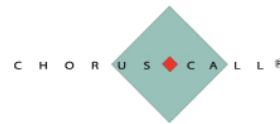




“INEOS Styrolution India Limited
Q4 January to March FY2019 Results Conference Call”

May 17, 2019



MANAGEMENT:

**MR. SANJIV VASUDEVA – MANAGING
DIRECTOR – INEOS STYROLUTION INDIA
LIMITED**
**MR. SANJEEV MADAN – CHIEF FINANCIAL
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**MR. ABHIJAAT SINHA – HEAD LEGAL &
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**MS. AMITA MISTRY – COMPLIANCE OFFICER –
INEOS STYROLUTION INDIA LIMITED**

Moderator: Good day ladies and gentlemen and welcome to the Q4 January to March FY2019 results conference call of INEOS Styrolution India Limited. We have with us today from the management Mr. Sanjiv Vasudeva, Managing Director, Mr. Sanjeev Madan, Chief Financial Officer, Mr. Abhijaat Sinha, Head Legal & Company Secretary, Mr. Munjal Parekh, Head Controlling, Mr. Adil Marawala, Manager Corporate Communication, 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 “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanjeev Madan, Chief Financial Officer of the company. Thank you and over to you!

Sanjeev Madan: Good evening. Dear shareholders, investors and analyst fraternity, we welcome you to this earning call. Your company, INEOS Styrolution India Limited has declared its results for the year ended March 31, 2019 on May 16, 2019. We will brief you about the major highlights of the performance.

Kindly note that the Revenue from the operations for period up to June 30, 2017 includes excise duty, which is discontinued effective from July 1, 2017 upon implementation of GST in India. In accordance with Ind-AS, GST is not included in revenue from operations. In view of the aforesaid restructuring of indirect taxes, revenue from operations for the year ended March 31, 2018 and March 31, 2019, are not comparable.

Now regarding the quarterly performance, loss before tax in June to March 2019 stands at Rs.20.34 Crores as compared to profit of Rs.50.40 Crores in January to March 2018. The revenue net of GST from operations in current quarter is Rs.482.18 Crores as compared to Rs.510.51 Crores in January to March 2018. Loss before tax in January to March 2019 stands at Rs.20.34 Crores as compared to loss of Rs.35.46 Crores in the previous quarter. Revenue net of GST from operations in current has increased to Rs.482.18 Crores as compared to Rs.445.52 Crores in the previous quarter.

Regarding year-to-date performance loss before tax in FY2018-2019 stands at Rs.18.48 Crores as compared to profit of Rs.103.13 Crores in the previous year. Revenue net of excise GST from operation has increased to Rs.2090.53 Crores in FY2018-2019 as compared to Rs.1895.34 Crores in FY2017-2018; however, on gross basis including excise duty revenue was Rs.1950.69 Crores in FY2017-2018.

Now coming to the segment results, specialties loss before interest, tax, and other unallocable expenditure stands at Rs.16.66 Crores in the current quarter as compared to loss of Rs.12.51 Crores in October to December 2018 and profit in FY2018-2019 stands at Rs.28.40 Crores vis-à-vis Rs.112.09 Crores in FY2017-2018.

Polystyrene, profit before interest, tax and other unallocable expenditure is Rs.94 lakhs in current quarter as compared to loss of Rs.20.4 in October to December 2018 and loss in FY2018-2019 stands at Rs.26.39 Crores vis-à-vis profit of Rs.4.24 Crores in FY2017-2018.

The company continued to suffer inventory losses during the current quarter as well as with the sharp fall in the prices of Styrene Monomer being its main raw material. SM prices fell from high of \$1450 per metric tonne in FY2018 to \$950 per metric tonne by end of November 2018.

This is about the clarification and details about our financials. Now we can go forward the queries or any clarifications, which you are needed.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mridul Sethi from Individual Investor. Please go ahead.

Mridul Sethi: We checked the numbers. I just wanted to learn what went wrong from inventory valuation point of view, the change of inventories of finished goods has gone up by Rs.41 Crores on a full year basis and Rs.38 Crores on a quarterly basis, so you are not able to tell why the market demand is not so great for you guys?

