



SUPREME PETROCHEM LTD

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August 02, 2023

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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 July 26, 2023, wherein we had informed you that Earnings Conference Call with investors of the Company will be held on July 31, 2023 to discuss Q1-FY24 earnings.

Please note that the said conference call as scheduled was held at 04:00 PM (1ST) on July 31, 2023. In this regard, pursuant to Regulation 30 of Listing Regulations, please find attached Transcript of the call with investors of the Company.

This is for your information and record.

Thanking you

Yours faithfully,
For **SUPREME PETROCHEM LTD**

DEOKI Digitally signed
by DEOKI
NANDAN
MISHRA
Date: 2023.08.02
143356405307

D. N. MISHRA
COMPANY SECRETARY



Supreme Petrochem Limited
Q1 FY24 Earnings Conference Call
July 31, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Supreme Petrochem Limited Q1 FY24 Earnings Conference Call.

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 phone.

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

Anuj Sonpal: Thank you. Good evening, everyone and very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor relations of Supreme Petrochem Limited. On behalf of the company, I want to thank you all for participating in the company's Earnings call for the first quarter of the Financial Year 2024.

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

Let me now introduce you to the management, participating with us in today's earnings call and hand it over to them for opening remarks. We firstly have with us, Mr. Rakesh Nayyar - Executive Director and Chief Financial Officer, Mr. Dilip Deole - Chief Executive (Finance and Accounts), and Mr. D. N. Mishra - Company Secretary. Without any further delay, I request Mr. Nayyar to start with his opening remarks. Thank you and. Over to you, Sir.

Rakesh Nayyar: Thank you, Anuj. Good afternoon everyone. It is my pleasure to welcome you all to the Earnings Conference Call for the first quarter of financial year 24. In the interest of some of you who are new to the company, let me first start by giving you a brief overview of the

company, Supreme Petrochem was formed as a joint venture between the Supreme Industries and the Rajan Raheja Group. The company is the undisputed leader in Polystyrene in India with a market share of over 50% and SPL is also the largest exporter of polystyrene from India with customers in over 100 countries around the globe. SPL forayed into Expanded Polystyrene in 2006 and since then has become the leader with over 50% market share in this segment as well. The product range of the company includes General Purpose Polystyrene and High Impact Polystyrene and Expandable Polystyrene, Masterbatches and Compounds and Extruded Polystyrene insulation board.

Now giving you the brief overview of the financial performance of the first quarter. The operational income for the quarter was Rs. 1,225 crores. The reported EBITDA was approximately around Rs. 91 crores and EBITDA margins stands at 7.39%. The net profit after tax was reported at Rs. 69 crores, while the PAT margins stood at 5.66%. Our turnover and margins were impacted in this quarter due to fall in the prices of Styrene Monomer, which is our main raw material for the company's products. While the fall was by over 22%, which resulted in the destocking and it also not only impacted margins, but also the volumes of the company. Our total sales volumes of the manufactured products though increased by around 9% year-on-year including the exports, while domestic sales volumes declined by 4% year-on-year due to low off take by the appliance manufacturers. Lastly the implementation of our first phase of Mass ABS Project with a capacity of 70,000 tons per annum is progressing as per schedule and is expected to be commissioned by the third quarter of 2024-25. With this I open the floor for question and answers session please.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: Sir I have few questions to ask, sir, first is on our volumes for PS in first quarter, so let us say out of our total volumes of 77,000, how much is the volume for PS? And if you can break it down between the Specialty Grade and Commodity Grade, so that is one? And this out of total turnover of Rs. 1,225, which we have reported, how much is the trading turnover? And if you can mention the same figure for the last quarter last year? Third question is of the total volume growth of 8.7% what we have registered this quarter, on a Y-o-Y basis how much is the growth of EPS out of this volume growth? And last, if you can quantify the inventory losses because of the steep reduction in this Styrene prices this quarter?

Rakesh Nayyar: Nirav, let me first address the last question of yours, the Styrene prices dropped by close to 25% for some days in between. The prices they dropped from almost from \$1,100 to \$850 in this quarter. Now as far as the Polystyrene is concerned, 68% turnover is from the Polystyrene and the rest is from the EPS, Masterbatches Compounds and XPS. In terms of your de-growth in the EPS is concerned, EPS market was stagnant as compared to the same quarter last year because EPS is also impacted by the low offtake by the appliance manufacturers. I can tell you that the lifting by the appliance manufacturers in this quarter as compared to the same

quarter last year was down by almost 20% and as far as the trading is concerned, trading is closer to 20%-21% of our topline.

