

INITIATING COVERAGE REPORT

Styrenix Performance Materials Ltd

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Styrenix Performance Materials Ltd

Visibility of growth in sight, comfortable valuations, Import Substitution in play, Initiate with BUY

Styrenix Performance Materials (SPML) (formerly known as INEOS Styrolution India Ltd) is one of the leading manufacturers of Polystyrene (PS), Absolac (ABS) & Absolan (SAN) in India. The company is focussed on capacity expansion in base businesses products like ABS & PS coupled with inorganic acquisition opportunities to drive future growth. The company through its acquisition of INEOS Thailand opens new markets globally & materially expanding its presence worldwide. As a leading ABS and SAN producer, the company is well poised to capture growing domestic demand and would benefit from import substitution opportunity. The company is incurring capex of Rs7.5bn over the next 3 years to expand capacities in ABS & SAN. At peak utilization levels this will add ~Rs15-20bn to the topline & Rs2.5-3bn to EBITDA over the next 5 years. Through relentless R&D efforts, the company ensures continuity to introduce new products, blends and other value-added grade thereby, enhancing its portfolio with differentiated and value-added offerings. The company has deep rooted long-standing relationships with a lot of marquee clients across India & across different sectors like automotive, household appliances, electronics, medical devices, stationery, toys. By offering superior product solutions tailored as per customer needs, the company has a competitive edge which drive growth. The business is sticky in specialty grade ABS where it benefits from relatively lower competition from imports & no other reliable domestic supplier. Over the next 3 years, we anticipate volume growth of ~10% from FY25-28E led by ramp up of Thailand business & capacity expansion in base businesses. The company has multiple triggers & trading at a steep discount to its large competitor in the domestic market. We feel new confidence in promoters' ability to transform will align the company for new multi-dimensional growth path & the multiples will re-rate as conversion cost in Thailand drifts down coupled with stronger growth trajectory in volumes in base business. The stock is trading ~15.7x P/E multiple with EPS of Rs 130 as on Sept' 27E. We assign target multiple of 22x & hence we arrive at a target price of 2864 per share which is an upside of ~40% from current valuations.

Market leader in ABS & SAN, current promoters are the pioneers of the ABS industry

- Mr. Rakesh Agrawal is recognized as the technology pioneer to manufacture ABS & SAN resins in India. He established the country's first plant to manufacture ABS and SAN (Styrene Acrylonitrile) resins by founding ABS Plastics Limited in 1973.
- The company is today the market leader in ABS & SAN with 50+ pioneering experience providing customized & innovative solutions for everyday products.
- The company has on the spot colour confirmation as per customer requirement. This has unique advantage as this involves high tech facility to process the desired colour in a very short span of time. Precision, dedicated compounding facility & in time service are the major benefits.
- The company has been manufacturing various grades of ABS under the brand name 'ABSOLAC' and SAN under the brand name 'ABSOLAN'. The company also has an established presence in PS segment, which is sold in the brand name of 'Styrenix@PS'.
- The company currently has an installed capacity of 105 KTPA of ABS, one of the largest in India using emulsion manufacturing route and 105 KTPA of PS, second largest in India. The company operates modern manufacturing facilities, and a state-of-the-art research and development (R&D) centre in Gujarat.

Diversified end user mix & large clientele base augurs well

- ABS and SAN are versatile engineering thermoplastic material and properties like high-impact & ignition-resistant etc to meet the application needs across broad range of market segments.
- ABS finds application across industries such as electrical and electronics, automotive, household consumer durables etc., while SAN is mostly used in the stationery, cosmetic, packaging, toys and extrusion segments.
- The company has a diverse set of clientele list varied across end user industries. The company serves to various OEMS along with smaller. No single customer contributes more than 8-10% of the topline indicating the company is not dependent on any one customer or end user industry.

Operating spreads per kg to witness improvement led by rising value-added mix, operating leverage & ramp up of Thailand unit

- The company through its Thailand acquisition enhanced its product mix by addition of new value-added grades in ABS & HRG rubber. The Thailand ABS grade is used for refrigeration liner applications which is one step above & different which they already have in India.
- In FY24, the company had developed and introduced two new brands, 'STYROLOY' (PC+ABS, PA+ABS blends) for blended products and 'ASALAC' for Acrylonitrile Styrene Acrylate (ASA). The total addressable market for these blends is around ~40-50KT per annum in India & is growing at 8-10% per annum, better than normal grades growth of 6-7% per annum because of increasing demand from end user industries particularly towards heavy applications like automotive & consumer durables.
- The blended EBITDA/kg (Incl. Thailand) stood at Rs13.3 per kg as on FY25. The spreads peaked out in FY22 as post covid era led to much higher pent-up demand & supply disruptions benefitting local manufacturers. However, with lowering demand & higher supply because of higher imports led to dip in operating spreads from FY23-25.
- As per our analysis, the spreads will largely make a bottom by the end of FY26E & will factor in in the negatives of weak demand & higher supply.
- With capacity addition in PS, more into value added HIPS (High Impact PS) along with addition of newer grades ABS, value added mix will improve spreads per kg over the next 4-5 years.
- We anticipate at peak utilization of all business; the peak normalized EBITDA spreads should be about Rs17 per kg. We have modelled Rs15.4 per kg as on FY28E & Rs17 per kg by FY30E.

| Y/E Mar (Rs mn) | Revenue | YoY (%) | EBITDA | EBITDA (%) | Adj PAT | YoY (%) | Adj EPS | RoE (%) | RoCE (%) | Adj P/E (x) | EV/EBITDA (x) |
|-----------------|---------|---------|--------|------------|---------|---------|---------|---------|----------|-------------|---------------|
| FY24 | 22,222 | -6.3 | 2,635 | 11.9 | 1,732 | -5.4 | 98.5 | 24.1 | 23.4 | 12.3 | 7.8 |
| FY25 | 27,444 | 23.5 | 3,450 | 12.6 | 2,322 | 34.1 | 132.0 | 24.6 | 20.3 | 20.8 | 14.8 |
| FY26E | 35,556 | 29.6 | 3,752 | 10.6 | 1,879 | -19.1 | 106.1 | 15.2 | 12.3 | 19.3 | 10.7 |
| FY27E | 40,260 | 13.2 | 4,290 | 10.7 | 2,079 | 10.7 | 117.4 | 15.1 | 12.0 | 17.5 | 9.7 |
| FY28E | 46,557 | 15.6 | 5,156 | 11.1 | 2,531 | 21.7 | 142.9 | 16.4 | 12.8 | 14.3 | 8.1 |

Source: Company, SMIFS Research Estimates



Rating: BUY Upside: 40%
Current Price: 2050 Target Price: 2864

| Market data

| | |
|-----------------------------------|--------------|
| Bloomberg: | STYRENIX: IN |
| 52-week H/L (Rs): | 3524/1962 |
| Mcap (Rs bn/USD bn): | 36/0.4 |
| Shares outstanding (mn): | 17.7 |
| Free float: | 53.4% |
| Daily vol. (3M Avg.): | 0.045mn |
| Face Value (Rs): | 10 |
| Group: | BSE SmallCap |
| Source: Bloomberg, SMIFS Research | |

| Shareholding pattern (%)

| | Sep-25 | Jun-25 | Mar-25 | Dec-24 |
|---------------|--------|--------|--------|--------|
| Promoter | 46.2 | 46.2 | 46.2 | 46.2 |
| FII's | 2.2 | 2.7 | 2.5 | 3.4 |
| DII's | 12.8 | 12.1 | 12.5 | 11.3 |
| Public/others | 38.8 | 39.0 | 38.8 | 39.1 |

| Pro. Pledging

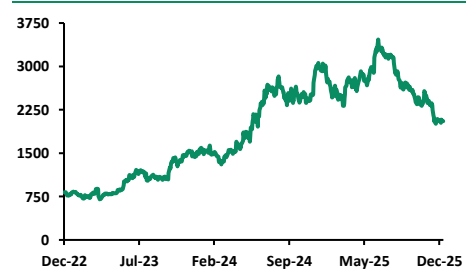
| | | | | |
|-------------|-----|-----|-----|-----|
| Pledging | 0.0 | 0.0 | 0.0 | 0.0 |
| Source: BSE | | | | |

| Price performance (%)*

| | 1M | 3M | 12M | 36M |
|-----------|------|-------|-------|-------|
| NIFTY 50 | 0.5 | 3.8 | 5.1 | 41.3 |
| NIFTY 500 | -0.5 | 2.2 | 1.6 | 50.3 |
| STYRENIX | -8.7 | -20.7 | -31.8 | 148.3 |

