

May 31, 2022

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: **INEOSSTYRO**

Subject: Transcript of Earnings Call with Investor / Analyst held on May 27, 2022

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 May 24, 2022 informing about the earnings call organized by the Company on May 27, 2022, please find attached Investor Call Transcript for your record purposes.

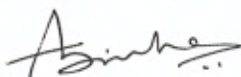
The transcript is also uploaded on website of the Company and the same can be downloaded from following path:

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

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

Thanking you.

Yours faithfully,
For **INEOS Styrolution India Limited**



Abhijaat Sinha
Head – Legal & Company Secretary





“INEOS Styrolution India Limited
Q4 FY2021-FY2022 Earnings Conference Call”

May 27, 2022



**MANAGEMENT: MR. SANJIV VASUDEVA - MANAGING DIRECTOR -
INEOS STYROLUTION INDIA LIMITED
MR. SANJEEV MADAN - DIRECTOR FINANCE - INEOS
STYROLUTION INDIA LIMITED
MS. AMITA MISTRY - LITIGATION AND SECRETARY
OFFICER - INEOS STYROLUTION INDIA LIMITED
MR. ABHIJAAT SINHA – COMPANY SECRETARY - HEAD
LEGAL INDIA - INEOS STYROLUTION INDIA LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Q4 FY2021-2022 earnings conference call of INEOS Styrolution India Limited. We have with us today from the management of INEOS Styrolution India Limited, Mr. Sanjiv Vasudeva - Managing Director; Mr. Sanjeev Madan - Director Finance, Ms. Amita Mistry - Litigation and Secretary Officer and Mr. Abhijaat Sinha – Company Secretary and Head Legal India. As a reminder all participant lines should 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. Thank you and over to you, Sir!

Sanjeev Madan: Dear Shareholders, investors & analysts fraternity, we welcome you to this earning call.

Your Company, INEOS Styrolution India Limited, has declared its results for the year ended March 31, 2022 on 26th May, 2022. We will brief you about the major highlights of the performance.

Regarding quarterly performance,

Revenue (net of GST) from operations in current quarter is INR 62,390 Lakhs as compared to INR 63,655 Lacs in Jan-Mar21. And INR 51,191 Lacs as in previous quarter.

Profit before tax in current quarter stands at INR 13,010 Lakhs as compared to INR 21,645 Lakhs in Jan-Mar 2021. And INR 7,343 Lacs as in previous quarter.

Regarding year-to-date performance,

Revenue (net of GST) from operations stands at INR 217,902 Lakhs in FY 2021-22 as compared to INR 163,148 Lacs in previous year.

Profit before tax in FY 2021-22 stands at INR 44,258 Lakhs as compared to INR 37,607 Lakhs in previous year.

Regarding quarterly Segment performance:

Specialties:

Profit before Interest, tax and other unallocable expenditure stands at INR 9,195 Lacs in current quarter as compared to INR 5,645 Lacs in previous quarter. And Profit in FY 2021-22 stands at INR 32,440 Lacs as compared to INR 29,153 Lacs in previous year.

PS:

Profit before Interest, tax and other unallocable expenditure is INR 4,040 Lacs in current quarter as compared to INR 1,843 Lacs in previous quarter. And Profit in FY 2021-22 stands at INR 12,197 Lacs compared to INR 9,414 Lacs in previous year.

On March 25, 2022, there was a fire in a section of the Company's plant located at Nandesari. The fire was extinguished internally and the plant was brought to safe mode. All operations were discontinued at the Nandesari plant for carrying out necessary repairs. The plant has resumed operations from May 12, 2022 after completion of repairs and receipts of all statutory and regulatory clearances.

On April 18, 2022, INEOS Styrolution APAC Pte Limited (Promoter) proposed, through an Offer for Sale ("OFS") to dispose of up to 25,32,330 Equity Shares of the Company, of face value of Rs.10 each, representing 14.40% of the total paid up equity share capital of the Company, with an option to additionally sell 16,88,220 Equity Shares representing 9.60% of the total paid up equity share capital of the Company. Pursuant to the said OFS, Promoter on April 19, 2022 and sold in aggregate, 24,28,040 Equity Shares representing 13.81% of the total paid up equity share capital of the Company.

