

26 November 2018

To,
BSE Limited
Dept. DSC_CRD
Phiroze Jeejeebhoy Towers,
Dalal Street
Bandra (E)
Mumbai 400 001
Stock code No. **506222**

National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, 'G' Block,
Bandra- Kurla Complex,
Bandra (E)
Mumbai 400 051
Stock code. **INEOSSTYRO**

Subject: Transcript of Earning's Call

Dear Sir,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached Transcript of the Earning's Call held on 16 November 2018 for 2nd Quarter ended on 30 September 2018.

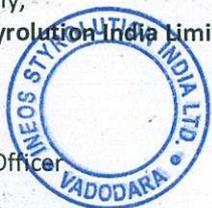
You are requested to kindly take the above information on your records.

Thanking you.

Yours faithfully,

For **INEOS Styrolution India Limited**


Amrita Mistry
Compliance Officer





“INEOS Styrolution India Limited Earnings Conference Call”

November 16, 2018



**MANAGEMENT: MR. SANJIV VASUDEVA - MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER, INEOS STYROLUTION
INDIA LIMITED
MR. SANJEEV MADAN - CHIEF FINANCIAL OFFICER,
INEOS STYROLUTION INDIA LIMITED
Ms. AMITA MISTRY – COMPLIANCE OFFICER, INEOS
STYROLUTION INDIA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the INEOS Styrolution India Limited Earnings Conference Call. We have from the management of INEOS Styrolution India Limited Sanjiv Vasudeva - Managing Director and Chief Executive Officer, INEOS Styrolution India Limited, Sanjeev Madan - Chief Financial Officer, INEOS Styrolution India Limited, Amita Mistry – Compliance Officer, INEOS Styrolution India Limited. 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 “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sanjeev Madan - Chief Financial Officer. Thank you and over to you, sir.

Sanjeev Madan: Dear shareholders, investors and analyst fraternity, we welcome you to this earning call. Your company INEOS Styrolution India Limited had declared its results for second quarter and half year ended September 30, 2018, on 13th November, 2018. We will brief you about the major highlights of the performance. Kindly note that revenue from the operations for period up to June 2017 includes excise duty which is discontinued effective from July 1, 2017, upon implementation of GST in India. In accordance with the Ind AS, GST is not included in revenue from operations. In view of the aforesaid restructuring of indirect taxes, revenue from operations for the half year ended September 30th, 2017 and March 31st, 2018 are not comparable with half year ended September 2018.

Regarding quarterly performance, profit before tax in July to September 2018 stands at INR 1,073 lakhs as compared to INR 2,556 lakhs in July to September 2017. Revenue net of excise GST from operations in current quarter has increased to INR 56,837 lakhs as compared to INR 48,262 lakhs in July to September 2017. Profit before tax in July to September 2018 stands at INR 1,073 lakhs as compared to INR 2,659 lakhs in previous quarter. Revenue net of excise GST from operations in current quarter stands at INR 56,837 lakhs as compared to INR 59,446 lakhs in previous quarter.

Regarding year-to-date performance profit before tax in YTD September 2018 has increased to INR 3,732 lakh as compared to INR 2,990 lakh in YTD September 2017. Revenue net of excise GST from operation has increased to INR 116,283 lakh in YTD September 2018 as compared to INR 93,179 lakhs in YTD September 2017. However, no growth basis include excise duty revenue was INR 98,713 lakhs.

Now coming to the segment results, Specialties, profit before tax interest and other un-allocable expenditure stands at INR 2,328 lakhs in current quarter as compared to INR 3,429 lakhs in April to June, 2018 and YTD September 2018 stands at 5,757 lakhs vis-à-vis 4,153 lakhs in YTD September 2017.

Polystyrene, loss before interest and other un-allocable expenditure is INR 670 lakhs in current quarter as compared to loss of INR 59 lakhs in April to June 2018 and YTD September 2018 loss is 730 lakhs vis-à-vis loss of 287 lakhs in YTD September 2017.

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

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-answer session. We would take the first question from the line of Sudarshan Padmanaban from Sundaram Mutual Fund. Please go ahead.

Sudarshan Padmanaban: Sir, my question is on you had in the presentation talked about automotive segments slowing down and there has been a slow down which has been absorbed across all the segments on that side. And I mean, even if you look at the volumes per say on a year-on-year basis it is marginally being down and in compared to no historical trend of volumes being up. Can you throw a bit more light, how do you see the segment, the demand for the industry for say this year and the coming year? And also can you talk a bit about the largely if you looking at what is the prices realization that we have on the overall basket how was the raw material cost behaving and I mean last year again, while the industry kind of benefited big time we did not participate in that and I think while even this year it does not seem that we are seeing a big jump in margins per say?