*As on 15th Dec 2025; Source: Ace Equity, SMIFS Research

| 3 Year Price Performance Chart



Source: Ace Equity

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Import substitution plus higher demand from end user industries to drive growth

- India remains dependent on imports for meeting the domestic demand of ABS. ~45% of the demand is met through imports from Taiwan and South Korea, which together accounted for ~93% imports of ABS in FY25, while imports from other countries included Thailand and Malaysia, together contributed ~7% of the imports.
- There is a large capacity expansion planned by other domestic players, including Styrenix in ABS. Anticipated 265KT (100KT by Styrenix, 140KT by Supreme & 25KT by Bhansali) of ABS incremental capacity addition will be done by the 3 players over the next 4 years from FY25-29E, although by then demand will also materially improve from the current levels.
- We expect the new capacity addition will get absorbed as focus of the manufacturers remain on import substitution & capturing incremental demand. Styrenix & Bhansali continue to expand in specialty grade ABS wherein the competition from imports is even limited.

Inorganic acquisition paves the way for growth which augurs well

- On Dec 24, the company announced the acquisition of INEOS Styrolution (Thailand) Co for \$22 million on (~Rs1.9bn with EV/sales of 0.2x). Current promoters look to turnaround the asset by lowering cost, product mix improvement & adding more customers.
- Post-acquisition, the Thailand operations have witnessed a turnaround in EBITDA, moving into profitability from earlier losses. However, meaningful ramp-up and incremental contribution from new product additions are likely to materialize over the medium term.
- At peak utilization levels, the business can generate incremental Rs2bn EBITDA (factoring EBITDA spreads of Rs 20 per kg).
- We model in ~65% utilization by FY28E, translating ~9% volume growth & topline growth of ~13% from FY26E-28E.

Strong volume growth in sight led by PS & ABS capacity expansion & ramp up of international operations

- Historically, the company's overall volume grew at a CAGR of ~6% CAGR from FY20-25 led by pent up demand, pickup in end user industries & widening customer base. Earlier from FY16-20, volumes declined at a CAGR of ~1% led by muted demand.
- The capacities had reached peak utilization levels by FY24 & to maintain its volume momentum, the company has completed its debottlenecking exercises (40% on base capacity) & current capacities stand at 210KT which will start operating at peak utilization levels by FY26E. To maintain volume momentum even post FY26E, the company has chalked out plans to expand its PS & ABS capacities.
- ABS capacity expansion from 105KT to 205KT (100KT addition at a capex of Rs5.5bn) while PS capacity will expand from 105KT to 155KT (50KT addition at a capex of Rs2bn). ABS expansion is planned in phases wise like phase 1 of 50KT to complete by H2FY27E & second phase of 50KT to complete by mid of FY29E. PS expansion to complete by FY28E.
- Post complete expansion, the cumulative capacity will stand at 360KT in India. The volume headroom will be almost 2x by FY30E from the current base volumes of FY25. Although from a 3-year period from FY25-28E, the volume growth will be ~11% (excluding Thailand ABS), higher than growth of ~6% from FY20-25.

Change in Management has led to improvement in operational performance of the company

- Previously known as INEOS Styrolution India Ltd, the company was taken over by Shiva Performance Material Pvt Ltd in November 2022, renamed to Styrenix Performance Materials Ltd in January 2023.
- Thereafter, in June 2024 the promoters sold 16.5% stake in Styrenix Performance Materials Ltd. Proceeds from the stake sale have been utilised by the promoter company to repay the debt, which had been availed for the acquisition of stake from INEOS Styrolution India Limited. Consequent to the said debt repayment, pledge on the promoter's equity stake in Styrenix Performance Materials Ltd has also been released. As on FY25, the promoters held 46.2% equity stake in the company.
- Post takeover by the new management, the volumes have compounded by ~12% indicating significant ramp up in utilization levels & overall revenues grew by ~8% from FY23-25.
- We are with the view that current promoters are the pioneers in this industry 50 years ago & with their long experience to run this business, we are quite confident of the promoter's ability to expand & run its day-to-day operations with clear focus & concise target.

Outlook and valuations

- **We are optimistic on the mid-to-long term prospects of the company** as the next leg of growth will come from capacity expansion in PS & ABS coupled with ramp up in Thailand business in the next 4-5 years.
- The multiple will re-rate as conversion cost in Thailand drift down coupled with stronger growth trajectory in volumes in base business. The company is already trading at a steep discount to its large competitor in the domestic market but considering Styrenix strong growth trajectory & confidence in promoters' ability to transform & align Styrenix on a new multi-dimensional growth path, we believe re-rating & shareholder value creation will be much faster in Styrenix.
- The stock is trading at P/E multiple of ~15.7x on EPS of Rs 130 per share as of Sept' 27E. We assign target multiple of 22x & arrive at a target price of 2864 per share which is an upside of ~40% from current valuations.

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Investment Rationale

Market leader in ABS & SAN, diversified operations increases visibility

- Established in 1973 by the Agarwal family originally named as ABS plastics, the company is today the market leader in ABS & SAN with 50+ pioneering experience providing customized & innovative solutions for everyday products. The company has colour excellence R&D facility with more than 1,300 colours.
- Backed by evolving consumer preferences led by rapid technological innovation and globalisation, the focus has shifted towards cost-saving and innovative solutions. In lieu of this, the company is focussed on providing quality polymers like ABS & PS of better quality at good price points.
- The company has been manufacturing various grades of ABS under the brand name '**ABSOLAC**' and SAN under the brand name '**ABSOLAN**'. The company also has an established presence in PS segment, which is sold in the brand name of '**STYRENIX PS**'.
- ABS and SAN are versatile engineering thermoplastic material and their high-impact, ignition-resistant and other properties meet the application needs across a broad range of market segments. ABS finds application across industries such as electrical and electronics, automotive, household consumer durables etc while SAN is mostly used in the stationery, cosmetic, packaging, toys and extrusion segments. Demand of ABS and PS is expected to witness a healthy growth supported by growth in the end-user industry.
- The company currently has an installed capacity of 105 KTPA of ABS (expanded from 85 KTPA through debottlenecking) and 105 KTPA of PS (expanded from 66 KTPA in September 2024). The company operates modern manufacturing facilities, and a state-of-the-art research and development (R&D) centre in Gujarat.
- The company is well positioned to capture a significant portion of the market, particularly in the ABS segment, given the high level of imports currently entering the country.