The Board of Directors had declared 2nd interim dividend of INR 105 [@ 1050 %] per equity share of INR 20 each at its meeting held on May 26, 2022.

Thank you. Now we can go for the clarifications or the questions whatever we have. Please go ahead for any questions if anybody has.

Moderator:

Thank you. We will now begin the question and answer session. We have the first question from the line of Sohini Chag who is an individual investor. Please go ahead.

Sohini Chag:

I am Sohini Chag speaking from Marwadi Shares & Finance and I am also an individual and a family investor. My question was primarily regarding the OFS. So, the company and the promoters were thinking of giving of 25% stake, they could only give of 14% profit, and the green shoe option was not exercised. My question is because they have plans to further come up with an OFS and they have a certain target to dispose of certain amount of stake? Thank you.

Sanjiv Vasudeva:

This is Sanjiv Vasudeva. This is a question for the promoters. So, we are not in a position to speak on behalf of the promoter. Thank you.

Sohini Chag:

Yes, with this kind of a response that should be all because usually there might be some guidance something regarding that because Mr. Vasudeva would be aware that in spite of

good results and great performance both has happened with their share price as an investor, we kind of look forward to make some sense out of it.

Moderator: Thank you. We have the next question from the line of SA Narayanan from Capricorn Research. Please go ahead.

SA Narayanan: Mr. Vasudeva thanks for good results. Need to know I notice you have written-off 28 Crores. Wonder why you are not going ahead with your expansion plans?

Sanjiv Vasudeva: We took that hit, I think last quarter, yes, that is because as per the financial practices, we need to take this financial hit as there are no short-term plans to make the investment in India.

SA Narayanan: You mean the capacity in the country between you and your competitors is adequate to cater to your customer needs for the next 24 odd months because when you proposed this expansion you had mentioned that it would take approximately 18 to 24 months to go live. Now which means that if you are not going live with the expansion, the capacity is adequate for the next 24 months would I be right?

Sanjiv Vasudeva: No. India is short of capacity, and we do know that competition is also adding capacity. INEOS is a global company, and as a business they prioritize where to make the investments first, and as of now the priority is not to invest in India that does not mean that at an appropriate time, INEOS may decide to make that investment, but in the short-term INEOS had made a decision not to go ahead with that capacity expansion.

SA Narayanan: All right, I will leave it to you. Thanks.

Sanjeev Madan: I also would like to comment upon we already have the sufficient existing capacity and if you recall we had invested into the Moxi plant in earlier years (just a two years back) and additionally added the 35KT capacity and due to COVID you all know that demand was pretty much lower and we still have enough capacity for which we can run, just an additional comment.

SA Narayanan: Thanks, nice of you. But currently what is the level of capacity utilization that you have?

Sanjiv Vasudeva: Moxi plant is about 100KT and we do not disclose generally the full utilization numbers, but we still have sufficient capacity in the Moxi plant compounding for the next couple of years.

SA Narayanan: Fair enough, if you are covered for two years, I am okay. Thanks.

- Moderator:** Thank you. We have the next question from the line of Brajesh C from NSTW Consulting. Please go ahead.
- Brajesh C:** Thank you. My question to the management was can the management guide us as to what is its dividend policy approach because earlier in October it pays out a large dividend and again it is paying out a very large dividend. So what really is the payout approach that the company is adopting here?
- Sanjiv Vasudeva:** On the dividend, it is a decision which has been taken considering the profitability of the company, and a very strong cash position. We had very strong cash position last year and we are at similar position this year. I think I answered one of the gentlemen earlier INEOS is a global company with multiple investments and projects. The company decides based on what makes sense, not just for India, but on a global basis. So that is one of the driving factors for this decision along with a very strong cash position and the good part is we still have sufficient cash going forward and outlook is positive. So those were the driving factor for the company to make this decision.
- Brajesh C:** Of course the company can decide but there are also minority shareholders in the company and they also need to know exactly what the policy of the approach here is. There cannot be a single majority shareholder they have to guide to certain policy or approach in terms of payout.
- Abhijaat Sinha:** Just to add to what Sanjiv said, we do have a specific policy and it is based on the profitability and the cash that we are generating in the business right now.
- Brajesh C:** Exactly my point that there has to be some policy, some approach, it cannot be decided like whenever you payout certain a very lump sums and then you do not pay out some amounts at all so there has to be something.
- Abhijaat Sinha:** The company has been paying regular dividends over the years. I do not think the company did not pay only once.
- Brajesh C:** Not this level, not this amount. So there has to be some approach how does a shareholder predict in terms of payouts, payouts cannot be such lumpy in nature.
- Abhijaat Sinha:** But this is what board has decided based on the results of the company.
- Brajesh C:** That is my point. The board then has to communicate certain policy or approach to certain things, board decided when board decides something, the board has to communicate a certain policy or approach to doing something.

