Agrawal: Priyank, the overall margins have not changed significantly. There could have been a product mix change, as you have clearly mentioned, -- but overall, there has been some disruptions in some parts of some of our operations, which have been compensated, which was short term in nature and due to which we had to kind of change some of the product mix of that we were able to supply. But that has been corrected since then. But it would not be a significant change from what I can tell.

Priyank Chedda: Perfect. And then in the long term, how should we look into the spreads and while we are comparing ABS as a product spread, which is higher, polystyrene as a product spread, which is lower, and we are mixture of both. We have all the products across all the ranges. So -- and our current product spreads are slightly near to the lower side of the polystyrene, right, nearing stand-alone polystyrene player.

So anything that we should -- I mean, help us how should we look forward as when we go ahead with the new product development combining ABS, blends as well as polystyrene. So what should be the EBITDA spreads or gross margin -- gross level spread there you can help and guide.

Rahul Agrawal: Yes. I can't clearly comment on any stand-alone polystyrene player because I don't believe there is any clear standalone polystyrene player. The other players in the industry, which are supplying are not pure polystyrene players either because they are a combination of many product segments. So that would not be a fair comparison. Coming back to our own spreads and the visibility and forecastability of spreads in the future, I think one would look at an annualized basis. As you know, there is some seasonality in the business at times as well.

For instance, in the October to December quarter, we do see some lower volumes due to demand drop post Diwali for some refrigeration, for some household appliances and even in the automotive sector, which tends to bounce back in the first quarter as we have seen this year as well.

So one, I would recommend that one looks at an annualized performance. To that extent, I believe we are in a normalized situation now, barring the Q1 performance, which was in FY '22 to '23, which Mr. Bhupesh has already clearly pointed out, which is the hangover of the earlier high spread regime, which was existing due to COVID had supply chain disruptions globally.

So now that we're in a normalized situation, we would look at an annualized spread over the year and assuming that we are able to increase capacities, we believe there will be some advantages or some benefits on account of fixed cost dilution on account of lowering of some other costs as well.

And potentially, as we even foray into new product segments which are blends and ASA, which are the new products which we have launched in the market, we do believe that the product mix over a period of time will improve and will offset or mitigate any risks coming in from competition. All in all, I think it would be safe to assume that the current spreads are defendable on a blended basis and as the volumes and the kind of product mix changes, this can only improve.

Priyank Chedda: Great. Perfect. And then just on the import substitute new blends that we have developed, which is PS, ABS, ASA, PA, ABS, would you be able to help us on the market size on the addressable size over year? How much of this kind of blends are getting imported, which we would be substituting it?

Rahul Agrawal: Yes. So overall blends that we have identified on an addressable basis, are around 40,000 to 50,000 tons of market in India. I'm not able to be here clearly give you the market size for each of the blends as of now. But this is the addressable market for us for all the blends that we have developed and are in the process of developing. This is also a high-growth business because again, this is going into the same sectors that we have mentioned, which are growing rapidly in the country.

Priyank Chedda: Perfect. And continuing on the same high-growth segments. We have a presence in the auto, electronics, healthcare, households, toys, and unique about uniqueness about these segments is that there is a big Make in India shift, which is happening, right? So which are the segments which you see that there is an accelerated demand growth coming up or maybe any new industries that you are witnessing an increased applications of ABS would be helpful.

Rahul Agrawal: So across the board, if you see whether it is regular passenger vehicles in the automotive sector, whether you look at EV, which is, of course, still a kind of 5% to 6% market share of the overall 2-wheeler segment but is growing rapidly. You look at commercial vehicles across the board in auto, there is a healthy demand. In household, whether it's air conditioning, refrigeration, washing machines or even these smaller appliances market we see a very robust growth. There is a significant amount of capacity, which is being built in India.

Not necessarily the entire demand will go towards meeting Indian demand. We believe that some of this these capacities would be utilized towards exports from the country as well. So that's there. With regards to medical devices, again, there is significant interest and investments, which are -- which is taking place by companies globally into India, seeing the opportunity size here, specifically in different diagnostics areas. So across the board, there is very high growth. I wouldn't say any specific industry is really lagging compared to the other.

Priyank Chedda: Perfect. And just for clarification, when we see our full year volumes are at 1.65 lakh ton, would it include SAN volumes? Or these are pure PS and ABS volumes?

Rahul Agrawal: This is the total volume of the company.

Moderator: The next question is from the line of Bhavesh Chauhan from Aditya Birla Money.

Bhavesh Chauhan: Sir, now that we are expanding in a major way over the next 3-4 years, this -- all these products that are lined up, would be similar products? Or would it be a better margin products?