Sanjiv Vasudeva: Firstly, your question was around the industry demand. We do see a bit of a slowdown. Automotive is what we talked about earlier. The first half of this year automotive had double digit growth, in fact if you look at the SIAM data it was like (20%), which kind of slowed a bit in the last quarter to single digit. In fact, if I am correct in September, SIAM mentioned negative or 0% kind of a growth in automotive. And I believe last month it has picked up again. So, there was, a bit of a slow down on the automotive side for sure but it seems to be picking up again. On the rest of the industry, it is going pretty normal, we are still expecting a double-digit kind of a growth from household electronics segment. A bit of a slowdown was there prior to the Diwali but the Diwali sales were pretty good and we hope that the rest of the year the sales will kind of keep up. Your second question was more around the prices of the raw material and the finished goods overall. The prices, again in the first half of the year were much higher and in fact also in last quarter if you are following some of the data from different sources on ABS and the raw material prices, most of the prices have declined by about 20% or so. Last 1 or 2 weeks they are kind of flat, so honestly it is any ones guess how they are going to shape up going forward. I hope I have answered ...

Sudarshan Padmanaban: See, I just have an additional query with what you mentioned, I mean with the ABS prices coming down. I mean, that is the trend that even I have been able to see on the data that I track even on the spreads. But I mean, if I remember correct last year when we discussed in one of the earnings call about the spreads and why we are not able to capture. I believe the commentary

was we enter into long term contracts and as the contract kind of gets over we should be able to get into the higher contract and lock it for a period of time. Is there any change in the thought process or is there any different way of you looking at the business versus my understanding over here.

Sanjiv Vasudeva: The contracts remain the same for us. So, depending on how the prices go up and down accordingly on a quarterly or monthly basis the prices get revised. I think, I also said earlier nearly 50% of business is contractual basis because within ABS also you have more specialty kind of grade predominately going in automotive and household where you have contractual and then you, also have distribution business which is more like a spot business. So, that thought process of the contractual business and prices going up and down same goes with the FX, right. Because Indian Rupee has also really in fact jumped to something like 74 if you remember, right a few weeks back. That is how we do now. So, same goes with the FX, it is part of the contract equation.

Sudarshan Padmanaban: And how often do we renew it, you mentioned?

Sanjiv Vasudeva: Most of these contract are on a yearly basis.

Sanjeev Madan: On a yearly basis but the formula works either on quarterly, monthly basis or weekly basis depending on OEM to OEM.

Sudarshan Padmanaban: And little bit color on the other expenses, I think that would be my last question now. Why there was a spike in the other expenses this quarter?

Sanjeev Madan: So, in other expenses there is an increase mainly due to some utility expenses have increased like the prices of the gases has increased and also the foreign exchange is impacting although we are doing all the hedging's but there are certain FX hedging cost and the realized and unrealized expense is also including in that. And as the fuel cost is also increasing the transportation cost has little bit increased but not much. But the majorly portion is the FX which has impacted to some extent

Moderator: Thank you. We would take the next question from the line of Nikhil Oswal from Stallion Asset. Please go ahead.

Nikhil Oswal: Sir, the question is regarding, I have question regarding the growth drivers and which are the major industries, I am talking with regards to ABS. So, which are the major industries that you all target for ABS since there is an auto slowdown, so where is the demand getting shifted?

Sanjiv Vasudeva: Automotive is one of the segments that we participate in and there are segments like household, electronics, TSLO we call it toy, sports, and leisure, also helmet and small appliances. So, there are many other applications leaving aside automotive where our product moves into. There is pretty much spread across the different segment. So, though auto did slowdown, some of the

other segments are still kind of holding. Directionally, we still do see ABS growing at a good double digit growth, 10% to 15% growth for the whole year and for the coming 2 years.

Nikhil Oswal: Sir, so do you see any other industry coming in ABS like incase of shifting themselves from polypropylene to ABS or something like that?

Sanjiv Vasudeva: For cost outs you may have industries which are on polycarbonate or polycarbonate ABS moving more towards ABS. So, there could be also like you said polypropylene, like an automotive you have both polypropylene and ABS. like bumpers are made of polypropylene, can be made of ABS, can be made of PBT, can be made out of- PC/PBT. So, it depends on the type of vehicles,. So, as the vehicles move from A to C categories of vehicles keep increasing, or you go for to higher classes, You would see better quality materials than the typical commodity plastics. So, yes you would see a shift from commodity plastics to ABS which is somewhere between the high-performance plastics and the commodity plastics. So, yes you would see some of that shift happening.

Nikhil Oswal: And sir, the other question is regarding the ABS prices, so what is the impact of it? Can you throw some light on how ABS price has been and what is the, like the realization currently? EBITDA per kg, if you can just give me.

