



SUPREME PETROCHEM LTD

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April 29, 2023

BSE Limited
Phiroze Jeejeebhoy Towers,
1st Floor, Dalal Street,
Mumbai - 400 001
Script Code - 500405

National Stock Exchange of India Ltd
Exchange Plaza, Bandra Kurla Complex
Bandra East,
Mumbai – 400 051
Scrip Code - SPLPETRO

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call of Supreme Petrochem Ltd ('The Company')

Ref: Regulation 30 of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 ('Listing Regulations')

Please refer our letter dated 21st April, 2023, wherein we had informed you that Earnings Conference Call with investors of the Company will be held on 27th April, 2023 to discuss Q4-FY23/FY23 earnings.

Please note that the said conference call as scheduled was held at 04:00 PM (1ST) on 27th April, 2023. In this regard, pursuant to Regulation 30 of Listing Regulations, please find attached Transcript of the call with investors of the Company.

This is for your information and record.

Thanking you

Yours faithfully,

For **SUPREME PETROCHEM LTD**

D. N. MISHRA
COMPANY SECRETARY



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ISO 14001:2015
ISO 45001:2018
BUREAU VERITAS
Certification



Certificate No. INAAACS7249C2F228



Supreme Petrochem Limited

Q4 FY23 Earnings Conference Call

April 27, 2023

Moderator: Ladies and gentlemen good evening and welcome to the Supreme Petrochem Limited's Q4 FY23 Earnings Conference Call.

As a reminder, all the participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing "*" and then "0" on your touch-tone phone.

I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Good evening everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of Supreme Petrochem Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the 4th quarter and financial year ended 2023.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's concall may be forward looking in nature. Such forward-looking statements are subject to risks and uncertainties which will cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Let me now introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us Mr. Rakesh Nayyar – Executive Director and Chief Financial Officer, Mr. Dilip Deole – Chief Executive of Finance and Accounts, Mr. D. N. Mishra – Company Secretary. Now, I request Mr. Rakesh Nayyar to start with his opening remarks. Thank you and over to you, sir.



Rakesh Nayyar:

Good evening everyone. It's a pleasure to welcome you to our first ever earnings conference call for the 4th quarter and financial year ended 2023. Given that this is our first earnings concall, in the interest of some of you who are new to the company, let me first start by giving a brief overview of the company. Supreme Petrochem was formed as a joint venture between Supreme Industries and Rajan Raheja Investments, which started commercial activity in October 1995. The company is the leading manufacturer of polystyrene and expandable polystyrene in India. In the polystyrene business, we have a market share of about 60% and we are the largest exporter of polystyrene from India. We forayed into expanded polystyrene in 2006 and since then, we have also become the market leader in this segment as well.

The company's other products include masterbatches and compounds and extruded polystyrene or XPS insulation foam boards which are used for the green buildings and for insulation purposes. The company is further enhancing its product range by setting up a new mass ABS (Acrylonitrile-Butadiene-Styrene) plant under technical license from M/s. Versalis of Italy for its production with low carbon footprint. The company is today well placed to benefit from the expected pickup in the domestic consumer durables and automobile sectors. It has a strong balance sheet with zero debt, and we are funding our CapEx of about Rs. 1,200 crores without any external borrowings; all from the company's own funds.

Now, let me brief you on the financial performance of the 4th quarter and then for the full year ended March 2023. The operational income for the quarter was INR 1,317 crores which declined by about 7% year on year, an increase by 17.5% on a quarter-on-quarter basis. EBITDA reported was Rs. 209 crores which declined by 32% year on year, an increase by approximately 76% quarter-on-quarter basis and the EBITDA margin stood at 15.06% for the quarter. Net profit reported was Rs. 160 crores which declined by 29% year on year, an increase by 78% quarter on quarter while the PAT margin was 11.52%. The decline in revenues and margins was primarily due to reducing global deltas between the price of raw materials and company's product price.

