



# SUPREME PETROCHEM LTD

## Regd. Office :

Solitaire Corporate Park, Building No. 11, 5th Floor, 167, Guru Hargovindji Marg,  
Andheri-Ghatkopar Link Road, Chakala, Andheri (East), Mumbai-400 093. INDIA  
☎ : 91-22-6709 1900 Fax - 022 - 4005 5681 • CIN : L23200MH1989PLC054633  
Website : www.supremepetrochem.com • Email : corporate@spl.co.in

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December 21, 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 to our letter dated December 12, 2023, wherein we had informed you that the Company is conducting Virtual Conference Call with investors/ institutional analysts of the Company on December 18, 2023.

Please note that the said conference call as scheduled was held at 03:00 PM (IST) on December 18, 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 records.

Thanking you

Yours faithfully,  
For **SUPREME PETROCHEM LTD**

  
51 **D. N. MISHRA**  
**COMPANY SECRETARY**



**Supreme Petrochem Limited**  
**Management Meet Virtual Call**  
**December 18, 2023**

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**Aditya Khetan:** On behalf of SMIFS Institutional Desk, we welcome you all on the virtual meeting of Supreme Petrochemicals. From the Rakesh Nayyar side, we have Mr. Rakesh Nair, CFO of the company and also D N Mishra, who is a who is the General Manager legal and the Company Secretary. From the participant side, we have various MFS and PMS representatives, and we will introduce them one by one during the Q&A session. I would now like to hand over the call to the Rakesh Nayyar and post their brief commentaries on strategy and growth prospects, we will devote more time on Q&A. Over to you, sir.

**Rakesh Nayyar:** Thank you, Aditya. Good afternoon to all of you. To begin with, let me first give a brief overview of the company. Supreme Petrochem was formed as a joint venture between the Supreme Industries and Rajan Raheja Group, and it started operations in October 1995. The company is a leading manufacturer of polystyrene and we have a market share of exceeding 50% today. We are also the largest exporter of polystyrene from India, with customers in more than 100 countries around the globe. To widen our spectrum of styrenix, we entered into expanded polystyrene in 2006, and since then we have also become the market leaders in this segment as well. The other products of range of the company includes compounds and masterbatches and extruded polystyrene or XPS extruded insulation board of polystyrene uh, which helps in promoting green buildings movement in India. We are now further increasing our product range by going into manufacture of ABS through the mass ABS route and we have entered into a licensing agreement with Versalis of ENI Group Italy for the production of same. Our total capex on all the schemes which we have completed in this year and going forward in the next two years is around 1200 crores, and the same is being funded from the internal accruals and our cash reserves. On the schemes we have already completed this year, our brownfield expansion projects for enhancing the existing polystyrene and expandable polystyrene capacities at Amdoshi and Maharashtra, and also an expanded polystyrene at our plant at Manali in Tamil Nadu. The company's effective capacity now stands for polystyrene is 300 thousand tons per annum and for EPS is now 110 thousand tons per annum, and the phase one of the mass ABS project is moving as per schedule. When all these schemes are complete, the company, at almost 80%, or 75 to 80% capacity utilization at the current market prices, we should see a top line increase of around 3000 plus crores. Now I think, gentlemen, you can ask me questions.

**Aditya Khetan:** We will start with the question-and-answer session. Anyone from the participant side would like to ask a question, so they may raise your hand and will take forward your questions. We will wait for a moment till the question que assembles, and then we'll take forward the questions. We'll take the question. The 1<sup>st</sup> question is from Sukhbir Singh, he's an individual investor. Sukhbir you can go ahead.

**Sukhbir Singh:** Good afternoon, sir. My question is that what would be the Capex for FY 24 and FY 25?



**Rakesh Nayyar:** Out of the 1200 crores, we have uh, till date incurred around 500 crores plus and the balance 700 crores is to be incurred by the 2025 or so as the phase one and the phase two will be here, so by March 2026, the full amount would be spent.