Fig 1: Representation of different grades of ABS



Source: Company, SMIFS Research

Fig 2: Representation of white grade PS



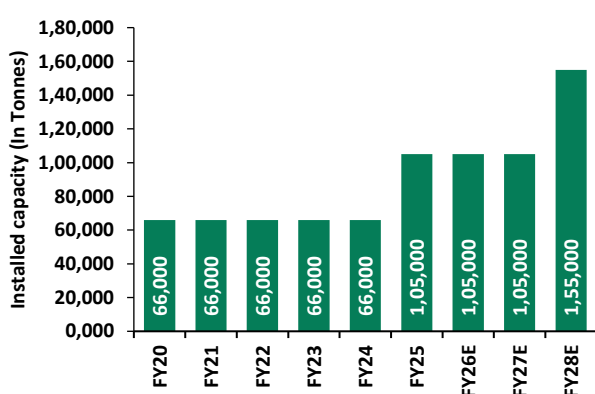
Source: Company, SMIFS Research

- The company has decent topline mix from both PS & ABS which have varied end use cases makes the company quite diversified from an end use standpoint.
- The company with its recent acquisition of Thailand INEOS ABS is transitioning into value added grades of ABS & HRG rubber which have better margins & limited competition which makes the company better as compared to its competitors.

Capacity expansion in domestic ABS & Polystyrene (PS) to aid volume growth

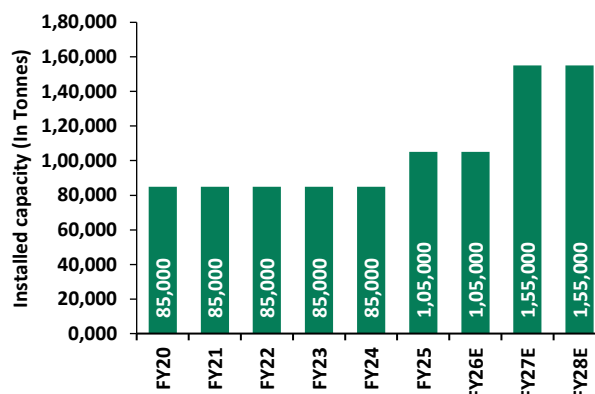
- Historically, the company's overall volume grew at a CAGR of ~6% CAGR from FY20-25 led by pent up demand, pickup in end user industries & widening customer base. Earlier from FY16-20, volumes declined at a CAGR of ~1% led by muted demand.
- The dynamics changed followed by the shutdown of LG Polymers in 2021 which led to shift in volumes towards other players like Styrenix & Supreme Petro & both players got windfall benefits leading to capacities started operating at peak utilization levels.
- To capitalize on the opportunity, the company has started de-bottlenecking activities in Oct 23 & had completed it by Q2FY25. Post de-bottlenecking, PS capacity was increased to 105 KT & HRG rubber capacity was increased to 27KT from 23KT which led to ABS capacity increase to 105 KT from 85KT. As on date, the cumulative installed capacity stands at ~210KT (ex of SAN & rubber). We anticipate the de-bottlenecked capacities also to operate at peak utilization in FY26E, following ~14% overall volume growth YoY.
- Further capacity expansion has been announced to capitalize on a multi-year growth opportunity. The expansion plan are as follows: ABS capacity expansion from 105KT to 205KT (100KT addition at a capex of Rs5.5bn) & PS capacity expansion from 105KT to 155KT (50KT addition at a capex of Rs2bn). ABS expansion is planned in phases wise like phase 1 of 50KT to complete by H2FY27E & second phase of 50KT to complete by mid of FY29E. PS expansion to complete by FY28E.
- Post complete expansion, the cumulative capacity will stand at 360KT. The volume headroom will be almost 2x by FY30E from the current base volumes of FY25. Although from a 3-year period from FY25-28E, the volume growth will be ~10% (excluding Thailand ABS), higher than growth of ~6% from FY20-25.
- The main purpose of capacity expansion is to meet the growing demand and substitute imports. With rising consumption from end user industries like auto, packaging, consumer durables & construction, demand growth is in sight which poses uptick in PS & ABS outlook.
- In the above new outlined capex, the company eyes better margin products. We see new products are likely to be import substitutes (Eg. Refrigeration liner ABS, PC+ABS blends) and would drive better operational performance.

Fig 3: PS capacity addition



Source: Company, SMIFS Research Estimates

Fig 4: ABS capacity addition



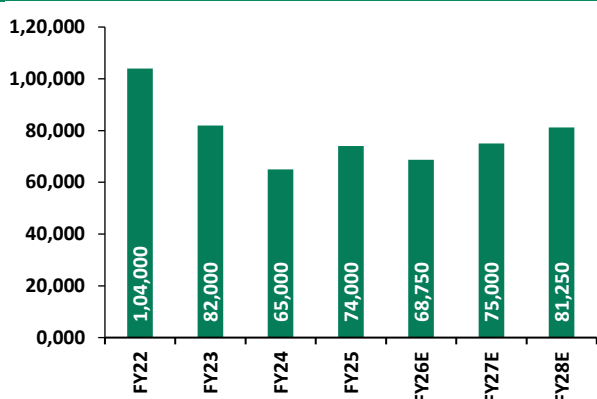
Source: Company, SMIFS Research Estimates

- In PS, the company is adding HIPS (High Impact Polystyrene) line which is largely used in consumer durable applications. This will inch up the contribution of HIPS grades in overall polystyrene mix & bodes well for the company. HIPS grade commands better spreads & realizations are 5-10% premium as compared with GPPS grade.

Acquisition of Thailand ABS provide headroom for volume growth

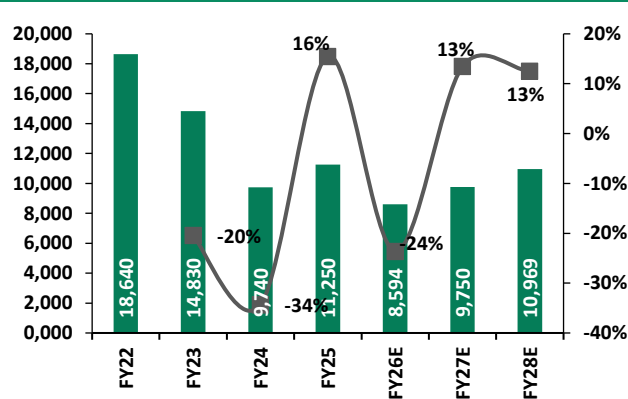
- On Dec 2024, the company had announced the acquisition of INEOS Styrolution (Thailand) company for \$22mn. The said acquisition has been funded through a term loan backed by corporate guarantee from the company itself. The transaction has been successfully completed on Jan 2025.
- The acquired entity is engaged in the manufacturing specialty ABS, high heat ABS and SAN polymers with an installed capacity of 85KT for ABS, 100KT for SAN and 31KT for HRG rubber and already has an established presence with customers across Thailand, South-East Asia and China. Currently the facility is operating at ~60% utilization levels while breakeven at the EBITDA & the company promoters are looking to turnaround the operations of the acquired entity in the near term by continuous engagement customer, changing rubber grade mix & developing newer grade products.
- The acquisition is a strategic fit to further strength the company's position as a supplier not only in India but globally. The product capacities, portfolio and technologies in Thailand will strengthen the product offering to its existing customers. Furthermore, this acquisition will also enable the company to evaluate options for future expansion, new product development & market offering.
- With this acquisition, the company got access to 1.) Unique product ABS grade, which is used in refrigeration liner applications, this is a large market in India & currently 100% imported 2.) Access to water clear high chemical resistance SAN, which is only produced in the Thailand plant and is not commonly produced elsewhere 3.) Access to bimodal rubber technology which can be used for low temperature ductility kind of application.
- The current market share in Thailand is about 10-12% & it contributes ~25% of sales. As per management, there is immense opportunity for the business to expand in Thailand itself as the market size is big.
- The Thailand plant has better quality HRG rubber & as a thumb rule 1 ton of HRG rubber can make 4 ton ABS, which implies the plant has immense potential to de-bottleneck the existing capacity of ABS, offering strong potential future growth visibility.

