Styrenix Performance

Operator: Ladies and gentlemen, good day and welcome to the Styrenix Performance Materials Ltd. conference call. We have with us today from the management of Styrenix Performance Materials Ltd. Mr. Rahul Agrawal, Managing Director; Mr. Bhupesh P Porwal, Chief Financial Officer; Mr. Chintan Doshi, Manager – Legal and Company Secretary; and the SGA team. As a reminder, all participant lines will be in 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 the 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 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 – Chief Financial Officer: Thank you very much. Hello, everyone, and a very warm welcome to our Q2 and H1 FY27 earnings call. Thank you for taking the time to be here with us today. I hope you have all had a chance to go through the financial results and the investor presentation available on our website and the stock exchanges.

The global operating environment remained volatile during the quarter, with geopolitical developments continuing to drive fluctuations in crude oil prices and contribute to broader macroeconomic uncertainty. In this evolving landscape, our focus remained on navigating input cost volatility, maintaining operational efficiency, and ensuring continuity of customer supplies while staying responsive to changing market dynamics and underlying demand trends.

Further, our Phase 1 expansion plan remains on track and is expected to come on stream during the current financial year.

I will now take you through the financials and operational performance for the quarter before we open the floor for questions.

First, on the standalone financial highlights. Coming to the quarterly financial highlights on a year-on-year basis, total income for Q2 FY27 stood at INR 781 crores, a growth of 26.5%. EBITDA for Q2 FY27 stood at 84.5 crores, a growth of 3.3%, and the EBITDA margin stood at 10.8%. Profit after tax for Q2 FY27 stood at INR 51.2 crores, a growth of 0.8%, and sales volume for Q2 FY27 stood at 43.4 KT.

For our half-yearly financial highlights, total income for H1 FY27 stood at 1,551 crores, a growth of 15.8%. EBITDA for H1 FY27 stood at INR 286 crores, a growth of 70%, and the EBITDA margin stood at 18.4%. Profit after tax for H1 FY27 stood at INR 188.5 crores, a growth of 78.4%, and sales volume for H1 FY27 stood at 82.4 KT.

Now, coming to the consolidated financial highlights for the quarter, total income for Q2 FY27 stood at INR 997 crores. EBITDA for Q2 FY27 stood at INR 75.6 crores, and the EBITDA margin stood at 7.6%. Profit after tax for Q2 FY27 stood at INR 23 crores. Consolidated sales volume, which includes both India and Thailand, for Q2 stood at 55.1 KT.

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On our half-yearly financial highlights, total income for H1 FY27 stood at INR 2,009.8 crores. EBITDA for H1 FY27 stood at INR 299.2 crores, and the EBITDA margin stood at 14.9%. Profit after tax for H1 FY stood at INR 161.5 crores. Consolidated sales volume, which includes both India and Thailand, for H1 FY27 stood at 106 KT.

With this, I conclude the financial highlights, and we may now proceed to the question-and-answer session. Thank you very much.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Nirav H. Jimulia from Anvil Wealth. Please go ahead.

Nirav H. Jimulia – Anvil Wealth: Good afternoon, sir. I have a few questions from my side. The first is with respect to the newer capacities that we are expecting by the end of this financial year. Obviously, that would be focused on improving volumes, with the benefits of operating leverage accruing as well. I just wanted to understand your thoughts. When we look at or map the imports coming to India, are there any grades or volumes that can be replaced through our capacities, which could probably be unique in terms of what we are currently not producing, but those volumes may be coming to India and we could benefit from that?

Management: Hi, Nirav. Do you have any other questions? Do you want to ask all your questions so that I can answer them?

Nirav H. Jimulia – Anvil Wealth: Yes. The second question is on the polystyrene side. Since we took over management control of the company, we have seen an increase in volumes on the polystyrene side. Have we realized the full potential of the EBITDA improvement that we had anticipated when we took over management control? I wanted to understand this from the viewpoint of penetration into the application side of the customers, where the earlier management probably did not have penetration, and where we have now started gaining penetration. I wanted to understand whether there is scope for improvement in EBITDA per kilogram from the polystyrene side.

Lastly, in terms of whatever we have done in H1, do we believe there is scope for improvement in volumes in H2 vis-à-vis H1, given the current environment in which we are operating today? Thank you so much.

Management: Thank you, Nirav, for your questions. With regard to the newer capacities that are going to come online in this financial year, towards the end of the financial year, for most of the products that are imported into the country, we already have the capabilities to produce them in India. However, for specific grades, or very few grades, one that stands out is the refrigeration liner ABS grade. Historically, none of the local players in India had the capability to produce this grade. With the Thailand technology that we have acquired and the new capacity coming up in India, we will have the ability to cater to that volume as well.

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Typically, in India, if the market is 3.5 lakh tonnes to 4 lakh tonnes and imports are roughly half, there would be almost 30,000 to 40,000 tonnes of refrigeration liner ABS coming into the country. So, to a good extent, we would now have the capability to cater to that market.

