



“INEOS Styrolution India Limited Q1 Earnings Conference  
Call”

**August 10, 2017**



**MANAGEMENT: MR. SANJIV VASUDEVA – MANAGING DIRECTOR AND  
CEO, INEOS STYROLUTION INDIA LIMITED  
MR. BHUPESH P. PORWAL – CHIEF FINANCIAL  
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**Moderator:** Ladies and gentlemen, good day and welcome to INEOS Styrolution India Limited First Quarter and Three Months ended on 30<sup>th</sup> June 2017 Results Conference Call. . We have with us today Mr. Sanjiv Vasudeva –Managing Director and CEO; Mr. Bhupesh P. Porwal – Chief Financial Officer; Mr. Hareesh Khilnani – Company Secretary & Head-Legal from the management side of INEOS Styrolution. As a reminder, all participants’ 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 phone. Please note that this conference is being recorded. I now hand the conference over to the management. Thank you and over to you.

**Bhupesh P. Porwal:** Dear shareholders, investors and analyst fraternity. I am Bhupesh Porwal, Chief Financial Officer and we INEOS Styrolution Team welcome you all to the Earnings Call.

Your company INEOS Styrolution India Limited has declared its results for the first quarter ended 30<sup>th</sup> June 2017 on 9<sup>th</sup> of August 2017. I will brief you about the major highlights of the performance: Regarding Quarterly Performance, profit before tax decreased to Rs.434 lakhs in quarter April to June ’17 compared to Rs.2273 lakhs in quarter April to June ’16 and Rs.3881 in quarter January to March ’17. This decrease in PBT was mainly driven by sharp fall in international prices of basic raw materials and finished goods. As informed in previous quarter earnings call, the profit for Q4 financial year 2016-17, one of the components were increased in PBT was increase in international prices of basic raw materials and finished goods and these impacts are cyclical and have a short-term impact.

Segmental Results: We have two segments – First, Specialties. Revenue marginally increased from Rs.33510 lakhs in January to March ’17 to Rs.33710 lakhs in quarter April to June ’17, the increase by 0.6%. Revenue increased from Rs.28199 lakhs in April to June ’16 to Rs.33710 lakhs in current quarter April to June ’17, there was an increase of 19.5%. Specialties profit before interest, tax and other unallocable expenditure decreased from Rs.2669 lakhs in quarter April to June ’16 to Rs.1434 lakhs in current quarter April to June ’17, so there was a decrease by 46%. Specialties profit before interest tax and other unallocable expenditure decreased from Rs.3724 lakhs in quarter January to March ’17 to Rs.1434 lakhs in current quarter April to June ’17, so decrease of 61%.

The second segment, Polysterene. Revenue increased from Rs.13121 lakhs in quarter April to June ’16 to Rs.16728 lakhs in the current quarter April to June ’17, so increase of 27.5% and revenue increase from Rs.10765 lakhs in quarter January to March ’17 to Rs.16728 lakhs in the current quarter April to June ’17 which was increase of 55.4%. Polysterene profit before interest, tax and other unallocable expenditure decreased from Rs.113 lakhs of profit in April to June ’16 to a loss of Rs.696 lakhs in the current quarter April to June ’17. Polysterene profit before interest, tax and other unallocable expenditure decreased from Rs.668 lakhs profit in quarter January to March ’17 to a loss of Rs.696 lakhs in the current quarter April to June ’17.

This sums all clarifications and details about our financials. We can go ahead to take up further queries or any other clarifications needed.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. The first question is from the line of Dimple Kotak from SKS Capital. Please go ahead.

**Dimple Kotak:** Sir, I want to understand that ABS is a duo poly market, then how come your competitors have given solid results and they are guiding for 30% growth whereas our results have not been good in this quarter and as well as we have given guidance of around 10-12% growth, so if you can please throw some light on that?