Sanjiv Vasudeva: Well, ABS prices on an average April to June they were average around \$2,000 and the average for the last quarter has been around \$1,800 or so. So, there has been about \$200 to \$250 kind of a drop in the prices, so also on the margin. The margins are also seen reducing not just in India but across internationally across all geographies.

Nikhil Oswal: Sir, the other question was regarding the crude and the styrene prices, since the crude has come down and so are the styrene prices also softening. So, will it normalize your margins and make it better in the coming subsequent quarters?

Management: These are very cyclical, very difficult for me to predict. We did not expect styrene to come down that dramatically. Crude, right till a month back was hovering 70 plus, yes 75 even higher than that. So, very difficult for us to predict that and there is not a 100% direct correlation between the crude and the styrene and the ABS prices though they are all related but it is not like there is a 100% correlation.

Nikhil Oswal: But styrene, I suppose styrene monomer is the raw material for ABS, right. So, if the prices have fallen it should reflect on the margins too as the input cost would reduce.

Management: Sure, the input cost do reduce but also the prices of ABS has dropped. So, it is mostly the delta margin that you have the price of the raw materials and the price at what you can sell. So, that is the most important piece. So, even if your prices of raw materials have dropped, if your selling prices also dropped your delta margin generally would have remained the same or have dropped further. So, that is the point I am trying to make.

Moderator: Thank you. Next question is from the line of Karan Khanna from Ambit Capital. Please go ahead.

Karan Khanna: Sir, firstly I wanted to understand when you say the size of the ABS market is around 250,000 tonnes. Can we get that breakup in terms of how much of that will be general and how much of that will be specialty? And secondly, our market does not go general and the specialty and finally in terms of industry spread across general and specialty grades?

Sanjiv Vasudeva: Well, the market size would be as you are correct around 250 KT for ABS. I would say within ABS what someone else maybe defining specialty would be something else.

Karan Khanna: Something say for example we also produce Absolac ABS, the high impact grade Absolac ABS our realizations are much higher. So, what I am trying to understand is there will be a general grade where we are realization of Rs. 130-Rs. 150 and there also be a special grade were we earning much higher realizations.

Sanjiv Vasudeva: So, our special grades would be at least 50% of our portfolio.

Karan Khanna: And in terms of the market, how big was the market be?

Management: Out of 250 market would be pretty similar.

Karan Khanna: And secondly any sense on the average realization, I think one of the previous participants had asked this question. But what was the average realizations in ABS and in polystyrene during the quarter and directionally how has the realizations been trending compared to previous quarter and in the same quarter last year?

Sanjiv Vasudeva: Well, firstly we do not give separate information on this. And overall I can say directionally the margins have declined last quarter versus the previous quarter both for ABS and for polystyrene same goes with the raw materials.

Moderator: Thank you. We would take the next question from the line of Abhishek Jain from Vallum Capital. Please go ahead.

Abhishek Jain: How much SKUs we have in ABS currently?

Sanjiv Vasudeva: SKUs, you mean grade colors?

Abhishek Jain: Yes.

Sanjiv Vasudeva: I mean we have over 500 to 1,000 SKU's. It depends on how you define SKU grade, color, packaging right?

Abhishek Jain: Differentiated products.

- Sanjiv Vasudeva:** Differentiated product, I mean we have about 500 plus SKUs, 500 different grade color combination.
- Abhishek Jain:** And sir any update on CAPEX side?
- Sanjiv Vasudeva:** CAPEX for what? Yes, what exactly the question? Any update on CAPEX for what?
- Abhishek Jain:** Which we like on the 137 KT part?
- Sanjiv Vasudeva:** Fine, you talk about the 137 KT. Well, I think you are talking about one of competitors here. Nevertheless, we have also be announced in our AGM last time about our Moxi 100. We are talking about 100 KT, taking our Moxi capacity of 100 KT, so that CAPEX is going as per plan.
- Moderator:** Thank you. Next question is from the line of Dhaval Joshi from Sundaram Mutual Fund. Please go ahead.
- Dhaval Joshi:** Just a continuation of what previous question asked by our colleague. So, can you give us a timeline of your CAPEX or and any more CAPEX going for because if your current production trend it is almost a full capacity at this point in time. So, can you throw some more light on it completion and is there any future plan to expand your volumes or capacity?
- Sanjiv Vasudeva:** Yes, like we announce in the AGM, our Moxi 100 with the CAPEX of about 18 million-19 million about 100 crores or so. That is going as per plan. We expect our incremental compounding capacity to be operational by mid or by Q3 in next year. Secondly, in the AGM we also announced that we are doing some design and engineering for increasing capacity of our SAN and looking at rubber. That back-end engineering studies are going as per plan. We expect to have our decisions or outcomes on that by April next year.
- Dhaval Joshi:** So, just wanted to understand, I mean in ABS and PS as there is no capacity expansion right?
- Sanjiv Vasudeva:** We talked about our ABS. I, all these are things which make the ABS, right.
- Moderator:** Thank you. We would take the next question from the line of Niket Shah from Motilal Oswal Asset Management. Please go ahead.
- Niket Shah:** Couple of questions, sir. One is, I just wanted to understand there has been a talk of significant amount of imports coming from Korea into India because of slowdown in China as far as auto is concerned. So, just some of your thoughts on that, is that the reason why the spreads have been under pressure, that is first question. Second is typically whenever some kind of this kind of dumping or this kind of incremental more supply comes to India and spreads remain in pressure. How much time does a cycle typically last? And the third question was obviously on the raw material part of it. You have seen significant amount of decline in raw material recently