For most of the other businesses that come into India, we already have the capability in terms of technology, recipes, and manufacturing ability. There is, of course, also the question of positioning at times, where we have certain customers originating from Korea or Japan that are present in India and have historically preferred to buy products from outside India from certain suppliers. Again, with Thailand being online and our having the capability to supply to them from that region, from a positioning perspective also, with the new capacity coming in, we will have the ability to cater to that demand as well. So, one is the more straightforward technology aspect, and the other is the more nuanced positioning aspect. We would be able to address both with the new capacities coming in. Of course, imports still remain higher relative to our capacities that will come online, at least as part of Phase 1, but we will be able to address some of that.

With regard to polystyrene, there are two aspects of the polystyrene business. There is GPPS and HIPS. The way we have seen the market, the HIPS business is where there is a larger percentage of OEM-driven demand, whether it is air conditioners, refrigerators, or even, to a small extent, packaging.

Earlier, before we took over management of the company, the share of the OEM business in HIPS was extremely low because the grades were not developed and the supply was not consistent for these customers historically. This is something that we have been able to correct. Today, for the entire HIPS capacity, which is around 35,000 to 40,000 tonnes, more than 70% to 80% of that capacity is now fulfilled by OEM demand. This is what we have been able to see, and we have been able to realize that value as well in terms of EBITDA potential going forward.

Of course, in the first half of this year, there has been a lot of volatility across the board. Specifically, if you look at supplies of styrene, there have been some concerns with the sources from which we have historically purchased styrene monomer, and that has influenced our strategies regarding how we view certain markets.

The reason I am mentioning this is that when you again look at polystyrene, and specifically HIPS, the concerns are lower because it is an OEM business and a formula-driven business, where volatility in the supply chain can be passed on to the end customer. In the case of general-purpose polystyrene, a very small percentage is actually OEM-driven, and consequently, we also have a very small percentage of OEM-driven demand within our portfolio. There is limited opportunity [trails off]

Management: Continue to increase that because of the commoditized nature. We have had some loss of volume, or it has been a conscious management decision not to participate in certain volumes, especially with regard to GPPS, in the second quarter. That is also reflected. While our ABS volumes have gone up significantly in the second quarter, GPPS volumes are also down because we chose not to participate in some of the non-OEM demand for GPPS, as it was highly speculative in nature when we were procuring styrene monomer in the first quarter of this year for the second quarter.

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This is a management call, and hence the volumes for polystyrene were lower. With the uncertainty that still remains across the board, we believe that ABS volumes will still increase because the first quarter was exceptional. Volumes were lower, and there was a massive supply chain disruption. The supply chain disruptions continue, but we have developed alternative supply for raw materials. Because of that, we know that we can procure the materials, albeit at a higher cost given the current environment.

Since we are able to pass on that higher cost to the end customer, we believe that second-half ABS volumes will be in line with what we have already seen in the second quarter, and the business will be back to normal unless something unusual occurs again. For polystyrene, HIPS will remain as usual. For GPPS, the uncertainty continues, and the management call has always been not to be very speculative in buying raw material, especially if a lot of the demand is based on spot purchases and an unorganized market.

Nirav H. Jimulia – Anvil Wealth: On the commentary you have given from the ABS side, do we map the unique grades where we are the only player and where competition may not be present in terms of market addressability? Is there any percentage or benchmark on the basis of which you can say that these are the unique grades and that this could be the percentage of our overall ABS volumes coming from these unique grades?

Management: We have some mapping. Of course, some of that information is confidential, as you can very well imagine from a competitor standpoint, and this information is not available from competitors either. What I can mention broadly is that when we look at the automotive space, we have a much broader portfolio of products to offer relative to the competition we currently have in India, for instance. We also have a larger share over there.

When it comes to appliances as well, as I mentioned, we have the missing piece of the refrigeration liner ABS product, which is at a decent volume. That is another space that we have managed to secure going forward. There are other specific grades as well, on which I cannot comment exactly, but where we would have a larger share both currently and going forward.

Nirav H. Jimulia – Anvil Wealth: Perfect, sir. Thank you so much, sir, and I wish you all the best.

Management: Sure. Thank you.

Operator: Thank you. The next question comes from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan – SMIFS Institutional Equities: Thank you, sir, for the opportunity. I have a couple of questions. When we look at this quarter, we have seen inventory normalization largely happening, and this has also been reflected in the increase in volumes sequentially on a standalone basis.

However, on the Thailand business, when we look at it, the numbers still look weak. Volumes have remained flat and slightly on the lower side. You had also alluded to the fact that there are competitive pressures, or that we have not found the right product-market fit in this category, particularly in ABS.

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Broadly, looking at the numbers, how do you see the next 2 years panning out? Costs are still not coming down, and it has been almost 2 years since we completed the acquisition, while the numbers still look weak. What would be the trajectory for the next 2 years in Thailand, and what could be the triggers for volumes to move up? We had also said earlier that we were looking to export to China, and that has also not yet started. Could you provide some commentary on this?

Management: Thank you, Aditya. With regard to Thailand, the product mix that we have is actually the right product mix. In fact, our gross margins in Thailand, given the product mix that we have, are higher than in India.

The challenge when we compare Thailand with India is essentially our cost structure. We took over management control at the end of January last year, and we are now at the end of the second quarter of this financial year. So, it has been a little under 7 quarters, speaking very accurately.

This is something that I had expected and that we had taken into account. We do believe that this is potentially going to take another 2 years. If I have to give some idea of how the trajectory of the business would look, I would say that it would be wise to assume that performance in Thailand would remain consistent with what it was last year over the course of the next 2 years.

