



SUPREME PETROCHEM LTD

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November 3, 2023

BSE Limited
Phiroze Jeejeebhoy Towers,
1st Floor, Dalal Street,
Mumbai - 400 001
Script Code - 500405

National Stock Exchange of India Ltd
Exchange Plaza, Bandra Kurla Complex
Bandra East,
Mumbai – 400 051
Scrip Code - SPLPETRO

Dear Sir/Madam,

**Sub: Transcript of Earnings Conference Call of Supreme Petrochem Ltd
(‘The Company’)**

**Ref: Regulation 30 of Securities and Exchange Board of India (Listing Obligations &
Disclosure Requirements) Regulations, 2015 (‘Listing Regulations’)**

Please refer to our letter dated October 20, 2023, wherein we had informed you that Earnings Conference Call with investors of the Company will be held on October 31, 2023 to discuss (Q2/H1-FY24) earnings.

Please note that the said conference call as scheduled was held at 04:00 PM (1ST) on October 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 records.

Thanking you

Yours faithfully,

For **SUPREME PETROCHEM LTD**

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NANDAN DEOKI NANDAN
MISHRA
Date: 2023.11.03
MISHRA 16:06:01 +05'30'

D. N. MISHRA
COMPANY SECRETARY



Supreme Petrochem Limited
Earnings Conference Call
October 31, 2023

Moderator: Ladies and gentlemen, good day and welcome to Supreme Petrochem Limited Q2 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 this conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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 a 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'd like to thank you all for participating in the company's earnings call for the 2nd Quarter and First Half 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 may be 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 information currently available to management.

Audiences are cautioned not to place any undue reliance on these forward-looking statements in 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 have with us Mr. Rakesh Nayyar – Executive Director and Chief Financial Officer, Mr. Dilip Deole – Chief Executive of 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 evening, everybody. It is our pleasure to welcome you to the earnings conference call for the 2nd Quarter and half year of Financial Year 2024.

Let me start by giving you a brief overview of the Financial Performance for the 2nd Quarter ended 30th September. The operating income for the 2nd Quarter was Rs. 1,278 crores, which increased by 3.5% year-on-year.

The reported EBITDA was Rs. 106 crores representing an increase of approximately 35% year-on-year with operating EBITDA margins standing at 8.32%. The net profit after tax was at INR 78 crores, reflecting an increase of approximately 31% year-on-year. In the 2nd Quarter of FY24, companies domestic sales volumes of manufactured products increased by approximately 23% year-on-year.

The total volumes in quarter 2 FY24 increased by approximately 28% year-on-year. For the first half of the Financial Year 2024, our revenues are Rs. 2,503 crores. The operating EBITDA was INR197 crores. The PAT stood at INR147 crores. Total volumes in H1 FY24 grew by about 18% year-on-year.

On the other updates, the company remains debt free with an investable surplus of INR840 crores at the end of September 2023 and on the CAPEX front, the implementation of the first phase of the Mass ABS project with a capacity of 70,000 tons per annum is progressing as per schedule. With this now I open the floor for the questions and answer session, please. Thank you.

Moderator:

Thank you. We will now begin the question-and-answer session. The first question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan:

Sir, first question is sir, on quarter-on-quarter basis sir, we had witnessed that this styrene monomer which is the major raw material that prices have gone up by around 10% to 12%. So, there was some expectation of inventory gains which has not been factored into this quarter because in our last quarter we had taken almost 90 crores hit because of inventory loss. So, sir our EBITDA run rate if we look at the last 10 quarters that was at around 170 crores, 180 crores. So, you see that in the second half we could be back to that levels or we would be lingering at the same levels of 100 crores, 120 crores?

Rakesh Nayyar:

Aditya comparing the EBITDA numbers or the run rate of the last year with the current year is not right. The last year the global deltas were very high and which we had also then mentioned in our report that they are too good to be true to last also and now the Deltas between the styrene prices and the finished goods are kind of now settled down and at normal levels.