Fig 5: Thailand volumes to grow ~9% from FY26E-28E led by widening customer base (In Tonnes)



Source: Company, SMIFS Research Estimates

Fig 6:Aided by better volumes & realizations, revenue to grow ~13% from FY26E-28E (Rs in mn)



Source: Company, SMIFS Research Estimates

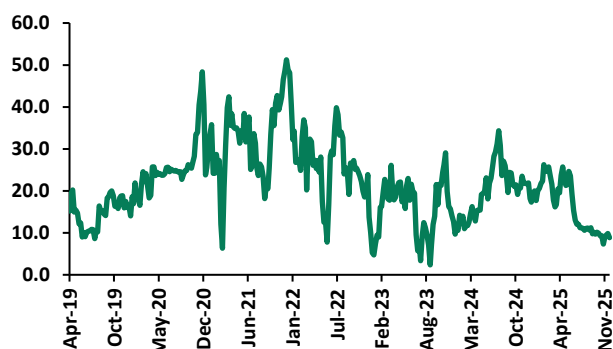
- Currently, the conversion cost of Thailand business is 2x that of India which is the main reason for miniscule EBITDA but with subsequent scale of operations, the cost is anticipated to come down & almost be in line with Indian business. At peak utilization levels, the business can generate Rs2-2.5bn EBITDA (factoring EBITDA spreads of Rs 20 per kg & conversion of Rs 25 per kg). Lowering of conversion cost can alone add Rs1.5-1.7bn to EBITDA.
- We anticipate in the coming years the operations will likely streamline coupled with demand uptick will reasonably improve the capacity utilization of the plant. We model in ~65% utilization by FY28E, translating ~9% volume growth & topline to grow ~13% from FY26E-28E.

Improvement in gross spreads per kg led by operating leverage & product mix benefits

- The company's Gross & EBITDA is primarily dependent on the behaviour of input output spreads per kg or ton. The higher is input output spreads, the better is the margins & profitability.
- Generally, commodity polymers have lower spreads whereas value added polymers with better functional properties have higher spreads. The company has a strategy of focusing on specialty grade PS & ABS which commands better margins than commodity grades.
- The company has relatively higher portion of revenues from value addition. In case of PS, 60-65% is commoditized & 35-40% is specialized. In case of ABS, ~40-45% is commoditized & 55-60% is specialty grades.
- ABS & PS prices and input output spreads are influenced by global demand supply dynamics, raw material costs, import volumes and product mix.
- We have analysed input output spreads per kg of ABS & PS during the last 10-year cycle. The cycle was weak from FY15-18 because of muted demand, thereafter FY18-19 marked the cycle of commodity price boom which spiked spreads abnormally, thereafter FY20-21 was the post COVID boom period which again led to abnormally high spreads & subsequently lower demand, inventory correction & slower pickup impacted the spreads & currently trading at 3 years low & below the long-term average.
- This is evident with Q2 numbers where ABS & PS players have reported muted set of performance. We believe input output spreads of PS & ABS have bottomed out & after consolidation with subsequent pickup in demand & better product mix will improve the input output spreads from hereon.

Fig 7: Spot PS Spreads Chart

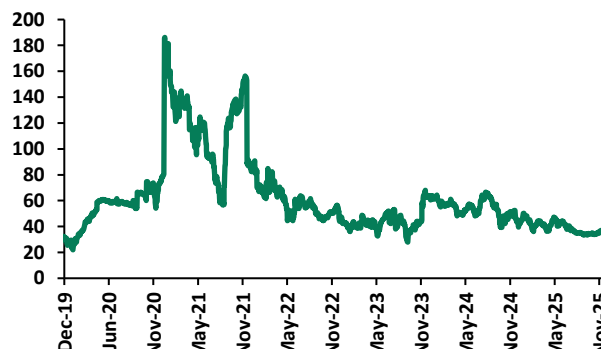
(Rs per kg)



Source: Company, SMIFS Research Estimates

Fig 8: Spot ABS Spreads Chart

(Rs per kg)

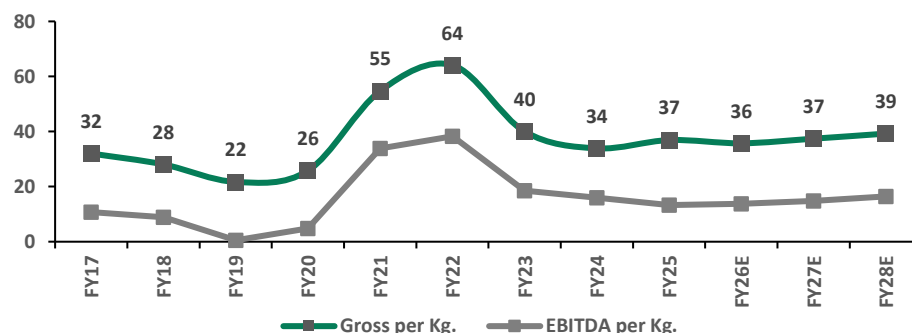


Source: Company, SMIFS Research Estimates

- PS gross spreads had averaged around ~15-20 per kg & ABS spreads have averaged around Rs 30-40 per kg on a 10-year basis. The blended Gross spreads per kg incl. Thailand will stand at ~Rs35.4 per kg in FY26E. With ramp up of Thailand, capacity expansion in Indian business, better product mix & uptick in demand growth will lead to gross spreads growth at ~3% CAGR over the next 2 years from FY26E-28E to ~Rs37.6 per kg, on an average ~Rs1 per kg improvement in spreads per annum for the next 3 years.
- Lower conversion cost & operating leverage benefits will result in EBITDA spreads to grow by ~6% from FY26E-28E to ~Rs15.4 per kg by FY28E. Consequently, EBITDA margins will improve from 10.6% in FY26E to 11.1% by FY28E.

Fig 9: Gross & EBITDA spreads per kg to improve from FY26E-28E

(Rs per kg)



Source: Company, SMIFS Research Estimates, Note: FY17-25 vs FY26E-28E are not comparable owing to Thailand acquisition

Introducing new value grades will increase its reach, offering & visibility

- The company continues to focus on innovative solutions to create more value for its customers. Through relentless R&D efforts, the company ensures continuity to introduce new products, blends and other value-added grade thereby, enhancing its portfolio with differentiated and value-added offerings.
- Earlier in 2019, the company had launched new products like K resin, Novodur HH and Luran S which has strengthened its market leadership especially in the automotive industry. Features of these new products described below:
- **Luran S (ASA):** The grades in the Luran S portfolio feature high surface quality, excellent chemical resistance and good impact strength including enhanced colour fastness and superior long-term performance when exposed to UV irradiation and heat. It has applications diverse from automotive exterior: radiator grilles, mirror housings and automotive interiors: overhead compartments. Other applications are in household applications, PVC cap stock for sheets, sidings, roof tiles and gardening equipment.
- **Novodur High Heat:** Novodur high heat is easy to process and creates highly aesthetic, colourful surface appearance. The versatile product line is available pre-coloured and contains products with unique features to fit the most demanding product applications. Like for automotive exterior: mirror housings, light housings, front grills, trims and for automotive interiors: glove box, centre consoles and instrument panel trims. Other applications include vacuum cleaners' housings and coffee machines.
- In FY24, the company had developed and introduced two new brands, 'STYROLOY' (PC+ABS, PA+ABS blends) for blended products and 'ASALAC' for Acrylonitrile Styrene Acrylate (ASA). The total addressable market for these blends is around ~40-50KT per annum in India & is growing at 8-10% per annum, better than normal grades growth of 6-7% per annum because of increasing demand from end user industries particularly towards heavy applications like automotive & consumer durables.
- The company through its Thailand acquisition enhanced its product mix by addition of new value-added grades in ABS & HRG rubber. The Thailand ABS grade is used for refrigeration liner applications which is one step above & different which they already have in India.