We do believe that, with certain cost structures that we are planning to realign in Thailand, there will be a significant improvement after that period. We cannot comment exactly on what those measures would be today on this call, but we do believe that, in terms of plant efficiency and the costs of producing certain products, we are looking at, and are in fact in the process of starting to execute, multiple projects that would help us realign some of those costs on the manufacturing side.

Things do take a little time, as you can imagine, for this kind of complex plant that we have in Thailand. We do believe that next year, if you look at it from a medium-term perspective, this has been 7 quarters and I am saying another 1.5 to 2 years on the outer side during which we assume that this plant is going to perform the way it is. At the end of that period, if I look at the overall capital allocation towards Thailand and the effort being put in by management, we believe it is going to be a well-performing asset for the organization.

Aditya Khetan – SMIFS Institutional Equities: Understood, sir. My second question is regarding ABS. Recently, one of our competitors has also started ramping up its ABS plant. Comparing the grades that we have in common with the competitor, excluding the special grades, how do you see the competitive intensity? Are customers shifting more towards the competitor, or what kind of discussions are taking place with customers regarding volumes? How are customers approaching this? Also, I missed the volume guidance number for 2027 and 2028 earlier, sir.

Management: We do not give any forward-looking statements as far as volume guidance is concerned. However, if you remove the first quarter of this year from the equation, we are back to running relatively full in terms of whatever capacities we have in India today.

With the new expansion coming online, as we have mentioned, we are confident that within a short period of time we would be able to run it at fairly high capacity utilization as well. Those additional volumes will be added in the next financial year and, of course, the following year as well.

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With regard to Thailand, going back to the product grades that we have, and even to your point about China, we have maintained our share of what we were selling earlier. We have not really lost any business. Volumes have been relatively flat, as you already mentioned.

There is an effort going on to increase those volumes, and that would happen over a period of time. But regardless of how much time that takes, I do believe that with the cost reduction measures we have, at least the business metrics would definitely look far better than they do today.

Overall, I think we have the right product mix. As long as we also improve the cost structure in Thailand, we will be more competitive and able to increase our market share a little more quickly. Even in the current context, we would increase it; it would just take a little longer because our price points are obviously higher than those of other companies. There are customers willing to pay because of the better quality, but it takes a little time in the current scenario.

Aditya Khetan – SMIFS Institutional Equities: Sir, just one last question. Do you foresee that the reported standalone per-kilogram numbers in this quarter can be sustained going forward?

Management: Aditya, if you look at the second quarter of this year, I think it is fairly normalized. Other than the fact that I mentioned that our GPPS numbers were quite low in the second quarter, the product mix that we have obviously has an impact from all these factors.

However, if we look at ABS itself, we do believe that we have returned to a normalized basis in the second quarter. On an annualized basis, that is what we normally advise people. So, we do believe that, on an annualized basis, the current-quarter performance can be expected. There is no deviation from our earlier suggestion.

Aditya Khetan – SMIFS Institutional Equities: Understood, sir. Thank you, sir. That is all from my side.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Rahul Agarwal from InCred Capital Asset. Please go ahead.

Rahul Agarwal – InCred Capital Asset: {? [inaudible] ?} Good afternoon to everyone on the call. {? [inaudible] ?}

Management: Rahul, you are not clear. I am sorry, I cannot hear you.

Rahul Agarwal – InCred Capital Asset: Hello.

Management: Hello?

Rahul Agarwal – InCred Capital Asset: Am I audible?

Management: Yes.

Operator: Yes, sir.

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Rahul Agarwal – InCred Capital Asset: Okay. {? [inaudible] ?} question, firstly on margins. Consolidated [trails off]

Management: I cannot hear you again, Rahul. I cannot hear you. I am sorry.

Operator: The participant line seems to be disconnected. The next question comes from the line of Nirali Gopani from Unique PMS. Please go ahead.

Nirali Gopani – Unique PMS: Hi. Thanks for the opportunity. Rahul, my question is again on the Thailand business. I know that after the acquisition you had made it clear that it would take at least 2 to 3 years to break even and then ramp up. My question is why are we not seeing even a gradual ramp-up when you say that the next full financial year will be similar to what we did in the last financial year? Is it because of global demand and supply? Do we see this getting further delayed? Is that one of the reasons, along with the cost aspect?

Management: Hi, Nirali. Do you want to ask all your other questions as well, and then I can address them together?

Nirali Gopani – Unique PMS: Yes. The other question is on the India part, on the standalone business. Last quarter, you said that non-OEM demand was somewhat impacted, so how do you see things moving there?

Secondly, on Phase 2 of the ABS expansion, would you wait and watch how this capacity ramps up, or do we see an impact on realization before deciding on Phase 2? Or are you confident that realization will not be impacted? These are the 2 or 3 questions.

Management: Thank you for the questions, Nirali. With regard to Thailand and the recovery or the time taken to turn this business around, we had estimated that it would take a few years, as I mentioned earlier.

While we do believe that there are significant advantages to this business—first, in terms of technology; second, in terms of positioning or market access; and third, in terms of the capacities available there—the business itself also makes a lot of sense. It will simply take a little time to get it to the level that we believe it can reach.