- Abhijaat Sinha:** I do not think so that is not something. It is the decision of the board depending on the results.
- Brajesh C:** Every board takes decisions, but they also communicate certain policy approach, you cannot just take a decision and not communicate any policy approach to that.
- Abhijaat Sinha:** What is the policy approach you are looking for here... like I do not get it clear?
- Brajesh C:** Certain payout ratio, certain 20%, 25%, 30% certain every company has predictable dividend payout ratios?
- Abhijaat Sinha:** It is not required ... like it is company's discretion whether (to pay dividend or not)... there does not need to be a payout ratio to be communicated at all. It depends on the cash availability. We have a policy already in place which says that the board has the right to decide the dividends at appropriate time. The policy clearly mentions that it and is available on the website if you want to check.
- Brajesh C:** It is okay I would not debate that further. Thank you.
- Moderator:** Thank you. We have the next question from the line of Subhankar Ojha from SKS Capital. Please go ahead.
- Subhankar Ojha:** Thanks for the opportunity. So that was actually on the dividend policy, I do not want to talk further on it in terms of I had a question exactly on the same. Secondly can you give a bit of an outlook on the current pricing of ABS and polystyrene. I mean, how the pricing has been pushed the closure of March quarter?
- Sanjiv Vasudeva:** Overall the prices of ABS and polystyrene are linked to the prices of styrene because that is the key raw material. In the last quarter the prices of styrene has increased by about \$400. Now we have also seen an increase in the last three, four months the prices of both ABS and polystyrene may not be to the same extent, but overall the pricing is I would say predominantly dependent on the raw material prices. I think the more important question is what is happening with the margin right. So overall we still see decent margins may not be as healthy as what it were about a year back, but we still see decent margins for both ABS and polystyrene.
- Subhankar Ojha:** Is it as good as, I mean, obviously we are behind the peak margin. So are we kind of similar to quarter three levels or quarter four level?

- Sanjiv Vasudeva:** We have good margins, let me put this way, I cannot give any number and make comparisons, but as you rightly guessed it is not the peak margin, but still very healthy margin here.
- Subhankar Ojha:** All right, thank you so much.
- Moderator:** Thank you. We have the next question from the line of Urvija Shah from Isha Securities. Please go ahead.
- Urvija Shah:** Good morning Sir. I think it is a follow-up on a few certain previous questions. You said that we are continuing to make decent margins. So, one, what would be the sustainable margins that given that you are close to the market that you can guide us we can make for FY2023, we are targeting for FY2023?
- Sanjiv Vasudeva:** We cannot give a full guidance on the margins, but like I explained earlier the margins are healthy and we predict healthy margins going forward.
- Urvija Shah:** So that means that we would be continuing to generate a decent amount of cash flow. So as a management and then professional is on board what is your vision for this cash flow?
- Sanjiv Vasudeva:** We will see as and when we generate the cash what we want to do as a company, INEOS is a global company obviously we would like to utilize the cash for investments in India at an appropriate time the right decision will be made. Thank you.
- Urvija Shah:** If we are not continuing with the current capex then in what areas are we evaluating because I believe even in this year we would continue to make a decent amount of cash flow. So at what areas would you see the MNCs trying to evaluating for capex?
- Sanjiv Vasudeva:** We use our capex for the regular maintenance activities. Any kind of plans around utilizing the capex to add new capacity will be announced at an appropriate time.
- Urvija Shah:** What is the vision overall for the MNC parent at the cost of reiteration. So for the India business I think we have been expanding a lot in Chinese capacities and I think our Indian plants also need some bit of upgradation and some bit of maintenance to get them upgraded. So what kind of vision overall as a parent because we do not have any concrete plans for India as of now. So can you please throw some light?
- Sanjiv Vasudeva:** I think this is a question for the parent, but my understanding from the parent is that they also view India as a very key market and the company decision has to be made around prioritization and China is a priority as of now. So at an appropriate time I believe the parent will make a decision on India.