Sanjiv Vasudeva: Basically in the last quarter in the quarter ending October to December we were still stuck with very high inventory as Sanjeev Madan mentioned in the opening statement Styrene in particular was at \$1450 and we were holding pretty high inventory of that material and the prices like we mentioned earlier dropped to below to \$1000, so part of the hit we did take in the previous quarter and another part of the hit came in the last quarter of January to March, so that is one thing, which happened. Second from a demand perspective we predominantly sell into automotive, household electronics and other segments and automotive in particular the last six months has not been pretty good since the beginning of this year, year-to-date it is down 8% more so in some two wheelers or some specific OEMs, but on an average, we are looking at 8% to 10% kind of a degrowth for automotive. Capital goods again have not improved and the last one or two months, the last quarter before the elections, it has also been relatively slow, so I think it is a combination of lot of effects with the elections coming up in April and inventory and the slowness in demands all these factors have not helped us in liquidating this inventory and getting rid of it faster.

Mridul Sethi: Sir but with all due regards to your parent company and the brand you have or the further competitive advantage you have, you are not able to control the overall cost structure what we believe? On a sale of Rs.2000 Crores your other expenses are still Rs.270 Crores? From the last eight months if you were aware that the demand is not so great you should have controlled the expenses in some of the other way? The cost structure is still much beyond the average level of the industry what I believe?

Sanjeev Madan: On fixed cost, we have started up a lot of cost control initiatives within the organization and cost has been controlled as compared to the previous years. Yes, Rs.270 Crores consists of variable

and fixed cost. You can see the revenue marginally has increased, but if you will see segregation between the specialty and polystyrene specialty volume has increased by 6% whereas polystyrene degrew by 5%, so the variable cost related to the specialty has increased on year-on-year basis, the total other expenses is 12.9% of total revenue in the FY2019 whereas in FY2018, it was 12.5%, so it was a 0.4% increase, which is more related to the volume and inflation.

Mridul Sethi:

Sir I am coming back to the same point, the story what you are selling right now again to the potential shareholders that the story is not converting into the numbers and the bottomline and the growth of the topline also is not saying? You just see your other competitor; I do not want to name the other guy? You just see his balance sheet and your numbers, it is not looking so great, so what is the preparation for the next year and what is the market scenario of the raw material right now? Going forward how will you see the raw material trend will continue in the H1?

Sanjiv Vasudeva:

What we see over the last few months, the raw material has stabilized styrene being our major raw material. It has kind of stabilized at \$1100 kind of a number, so what happens Mridul is big volatility in these raw materials causes these kind of pains and the last two to three months has been stable and none of these can predict if we had a glass bowl we could predict what was going to happen in September and October, we would not have not got inventory in the first place. No one buys these things knowingly. We buy things to serve our customers specifically automotive and household electronics and that was the big issue we had earlier. For now, we do not see any major fluctuation in the raw materials, but every two years you could have this kind of a phenomenon, which may come up, so it is very difficult for us to predict. From an inventory control perspective, we are trying to become even more tighter. We are trying to have a better control of the inventory in terms of the volume that we are holding and hopefully by doing that we should be able to manage things a bit better than what we did two quarters back. From a market perspective, I am as hopeful as any other Indians that after the elections the situation in the country improves from a growth perspective. All of us have seen in the last three months, things are pretty much stagnated whether it is capital goods, automotive and all, so once the growth revival comes that should help us and the company. Also as you are aware that we invested in expansion of our Moxi plant, which should be operational by the end of this year so that would help us in doing in house production. As of today, we are going to external toller, which does not come for free. That cost also adds up. It is all part of the variable cost because you are also shipping your material up and down to all the several parties, so like Sanjeev was mentioning earlier some of the variable costs were also driven by that 6% to 8% growth that we got in the specialty business that was distribution and other factors also played a role along with the additional fees that the toller cost, so once the Moxi comes up towards the end of the year, the material are more stabilized for now. We are handling our inventory better, so we hope that things will be in a better shape. Also a lot depends on the delta margin. The delta margins over the last two to three years have been for ABS at a pretty healthy rate and not just for India, this is for Asia. You can see the difference between the styrene prices and the ABS prices over the last three years and that has kind of compressed in the last four to five months and we expect that they should kind of expand that because this kind of compression does not last for more than two

to three months. Generally, these kinds of phases happen, but we think that it should get better going forward.