Coming to the financials for the financial year ending 2023, the operational income for FY23 stood at Rs. 5,287 crores, an increase of 5% compared to FY2022. Operating EBITDA stood at Rs. 658 crores declining by 27% year on year with EBITDA margins reported at 12.45%. Net profit stood at INR 498 crores declining by 25% year on year with PAT margins at 9.42% during FY23. On the operational front, total sales volume of the manufactured products increased by 17.8% in quarter 4 FY23 over the previous quarter, an increase by 4.8% in FY23 over the previous year. Domestic sales on sequential quarter-on-quarter basis increased by 17.9% while broadly remaining static on a year-on-year basis. Prices of styrene monomer, which is our main raw material, have remained stable since August 2022. They have moved only in a small range there. On the CapEx front, our brownfield expansion projects for enhancing existing polystyrene and expandable polystyrene capacities at the company's Amdoshi plant Raigarh and EPS capacity at its plant in Tamil Nadu are now complete. The



company's effective capacity for polystyrene now stands at 300,000 tonnes per annum and expandable polystyrene capacity now stands increased to 110,000 tonnes per annum.

The first phase of mass ABS project with 70,000 tonnes per annum capacity under license from Versalis is progressing as per schedule. The company plans to incur about Rs. 430 crores in the current year on ongoing ABS project, EPS second phase expansion, and extruded polystyrene foam board second line apart from the normal capital expenditure.

Lastly, the Board recommended a final dividend of Rs. 7 per share.

With this, we can now open the floor for questions & answers session.

Moderator: Ladies and gentlemen, we will now begin the question & answer session. We will wait for a moment while the question queue assembles. We will take our first question from the line of Aditya Khetan from SMIFS Institutional. Please go ahead.

Aditya Khetan: Sir, the first question is on the utilization of the polystyrene and expandable polystyrene capacity. What was the utilization for the current quarter and what is the expected timeline of peak ramp up of these 2 projects which we have expanded the capacity?

Rakesh Nayyar: For the year 2022-23, the capacity utilization for both polystyrene and expandable polystyrene were above 92%. Since the new capacities have just commenced in the month of March, going forward in the current year, we hope that as far as these new capacities are concerned, they would be utilized to the extent of maybe 60% and gradually they will ramp up.

Aditya Khetan: 60% for FY24 and then it would be gradually ramped up?

Rakesh Nayyar: That is the new capacities I am talking about.

Aditya Khetan: Sir, how much would be the trading revenues in 2023? In FY22, it was around 25%. Similarly, how much would be the figure in FY23?

Rakesh Nayyar: Our trading revenue for the year '23 is around 22% to 23%.

Aditya Khetan: This will remain stable for the next coming years – around 20% to 25%?

Rakesh Nayyar: I think they will remain in the same range.

Aditya Khetan: The quarterly jump in spreads of polystyrene and all other segments, that has been quite phenomenal. Just I wanted to understand what has led to such a steep rise in the spreads on a quarter-on-quarter basis. Is there any fundamental change into the business which has led to such a steep rise into the spreads or whether the demand has gone up or some capacity



globally has been shut because of that your exports have gone up? What has actually changed, that I wanted to understand.

Rakesh Nayyar: January to March quarter is generally the peak quarter for the consumer durables. That is the time when they start building up the product for the sale during the summer months; the refrigerator, the air conditioners, and all that. So, there is a demand pickup always which starts from the second fortnight or the second half of December till March. So, the January to March quarter, always the demand is better and that is the reason this time also when you compare quarter-on-quarter basis, the sale has been better. As we said, the sale was almost 17% better than the previous quarter. It is the OEM demand. It is the seasonal demand which always comes up in the January to March quarter.

Aditya Khetan: This demand wouldn't be there for the next quarters at least from hereon? Can we expect that to normalize?

Rakesh Nayyar: The next quarter, i.e., the April to June quarter, yes, that is the first quarter of '24. Because May in any case, the demand is good and then from June it starts tapering off. And then once the rains start, the demand slows down a bit, and once again when the festival season starts, the demand picks up of all these OEM products. The demand moves along with the OEM demand and the need then.

Aditya Khetan: My question was onto the top line and EBITDA growth for the next 2 to 3 years apart from the ABS business which will come by 2025-26. Excluding that, from the core businesses, how the growth would be for the next 2 to 3 years – EBITDA and top line?

Rakesh Nayyar: Top line I can comment. The top line growth will come from the volumes. Now with the new capacities available to us, the volume growth will happen. As far as the EBITDA is concerned or the margins are concerned, they are linked to many external factors. In the year 2021-22, the margins were very high because of the disruptions in supply chain, very high freight rates. Now the deltas between the styrene monomer and the finished products, they are at very normal levels. So, the growth will come from the volumes.

Aditya Khetan: Any sort of number like 10%, 12%, or 15% growth which we are anticipating?

Rakesh Nayyar: I will talk in terms of volumes. The volume growth that we are anticipating in the year 2023-24 is around 15% to 16% over the 2022-23.