**Bhupesh P. Porwal:** To address this, we can talk about our performance and our profitability. Yes, I agree the competitors have shown a different result than what we have presented. So as I told you into the quarterly performance explanation, we were having inventories and then there was a sharp fall. It was of the reverse situation what we had in the last quarter where we had some gains, this quarter we had some loss. So we can comment on our position here. So this is the thing which we have.

**Dimple Kotak:** What is the current capacity utilization of our plants for ABS?

**Bhupesh P. Porwal:** The compounding utilization capacity is around 90% and various other intermediate plants have different capacities which can cater to for the whole business and the Polystyrene plant runs between 65% to 70% utilization rates.

**Dimple Kotak:** For this quarter, how much have we sold as the commodity of ABS and as a customized product for ABS, on a ballparks number, which is more or which is less?

**Bhupesh P. Porwal:** Maybe I can say 55-60% is in Specialties and rest maybe 35-40% maybe another commodity part in the Specialty segment.

**Dimple Kotak:** As you commented that the raw material prices had gone up and that basically the Styrene Monomer prices were up from Jan to March, so what is the situation which you are seeing right now and what is the outlook for the same?

**Bhupesh P. Porwal:** From last three months, prices are quite stable and we look forward for some stable prices in next three months or so.

**Dimple Kotak:** So any impact of INR appreciation?

**Bhupesh P. Porwal:** We are not much impacted on this aspect because all things are governed by the international prices.

- Dimple Kotak:** How much high cost inventory we still have finished goods with ourselves?
- Bhupesh P. Porwal:** The higher inventory was a resultant of the demonetization earlier, but now those impacts have been lowered down, we are working on a normal inventory level.
- Dimple Kotak:** So then we can assume that the prices will be in tandem with the current prices realization and we would not have any issues to booking losses on inventory?
- Bhupesh P. Porwal:** Yes.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.
- Giriraj Daga:** I would like to cater to a point of this inventory gain and loss. So what was the loss during this quarter where we can address and then we can come to the normal life performance?
- Bhupesh P. Porwal:** Mr. Giriraj, we look all those numbers not for a short-term and as I mentioned these are cyclical impact for a short-term. I would like to state that if you see last two years also, not going further, there have been such type of quarters, but overall '15-16, the PBT was Rs.60 crores and '16-17 was Rs.100 crores. So there will be cyclic impact positive and negative and we generally look into a longer term cycle of a year how does it impact.
- Giriraj Daga:** I agree, I am not saying that you do not look at. If we can get the numbers, then we can look at that okay, what was the impact, we can possibly try to estimate as per our thought process going forward then, because if we do not know the numbers, then we are just putting something in the blank like the thought process also. So the idea is that if I can get a number maybe last quarter what was the inventory gain and this quarter what was the inventory loss, then possibly we can put in excel note and we can factor accordingly.
- Bhupesh P. Porwal:** Mr. Giriraj, we have not discussed about or maybe not done about the inventory gains and losses in every quarter wise. Maybe as you have suggested right now we may think on to discuss on those.
- Giriraj Daga:** When you give the volume, it is a total volume of ABS and Polystyrene, right. Would you be able to share a separate volume for Specialties and Polystyrene?
- Bhupesh P. Porwal:** We are publishing segmental results and we are not publishing for the volume things separate numbers.
- Giriraj Daga:** In order to understand the pricing movement, like when I calculate the blended realization, which is something like 10% on the quarter-on-quarter basis compared to fourth quarter, this Q1 is down about 10%, close to 8%. So what was the process, like it was a staggered manner

decline, June was lower than the April, so what was the price movement during the quarter per se?

**Sanjiv Vasudeva:** Good Evening. This is Sanjiv. It was a very steep fall in April and then May and June got a bit more stabilized, June and July are relatively more stable, but April was the real culprit and that is why we are stuck with this high-end inventory. On top of it, if you have attended the previous call three months back, for Polysterene performance was bit poor in terms of volume which was because of some of the extended shutdowns that we had. That is where the inventory build-up happened, predominantly because of that unplanned shutdown and we have a longer cycle of getting the raw material so that was already on the board, right. When something like this happens, just cannot control and you are stuck with the inventory that you cannot convert into finished goods and sell. So that is what basically happened.