Moderator: Thank you. I would request Mr. Sethi to come back in the queue for followup question. The next question is from the line of Pratik Singhanian from SageOne Investment. Please go ahead.

Pratik Singhanian: Thanks for the opportunity. Sir on the expansion of Moxi by when it will be up? It will be end of this calendar year or end of this financial year FY2020?

Sanjiv Vasudeva: End of this calendar year.

Pratik Singhanian: Sir can you share what kind of a volume we did in SAN and ABS for FY2019 and what kind of a capacity utilization you were at?

Sanjiv Vasudeva: Well we will be expanding the capacity by 35000 tons. This information is in public domain. We do not disclose our volume number; however, we are looking at a revenue growth. We always target a double-digit kind of a growth number.

Pratik Singhanian: Sir but currently in terms of HR SAN how much would be your capacity at present?

Sanjiv Vasudeva: Our nameplate capacities for HRG it is about 27 KT hat is our name plate capacity and for SAN it is 80.

Pratik Singhanian: 80?

Sanjiv Vasudeva: 80.

Pratik Singhanian: And HRG 27000?

Sanjiv Vasudeva: Yes.

Pratik Singhanian: Sir basically do you think Sir 27000 tons is enough for your current production of ABS what you are doing, so why do we import HRG and why do not we make in-house?

Sanjiv Vasudeva: A very good question. This is the nameplate capacity in that you have to factor shutdowns. You have to plan shutdown, unplanned shutdown, and the change of grade. All those factors do play a role number one. Number two, please do not forget, the assets we have are pretty old. They are more than 30-year-old assets and we have been doing capex projects to upgrade the asset, but the reliability of the asset does play a role here, which we continuously improve. Generally a utilization of these assets if you can get a 80% to 85% utilization right you can squeeze that much of a volume you should be happy, so if you take an average revenue you can do the math, the average revenue of the whole of last year calendar year and you divide with the average the ASP of ABS you can come with the average volume right of ABS and typically you use 25% to 30% kind of a rubber and you can do the math yourself what kind of rubber needs will be there, so that

is the reason we have to still import because even though we produce a decent number based on what we would expect for this asset, it is not enough to fulfill the complete volume number.

Pratik Singhania: The practical maximum production that you can do from this HRG plant would be how much Sir?

Sanjiv Vasudeva: We do not disclose the company number. It is not more than 80%.

Pratik Singhania: 80%?

Sanjiv Vasudeva: Yes.

Pratik Singhania: I do not think because Sir if you can 80%, we should take 20000 tons of production then easily you can do ABS production of 1 lakh tonnes, so I do not see then that was the case for anything for import size is 5000-6000 tons of HRG that you do like you said in last quarterly concall?

Sanjiv Vasudeva: Pratik, depending on the grades, ABS typically uses rubber 25% to 30%, so you can do the math.

Pratik Singhania: I was just looking at the import data of HRG so we are buying some Cologne apart from our parent or sister concern so like why cannot our sister concern can suffice our 100% import requirement and why do we need to go to?

Sanjiv Vasudeva: We always try to keep an option of multiple suppliers that is one. Second, we also try to get the cheapest rate wherever we can buy from; we try to look at both the cheapest supplier and multiple suppliers.

Moderator: Thank you. I would request Mr. Singhania to come back in queue for followup question. The next question is from the line of Dhaval Joshi from Sundaram Mutual Fund. Please go ahead.

Dhaval Joshi: Good evening Sir. Thanks for the opportunity. Just wanted to know two things how much percentage of obligations do we have by any chance to import our raw materials from the parent?

Sanjiv Vasudeva: We have no obligations. We will buy wherever we get the best material. The good part about parent company is surity of supply, but our parent company once making the commitment to us will not pull the plug on us and we will be able to pass to the customers.

Dhaval Joshi: Sir and can you just give us some idea about how is the inventory days and pricing of overall when you import so it is a monthly average or start off with month price you factor when your import or how is the regional pricing terms happens during that time?

