February 8, 2024

To,

BSE Limited	**National Stock Exchange of India Limited**
Dept. DSC_CRD	Exchange Plaza,
Phiroze Jeejeebhoy Towers,	Plot No. C/1, 'G' Block,
Dalal Street	Bandra- Kurla Complex,
Mumbai 400 001	Bandra ('E')
	Mumbai 400 051
BSE Scrip Code: **506222**	NSE Symbol: **STYRENIX**

Subject: <u>Transcript of Earnings Call with Investor / Analyst held on February 3, 2024</u>

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 January 30, 2024 informing about the earnings call organized by the Company on February 3, 2024, please find attached Investor Call Transcript for your record purposes.

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

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

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

Thanking you.

Yours faithfully,
For **Styrenix Performance Materials Limited**

CHINTANKUMAR SURESHCHANDRA DOSHI
Digitally signed by CHINTANKUMAR SURESHCHANDRA DOSHI
Date: 2024.02.08 16:55:02 +05'30'

Chintan Doshi
Manager – Legal & Company Secretary

"Styrenix Performance Materials Limited Conference Call"

February 03, 2024

MANAGEMENT: **MR. RAHUL AGRAWAL – MANAGING DIRECTOR -- STYRENIX PERFORMANCE MATERIALS LIMITED**
MR. BHUPESH P. PORWAL – CHIEF FINANCIAL OFFICER – STYRENIX PERFORMANCE MATERIALS LIMITED
MR. CHINTAN DOSHI – MANAGER, LEGAL AND COMPANY SECRETARY – STYRENIX PERFORMANCE MATERIALS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Styrenix Performance Materials Limited Conference Call. We have with us today from the management of Styrenix Performance Materials Limited, Mr. Rahul Agrawal, Managing Director; Mr. Bhupesh P. Porwal, Chief Financial Officer and Mr. Chintan Doshi, Manager, Legal and Company Secretary.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

Further, on behalf of the management of the company, we would also like to remind the participants that this call is being conducted subject to and in line with the disclaimer mentioned in the investor presentation as is available on the stock exchanges.

I now hand the conference over to Mr. Bhupesh P. Porwal:. Thank you, and over to you, sir.

Bhupesh P. Porwal: Yes. Welcome, everybody. Dear all, Namaste and good afternoon. We welcome you to this earnings call thanks to all of you for joining today, that is on Saturday. The company, Styrenix Performance Materials Limited has declared its results for the quarter and period ended December 31, 2023, on February 3, 2024. About quarterly performance, October to December '23 versus July to September '23, the operational revenue for the quarter is INR485 crores versus INR595 crores. EBITDA is INR 59.6 crores versus 85.8 crores and EBITDA margin stands at 12.3 percentage versus 14.4 percentage.

The net profit margin tax -- before tax is INR49.7 crores versus INR 75.9 crores and the profit before tax margin is 10.2% versus 12.7%. Profit is in line with market dynamics for the quarter October to December 2023. About quarterly performance, October to December 2023 versus October to December 2022, the operational revenue for the quarter is INR 485 crores versus INR 557 crores. EBITDA is INR 59.6 crores versus INR 51.1 crores and EBITDA margin stands at 12.3% versus 9.1%.

The net profit before tax is INR 49.7 crores versus INR 40.4 crores and the profit before tax margin is 10.2% versus 7.2%. Profit has improved over last year same quarter due to better cost management. About 9 months' performance, April to December '23 versus '22. The operational revenue for 9 months, April to December is INR 1,623 crores versus INR 1,757 crores. EBITDA is INR 198.5 versus INR 221 crores and EBITDA margin stands at 12.2% versus 12.5%. The net profit before tax is INR 169 crores versus INR 189 crores and the profit before tax margin is 10.4% versus 10.7%.

These are brief details about the financials, and now we can take the queries. Thanks a lot.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nirali Gopani from Unique PMC. Please go ahead.

Nirali Gopani: So my first question is, if not for scheduled maintenance, what would have been the production volume for the quarter?

Rahul Agrawal: Nirali, is that all? Or do you want to have a few questions? Why don't you ask them together, so I can answer them.

Nirali Gopani: Yes. So the second question is obviously dependent on the first one that is, given the gross margins for Q2 and Q3 are stable, so was it just a negative operating leverage that played out? Or -- and in Q4, the margin should be back to what it were in Q2?