In terms of technology, as I mentioned, we are undertaking the first phase of our ABS expansion here, where we are bringing in technology that will ultimately add value to us at a consolidated level very soon. There are other products as well that we would be able to produce in India as a result of the technology we have in Thailand.

There is also business that we are receiving as a result of our positioning in Thailand with certain OEMs that have a presence across the region and would give us preference in their allocation of raw materials in India as well, as a result of that positioning.

All these benefits are there. They eventually accrue at the consolidated level, and that may not be very clear in the Thailand balance sheet itself. All of this does help as far as the Thailand standalone balance sheet and P&L are concerned.

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On the cost side, there is no gradual change in costs from one quarter to the next because specific projects have to be carried out to change costs in any meaningful manner. Those projects themselves take some time. You would not have, for example, a partial completion of a project resulting in cost savings in one half-quarter, followed by another part of the project being completed and generating additional savings in the next quarter, because these projects typically run for 1 to 1.5 years. That is what we are estimating at this stage. You would have those savings in terms of improved efficiency and lower cost of production, among other things. All of this will take a little time. This is the situation on the cost side.

On the demand side, there are pressures in the region. However, our product offering in the market, while impacted by competitive pressures, is relatively unique, and we believe that this unique offering is not subject to as much competitive pressure as the normal grades.

For instance, in Thailand, as I mentioned, we have higher gross margins as a result of the product mix, because we do not have commoditized ABS grades being sold at all from the current plant.

All those grades are specialty products. They take time for approvals, and volumes improve slowly and gradually over time. We might start seeing some of that next year, or even towards the end of this year. Again, that will happen alongside cost reduction, which will have a major impact on the Thailand standalone business.

Going to your second question, where you referred to my comments about non-OEM demand at the end of last quarter, Q1, this has come back in part. Prices continue to remain elevated for finished goods, as do raw materials, and that is why margins have normalized again.

However, non-OEM demand, despite higher prices, seems to have normalized because, while there is uncertainty, the market has accepted that prices are going to remain elevated indefinitely for the foreseeable future. In that sense, our ABS volumes have also returned to what we expect for this specific quarter.

We remain fairly buoyant in terms of the robustness associated with demand for our products. We are confident that Phase 2 of the ABS project will also proceed. In terms of our own planning, there is no delay. We have not given a specific timeline for exactly when it will be completed, but we do believe that once the first phase comes online, work on the second phase will have already started, and that would also be completed in a reasonably short time.

Nirali Gopani – Unique PMS: The question was on the Phase 2 expansion of ABS in India.

Rahul: We have not made any changes or announcements to the effect that we are going to delay it. We are proceeding with Phase 2 of the expansion as well. This would happen according to the timeline we originally planned.

Nirali Gopani – Unique PMS: Just a follow-up on the Thailand part. I understand that costs cannot come down in one or two quarters, but my question was largely about the approval time, which is taking longer. Is it because there is an oversupply situation or because demand and supply are not matching, and hence capacity ramp-up is taking time? There are no issues on that side, correct?

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Rahul: Essentially, what has happened is that there has been some rebalancing in our product portfolio in Thailand as well. Some approvals have come in, and some business has also been rebalanced.

When we moved from the international brand of the earlier management to our brand, and all that rebalancing took place, we also received some approvals and new business. In effect, we do believe that we have reached a point where we have established a lowest volume base on a quarterly basis in this particular quarter. Going forward, there will only be an increase in overall volumes for the business, but it will happen gradually.

Nirali Gopani – Unique PMS: Perfect. Just one last question. Are there any new products adjacent to ABS or polystyrene that we are working on and would like to commercialize over the next few years? Is there anything in that area that you would like to highlight?

Rahul: We launched 2 more grades. One is Acrylac and the other is Paraloid. Acrylac is an ASA product that is adjacent to ABS, but it has excellent weatherable properties. It has good applications in automotive as well as in the EV ecosystem and solar systems.

Paraloid includes blends of polycarbonate ABS, nylon ABS, and other products with ASA, PMMA, and so on. We have developed many of those blends and commercialized them as well. Over time, these will continue to increase in our product portfolio.

These products have already been launched, and approvals have also been received for them. We do see a gradual increase in those volumes each quarter.

Nirali Gopani – Unique PMS: That is all from me. Thank you for answering my questions.

Rahul: Sure.

Operator: Thank you. Ladies and gentlemen, to ensure that management is able to address questions from all participants in the conference, please limit your questions to two per participant. The next question comes from the line of Ronak Chheda from {? Awriga Capital ?}. Please go ahead.

Ronak Chheda – {? Awriga Capital ?}: Hi, team. I will go ahead with all my questions. The first is on volumes. You mentioned that we are not participating in some part of the business on the polystyrene side because of volatility. Should this continue in the next half as well, or do you see polystyrene volumes making a comeback in H2 of this year? That is the first question.

The second question is on margins. India gross margins have seen some contraction because of volatility. Going forward, do you see gross margins reverting to the 25% range, which the company has delivered on an annualized basis for the last 3 years?

The last question is on capex, and I just wanted a clarification. Did you mention that the capex will go live by the end of the year, or did you mean during this financial year?