whether it is styrene or any other raw material will that have an impact on your inventory you have mark-to-market inventory in the upcoming quarters? Thank you.

Sanjiv Vasudeva: First of all, imports, yes it does have an effect. We did see heightened imports for ABS and also for polystyrene which also affected our profitability because when you have low cost materials coming in you need to compete there as well. How long these things last, well very difficult for me to say. Imports directionally have been steady or growing, fortunately our demand is also growing. So, there is room for us to grow and maintain or grow our share. On the last question was around the raw material, I think we do carry inventory of some of the raw materials but very difficult for me to give you an answer as it is a forward-looking question around what effect it have on our numbers. But yes, it does have an effect the raw material inventory will have an effect on our numbers.

Niket Shah: Sir, my question on Korea was primarily to do with the fact that what is our selling price for example for example we would be selling at say Rs. 150 a Kg. The Korea ABS is substantially lower price, is it the traders who are trading who are basically importing and selling making lower margins, right now because we would have bought it at 67 and while they go and pay their money it is about Rs. 72 of currency. So, do you think incrementally it will stop now after the first round whatever has happened at Rs. 72 currency does not make sense for the traders to go and import from Korea and sell in India? Is it still viable?

Sanjiv Vasudeva: We did see over the last 2-3 months, the months were Rupee was also at a higher value and traders still importing. I think last quarter is very interesting with the INR /USD Forex effect, went from 67 to 74. So, we have seen different kind of behavior hence I said it is very difficult for us to predict surely when traders will sell it at a lower price than ours. So, that does affect us but like I said we have the good news that we have demand in India, there is opportunity for us to grow and we are a local manufacturer. We can make multiple kinds of products which is very difficult for traders to copy. Because it typically would trade or in more general purpose of standard kind of stuff and on top of it we do have contractual business, right. Traders cannot have contractual business with the OEMs because of the nature of the business model they have. So, all these things do play a role.

Niket Shah: Sir, for any gut feel that you want to say that by how much time would they settle up or even your past experience, I know you cannot put a number as to what will happen this cycle. But typically historically in your experience of 10 to 20 years whenever such kind of incident happen how much time does it take and is it a global phenomenon that globally spreads have come off? And while the cycle reverse is the globally spreads will move up should we also link with global spreads of some of these large players like LG?

Sanjiv Vasudeva: Generally, these trends are not long lasting but imports will always be there, I mean that is the reason why local players would add capacity, right. If a good piece of the volumes are imports

that much more room for us and our competitors to increase our capacity to cut down the imports and that is what is happening as you see with the announcement that we have made.

Moderator: Thank you. We would take the next question from the line of Mr. Vipul Shah from RW equity. Please go ahead.

Vipul Shah: Just in the light of couple of questions which have been asked earlier, I just want to know, sir in this quarter have we operated at full capacity for all our plants and products on the manufacturing side?

Sanjiv Vasudeva: Well, ABS has been running at a very high utilization rate. Polystyrene utilization rate has been a bit lower. But typically, our capacity is in line with the demand. So, capacity in principle is not an issue.

Vipul Shah: So, when we say polystyrene sir, not optimum can we sort of put in say a number around it 80% utilization or 70% utilization. Would you be comfortable putting a number?

Sanjiv Vasudeva: Yes, I mean these all data in the public domain. The utilization and the capacity versus demand for polystyrene are around 70%.

Moderator: Thank you very much. Well ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Ms. Amita Mistry, Compliance Officer for her closing comments. Over to you, Ma'am.

Amita Mistry: Namaste, we are thankful to everyone for joining this call, showing deep interest and appreciation for our company. Each investor is valuable to us. So, if you still have more questions, you can join us in the next Earning Call. We would be always happy to address as much as possible in related matters. Thank you, have a good day.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of INEOS Styrolution India Limited, we conclude today's conference. Thank you all for joining us. You may please disconnect your lines now.