Sanjeev Madan: We use the monthly average basically. It is a moving monthly average,

Dhaval Joshi: Inventory days of your raw materials should be how much?

- Sanjeev Madan:** It depends on the product, but it varies from the range of over 50 to 60 days totality.
- Dhaval Joshi:** On an average you have all the three major products of raw materials?
- Sanjeev Madan:** I am talking about on an average including raw materials, finished goods it depends. On the whole business it will be around between 50 to 60 days.
- Dhaval Joshi:** Sir why the debt proportions has gone up for the year?
- Sanjeev Madan:** As you know we had mentioned earlier as well we are investing into our Moxi expansion project so it is our ECB loan. We have taken for the expansion of the project for funding of debt expansion.
- Dhaval Joshi:** This is of total final amount, which you have reached and no further deployment will be in the future right?
- Sanjeev Madan:** Correct. As of now yes.
- Dhaval Joshi:** Sir can you give us the volume details, so far it is not yet out in terms of the presentation for the quarter?
- Sanjiv Vasudeva:** Like I mentioned Dhaval we do not disclose the volume numbers.
- Dhaval Joshi:** Last quarter it was there I think in your presentation so that is why I am asking?
- Sanjiv Vasudeva:** Is it?
- Dhaval Joshi:** Yes?
- Sanjiv Vasudeva:** Anyways you can do the maths based on the annual revenue numbers and you can take an average ASP of ABS at Asia level and you can estimate.
- Dhaval Joshi:** Actually 32.5 kitty was the overall October to December 2018 was your volumes, so like-to-like if you can give it to us if you have ready in front of you then it could be better because it is a guessing work then it is a problem for us and your volume the way you have said it, your demand has seen since the last six months if is weakening so difficult for us to in terms of guessing also how much volume has declined so far in the quarter?
- Sanjiv Vasudeva:** Our volumes well you know the 32.5 number.
- Dhaval Joshi:** That was the last quarter and prior to that it was 39.1?
- Sanjiv Vasudeva:** Correct. It went up to 39.3.

- Dhaval Joshi:** 39.3 is the number you are seeing for the quarter?
- Sanjeev Madan:** The whole business.
- Dhaval Joshi:** Yes for the whole business, but for the quarter I am saying?
- Sanjiv Vasudeva:** That is correct.
- Dhaval Joshi:** Sir I am again repeating the same question how much is the utilization level overall so far for the full year?
- Sanjiv Vasudeva:** Well like I said there are different assets and different parts on utilization right like Moxi plant, which does the compounding is 100% utilised right and hence we are doing tolling outside. Polystyrene utilization is at a relatively lower level versus these two. SAN we make as per what is the need to make the finished goods, so the utilization is relatively lower than what maximum it can do.
- Moderator:** Thank you. I would request Mr. Joshi to come back in the queue for followup question. The next question is from the line of Mayur Mathani from ICICI Securities. Please go ahead.
- Mayur Mathani:** Good evening. Just I would like to know how much was the inventory loss for the quarter and may I know the overall volume growth for ABS and polystyrene for the year as a whole?
- Sanjeev Madan:** Inventory volume growth is around 15% to 17% for the polystyrene in this quarter as compared to the last quarter and inventory loss actually we never publish it.
- Mayur Mathani:** With regards to ABS how much growth have we done for the year if you can share the number for a whole?
- Sanjiv Vasudeva:** From revenue perspective we grew about 10%, so the volume growth is pretty much similar range.
- Mayur Mathani:** As I have been looking globally the debtors for making ABS has increased in the current quarter as compared to the previous quarter, so are we going to see the benefit of the same and how much do you expect the unit margins to increase on the company as a whole if you can share rupees per kg that we expect the margins to increase in the next year if the price remain as they are?
- Sanjiv Vasudeva:** It is very, very difficult for us to predict how it is going to shape Mayur going forward, but all I can tell you last four months have been pretty tight and bad for ABS from a margins perspective; however, we saw good expansion of margins on polystyrene hence if you go through the presentation that you will see on the website you will see the polystyrene in fact made money because there was margin expansion there. How long it will last for ABS to recover to very health margins? It is very difficult for me to predict because not just India growth story related

because it is also related to the overall Asia what happens with styrene and the general ABS prices because all these importers they would ship. Exporters would sell to India or importers would buy depending on what the prices in the China are, so a lot depends on what happens in the other part of Asia as well. Like I mentioned earlier last few months have been pretty tough from an ABS perspective margins because we have enjoyed relatively good margins and generally these kind of times do not last for long, so three to six months even then you can generally see the recovery coming back so we hope that margins improve at Asia level in the near future.