Aditya Khetan: Last question on the CapEx. You had given a figure in your opening commentary. What was the figure for FY24 and FY25? And what is the maintenance CapEx for this year and we can build for the next 2 years?



Rakesh Nayyar: The CapEx number which I gave you includes the maintenance CapEx and also the ABS and the EPS second phase as well as the XPS second line. 2024-25 also, a similar expenditure would be there.

Aditya Khetan: Rs. 450 crores that we can build in?

Rakesh Nayyar: 430 is the number I gave for this year.

Moderator: We will take the next question from the line of Shailesh S. from B&K Securities. Please go ahead.

Shailesh S: In the last 2 years, a lot of capacities have been added in styrene monomer in China. This eventually will push more capacities in the downstream products like polystyrene and EPS. Now, China is also opening. Do you still expect the market to balance out? Basically I wanted to know what are the factors in your view will be supporting for the company to sustain or improve the profitability?

Rakesh Nayyar: China has become surplus, or they are becoming self sufficient as far as styrene is concerned. China, over the next couple of years, is planning to add or they will add around 3 million tonnes of polystyrene. But then China's earlier imports of polystyrene will slow down and China's own demand is also likely to grow as per the market reports and research reports. It is likely to grow by almost 5% to 6% per annum. The styrene is there, the downstreams will also come in there, but then, the demand is also growing. So, we don't anticipate that there will be any impact as far as the Indian market is concerned. Indian market is also growing, and we expect that the Indian market will also grow in line with our GDP. It will grow as far as the polystyrene and expandable polystyrene is concerned. As far as styrene is concerned, China is adding almost 10 million tonnes. And China is right now may be a small importer, but then eventually, it will be fully self-sufficient. And that will help ease out the styrene availability for the Indian consumers as well which is good for us.

Shailesh S: As you always say more than delta in PS and SM. Payback period is the key internal metric you always look at. Mass ABS we are going in 2 phases and total capital we are going to deploy around Rs. 350 crores. What is the payback you are looking for sir? And how many years it will take for us to fill the capacity 140k?

Rakesh Nayyar: Mass ABS we are investing Rs. 850 crores for both the phases, i.e., the 2 lines of 70,000 tonnes each. Right now, currently we are progressing with the first line. For the second line and its configurations, we are currently still discussing with Versalis. And the mass ABS will be a new product for the Indian market and what we expect is, it will take us almost 2 to 3 years to ramp up the capacity and come to the rated capacity of the plant. Our calculations are that once we reach the 90% capacity utilization, we should be able to recoup our capital cost in less than 4 years or so.



Shailesh S: How much trading you have done in ABS last year FY23?

Rakesh Nayyar: I'm sorry. I won't be able to give you that number.

Shailesh S: One last question. In the new PS and EPS capacity, according to you, you said maybe 2-3 years we can fill the capacity. What is the payback you are expecting here?

Rakesh Nayyar: Around 4 years, again.

Moderator: We will take the next question from the line of Neeraj Marathe from Sentinel Research. Please go ahead.

Neeraj Marathe: I just wanted to understand the difference between the mass ABS route of production versus the normal ABS route of production in terms of the CapEx as well as in terms of the application. For the mass ABS, are the applications lower than the normal ABS from a technical point of view? If you can just provide some details on that?

Rakesh Nayyar: Mass ABS is a continuous process ABS whereas the conventional ABS is a kind of batch process where you produce your high graft rubber in one stage. The second product is SAN and then there is a compounding done without these 2 products with other things and that's how you get your conventional ABS. Mass ABS has the advantage that it is a continuous process directly from the reactor as a low carbon footprint and also the utility consumption or the manpower consumption and the overheads would be lower than the conventional ABS. As far as the end uses are concerned, end uses are the same. Globally, it is rather a premium product today. And wherever the conventional ABS can be used, the mass ABS can also be used.

Moderator: We will take the next question from the line of Abhishek G. from Alpha Invesco. Please go ahead.

Abhishek Getam: Sir, my question was regarding mass ABS. Roughly, India consumes around 2,50,000 metric tons and if we put together all the 3 players combined capacity and the inputs, we are sort of at over capacity utilization. How do we see this panning out? Are we completely substituting imports?