Nirav Jimudia: You mentioned about the turnover in terms of Polystyrene, which is 68%, if you can tell us about the volume that out of our total volumes, what was the volumes of the Polystyrene?

Rakesh Nayyar: I am sorry, I will not be able to give you the volume breakup of that, as the segment wise volume breakup will not be able to provide you for various reasons.

Nirav Jimudia: Sir, if you can tell us, let us say out of this 68% turnover from the Polystyrene, what was the breakup between the Specialty grade and the Commodity grade, if you can clarify on the same, because within those Polystyrene also?

Rakesh Nayyar: I will tell you, within the Polystyrene our breakup of the topline the Value-Added grades are roughly closer to 40% only.

Nirav Jimudia: So this is about the total turnover you mentioned, 14% or of the Polystyrene you mention?

Rakesh Nayyar: Of the total volumes. Total volumes you are talking about is the 40% of the total volumes is from the Value Added grades.

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

Aditya Khetan: Sir my first question was if you can quantify the inventory loss during the quarter, almost 2% or 3% of EBITDA, if you can quantify it?

Rakesh Nayyar: Aditya, see quantifying an inventory loss when the prices are falling and also we are selling and the new material is coming, it is always in the pipeline. It is very difficult to actually arrive at a very correct number, but our estimates are that the inventory loss was to the extent of Rs. 90 crores to Rs. 100 crores.

Aditya Khetan: Sir, generally, what I understand, sir, our product mix, so we are keeping a raw material inventory of almost 10 to 15 days only, so even if the prices crashed by 20%-25%, since our raw material days are very less, what do you think an impact of Rs. 90 crores-Rs. 100 crores is too big considering we are having only raw material inventory days of only 10 or 15? So how did you ?

Rakesh Nayyar: Aditya, 15 days is what we have at our plant, but then the inventory is the day I sign a purchase order that a commitment is made and the commitment is made for the material to come, because it is all imported material. The shipment takes place, the clearances have to be taken place, so it is a pipeline which always is there. So it is an impact which does not only last for 15 days, but then it is the impact which is going on for almost if you look at the full cycle from the date of the purchase of raw material to the arrival of the material, to the processing

of the material, stocking of the material and final the sale, it is a time frame which takes almost 45 to 60 days then. And secondly it is just not the raw material when the raw material prices fall even on your finished goods what you have in stock, the impact comes.

Aditya Khetan:

Sir since you have started the new facility of Polystyrene and EPS, so last quarter I understand because of the appliance players stocking up, the volumes had gone up, but since we had also started the new facility, so volumes from that facility should have actually offsetted the last quarter, so decline into the appliances, but still on quarter-on-quarter basis, we are witnessing a decline in volumes. So if you can tell us what are the utilization levels we had clocked for the new facility of Polystyrene and for EPS?

Rakesh Nayyar:

Aditya, as far as the utilization from the new facility is concerned, it is actually the same complex, it is the new line which was established like we had earlier, 3 lines of Polystyrene and we had one dedicated line for GPPS, one for High Impact and one was a swing line. Now what we have is say 2 lines for GPPS and two lines for HIPS and whatever line we want to run depending upon what the demand is in the market, we can run that plant and we have run that plant on 100% basis also, but then you have to look at the overall capacity utilization, not the line wise capacity utilization for us and as soon as we are concerned we have utilized our Polystyrene facility to the extent of in the quarter, it was used to the extent of roughly close to 60%.

Aditya Khetan:

Sir this decline into the Styrene Monomer prices, so this is linked to the global chemical prices which are falling or because there is also a capacity addition, big capacity addition of Styrene Monomer which is coming up in China, so which is the factor that has led to such steep decline in prices of SM?

Rakesh Nayyar:

See the steep decline, if you notice that in this quarter, all polymer prices dropped, all building blocks dropped. It is the slow growth in China and the slowdown in Europe, which impacted the demand and with the demand going down everything fell.