Rahul Agrawal: So most of the products that we are offering would be similar or better. We believe that most of the products are, in fact, better margin products. We have to see how the competitive landscape for these products develops because many of the products, as Bhupesh mentioned are currently import substitutes into the country. We still have to see how the competitive intensity kind of develops in these markets. But as of now, our own prediction is that this will help us in margin expansion.

Bhavesh Chauhan: Okay. And sir, what sort of volume growth should we expect for the next, like let's say 2-3 years?

Rahul Agrawal: So I think we have already given some guidance towards that. I think in terms of volume growth, it will be in line with kind of the capacity augmentation that we are looking at. We are confident that as we expand over the next 3 or 4 years, which is I believe we are targeting about 205,000 to 210,000 tons a year -- this year, which translates to around 15% to 20% growth. So we are confident of reaching that.

And I think it's a similar growth for a few years until I think 4% or 5% when we have a significant larger volume coming in on account of the expansion for ABS. So I think on an annualized basis, you're looking at 15% or higher growth.

Bhavesh Chauhan: Okay, sir. And sir, lastly, out of the INR600-650 crores of capex that we are spending, we are giving out a significant amount of dividends, actually. So is this capex going to be mostly back ended? How should we see next 3-4 years capex?

Rahul Agrawal: I think we'll have good clarity on the exact investment which will be required. The INR650 crores number was kind of a benchmark or kind of a rule of thumb number, which we have taken to get preliminary board approval to pursue engineering studies for the expansion, which is -- which we are undertaking.

We'll have clarity once these engineering studies are complete, and we have a better estimation of exactly what that capex will look like. We estimate that in the next couple of quarters, we'll have that detailed information with us, which would also give us an idea of the timeline, the cost as well as the specific cash flows, which will be required to be invested towards these projects over the next few years. So this information as of now is still to be kind of estimated.

Bhavesh Chauhan: So even for FY '25, we don't have any guidance for capex?

Rahul Agrawal: So the capex that we have is again primarily due to -- primarily with the debottlenecking kind of a nature, wherein we are expanding from 165,000 to about 210,000 tons. So that -- for that -- no significant capex is required and whatever capex actually already has been done or is being done.

Moderator: The next question is from the line of Nirav Jimudia from Anvil Research.

Nirav Jimudia: Two questions. So one is, when can we see the effect of this improved volumes of the debottlenecking? Because you mentioned that like this year, we are targeting close to 205,000 tons - 210,000 tons of volume. So -- when -- if you can just share your timeline in terms of how these capacities would be coming up both for ABS and PS because I think PS is a larger one.

So if you can just share that timeline. That is one, and along with it if you can just let us explain like what we have seen for ABS, we have many value-added grades in our portfolio. Is there a possibility of similar value addition possible in the PS side over the traditional GP and HI which we produce and if you can just correlate it with the user application, which may be using these value-added products of PS, that would be helpful, sir.

Rahul Agrawal: Sure, Nirav. So with regards to the expansion is taking place or debottlenecking that is taking place, which will help us, this is already an ongoing process. So every quarter, we will have some increases in volumes. We believe a majority of the work will be carried out probably after the first 2 quarters of this financial year and middle part of the year or middle part of the financial year is when we anticipate those newer volumes to come on stream due to the debottlenecking.

In terms of value-added grades of polystyrene, so essentially, there are many grades of PS, which we are developing to meet the market requirements. Historically, wherever we have not been present, for example, in the refrigeration liner grades for certain high gloss base, certain tint grades, which, again, go into either refrigeration or air conditioning or into washing machines. So there are 2-3 applications, again on PS also where we believe these additional grades which have not existed with us in the past is something which we are developing, where we do believe we will have kind of a better margin structure as opposed to what we have currently.

Nirav Jimudia: All right. And sir, when we see our specialty volumes out of our total ABS volumes, I think they are close to 55%, 60%, correct me if I'm wrong. Let's say, for PS, when we will start selling those value-added grades what you just mentioned, it will help us in improving our per kg margins. What level of specialty volumes need to form out of our total sales volume of PS so that it could come near to the per kg margins of ABS, which we are currently generating on?

Rahul Agrawal: I'm not sure if I'm able to completely correlate ABS margins with PS margins even after such a shift. We do believe there will be an improvement in the PS margins. The improvement in PS margins is going to be a function of 2 things. One is, of course, the new products or new grades that we are developing within PS. How much time that will take is difficult to estimate at this stage.

The second part of improvement will come by way of higher OEM business, which we haven't had too much in the past, I think there has been some kind of concerns over the continued supply of PS from our plant, which, to a large extent, has been kind of handled and taken care of. So there is no more doubt about our PS manufacturing consistency. And since that has been taken care of, we see a greater engagement with OEMs, which will also help us get more contractual business, which will also eventually in turn, help us with better margins.