Rakesh Nayyar: The last year imports, i.e., FY23, total consumption is estimated close to 300,000 tonnes of ABS in India of which almost 45% is imported. And our total capacity of both the phases put together is 140,000 tonnes. By the time we implement this project, the demand will grow, and again, we estimate that the demand of ABS with the increase of the automobile consumption and EV is coming in place, the demand will grow at around 5% to 6%. So, the demand for ABS will be far excess of the total capacity available in the country even when we



come up with both the lines. So, partly the imports will be substituted; partly, the new demand will be met.

Abhishek Getam: Just a followup on that. Globally, roughly 90% capacities are in emulsion ABS and 10% mass, but why have we chosen mass over emulsion? The end applications are emulsion?

Rakesh Nayyar: The end applications are the same. This technology is closely guarded as well as the old plants are all on the emulsion basis and those who get the technology are setting up the mass ABS. Mass ABS has the advantage of a low carbon footprint. And also as I explained earlier, the mass ABS has an advantage in terms of the utility consumptions and the manpower consumptions. And since it is a continuous process, it's a safer product.

Abhishek Getam: Roughly, mass ABS margins can be better than emulsion ABS, right? Do you see any sustainable margin profile in mass ABS? What are the sort of guidelines?

Rakesh Nayyar: Selling price remaining the same, the conversion cost may be lower in the case and will be lower in the case of mass ABS.

Abhishek Getam: So, margin profile?

Rakesh Nayyar: Yes.

Abhishek Getam: When we took the mass ABS project, any sort of margin aspiration we kept? Or it will same be like....?

Rakesh Nayyar: All commodity and all polymer prices are benchmarked with the global landed prices. So, whatever are the global margins, they would be available to us also.

Moderator: We will take the next question from the line of Ravi Mehta from Deep Financials. Please go ahead.

Ravi Mehta: My question is on the spreads. When I look at the data available, the commodity spreads are coming off, but the company's performance has been quite better than what the spreads indicate. Are we having some cost plus kind of contracting in place or some long-term arrangements or how are we able to outperform the spreads that we see in the published data?

Rakesh Nayyar: The published data are generally of a very standard commodity. We have moved on and added many value-added grades where we get some premium; that is the one. Secondly, our costs have been managed well and our raw material sourcing is also managed well. Those small savings, they always add to our margins. And plus the premium value-added products give us better realizations.



Ravi Mehta: What would be the share of value-added grades in our revenues?

Rakesh Nayyar: Our value-added grades are close to almost around 37% to 40% now.

Ravi Mehta: What was it like 3-4 years back?

Rakesh Nayyar: 3-4 years back, we were around I think 25% to 27%, but again, whatever grades we then had, we have improved upon them and are commanding a better premium there now.

Ravi Mehta: And those can't be imported; meaning there is edge in those grades?

Rakesh Nayyar: If you look at the import data, you will find that the imports happened at an X price and also X plus \$200 also. There are various grades, various recipes. It depends upon what is being imported and what is the requirement of the customers here. So, the imports can be done. Not that they can't be done. But they will be at a certain price altogether, not at the published price that you are seeing there.

Ravi Mehta: On the raw materials side, what kind of raw materials are we importing from China?

Rakesh Nayyar: We don't import raw materials from China. Imports of our raw material happen from Korea, Singapore, and the Gulf.

Ravi Mehta: Is it that Chinese imports are beneficial? Or are you trying to stay away? Or any reason?

Rakesh Nayyar: No, we are not trying to stay away because China has just started their styrene capacities there and China is still not exporting styrene except maybe a few parcels here and there but they are not a regular exporter of styrene yet.

Ravi Mehta: Lastly, the volume data that you share in the presentation, is it only pertaining to the manufactured volumes, or it includes the trading volumes?

Rakesh Nayyar: No, it is only the manufactured volumes.

Ravi Mehta: And the trading element in revenues 22% to 25%, is it like a steady state across quarters or it keeps varying quarter to quarter?

Rakesh Nayyar: No, it is steady generally.

Ravi Mehta: And that would have a small trading margins like 4% to 5% or 2% to 3%?

Rakesh Nayyar: It would actually rather we pull down our EBITDA margin if you look at the margin to the total revenue because margins here are very narrow, but it is only since we have the necessary infrastructure built up to handle styrene monomer. The other consumers of styrene



monomer in the country prefer to source it from us because they are saved from the hassles of funds, procurement, and also handling it at all the places.

Ravi Mehta: Can we make like 4% to 5% trading margins on that – EBITDA level?

Rakesh Nayyar: No, it depends. We can't really say 4 or 5 or 3, but then it depends on quarter to quarter and it's only the volumes remain generally steady but the margins will differ there.