**Giriraj Daga:** If I will take a more clarification on inventory part, we have not done any mark-to-market, right, April we had a sharp decline and provided that we were holding that inventory, so whatever we have sold during the quarter was of a high inventory and that is why we had a loss, it is not like that we had bought something in the month of June beginning and the prices are corrected to 10%, so we mark-to-market on 30<sup>th</sup> June. So we have not done that, right?

**Bhupesh P. Porwal:** This cannot be theoretical, this goes on a practical way, the business runs, and the industry runs on the current prices.

**Giriraj Daga:** Understood. I want to clarify that is mark-to-market or the prior inventory with regard to utilized during the quarter and hence overall performance looks down?

**Sanjiv Vasudeva:** Basically, if you have high value inventory, right, and the market price decline by let us say 30%, then in all honesty, we will be selling it 25, 30% lower. That is the delta hit that we had to take in the last quarter.

**Giriraj Daga:** We do not do any hedging right on the commodity side or principal side...?

**Bhupesh P. Porwal:** No, on the raw material and FG front, we have not seen hedging on these parts.

**Giriraj Daga:** If I am not wrong, more than 50% of our business coming from OE side, right?

**Bhupesh P. Porwal:** I was just completing that answer in between when you asked about mark-to-market. The prices going southwards or northwards, the impact on the main Specialty part comes on a later stage, community part comes immediate like Polystyrene or the ABS part. So where you say OEMs, yes, the impact comes at a later stage. So we had not much loss from the OEM side in this quarter.

- Giriraj Daga:** No, my question was related to how we book our raw materials, suppose we know the fixed orders and we know that our customer billing also. So can we do just in time inventory so that in the future we can be rest assured that this inventory loss will not be large going forward?
- Bhupesh P. Porwal:** Nobody makes Styrene in India, it has to be imported. When it is imported, it takes a lead time of 45-days. As I mentioned, our capacity utilization whatever is there, so orders are always there in pipeline. So 45-days risk always you have to play.
- Sanjiv Vasudeva:** Unfortunately, our customers do not give us firm orders loaded for the next 45-days, right, it is not like our next 1.5-months orders and prices loaded, that is not the case.
- Giriraj Daga:** We are operating in 90%. So what is the thought process on expansion side?
- Sanjiv Vasudeva:** We made announcement yesterday which some of you may have gone through; we are expanding our compounding capacity at the Moxi plant by 34,000 tons which would take our total capacity to 100,000, it is a \$20 million investment that we are making, predominantly for new compounding line and also improving the logistics infrastructure as you can imagine if you go from 66,000 tons to 100,000 tons, we will be adding 50% extra capacity, so you need better infrastructure as well. Along with that, we have started to do some engineering study on future expansion for production capacity for ABS overall.
- Giriraj Daga:** So ABS capacity been 80,000 right now?
- Bhupesh P. Porwal:** We have capacities of 66 plus 14 at two different places. What was mentioned was Moxi 66 to 100.
- Giriraj Daga:** Compounding capacity right when you said we will go for ABS next round after technical study?
- Sanjiv Vasudeva:** That is correct. We have released some money for technical studies and feasibility which is part of the press release that we made.
- Moderator:** Thank you. The next question is from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.
- Sangeeta Purushottam:** I just wanted to understand this whole inventory issue a little better. Based on what you responded to the earlier questions, are you saying that there will always be about 45-days of inventory in the system and that risk really remains from quarter-to-quarter, some quarters you could get a benefit, other quarters you could take a hit? Specifically, in this quarter, you were hit because the inventory went up because of unintended reasons. Is that what you are trying to say?

