



“INEOS Styrolution India Limited  
Q3 FY2020 Results Conference Call”

February 10, 2020



**MANAGEMENT:**

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LIMITED**

**MR. SANJEEV MADAN – CHIEF FINANCIAL  
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**MR. MUNJAL PAREKH – HEAD CONTROLLING –  
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INEOS STYROLUTION INDIA LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome the INEOS Styrolution India Limited Earnings Call for Q3 ended on December 31, 2019. We have with us from the management of INEOS Styrolution India Limited Mr. Sanjiv Vasudeva, Managing Director, Mr. Sanjeev Madan, Chief Financial Officer, Mr. Munjaal Parekh, Head Controlling, Ms. Amita Mistry, Compliance Officer. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to the management. Thank you and over to you!

**Sanjeev Madan:** Dear shareholders, investors, and analysts fraternity we welcome you to this earning call. Your company INEOS Styrolution India Limited has declared its result for 3<sup>rd</sup> quarter and nine months ended on December 31, 2019, on February 07, 2020. We will brief you about the major highlights of the performance regarding quarterly performance,

**Regarding quarterly performance,**

Revenue (net of GST) from operations in current quarter is Rs.33,968 lakhs as compared to Rs.44,552 lakhs in October to December 2018 and Rs.43,684 lakhs as in previous quarter.

Loss Before Tax and exceptional item in October to December 2019 stands at Rs.581 lakhs as compared to loss of Rs.3,546 lakhs in October to December 2018. However, after inclusion of exceptional item loss before tax stands at Rs.4376 lakhs in current quarter.

Loss before tax and exceptional items in October to December 2019 stands at Rs.581 lakhs as compared to profit of Rs.705 lakhs in previous quarter, however, after inclusion exceptional item, loss before tax stands at Rs.4376 lakhs in current quarter.

**Regarding year-to-date performance**

Revenue (net of GST) from operation stands at Rs.1,22,000 lakhs in YTD December 2019 as compared to Rs.1,60,836 lakhs in YTD December 2018.

Profit Before Tax and exceptional items in YTD December 2019 stands at Rs.1557 lakhs as compared to Rs.186 lakhs in YTD December 2018, however after inclusion of exceptional items, loss before tax stands at Rs. 2239 lakhs in YTD in December 2019.

**Regarding quarterly segment performance,**

**for Specialties** profit before interest, tax and other unallocable expenditures stands at Rs. 634 lakhs in current quarter as compared to Rs. 1408 lakhs in previous quarter and profit in YTD December 2019 stands at Rs. 3097 lakhs as compared to Rs. 4506 lakhs in YTD December 2018.

**Polystyrene**

Loss before interest tax and other unallocable expenditure is Rs. 698 lakhs in current quarter as compared to loss of Rs. 94 lakhs in previous quarter and loss in YTD December 2019 stands at Rs. 207 lakhs as compared to Rs. 2,733 lakhs in YTD December 2018.

Company has adopted modified retrospective approach as para C8 ©(ii) of Ind AS 116 leases effective from April 1, 2019 accordingly comparatives of the year ended March 31, 2019, including quarter-and-a-half year ended September 30, 2018, have not been retrospectively adjusted.

On the initial date of application the company has recognized right of use of assets, (an amount equal to the lease of liability adjusted by the prepaid lease rent) as at April 1, 2019. In the financial result for the quarter end period, operating lease expense has charged from rent (including other expenses) to depreciation cost for right of use of assets and finance cost for interest accrued on lease liability.

**Exception item**

In respect of one of the leasehold the Company has received provisional order from relevant authority demanding to pay Rs. 1940.11 lakhs towards transfer fee and non-utilization of land charges. Accordingly the company has created the provision for the said amount during the quarter ended December 31, 2019.