Rahul Agrawal: Okay. What else?

Nirali Gopani: And so the other part was like over the longer term, we want to play the import substitution gain. So if a company is reporting ABS at say, INR100. So at what size do we provide? Are we price competitive when it comes to import?

And the last question is what gives us the confidence that over a longer period of time, you'll be able to maintain the margins. I know that you don't give guidance, but we are confident that we'll maintain good margins. So what gives you that confidence?

Rahul Agrawal: Okay. Nirali, thank you for your question. This is Rahul Agrawal, Managing Director of the company. I'll try to answer the questions in the order in which you asked them. With regards to the production volume, which -- for Q3, if there wasn't any repairs and maintenance, the production volume would have been in line with what would have been the kind of quarter volumes, which we had previous year.

Typically, in terms of seasonality and cyclicality of the business, we do see slightly lower demand in the third quarter of the year. And hence, normally, we do have lower production volumes. This is in keeping with lower demand and also typically planned shutdowns or slowdowns by our OEM clients and other clients. But the repairs and maintenance would have reduced that volume to that extent, as you have asked.

With regards to margins, from last quarter to this quarter, we don't currently give a breakup of polystyrene and ABS. But what I can answer is that in terms of ABS, the margins are largely stable from last quarter to this quarter. The PS margins have been a little lower on account of lower volumes and also lower sales. So obviously, there was a scheduled maintenance, as we have mentioned. And also, we have had lower sales in this quarter. I think that is one of the reasons why the margins have dipped.

In terms of forward-looking statements, as you are right, we don't give any typical forward-looking statements and guidance. However, we do believe that the margins which -- on an annualized basis would continue to be where they are, and those are sustainable. In terms of imports, like I mentioned on previous calls, again, between ABS and PS, ABS, again, we do have a lot of customized and specialty business in India, which is sustainable, The volumes in ABS overall have increased year-on-year. In fact, in polystyrene also, they have increased.

If I look at the 9-month period, the total volumes have gone from 106,000 to 120,000 tons of total volume of all products. So in spite of the higher volumes, we do not believe that the margins have changed significantly in spite of global demand supply scenarios, which have put pressure.

If you look at the global publication pricing markers for most of the polymers, including for ABS and PS, there is a downward pressure, but our margins have been largely stable.

So I think that should give some confidence that in spite of imports coming in or pressure due to imports coming in, we are able to still keep the margins as to where they are. So that's also where we get the confidence because, again, we have well entrenched and have deep rooted long-standing relationships with a lot of marquee clients across India, across different sectors, whether it is automotive, household appliances, electronics, medical devices, toys and stationery.

And across those segments, in terms of those relationships so long as we have generally the product to supply, we are preferred supplier to them. And hence, we don't believe that dynamic is likely to change going forward.

Nirali Gopani: Perfect. And just 1 last point. So next year, we are on track to reach a production volume of 210,000 capacity-wise, right? So the capex is on track.

Rahul Agrawal: Capex is on track to achieve the volumes, which we had specified earlier already. So I think in terms of overall total volumes, we are on track to achieve those numbers.

Moderator: The next question is from the line of Bhavesh Chauhan from IDBI Capital.

Bhavesh Chauhan: Sir, just wanted to understand your capital allocation policy. On 1 hand, we are doing a very large capex. I mean we are going to do a large capex over the next 3 to 5 years. And still, we are paying out such high dividend. So I mean, do I -- is my understanding right that we'll have to dilute some stake in the future or the company has something like QIP or something like that in mind going forward.

Rahul Agrawal: Is that all, Bhavesh? Or do you have any further questions?

Bhavesh Chauhan: No, this is all.

Rahul Agrawal: Okay. So Bhavesh, with regards to the policy of the company or the management philosophy, it is very clear that whatever resources are available to the company, we wish to use them in the best possible manner in the interest of all shareholders.

Currently, for whatever capex we have outlined in the short to interim period for which there is a defined cash requirement or capex requirement. We have already factored that in when we have considered the dividend outflow because we do believe that keeping additional cash in the company, which is not currently going to be used is better so if given back to the shareholders.