- Sanjiv Vasudeva:** That is correct, like we import 90% of our raw materials, right with a lead time of 45-days. So whatever we have ordered in the pipeline and we have to eat it up. In those 45-days if the market prices after 15-days or 20-days decline dramatically, it will go on to the market and lower our prices. But we are still stuck with high inventory, right, which is in the pipeline. That is what happened in our case and one of that I also mentioned earlier was the shutdown of the Polystyrene plant where we had the material in the pipeline but we could not produce and unfortunately, we had to produce in the first quarter of this financial year, but by then the prices had declined. So that cause a big hit that we all see this quarter.
- Sangeeta Purushottam:** So you are saying these impacts tend to even out over the year but...?
- Sanjiv Vasudeva:** Because typically over a period of two-three years, there will be at least two or three occasions every year there will be one occasion where you will see a spike, for a couple of quarters it will be pretty much flat raw material prices. So that is what causes these kinds of big fluctuations and gains and losses in some quarters.
- Sangeeta Purushottam:** There is no way you can hedge this?
- Sanjiv Vasudeva:** No, we cannot.
- Sangeeta Purushottam:** This is part and parcel of the way the business is run effectively?
- Sanjiv Vasudeva:** That is correct.
- Sangeeta Purushottam:** Second question really relates to increase in capacity. I could not completely hear properly the quantum of money you need to spend to increase capacity. Did you say \$20 million?
- Sanjiv Vasudeva:** Yes, Rs.1300.
- Sangeeta Purushottam:** This will be a Brownfield expansion?
- Sanjiv Vasudeva:** Yes, with existing facility at Moxi.
- Sangeeta Purushottam:** The feasibility study that you are doing is for Greenfield expansion?
- Sanjiv Vasudeva:** We are looking at a couple of options; Greenfield options, we have our Rubber plant at Nandesari we are looking at that option expansion as well. That is what we learn from the feasibility study what makes sense.
- Sangeeta Purushottam:** If you were to totally set up a Greenfield plant with 100,000 tons capacity what will that approximately cost – is there like a per ton cost or something and does it move in a step function, how does the CAPEX move in this business?

- Sanjiv Vasudeva:** 100,000 tons is the final product that you are talking about, right, to make a final product which are grandeurs of ABS, you need rubber, you need SAN, and these are the two main ingredients that you need. So when we talk about 100,000 tons, that would include both expansions in SAN and in our capacity. Both may demand depending on the feasibility, different level of investments. That is what we are looking at right now. So it is very difficult for us to give a number as of today.
- Sangeeta Purushottam:** Could you talk a little bit about how you see the market growing over two-to-three year period and what are your own plans within this market, how do you plan to grow, are there any particular products that within the market that you would like to focus on?
- Sanjiv Vasudeva:** We see a good double-digit growth for the market; we see ABS growing higher than the GDP rate for the country. From segments perspective, like Bhupesh mentioned earlier we have a Specialty and Polystyrene, we see higher growth in Specialty than in Polystyrene going forward as well and we do see substitution of Polystyrene in some other alternative materials, it has a relatively lower growth rate than ABS.
- Sangeeta Purushottam:** How do you see margins moving ahead – are you at a sort of stable state of margins or do you have margin drivers which could take them higher?
- Sanjiv Vasudeva:** The more Specialties you sell, the higher the margins you get and the investments are predominantly for Specialty. So we would also expect higher margins as a result of that.
- Moderator:** Thank you. The next question is from the line of Harsha Vardhan from NMV Securities. Please go ahead.
- Harsha Vardhan:** Can I know what the shelf life of the raw materials that is usually there?
- Sanjiv Vasudeva:** It depends on the product you have, like I mentioned earlier to one of the participants, we have basic raw material like Styrene, then we have Rubber, but we also have Butadiene as a raw material for rubber and then using all these you make SAN and finally you make ABS or you make Polystyrene. So both raw materials and finished goods are of different types. As a rough thumb, you can say a shelf life of six months and above.
- Harsha Vardhan:** You have given the quantity sold and the sales figure. I know that it is combined of both Polystyrene and ABS. But the realization from that is higher compared to last YoY figure. So that means the price has gone up, right?
- Bhupesh P. Porwal:** No, I think realization is lower than the last quarter. As overall volume, we have sold more, but per ton realization is less. Realization is not higher than the last year.