The management is reviewing all available options and remedies including, request to concerned higher authorities for waiver or reduction of charges. Pursuant to this provisional order the company has reviewed similar leases for potential liability and accordingly estimated provision of Rs. 1855.34 lakhs has been made during the quarter ended December 31, 2019.

So this is all about the clarification and details about our financials. Now we can go forward for the queries for any clarification which are needed.

**Moderator:** Thank you. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Aditya Khetan from East India Securities. Please go ahead.

**Aditya Khetan:** Sir I would like to know we have reported a volume decline of 7% in this quarter as compared to Y-O-Y basis what would be the primary reason for this?

**Sanjiv Vasudeva:** The year-on-year decline in volume is in both specialty ABS and polystyrene. We sell a good amount of ABS volume in automotive which is down 12% year-on-year so that has given this negative 7% and on the polystyrene side in August single use plastic ban for packaging was announced which had an impact for a couple of months in terms of low uptake in the packaging segment so that has affected the volumes and we also had a shutdown as well in December leading to relatively lower volume for polystyrene.

**Aditya Khetan:** Sir on a nine-monthly basis has the industry degrown by how much percentage?

- Sanjiv Vasudeva:** Automotive has degrown by about 12%, in fact in the last quarter it degrew as well however there have been some uptake in the month of November and December for automotive but it is still down year-on-year basis.
- Aditya Khetan:** Sir how is the ABS industry degrown by?
- Sanjiv Vasudeva:** ABS would have again degrown by a similar kind of a number maybe not 12% maybe by 5% to 7% as well because the ABS goes into auto and in other segments like household consumer goods which probably have not degrown by 15%. They have being flat or a bit down.
- Aditya Khetan:** Okay taking a 2 to 3 year view how you see the demand whether it would remain stable or is it likely to go up so what is your view on that taking a two to three year outlook going ahead?
- Sanjiv Vasudeva:** We expect the demand to come back. It may take another 6 months for the demand to come back. In the auto segment we believe that after BS6 is implemented we should see some uptake in the auto that is what we also hear from a lot of OEM suppliers the second half would be better. In terms of household segment the demand has been there. It is not as affected, our product also goes in segments where the demands have been pretty consistent like toy sports, leisure helmets where the demand has not dropped that much so we expect the demand to continue. I would say single digit probably this year and it will probably take a year or so before it gets back to a double-digit growth.
- Aditya Khetan:** Sir the demand growth so this would also depend on the pricing front if we look the pricing of ABS is going down continuously so that is because of the crude prices falling to record low levels so if you foresee the prices would not go up in the near term the demand do you expect it to remain constrained or like it would?
- Sanjiv Vasudeva:** Demand has nothing to do with price because ABS is used for specific applications and you cannot substitute ABS with other material same goes for some of the other plastic material it is difficult to substitute them at times so consumption is predominately tied to demand. Price is something else which is tied to the overall price of benzene and the price of all the raw materials in the whole of the supply chain.
- Aditya Khetan:** Current prices of ABS are around?
- Sanjiv Vasudeva:** \$1300 to \$1500 dollars. It is much lower than what it was about a year back so it has dropped by \$200 to \$300.
- Aditya Khetan:** \$200 okay and the same on the raw material front?
- Sanjiv Vasudeva:** Same goes for the raw materials. Raw materials have dropped in similar kind of level, key raw material is styrene for ABS and average prices the whole of last year would be around let us say \$1300, \$1500, and now the prices are more like \$900 levels.