Rahul: Thank you, Ronak. With regard to polystyrene volatility, polystyrene is composed of two relatively equal parts. One is general-purpose polystyrene, and the other is HIPS.

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For HIPS, I think our volume will be in line with what we have historically done. On an annualized basis, we should still be able to deliver volumes close to complete utilization of the asset we have. So, in the second half, I think volumes will again be historically in line with what we have seen over the last few years.

For GPPS, you are right that uncertainty continues. To the extent that the uncertainty continues, our management call will always be not to speculate too much in terms of procuring raw material for volumes for which we do not have commitments. We would have to take active calls on the direction of price movements, and potential profits or losses would have to be booked.

That is a call on which we remain consistent as management: we do not want to speculate on raw material procurement so long as there is volatility in finished products as well.

We foresee GPPS volumes being somewhat better because, as I mentioned when I spoke about non-OEM demand stabilizing somewhat from Q1 to Q2, we do see that effect to some extent in GPPS going forward. In line with the market's acceptance of the new market norm today, we will supply somewhat more of that product going forward. However, this will not necessarily be at historical levels, where we would be uncomfortable because we would need to speculate.

With regard to gross margins, my CFO can comment on this, but even if we eliminate the first quarter, gross margins are in line with what we have historically seen, and I think we shall continue to see that going forward as well. That remains fine.

On an annualized basis, even if we remove the upside or non-normal gains that we would have had in the first quarter, on a normalized, annualized basis, we would have similar gross margins to those we had last year.

With regard to capex, I am referring to the financial year, not the calendar year, in most of my conversations. That is true here as well. The financial year is when we are expecting the capex to go live. Bhupesh, would you like to speak about gross margin?

Bhupesh – CFO: Regarding gross margin, if we compare it on a year-on-year basis, meaning Q2 last year versus this year, it has been slightly better in Q2 this year with respect to gross margins.

The extraordinary gains we had are not there. We had mentioned earlier, in Q1, that these were one-time gains due to geopolitical issues and global conditions. However, in Q2, we have been able to maintain the margins that were there in the previous year, and they are slightly better than the previous year.

Ronak Chheda – {? Awriga Capital ?}: Perfect. Just a follow-up on the capex timeline, Rahul. If this comes in March, how much time would we need to scale up the capacity? Would it take a quarter or even less than that?

Rahul: Effectively, I do not have an exact month for you. As I said, it will be by the end of the financial year. Whether it will be January or March, I cannot comment on that right now. We are very close to it.

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However, sometimes, at the end, when we are commissioning these plants, it can take 15 or 20 days more or less, and it is difficult to comment on the exact date on which that capacity will come online for prime production. That is what is relevant in terms of our ability to spend.

Once the capacities come online, we are expanding at all 3 plants. There is Nandesari, which is our rubber plant; Katol, which is our SAN plant; and Moxi, which is our compounding facility. At all 3 locations, we have been trying to synchronize the projects and have all capacities up and running at a similar time.

There could be a lag of a couple of months between them as well. As and when those capacities are all aligned, and this is essentially within an error of 1 quarter, we would have those capacities available for sale.

We are relatively confident that, as these capacities come online, a large part of that capacity would be utilized in the next financial year. Going forward, fully utilizing it is also something we plan to do and is certainly possible.

Ronak Chheda – {? Awriga Capital ?}: Perfect. Thank you so much for answering my questions.

Rahul: Sure.

Operator: Thank you. The next question comes from the line of Meet Parikh from {? Mihir A Shah & Corporation ?}. Please go ahead.

Meet Parikh – {? Mihir A Shah & Corporation ?}: Hi, Rahul, sir. I have 2 questions. The first is related to our market share. Throughout the year so far, have we been able to maintain the same market share for ABS and polystyrene? This is in the context of a couple of competitors mentioning that significant dumping from China took place in the first 2 months of the quarter.

Could you provide some commentary on that? How is import substitution playing out? This is something Rahul pointed out. What is the current domestic consumption, if you could indicate that?

My second question is on Thailand. This quarter, we had a cash loss of 10 crores, the difference between standalone and consolidated. Would this indicate that, as you mentioned, this is the lowest volume level that we can reach in Thailand? It will obviously take some time to stabilize, but is this the base from which we go forward?

Rahul: Thank you. In terms of market share, if you look at ABS market share, we have always maintained that whatever we can produce, we are able to sell in the current context. For ABS as well, while there was destocking in the first quarter, in the second quarter, when things normalized, we were running full and were able to effectively sell whatever we were able to produce.

Our market share, per se, has not changed because overall demand in India, at least in the first half of this year, has not really grown. In the first quarter, as I said, there was muted demand from the non-OEM side, which probably increased somewhat in the second quarter. So, demand was relatively flat over the year. We still anticipate that, subject to geopolitical uncertainties, there will be some growth and that whatever capacity we have will be fully utilized.

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In the case of PS, on HIPS, we are fully utilizing the asset. GPPS has been more of an active management call, where we have chosen not to participate in some segments that we believe are speculative in nature, and with the volatility [trails off]

Management: The remaining volumes require us to take active calls on what makes sense based on what we can reliably sell and our commitments, rather than buying at an X price and having volatility affect us in the ensuing months when the raw material actually arrives.