So this is a policy that we have followed since we have taken over management, and we will continue to do that. There is, of course, a capex plan in the medium to long term. The capex plan for that will be frozen once all the engineering is done. So initially, we have given a plan of what the estimate spending will be, but we'll have a more accurate information once the engineering studies are completed, which are expected to be completed in the next couple of quarters.

So once that is in place, and we have exact numbers in terms of what would be the exact spend as well as the quarter-wise cash requirements, we will decide what to do with future profits at that time.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Congrats on the excellent results. Sir, I wanted to understand that...

Moderator: Mr. Rathi, I'm sorry to interpret. I would request you to kindly use your handset, please, to ask question.

Madhur Rathi: Is it better right now? Yes. Sir, I wanted to understand that the addition the EBITDA margin that we have guided of 15%. So with all this capacity coming in India as well as informed pressure, will we be able to maintain this EBITDA margin going forward?

Rahul Agrawal: Madhur, thanks for your question. So we have never really given any guidance of 15%. What we have said is what we are working towards. So we are -- we believe that with all the efficiencies that we are bringing into the company, additional capital -- capex that will be coming in more capacities will be in place.

And in terms of a product mix as well, we'll be venturing into differentiated products, which will give us certain better value. We believe keeping all those things in mind and also considering additional capacities coming in place, overall, we do believe the margins will be sustainable.

Madhur Rathi: Okay. And sir, has the LG Vizag plant started?

Rahul Agrawal: I believe it's not started.

Moderator: The next question is from the line of Bharat Gupta: from Fair Value Capital.

Bharat Gupta: I just wanted to understand, first, with respect to the current crisis, since India has around 50% of the imports which are coming in. So with respect to the Red Sea crisis, sir, has there any kind of an impact with respect to the realization that the industry is currently undergoing.

Rahul Agrawal: Yes, Bharat. So there is no real impact on our business with regards to the disruptions which are happening on freight -- global freight due to the Red Sea crisis. There would be some very minor impacts on materials, which should be coming in by -- from Europe to India or from US to India, that is a route which they have been adopting.

But I think from our perspective, there is no major impact because it doesn't hinder any of the supplies with regards to our raw materials and also in terms of the market in India, there is no real dynamic, which has played out due to the Red Sea as far as the Indian market is concerned.

Bharat Gupta: Right. Secondly, there will be a good amount of capacity additions, which I think will make India more self-reliant. But as per your assessment, so do you believe that the competitive intensity will likely to increase over the medium term and starting to create some sort of a pressure with respect to good realizations also on the margins?

Rahul Agrawal: So as additional capacities come in, we do believe that there will be higher intensity, and competitive intensity will increase in the market with regards to volumes and pricing. But we do believe the market will also grow at a good level.

So if we calculate currently 50% being import plus additionally a robust growth for India, which we are predicting going forward, even if we are to consider all the capacities which have been planned over the next few years, including our own, we do believe that India will -- from a requirement -- demand supply perspective, there will be a healthy dynamic in India.

Bharat Gupta: All right. And sir, my third question pertains with respect to the -- like we have around 70% of our product basket, which we term as value-added. So -- but when we look at the margins, so it looks like it is more of a commoditized nature. So just wanted to get some light like what kind of a moat does our business brings. And like -- is it totally dependent upon how the international prices behave and that is why margins remain volatile a bit across both the segments?

Rahul Agrawal: Yes. So basically, if you look at international prices year-on-year, there is a significant compression in the global margins between both the businesses from an international pricing and market perspective. But as we have already declared, if you look at our own margins year-on-year, there is no significant difference. There is a very minor change between the margins last year versus this year, whereas the prices and of course, the margins last year versus this year on an international level, have constrained significantly or reduced significantly.

So we already have the moat, which I have mentioned in my previous calls. We do have certain customers where we do give customized products and as long as we have sufficient capacity, we will still be the supplier of choice and to be able to provide that value to our end customers. So I think going forward, that will provide us with enough of a competitive edge vis-a-vis any imports or anybody else.

Bharat Gupta: Right. And also, as you mentioned that whatever capex which you are undergoing is targeted towards the value-added side or differentiated product offerings. So any aspiration which the company has with respect to the per ton basis margin, like EBITDA per ton currently, I think it is hovering around INR15,000 to INR18,000 offerings. But going forward, do we aspire to break the current levels and remain it on an upward trajectory. Is that the guidance -- is that something which the company has in mind?