**Sukhbir Singh:** Okay, sir. Is there any increase in the debt in the future? Any plans for raising debt in the future?

**Rakesh Nayyar:** As I said, that all capex is being met from the internal accruals and our cash reserves, so we have no debt and we as of now, no plans to raise any debt.

**Sukhbir Singh:** Ok sir. And my second question is, can you please provide us the outlook regarding the extruded polystyrene?

**Rakesh Nayyar:** Sorry I couldn't get you. What do you want for the XPS, sir?

**Sukhbir Singh:** How is the current demand going on and in future?

**Rakesh Nayyar:** It is all dependent on the how the concerned people are with regard to the green buildings and environment. Using this not only makes one's living comfortable, but also helps in reducing the energy bills, and which indirectly means that the reduction in the CO2 emissions and other things. So, the currently individual users are very rarely or very minimally using it, I would say, though, despite our many roadshows and marketing, maybe that people don't want to spend money initially, but the institutional investors and the government projects, they are all using it now and I think that as the word-of-mouth catches on, this product would grow substantially and manifolds rather. Particularly in the extreme weather conditions, this product is of great use, be it winters or be it summers.

**Sukhbir Singh:** Ok, thank you so much and my last question is about the mass ABS outlook, like our expansion is on track to commission according to you how is the competition in this segment which is increasing like ENOS is also putting up a plant? BPL is also like expanding. Can you please provide us some guidance towards it?

**Rakesh Nayyar:** Yeah, we are aware that both are expanding now. They have made announcements, but then there is enough scope and enough demand in the country and it is growing also for all the players there is enough import happening so there will be import substitution happening in the country.

**Sukhbir Singh:** Ok, sir. Thank you so much, sir. Thank you.

**Aditya Khetan:** Any other participant can raise their hand and can ask the questions. Yes, Lakshminarayanan Sir, you can go ahead with your question.



**Lakshminarayanan:** Yeah. Thank you. Hope you can hear me. I just want to understand what is your volume mix by different product segments EPS, XPS and what is the capacity in that now?

**Rakesh Nayyar:** Can you repeat your question and introduce yourself.

**Lakshminarayanan:** My first question is can you just give me the volume outlook in terms of your sales by different product segments you have, which is expanded polystyrene and extruded polystyrene and any other product and what is the capacity expansion that would happen in these specific product segments in the future.

**Rakesh Nayyar:** The demand for polystyrene this year would be low I would say the growth in demand, particularly because the appliances market has been low till now. The demand from the appliances market, and we expect that the market should grow by only 4 to 5% this year only. As far as EPS is concerned, we expect the market to grow by 8% or so that is the initial estimates here. If the unless the demand from the appliances sectors grow in the coming months, then maybe it will change. And what was the second part of your question?

**Lakshminarayanan:** And what about extra extruded polystyrene XPS?

**Rakesh Nayyar:** Extruded polystyrene should grow around; I suppose again 8 to 10% this year.

**Lakshminarayanan:** Okay, and what will be your volume in these in these segments right now?

**Rakesh Nayyar:** Our effective as I said, it is effective but not the installed effective because there are various product mixes happen within in one product, also there are various grades and there are heavy grades and others. So, the effective capacity as per our product mix for polystyrene is around 300,000 tons now and for EPS is 110,000 tons.

**Lakshminarayanan:** Okay. And, I mean, couple of years back, there was, uh, you know, I think LG Polymers left the market, right now, is that entire market came to us in terms of their, you know, whomever they were selling to?

**Rakesh Nayyar:** No, there are imports happening, there are imports have gone up and also Styrenics is there, so the Styrenics is also have got the increase in their market share also. So, it is distributed between all the imports, between the Styrenics and us.

**Lakshminarayanan:** Got it. And, have you looked at pricing globally, how it is shaping up for this right now?

**Rakesh Nayyar:** The deltas right now are low globally and which a few years back or rather in the year 2021-2022 and 2022-2023, they were very healthy deltas which have now come back



and they have now currently, because of the global scenario and environment, the deltas are currently low.