Nirav Jimudia: Sir, second question is on the cost part. So in one of our discussions in the con call, you mentioned that we've been working on the power side. So if you can share the progress of the same, where we are currently in terms of those cost optimization benefits, because one of the slides in the presentation also mentioned that cost optimization will continue and we focus to maxing the business value.

So if you can just share your views in terms of the benefits coming out of power or any other such cost initiatives, which we are currently on the planning stage and if you can just along with it also help us understand like if we see our current conversion cost based on the volumes which we have clocked in FY '24, like 65,000 tons, assuming the same amount of volumes and the cost initiatives which we are currently undergoing, how much could be savings happening to us if we take all those cost initiative measures in total?

Rahul Agrawal: It's difficult to exactly quantify what that number will be, but I can give you some of the measures that we've undertaken and where we are seeing benefits. If you look at power and fuel, for instance, and specifically in fuel, we already have incorporated certain systems in our Nandesari plant wherein in terms of the steam costs in the last 5 months or so we have seen a saving of close to INR1.5 crores to INR2 crores, just in the steam cost, which, on an annualized basis, probably is going to be more than INR4 crores, just on fuel cost in one of our plants.

We believe that we will have a similar saving, if not higher saving also in our Dahej plant as well as in our Katol plant, where again, the source of producing steam is something which we are working on as a project to modify and improve.

So I think that will lead to a significant rationalization of our fuel cost. In terms of power costs, while complete clarity is still not been given in the government power policy. We have kind of gone ahead and done some groundwork. I think in the next quarter, we'll have complete clarity on what we'll be doing with regards to power and how cost savings will be achieved, but we do believe there is a significant opportunity to reduce costs in terms of power as well.

As you see many companies have signed up with kind of power supply companies are offering kind of wind solar hybrids, which by way of SPA, are able to reduce their power cost and we are pursuing a similar line. Of course, the power agreements of our policies is still a state subject. So in some states have been able to do it faster than others. While it's happened in Gujarat as well, but there are certain clauses which still have to be completely cleared by the government.

So in any case, that should be done soon and we believe that will add to our kind of power saving as well. All in all, I think most of the projects that we are doing, debottlenecking or otherwise, are all brownfield projects. So we will see some fixed cost dilution because we do not anticipate pro rata a similar amount of fixed expenses to go up, whether in terms of manpower and otherwise.

There are other projects as well, which are in logistics and other areas, which will also lead to significant savings. But currently, it's hard to exactly estimate. I think, we will see the impact of at least some of these things in specifically in power and fuel in this year, in the full year that we see and more so in the next couple of quarters and for logistics, you will see in the following next year.

Nirav Jimudia: Got it. Sir, just a last clarification. So you mentioned that most of the debottlenecking would be happening in second half. So the volume growth predominantly would be more towards the second half of the year than the first half of the year?

Rahul Agrawal: Yes, that would be safe to assume. However, we have also added new product blends, which will also help us in some volume growth. Again, we are looking on an annualized basis. So we are confident that while the capacities will be augmented in the second half, whatever the overall target for the year is still something we'll be able to achieve.

Nirav Jimudia: Got it. This 20,000 tons for ABS debottlenecking would be more towards the standard grades or it would be more towards the specialty grades that you mentioned.

Rahul Agrawal: It will be a mix.

Moderator: The next question is from the line of Faisal Hawa from H. G Hawa.

Faisal Hawa: So sir, if we take next 3 to 4 years, what is the kind of CAGR sales growth should we be expecting from our company?

Rahul Agrawal: So sales growth is a function of the pricing of the product, which is prevalent. Sometimes the pricing of the product is linked to raw material costs, which is difficult to ascertain over the long period. I can talk about volume growth, which is something which we can control better.

I do believe that in terms of volumes, we should be able to grow at about 10% to 20%. So 15% or so is what we are targeting in terms of volume growth over the next several years.

Faisal Hawa: And how much of it would come from exports? Are we targeting it in an active manner?

Bhupesh Porwal: So currently, as you know, in ABS, where we have kind of a large debottlenecking and expansion plan, 50% or so of the market is still satisfied by imports. So in terms of overall volume growth, we are still looking first to satisfy our existing customers and only then look at exports as a proposition.

We have a strong brand positioning also in the Indian market. So it behoves us first to look at that as an opportunity and only then pursue other opportunities once we have additional capacity already in place, so there is some time before that. Of course, we can always look at specific opportunities if they are attractive.

But I think we are still better served by addressing the volume demand, which exists in India. With regards to PS also, we believe that there is an ample opportunity for us to grow in India in terms of overall customer demand and requirement specifically with regards to the different grades that I already mentioned in earlier part of the call.