And as far as coming to your inventory gain and the styrene prices movement is concerned, the styrene prices have moved up. They are at around \$1,050 Northeast Asia today, but then that



movement has been very, very gradual now and it's not the Southern movement or the Southern fall which happened in the last quarter. So, when these kinds of movements happen, they really generally don't relate in to the inventory gains or something the large inventory gains, but then it is good that the prices remain low then the market sentiment is always good.

Aditya Khetan: So, we would be expecting at least second half to be better than from H1?

Rakesh Nayyar: The last quarter that is the January, March quarter is always the better quarter because that is the time and the maximum volumes happened and that will always be there.

Aditya Khetan: Sir, on to our expansion part, so that special polymer compounds expansion like phase 1 and phase 2, we were doing in FY24 and FY25. So, we are continuing with that?

Rakesh Nayyar: All expansions we are continuing with, but since I mentioned ABS that being are the biggest of all CAPEX for us. So, I talked about that and that is going as per scheduled.

Aditya Khetan: Sir just one last question sir one of our competitors so recently they have mentioned like they are also doubling the capacity into ABS from 1,00,000 tons to around 2,00,000 tons. I'm talking about sir styrenics performance. So, even though they are expanding into the polystyrene business so don't you think into the ABS part since Supreme is expanding styrenics is expanding. Apart from import substitution also there would be sort of a supply surplus which could come into the market and could decline the spreads over the next five to six.

Rakesh Nayyar: Your question is what meaning the decline what?

Aditya Khetan: Decline into the margins or spreads like because competition is entering into the market. So, the current spreads might not sustain of ABS?

Rakesh Nayyar: See the margins unless your product has some edge over the imported product in terms of quality, in terms of any special properties in your product and the customer service. Generally the prices are governed in line with the global prices then. The benchmark is the global price then you have little of the premiums in India.

And if you have a specialty product, if you have some additional properties in your product, yes, then you get a premium for that. So, as far as the Indian prices are concerned they would continue to be governed by the international prices because these are all easily importable into the country.

But as soon as the demand is concerned why I read about the doubling of capacity by one of our competitors or would be competitors and in ABS and the other player in ABS is that they are talking of implementing and doubling their capacities in the next 36 months to 48 months. And by then, the demand in the country would also grow and there will be enough room for all of us to be playing in that play field of demand then.



- Aditya Khetan:** And similar sir for polystyrene also that could because they are expanding there also. So, similar case you can pick them?
- Rakesh Nayyar:** We are expanding so fine that is not the case and we all will have enough place to grow.
- Moderator:** Thank you. The next question is from the line of Sailesh Raja from B&K Securities. Please go ahead.
- Sailesh Raja:** Sir in first half we have done roughly 28,000 tons volume in exports. For the full year FY24, can we expect company to reach 60,000 tons volume in exports and also in this 28,000 tons in exports, how much is polystyrene sir?
- Rakesh Nayyar:** I will not give you that breakup that how much is polystyrene and as far as our exports. I don't know who gave you the number of 28,000 tons.
- Sailesh Raja:** Sir last quarter you said 16 percentage of volume so that is around 12,000 tons?
- Rakesh Nayyar:** That was for the last quarter that is 16%. So we have given a guidance that we would be doing 50,000 plus of exports in the current year and that is what we will do, excess of 50,000, but then current guidances and we will be doing 50,000.
- Sailesh Raja:** So, my second question in refrigerator and AC including all inner walls, outer walls then decorative strips, door handles, what is our polystyrene and ABS, I mean, how much PS both GPPS and HIPS and also ABS is used in each refrigerator and AC. So, I want in kilogram tons how much is used?
- Rakesh Nayyar:** I don't have Mr. Sailesh that information really with me because AC is internal unit of AC did get consumed the refrigerators and the inner lining is of HIPS all the trays and other things are of GPPS and all depends upon the average leverage of AC or sorry of the refrigerator the size of the refrigerator also, but whatever is the standard leverage of the refrigerator. Based on that the information is available, but readily I don't have it, I won't be able to give you that maybe later on you can DM me and you can take that.
- Sailesh Raja:** Sir, in the SPC division any new compounds we are planning to launch this year, could you please talk about the customer approval process time after launching new compounds also we are expanding the capacity to 50,000 tons in SPC divisions?
- Rakesh Nayyar:** So, with this 50,000 tons can we potentially achieve 1000 crores revenue if yes by when we can achieve that thousand crores.
- Sailesh Raja:** Of the SPC?



