



“INEOS Styrolution India Limited  
2<sup>nd</sup> Quarter FY-18 Results Conference Call”

**October 31, 2017**



**MANAGEMENT: MR. SANJIV VASUDEVA – MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER,  
INEOS STYROLUTION INDIA  
LIMITED**

**MR. MUNJAL PAREKH – HEAD-CONTROLLING,  
INEOS STYROLUTION INDIA  
LIMITED**

**MR. HARESH KHILNANI – COMPANY SECRETARY &  
HEAD-LEGAL, INEOS  
STYROLUTION INDIA  
LIMITED**

**Moderator:** Ladies and gentlemen, good day and a very warm welcome to INEOS Styrolution India Limited's second quarter ended 30 September 2017 Results Conference Call. We have with us today Mr. Sanjiv Vasudeva – Managing Director & CEO; Mr. Munjal Parekh – Head - Controlling; Mr. Haresh Khilnani – Company Secretary, Head – Legal & Compliance from the management side of INEOS Styrolution.

As a reminder, all participants' lines will be in the listen-only mode. 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 Mr. Munjal Parekh – Head - Controlling. Thank you and over to you.

**Mr. Munjal Parekh:** Good afternoon, dear shareholders, investors and analyst fraternity. We welcome you to this earnings call. Your Company INEOS Styrolution India Limited had declared results for second quarter and half year ended 30 September 2017 on 27 October 2017. I will brief you about the major highlights of the performance. Kindly note that the revenue from operations for period up to 30 June, 2017 includes excise duty which is discontinued with effect from 1 July 2017 upon implementation of Goods and Service Tax in India.

In accordance with Ind-AS 18, revenue GST is not included in revenue from operations. In view of the aforesaid restructuring of indirect taxes revenue from operations for the quarter and half year ended 30 September 2017 are not comparable with the previous periods. Regarding quarterly performance profit before tax increased from INR 434 lakhs in previous quarter to INR 2,556 lakhs in current quarter that is 489% increase in profit before tax as compared to previous quarter.

Profit before tax has increased mainly due to increase in the sales volume by 3.6 KT competitive pricing inventory gain. The revenue net of excise and GST increased by 7% as compared to previous quarter mainly due to increase in sales volume by 3.6 KT. Profit before tax in the current quarter is INR 2,556 lakhs as compared to INR 2,952 lakhs in corresponding previous year's quarter.

Revenue net of excise and GST increased by 23% as compared to corresponding quarter of previous year mainly due to increase in sales volume by 5.9 KT. Regarding year-to-date performance profits before tax in current year YTD 2017 September is INR 2,990 lakhs as against INR 5,225 lakhs in previous periods YTD September 2016. It is mainly due to sharp fall in raw materials and finished goods prices post inventory loss during first quarter April to June 2017.

Sales volume increased by approximately 9 KT from 69 KT in previous half year to 78 KT in current half year. That is mainly due to increase in market demand, driven by automotive and household. Revenue net of excise and GST increased by 20% as compared to previous period YTD September 2016 mainly due to increase in the sales volume by 9KT and increase in international price of raw material and finished goods.

Now talking about segment results. In specialty business, the profit before tax interest and other unallocable expenditure increased from INR 1,434 lakhs in the previous quarter to INR 2,690 lakhs in current quarter that is an increase by 88%. For PS business the profit before interest, tax and other unallocable expenditure increased for a loss of INR 696 lakhs in previous quarter to the profit of INR 409 lakhs in current quarter, increased by 159%.

So this is all about clarification and details about our financials. We can go forward for the queries or any clarifications which are needed. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session.

Anyone who wishes to ask questions may press '\*' then '1' on your touchtone phone. If you wish to remove yourself from the question que, you may press '\*' then '2'. Participants are requested to use handsets while asking the questions

We will take the first question from the line of Dimple Kotak from SKS Capital & Research. Please go ahead.

**Dimple Kotak:** Sir, Thanks for taking the question. Firstly I would ask what is the inventory loss which we had to take in this quarter due to which our numbers were subdued?