Aditya Khetan:

Sir, onto the volume side, you had stated that so 40% of the overall volume is from the Value Added Grade, so what is the margin this 40% segment is commanding and the remaining 60%, which is the commoditized rate, so what are the margins over there?

Rakesh Nayyar:

See, I can only give you one number that is we categorize the grade as Value Added Grade if that grade commands 25% better margin than my commodity grade and my Value Added Grades command better margins from 25% to 100%, so that is what I can tell you. I cannot give you the exact numbers of the margins or the percentages of margins there please. And I would like to correct myself, earlier I told you 60% capacity utilization, sorry I took something else. It is actually 75% capacity utilization of Polystyrene in this quarter.

Moderator:

Thank you. The next question comes from the line of Ajay Sharma from Maybank. Please go ahead.

Ajay Sharma: Actually, I just wanted to check basically is there a spread you working on a normalized basis between Polystyrene and Styrene, I guess the global spreads currently is like actually has fallen to \$200, so I am wondering, where do you see the spreads for the Indian market, is it any different from the global market considering the different demand patterns?

Rakesh Nayyar: Ajay, the base number is the global margins, but then you have premiums when you sell in India in terms of just in time supplies or the smaller quantity supplies, as well as the Value Added Grades. This delta of \$200 the for GPPS and around \$300 for HIPS which you see is mainly for the Commodity Grades and for the Value Added Grades the Deltas are better.

Ajay Sharma: And is there a normalized EBITDA per ton, would you expect based on your mix? I guess last quarter Q4 was around 23,000, 24,000 and I think if I add back the inventory, estimated inventory loss it also comes to around that sort of range, so is that the spread you would target?

Rakesh Nayyar: The spread, we would like to target that, but then the spreads always are affected and as far as the external forces are concerned or the external environment is concerned, they also impact the margins. So how is the global scenario because these are all commodity products except for the some of the value added grade which people will buy from us or the OEMs will like to buy from us, but then the normal commodity grades can easily be imported into the country as well. This is the technical service which we provide or the just in time supply or our quality, which also matters. Though we target the numbers which you are talking about maybe better than those numbers, but then the margins or the numbers can always get impacted with the external environment.

Ajay Sharma: And on your volume growth, you were targeting 15% and as per the last guidance, you had given 15 to 16%, I think you can still manage that for this year?

Rakesh Nayyar: We are trying to do that, but then with the low off take by the appliance sector in this quarter and also as we see that in this quarter also the pickup may not be there, so maybe that our volume growths will go down to 12%.

Ajay Sharma: And roughly now how much is appliance for you as a percentage?

Rakesh Nayyar: See, appliances are close to say 40%-45% for us at the moment, but then the last quarter the appliances sales were down.

Ajay Sharma: So you still grew 9%, so which sector made-up for that?

Rakesh Nayyar: As I said in my opening remark, we lost 4% of the domestic market on a quarter-on-quarter basis, but then we grew in exports, so our exports jumped and because last two years, our exports were in kind of in a sleeping mode, we were not exporting because we did not have enough capacity, but now we have revived our exports. We have revived our old clients, some

of them, and we have restarted our exports, so our exports had picked up in this quarter, so that made up for.....

Moderator: Thank you. The next question comes from the line of Sailesh Raja from B&K Securities. Please go ahead.

Sailesh Raja: Sir, just now you mentioned about the export in the opening remarks as well as in the presentation that because of good contribution from exports, we have reported positive 9% volume growth in this quarter, sir can you please share the volume or revenue mix reported by export business? And also full year, you were guiding around 50K tons in the current year in FY24, so how easy to achieve that number and what is our competitive strength in the global market? Could you please talk about that, sir? It would be very helpful.

Rakesh Nayyar: We have been in the export market. At one point of time, we were exporting almost one third of our volumes to in the export market. And last 2-3 years, we were not exporting because the domestic demand was good and we did not have enough capacity to spare for exports market with our new capacity coming up in the first quarter or the last quarter of last financial year now we have restarted our exports and with the new capacity, this was our first quarter and of our total volumes almost around we could export around almost closer to around 16%-17% of our volumes we could export in this quarter and we hope that we will be still be able to achieve that the 50,000 what we have earlier given the guidance of. We will be achieving that number of 50,000.