Moderator: We will take the next question from the line of Rushabh Shah from Anubhuti Advisors LLP. Please go ahead.

Rushabh Shah: First question was with respect to the brownfield expansion we concluded. Wanted to check if the new capacity has been operational only from the month of March?

Rakesh Nayyar: That's right.

Rushabh Shah: Because the consent to operate was received I think by the end of December itself.

Rakesh Nayyar: The consent was received only on the 30th December. And by the time the plant is stabilized and so it started from March as far as the stabilized production is concerned.

Rushabh Shah: I just wanted to understand the inventory value. I think as of 31st March, it was way higher at Rs. 600+ crores. Any specific reason why we have built up higher levels of inventory?

Rakesh Nayyar: There are 2 elements in that inventory. One is the raw material inventory and other is the finished goods inventory. The finished goods inventory is as I said that the new lines' production started from March onwards. That has added to the inventory and the raw material inventory has gone up because we had some bunching of shipment arrivals in the month of March and that has added to the raw material inventory.

Rushabh Shah: I think our objective largely from the new capacity is to tap the export market, correct?

Rakesh Nayyar: Tap the export market as well as feed the increasing demand in the domestic market also because last year in the domestic market during the peak months, we were not fully able to meet the demand and there were imports. So, we will be meeting that demand in the domestic market apart from the general growth in the demand also.

Rushabh Shah: In addition to that, can you share the export data for maybe 4th quarter and for complete FY23 – export volume data?

Rakesh Nayyar: Last year, the total exports were close to 8% only out of the total volume.



Rushabh Shah: In terms of the prices, I think raw material prices have largely remained same since August and even I think spreads have largely remained in a narrow band. But I think post March, is there any movement in the prices? Have those improved or are they still stable at those levels?

Rakesh Nayyar: They are in the same range, no changes there. The prices move of course always but in a range. Raw material prices have moved but then they are all in a band only, 5% to 6% here and there. Generally, they have been very very stable.

Rushabh Shah: In terms of capital allocation policy, that I wanted to understand. Now while we are targeting some Rs. 800+ odd crores CapEx over the next 2 financial years, is that the reason why we are building up larger cash reserves in the books or is it our stated policy that we will continue to maintain cash balances at a higher level?

Rakesh Nayyar: No, we have no such policy of keeping higher cash in the books of the company but now we need that cash in terms of our planned CapEx, and like last year also, we used the cash to reduce the capital, and a year before that, we used the cash to do the buyback of shares. And a certain amount of cash is essential in the books of the company since because we are also.... You must appreciate that we are in a cyclical industry. Cyclical industry always to have a cash cushion in the company is helpful.

Rushabh Shah: Basically, any plans of buybacks in the current fiscal or higher dividend policy which you are envisaging as of now if you can guide?

Rakesh Nayyar: Both decisions I can't comment on them.

Rushabh Shah: So, nothing as of planned, just wanted to get an update on that.

Rakesh Nayyar: If any such happenings occur, the news will be out across the stock exchanges anyway.

Rushabh Shah: Absolutely, but just wanted to check do we have any such policy like we will be doing that every year.

Rakesh Nayyar: It's the prerogative of the board. They keep on reviewing. Whenever they take a call, it will be known. I have nothing to say on that, sorry.

Rushabh Shah: And just one last question, sir. In terms of exports, which all geographies will we be targeting with these new capacities if any?

Rakesh Nayyar: We have been exporting to practically over.... Earlier, we had customers from over 110 countries. Since in the last 2-3 years, our exports were in hibernation. We are reviving our old customers and in any case last year itself whatever exports we have made, we have made it to Africa, Europe, Gulf, and neighboring country like Bangladesh. In North Americas also, we



have customers. We continue to concentrate on those. Actually we have customers in South America and as far as Hawaii also, we have customers. So, we have customers in Asia, we have in Europe, we have in Africa, we have in Americas. Once we have the capacity built up now available, we have to again go and market. Nothing else.

Moderator: We will take the next question from the line of Sandeep from East Lane Capital. Please go ahead.

Sandeep Kothari: Two-three questions. If you could give us just some sense on what's the contribution differential between a commodity polystyrene versus masterbatches, EPS, XPS? Just broad sense. What's the contribution differential?