**Sanjiv Vasudeva:** The major inventory loss we had to take was in the previous quarter, not so much in the last quarter. So probably you may be referring based on the half yearly results which are skewed predominantly because of the Q1 where we had a very huge inventory loss.

**Dimple Kotak:** Okay. So sir what was the quantum? What was the amount of inventory loss?

**Sanjiv Vasudeva:** It was close to about INR 20 crores.

**Dimple Kotak:** Okay and how has the Styrene Monomer prices moved in the last six months in the first half and what is the outlook for the rest of the year?

**Sanjiv Vasudeva:** Well, Styrene Monomer prices have ranged from \$1,600 to \$900 and for me to speculate on how it is going to be going forward is very difficult. As of today, it is around \$1,200.

**Dimple Kotak:** So \$1,600 was in the beginning of the year you mean?

- Sanjiv Vasudeva:** Yes.
- Dimple Kotak:** Okay so from there it has come down to \$1,200, okay. Sir, how is the demand panning out for ABS and how are we placed in terms of market share?
- Sanjiv Vasudeva:** The demand like we have said earlier, the demand we still believe is a double-digit demand. ABS market is growing at about 10% plus and we are having a share of 30% to 35% of the market.
- Dimple Kotak:** Sir, do you have any unlisted entities as in unorganized market as a competitor?
- Sanjiv Vasudeva:** We have a local competition with Bhansali and we do have imports coming from LG and some other smaller amounts from some other regions. But any unlisted Company, sorry I did not catch that?
- Dimple Kotak:** I mean any unorganized sector or any unorganized player, domestic player.
- Sanjiv Vasudeva:** There may be some local compounders buying rubber and doing some compounding but not to the scale where LG or Bhansali or INEOS Styrolution would be operating at.
- Dimple Kotak:** Okay. Sir if you could you help me with the guidance like for FY18 what is the kind of growth and margins you expect to see or close the year with?
- Sanjiv Vasudeva:** Well, I can talk about the volumes for sure like I said we are looking at a double-digit growth in terms of volume for the remainder of the year. We did not really see a big impact of the GST which we were concerned about in the months of July and August, so that has been positive. And for the margins I hope we do not get into a situation like it happened to us in the Q1 where we had a very, very big inventory hit, right. If we are not in that kind of situation we would expect similar kind of profitability as this quarter going forward.
- Dimple Kotak:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Mitul Mehta from Lucky Investment Managers. Please go ahead.
- Mitul Mehta:** Good evening sir, just to get some understanding on the overall ABS demand in India you said that India at this juncture, would be net importers. So how much tons of ABS is imported every year in India?
- Sanjiv Vasudeva:** Well, the imports are in the range of over 75,000 tons 100,000 tons.
- Mitul Mehta:** And similarly can you also help us to understand the China market in terms of the demand of ABS?