Rahul Agrawal: No, we don't have any such guidance in mind in terms of what would be the spread if you call. I think that is what you're referring to. We don't have any such guidance as of now. We are aspiring, obviously, to continuously improve the efficiency as far as our own operations are concerned and, of course, adding continuously value-added products. So wherever we can expand and improve our margins, that is the earnest effort of the management.

Moderator: The next question is from the line of Rishabh Shah from Dalal & Broacha. Please go ahead.

Rishabh Shah: My questions are pertaining to polystyrene market where I just have a few doubts regarding that, that is it because the end user market where polystyrene is used mostly in appliances and in home products like washing machines, air condition. Is it -- is that a margin being affected because ad market is not able to perform well.

And also, I would like to know what is the inventory gain or loss that has happened in this quarter. And also, I would like to understand that what is the spread between the polystyrene and the specialty products?

Rahul Agrawal: Okay, Rishabh. Thanks for your question. So I'll answer your last question first. The volume is roughly 70-30, which is what we have had even historically between ABS and polystyrene, that continues to be the case.

As far as the end markets of PS are concerned, there has -- the appliances sectors have not done as well in the last couple of quarters as had been anticipated. But we do believe that going forward in this quarter and in the following few quarters, there is going to be a robust growth in those segments.

So we do believe that, that in turn will drive the additional demand and volume for us. As far as margins are concerned, in polystyrene, there is a continuous effort to increase the efficiency in that plant for us. We are also adding new grades, which are going to be more value added in polystyrene. And we are also looking to participate more in the OEM business, which has historically not been the case with the company.

So we are confident that with recent developments and approvals that we have received or we have achieved, we should be able to get a greater share of that OEM business, which will give us more kind of sustainable and better margins. So I think that market is going to grow in India, like you mentioned on household durables and packaging and all these sectors. And we are aiming to be a -- kind of a strong participant in that area.

So as the volumes increase, as the scale increases, our efficiencies will improve and so will the margins. In terms of inventory gain or loss, I think I'll let Mr. Bhupesh Porwal answer that question. We can give at overall company level.

Bhupesh P. Porwal: Rishabh, we had inventory gain in this quarter, but this is part of, I think, the business margins and the product margin. So we don't disclose it separately. And unless there is some abnormal conditions on that, yes. So it is a normal inventory gain in this quarter and the raw material costs have been reached well.

Rahul Agrawal: Correct.

Rishabh Shah: Yes, sir. And also, I would like to know that is our realization intact? Or has it been affected this quarter? And also that the INEOS Styrolution India division, the clients which they hold before the Styrenix Performance took over. So are those clients still intact with the Styrenix Performance? I just have these 2 questions more. If you can answer these.

Rahul Agrawal: Sure. With regards to clients prior to November'22 and post that, not only have we retained, I would say, almost all of the clients, we have added many more clients also. In fact, our overall volumes have increased, both for ABS and PS, and that has come as a result of additional customers as well as certain existing customers in increasing volumes. So that is the case. And I forgot what was your other question, if you can please repeat that.

Rishabh Shah: Yes. Yes, sir. So my second question was actually regarding the realization and the volume sold compared to previous quarter and previous year. How much change has it happened? And how much -- is it going to come? Can you give a brief idea about that, if that's possible.

Rahul Agrawal: So our volumes have been slightly lower for this past quarter, for October to December quarter. And as we have mentioned in our presentation as well, there has been a planned maintenance which took slightly longer than expected, but anyway, it was already scheduled and that resulted in a lower volume.

And those lower volumes would have an impact eventually on the fixed cost valuation aspect of that business. So -- but we don't see any significant impact in the margins of that business. And we do see that, in fact, over a period of time, as we scale up, the situation will improve.

Rishabh Shah: And sir, our realizations are intact as such?

Rahul Agrawal: Yes.

Rishabh Shah: Okay. Okay, sir. And also, sir, I would like to know that with the upcoming increase in our capacity, how are we sure about reaching the estimated capacity of 360,000 ton as mentioned before in the -- one of the announcements that the company made. And how much progress have we done and how much closer are we to reaching that number?

Rahul Agrawal: So we have given a time line to reach the different volume targets. As far as currently where we are at, we believe that for this year and as well as for next year, we are definitely on track. Beyond that, there is some studies which are going on. We do not, as of now, anticipate there to be any delay. And we are confident to reach those numbers as per the schedule, which has already been specified.