**Lakshminarayanan:** Ok, I mean, what is the band you think it will operate at?

**Rakesh Nayyar:** The normal Delta for general purpose polystyrene is around 175 to 200 dollars and HIPS it varies between 250 to 300 dollars. That is the very normal standard deltas for the normal standard grades of polystyrene, and we expect it should bounce back to these are better than these levels now once the global external environment, particularly the Middle Eastern environment currently and all that, that settles down.

**Lakshminarayanan:** Got it. And from an import point of view, how much of, you know, ABS is being imported?

**Rakesh Nayyar:** As per the information we have the imports are in the region of 130 to 140 thousand ton currently.

**Lakshminarayanan:** Got it, and for us as a company, I mean, what are the financial metrics you look at whether I mean, you must you look at I know you look at ROE and ROCE, and but how do you look at EBITDA per ton? What is your thing you would like to operate in at a company level at an EBITDA per ton?

**Rakesh Nayyar:** We also look at like any other company would look at it, there is no other difference in that.

**Lakshminarayanan:** My question is that revenue may not be the right indicator because revenue is not in your hand it is to an extent, but what is more important is the at the EBITDA per ton you actually do not as a percentage, but EBITDA per ton as an absolute.

**Rakesh Nayyar:** In refinery refining business you never do percentage business, the same applies here also.

**Lakshminarayanan:** My question is EBITDA per ton in absolute number? What is the band you are in and what is the thing you like?

**Rakesh Nayyar:** Sorry I won't be able to divulge that number to you.

**Lakshminarayanan:** Ok, yeah. And in over the last five years, how that number indexed has actually increased.

**Rakesh Nayyar:** Sorry.

**Lakshminarayanan:** Now, if I look at the EBITDA per ton, Absolute EBITDA per ton was 100 5 years back, let's say 2018 or 2019 and how much does that reference It has moved up?



**Rakesh Nayyar:** This all again I said it depends on the global deltas, If global deltas have jumped up in the last two years, our delta has also moved up, so that is really not a comparison because everything is linked to the global markets today and currently the global deltas are low, so the Indian deltas are also low.

**Lakshminarayanan:** Right, ok. One last question, see when you look at efficiency metrics of your organization, what is the efficiency metric you look at? Just to understand, you know, theoretically what you look at?

**Rakesh Nayyar:** Efficiency is that our cost of production and our call should be the lowest and the quality should be the best, and our quality is good that is why we are present in so many countries globally.

**Lakshminarayanan:** Got it. That's very helpful, sir. Thank you so much.

**Aditya Khetan:** Anyone else from the participant side? Yes, sir.

**Rakesh Nayyar:** I would request that any participant to comes to ask question, you must introduce himself who is he? And from where is he? Because the gentleman who was there, I asked also. Who is from where is he? Which mutual fund? But that answer was not.

**Lakshminarayanan:** Sorry sir, I think I put it in my display name, I thought it would be visible. My name is Lakshminarayanan. I manage Tunga Investments, which is an alternate investment fund.

**Rakesh Nayyar:** Okay. Thank you.

**Lakshminarayanan:** Thank you sir.

**Aditya Khetan:** Anyone else from the participant side would like to ask a question, they may raise their hand.

**Chockalingam:** Hi sir this is Chockalingam from ICICI Prudential Asset Rakesh Nayyar. So just wanted to understand on your Capex plan you know, how much is pending and over what time frame?

**Rakesh Nayyar:** We have spent about around 500 crores till now, and around 700 crores is to be spent over the next two years.

**Chockalingam:** And typically, what would be the asset turns that we are looking from the products that we are getting into. Is it better than the old one or how should we think about it?

**Rakesh Nayyar:** No, ABS is absolutely a new product. We are not there even..., and mass ABS is not there in the country.



**Chockalingam:** Correct. So how should we think about the asset turns? Is it higher than the existing you know polystyrene.