- Sanjiv Vasudeva:** China market, I have not looked at the numbers lately but would be at least five times the size of India market.
- Mitul Mehta:** Between us and Bhansali we are roughly at about 160 and 70 is input, so about 220, 230 so China would be about at least a million ton?
- Sanjiv Vasudeva:** For sure.
- Mitul Mehta:** And are they importing or there are enough manufacturers locally in China?
- Sanjiv Vasudeva:** China has a lot of ABS productions and they do import some from Korea, but it is predominantly served by local market and local producers.
- Mitul Mehta:** How are the spreads currently between the raw material and the finished product?
- Sanjiv Vasudeva:** Well, the spreads keep changing based on each month, each week but typically, you would have a spread of about \$400.
- Mitul Mehta:** And in terms of our capacity, are we also expanding our capacity?
- Sanjiv Vasudeva:** In August in the AGM we announced 50% increase in our compounding capacity taking our compounded capacity at Moxi to 100,000 tons. We made that announcement just two months back and we also mentioned that we are looking at doubling our overall ABS capacity and we have allocated money on doing initial work on that project.
- Mitul Mehta:** My last question if you allow me, do you see any major player entering this market in India, I mean how difficult would it be for any other manufacturer to put their plant in India? And also in terms of selling the product to the customer so you know we have enjoyed relationships for many, many years so how difficult I mean just wanted to get some sense on this?
- Sanjiv Vasudeva:** Well, to be honest with you as of now we have two local competitors right, Bhansali and INEOS Styrolution and we have the rest of the demand being filled by imports. Hence you make your 230,000 to 250,000 tons that you talked about earlier. Directionally I would see with the announcements that we are making and Bhansali has been making like a situation where the local players would be having a majority share and so from that perspective I do not expect major announcement from any of the big players to invest in India.
- Mitul Mehta:** Okay and it makes complete sense to put up a port based facility?
- Sanjiv Vasudeva:** Well, whether you are right at the port or 50 - 100 kilometers inside does not make a big difference but being close to the port always helps, hence places like Gujarat is well suited and closer to the port is always good for whoever wants to invest. But, that is not the most biggest driving factor, it does help but is not a must.

**Moderator:** Thank you. We will take the next question from the line of Sanjay Shah from KSA Securities. Please go ahead.

**Sanjay Shah:** Sir, I appreciate this quarter's performance but can you run us through how do you see the future because what we see is the quarter-on-quarter we have done well, but we see year-on-year still we are struggling to achieve a good benchmark margin. So what will be your thinking about the margins side? Having understood the raw material volatility but that is always the case in our business and we being a predominant player in the specialty customized ABS, can'th we enjoy a better margin than what we are having today, sir?

**Sanjiv Vasudeva:** Well, I think because the raw material fluctuation causes the biggest hit and probably that is what we all have felt in Q1 and I think that is kind of a tilts the number in a different way and the perception of the numbers. The margins are not that bad overall. As we are short of capacity we do spend some extra dollars/rupees for tolling but we are also adding capacity so as and when the capacity comes in, our profitability would also get better because of lower extra expenses.

The raw material gain will always be there and sometimes it can be a less hit, sometimes it can be a very severe hit like what happened to us in the Q1. A lot of us forget but we also had a big inventory gain in the Jan to March time frame. When there is a gain no one talks about it, when there is a big hit actually everyone feels it. So we have to look at it in totality and the business over a longer period of year. So from that structurally if you are keeping your share position or trying to increase your share position, trying to make investments going forward, whether it is in compounding or in doubling the capacity via the other assets I think that is the right thing to do.

So but those things take some time and we need to have patience for those results to come in and till then, we need to manage in a very careful way the price volume trade off and keep a close control on the inventory so that if there are big fluctuations you are not caught in a negative way.

**Sanjay Shah:** Sir, I understood well but we keep all the cost and inventory, loss and gain aside and we really appreciate when you make profit we appreciate but RMC to sales what I observed that in this quarter also it is 78%. Usually we do it around 73%, 75% sometimes 78% in exceptional years we do better. So we being a dominant player, a customized material where we enjoy a large market share and having good relationship with customers so in future, can you guide us, can we enjoy something better than what we are right now doing or we are contented with this margin?

**Sanjiv Vasudeva:** No, we are not contented with this margin, we continue to do our product mix up to improve our margins. We are constrained like I said on some of our capacity so that has kind of held us back but continuous mix up and investing in our technology, R&D in the right segment is something which is very much part of our strategy and we continue to do that.