Rishabh Shah: Yes, sir. Yes, sir. Also, I would like to know that are we planning for any backward integration for procuring of raw material, for example, styrene monomer or as such, are we planning on doing any such that?

Rahul Agrawal: No. We do not believe that to be a financially attractive proposition.

Moderator: The next question is from the line of D Jignesh, an Individual Investor. Please go ahead.

Dattatray Chitnis: Hello, Sir, could you hear me, sir?

Rahul Agrawal: Yes, please, please go ahead, Mr. Jignesh.

Dattatray Chitnis: I'm Chitnis, Dattatray Chitnis.

Rahul Agrawal: Yes, sir.

Dattatray Chitnis: I'm individual investor. I must thank you for giving me opportunity to participate, and I must express my gratitude for handsome dividend.

Rahul Agrawal: You're welcome, sir.

Dattatray Chitnis: Thing which I wanted to know -- I hope that other industrialist follow your dividend policy being so generous with the stakeholders. I really appreciate that. I must express it, and you please record it.

Rahul Agrawal: Yes, sir. Thank you for your vote of confidence, sir.

Dattatray Chitnis: I just wanted to know, sir, any of our -- in our customer -- your customer is preparing any grade for defense sectors, sir?

Rahul Agrawal: Sir, that is an ongoing process of the company. So we have a very active engagement with all our customers from all different sectors. There is a continuous development team, which takes care of projects for specific customization and specific value-added products with almost all of our key customers.

And we have a large team across the nation which is handling that and taking care of it, both from a sales and marketing perspective and also from a technical and development perspective. So that is a continuous ongoing effort, and we have only further strengthened those efforts, sir.

Dattatray Chitnis: So currently, our products are being used by the defense sector. Is it, sir?

Rahul Agrawal: Sorry, I didn't get that part. What is that?

Dattatray Chitnis: Any of our grades -- specialized grade is being used by defense sector?

Rahul Agrawal: Sir, we do not have a very significant participation in the defense sector. In terms of our materials, we would work with certain molders who would be making certain parts, but it is not a significant part of our portfolio.

Dattatray Chitnis: Do you foresee any promising growth for this area, sir?

Rahul Agrawal: So we do see a lot of -- we see promising growth as far as our own existing markets are concerned whether it is automobile, where we look at the 4-wheeler segment, the EV segment, even commercial vehicles for that matter.

When we look at household appliances, whether it's air conditioning or larger other appliances like refrigeration, as with the PLI schemes in India, you'll see more and more manufacturing coming up. Even for medical devices, electronics, we see larger participation by multiple players and putting up manufacturing plants in India.

So we see fairly robust growth in all the existing segments that we are already present in, and that should be helping us drive the company forward, sir.

Dattatray Chitnis: No. Sir, I am aware of that. I wanted to know because India is expanding -- going to spend a lot of money on defense sector and developing these aircraft, helicopters and also in the area of naval products and -- so do you foresee there would be an opportunity to take advantage of that.

Rahul Agrawal: There would be some opportunity in some blends. So we are developing certain blends, which would add more value-added products, which provides synergy to our existing products that we are already making. But currently, we are not fully sure of what those volumes will be, but we are working in that direction.

Moderator: The next question is from the line of Sania Jain from Care PMS. Please go ahead.

Sania Jain: Am I audible?

Moderator: Yes, ma'am.

Sania Jain: Okay. Actually, I had a question regarding the tax plan. Also, how many phases will this capacity come in? And what kind of revenue can we expect from the same?

Rahul Agrawal: Can you repeat again, please?

Sania Jain: Okay. So I wanted to know how many phases will the capacity come in and what all the...

Moderator: Sorry, ma'am. Your voice is a little bit muffled. We can hear you clearly, but little bit muffled. Can you please repeat your question once more by using your handset, please?

Sania Jain: I wanted to ask how many phases will the capacity come in? And what kind of revenue can we expect from the same?

Rahul Agrawal: Yes. So in terms of phases, ma'am, we have outlined in our last presentation that over the next 3 to 4 years, the capacities will be augmented on an annual basis in a manner in which we have already mentioned. So these capacities will go from, say, previously 120,000 tons, to this year, say, around 170,000 tons, next year, 210,000 tons and going forward in the next few years to 360,000 tons and we would assume a similar kind of ratio between ABS and PS.