**Rakesh Nayyar:** So existing polystyrene is an old plant now, but as far as this is concerned as I said that at 80% capacity in the beginning itself, I said this, that the once all these schemes are over, including our brownfield expansions, so our top line at current prices should go up by more than 3000 crores.

**Chockalingam:** Okay. Sorry I missed that part, I joined in late, apologies for that. Yeah. And is the IRR in these kinds of projects, is there a certain, I'm sure there must be a hurdle rate at which you would be kind of considering capex, Is it in the teens or about 20% that you typically would work with?

**Rakesh Nayyar:** Something internal issues. So, I can only say that the, we look at, As for your consumption is concerned, a simple cash payback is should be less than four years in these cases.

**Chockalingam:** Ok, and in terms of the, you know, ABS in the new products that we are kind of coming in, over, what time frame do you think we will be able to start exporting or is it initially import substitution and then eventually at what point in time do you really think you can start to export and at what scale do you think?

**Rakesh Nayyar:** India has sufficient demand currently, even after the somebody else in the previous question asked even after the other two players expanding their capacity, there is enough scope in India, and India is also becoming a kind of an export hub for all appliances and electronic products including not only the phones, but the computers and laptops and other devices, two wheelers and electric vehicles are again going to boom in India, so they are growing, I think that there will be enough demand in India itself going forward there, if required, we will export but that our capacity of initial capacity of 140 thousand tons should get be consumed in India itself.

**Chockalingam:** And just a sense of how big the Indian market currently today is in terms of tonnage sir?

**Rakesh Nayyar:** The Indian market today is closer to 275 thousand tons as of last year, that was the estimated numbers we have.

**Chockalingam:** Okay. Understood, and in the space that we are expanding, would we have more land for further brownfield expansions?

**Rakesh Nayyar:** Yeah, we have enough land there.

**Chockalingam:** Ok. Up to what size can we go with current infrastructure?



**Rakesh Nayyar:** We can increase our substantially our growth there. We have enough land there.

**Chockalingam:** Ok, understood. Thank you, sir.

**Aditya Khetan:** Anyone else from the participant side who would like to ask a question, they may raise their hand.

**Manan Shah:** I'm Manisha from ICICI Prudential Asset Rakesh Nayyar. Just one question on the ABS product. If you could just help us, the differences in spreads between mass ABS and the and the other technology. What is the difference between the two?

**Rakesh Nayyar:** I won't say that there is any difference as far as the end selling prices would be. It is a difference between the cost of production there should be, because the utility costs this is a continuous process whereas the earlier the suspension grade processes which are or the emulsion grade processes which has been historically or conventionally being used, there you have a various process which is batch processes. You make high grade rubber, you produce sand separately and then there is a compounding done and other additives are added at the compounding stage, so that's kind of a three stage, four stage process. Secondly because they all are at multiple locations, so that of course adds to the cost as well whereas this is a continuous process, so that helps in the conversion cost is certainly better here or lower as compared to the emulsion grade ABS.

**Manan Shah:** And any ballpark range as to in maybe in percentage terms or absolute terms, how much are those spreads can be the delta between mass ABS technology and emulsion ABS?

**Rakesh Nayyar:** I won't be able to tell you that at this stage, because once you unless and otherwise we are actually, I told it is as far as our collaborators are concerned, that the energy process required in the emulsion grid is almost two times to two and a half to three times more than what would be required in this stage. So, but then absolute numbers would be really known to us once we are into it. The magician given to us by our collaborators.

**Manan Shah:** Majority of the difference in cost structure would be largely on account of the power and fuel cost. That would be the right understanding?

**Rakesh Nayyar:** The operating cost, the manpower cost, all those total operating costs in a continuous process would be absolutely lower because if you are producing HIPS at once, place other place you are producing sand, you have to transport it to the third place. You have a third place set up separately, so all that adds to the manpower conversion cost, transportation cost, but in a continuous process that is not there.