Sailesh Raja: So what is our strength here, sir, in the global market?

Rakesh Nayyar: We have a strength in the sense, one, our product quality is good and we are able to match the global prices also, and since we have good quality, we get an edge over others. And we have good customer relationships.

Sailesh Raja: Sir my second question in the SPC product vertical, as mentioned in our annual report this year that in FY24 that we are expecting around 20% volume growth, so what is driving this strong growth and also in the annual report you have mentioned about the grades approval from appliance customers for Specialty High Gloss Compounds, then the pickup in ABS compounds, so can you please talk about this? Also in the medium to long term, are there plans to add more products in the SPCC product vertical? And also, sir this current year, we didn't talk much about the SMMA product in this annual report, so could you please talk about that also?

Rakesh Nayyar: The SMAA, I will tell you about SMMA first, SMMA, we did not produce and SMMA facility was installed when the Polystyrene demand in India was less and we had spare capacity available, so we had added facilities into one of our lines and it was made as a swing line to produce SMMA, but then the SMMA demand in India is very limited and now with the Polystyrene demand increasing, so we are using that capacity or that line more for

Polystyrene. So SMMA compounds, we have started working on, but then we are importing SMMA and doing the compounds now and as well as you said the growth in the SPC division by 20% is concerned that as you rightly pointed out is that the we are working on the new kinds of compounds and new approvals from the appliance manufacturers, so all that is to take our growth by 20% this year on the compound sector.

Sailesh Raja: Sir, in different grades a new product or it is entirely new compound we are working, sir?

Rakesh Nayyar: These are all the new compounds because every compound has a different recipe. Why you need the appliance manufacturers approvals, once you create a new product, a new recipe, you need their approval and that is what will also add to our volume growth.

Sailesh Raja: Sir, our planned CAPEX for next two years is much less than the current cash balance and also expected cash generation over next two years and also our new project gestation time is also long due to environmental approvals and also creating fresh capacities, so other than ABS, any other compounds or any other new that steering is left out some of the peers are making it. Any plans to add any particular compound or we keep adding ABS capacities in phases?

Rakesh Nayyar: See, we had planned a CAPEX of Rs. 1,250 crores in the year 2021 when we started on it and early this year, we finished our Polystyrene and Expandable Polystyrene expansion. It was an Expandable Polystyrene phase 1 expansion and at our Amdoshi complex as well as our at Tamil Nadu complex. And the ABS at our Maharashtra complex is going on and now in this CAPEX we also have the phase two of Expandable Polystyrene and addition of Compound lines and as well as new line for the Extruded Insulation Board, so all these plants are there, till the March 2025 is target for all these plants to be commissioned and completed and post that we will be certainly doing some new activities and new projects will come up, but then I can't really give you the details of those at the moment please.

Sailesh Raja: Despite high share of Value Added mix that is around 40% of our total volumes, why we face significant downturn in the profitability?

Rakesh Nayyar: You see the base raw material remains the same. It is the margin which is better, but then the prices will go down. If on an X product the raw material is the same now, but on an X product if I am earning Rs. 5 and on a Value Added product I am earning Rs. 7 fine, but when the prices are going down and there Styrene is of higher value and the selling prices will go down with the fall in prices, so all that will go down. It is not that just the one product will go down eventually everything is from Styrene Monomer, so selling prices get impacted.

Sailesh Raja: So what is the total imports happening in PS and the EPS, sir?

Rakesh Nayyar: In EPS, the imports are very negligible and as well as the Polystyrene is concerned the total imports in this quarter were, I think closer to 12,000 tons to 13,000 tons. I think 12,000 to 13,000 is the total imports in this quarter.

Moderator: The next question comes from the line of Vipulkumar Shah from Sumangal Investments. Please go ahead.

Vipulkumar Shah: So when this ABS plant will be completed in March 25, what will be the asset turns for that particular plant?

Rakesh Nayyar: Asset turn at full capacity would be two times, two times at current selling prices.

Vipulkumar Shah: And sir, this Rs. 1,200 crores CAPEX, it is inclusive of all projects, so how much we have spent and how much is remaining to be spent till March 25?