- Urvija Shah:** I think our clients also need certain upgradation and all. So how are we evaluating that?
- Sanjiv Vasudeva:** So, when we run the business we have capex plans for regular maintenance and upgradation in terms of safety, in terms of regular new technologies so those investments are already planned in our operating plan for this year and next year. So that is not an issue. I think so from that perspective we are well covered. The question is I think which a few other gentlemen have also asked more around the bigger capex investment, which is the decision that we have made.
- Urvija Shah:** O&M capex would be is how much because I think we are almost net debt, O&M operation and maintenance capex is how much in a year because we are almost net debt free so say if we have generate another a year of good cash flow and we have not paid any final dividend so as we expecting an interim dividend?
- Sanjiv Vasudeva:** We just announced an interim dividend, yesterday. So I am not sure that is the question.
- Urvija Shah:** So what is the quantum of O&M capex, annual capex?
- Sanjiv Vasudeva:** Annual capex ranges depending on the year to different numbers. It can range right from something like 20 Crores to maybe 70 Crores-80 Crores depending on which specific plant needs what kind of upgrades also we have enough cash to run our business in a healthy way without compromising on safety, the quality of our plants, the products that we make and without taking major loans. So we are in a good position, you can be assured there.
- Urvija Shah:** Yes, but I think it all depends on the growth, we are running healthily but since the market is in an upbeat only if we capitalize on these prices that is when the company and the shareholders have the benefit. So we just wanted to understand the growth perspective. Another thing is can you throw some light on since still these out so the demand dynamics in the Indian market if you could throw some light there?
- Sanjiv Vasudeva:** Sure our demand is strongly linked to key markets like automotive, household goods, electronics and general consumer products. I think last two years the demand were a bit on the lower side. So we have seen a demand decline. Of course post COVID you have this certain surge of demand which is kind of also kind of been a bit flat. We see a good demand for household electronics a much higher demand more sustainable year-on-year, automotive two-wheelers in particular continue to be lagging. So if I compare with 2018 or 2019 the pre-COVID level I do not think automotive has reached that level. So we are about 10%-15% below that. Car demand is good, but unfortunately we have the semiconductor issues and supply chain issues. So they have been also trying to eat up the higher cost of commodity prices like steel and other raw materials that they use. So cars are still growing at more or less 2% to 3%. Having said all this may has been a good month April, May. So

January to March for automotive was a bit on the lower side, but I think post COVID with things stabilizing, we expect the economy to come back to for 6%, 7% growth level and typically plastics and ABS grows at 1.5x the GDP or so. So we are looking at a 10% kind of a growth number here going forward.

Urvija Shah: Thank you Sir. I think I will get back if I have any further questions.

Moderator: Thank you. We have the next question from the line of Sohjin Chag an individual investor. Please go ahead.

Sohjin Chag: I have a follow-up question. Since we are more talking about the Indian operations and we do not have much talk about what the parent recently, I would like to be more since provisions has passed, almost and what is the final plan and what do you think of INEOS Styrolution tagged in your vision from here?

Sanjiv Vasudeva: Let me, because your voice was not very clear so your question is what is our vision for the next five years or so five to ten years is that your question?

Sohjin Chag: My query was that since the management is pretty clear that right now short-term priority is China...

Moderator: Mr. Chag has dropped from the call. We take the next question from the line of Manav Kapasi an individual investor. Please go ahead.

Manav Kapasi: First of all thank you for the opportunity. I had a question on the ABS segment that with one of our competitors expanding your capacity and another one through Greenfield capex are we in a stage to lose market share there and what are we doing there to protect our ABS competitive edge?

Sanjiv Vasudeva: We are aware of the competitor's activity to increase their capacity. We have global plan as well so in terms of actions we have global plants from which we can do some sourcing number one. Number two I think we answered earlier our utilization is not fully utilized so we do have some capacity for the short medium-term. Thirdly we continue to focus on margin because at the end of the day it is all about profitability so we continue to focus on margins to optimize our business through working on new products, working with the right set of customers, with the right customer and product mix. With those actions we believe we should be able to sustain our profitability at fair numbers they probably not at the peak numbers which you saw about a year back but have kind of a fair numbers for the coming years.