**Manan Shah:** Ok, sir. Thank you.





**Aditya Khetan:** Next question is from Mehul Bhatt FM of Oyster Rock Capital. Sir you may go ahead. Hello, sir, you may go ahead with your question. Ok, till then, we'll take the next question. We will take the next question, which is a follow up from Lakshminarayanan Sir, from Tonga Investment, sir you can go ahead.

**Lakshminarayanan:** In terms of extruded polystyrene, we were the first company to get in, right? so what has been the what kind of competition specs you have in that particular market?

**Rakesh Nayyar:** We are the only player, so there is no competition as such. It is only that the utilization actual users. The challenges have been there that to market or rather to publicize the product and for which we have done many efforts were taken by us rather, I would say that we, I think, spent more money on the marketing efforts than the actual capital cost, maybe over the years and that is why because nobody was aware of this product in India and today, at least in the CPWD this is a recognized product and the all the government projects, it is a recognized project product, all the institutional buildings or the educational institutions, hospitals or the commercial buildings at least they have started using it now. This product was used through our contractors. Even in the new Parliament House, we are told that this product has been used in the other government buildings this product is being used now. It is now the awareness has come, but it is more on the institutional side and the individual uses as is still very low.

**Lakshminarayanan:** Got it, and extruded polystyrene is less than I mean less than 2% of our revenues now, right?

**Rakesh Nayyar:** Yeah. That's right, got it.

**Lakshminarayanan:** In terms of capacity, you mentioned that you have effective installed capacities around 300 thousand ton per polystyrene and 110 thousand ton EPS. Where is the number two and number three players in this in terms of capacity?

**Rakesh Nayyar:** PS currently is the Styrenix is now the because LG is temporarily closed and so the third player is Styrenics. Styrenics, I don't know the exact installed effective capacity of theirs, but maybe as per the market numbers, they could be around 75,000 tons should be their current capacity, which I think they have also made some statement that they, they may be increasing it to some numbers.

**Lakshminarayanan:** And the total Indian market is around four lakh tons, right? The total market for India in terms of the tonnage of polystyrene, is how much?

**Rakesh Nayyar:** Last year it was 315 thousand tons or so there about.

**Lakshminarayanan:** Ok, and of which imports are 130 to 140 k.



**Rakesh Nayyar:** No, that is for ABS I said. I never mentioned any import numbers or polystyrene.

**Lakshminarayanan:** Ok, and polystyrene what kind of imports are there?

**Rakesh Nayyar:** I think it was close to 70,000 tons or so last year or 75,000 maybe that is the number. Exact numbers of imports are again are something which is all collected numbers, so I won't say that the I have the numbers.

**Lakshminarayanan:** In terms of polystyrene, if you look at domestic market, what is the industry to which it caters? What is the industry mix to which it caters to?

**Rakesh Nayyar:** You're talking about polystyrene?

**Lakshminarayanan:** Correct, sir.

**Rakesh Nayyar:** The polystyrene caters to the appliances segment. It caters to the stationary, it caters to the writing pens, then it is packaging, medical disposables, dairy then disposable food wares, household items, then it is used for the glass like clear sheets, which is used in the construction. It goes into shaving products, toys, water purifiers, wall clocks, even beads and bangles are made out of polystyrene, when Christmas embellishments globally are all made from polystyrene.

**Lakshminarayanan:** Got it. And when you look at expanded polystyrene is that the use similar?

**Rakesh Nayyar:** The expanded polystyrene is more used for packaging and insulation food packaging also then cold storages and then in construction that is used.

**Lakshminarayanan:** And typically, how many clients you would have, I mean, how many parties you would be supplying to would it be in the range of 50 to 100 or it will be even more or even less?

**Rakesh Nayyar:** More than that.

**Lakshminarayanan:** Got it. And how does pricing happen in this?

**Rakesh Nayyar:** I said everything is all linked in one way or the other way, indirectly to the global prices and then all your local factors come into play there, and then the grades you are supplying.