Sanjeev Madan: Also the last quarter like where the margin got reduced it looks like it is bottoms out and should not get repeated in the future and we hope and also we are seeing, has improved as compared to previous quarter.

Moderator: Thank you. I would request Mr. Mathani to come back in the queue for followup question. The next question is from the line of Pankaj Singh from Green Portfolio Managers. Please go ahead.

Pankaj Singh: Good evening Sir. Thanks for giving me this opportunity. So my question is regarding the capital work-in-progress that has surged from Rs.15 Crores last year to Rs.90 Crores this year, can you explain this?

Sanjeev Madan: As Mr. Vasudeva has explained earlier we are expanding our compounding facility in Moxi and CWIP increase related to the Moxi plant expansion majorly.

Pankaj Singh: Sir next question is about why the polystyrene your business is showing down growth of 5%, can you tell the factors which are affecting that business?

Sanjeev Madan: For the whole year you are saying?

Pankaj Singh: Yes, Sir you have already told earlier that there is a volume degrowth of 5% in polystyrene business?

Sanjiv Vasudeva: So polystyrene we had one unfortunate breakdown, we had one in February, but that does not count, there is another one, which happened in the May, June timeframe, which effected, we had two bad shutdowns, yes, typically we plan for one or one in two years, yes, so it was an unplanned shutdown, which we had, so the June one affected our numbers that explains the bit of the volume. Secondly, we also saw some extra imports coming from Iran, yes and in fact Iran last year dumped something like and I use the word dump because certainly there are very low prices yes to India about 15000 to 20000 tons, so that hit into the market share of us and probably some other players as well. Also we had a bit of packaging ban and it is not implemented very strongly in India, but that does affect the sentiment and used area of polystyrene because it goes into the packaging segment.

Pankaj Singh: Sir the next question is you said that Polystyrene is being dumped by Iran in India so US is also going to sanction and that I think the Polystyrene is not going to also dump in India because India

is going to stay away from that so what are your views that Polystyrene because may improve in the future?

Sanjiv Vasudeva: As an industry we have working with the government. We are aware of the dumping of material from Iran, but they typically work slow so probably will take us some at least six months or a year for us to get reply from the government.

Pankaj Singh: That means you are going to have application for antidumping duty on polystyrene?

Sanjiv Vasudeva: Yes, we are having some initial discussion.

Pankaj Singh: Yes, Sir. The next question is about Sir what are the views on both segments that is single-digit growth and double-digit growth I can expect for the next year?

Sanjiv Vasudeva: We always target a double-digit growth.

Pankaj Singh: Your business especially specialty is doing good, it is not performing well, but on polystyrene also having some sort of problems so is it justified?

Sanjiv Vasudeva: At the end, we are into industrial segments like what happen in the industry in terms of automotive, household will define, last four to five years India has grown at 7% to 8% GDP but last six months had been pretty tough, which we have all seen in the IIP numbers, in the capital goods number and the automotive numbers. It is very difficult for me to predict what is going to happen.

Pankaj Singh: You are saying double-digit growth because the figures are not up to that management and Sir automotive not performing well and then capital goods industry is also not performing well so these numbers are somewhat?

Sanjiv Vasudeva: I think automotive sooner or later would be getting rid of all the inventories. Their inventory level went up to 45 to 50 days and they target to make it 25 to 30 days. We do not know how far they have reached. I would expect by June that depletion to take place and them to get back on track. Last year same time May, June automotive was doing at 22% so double-digit is not very difficult for them to get back to 10% kind of growth rate. Could we end up with 7% to 8%? May be. So we will have to see how things shape up. Like my guess is as good as yours, but I am hopeful that we should be able to get to a double-digit growth and we build our plan accordingly.