- Sanjay Shah:** Right sir. Thanks for making me understand and sir one more question regarding inventory is, is it reduced to Rs. 236 crores from Rs. 320 crores. Can you highlight on that?
- Management:** So basically the inventory which was piled up and that we have liquidated by incremental sales volume and controlling the procurement and the purchases. So that has helped us in improving the inventory terms and the working capital also.
- Moderator:** Thank you. We will take the next question from the line of Harshwardhan K. from NMV Securities. Please go ahead.
- Harshwardhan K:** I have few queries on raw material. Butadiene is our raw material, right?
- Management:** Yes.
- Harshwardhan K:** So is there no way to source that from domestic sector because we are importing it, right?
- Sanjiv Vasudeva:** So your question is that Butadiene are we sourcing locally or are we sourcing from outside right, well we do have local suppliers like Indian Oil Corporation and Opal has also started. So leaving aside those two we do not have any other big Butadiene producer as such, Haldia Petrochemicals makes, IOCL so it is the same thing so hardly a couple of guys locally. So predominantly, everyone has to source it from outside.
- Harshwardhan K:** Okay, because when I was checking on the competitors because they do not have any imports so like I was just concerned as in why do we have to import in that case?
- Sanjiv Vasudeva:** Well, I have not looked at it. we are not aware of what competition does in terms of their sourcing but like I said there are only a couple of suppliers in India. Not sure if they can cater to the 100% demand of anyone in India.
- Harshwardhan K:** And regarding the tolling business so that enjoys the same margin as our usual manufacturer?
- Sanjiv Vasudeva:** No, when you do external outside tolling your margins does reduce.
- Harshwardhan K:** Okay, to what extent?
- Sanjiv Vasudeva:** Well, there is a couple of percentage impact on your margin.
- Moderator:** Thank you. We will take the next question from the line of Anubhav Sahu from MC Research. Please go ahead.
- Anubhav Sahu:** Given the kind of performance we had in the first quarter and therein you mentioned that your raw material sourcing strategy is something like we saw this for six months kind of requirement.

So given the kind of fluctuation we have seen in the raw material is there any change in that side?

**Sanjiv Vasudeva:** Look I think we all need to remember what happened right January to March where the impact was felt in April to June. January to March unfortunately we had an extended shutdown of our polystyrene plants. So if you look at our volumes, the volumes were half of what we normally sell and at that time, the raw material prices were very high and when you do planning based on 45 days you have to import the material beforehand, right. The high priced material was already in the ship and when it landed it was end of March and then the prices declined in the 1<sup>st</sup> quarter of this year and hence we saw this big loss on inventory.

Now just because of this, would we change our strategy, no. The contract still remains the same because we need to secure the contracts with the big suppliers for the whole year because it is not a onetime deal. We are not spot buyers. We have our commitment to our customers and similarly we have commitment to our suppliers. So we go with that, it is unfortunate that you have quarters where something like this happens and you are totally out of control followed by a big fluctuation in the raw material prices.

So one is the impact of the volume because we are not able to sell that and second is the impact of the big fluctuation like I told one of the ladies in the beginning right from \$1,500 to \$900 kind of an impact. And which is very difficult for the business to absorb \$700 delta margin while the typical margin is in the range of \$400 like I mentioned.

**Anubhav Sahu:** Right, in that context just wanted to understand more on the strategies. Events like Hurricane Harvey kind of disruption happens in the whole supply chain of the petrochemicals. So are we impacted if we have already done a contract say for six months and how do the pricing for such kind of contracts change?

**Sanjiv Vasudeva:** Well, we typically have a formula based pricing based on if you are buying styrene you will have something like a Benzene which is a raw material for styrene so the price is tied to that. And I think the good part about long term relationships and long term contract is in situations like this, you will always get an allocation. So that is the first and most important getting the allocation when there is something like Harvey happens. Well Harvey did not have an impact for us in India or to say even in Asia to that extent to be honest with you but longer term contracts helps in that and typically like I said they are tied to contracts are tied to Benzene or some other free stock.

**Moderator:** Thank you. We will take the next question from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

**Rajesh Kothari:** Sir, can you give us some more color on contract which you are entering both raw material as well as for our finished goods with your suppliers as well as your customers do you enter into a 3, 6 months contract how the pricing of the contract changes?