Rakesh Nayyar: Not comparable. Very frankly, they are not comparable because masterbatches are different things and the compounds are very different. They are an alloy of many polymers. Again, in a compound business, the pricing could be as low as Rs. 100,000 a tonne to even Rs. 250,000 a tonne. It varies. So, it's very difficult to compare anything between the margins of each vertical. Each vertical has its own flavor and they have their own standards in terms of margins, and within the vertical of polystyrene, we have 14 grades and each grade has a different kind of margin. And value-added grades have different margins. There is a grade I will tell you which we call it as the ESCR (environment stress crack resistant) grade which is used inside the refrigerator and it's a very premium grade, or the grade which Gillette uses for making the razors, that's a very premium grade. Those values and their margins are very different; they are not standard. So, your question I really can't answer.

Sandeep Kothari: So, what would be the contribution differential between value added which you mentioned 47% to 48% versus....

Rakesh Nayyar: I said 37% to 40%.

Sandeep Kothari: Yes, 37% to 40%. What would be the differential if X is the margin for commodity, value added would be 1.5X? Just broadly, to get a sense.

Rakesh Nayyar: If the margin is X, the other one could be another 25% to 30% more than that.

Sandeep Kothari: Over the next couple of years, where do you see these value-added products' contribution from 35% to 40%? Could it be 50-50?

Rakesh Nayyar: Our efforts are on but very difficult to say. It all depends upon the demand also. Our efforts are to move up in the value chain.

Sandeep Kothari: Last question. Construction industry is a huge consumer of EPS and of course XPS globally. In India, what would be the triggers? Where do you see construction demand coming for these



products over the next, I don't know, how many years? How do you see that evolving or what are you doing to make that industry consume more?

Rakesh Nayyar:

As far as EPS is concerned, last year the consumption in the construction sector was only... whatever we sold was around 10% to 12% whereas globally, the consumption is in excess of 50% also in some places. So, India has a lot of scope as far as EPS consumption in construction is concerned and the road building is concerned. But the processing units which are needed for making 3D panels or sandwich panels for construction, they have still not come up in a big way in India and those who are there the old ones, they have their own constraints. This is one area that is actually causing not the stopping the growth in the construction industry of EPS. As far as XPS is concerned, yes, all institutional projects, i.e., the educational institutions or malls or the hospitals or all government projects, they continue to use the XPS. And that is why from a zero, it has taken us so many years by doing the road shows and spending so much of money on the road shows and educating all the segments of people involved with the construction industry including students in the architectural colleges or the water proofing agent, everybody we have tried to educate and show the benefits of XPS. And now we are seeing there is some mass and looks like the product will catch on in the coming years, it will grow now.

Sandeep Kothari:

How do you reach that inflection where more of these are used in construction? I understand what you just mentioned about the ecosystem not being there, but if the advantages are there, when do you see the inflection? Because, that could be a massive demand driver.

Rakesh Nayyar:

If the government mandates like many countries – Europe, it's mandatory to use XPS boards, the Middle East has it, China has it now. Even if you want to go and upgrade the building or repair the building, in Europe you don't get permission unless and otherwise you agree to do insulation of your building. It's not necessary that you use XPS board; any other insulation product also, it has to be used. In India, that mandatory has still not come.

Moderator:

We will take the next question from the line of Aatur Shah from ICICI Prudential AMC. Please go ahead.

Aatur Shah:

For PS or ABS, any ADD or any import duty, etc., that we have for imports coming into India?

Rakesh Nayyar:

On ABS, currently there are no antidumping duties. As far as polystyrene is concerned, DGTR had recommended 2 years back some duties but then they have still not been levied by the Ministry of Finance. So, currently there are no duties.

Aatur Shah:

Based on your experience, where do you think we are in terms of cycle in terms of both PS as well as ABS?



Rakesh Nayyar: I think we are very stable at the moment. The Indian demand is growing, and as far as India is concerned, we are at a steady cycle right now. I won't say that I am looking at any slowdown there. It's stable.

Aatur Shah: Would it be fair to assume we are somewhere in between? We are not either at the bottom or top basically? Since we have capacity coming in, that's why I am asking.

Rakesh Nayyar: As far as our polystyrene capacity is concerned, considering that last year we were unable to meet the demand in the country, the imports had to take place. And whatever capacities were built up, at least part of that imports, we will be able to supply and partly we will be exporting and there is an export demand available to us. And ABS is still a year and a half to 2 years down the line for us, but then, as I see, there is a lot of traction for ABS because of the EV industry growth, automobile growth happening, and also small appliances growth happening, there is a demand for ABS. That is the reason last year almost 140,000 tonnes of ABS was imported into the country.