Moderator: Thank you. I would request Mr. Singh to come back in queue for followup question. The next question is from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar: Good evening Sir. Just like you spoke about polystyrene and the imports that are coming from Iran, can you give us similar anecdotes about dumping ABS that is happening currently because we have been looking at auto-data programs from China, which is not very flattering so is that leading to some kind of dumping as we speak just wanted to get views on that?

- Sanjiv Vasudeva:** Arjun, China is a very similar situation like India. In fact last year it was the first time when China was down year-on-year. China in fact has been better growth than India especially in automotive and last year and this year is the very similar situation they are facing. we have import for ABS, but I will not use word of dumping, When the price is at least 20% lower and at times lower than your raw material cost that is when you talk about dumping correct and they are more cheaper than our what we and some of our competitors make in India, but the imports are there, but I would not say that they are dumped material and because of China.
- Arjun Sengar:** Sir also we understand that was 7.5% import duty on ABS given that how come we are not much more competitive versus imports just wanted to understand that?
- Sanjeev Madan:** Forex also plays the role over here.
- Sanjiv Vasudeva:** One is ABS, but we are also making ABS, we use Styrene like to make it ABS, styrene and rubber and all, and import duty on Styrene is similar level so this does not matter, but we have import duty on the raw materials, we do not have import finished goods of ABS, but on the raw materials we have duty so comes out to be more or less similar value.
- Arjun Sengar:** Sir in polystyrene did we not suffer from this inventory loss because styrene is also raw material here?
- Sanjiv Vasudeva:** We did, if we look at the full year polystyrene.
- Arjun Sengar:** For the quarter?
- Sanjiv Vasudeva:** We did not because it has been surprising that is the good part amount polystyrene having a portfolio of different kinds of product polystyrene has seen better margins than ABS for the first time in my career so it is very strange but that is how it has been, not just in India, but in Asia as such.
- Arjun Sengar:** What would be attribute that to improvement in margins and polystyrene?
- Sanjiv Vasudeva:** It is on top of the cycle at the end of the day and these kinds of months and quarters it will come, once in two years so you have to maximize it.
- Arjun Sengar:** Why have the margins improved in polystyrene in the quarter versus Q3, was there some change globally or some change domestically?
- Sanjiv Vasudeva:** It is across Asia because we are not isolated as a country, so it is not like margin that good only in India not in China or South East Asia. The margin across Asia and globally because of the supply demand has improved so of course we tried to maximize the margin because we know the guys who want to import at a cheaper price so it is global phenomenon related to supply demand.

- Arjun Sengar:** The Moxi capacity that we are setting up increase or compounding from 80000 tons to 1 lakh tons if I understand correctly so basically on this 20000 tons incremental volume we will be saving the tolling charges that we have to pay, is my understanding correct for the incremental 20000 volumes you will be doing it in house versus outsourcing it 20% of your volume will say tolling changes is that correct?
- Sanjiv Vasudeva:** Moxi capacity is 66 KT, we are now going to 100 KT.
- Arjun Sengar:** Okay 40% of the volumes will now be in house versus outsourcing?
- Sanjiv Vasudeva:** 40% correct.
- Moderator:** Thank you. I would request Mr. Sengar to come back in queue for followup question. The next question is from the line of Raj Kumar from Green Portfolio Managers. Please go ahead.
- Raj Kumar:** Sir, I have questions for you actually you told earlier you are doing capex so I just want to know how much time will it take to initiate?
- Sanjeev Madan:** We are looking by end of this calendar year.
- Raj Kumar:** By the end of?
- Sanjiv Vasudeva:** By the end of this calendar year.
- Sanjeev Madan:** November, December will be our target date.
- Raj Kumar:** Sir would you like to some light on the working capital management?
- Sanjeev Madan:** Yes of course. I mean as we were discussing earlier in the last quarter, the inventory was quite high not only for the raw material finished goods because there was a steep fall on demand and that has resulted in the losses of the last year so we had worked out on those inventories and the working capital management and now the inventory has actually reduced in this quarter and our DSOs are almost similar as was in last quarter working capital has actually improved infact much improved as compared to the last quarter.
- Raj Kumar:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Pratik Singhania from SageOne Investment. Please go ahead.
- Pratik Singhania:** I have two questions related to environmental issues and two questions related to capacity and then I wanted to vision for FY2020 so first question further environmental clearance like what is our status of EC clearance pertaining to producing JVT at the Dahej plant?