So long as we are able to develop this successfully, which is also going to contribute to a better product mix and a better margin in we are again better served in satisfying or meeting the demands of our existing customers here. But we are open to looking at specific opportunities if that from a strategic point of view, serves the company better in the long term.

Moderator: The next question is from the line of Sanchita from Robo Capital.

Sanchita: I just wanted to know what your outlook is on the EBITDA margins overall? I believe you have mentioned during previous con calls that you were internally trying to work towards achieving a 15% kind of a number. So what would be a sustainable number that we can expect for FY '25 and FY '26?

Rahul Agrawal: So thanks for your question, Sanchita. Typically, we don't give any forward guidance on exactly what EBITDA margins we are looking to do. 15% is a number which I think was slightly misinterpreted. But however, I can still address that question. I think we are working towards, obviously, higher EBITDA margins by way of improving the product mix by way of increasing the capacities and thereby helping and diluting some of the fixed costs.

Also, there are some cost rationalization measures that are kind of going on underway. So in terms of all the efforts that are going on, we believe, at the very least, the existing annualized EBITDA margins are sustainable and we are obviously aspiring to do better than what we have in place as of now.

Sanchita: Okay. That was very helpful, sir and my second question was regarding our realizations. So in Q4, they were slightly on the lower side. So by when can we expect them to start improving? I just wanted to get your thoughts on that.

Rahul Agrawal: The realizations in Q4 were lower compared to Q3 or compared to Q4 of the previous year.

Sanchita: Compared to Q3 of FY '24, sir?

Rahul Agrawal: So if you look at overall volumes were higher. So it could have been, as I mentioned earlier in the call, a function of the product mix. So this will change quarter-on-quarter. Overall, in terms of absolute performance, Q4 is better than Q3. As you can tell, overall volumes are much higher and sales are also higher to the tune of, I believe, close to 20%, if I'm not mistaken. So this will change quarter-on-quarter. But I think, like I again mentioned that we are in a kind of seasonal business at times.

In some seasons, there are certain products which sell more and some seasons where there are certain products which sell less. So you have to look at kind of a blended product mix on an annualized basis and see the performance of the company in that context. So on an annualized basis, whatever performance we have of the organization is what you can assume will be the case, if not better, going forward.

Moderator: The next question is from the line of Ranveer Singh from Yashwi Securities.

Ranveer Singh: Congratulations on your debottlenecking that you guys have used the capacity by 50% till now, congratulations on that. I have a couple of questions. So I see the company sales volume has increased by 11%, like if I see FY'23 versus FY'24, but the realizations have reduced by 15%. They were at 1,59,000 per ton and it has become 1,34,000 per ton. How do we expect the realization to be in the future? And why has it reduced so much?

Rahul Agrawal: So Ranveer, actually, the realizations over the whole year, if you look at somewhat skewed by the first quarter earnings, which were in FY'22-'23. The first quarter if you look at the EBITDA, I think it was in excess of, I think, INR125 crores or INR127 crores, if I'm not mistaken. The margins were significantly higher. So this is kind of the hangover of that, wherein due to COVID and supply chain disruptions globally, the margins were disproportionate and that continued on until the first quarter, which has had an impact on the overall annualized realizations, if you will.

But I think it would be fair to or better to compare previous quarter to the current quarter or quarter-on-quarter to get a better idea of what a normalized realization would be and what a defendable realization would be. So the interesting thing is that in spite of a very high kind of a marginal realization in the first quarter of '22-'23. Overall, for the whole year, our EBITDA margins are still fairly similar.

So that only tells us that in spite of the kind of skewed performance that we had in the first quarter, we were able to bring in efficiencies so that at least on an annualized basis, we are still at similar levels.

Ranveer Singh: Okay. Rahul Ji, I have another question, what I understand of the total ABS industry is it in India, the total demand is of approximately at 3 lakhs tons per annum, which will grow at 8% to 10% CAGR. I am aware that you have announced a capacity expansion and even your competitors are, but I see most of the capacity expansion coming in FY '27, '28. Why is it that most of the capacity expansions coming in '27-'28 rather than in the next couple of years because right now, there's a demand in India, which can be supplied through India because I believe that 50% of the commodity is being imported from outside. Is my understanding correct?

Rahul Agrawal: Ranveer, you're absolutely right. If I had the plant today, I'd be very happy, but I don't have it, and it takes time to build the plant. So I think the challenges in the time taken from engineering study to detailing to procurement and finally to kind of erection and then commissioning the plant. So we have only given the timeline associated with that entire process.

And that is where we will need a little bit of time to bring in the plant. As you know that our management took over the company only in November '22. So it's been about 16-odd months that we have had management control over the company. And in this time is when we realized, and we announced plans to go ahead with expansion.