- Harsha Vardhan:** It is, right, because last year the sales were Rs.413 crores and this time it is at Rs.504 crores, regarding the sales volume it is Rs.33.8 and 37.7, so if you do the math, it comes as 135 for this year and 126 for the last quarter.
- Bhupesh P. Porwal:** It is the product mix which you have to see where it has gone higher and lower. So it is a consolidated figure which you are showing.
- Harsha Vardhan:** Yes, I understand that. So if you can tell me like which one it has mentioned it will be helpful?
- Bhupesh P. Porwal:** So the volume which has increased in this quarter is mainly of the Polystyrene where the realization is much less.
- Harsha Vardhan:** But did the raw material price of Polystyrene also go up?
- Bhupesh P. Porwal:** Styrene is common for both the things.
- Harsha Vardhan:** Yes, I understand that. Why I ask is that the margins have gone down. That means like raw material prices also would have gone up, right?
- Sanjiv Vasudeva:** Correct, that is what happened in Q1. I think we explained earlier, in Jan-March, raw material prices were increasing, we bought the raw materials both for Specialty and for Polystyrene and we were stuck with the high value inventory of Styrene by end of March. All this happened also because like I mentioned earlier Polystyrene we had some shutdowns which took more time to recover. So that was the prime cause of it. Then last quarter the effect of that Styrene as the market went down both for Polystyrene and ABS, the effect of Styrene was on both the product lines.
- Moderator:** Thank you. The next question is from the line of Anubhav Sahu from Money Control. Please go ahead.
- Anubhav Sahu:** Sir, you mentioned about your Brownfield expansion. The CAPEX involved you said Rs.130 crores, right?
- Bhupesh P. Porwal:** Yes.
- Anubhav Sahu:** Sir, what is the timeline you are looking at for the commission of the plant?
- Sanjiv Vasudeva:** By mid-2019.
- Anubhav Sahu:** Wanted your feedback on the industry situation as far as ABS is concerned -- What is the supply deficit in Indian market right now? How much has been imported?

- Sanjiv Vasudeva:** We have at least 30-35% imports coming into India. So that is the kind of shortage that you have for ABS.
- Anubhav Sahu:** Greenfield expansion you are looking at as far as ABS is concerned; it is on the other segment, right?
- Sanjiv Vasudeva:** ABS like I mentioned earlier, the present investment is in the expansion of Moxi compounding, right, and as part of the Rs.130 crores, we are also spending some money on engineering study for investments in Greenfield or expanding our existing capacity for rubber and SAN.
- Anubhav Sahu:** Any guidance for the remaining part of the year in terms of volume as well as revenue if you can give us?
- Sanjiv Vasudeva:** If I look right from January, the effect of demonetization which was pretty bad in October-December was relatively limited. It was unfortunate that our Polystyrene we had the shutdown issue causing some of these losses in last quarter. And then April-May have been pretty much stable, but June there was a little bit, I would not say a big concern on the GST because some of our markets are also unorganized segments like packaging and all, there was a bit of panic in the market in general, right, people did not want to carry lot of inventories towards the last week of June. But July onwards, we see things more stable. If you ask me, I think we have crossed the GST hurdle without a big impact and we have no reason to believe that going forward any major hurdle is here in terms of growth.
- Anubhav Sahu:** In terms of volume, can we expect a lower double-digit growth for the remaining part of the year?
- Sanjiv Vasudeva:** Yes, ABS market is growing at double digit. So that is what we are targeting as well.
- Moderator:** Thank you. The next question is from the line of Raj Gandhi from Sundaram Mutual Fund. Please go ahead.
- Raj Gandhi:** Sir, just one clarification on this inventory thing; I understand as you mentioned that possibly if you are carrying a high cost inventory in your current realization will be mark-to-market, if prices drop, you could suffer losses. This is one loss wherein your inventory high cost bought earlier and you are selling now. So that is one loss. Second is let us say you are carrying some inventory, let us say 1-ton of Styrene at \$100. Now at the end of the quarter close to \$70. Do you take that \$30 mark-to-market loss also in your P&L or that phase will come in the next quarter when you are using 100 tons Styrene inventory versus \$70 current price?
- Bhupesh P. Porwal:** The valuation of inventories are for accounting standards. So it is not a simple question and it depends on a lot of other variables also. So accordingly, the accounting has been done.