- Sanjiv Vasudeva:** Well, typically with our key OEMs and all, we have quarterly contracts based on a formula pricing and that is for at least 50% for business or more. On the raw material side it is very similar. You know we have annual volume forecast so typically beginning of the year when you make a plan, you will give a full year forecast and you are allowed 5% kind of a deviation, or so and then you tie it to a specific raw material formula and both parties or both the supplier and us as a customer stick to that in principle. So that is how it works.
- Rajesh Kothari:** So then every quarter basically you work on the pricing formula or how does it work?
- Sanjiv Vasudeva:** The pricing formula typically would work on a yearly basis but the formula does not change, right.
- Rajesh Kothari:** No, what I mean is that if the raw material prices goes up?
- Sanjiv Vasudeva:** Because any raw material will be tied to a contract. So like the contract is for a contracted volume not for a contracted price. You do not contract it for a specific dollar amount or for a certain price. You contract for a volume which is tied with a raw material pricing.
- Rajesh Kothari:** So that is what I am saying. So therefore pricing is changing every week basis as and you're your order & shipment pricing keeps changing or how it works?
- Sanjiv Vasudeva:** It is more on a monthly basis, it is not on a weekly basis it is more on a monthly basis and monthly prices are derived based on the weekly daily average rate.
- Rajesh Kothari:** Okay so basically in that case therefore pricing basically averages out, am I right? If there is any volatility on either side?
- Sanjiv Vasudeva:** In the long run, yes, but in the short run you will have months were you will have such severe hit which gives that impact.
- Moderator:** Thank you. We will take the next question from the line of Saurabh Malhotra, individual investor. Please go ahead.
- Saurabh Malhotra:** Could you just throw some light on what are the import duties if you import the raw material only and what is the import duty if you import the finished product? I know you do not import the finished product but could you just give us the differentials?
- Sanjiv Vasudeva:** So our finished good is about 7.5% to 8% and on the raw material it ranges from typically 2%, 2.5% and it depends on the product, right for Styrene I am talking about which is the majority it is 2% to 2.5%, Isonitryle Acrylonitrile is 7% - 7.5%, BD is about 7.5%.
- Moderator:** Thank you. We will take the next question from the line of Jignesh Kamani from GMO. Please go ahead.

- Jignesh Kamani:** You mentioned that Rs. 20 crores inventory loss in the first quarter. So what is the total inventory loss in the first half?
- Sanjiv Vasudeva:** About Rs. 16 crores or so.
- Jignesh Kamani:** So there is an inventory gain in the second quarter?
- Sanjiv Vasudeva:** In second quarter and very little, couple of crores.
- Jignesh Kamani:** Okay. And as you mentioned that under March we were having high inventory because our plant got shutdown in Jan to March and which lead to inventory pile up, so generally what kind of normal inventory we run on?
- Sanjiv Vasudeva:** So based on the volume you can make some estimate, typically we have inventory to the tune of Rs. 200 crores or so.
- Jignesh Kamani:** On the first half FY18 if I remove the inventory gain loss compared to last first half FY17 how is the margin performance?
- Munjal Parekh:** So if you just adjust yourself for the inventory gain loss then the margin performance would be almost in line with the same period last year and definitely you can see a bit of volume gains of the current period as compared to the last period.
- Jignesh Kamani:** Despite being that we are increasing the share of tolling volume?
- Munjal Parekh:** Yes, so we try to optimize and by optimizing you can do away with marginal impacts like tolling etc.
- Jignesh Kamani:** Understood, and how is the break up between the color natural and the specialized ABS in our sales mix?
- Sanjiv Vasudeva:** We do not disclose individual product details, we give segment details based on ABS and polystyrene.
- Jignesh Kamani:** Okay but incrementally how the sale is moving it is more moving towards specialized or there is not much change?
- Sanjiv Vasudeva:** Directionally we would like to have more specialized products.
- Jignesh Kamani:** As you say right now around 75,000 to 100,000 is imported from China or South Korea mainly how is the pricing? We work on the landed pricing with South Korean player in India or we get a premium to that, how is the scenario currently?