Has the expansion been done earlier, we would have been, of course, well placed to meet the demand in the country. But nevertheless, I think we have embarked on this journey, and we will try to do it as soon as possible.

Ranveer Singh: Congratulations on that. I'm very happy. So sir, how much time does it take after we get the consultancy report to expand the capacity? And why is it such time taking process. I actually don't understand the industry detail. That's why I'm asking you.

Rahul Agrawal: Yes. So of course, it's a function of chemical industry requiring a lot of detailing to be done. There are multiple things. So first of all, our post basic and detail engineering, there is multiple studies which have to be carried out from a technical aspect to understand the reliability of the whole process. Once that is done, there is also a lot of key proprietary or key specialized equipment, which are part of the plant, which are very long lead items. So there are equipments which can take anywhere from 12 to 18 months just for delivery.

And even prior to ordering that, like I said, a lot of analysis has to be done. So these are things which kind of can happen only one after the other in series, not in parallel, unfortunately. And once that is done, the entire process becomes as long as we have already mentioned. Of course, our entire effort is to try and shorten it as much as possible.

Ranveer Singh: We've been shareholders of the company since the last 1.5-2 years, and you guys have been doing a phenomenal job, thank you so much and best of luck.

Moderator: The next question is from the line of Deep Chikhalia from 9 Rays EquiResearch.

Deep Chikhalia: Sir, my question is the 50% of ABS, which is imported by India, is basically from which country? That is the first question. And the second question is, do India import any PS from any other countries and by how much percent?

Rahul Agrawal: Yes, Deep. So in terms of ABS imports from what we have analysed, there is ABS, which comes in from Korea. It comes in from Thailand, Taiwan, and sometimes, of course, from Europe as well in the Middle East. But Korea would be, I think, the largest kind of supplier for ABS into India.

For PS, we see scattered information. So there is material coming at times from Thailand. At times, it comes from Iran. It comes from other countries as well. So there is no steady supply of PS into the country. PS, last year, from what I know, there was an import of close to 60,000 to 70,000 tons and ABS, of course, as you very well know, it was close to 50% of the total demand.

Moderator: The next question is from the line of Het Shah with Dalal & Broacha.

Het Shah: First of all, congratulations on a good side of numbers. So in fact, we've got dropped in between. So I think this question might be repeated. So apologies for that. Sir, you said that the capacities are being increased to 210,000 by FY '25. You said when the expansion is happening back ended, but you're comfortable meeting that production target for the full year. Am I right?

Rahul Agrawal: That is correct.

Het Shah: Okay. Okay. Sir, I was wondering, okay, I believe the gross spread per ton is something like 33,000-34,000 per ton, where the EBITDA is like 16,500 to 17,000 per ton. So there is this huge gap of roughly 17,000-18,000 per ton. When I say gap is other expenses.

So now because of all the cost optimization measures, value-added product portfolio going up, expansion happening and therefore, operating leverage kicking in I'm sure you actually already pointed out saying that there will be expansion of margins. But how much can it be? Like is it safe to assume that it can be like 5% or any colour on that, sir?

Rahul Agrawal: Difficult to give you an exact number on that, as mentioned it repeatedly. I think it is safe to assume where we are at is a defendable number like I'm repeating myself. I believe on a blended basis; we are at about 12.2% or 12.3% EBITDA margin. And going forward, with all the measures in place, that should only increase.

Het Shah: Yes, but that increase will be is what the sense what we are trying to get is that will it be like 4%-5% increase in the EBITDA per ton number, absolute number or it can be higher? I'm not trying to get a quantification and just a direction.

Rahul Agrawal: So it will be a few percentage points higher, of course, you have to look at the overall industry, right? Certain industries kind of are able to achieve certain margins. So in the context of the industry, I think we will still perform well is what I believe, given our technology, given all the strength in the company. And to that extent, it will be a little bit better than what we are at it.

Het Shah: Okay. Sir, my last question is so basically, I think the raw mat prices styrene monomer prices have been going up off late. I don't know how much was it reflected in Q4, but they have been going off late. So basically, in fact, being a raw material for us, it should have impacted our margins. But if I see, we have maintained our margins well. So is that the right understanding?

Rahul Agrawal: Yes, that's right. So like I mentioned in previous calls, now this one is that a lot of our business is driven by formulas as well. And in those formulas, we are able to pass on increases in raw material pricing to our customers fairly straightforward. There could be a lag of a month or two. But again, on an annualized or even within the quarter, we see a fairly levelling off in terms of being able to pass on the increases of raw material onto the customers. The margins are generally well protected.

Moderator: The next question is from the line of Aditya Khetan from SMIFS Institutional.