Rakesh Nayyar: Not with the 50,000 with the mix of all kinds of grades of compounds and all that no unlikely that we will reach 1,000 crores of turnover. The 50,000 with a mix of all kinds of grades and all that can give us a revenue of close to 750 crores or so. There are compounds which are as high as Rs. 250,000 per tons also, but then there are ones which are less than that, much less than that. So, an average around 750 crores, 800 crores maybe 15,000 tons of compounds.

Sailesh Raja: Last question of the total volumes roughly 35 percentage it is coming from appliance and sectors and if you can you please give breakup of user industries in the remaining 65 percentage of our volumes. And also can you talk about the product vertical wise demand outlook in the second-half of [inaudible 14:00] and also our trading product ABS. So, in which product vertical you see better demand in the second-half?

Rakesh Nayyar: As far as EPS is concerned in the first half the domestic Indian market of EPS has grown by roughly around 12.5%, polystyrene because of the OEMs their demand being weak. Sales have not grown, the sales have I think close to 3% to 4% growth is there in EPS market in the first half.

Now, in the second-half if the OEMs demand remains good, which is a significant part of the overall polystyrene consumption they consume around 35%, 40% or so of the total polystyrene. So, if that be the case, then the demand should be 6% to 7% should grow. But then as of the first half it was 3% and EPS should grow around 10% for the year as a whole the EPS should go around 10% of the year. The non OEM sector, the packaging, the stationary, the household goods, the writing instruments, the clear sheets, medical disposables, dairy, they are all the ones which including toys and other miscellaneous products. So, they are the ones which consume the major part of it, including jewellery and artificial jewellery.

Sailesh Raja: It will be more than 10 to 12 user industries, sir, for the remaining 65%, 60%?

Rajesh Nayyar: Sorry.

Sailesh Raja: No, that remaining 65 percentage of total volumes?

Rajesh Nayyar: Yeah, remaining 60% of the total volumes comprises of all these various categories.

Moderator: Thank you. The next question is from the line of Vipul Kumar Shah from Sumangal investment. Please go ahead.

Vipul Kumar Shah: Sir, what are the this polystyrene price raw material prices you said \$1,150?

Rajesh Nayyar: So, right now the Northeast Asia price of styrene monomer is around \$1050.

Vipul Kumar Shah: What is the delta of finished products in terms of dollar?



- Rajesh Nayyar:** The finish delta in terms of GP is currently around \$175 to \$200 and for HIPS it's close to \$275 to \$300.
- Vipul Kumar Shah:** And for this EPS and Xp?
- Rajesh Nayyar:** Now EPS is the one which is not imported into India hardly any quantities comes from that. So, it's the domestic prices which are there always for the EPS.
- Vipul Kumar Shah:** No for EPS raw material is same?
- Rajesh Nayyar:** The raw material is the same, but if in dollar terms you want the delta, then it could be around \$225, \$250 for EPS.
- Vipul Kumar Shah:** And sir is it possible to share a product wise volume and value for each product or you would not like to disclose those figures?
- Rajesh Nayyar:** As far as revenue top line is concerned of the manufactured products the two-third comes from polystyrene and one-fourth comes from EPS and we were balance 110th comes in from our SPC and XPS business.
- Vipul Kumar Shah:** What is the status of ABS project means when is it likely to be operational and what will be the effect turn for that went?
- Rajesh Nayyar:** First phase of the ABS would be commissioned by the end of next calendar year.
- Vipul Kumar Shah:** Next calendar year and what will be the asset turn for that?
- Rajesh Nayyar:** Sorry.
- Vipul Kumar Shah:** Asset turn for that product type project?
- Rajesh Nayyar:** Asset turn for that would be around 2 times of that's 2 times plus 2 to 2.25 times at the almost like 100% capacity utilization.
- Moderator:** Thank you. The next question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.
- Aditya Khetan:** Sir, on to the delta part sir what we are witnessing on month-on-month basis. So, there was huge volatility into the spread like form of rupees per kilo the spread may went to Rs. 20, Rs. 25 per kilo now they are back to around Rs. 14, Rs. 15 per kilo. So, this rise in spreads is basically because of the festive season like excitement because of that sorry consumer durables buying is there and that could again like go back to the levels of Rs. 8, Rs. 10 per kilo in the subsequent month, how to see like this at the moment?