Aatur Shah: Anyone apart from us adding capacity in both these products, large ones, and maybe within India or....?

Rakesh Nayyar: As far as India is concerned, I am not aware of anybody else adding polystyrene capacity because currently there are only 2 players; we are there and Styrenix Performance Materials is there. As far as ABS is concerned, again, Styrenix is there and Bhansali is there. If they are doing some revamp or adding some small capacities, yes, maybe, I am not aware. But then, new large lines are not being implemented. We haven't heard of it.

Moderator: We will take the next question from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I am new to the company. So, please pardon my ignorance. I just wanted to understand that our operating margins used to be in mid single digits till COVID, and thereafter, they have more than doubled and now they are in double digits. Is this only due to the shutting down due to the accident in LG's plant in Vizag or is it that the international spreads have increased or is it some inventory gain that is there in our numbers or a mix of all these factors?

Rakesh Nayyar: Two things have helped. 2021-22, the international deltas were high. They were very healthy because of the very high ocean freights, disruptions in supply chain, and there were some plants they had shut down during COVID or they were non-operational for some reasons or the other reasons. So, there was a very high delta available. So, 2021-22, that was the reason for the high margins. As far as the 2022-23 is concerned, the deltas have come back to the normal and our numbers have gone up. Our numbers are now better than what pre-COVID levels were there because of the increase in demand and also our volumes have increased substantially. That has helped us.



Keshav Garg: Sir, basically these margins are sustainable and shareholders can expect this kind of 12% double-digit margins to sustain?

Rakesh Nayyar: As on date, the way the global margins are and the international prices are, yes, they are similar and what they have been for the last 9 months, they are there. So, going forward, what happens globally, I can't predict.

Keshav Garg: Also, any chance of plans of our competitors' plant starting up – SG Chemicals?

Rakesh Nayyar: The matter is currently sub judice. So, what happens there, I can't comment unless otherwise their court cases are decided or the court takes a call. It's very difficult to comment on it.

Keshav Garg: Sir, in terms of percentage, what percentage of domestic demand is being catered to by imports?

Rakesh Nayyar: Last year, the 1 year when the demand was good and the domestic players were not able to meet the demand, the imports increased in the year 2022-23. And last year's number if I see, almost 20% of the country's demand was met through imports. But prior to that always, the imports have been in the range of 8% to 10% of the total consumption of PS in the country. As far as EPS is concerned, there are very negligible imports.

Moderator: We will take the next question from the line of Aditya Khetan from SMIFS Institutional. Please go ahead.

Aditya Khetan: During the current quarter, there is a 17% jump in top line on a quarter-on-quarter basis, but your employee cost and other expenses have declined. Is there a one-off?

Rakesh Nayyar: If that happens in a particular quarter if there are some performance bonuses or some arrears go up, when you are comparing employee cost, it can change depending upon the whatever or which month we have given the annual increments or bonuses. But then, on an annual basis is what you should look at the employee cost.

Aditya Khetan: In which quarter, we generally take a maintenance shutdown for PS, EPS, and XPS?

Rakesh Nayyar: There is no such definite call. Depending upon the demand, we decide to take a shutdown. Secondly, it is not that all the lines are shut down together. We shut down line by line so that majority of the capacity is always operational for us.

Moderator: We will take the next question from the line of Harsh Shah from HSBC Mutual Fund. Please go ahead.

Harsh Shah: Sir, just 2 questions. Firstly, on the end-user industry, you mentioned about demand picking up from sectors like consumer durables, automobile, etc. For our company, right now for



FY23, can you just help us understand what has been your revenue breakup in terms of end-user mix? How much of that was going through various industries?

Rakesh Nayyar: Sorry, I don't have that information with me at the moment. I can say that the OEM's demand which was there, that OEM demand grew last year for us by almost 15%.

Harsh Shah: And how much would be the total sales mix into OEM, sir?

Rakesh Nayyar: It's almost 50-50 for us.

Harsh Shah: And in next year also, when you mentioned that there will be a volume growth of 17% irrespective of what the prices will be, this 17% has been catered through both of the segments or is there one segment that is seeing a higher demand?

Rakesh Nayyar: What I have said is the total volume growth will be around 17%. That includes our exports also and the domestic sales also and it includes both. It is for the OEM and the non-OEM, both sectors.