- Raj Gandhi:** Sir, in this Rs.130 crores expansion that also include simultaneous expansion of the supporting rubber and SAN capacities, is it, so then when you talk of rubber expansion it would be beyond what is required to support the current expansion?
- Sanjiv Vasudeva:** Rs.130 crores includes technical study on expansion of rubber and SAN.
- Raj Gandhi:** So in the interim you could be dependent on external purchases to that extent?
- Sanjiv Vasudeva:** Yes.
- Raj Gandhi:** Just if the similar expansion would have been Greenfield, just a ballpark estimate what would this Rs.130 crores number is?
- Sanjiv Vasudeva:** That would be by means buying a land, setting up the full infrastructure, utilities, probably double or more, I am just making a guess here, I am not in a position to comment on that, but much higher.
- Raj Gandhi:** Sir, just in ABS let us say in India over past five, ten years, what would have been the demand growth for India?
- Sanjiv Vasudeva:** The demand has been growing at 8-10% kind of a number.
- Raj Gandhi:** What would be our growth sir in last 5, 10-years?
- Sanjiv Vasudeva:** We have overall kind of growing 5-6%, a bit lower than what we could potentially have.
- Raj Gandhi:** Not specific to your company, like even your competitor last 10, 12-years only last 2-years growth has come, otherwise he was also flat. Despite the imports coming, just wondering as an industry why was the domestic production growth lower, in the sense, any handicap that we faced in India per se as a sector, not a company-specific issue?
- Sanjiv Vasudeva:** I think it is related with the local manufacturer making decision around investments and sooner the investments the better it is. Good news is for us we have made the announcement which has led over the last few year's imports to kind of seep in both by us and our competitors.
- Raj Gandhi:** Just here given that your raw materials which are Styrene and all this, do they have a very high import handling cost in that sense, just trying to see whether it makes given that your raw material is too niche and too specialized to handle, so I believe the cost of directly importing renewals is much lower than the raw material import and all that, right, so I am just wondering as in how much advantage would an exporter have sitting outside and just having to export ABS, an integrated player outside versus us importing the entire RM and incurring that freight cost and then?

- Sanjiv Vasudeva:** It all comes out to duty advantage on finished goods, the imported duty is much higher than for the raw materials and that is where local production or local suppliers would have an advantage versus exporters from Korea.
- Raj Gandhi:** Just here would it be possible to specify let us say somebody were to import your RM just on a proportionate basis, what would cost to import ABS ex-factory from Korea and how much does it cost you to import the RM and make it here, on the RM what is the freight component totally throughout the cycle, similar basis if you were to import just ABS granular straightaway what would be the freight cost?
- Sanjiv Vasudeva:** Based on the industries, the materials and all, I do not think freight is a key parameter here and most of the RM as it is have to be imported because Isonitrile and Styrene no one makes in India, so everyone has to import.
- Moderator:** Thank you. The next question is from the line of Saurav Kumar from Joindre Capital. Please go ahead.
- Saurav Kumar:** What about the credit cycle that you give to your customers because it is a duopoly business?
- Bhupesh P. Porwal:** On an average 45-days.
- Moderator:** Thank you. The next question is from the line of Dikshit Mittal from Subhkam Ventures. Please go ahead.
- Dikshit Mittal:** Sir, can you tell us like what is the SAN and rubber capacity that you have currently and whether that is sufficient for the increased capacity since you are expanding only compounding, so do you have manufacturing infra for rubber as well?
- Bhupesh P. Porwal:** For the short-to-medium-term, yes, we are self-sufficient on that.
- Dikshit Mittal:** Sir, can you quantify in terms of tonnage like what is your Rubber capacity currently that you have?
- Bhupesh P. Porwal:** The Rubber nameplate capacity is 27 KT p.a.
- Dikshit Mittal:** On SAN?
- Bhupesh P. Porwal:** 100 KT.
- Dikshit Mittal:** So till 1.14 lakhs, you have sufficient raw material available?
- Bhupesh P. Porwal:** You have done the math, yes.