Rajesh Nayyar: It's not so it is not so. What happens is that depends upon any particular issue happening with somewhere in somebody has dumping some material maybe that is the issue, but then the standard deltas are in the region of \$200 for GP and \$275 to \$300 HI. Those deltas remain. It's only once in a blue somewhere what happens is the EPS delta has PS prices have not gone up for some reason, but then the raw material prices have shot up and you find that the delta there is squeezed, but then ignore those two or three weeks and you will find that the deltas are back to the old level that happens. So, because one product price is going up, the other is still in the lag mode it is not caught up with the other one.

Aditya Khetan: Sir, on to the exports structure we were earlier search, so the street was anticipating that the US and Europe which were the weaker market that would revive, but as on dates are only the US market has seen some sort of an uptick in demand. Europe is continuing to remain weak. So, still sir our export guidance of 50,000 tons plus. So, we could achieve that?

Rajesh Nayyar: so far we are on target for that and our exports continue to go to Europe and Africa and the various Gulf countries and the other parts of the Asia. U.S also is our market, but then major exports are right now to Europe and Africa and Asia.

Aditya Khetan: So, possible to give a split of exports like how much would be Europe, Asia?

Rajesh Nayyar: I'm sorry I will not give you that breakup.

Aditya Khetan: Sir, just one last question sir on to the volume guidance earlier so we were stating that 13% to 15%, so that guidance remains sir for the next two?

Rajesh Nayyar: I think I had said around last quarter call I had said 12% and I maintain that we will be meeting that target. Our guidance still remains at that level.

Moderator: Thank you. The next question is from the line of Krunal Shah from Enam Investment. Please go ahead.

Krunal Shah: My first question is on the trading revenue what was the trading revenue during the quarter?

Rajesh Nayyar: Our trading revenue is around 23% of our top line.

Krunal Shah: And the margins that we'll do there over there would be what roughly 3%, 4%?

Rajesh Nayyar: Sorry.

Krunal Shah: The profitability in the trading business would be around 3%, 4%.

Rajesh Nayyar: No, I can't give you that number, please.



Krunal Shah: And sir just one question on margin. In Q1 so we had a 90 crores inventory hit and I just think for that we did a close to 15% EBITDA margins. Now in Q2, EBITDA margins are 8.3%. So, there's a sharp dip. What could be the reasons for that?

Rajesh Nayyar: In our quarter 1 our EBITDA margin was 7%, 7.3%.

Krunal Shah: So, adjusting for the inventory does the 90 crores raw material hit as you mentioned in the call?

Rajesh Nayyar: I have said in the beginning the global debtors have also come down.

Krunal Shah: So, according to that what could be a sustainable margin to model?

Rajesh Nayyar: The normal range of GPPS spread between the styrene and the GPPS at the global level is \$175 to \$200 and for HIPS it's around \$250 to \$275.00. So, there's a general gap of around \$100 between the GPPS and HIPS.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Rajesh Nayyar: Thank you. Thank you all for participating in this earnings concall. I hope we have been able to answer your questions satisfactory. If you have any other further questions, I would like to know more about the company. Please reach out to our Investor Relations Manager at Valorem Advisors. Thank you.

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