Aditya Khetan: Sir, sorry, if the question is repeated again. Sir, my question was on to the ABS business. Sir, we are witnessing that in India, so Supreme Petrochem is also putting up a capacity, Bhansali Engineering, they are also expanding. So it seems like, sir, for the next 4 to 5 years, there would be a lot of capacity into the market, wherein the demand is roughly growing by only about 6% to 7%. I just wanted to know your thoughts how the competitive intensity will change? Or you think that despite the capacity addition also the industry demand can grow to a certain level, wherein the capacity can meet it?

Rahul Agrawal: Yes. So I believe fundamentally that the demand, at least if I look at the -- you have asked a question on ABS specifically, so I'll answer for that. ABS demand, I think, is growing at close to between 7% to 10%. And even if I consider 8%-8.5% as a kind of a conservative number. Even then we believe that in the next 4 years, the capacity from 300,000 tons which is actually slightly higher than 300,000 tons this year from what we have gathered data on, we'll exceed 400,000 tons in year '26-'27 and probably go to 450,000 tons in '27-'28. If you just add up all the capacities of everyone who has announced, including ours, you will find that the market is still going to be underserved. So I think if you just do those calculations, you'll find that there is no concern on the market supply situation versus the demand.

Aditya Khetan: Okay. And sir, this out of our total ABS production, how much would be the specialty grade ABS?

Rahul Agrawal: So it's around 60%-65%. It fluctuates again quarter-on-quarter. But on an annualized basis, you can consider that.

Aditya Khetan: Okay. And sir, we are manufacturing ABS in batch processes or in continuous process?

Rahul Agrawal: It's emulsion ABS is what we call it in terms of technology.

Aditya Khetan: Okay. So this run on batch also?

Rahul Agrawal: Yes, this is a batch process.

Aditya Khetan: Okay. And sir, sir, my next question was on to the polystyrene. Sir, polystyrene, we are not witnessing any sort of capacity addition. So recently, only one of your competitor has expanded. But no new capacity expansion is lined up. So how do you see this market evolving for the next 2 to 3 years?

Rahul Agrawal: If you read my last few investor presentations, we have clearly mentioned we are increasing capacity in polystyrene as well. So capacity in polystyrene will also be augmented this year, right at the beginning of the open remarks also, Mr. Porwal also mentioned that we are looking to increase capacity of polystyrene. So polystyrene capacity will be also augmented in fact this year as well as going forward in the next few years. We do believe that demand in polystyrene will also grow at around 5% to 6%, if not higher, again, conservatively speaking. So keeping that in mind, there will be an ample opportunity for us to participate with the larger capacity in place.

Aditya Khetan: Got it. Sir, just one last question, sir. I don't know whether we share this data or not, sir, is it possible to share the spreads data of ABS and polystyrene?

Rahul Agrawal: It's difficult to do that because, again, the prices vary across grades vary across application volumes, things like that. So there is no specific price or one grade. We make several grades, both in the case of ABS as well as PS and the pricing has got a very wide range in terms of what we offer in the market.

Moderator: The next question is from the line of Nirali Gopani from Unique Asset Management LLP.

Nirali Gopani: So, Rahul, you have spoken about the industry, and my question is broadly on the industry. So there is this belief that China, which is currently an importer of ABS will become self-sufficient in the next few years. And hence, the other Asian countries, which currently supply to India will have excess of capacity available. So and, hence, negatively impacting the price. So your thoughts on that or any comments will be helpful.

Rahul Agrawal: Yes. So Nirali, if you look at post the first quarter of year '22-'23, in fact, we started seeing that impact already. Post-COVID, China did not come back as strongly as was earlier anticipated. There were also new capacities which have come on in China. So there has been a fair amount of pricing pressure from countries like I mentioned, in the case of ABS would have in Korea, Thailand, Taiwan, etc. And similarly in case of PS from other countries.

So that pricing pressure is already in place. So this is not something which is going to happen, but it has already happened and is happening as we speak. So that's why I said we are in a normalized business environment now, where we anticipate things to remain as they are. And to combat even further pressures, which may arise we are looking at mitigating strategies.

Nirali Gopani: Okay. And with this focus on the value-added products. So currently, the specialized part is roughly 65%, which you just mentioned. So this number can go up to what number, like the specialized part of the value-added part?

Rahul Agrawal: It's difficult to say that right now. There will always be a percentage, which will be specialized in the other part, which will be standardized grades, whether it's the specialized grades can go to 70%, 75%, 80% hard to give a number to as of today.

Moderator: The next question is from the line of Nishant Shah from Moneybee Investment Advisors Private Limited.

Nishant Shah: Just wanted to ask you one question. I wanted to understand, but the utilization levels have been almost at full capacity. So will this continue after also debottlenecking?