Fig 10: Luran S (ASA) product



Source: Company, SMIFS Research

Fig 11: Novodur High Heat product



Source: Company, SMIFS Research

- We expect the company to continue launch new products as per client needs backed by its strong R&D. The company is already keeping itself ahead of the curve in terms of new product launches.




Long established relationship with customers augurs well

- The company has deep rooted long-standing relationships with a lot of marquee clients across India & across different sectors like automotive, household appliances, electronics, medical devices, stationery, toys.
- By offering superior product solutions tailored as per customer needs, the company maintain a competitive edge and drive growth.
- The business is sticky in specialty grade ABS where it benefits from relatively lower competition from imports & no other reliable domestic supplier.

What is so unique about client engagement in Styrenix?

- The company maintains continuous interaction with customers to understand performance needs as basis for formulating new grades.
- The company has on the spot colour confirmation as per customer requirement. This has unique advantage as this involves high tech facility to process the desired colour in a very short span of time. Precision, dedicated compounding facility & in time service are the major benefits.
- The company focusses on rubber research, colour development activities, new product development & customer relations.

Fig 12: Marquee client base augurs well

| | | |
|----------------------------|---|---|
| Automotive |  | <ul style="list-style-type: none"> • Hero, Honda, Bajaj, TVS, OLA, Yamaha, Aether • Maruti Suzuki, TATA, Mahindra • Ashok Leyland,..... |
| Household Appliances |  | <ul style="list-style-type: none"> • LG, Samsung, Haier, Godrej,.... • Daikin, Havells, IFB,.... • Orient, Crompton, Kent, Eureka Forbes,... |
| Stationary, Helmet, Others |  | <ul style="list-style-type: none"> • Flair, Linc, Lexi, Win, Ostern,... • Studds, Steelbird, Vega,.... • Many more OEMs |

Source: Company, SMIFS Research

Fig 13: Diversified & wide-spread end user industry mix



Source: Company, SMIFS Research

- The company close association with key OEMs in automotive and household segments has enabled to drive profitable growth and we expect it to continue in the coming years as well.
- With best-in-class production technology, advanced R&D skills, the company is perfectly equipped to ensure the highest level of quality, efficiency and innovation in its production facilities.
- The company has a diverse set of clientele list varied across end user industries. The company serves to various OEMs along with smaller. No single customer contributes more than 8-10% of the topline indicating the company is not dependent on any one customer or end user industry.
- With its Thailand acquisition the company is looking to enhance its customer relationship & with subsequent addition of new grades the company is targeting new customers in international markets like China, Vietnam, Indonesia, Japan & Korea.

Multiple promoters changed since inception, current promoters are the original founders, visible stability for many decades now

- The company has started production of ABS sheets by the name of ABS Plastics Ltd in 1987.
- Thereafter, production of SAN (Styrene Acrylonitrile) was started with technology from JSR (Japan Synthetic Rubber) in 1993. In same year, name of the company was changed from ABS Plastics Ltd to ABS Industries Ltd.
- In 1997 Bayer AG (Germany) procured 51 % shares and company became a Bayer group company & then the name of the company became Bayer ABS Ltd.
- In 2004 spin off happened of Bayer AG into two groups. The company then became part of Lanxess group and became Lanxess ABS Ltd.
- Thereafter, in 2008 Lanxess sold the global ABS business to INEOS and company became part of INEOS Group. The name was then changed to INEOS ABS (India) Ltd.
- In 2012, Styrolution (Jersey) Limited, UK, acquired major shares of the company, thereby becoming the holding company of INEOS ABS (India) Limited. After following appropriate required procedure, the name of the company was changed from “INEOS ABS (India) Limited” to “Styrolution ABS (India) Limited” effective from May 1, 2012.
- On 31st March 2016, INEOS acquired 100% from Styrolution and then the name was changed to INEOS Styrolution India Limited.
- Shiva Performance Materials Private Limited (SPMPL, owned by Rakesh Agarwal and his family members) acquired 61.19% of the equity share capital of SPML from INEOS Styrolution India Limited, and another 1.54% equity stake through an open offer in November 2022. Post acquisition, the board of directors were changed from November 17, 2022, and the name of the company was changed from INEOS Styrolution India Limited to Styrenix Performance Materials Limited (SPML) w.e.f. January 05, 2023.
- Thereafter, in June 2024 the promoters sold 16.5% stake in SPML. Proceeds from the stake sale have been utilised by the promoter company to repay the debt, which had been availed for the acquisition of stake from INEOS Styrolution India Limited. Consequent to the said debt repayment, pledge on the promoter's equity stake in Styrenix Performance Materials Ltd has also been released. As on FY25, the promoters held 46.2% equity stake in the company.
- We are with the view that current promoters are the original pioneers in this industry 50 years ago & with their long experience to run this business, we are quite confident of the promoter's ability to expand & run its day-to-day operations with clear focus & concise target. The overhang of changing promoters' hands in history have now been resolved & we expect current promoters to run this company for decades.

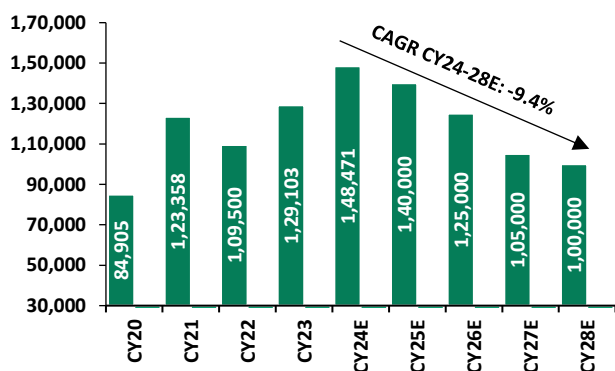
Major raw material sourcing through imports, IOCL expansion can materially reduce dependency

- The company uses Styrene Monomer (SM) as the major raw material to manufacture Polystyrene & ABS both. Also, the company imports Acrylonitrile which is one of the raw materials to manufacture ABS. Butadiene is sourced locally.
- Almost 100% of styrene is imported as there are no domestic manufacturers of Styrene monomer & it is heavily dependent on global markets for its sourcing. China is massively adding capacities for SM & country will add 9mt of SM capacity from 2022 to 2027E, with 3.7mt added in 2023 & 3mt added in 2025 alone. Most of the global capacity additions in SM are in China.
- Along with China, IOCL in India has announced an investment plan at its existing Panipat refinery in Haryana in which they will construct a new SM plant with a capacity of around 387,000 MTPA, whereas the overall requirement of SM in India is around 900,000 MTPA. This project is expected to be completed by 2026-27, till then India will have to completely rely on the imports of Styrene Monomer.
- We believe if Styrenix strikes a deal for sourcing styrene directly from IOCL, it will materially reduce the dependence on imports, ensure reliability in supply & lower working capital requirements.