There could be fluctuations in market share as far as HIPS is concerned, but again, that is an active management decision. Capturing market share is not challenging for us. The question is at what value we would do that and at what value it would make sense for the organization to do it.

In terms of dumping, we do not actually have any import data. As you know, after March, import data has not been easily available. I cannot comment exactly on that, but based on the market information we have, we do believe that dumping has taken place.

Early on, there was a period when import duties had been removed and then reinstated by the government, and we did see some material coming in. However, we have not really seen an impact of that on our ability to sell in any case.

As far as import substitution is concerned, I think it still remains valid because there is a preference among Indian consumers to continue buying products that they have always bought from local suppliers and local manufacturers. I think that remains the case.

As far as dumping or even exports are concerned, there might be substitution from a Korean producer to a Taiwanese, Thai, or Chinese producer. However, it does not affect most local manufacturers' ability to compete and effectively retain market share.

With regard to Thailand, I prefer to look at things on an annualized basis rather than on a quarterly basis. We had a little bit of a gain again in the first quarter in Thailand. If we do not consider that as part of normal operations and instead look at the entire year's operations last year, I think that is the kind of scenario I would use to understand how the next 2 years could potentially establish a base and what improvements we could have from there.

We do believe that, at the end of that period, the restructuring would help us bring the business more firmly back into profitability.

Meet Parikh – {? Mihir A Shah & Corporation ?}: I think that answers all of my questions. Thank you very much, and all the best.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Rahul Agarwal from Ikigai Asset. Please go ahead.

Rahul Agarwal – Ikigai Asset: Hi. Thank you. Am I audible now?

Operator: Yes, sir, you are audible.

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Rahul Agarwal – Ikigai Asset: Thank you. I have a few questions. Firstly, something on global trends. Given the volatility, demand and supply across regions would have been very different. Are there any key takeaways you would like to share on developed markets or Southeast Asia that are positive or negative for the ABS and PS industries in India? That is the first question.

The second question is on pricing. I wanted to understand how pricing has moved from Q2 to spot currently for HIPS and ABS, just some comments on that, and versus the price at which styrene monomer is being procured right now. The feedback we are receiving is that in October we are again seeing a spike in styrene monomer prices.

Could you comment on the selling price of HIPS and ABS and how you view margins? You have already said that margins will be maintained at levels similar to Q2 going forward, so I understand that.

The third question is on the new ABS plant. Will the grades that we manufacture be better than what we are doing now, or will they be similar? The question is whether margins can increase further on ABS on a like-for-like basis over the longer term. I am not comparing the short term. Those are the 3 questions. Thank you.

Management: Thank you, Rahul. With regard to global trends, regionally, there have of course been many changes because the availability of raw material itself has been concentrated in certain regions, such as China and, to some extent, Korea.

However, all regions have been affected as a result of naphtha supplies and energy. When that happened, it affected the ability of refineries globally to operate at optimum capacity and then produce downstream products accordingly.

There has therefore been a demand-supply mismatch on that account. It has also shifted. China has potentially had more product available than, for example, Europe or the Middle East. The Middle East has had almost no product available for the market, whether upstream or downstream.

Regionally, I think it is in line with what you would read in the news. Anything that affects crude, naphtha, and energy would have a cascading effect on pricing and trends in downstream products as well.

Ocean freight has also been quite volatile, as you probably already know, from specific regions because there is an arbitrage opportunity for ocean freight operators that operate in certain regions where the deltas and margins can be much higher. This increases prices on less lucrative routes further up.

All these factors have affected the pricing of raw materials as well as finished products in different regions. That uncertainty continues if we consider this as a trend from the last few quarters into the second half of this year.

As far as pricing is concerned, between formula and spot pricing, generally, for a large part of our business, whether ABS or HIPS, the bulk of the business is under formulas that depend on or track formula-based pricing. The formula itself has taken into account certain additional raw material costs, which have been passed on, and customers have effectively accepted them. That has not

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changed, and by doing this, we have been able to maintain the spread that has historically been in place.

For styrene monomer prices, they have been quite volatile. Prices have been hovering anywhere from $1,300 to $1,700, probably closer to around the $1,500 or $1,550 levels as we speak. As you rightly said, there have been spikes, but the spikes may not last, and within 2 days you may see a downward trend.

This is where the challenge lies. If you buy styrene monomer today at, say, $1,600 and it takes about 30 days for the material to arrive, and styrene monomer prices fall to $1,400, there is a possibility in the unorganized, non-contractual market for certain products that prices may decline in line with the $1,400 level. If you bought at $1,600, you would potentially have to book a loss of $200.

That is the speculation I was referring to. It has been extremely volatile, and as management, we have refrained from taking those kinds of active calls that require us to speculate.

In terms of the new grades or products that we would be able to produce going forward, there are certain grades, such as the liner ABS grade that I mentioned, as well as some other grades that we can produce.

However, I think we would rely more on the assumption that the product mix would be similar to what we currently have going forward. This is also the suggestion I have always maintained in my earlier commentary: it would be wiser to assume that we maintain the same product mix that we have historically had, with our gross margins remaining at similar levels.

One has to consider operating leverage, which is a benefit; competitive pressures, which can have a downward impact; and the fact that we are hoping to keep adding products, which will have an upward impact on margins.