Rahul Agrawal: Yes, Nishant, so there is an ample opportunity given the imports which are happening in the country. We anticipate that as we keep on debottlenecking or doing brownfield expansion to kind of augment our capacities, we should be able to run the plants kind of fairly good.

Nishant Shah: All right, sir. And one more question. In the previous quarter, you said the polystyrene margins and volumes were low. Is that understanding correct?

Bhupesh P. Porwal: Yes, you are talking about Q4 or Q3?

Nishant Shah: Q3.

Bhupesh P. Porwal: Yes, it was lower.

Nishant Shah: Yes. So has this continued in this particular quarter? And do we see like a trend reversal in polystyrene margins?

Bhupesh P. Porwal: So this quarter, the trend is not like that. The volumes have been quite better in comparison to the previous quarter, Q3.

Moderator: The next question is from the line of Rohit from Progressive Shares.

Rohit: A couple of questions. The first one, in your opening remarks, you kind of mentioned there is some disruption in the operations. Is it possible to quantify what sort of impact was there or production loss or turnover loss?

Rahul Agrawal: It was kind of routine, frankly. There was no significant loss. If you look at overall volumes, we still met our targets. It's just that at specific moments in time, we have to change product mix based on certain disruptions. So that's all that was the case. And which is why we did what we did in terms of numbers.

Rohit: So this was more towards the standard grades of the specialty grades?

Rahul Agrawal: The combination of both. So it had to do across the board.

Rohit: Okay. While we are proxy to the EMS that is electronic manufacturing services, do you think the scope for getting some products or processes or some design to be patented? Or are you already working on these projects?

Rahul Agrawal: So generally, the patents for design of the product itself is, of course, handled by EMS companies themselves. What we try to do is work closely with these EMS companies to get spec in, right. So they have these programs wherein the value addition programs or the quality programs wherein for launch of new products or models, they work with us closely to understand specific requirements for that application, and they spec us in. I think as long as we are able to do that that is good enough. There is no real patent required or patent necessary to protect our interest over there.

Rohit: Any new labels or any new logos, which you have recently added in the last 3 or 6 months, if you would like to share that

Rahul Agrawal: So there are 2 new product ranges that we have launched. There is STYROLOY, which is a blend, which is a common blend and prime name, which we are going to use for polycarbonate ABS blend as well as the nylon ABS blend, and there is ASALAC, which is, again, a brand which we have launched for our own ASA production in India.

Rohit: And is there any possibility that these new products that can help you mitigate the issues that we generally have related to seasonality?

Rahul Agrawal: So we are hoping that it may not completely because change because there will be obviously some seasonality in the business. October to December, like I mentioned in previous years, could potentially be at a dull period. And that may continue to be the case regardless of which polymer you're doing. But overall, I think from a top-level business perspective, yes, the higher value and more specialized ways of products can help us overcome some of the volatility associated with the seasonality.

Rohit: On this 3.6 lakh metric ton do you think we are moving towards 5 or 6 lakh metric ton by FY '29 or '30 or so. As the demand in the market keeps increasing, do you think there is more scope for more expansion for us?

Rahul Agrawal: Absolutely. So I'm quite optimistic about India's growth, which is where our primary place of business is. So over the next decade, I do believe there will be an ample opportunity for us to grow significantly further even from what we've already announced, but like I said, in terms of the current opportunity which exists and whatever we have identified in terms of resources already allocated. This is what we are targeting in the next 3-4 years. And for sure, as the situation develops and the market develops, we are going to be continuously cognizant of that and move our plans accordingly.

Moderator: The next question is from the line of Jayesh Gandhi from Harshad Gandhi Securities.

Jayesh Gandhi: Sir, if I heard you correct, you talked about the volume guidance for next year as a 210,000 Kt. Is that correct, sir?

Rahul Agrawal: Yes, about 205,000 to 210,000, that's right.

Jayesh Gandhi: Okay. So that would mean that probably we will be doing 40% of the volume increase next year?

Rahul Agrawal: So in terms of production, I think we are around 165,000 or 170,000 tons. So we're talking about close to 20% essentially.

Jayesh Gandhi: Okay. And sir, by any chance, do we have any figure on our market share?

Rahul Agrawal: In terms of ABS...

Jayesh Gandhi: ABS and PS both?

Rahul Agrawal: Yes. I think in terms of ABS, the market share that we have is probably close to 30%. And in case of PS, our market share is closer to 20%.

Jayesh Gandhi: And sir, any increase in this market share vis-a-vis last year?

Rahul Agrawal: Yes, there is some increase.

Jayesh Gandhi: If you can quantify?

Rahul Agrawal: So last year, I think in ABS, we had about 26% or 27% market share. And in PS, our market share was closer to around 17%.

Moderator: The next question is from the line of Ranveer Singh from Yashvi Securities.