Higher capacity addition in ABS, competitive intensity to increase, demand uptick is also in sight

- India remains dependent on imports for meeting the demand of ABS as manufacturing capacities remain limited. Considering robust growth in sight led by increasing demand of key end user industries like automotive & consumer appliances, there is a large capacity expansion planned by domestic players to cater to additional demand & capture incremental market share.
- As on date, there are only 2 suppliers of ABS in the country (viz. Styrenix & Bhansali) & both are in expansion mode. A new third player Supreme Petrochem has recently started its new ABS plant in lieu of rising demand & import substitution.
- Around 45-50% of the demand (viz. 350KT) is met through imports which are from Taiwan and South Korea, together accounting ~93% imports as on FY25. Other countries imports include Thailand & Malaysia, together contributing remaining ~7% of the total imports.
- Anticipated 265KT of ABS incremental capacity addition will be done by the 3 players over the next 4 years from FY25-29E (Fig. 15), although by then demand will also materially improve from the current levels. We expect the new capacity addition will get absorbed as focus of the manufacturers remain on import substitution & capturing incremental demand. Styrenix & Bhansali continue to expand in specialty grade ABS wherein the competition from imports is even limited.

Fig 14: ABS Import to shift downwards, import substitution in play (In Tonnes)



Source: Company, SMIFS Research Estimates

Fig 15: ABS domestic industry capacity addition dynamics & peak revenue estimation

| Business Segment | Capacity (In tonnes) | Capex (Rs in crore) | Capex per Kg | Peak Revenue (Rs in crore) | Asset Turnover |
|--------------------------------|----------------------|---------------------|--------------|----------------------------|----------------|
| Styrenix Performance Materials | 100000 | 550 | 55 | 1485 | 2.7 |
| Bhansali Engineering Polymers | 25,000 | 150 | 60 | 371 | 2.5 |
| Supreme Petrochem | 140000 | 950 | 68 | 2079 | 2.2 |
| Total | 265000 | 1650 | 62 | 3935 | 2.4 |

Source: Company, SMIFS Research Estimates

- Although with such capacity expansion, competitive intensity is set to increase likely putting pressure on input output spreads. We have modelled in normalized spreads factoring the risk of higher competition.
- Despite increasing competition, we believe the company will grow at a healthy rate, ensuring that all capacity expansions will be comfortably absorbed by the Indian market.
- In PS, almost 80-85% of the demand is catered by domestic players (viz. Supreme Petrochem & Styrenix). Imports contribute the remaining 15%, which is not material. Polystyrene players like Supreme Petrochem are exporting to global countries for diversification. But Styrenix is catering to domestic market only as its capacity is 1/4th of Supreme Petrochem.

Fig 16: Indian ABS demand supply dynamics (In Tonnes)

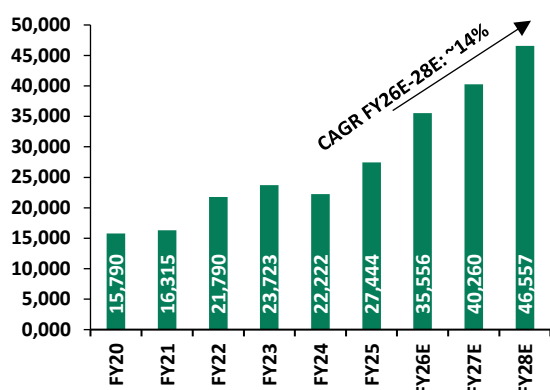
| | CY19 | CY20 | CY21 | CY22 | CY23 | CY24E | CY25E | CY26E | CY27E | CY28E |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Capacity | 160,000 | 160,000 | 160,000 | 160,000 | 160,000 | 180,000 | 250,000 | 300,000 | 395,000 | 445,000 |
| Production | 148,180 | 136,460 | 121,940 | 122,780 | 148,940 | 165,600 | 200,000 | 234,000 | 276,500 | 311,500 |
| Utilization | 93% | 85% | 76% | 77% | 93% | 92% | 80% | 78% | 70% | 70% |
| Imports | 111,925 | 84,905 | 123,358 | 109,500 | 129,103 | 148,471 | 140,000 | 125,000 | 105,000 | 100,000 |
| Exports | 360 | 440 | 1,545 | 584 | 380 | 951 | 1,050 | 1,100 | 1,200 | 1,300 |
| Demand | 259,745 | 220,926 | 243,753 | 231,696 | 277,663 | 313,120 | 338,950 | 357,900 | 380,300 | 410,200 |

Source: Industry, SMIFS Research Estimates

Robust revenue & EBITDA growth on the cards

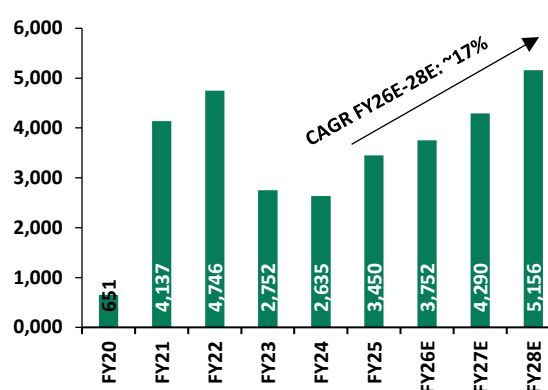
- Last 3 years (FY22-25), revenue grew by mere 8% CAGR. This growth was largely led by volume growth, although realizations remained weak.
- Over the next 3 years (FY26E-28E), the growth would be led by both volume & realization growth. Capacity expansion will support volume growth & improvement in product mix will improve realizations.
- However, with Fed decreasing interest rates, inflation cooling down & softening commodity prices have led to cooling of various petrochemical prices including PS, & ABS. This is clearly reflected in Q2FY26 numbers wherein realizations declined by 13% YoY & 2% QoQ. We feel PS & ABS prices have nearly found a bottom & cycle is weak for the last 3 years and current prices are more rational & going ahead as demand picks up; gradual improvement in prices will be witnessed.
- To capitalize on growing demand & import substitution, the company is expanding its capacity in ABS & PS and cumulatively spending Rs6.5-7bn (excluding maintenance spending) which will improve its volume & revenue momentum over a 5-year period.
- We expect revenue to grow by ~14% CAGR from FY26E-28E led by ramp up in volumes from Thailand & India supported by better realization. Till FY25 the financial numbers are standalone basis & FY26-28E includes Thailand acquisition numbers.

Fig 17: Revenue to grow ~14% CAGR from FY26E-28E
(Rs in mn)



Source: Company, SMIFS Research Estimates

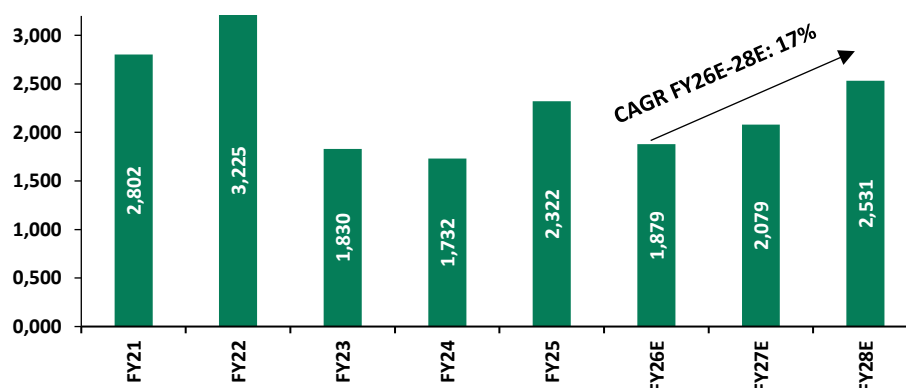
Fig 18: EBITDA to grow ~17% CAGR from FY26E-28E
(Rs in mn)



Source: Company, SMIFS Research Estimates

- Improving product mix by focussing on value added grades & better input output spreads coupled with lowering conversion cost in its Thailand plant will improve the EBITDA & profitability from FY26E-28E.
- Capacity expansion coupled with operating leverage will help EBITDA to compound over the years. Hence, we expect consol EBITDA (Incl. Thailand) to grow by ~17% CAGR & blended EBITDA spreads to grow by ~6% CAGR to Rs 15.4 per kg from FY26E-28E.