Harsh Shah: Last question from my side. In terms of the demand that is seen in this industry, in terms of new avenues or new demand creation drivers, where can you see a new demand coming for our company, which has not been there previously? One thing that you mentioned was EV. Is there anything else?

Rakesh Nayyar: The other areas could be the smaller appliances.

Harsh Shah: Anything else?

Rakesh Nayyar: No, I don't recall anything else at the moment.

Moderator: We will take the next question from the line of Shailesh S. from B&K Securities. Please go ahead.

Shailesh S: Sir, what are the go-to-market initiatives we are taking to expand the market in XPS products? If you look at the southern region, as per my distributors' feedback, our XPS penetration is good in Kerala and Andhra state but low in Tamil Nadu and Karnataka. So, what marketing initiatives are you taking to improve the awareness of XPS products?

Rakesh Nayyar: I will say that your market report, first I must appreciate that it is very very good. You are right absolutely. Kerala is a good consumer of XPS. Tamil Nadu though we are making all efforts there, but it has still not picked up in Tamil Nadu. It is something very strange. The row houses are taking XPS in Kerala but the row houses are not consuming XPS in Tamil Nadu. We actually have been making all efforts. As I said earlier that I think we have spent more money on the road shows as far as marketing XPS over the years is concerned than we initially put



money into the project. We have made the road shows not only to the contractors, the architects, the interior decorators, the waterproofing agents, the students, and then we also ran a course in a few architectural colleges on the insulation. That is the reason that over a period of time, from zero, it has reached some mass for us now. And also to the government bodies, that's how it is there in the PWD's manual also for the procurement of material, the XPS has been mentioned there now and all government projects are using XPS. But then, what happens is that the smaller towns, the contractors, they find that it is difficult to install perhaps or they do not have the experience to install it successfully or the waterproofing agents are not fully equipped to install it. They shy away and they tell the owners that "Look! It will cost you extra money. Why you want to put it?" whereas not analyzing the cost benefit analysis with them. That's the reason all institutional projects are using it, but the single unit houses, the growth there is very small at the moment. Once that picks up, then I think the demand will really boom.

Shailesh S: Sir, with the support from Versalis, like ABS, can you get into more downstream products in future?

Rakesh Nayyar: Wherever Versalis is there, we will try and get their support, but very difficult to comment because Versalis may also see where they want to partake technology and where they don't want to partake technology. But then, we are talking to them for some other things to help us and that will be a continuing exercise for us.

Shailesh S: One last question. Can you please share product-wise volume data – PS, EPS, XPS, SMMA, and other compounds?

Rakesh Nayyar: Let me tell you that our styrene volumes as of the manufactured products, they are our revenue line. They almost are 90%. And our masterbatch compounds and XPS are almost around 10% of our revenues.

Moderator: We will take the last question from the line of Rohit Ohri from Progressive Shares. Please go ahead.

Rohit Ohri: Two questions. If you can take us through the CapEx plan for enhancing masterbatches, compounds, and XPS? And by when do you think it will be up and running?

Rakesh Nayyar: Our all these 3 projects would be through. Masterbatches and compounds actually there are lines. As and when the demand will come and we will keep on installing over a period of time till '25, and we had planned to spend almost close to Rs. 70 odd crores on the different lines of ABS compounds and other compounds and masterbatches. Polystyrene expandable second phase expansion is also likely to be over by the next year end. Our first line of ABS would be ready by the second half of the 2024 calendar.



Rohit Ohri: Sir, do we intend to introduce products like geofoam in India?

Rakesh Nayyar: We produce the raw material for geofoam and it is for the processors to make the geofoam. We have started talking to some processors to enter into the geofoam and helped them into it, but that has still not actually fully matured.

Rohit Ohri: Is it possible to share the EBITDA per tonne for FY23 versus FY22?

Rakesh Nayyar: No, I am sorry. I will not share that.

Rohit Ohri: Any range or directional growth that you would like to share? Broad range or narrow range?

Rakesh Nayyar: Monitor the global deltas. That gives you the idea of where we are.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management of Supreme Petrochem Limited for closing comments. Over to you, sir.

Rakesh Nayyar: Thank you all for participating in this earnings call. I hope we were able to answer your questions satisfactorily and at the same time offer insights into our business. If you have any further questions or would like to know more about the company, please reach out to our investor relations managers and Valorem Advisors. Thank you for participating in this evening concall.

Moderator: Ladies and gentlemen, on behalf of Supreme Petrochem Limited, that concludes this conference for today. Thank you for joining us and you may now disconnect your lines.