Ranveer Singh: So are there any players in ABS who are private limited companies? Are there any private players which are competitors for ABS?

Rahul Agrawal: In India?

Ranveer Singh: Yes, sir.

Rahul Agrawal: No.

Moderator: The next question is from the line of Priyank Chheda with Vallum Capital.

Priyank Chheda: Yes. Sir, export strategy is something that is missing out. Any thoughts on that?

Rahul Agrawal: So Priyank, basically, we have a very, very strong brand in India, right? this company has had these brands, specifically in the case of ABS for the last 4 decades. And today, also, we are a preferred market supplier. To let go of that advantage with any additional capacity where we can easily capture that market in India and go and look for exports. I'm not sure if it is a very value-accretive exercise at this stage in the company.

When we have additional volumes and we are looking to fill those volumes, we can do that. Because when we enter new markets, essentially, we are only going to add to the competitive intensity in that market. And that would require us to obviously position ourselves in terms of the existing incumbents in the market at an attractive level.

That would, I believe, not be a very value exercise as far as our company is concerned at this stage. When we have additional capacities in place, definitely, that is something that we'll do. Having said that, like I mentioned in earlier part of the call, if there is an opportunity which is attractive, which is where we are getting good value addition. We are definitely open to that.

Priyank Chheda: Perfect. And on a strategic call after Agrawal family took over this company again, and now it's 16 months into the company, what are the broader focus areas that you would like to highlight that these are the strategic level changes that you have introduced, of course, accelerating the capacity addition is a great thing, but then there would be other strategic changes that would be required for our organization to the future ready, which you have implemented and which would be the areas that you would like us to see a maximum action going ahead for us to track.

Rahul Agrawal: So many areas, Priyank, like you mentioned, capacity augmentation, obviously, is the kind of critical need of the hour. There is a cost reduction or cost rationalization, which is needed in terms of better efficiencies in the system. There are many projects we have undertaken for that, some flavour of that I've already given in earlier part of the call. There is, of course, new products to meet the needs of our existing customers and certain new customers as well, where we have the infrastructure and capabilities already in place is something also that we have mentioned in the call. In addition to that, we want to be future ready.

So we are looking at closely understanding in terms of sustainability where our organization is and is going to be in the future. So I mean, I think from all angles, we are trying to ensure the organization is primed to grow fast, grow in a responsible way and grow in a manner which is obviously profitable for all stakeholders. So I think we are trying to cover all angles from that perspective, while keeping a strong culture in the organization.

Priyank Chheda: Great. And any targets on these new product developments, which we are undertaking, what would be that kind of a sales volume contribution, say, in the coming years that you would like to have at least from the new products that we are undertaking?

Rahul Agrawal: A little early to give that estimate as of now. We have just started the process. We have launched the products. Some places, we have got validations already through some places the validations are going on. We believe in the next few quarters; we'll have a much better handle on exactly what volumes we are going to build to achieve. But we do believe we'll have a good position in those products as well because we have deep rooted relationships with all the customers who are currently consuming these products.

Priyank Chheda: Last question, if I may.

Moderator: Sorry to interrupt, Mr. Priyank. May we request that you refer to the question queue for follow-up questions. The next question is from the line of Rusmik Oza from 9 Rays EquiResearch. May I request to use your handset, sir, your audio is very muffled.

Rusmik Oza: Sorry for that. My question was on the capex and expansion. Sir, can you clarify that this year's capacity going up to 210,000, there is no major expense capex with. And thereafter, then between '25 and '27 we have around 45,000 tons of PS coming in the brownfield expansion. And then there is straight 105 to 210 ABS capacity coming in '28. So I just want a bifurcation of this INR650 crores rough expansion that across next few years, how much will go for PS from 105,000 to 115,000 by now to FY '27? And how much will go in for the ABS expansion that is straight going from 105,000 to 210,000 in FY 28?

Rahul Agrawal: So Rusmik, like I mentioned earlier, that we have gone ahead and hired firms or mandated firms to do engineering studies to exactly estimate the technical aspects of the project as well as the cost estimations in terms of exactly what will be the capex required for each of the projects that we're looking to undertake. So it's a little premature to give exact breakups and exact amounts because the numbers could also be slightly different from the exact say INR650 crores number that we've taken, primarily for a Board approval to pursue engineering studies. So we'll request you to wait for some time until we are able to give that information more clearly.

Rusmik Oza: Okay. Okay. But is it safe to assume that bulk of this INR650 crores will go towards ABS capacity going up from 105,000 to 210,000?

Rahul Agrawal: Larger capex would go towards ABS, and PS would be a smaller capex. That would be safe to assume.

Moderator: Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Chintan Doshi for closing comments.

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

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