Fig 19: PAT to grow by ~17% from FY26E-28E to improve from FY26E-28E (Rs in mn)



Source: Company, SMIFS Research Estimates, Note: Numbers from FY17-25 vs FY26E-28E are not comparable owing to Thailand acquisition

Capex Intensity to remain high going ahead

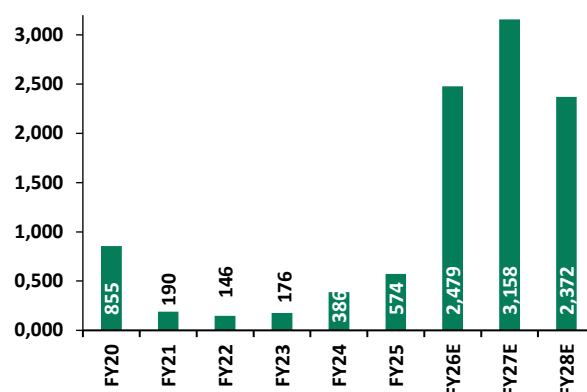
- The company has earmarked capex of ~Rs7.5bn for expanding in capacities of ABS & PS for the next 3 years. Both ABS & PS are brownfield expansion & it is expected to be completed in phases by FY29E.
- ABS & PS will have asset turnover of 2-2.5x & peak revenue is estimated to be ~Rs15-20bn. The company will be using mix of debt & equity to fund the expansion.
- The expansion is into value added segments which will improve the overall EBITDA margins. The peak EBITDA will be ~Rs2.5-3bn factoring normalized input output spreads.

Fig 20: Capex breakup & peak revenue estimation

| Business Segment | Capacity (In Metric tonnes) | Capex (Rs bn) | Capex per kg | Revenue (Rs bn) | Asset Turnover |
|---------------------------------------|-----------------------------|---------------|--------------|-----------------|----------------|
| Acrylonitrile Butadiene Styrene (ABS) | 1,00,000 | 5.5 | 55 | 12.87 | 2.3 |
| Polystyrene (PS) | 50,000 | 2 | 40 | 4.70 | 2.4 |
| Total ABS & PS | 1,50,000 | 7.5 | | 17.57 | 2.3 |

Source: Company, SMIFS Research Estimates

Fig 21: Capex intensity will be high (Rs in mn)

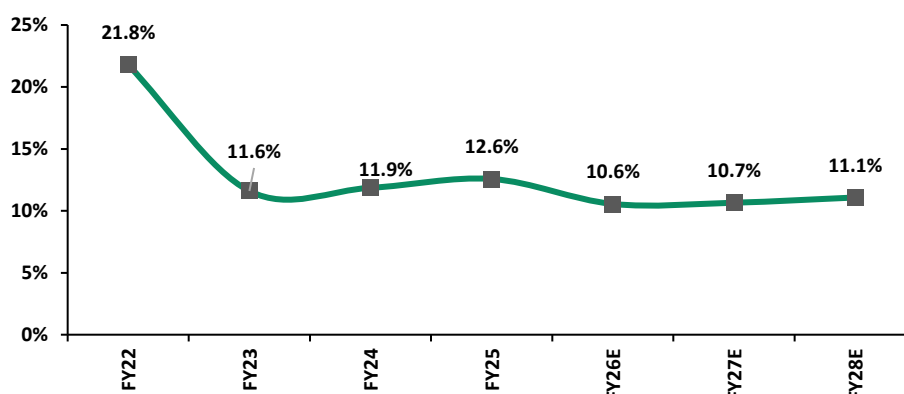


Source: Company, SMIFS Research Estimates

EBITDA margin to inch up led by increase in value addition & ramp up of Thailand over the next 3 years

- Historically from FY15-20, the company used to generate low single digit margin & the trajectory completely changed in 2021 when its competitor LG Polymer in domestic market has completely shut down its PS business, also coupled with higher pent-up demand in post covid era led to rise in prices & spreads. The input-output spreads expanded sharply benefitting Styrenix & it posted best margins in FY21 & FY22.
- Thereafter as pent-up demand faded coupled with weak global indicators, the end user industries demand weakened leading to lower prices & input output spreads for PS & ABS. Standalone EBITDA margins contracted steeply from 20-25% in FY21-22 to ~11-12% in FY25. The decline was combination of lower global spreads, weak demand & higher freight cost. As per our analysis, current ABS & PS spreads has already discounted all the negativity & is standing at a 3-year low. We anticipate the cycle to turn as demand picks up led by robust govt spending & lower geopolitical tensions.
- With ramp up in Thailand, expansion in niche segments in domestic, robust demand growth & operating leverage benefits we expect Consol EBITDA margins to improve going from ~10.6% in FY26E to ~11.1% by FY28E.

Fig 22: Robust demand & value-added products will improve the overall EBITDA margin

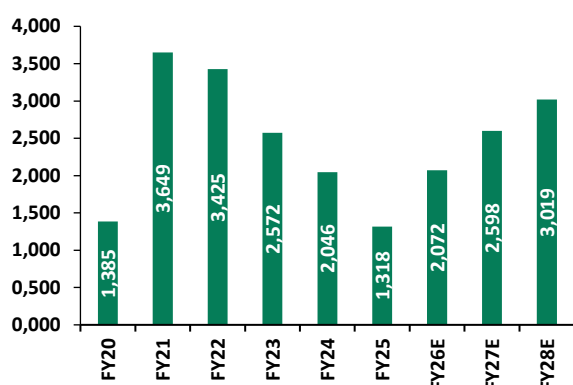


Source: Company, SMIFS Research Estimates

Strong cash generation augur well for the company

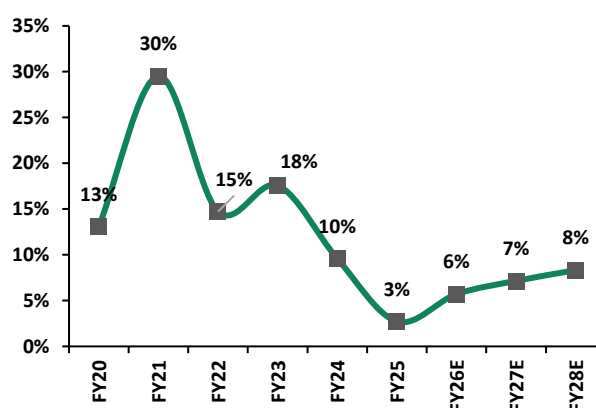
- The company is generating strong operating cash flows. The cumulative OCF generated from FY23-25 stood at ~Rs6.33bn and PAT cumulatively stood at ~Rs5.9bn during the same period indicating company has generated higher operating cash from operations and successfully converted profits into OCF. Going ahead we expect OCF to add Rs7.75bn & PAT to add Rs6.5bn from FY26E-28E, indicating higher cash flow generation from profits over the coming 3 years. (Note: FY23-25 numbers are excluding Thailand financials).
- FCF generation has been very robust over the last few years. Post covid, the company has cumulative generated FCF of about ~Rs12.2bn from FY21-25 which is ~90% of OCF generated in the same period because the company did not resort for expansion or capex creation. Going ahead the company is expected to incur ~Rs7.5bn in growth capex which will drive the revenue and profits & consequently OCF and FCF of the company post capex completion.