And the prices, of course, of the products largely moved with the raw materials as well, if you look at a kind of a sustainable basis. So keeping that in mind, the revenue will also increase essentially in tandem with what is today on a pro rata basis.

Sania Jain: Okay. Got it. And another question I had was, in the past few con calls, you have indicated that certain part of your revenue comes contracts with your customers. Can you throw some light on what kind of contracts are these and some quantitative details on the same?

Rahul Agrawal: So typically, what we have is we have contracts with certain OEMs where we have a structure and kind of a supply arrangement where certain volumes or share of business of the OEMs are confirmed with us based on our pricing formula mechanism. We don't share the details of these pricing formula mechanisms. So I'm not at liberty to do that on this call.

However, this takes care of effectively any volatility, which may arise in raw materials during the year and protects us from that and protects our margins as far as that is concerned.

So -- and in terms of volumes as well, we have indicated in the past that, of course, in ABS, we do close to around 40%, 45% we do on a contractual basis. And on polystyrene, it is lower, but the effort is also to reach the similar levels like ABS.

Sania Jain: Okay. Got it. And another follow-up question on this is, sir, that is this contract on a long-term basis or short-term basis or are these recurring customers? How are the contracts set?

Rahul Agrawal: Typically, the contracts are kind of renewed every year. And these are long-standing customers, several customers, the company has been working with for past several decades. So there are long-standing relationships already in place.

Moderator: We'll take the next question from the line of Chirag Shah from Dalal & Broacha. Please go ahead.

Chirag Shah: Hello, can you hear me?

Moderator: Yes, sir, we can hear you.

Rahul Agrawal: Yes, Chirag.

Chirag Shah: Yes. Okay. First of all, congratulations on a good set of numbers. I have only 1 question. Sir, when is this expansion -- first phase of expansion, getting operationalized from 180 to 210 any time line?

Rahul Agrawal: So that's already in motion, Chirag. The process is going on. During this year itself, there will be a certain part of the business or certain products for which the capacity will be enhanced after about 3 months or 4 months. And the next set of expansion for another set of products will happen in the 6-month period.

But we have considered based on obviously added capacities on an annualized basis or for this particular year, what that total production output would be, and that would be 210,000. So it's ongoing as we speak.

Chirag Shah: Okay. So 210 is basically what you target for the coming financial year. Is that right?

Rahul Agrawal: That's right.

Chirag Shah: Okay. And I think if I -- my numbers are correct then 210 goes to 225. So that is -- you actually calibrated it in a way that means?

Rahul Agrawal: Correct.

Moderator: The next question is from the line of Parth Mehta from Vallum Capital. Please go ahead.

Parth Mehta: Yes. So I had a question on opex. So if I have to look the operating cost per kg before -- during the old management, it was around INR26 per kg and now it has reduced to around INR18, INR19 per kg. So how much further can this be reduced and how much operating leverage can we benefit out of further?

Bhupesh P. Porwal: So Parth, this is an ongoing process. Yes, this has been reduced because of the -- some efficiencies in the various costs, which we have brought in, both the operational efficiencies and the fixed cost related matters. So we can't quantify at this moment what will be there until next year, yes, but we can say the process is on. And whenever any such project which we complete, which we want to highlight, then we'll definitely put it in the call.

Parth Mehta: Okay. And second is on the breakup of the capex cost of INR650 crores among in our ABS and PS, if you can help me with that.

Bhupesh P. Porwal: Yes, sure. So I would request if you can go through our presentation, which was there last time. Moreover, as MD had said, the engineering studies are going on. Once this study is completed, we will be coming with more clearer numbers and the tenure and all those aspects.

Parth Mehta: Okay, okay. And just last 1 on -- on the technology of ABS, so from my understanding, there is 2 type of ABS technology, one is mass ABS and emulsion ABS. So if you can help which technology do we have? And also whether Styrenix is the lowest cost producer like in terms of our moat.

Rahul Agrawal: Okay. Parth, so typically, globally, most of the product which is produced to produced through emulsion ABS. There is not a lot of information or data surrounding mass. When previous management had done a kind of a round-robin study of its locations, India was already quite efficient. And even from that point, I think we have been able to become more efficient over a period of time. So within the existing company's global network, of course, there were certain efficiencies which were already existing, which were superior in India.