- Sanjeev Madan:** ABS, we already have clearance. We have the environmental clearances in place for producing the additional ABS in Dahej plant we had environmental clearance is given for the whole site so when we built the Dahej plant, we had environmental clearance based on the complete capacity with the capacity expansions, it could be polystyrene, it could be ABS or any other product.
- Pratik Singhania:** Sir regarding the ongoing pollution issues with the Narmada River what is your view on that, what is the status there?
- Sanjiv Vasudeva:** We are responsible company and we adhere to all the standards whether it is in Dahej or Moxi or in Katol plant, we had regular reviews and checks by GPCB and we follow all the environmental norms and get all clearances and adhere to all the compliances set.
- Pratik Singhania:** Okay you do not anticipate any negative orders in our favor?
- Sanjiv Vasudeva:** No we do not.
- Pratik Singhania:** And Sir when you say ABS plant in the Dahej will be starting?
- Sanjiv Vasudeva:** It is not confirmed yet. We had mentioned earlier in the last AGM that we are doing engineering design stage for the feasibility of the plant, the decision as per the date it will be announced.
- Pratik Singhania:** But approximate any target Sir?
- Sanjiv Vasudeva:** As soon as decision is made it will be announced with the target timeline.
- Pratik Singhania:** Two questions on the strategy one is in Styrolution in the Europe region, they have already converted their BS line into ABS line and what we have seen in the Indian market in India demand of polystyrene is less compared to the production capability of India whereas in ABS it is reverse so do we have any consideration of converting our polystyrene plant in line into ABS line?
- Sanjiv Vasudeva:** It is a good question, it is not that straightforward, a lot depends on the plant design that you have, how the plant is built, we may be better off putting up new plants rather than converting the polystyrene plant into ABS plant because the assets are pretty old and some of the equipment that we may need is not straightforward and I know what you are talking about, it is convert to PS to ABS like what you have done Europe so it depends on what kind of asset and initial designs what they are.
- Pratik Singhania:** Okay and Sir FY2020 what kind of import of HI do you anticipate for the level of production that we are targeting?
- Sanjiv Vasudeva:** It will be similar level to what we are doing today.
- Pratik Singhania:** Which is how much Sir?

- Sanjiv Vasudeva:** We cannot disclose exact numbers.
- Pratik Singhania:** Sir depending on the demand?
- Sanjiv Vasudeva:** Depending on the demand we directly always targeted 10% tonne for grow.
- Pratik Singhania:** On the second question on your strategy, currently our industry was future industry particularly in the production segment of India now. What I hear from Supreme Petro is even they are planning to enter into ABS industry where they have put up environmental clearance for approximately 200000 tons, which would I think include 120000 tons of ABS so and even started like depending some through the brand name I think they are doing some bit of clearing of ABS so what is your sense how will be change competitive intensity of the entire industry because Supreme Petro they are one of the lowest cost producer of PS so how do you think their entering into ABS market can impact the overall industry and the margin?
- Sanjiv Vasudeva:** All I can comment on Supreme is what I understand is they are doing compounding of ABS, which is different than producing ABS, this is compounding, you set up 10000 tons, 20000 toes extruded line and you buy the raw materials from other parties and make the final goods. I am not aware of any announcement 120 or 200 KT from Supreme. So I cannot comment on it. Having said that leaving aside us and our other competitor that we have in India, they are still also imports of ABS with a tune of 80 to 100 KT so there is room for India and local players to grow.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Abhijaat Sinha for closing comments.
- Abhijaat Sinha:** Good evening everybody. Thanks to all of you for joining this call and showing interest in the company, we value of participation and will be happy to hear you next time at our next earnings call. Thank you and have a nice day.
- Moderator:** Thank you. On behalf of INEOS Styrolution India Limited that conclude the conference. Thank you all for joining. You may disconnect your lines now.