- Aditya Khetan:** On the Coronavirus impact front how you foresee things to move ahead? Are you seeing a big impact or like a mediocre impact only in the near term?
- Sanjiv Vasudeva:** We expect a mediocre impact because most of our raw materials are not from China we have very few raw materials from China and so that will not have an effect on our production per se. Coming to the demand side, what we do hear is that some auto OEMs depend on some of their parts from China so do some of the household electronics OEMs. I think mobile phones where our raw material does not go, mobile phones use a lot of parts from China so they are probably most affected but some of the consumer goods, air conditioners and all they use motors all made from China so they mainly have some short-term impact we do not anticipate a very, very dramatic fallout of the Coronavirus in India.
- Aditya Khetan:** Thank you Sir for answering the question.
- Moderator:** Thank you. The next question is from the line of Parth Adhiya from B&K Securities. Please go ahead.
- Parth Adhiya:** Just one question on the single use plastics ban, what is your exposure to that particular segment in terms of your revenue?
- Sanjiv Vasudeva:** About 20% or so would be our exposure to the segment and the way we are trying to work on it is we are working on non-packaging applications so a lot of household OEMs use polystyrene, for example for refrigerator parts, for air conditioners, they use in displays, their sheets are made out of polystyrene so we are looking at those kind of customers to venture out into to fill the gap caused by the SUP ban.
- Parth Adhiya:** Secondly you are saying that the styrene prices have been falling since past couple of quarters so any particular quantum of inventory loss that you have been facing in this quarter?
- Sanjiv Vasudeva:** We had very minor less than half-a-million USD kind of an inventory loss. In fact the whole of last year if you see the styrene prices were around \$1000 levels. It is just that in the last two to three months it went from \$1000 level to more like a \$850 to \$900 level and maybe it is a just short-term thing because of Coronavirus. The market is very volatile as of now. Very difficult to predict whether the prices will go further down or will bounce back but it has not been such a dramatic fall which we had about one year back if you remember we had very high losses due to drop in styrene.
- Parth Adhiya:** Lastly on your current market share if you have to exclude the imports coming in the ABS market so what could be your market share currently, domestic market share?
- Sanjiv Vasudeva:** We do not disclose the market share numbers but it would be in the range of 30 to 40%.
- Parth Adhiya:** Excluding the imports or including the imports?

- Sanjiv Vasudeva:** Well, that is the total share of total market, imports are included.
- Parth Adhiya:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Anubhav Sahu from MC Research. Please go ahead.
- Anubhav Sahu:** Thanks for taking my question. You mentioned about styrene price trend can you also comment of acrylonitrile butadiene how things spanning out there? What is the trend there and compare to last year what is the change?
- Sanjiv Vasudeva:** Acrylonitrile butadiene are in a similar situation we see some drop I mean styrene as of today is more around \$850, butadiene around \$950, acrylonitrile around \$1375 versus the last month they have all go down by \$50 a ton so we see an effect of Coronavirus here because China is the key player for here for both from consumption perspective and from a production perspective. Overall, versus last year the prices of all these raw materials have kind of come down a bit what is happening lately is probably temporary because of Coronavirus but we have not seen those dramatic kind of fall which we had about a year back so most of the raw materials are more or less consistent during the whole of last year from January to December.
- Anubhav Sahu:** Got it Sir. My last question is on the import of ABS into India. Wanted some thoughts on that how much exposure we have, domestic market has an exposure to China import as far as ABS is concerned and what is the current trend you are seeing on the ground?
- Sanjiv Vasudeva:** The demand in India for ABS is higher than what we and one of our other competitors make so imports will always be needed in the short-term till capacity additions are done by the local players. We see imports at the range of 30% of the total volume. We are seeing consistent import over the last two to three years and I believe till the time local players would add capacity imports will be there.
- Anubhav Sahu:** Apart from China, how much ABS do we get?
- Sanjiv Vasudeva:** There is not a lot which comes from China, Korea is one of the prime source for ABS followed by the Middle East.
- Anubhav Sahu:** Thanks a lot. That is all from my side.
- Moderator:** Thank you. Ladies and gentleman that is the last question, I would now like to hand the floor back to the management for closing comments. Please go ahead.
- Sanjeev Madan:** Thank you investors for attending this earning call. If there are any other further questions or anything, we will connect you in the next quarter, on the next quarter results. Thank you very much. Have a good day.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of INEOS Styrolution India Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.