There is, of course, an effort to be best in class, and we continue to do that. Between emulsion and mass ABS, it will be difficult to give you or quantify exactly which one is going to be kind of lower cost at this stage.

Parth Mehta: No. I mean to ask, are we emulsion producer or mass ABS producer?

Rahul Agrawal: Yes, we are emulsion ABS producer.

Parth Mehta: We are emulsion. And emulsion is a lower cost production technology, if I am not wrong.

Rahul Agrawal: So what I said right at the beginning is that most of the product globally produced and sold is emulsion ABS, I would say, more than 90%. So there is not a lot of data or information -- reliable data information available surrounding mass ABS. So within the emulsion ABS producers globally, we are definitely very competitive.

Moderator: The next question is from the line of Kunal Shah from ENAM Investments. Please go ahead.

Kunal Shah: So my question is regarding the promoter pledge. If there's any update on when we will be able to reduce it.

Bhupesh P. Porwal: So Kunal, I think the promoter pledge is related to -- it's not related to styrenix performance. So I think this is not the forum to discuss about that matter.

Kunal Shah: I have one more question. As mentioned in the presentation, we are very strong in the Tier 1 OEMs in the ABS market. But outside the OEMs also, there is a market for -- in the smaller industry that the MSMEs are present, is there any effort going on from our side to tap this market, which is a high-margin market?

Rahul Agrawal: Yes, Kunal. So basically, if you look at almost all the segments that we are present in, there are Tier 2 and Tier 3 kind of players out there. And we do deal with a lot of these companies. In fact, with many companies, we also undertake projects for -- specifically for customization. So we do a lot of color development.

We do grade development, application and property development for all these companies. So that is already ongoing effort. We have restarted that effort as well under our management, which was probably not a big focus area earlier on.

Kunal Shah: Right. So is there a need to develop or deploy a team on ground to capture this market to reach these guys in a marketing team kind of.

Rahul Agrawal: Yes. So as you must have seen in our investor presentation, we have also restarted several offices across the country. And we have also strengthened our marketing team. So we have reopened office in Delhi. We already have an office in Baroda, as you're aware. We have an office in Bombay, which we have started. And also, we have a presence in Puna and in Chennai, Hyderabad, Bangalore, all these places.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi: So these contracts that you say that we have renewed every year. So how difficult or how is the process for getting a new supplier for an OEM because -- or these are yearly contractual, I wanted to understand that?

Rahul Agrawal: Yes, Madhur. So typically, the contracts are very long-standing contracts, which are going on, like I said, for several decades. And there is a good understanding of what our value proposition is to our customers and what their share of business means to us. So that understanding doesn't deviate too much from year-to-year. We are able to kind of maintain our share of business accordingly also.

So as long as we are competitive, and we are supplying good quality products, which we have been over the years, we don't see this as a major challenge going back and forth.

Madhur Rathi: Okay. And sir, what is the IRR or ROCE that we make sure that is the minimum threshold before making any kind of investment?

Rahul Agrawal: So currently, a lot of the projects that we have undertaken so far have been debottlenecking projects where obviously, the IRRs and ROCEs are extremely healthy. Once we -- like I mentioned, once we do our own detailed engineering studies for larger investments, at that point of time, we'll conduct those studies and ensure that again, those are attractive in terms of utilization of our resources to pursue them.

But again, many of those projects are going to be complementary or in the same locations that we're already present at. So we do believe those IRRs and ROCEs to be also quite healthy and attractive.

Madhur Rathi: And sir, so I think that these will be ROCE accretive and this will be on current realization?

Rahul Agrawal: Correct.

Madhur Rathi: And sir, just last question. Where does India import most -- where does India import most of the ABS and PS from?

Rahul Agrawal: So in terms of ABS, the larger participation is from companies in Korea, in Thailand, in Taiwan. And from PS, it is from Iran and Thailand and a couple of other countries. This does change. There is a dynamic which plays out from region to region, but these are the larger supplying regions, if you will, to India.

Moderator: The next question is from the line of Parth Mehta from Vallum Capital.

Parth Mehta: Yes. Am I audible?

Moderator: Yes.