Rakesh Nayyar: Till March 2023, we had spent close to Rs. 350 odd crores and the balance Rs. 900 odd crores is yet to be spent. That is for the next year and this year, we are planning to spend close to Rs. 450 odd crores and the balance will be spent next year.

Vipulkumar Shah: And likewise for this Polystyrene, EPS and XPS projects also as can you indicate asset turns?

Rakesh Nayyar: See the asset turns are related to the raw material prices also because the topline is all linked to the raw material prices, but then if you look at the today's prices, our EPS, our Polystyrene would give us 80,000, because it was a brownfield project for us, the PS and EPS, they both would give us something around in a year at full capacity an asset turn of close to 5 to 5.5 times.

Vipulkumar Shah: And what about XPS and Masterbatches and Compounds?

Rakesh Nayyar: Same thing you can consider for them as well.

Vipulkumar Shah: And sir lastly, so you consider just for my understanding EPS and XPS as Value Added Grades as compared to Polystyrene?

Rakesh Nayyar: XPS is, EPS some grades are, some are not.

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

Aditya Khetan: Sir, is there any update on our competitor plant of Polystyrene which has been closed? Is there any news so that plant can come on stream over the next one to two years?

Rakesh Nayyar: Aditya, I have no news on that because it is the sub-judice matter and matter is in the court and High Court right now there, so we have no information on that, please. I only know that the recommendation of the high-powered committees were that the plant should not be allowed to be operated at the same location, but that it is for the court to take a call, so I have no idea about it please.

Aditya Khetan: And so just an idea, so XPS business, how much that would contribute to our total revenue or volumes, if any idea?

Rakesh Nayyar: Sorry, which one? Extruded Polystyrene or Expandable Polystyrene?

Aditya Khetan: Extruded, XPS?

Rakesh Nayyar: You are talking about Insulation Board?

Aditya Khetan: Extruded Polystyrene. Yes, sir Insulation segment, yes correct.

Rakesh Nayyar: So that is around 1.2% of our turnover.

Aditya Khetan: And Sir, with the expansion into this category, we are planning to add 1lakh meter cube, so post completion of this capacity addition and running at full utilization level, how much would this revenue would contribute then?

Rakesh Nayyar: It will grow to say 3% or so for us because other products will also grow and the current numbers it should be closer to 3% plus.

Aditya Khetan: Any update onto the Styrene demand globally and the spreads, now we are witnessing that the global spreads have started to fall, but is there any sense like so the spreads can consolidate? Or there is further room for this to go down? How are the things moving up in global and domestic market?

Rakesh Nayyar: See, making a guess of the global environment is very difficult. As we say many things are beyond our control. These are the external factors which impact the prices, but then I can only tell you that the current spread between the Styrene and the Polystyrene are almost at the pre-COVID levels or the average of the previous many years, so I don't think that they can go down any further.

Moderator: Thank you. The next question comes from the line of Gunit Singh from CCIPL. Please go ahead.

Gunit Singh: I am sorry, in case I missed this earlier in the call, but what is your outlook for FY24 in terms of topline and bottomline?

Rakesh Nayyar: I can only give you the volume growth we are targeting is (+12%). So as far as the what values it will have, because it all depends upon the price movements happening globally on the in terms of Styrene or raw material concern and I can't give you any guidance with regard to the bottom line, sorry.

Gunit Singh: And in terms of margins, this directionally, do we expect them to sustain at these levels in Q2 and the rest of the year or do we expect some improvement from like you mentioned that the

Spreads are bottomed out and are at pre-COVID levels now, so what are your expectations regarding that?

Rakesh Nayyar: I only said that the margins are now, they are bottom down because they are at the pre-COVID levels at the same level and if you look at the long term averages also, so the margins of the spreads are almost at the same level. So the scope of these to go down further is limited. Upside is it depends upon the demand growth globally and if that happens and certainly there is an upside available.

Moderator: Thank you. The next question comes from the line of Vipulkumar Shah from Sumangal Investments. Please go ahead.

Vipulkumar Shah: Will it be possible to break the sales between all the four products, Polystyrene, EPS, XPS and Masterbatches and Compounds?

Rakesh Nayyar: Sorry break into what?

Vipulkumar Shah: Sir revenue wise, revenue of each segments?