- Moderator:** Thank you. The next question is from the line of Savar Malhotra, an individual investor. Please go ahead.
- Savar Malhotra:** My question is on the Brownfield expansion, how do we plan to fund it and what is the expected date that this capacity will become available and how much time?
- Bhupesh P. Porwal:** The new CAPEX partly from our own accruals and some we will be taking loan from our intergroup companies.
- Savar Malhotra:** 40:60 or 30:70 approximately, what would be the breakup on funding?
- Bhupesh P. Porwal:** Maybe because it is a long-time project, up till '19 it depends on what is the actual situation and actual accruals are there.
- Savar Malhotra:** The other question is we have had two unusual quarters, Jan to March where we made super profits and April to June where we made very minimum profits. Now that we are in a steady state. Assuming that the raw material prices remain stable, what is the margin that we are looking at going forward?
- Bhupesh P. Porwal:** The things are always dynamic. So stability word is for a short term which you talked about. I can only say if you see our last two years financials, the margins have been improving and better and that is what we are looking forward also.
- Savar Malhotra:** Since I am assuming your raw material prices are dependent on the price of crude, they would probably move in tandem. Is there some sort of risk mitigation we can do? The other part is a lot of your materials probably would be imported from your group or associate companies. Is there something that you can take up to mitigate the fluctuation?
- Bhupesh P. Porwal:** The second part is that we do not import anything from our group. Our most raw materials are bought from the third-party. About risk mitigation and hedging, we had already answered this.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.
- Giriraj Daga:** My question is you said that you expect 15% growth in the market for next two years higher than the industry growth. We are running full on capacity and we still have not finalized our plan on expansion. So my point is that what has kept you waiting for so long, there must be something at least we are not able to figure it out as of now yet?
- Bhupesh P. Porwal:** Mr. Daga, in all our earlier earnings call, you have told we have our own tolling capacities. So right now we are not losing business because we have not expanded. I think that addresses your question. Tolling will always be there tomorrow also, that is part of our business strategy.

- Giriraj Daga:** What is our import duty right now on ABS and from which country it is applicable?
- Sanjiv Vasudeva:** 7.5% is the import duty.
- Bhupesh P. Porwal:** From country, with trade agreements it differ, some concession are there.
- Management:** On Korea it is about 8%.
- Giriraj Daga:** When it is expiring sir?
- Bhupesh P. Porwal:** Right now there is no trade agreement which is expiring.
- Giriraj Daga:** So the import duty is not imposed for a particular period of time like five years or four years, so it is not that way or the normal duty you are talking about?
- Bhupesh P. Porwal:** I am talking about normal duty.
- Moderator:** Thank you. The next question is from the line of Navin Kumar, an individual investor. Please go ahead.
- Navin Kumar:** My question is that our raw material price constitutes 77-80% of the finished quantity price. I want to know what value addition we are doing? Sales price is let us say Rs.100, our raw material prices is 77-80%, remaining thing and all, our personnel cost is 3.0, finance cost 0.9, depreciation 1.5, other cost 13-14, our PBT margins are very less and I want to know what we are doing trading thing. I compared our company financials with other peers and their OPM is around 13.7%, ours is 2.34%
- Bhupesh P. Porwal:** I would suggest you can compare last two years financials rather than one quarter and then you can e-mail us if you have further any question.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to the management for closing comments.
- Management:** Thank you everyone for attending this call and being present and asking us all the questions. Should you have any further questions or you need any further clarifications, you always feel free to contact us by e-mail or phone and we will try to address your queries. Thank you again and have a nice day.
- Moderator:** Thank you very much, sir. 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.