Parth Mehta: Just one follow-up question. if you can help me out, what would be our peak EBITDA that we would be able to make on our expanded capacity and by when assuming normalized spreads?

Rahul Agrawal: So again, difficult and like we don't give guidance on exactly what the EBITDA margins are going to look like. What I have mentioned previously is that the EBITDA margins on an annualized basis, considering and taking into account cyclicality and other aspects of the business, whatever annualized EBITDA margins we have, I believe, are defendable.

We also believe that with greater efficiencies coming in higher production and good IRRs in ROCEs on projects that we are undertaking, we do believe that the EBITDA margins are only going to improve over a period of time.

Parth Mehta: Yes. Okay. And just one last question. How are we planning to fund our new capacity?

Rahul Agrawal: So it will all depend on exactly what the amount required is because that will again depend on once we carry out detailed engineering, we will determine what the amount is. And based on that, we will take a kind of disciplined approach on what the right way of funding these investments should be.

Moderator: The next question is from the line of Kunal Shah from ENAM Investments. Please go ahead.

Kunal Shah: Yes, are you able to hear me?

Moderator: Yes.

Kunal Shah: Yes. Can you throw some light on the compounding business? What are the volumes we are doing over there? And what are the kind of products you are making there?

Rahul Agrawal: Yes. So Kunal, currently, on compounding, we are doing, obviously, ABS, which we compound in-house. We also make certain derivatives. We make glass-filled products. We also make PC ABS. We make nylon ABS. We make ASA, which is another product. So there are a few products that we are currently producing.

We also do compounding of ABS PMMA and ASA PMMA and other products. So in our universe of polymers that we work with or deal with, we do different compounds of all these different polymers, which are catering to sectors that we are already servicing.

Kunal Shah: Okay. And the volumes, what would be -- we will be doing there?

Rahul Agrawal: So overall, volumes are around -- will be around 90,000 tons, 95,000 tons this year.

Kunal Shah: 90,000, so that's including ABS, I suppose?

Rahul Agrawal: Correct.

Kunal Shah: Okay. So if we take out ABS, just the pure ABS and -- then what would be the volumes like?

Rahul Agrawal: So when you talk about pure ABS, we have started ABS FR, for instance, ABS glass-filled, for instance. We don't know what you would call pure ABS, would those be categorized under pure ABS or not, I'm not sure. Because those are again blends. And we also have ultra-high ABS or very specialized ABS. So those kind of products are also part of it. So it will be difficult to give a breakup.

All we can say is that this development effort has started in the last 1 year itself. And right now, it is small as a percentage. But we do believe this volume will grow quite rapidly over the next few quarters.

Moderator: The next question is from the line of Rishabh Shah: from Dalal & Broacha. Please go ahead.

Rishabh Shah: My question is, please, can you specify post festival, how much impact is -- like how impactful it is post festival to our business. And before the festival, how good is the business? Can you please specify this?

Rahul Agrawal: So this is reflected in our quarter numbers. If you look at the volumes that we did July to September versus October to December, you will see a certain dip in the volumes. And that dip in the volume is on account of what you see in terms of an OEM demand slowdown or market demand slowdown, which is post festival season. So that quantification has already been provided actually in our presentation.

Rishabh Shah: Okay. Okay, sir. And can you please specify what percentage of cost is fixed and variable?

Bhupesh P. Porwal: So maybe on a yearly basis, we can do that, not on a quarterly basis.

Rahul Agrawal: Yes, please. That would be also helpful.

Bhupesh P. Porwal: So that you can refer the annual report, if you don't mind, then you will be able to quantify that.

Rishabh Shah: Okay. Okay. And also, sir, I would like to understand what is the market share we stand at in India? And how much is the imports currently happening?

Rahul Agrawal: So the market for ABS and for polystyrene is roughly around 300,000 tons. And in the 300,000 tons, our market share in terms of ABS is roughly around 90,000 tons, which is roughly 30% market share that we have. And on polystyrene, again, we are doing close to around 60,000, 65,000 tons out of 300,000 tons. So our market share is around 23% -- 22%, 23%. So that's what we have currently.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Chintan Doshi for his closing comments. Over to you, sir.

Chintan Doshi: So thank you all the investors and investor community for joining the call and showing the interest in the company, and we look forward to answering you in the next investor call, which will be announced in suitable time in future. Thank you.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Styrenix Performance Materials Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.