Rakesh Nayyar: Yes, I can tell you that of the manufactured products. Polystyrene is 2/3 of our revenue and Expandable Polystyrene is 1/4 of our revenue and SPC and XPS are the balance part for us.

Vipulkumar Shah: Sorry would you repeat the last sentence, sir please?

Rakesh Nayyar: I said for the SPC and XPS, these 2 products, two-third is Polystyrene, one-fourth is EPS and the balance is which is say one-tenth of the revenue is SPC and XPS.

Vipulkumar Shah: And margin profile should remain same for all products?

Rakesh Nayyar: No, margin profile changes, margin profile changes for, when I say Value Added Grades, they are part of the Polystyrene also they are part of EPS and SPC and XPS are certainly Value Added Grades for us. So the margin profile changes even within the same product line which is same vertical for each grade the margin profile changes. There are some quality grades, there are Value Added Grades and in Value Added Grades also, there are some grades which are of they give us higher margins to us.

Vipulkumar Shah: So overall, 40% is our Value Added Grades, right I think?

Rakesh Nayyar: If all products put together we consider 40% of our product range is Value Added now.

Moderator: Thank you. The next question comes from the line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: So one of the statement in the annual report we have alluded is that the newer grades, what we manufacture and those we intend to manufacture from the appliances before the appliance manufactures they are aspiring to be the global suppliers of this product, so just wanted to understand like we are already at 75% capacity utilization for Polystyrene, so presuming that the remaining 25%, whenever we will utilize, what could be the share of Value Added Grades out of this because, so why I have this question is just wanted to understand what thought process is that is there is a further scope of improving our Value Added Grades or if you can let us know that whenever we will sell the full volumes for PS and EPS and rest of the compounds and XPS, what could be the share of our Value Added Grade which is currently 40%?

Rakesh Nayyar: We are working towards, we want to increase our Value Added Grades share, but then it also depends upon the acceptability of the newer grades particularly of the SPC segment by the appliance manufacturers, the new compounds particularly and it takes time to increase that. Please note that getting the approval itself takes some time and developing a new grade testing it and seeking approvals, so the timeframe to give when these market share or the share of the total Value Added Grades will go up, it is very difficult, but yes, we are always striving to increase the same.

Nirav Jimudia: Because, sir what we also find is that those appliance manufacturer if they want to be the global supplier from here, thus demand for those extra goods would go up.

Rakesh Nayyar: The capacity has also gone up, so when the balance 25% what we have extra capacity today once utilization was 75 in the last quarter, their demand can be met out of that 25%. So with our increased utilization, the overall percentage remaining the same also will still increase the in absolute terms the Value Added Grades.

Moderator: Thank you. The next question comes from the line of Divyam from Ram Shrilal, please go ahead.

Ram Shrilal: Sir, I want to know what is the contribution from your sister concern in the sales?

Rakesh Nayyar: Come again, sorry, you want to know the contribution from?

Ram Shrilal: Your sister concern, Supreme Industries. How much is the sales from your sister concern?

Rakesh Nayyar: I couldn't get you, what has this got to do the contribution?

Participant: Your sales contribution from your sister concern, sir?

Rakesh Nayyar: Sales, we hardly sell any quantities to our sister concern, of their total sales revenue maybe 1% to 1.5% is what we sell to them.

Moderator: Thank you. The next question comes from the line of Mihir Damania from Ambit Asset Management. Please go ahead.

Mihir Damania: I just wanted to ask one question; how do you define Value Added Grades?

Rakesh Nayyar: Value Added Grades for us is a grade in which our margin is better by 25% or more as compared to my normal grade. If my normal grade is earning X and in a Value Added Grade if I earn 1.25 of X then I consider it is a Value Added Grade for me and it can be 1.25, it can be 1.5. It has to be more than 25% of the normal margin.

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

Aditya Khetan: Sir you had mentioned earlier that exports volume is almost 16 to 17% of overall volumes, sir, in terms of the revenue share, so over the last two to three years, it has been only 6 to 8% volumes, so this has gone up quite sharply in this quarter or what has actually happened?