- Sanjiv Vasudeva:** What is the context of the question, you are talking about for customers they look at the landed price right. They look at the price which is landed and after duty paid, delivers at their doorstep what we can offer locally, right.
- Jignesh Kamani:** So do we get any premium because we are a local player and for the customer we can deliver much more so that they can maintain lower inventory versus importing from China?
- Sanjiv Vasudeva:** I think the local domestic customers, they will always prefer domestic suppliers because number one leadtime. Number two, there is a risk of price fluctuations, effect fluctuations that are there. Number three, you can have more customized products locally so those would be some of the local benefits versus buying from outside leaving aside the duty benefits that you have.
- Moderator:** Thank you. We will take the next question from the line of Kush Gangar from Portfolio Management Services. Please go ahead.
- Kush Gangar:** Just got to know that you are planning to double the ABS capacity. So I wanted to know by when is our plant capacity and what would be the CAPEX for the same?
- Sanjiv Vasudeva:** We announced it in the AGM that we are investing in increasing our compounding capacity with the Moxi100 and we are spending money to do the initial analysis on what kind of timing and what kind of costs will be involved in doubling the capacity and as and when we have done that analysis at the appropriate moment we will share the information with all our shareholders.
- Kush Gangar:** Okay so it is generally how much time does it take for you to build the incremental capacity since the land and those kind of things would be already available so how much time would it take to increase the capacity if we decide that today we want to double the capacity and we have the plan, so what would be the timeframe?
- Sanjiv Vasudeva:** Well, typically a big process plant would take about three years.
- Kush Gangar:** And so as we said that we have plans to double our capacity, Bhansali is also increasing the capacity. So are we confident of gaining the market share from imports and what makes us confident that we would gain market share from imports? So is it like imports are mainly for basic product or so what are the factors which would help in us gaining the market share?
- Sanjiv Vasudeva:** Like I mentioned I think to the gentlemen with the previous question, there are always three or four factors which help with the domestic customer who would prefer a domestic supplier predominantly because of one the duty benefit, second because of customization, third because of the lead time, fourth because of currency fluctuation risk. So those are all benefits of having a local supplier whether it is us or one of our local competitors.
- Moderator:** Thank you. We will take the next question from the line of Akshay G from ICICI Direct. Please go ahead.

- Mayur:** Mayur here. Sir, I am looking at your raw material cost, we have not seen a significant increase in the raw material cost as well as the selling price in the current quarter. So is this because of the inventory which we have in our balance sheet or is it due to some other reason?
- Munjal Parekh:** So when you look at the selling price it is a function of raw material and when you compare yourself with the previous quarters, the percentage basis will almost be in line and for the comparable periods. And as you know that the basic raw materials keep on fluctuating depending upon the global market, so if the competitive customer pricing will also need to be adjusted for that.
- Mayur:** Right but sir in the current quarter we had seen styrene prices increasing quite substantially which is not reflected in our numbers. So in the coming quarter we will see an increase in the revenues as well as the cost on that front?
- Sanjiv Vasudeva:** Can you repeat your question for styrene.
- Mayur:** The prices of styrene has increased so we will see a substantial increase in the raw material cost as well in the coming quarter?
- Sanjiv Vasudeva:** Like I mentioned earlier I think it was the very first question. We have seen prices grow from 1,600 to 900 they were about 1,400 a few months back. They are now at around 1,200. It is very difficult to predict, I think very difficult for us to predict that.
- Mayur:** Okay and sir in the polystyrene business so any plans of further improvement in the performance and are we looking at any specialized product in the polystyrene side?
- Sanjiv Vasudeva:** On the polystyrene side, we continue to focus on managing our costs in a good way. Unfortunately the capacity utilization are not that high in polystyrene and over the last few years, or decade alternate materials have eaten into polystyrene like PVC and all. So the other materials have grown at a double-digit while polystyrene has not grown at that double digit. So we have three local players right we have us, Supreme and LG. and the utilization are very similar numbers maybe 5% plus, minus for one of the three.
- But directionally as the demand grows higher and your demand grows so you would see higher capacity utilization in the coming years. So that can help in improving the margins so but till then we continue to focus on costs we continue to kind of pick and choose our customers, try to maximize our margin between high impact polystyrene and polystyrene etc.
- Mayur:** Right, sir one of our customers have some value added products in this business so are we planning to introduce the same or existing products are value added as well?
- Sanjiv Vasudeva:** One of our customers as in for polystyrene?