**Lakshminarayanan:** Sorry I didn't here you that, please repeat it.



**Rakesh Nayyar:** I said it is linked indirectly to the global prices but then you add all the domestic factors into those for the standard grades and for the other normal premium grades and the value-added grades, the premiums are added onto that.

**Lakshminarayanan:** One last question, there are some things related to anti-dumping on polystyrene, and there is some news during 2020 and it wasn't clear, so can you just help us understand where do we stand?

**Rakesh Nayyar:** That was recommended by the Directorate General of Trade Reliefs but then it was not implemented by the Ministry of Finance.

**Lakshminarayanan:** Ok, got it. Okay. Thank you, sir.

**Aditya Khetan:** Next question is from Mehul Bhatt sir, fund manager of Oyster Rock Capital. Sir, you may go ahead now. I believe we have lost the line of the participant. Sir, meanwhile, like I was having, some questions are like, onto the value-added grade side what is the current mix today? I believe earlier you had mentioned that it was around 35 to 40%.

**Rakesh Nayyar:** It remains there only.

**Aditya Khetan:** Ok and, sir, is there any target in mind like by FY 26 or 27?

**Rakesh Nayyar:** No, as the demand grows, we will also grow. So, I can't really there is we have already there in the range of 35 to 40. Now currently some of the segments are low this year and the particularly so the demand there also slows down.

**Aditya Khetan:** On to our business of expandable polystyrene, as compared to our traditional business of polystyrene, how much is the difference in spread? Like suppose if polystyrene business...

**Rakesh Nayyar:** That is the different business, that is a processing kind of a business, so there is no comparison between these two products and as far as the margins, prices, selling prices, these are sold by square meters that is sold by tonnages, so these are different things, so there is no linkage to that.

**Aditya Khetan:** Ok, and onto the polystyrene side also, we were hearing some news that there are some polystyrene ban in some countries which has been implemented so does that what the demand....

**Rakesh Nayyar:** For what ban have they implemented.

**Aditya Khetan:** Polystyrene ban in some of the countries has been implemented.

**Rakesh Nayyar:** So we have not heard such things, maybe for the somewhere, if they have said that you will not use it for the disposable glasses or dispose like in India, everything is



now disposable one time use products are stopped, so that could be the thing for some other country, like one time use product of carry away food packaging or anything may have been stopped, but then as far as food goes, polystyrene is the safest product for the food contact, all dairy products, all yogurts, all ice creams are packed in polystyrene because it is considered to be the safest for food and medical disposables like test tubes that is all polystyrene then

**Aditya Khetan:** Ok, got it. From the participant side, if there are any questions, we may take that ahead. Anyone has any questions they may like ask the questions directly. Yes Sukhbir Singh, you may go ahead with your question.

**Sukhbir Singh:** Thank you, sir, for the opportunity again. Actually, I have one question relating to the styrene monomer price. So, can you please provide us like what is the current trend of it?

**Rakesh Nayyar:** Current prices in the last few months has been in the range bound only and current prices are close to \$1,050 or so.

**Sukhbir Singh:** \$1050. Ok sir, so in the near in the near future is there any further, like incline or drastic change according to you?

**Rakesh Nayyar:** As I said, it has been now moving for the last, April to June quarter was the one where it saw a big fall but then post from mid-July onwards, it has been range bound \$50 up or down, but that has been in the range in which it is moving.

**Sukhbir Singh:** Ok sir. Thank you so much sir.

**Aditya Khetan:** Anyone else from the participant side? Any questions? You may go ahead with your question. From the participant side, anyone having any question or we'll have to wind up the call then.

**Rakesh Nayyar:** Yeah Aditya, I think no one has any questions now.

**Aditya Khetan:** Yes, I believe no one has any questions as of now.

**Rakesh Nayyar:** So, thank you, gentlemen. Thank you very much.

**Aditya Khetan:** Thank you, sir, for your time for the call.