It is best to assume that volumes will increase and our margins will remain consistent in terms of absolute spreads.

Rahul Agarwal – Ikigai Asset: Understood. Just one clarification on the scale-up of the new plant. Since it is a brownfield project in similar locations, in year 1 of operations, which is fiscal 2028, I am assuming that it would take at least 2 years to reach 100% utilization. Would year 1 involve 50%-60% utilization, followed by a ramp-up? We have seen some other competitors struggling with new plants. My sense is that because we are undertaking a brownfield project at the same plant, we should be looking at 50%-60% utilization in year 1 and then ramping up. Is that a fair understanding?

Management: Rahul, I do not give forward-looking statements. Historically, when we took over management control, we were producing 50,000 tonnes. Very quickly, whatever we were able to produce, we moved up to about 100,000 to 110,000 tonnes of ABS production capacity. This happened in the first couple of years after we took over.

We have the confidence that if we were to sell 20% to 30% more at any point in time, if we had the product, we would be able to do that. Whether that number would be higher or slightly lower is very difficult to comment on at this stage.

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If I am selling 9,000 or 9,500 tonnes of ABS, I do believe that if I had another 2,000–3,000 tonnes of ABS, I would be able to sell it easily. Whether I would be able to sell 4,000 or 5,000 tonnes immediately is something we have not actively worked on because we have never had that product.

It requires us to go into the market, meet customers, understand their requirements, and offer the product if we have availability. If we do not have it, we cannot overcommit and underdeliver, which is something we would like to avoid.

I do believe that we would be able to achieve similar numbers to what you are indicating, without committing to any specific forward guidance.

Rahul Agarwal – Ikigai Asset: I appreciate that, Rahul. Thank you so much, and festive greetings to all of you at Styrenix. Thank you.

Management: Festive greetings to you as well. Thank you very much.

Operator: Thank you. The next question comes from the line of Dhaval Shah from Alpha Accurate Advisors Private Limited. Please go ahead.

Dhaval Shah – Alpha Accurate Advisors Private Limited: Thanks for the opportunity, sir. You mentioned one of the products from Thailand, involving the technology for refrigeration lining, which is a type of polystyrene technology. Has that been transferred to India? Have you received any approvals from customers in India, and by when can we see the volume numbers for the standalone entity?

Management: Thank you, Dhaval. This is on ABS, not polystyrene. HIPS also has refrigeration liner grades. This is on the ABS side.

On the HIPS side, there is us and there is our competitor, who is able to provide those products. On the ABS side, so far there is no competitor.

Effectively, the validation process requires you to have your capacity in place before you can receive validation. Generally, you have to produce the product in the plant in India, and only after that can you receive validation.

What we have been able to do is incorporate part of that technology into the additional capacity that we are building. That will allow us to produce those grades when the new capacity becomes available and supply those grades in India.

Once we start up the plant and effectively use that technology to make those grades, we will proceed with validation and obtain approval for them.

Dhaval Shah – Alpha Accurate Advisors Private Limited: Understood. It will take at least a year or so because the validation process will also take at least 5 or 6 months, correct?

Management: It depends. There are different OEMs and different customers, with different requirements and considerations on the part of the companies.

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There is a great deal of interest among companies wanting to buy that product because they currently depend on imports. This is something we have been working on from a development perspective for several years, and we realized there was a disconnect because the technology was somewhat different and it was something we did not have.

Now that we can incorporate it into our new production capacity, we will be able to do that. I do believe that it may not take as long as a year, and we may be able to do it sooner. However, we will have to wait and watch.

This is just one part of it. There are significant other volumes of products coming into India for which we do not need validation because we have approved products in those segments and can immediately start selling them.

Dhaval Shah – Alpha Accurate Advisors Private Limited: The imports are roughly 40,000-50,000 tonnes, which you mentioned annually, correct? Or is it more?

Management: Around 40,000 tonnes. It is in line with the refrigeration industry, which is growing well, so we do anticipate this market growing every year.

Dhaval Shah – Alpha Accurate Advisors Private Limited: Understood. Are no other players expanding in this product line? Are we the only company adding capacity in India?

Management: No other local Indian producer has a grade that is approved in this space.

Dhaval Shah – Alpha Accurate Advisors Private Limited: Understood. In the presentation, you mentioned that for Thailand there is some capacity overhang. We were not under that impression earlier, so I think the tone is different this time for the Thailand business.

Dhaval Shah – Alpha Accurate Advisors Private Limited: If you can help us understand the demand-supply situation and by when you foresee it normalizing, that would be helpful. You are already undertaking many steps to revive the Thailand business, both in terms of volume and product mix, as well as costs. Ideally, by when can we expect this to happen? Yes, sir.

Management: There is a multi-pronged approach to this. One aspect is the cost side. As I mentioned, within 1 or 2 years—let us say 2 years—we should be able to bring that fully under control and ensure that we are very competitive.

Even at current volumes, we believe it would be a structurally profitable business in Thailand, regardless of the shocks that may occur in the system from time to time. There can be a positive shock, which we had in the first quarter, or a negative shock. However, on an annualized basis, even current volumes would be profitable.

Having said that, there is also an effort to obtain more validations and get more products approved for all the specialty grades that we produce in Thailand, and that has taken some time.