- Manav Kapasi:** Just a follow up on that what is the overall industry landscape when it comes to ABS? What sort of view do we have for the next two to three years? What sort of demand will the Indian economy have for ABS with the auto industry having current state and then once that normalizes what sort of demand can the Indian economy gather?
- Sanjiv Vasudeva:** I think I did answer that question. I think we are looking at a 10% kind of growth for ABS for sure and this is with the auto not fully recovering if you look at the numbers auto still not fully recovered still we are looking at a 10% kind of a growth number strongly driven by household, electronics multiple other segments. ABS goes in multiple segments not just household electronics. Overall we are looking at a healthy 10% plus kind of a demand for the foreseeable and not just for ABS, plastics in general if you look at the statistics over the last four decades has been growing at around 10% kind of numbers. So I do not think demand would be an issue going forward here.
- Manav Kapasi:** Do we have some numbers to quantify on what sort of demand do we have or that would not be possible?
- Sanjiv Vasudeva:** Well India uses about 250000 ton of ABS and if you can do a 10% we are talking of 25000 tons extra demand every year.
- Manav Kapasi:** Okay Sir, thank you that is all the best for the future. Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Urvija Shah from Isha Securities. Please go ahead.
- Urvija Shah:** Sir you threw some light on demand in India thanks for that can you explain the global supply situation because I think pricing would largely be determined by that?
- Sanjiv Vasudeva:** See the global demand is also...
- Urvija Shah:** No supply also if like since a lot of expansions are going on so by when that should be on stream and by when the pricing should normalize I mean since just can you give an idea on when these capacities are coming on stream?
- Sanjiv Vasudeva:** Well, we do understand that China is adding quite some capacities, a couple of million tons, but we also what you need to realize is announcements turning into reality, because it is something which has to be clearly thought through because not all announcements turn into actual capacity addition. So we do know that in the next five to ten years we have a few million tons of capacity additions in China coming. On the demand side short-term of course, the demand is a bit low because of COVID in China so they are suffering and I do not know for how long but we expect the demand to rebound if anyone gets like maybe six

months down the road, three months down the road and demand supply always balances itself out over a span of three to four years. I think broadly speaking ABS in general is a product that is growing, not just in India, across APAC and across globally and the supply demand kind of balances out, will balance it out over the next few years.

Urvija Shah: Thank you.

Moderator: Thank you. We have the next question from the line of Sohini Chag who is an individual investor. Please go ahead.

Sohini Chag: Can you hear me now? Sorry I got disconnected. Should I repeat my question it was regarding what would be your five year vision for INEOS Styrolution India?

Sanjiv Vasudeva: The five-year vision would be a company which has sustained profitability number one, and number two a company which has differentiated products more specialized products, number three a company which is most importantly safe well-run and a great company for employees to work. So those would be the kind of three major areas of focus for us.

Sohini Chag: That is great to hear and any R&D or new product categories or new products in pipeline if we can throw some like there?

Sanjiv Vasudeva: Yes, we are working on with several OEMs on, I cannot disclose specific products, but we do have products of light weighting, how do we make lightweight products, scratch resistance products.

Sohini Chag: The reason specifically for that question was because automobile industry which is a key market for you which is going through a huge transition as we all know, I was wondering if INEOS is going to play a part in it?

Sanjiv Vasudeva: We work with all the major OEMs of automotive and each of them, have their different needs. So they have needs around light weighting, they needs around scratch resistance and they needs around specific colors, black color, they have needs around lower odor so those are the kind of macro trends and the common needs of the OEMs. So we are working closely with all of them on these products for the future.

Sohini Chag: Thank you Sir. I am a big fan of being in your return on the Mercedes Formula One Car. Thank you.

Moderator: Thank you. We have no further questions Sir. I would now like to hand the conference over to Mr. Abhijaat Sinha for closing comments.

Abhijaat Sinha: We would like to thank everybody for joining the call and taking interest in the company and we look forward to seeing you at our next investor call which is likely to happen somewhere in August. Thank you and have a nice day.

Moderator: Thank you. Ladies and gentlemen that concludes this conference. Thank you for joining us. You may now disconnect your lines.