Rakesh Nayyar: As I said in the beginning itself, and we have said in the last quarter presentation also that now with the capacity available with us, we have started refocusing on the exports which in the in the last 2-3 years we were not able to do because of the constraints on the capacity front. So if you go to say 18-19 or 16-17 or 17-18 volumes, you will find that we were doing almost 25 to 30% exports then. So now with the new capacity available to us, we are refocusing on the exports and also I said in my opening remarks that the domestic sales were down by 4%, but the overall volumes had grown by 9%. So all this has come from the exports only.

Aditya Khetan: Sir, on to the exports revenue, now we are back to around 15% to 20% run rate as a percentage?

Rakesh Nayyar: So this quarter, we did around 15% or so, so let us hope the whole year, as I said, our guidance for the whole year, where volume growth as well as the exports are concerned is that we hope to do or close to 50,000 tons of exports this year.

Aditya Khetan: Sir, just a question on to the inventory loss again, sir this quarter you stated that Rs. 90 crores to Rs. 100 crores is the impact and our EBITDA is almost Rs. 90 crores for this quarter, so considering sir, if the prices remain at this level of raw materials and your Polystyrene, so next quarter so there shouldn't be any sort of inventory loss and considering the volume growth also from the newly expanded capacity, so it seems your margins of 7% should go to around 14%-15% in the coming quarter, is this a fair assumption, sir?

Rakesh Nayyar: On paper, yes, it is a fair assumption, but then all also depends upon the demand cycle in the country and what happens in the coming months with regard to the external factors to make any guess on that.

Aditya Khetan: So is there any way like which our company can protect itself from such a huge inventory losses because our EBITDA is almost Rs. 90 crores and our inventory loss is almost 90 to 100 crores, so is there any way which our company can plan to reduce its inventory losses if the prices of raw materials crash back?

Rakesh Nayyar: We know that the how the pricing of Styrene happens, what the procurement we do all that, but still this is a normal thing which will always happen when the prices sharply fall. This will always happen and unless there is some other protection mechanism provided by the government or anybody, it is very difficult because it is a commodity product globally importable and the trade happens globally.

Aditya Khetan: And sir, on that there is no antidumping duty protection on Polystyrene as well as on Styrene Monomer?

Rakesh Nayyar: No, there is no antidumping duty. There is no manufacturer of Styrene Monomer in India, so there is no question of antidumping duty on Styrene Monomer. On Polystyrene we had made an application and which was cleared by the DGTR, but however the Ministry of Finance in their wisdom had not approved this thing?

Moderator: Thank you. The next question comes from the line of Rohit Ohri from Progressive Shares. Please go ahead.

Rohit Ohri: Sir, 2 questions, we have been talking about these external factors and external environment which brings to the point that there could be some issues with the demand, can you take us through the demand scenario in terms of the OEMs just before the onset of the festive season, do you think or are there any talks or discussions to see the volume going up?

Rakesh Nayyar: See, as I said that this quarter the OEM sale was down by 20% as compared to the quarter previous year quarter at a year-on-year basis. And generally, the July, August months are lean months. They are the months in which because of the rains the sales are generally weaker as compared to the other ones. So it is very difficult right now to project the OEM sales for the third quarter.

Rohit Ohri: And the second question is related to the freight cost, which could be another external factor are you comfortable with the current rates and what sort of crude oil prices are you comfortable with if you try to go into the manufacturing and then you know the correlation between Crude oil and Styrene prices?

Rakesh Nayyar: There is no direct correlation between the Crude and Styrene Monomers, the derivative of crude Benzene is a major component of Styrene Monomer, the other component is Ethylene, so there is actually no direct relation, it is all between the benzene and ethylene, which then comes to Styrene Monomer and depends upon the availability of benzene which is the major raw material for Styrene then that is the way it is.

Rohit Ohri: And the freight cost and expenses?

Rakesh Nayyar: What was the second part of the question?

Rohit Ohri: The freight cost and freight expenses in the current scenario?

Rakesh Nayyar: Freight costs for the containerized cargo, they are now normal which they were very high in the year 21-22, they have all become normal now.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Rakesh Nayyar from Supreme Petrochem Limited for closing comments.

Rakesh Nayyar: Thank you, gentlemen, for participating in the Earnings Call. I hope we have been able to answer your question satisfactorily. If you have any further questions or would like to know more about the company, please reach out to our Investor Relations managers at Valorem Advisors. Thank you.

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



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