There has been a significant reshuffling of the product mix. We lost some business and gained some business this year, which we now believe represents the baseline case, as I mentioned, in terms of whatever business we could potentially have lost.

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Going forward, we believe that business will increase incrementally, whether in Thailand or through exports to China, Japan, Indonesia, Vietnam, Korea, or any of these locations.

It will take about 2 years for that to happen as well, and potentially within 3 years, I think we will be operating at fairly high utilization in Thailand.

Dhaval Shah – Alpha Accurate Advisors Private Limited: Within 2 years, can we achieve 60%–70% utilization, given that the product mix is good compared with India and that we are also undertaking cost savings? Would EBITDA per tonne be substantially higher than 20,000? Is that a fair assumption, considering that the Indian business is doing 19,000–18,000?

Management: I will not comment on the exact EBITDA per tonne. All I can say is that the idea is to structurally make the business stronger and profitable, regardless of market dynamics within Thailand. That is what I think we will achieve.

Dhaval Shah – Alpha Accurate Advisors Private Limited: Sure, sir. Thank you.

Operator: Thank you. The next question comes from the line of Riddhi Shah from C R Kothari & Sons. Please go ahead.

Management: Riddhi, I cannot hear you. Am I audible? [pause] Hello? Riddhi, we cannot hear you.

Operator: The participant line seems to be disconnected. The next question comes from the line of Ashwin Reddy from Samatva Investments. Please go ahead.

Ashwin Reddy – Samatva Investments: Thank you for the opportunity. My first question is on the India business. I wanted to understand whether there have been any early trends of a reduction in imports because of higher freight costs, and what you are seeing right now. Or has this been counterbalanced by your own freight costs, including raw materials and commodity raw materials?

Management: Ashwin, I am sorry to interrupt. Can you repeat your question? I am sorry. Can you repeat it?

Ashwin Reddy – Samatva Investments: I am trying to understand whether there has been any reduction in competitive intensity from imports because of higher freight costs. What are you seeing right now?

Management: Thank you. Do you have any other questions?

Ashwin Reddy – Samatva Investments: The second thing I wanted to understand is the Thailand business. What proportion of your end-product sales goes to China, and what proportion is sold outside China? I am trying to understand whether the weakness is due to weakness in the Chinese market or weakness in Chinese or other OEM exports to markets outside China.

Management: Thank you. Ashwin, in terms of India, we have had a third player also entering the market. However, in terms of competitive intensity, we have not seen any major shift.

Historically, we had more competition from Korea. I do believe that freight from Korea being higher, and structural costs in Korea also being higher now, competitive intensity from Korea might be

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somewhat lower.

At the same time, because of lower capacity utilization in Taiwan and Thailand, and potentially even in China, that would balance out the competitive intensity. There has been no real change in competitive intensity as far as we are concerned.

Our ability to sell effectively and utilize our capacity remains unchanged.

With regard to the Thailand end product, a large part of the Thailand product mix is very similar to what it was when we started. Almost 40% to 50% of sales from Thailand goes to China, another 20%–25% goes to Thailand, and the remaining 25% is distributed across Japan, Vietnam, and other regions.

Of course, these percentages might change because we now have sales offices in all these locations, and we are actively exploring significant business in each of these regions. We will have to wait and watch to see which OEM comes through first.

Ashwin Reddy – Samatva Investments: Understood. One follow-up, if I may. You talked about the initial rebalancing of the product mix—what was retained from the previous owner, what you have taken on, and what was approved or not approved. Could you provide more clarity on that, including your efforts to obtain new business and how that is progressing? What is going according to expectations, and what is not?

Management: In Thailand, we bought {? that lot of ?} products that go into specialized appliances in China. A large part of those products has remained unchanged. Demand for those products has increased because, for many of these specialized appliances, such as high-end coffee machines, the Chinese market itself is large and is not really dependent on exports to many regions. That market has in fact grown for us as well.

If we look at high-end refrigerators, where some of our product lines are used and where our products are larger than those of our competitors, our share has increased there as well.

There are some areas [laughs] where the low-end applications for consumer durables may have declined. Most of the product mix is specialized, but some products may be more specialized than others.

At the same time, we have unfortunately lost some business on the automotive side. This was high-value business. We have maintained the relationship, but the share of business may have declined somewhat because these companies require validations or revalidations.

While they have maintained their relationship with us because they do not want us out of the system, many companies have requested revalidation, and that is also taking some time.

Again, these are not significant numbers, but they represent a few hundred tonnes here and there on an annualized basis. If we are doing roughly 50,000 tonnes in China, we are talking about probably gaining 1,000 tonnes here or losing 1,000 tonnes there.

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Overall market shares may not change radically, but we have seen these kinds of shifts within the product mix.

Ashwin Reddy – Samatva Investments: Understood. Thank you very much, and all the best.

Operator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand over to Mr. Chintan Doshi for closing comments. Over to you, sir.

Chintan Doshi: Thank you, everyone, for joining us on this earnings call. We appreciate your time and your interest in our company. In case of any queries, you can get in touch with us or SGA, our Investor Relations advisors. We look forward to meeting all of you on the next call. Thank you.

Operator: Thank you. On behalf of Styrenix Performance Materials Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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