- Mayur:** Yes one of your competitors have value added products so do we have such products?
- Sanjiv Vasudeva:** Products like expanded polystyrene or something?
- Mayur:** Right.
- Sanjiv Vasudeva:** As of now we do not have any plans to get into that, if there are any we will let you know.
- Mayur:** Okay and sir in our ABS business so how do we see the spreads going forward because in value added as the share of value added products increased in our portfolio our margins should be higher and before the merger of Styrolution India our gross margins on that business was close to Rs. 35 per kg. So is it at these levels right now or is it lower than that level?
- Sanjiv Vasudeva:** So what is the question our margin?
- Mayur:** Margins on ABS segment?
- Sanjiv Vasudeva:** Well, the margins on ABS are dependent also on international delta margins and there are years and quarters where ABS enjoys \$600 margin and there are times that they enjoy \$250 to \$300 margin. But typically you would have a \$400 kind of a margin spread and so to enhance that we can keep trying to add more value added products to our portfolio to take the \$400 number delta margin to a higher number, yes. So that is what typically we would do in the ABS. So there is some gain or loss you have based on the international prices but there is something which you can do yourself to control which is coming up with newer products within your portfolio.
- Moderator:** Thank you. We will take the next question from the line of Rajesh Kothari, from AlfAccurate Advisors. Please go ahead.
- Rajesh Kothari:** Sir, what is your current breakup between the tolling revenue and your own manufacturing revenue within specialties?
- Sanjiv Vasudeva:** We do not disclose that number.
- Rajesh Kothari:** Okay and second question is the compounding capacity which you are increasing by 50% what is the CAPEX for that?
- Sanjiv Vasudeva:** Well, it is a subset of the \$20 million that is 100 crores overall rupee is what we talked about.
- Rajesh Kothari:** You mean Rs. 100 crores, am I right?
- Sanjiv Vasudeva:** Rs. 100 crores.
- Rajesh Kothari:** So Rs. 100 crores basically will be only for the compounding capacity increase of 1 lakh tons?

- Sanjiv Vasudeva:** Yes.
- Rajesh Kothari:** And that potentially can give you what asset turnover? I mean what can be the asset turnover in compounding capacity when you put say Rs. 100 crores over a period of say three years, four years when it reaches the optimum utilization, what can be the asset turnover for this CAPEX?
- Sanjiv Vasudeva:** A couple of years.
- Rajesh Kothari:** Yes, but what can be the asset turnover? What potential revenue it can generate?
- Sanjiv Vasudeva:** Well, like I said it is additional capacity increase of about 35,000 tons. And you can calculate the typical ABS prices in the market which ranges from Rupees 120 to Rupees 150 and you can do the math what kind of revenues it can generate.
- Rajesh Kothari:** 35,000 okay understood so 35,000 will be the additional capacity and that can generate whatever the market. So basically what I am trying to understand what can be your buyback period based on the current level of profitability what can be the in your opinion what can be the buyback period?
- Sanjiv Vasudeva:** Like I mentioned a couple of years.
- Moderator:** Thank you. That was the last question. I now hand the conference over to the management for their closing comments.
- Sanjiv Vasudeva:** Well, from management side this is Sanjiv Vasudeva. Thanks everyone for joining the call. We appreciate all the candid questions asked and as a company we believe in being more open and transparent in our discussions and if you have any further queries you can get in touch with Mr. Hareesh Khilnani and look forward to talking to all of you in the next session which will be three months from now, third quarter earnings call. Thank you everyone and have a good day ahead.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of INEOS Styrolution India Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.