Fig 23: OCF to remain robust from FY26E-28E (Rs in mn)



Source: Company, SMIFS Research Estimates

Fig 24: OCF Yield to improve going ahead

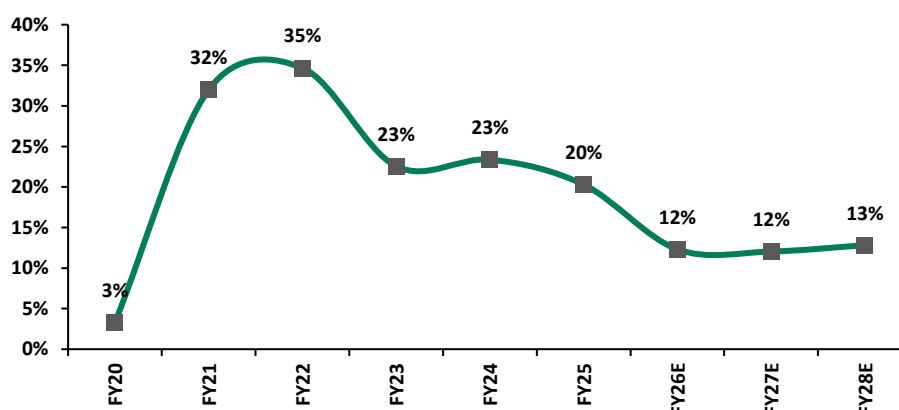


Source: Company, SMIFS Research Estimates

ROCE to improve in the coming years supported by operating leverage & better product mix benefits

- Return ratios peaked in FY22 because of end of covid era & higher pent-up demand led to much higher-than-average spreads of PS & ABS which benefitted the company.
- Thereafter from FY23-25 continuous decline in ROCE is witnessed led by normalization of spreads coupled weak demand.
- With higher volumes from Thailand plant supporting operating leverage, better product mix & improvement in demand will improve ROCE from FY26-28E.
- FY26E might witness lower ROCE as poor absorption of cost in Thailand plant is dragging overall ROCE which is set to improve going ahead.

Fig 25: ROCE to inch up after bottoming in FY26E



Source: Company, SMIFS Research Estimates

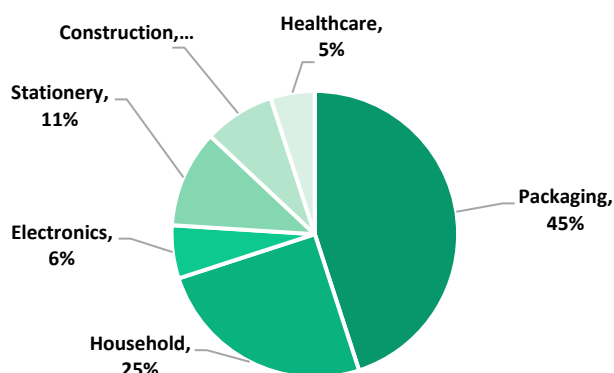
Note: Data from FY20-25 vs. FY26E-28E are not comparable, owing to Thailand acquisition

Industry Overview

What is Polystyrene: A snapshot

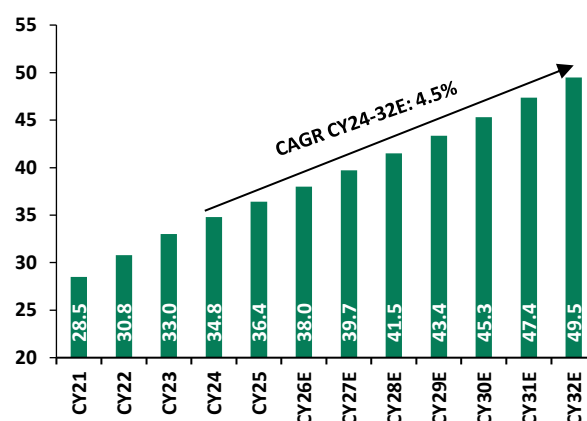
- Polystyrene (PS) is one of the most widely used kinds of plastic. It is a polymer made from the monomer styrene (derived from benzene and ethylene), a hydrocarbon compound. It is a thermoplastic polymer i.e melts if heated and becomes solid again when cooled, known for its versatility in high heat resistance, solid chemical strength, and notable rigidity that can be moulded into objects or made into a foam and used as thermal insulation. Approx. 40-45% of PS is used as a packaging material, so the heat resistance characteristic of PS is essential for hot-filled methods of food packaging.
- The global polystyrene market size is expected to grow ~4.5% from \$34.8 from 2024 to \$49.5 billion in 2032E fuelled by increasing demand from packaging coupled with rising consumption of consumer electronics.

Fig 26: Global end user industries of PS



Source: Industry, SMIFS Research, Note: In global end users of PS, packaging forms 45% whereas in domestic packaging is mere 10-15%

Fig 27: Global PS market to grow~4.5% from CY24-32E (In \$bn)



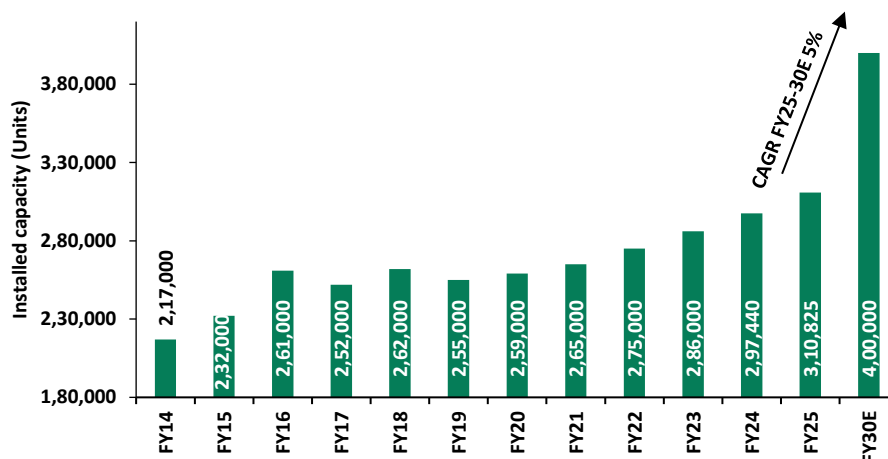
Source: www.expertmarketresearch.com, SMIFS Research Estimates

- Polystyrene serves as a versatile material for manufacturing various consumer goods. Due to its solid & tough nature, PS is frequently employed in various food containers & laboratory tools.
- Robust demand from packaging, electronics and construction enables continuous usage of Polystyrene & keeps the growth intact even as regulatory pressure rises. Global breakup wise Asia-Pacific consumes maximum volumes as demand in these regions remains on a growing path & regional converters secure feedstock at competitive prices and channel them into various end user industries.
- The market could have grown much faster but regulatory challenges & recycling issues are hindering market growth. Growing environmental issues have prompted stricter regulatory oversight which leads to tighter regulations on PS usage & disposal. Recycling challenges also limit market growth because of the complexities involved in the process. Despite increasing challenges, the demand growth remains in mid-single digits which otherwise could have been much better.
- Considering the types of PS, it is divided into 2 types. GPPS & HIPS. The differentiation is based on application & price.
- GPPS is commonly found in packaging & consumer products. GPPS stands for its versatility & affordability. The GPPS segment is witnessing trends including technological innovations to enhance material properties & rising needs from packaging sector. GPPS has lower strength & tensile properties than HIPS. Price of GPPS is 5-6% lower than HIPS. HIPS is a modified version of PS designed to offer better impact resistance & increased strength. This material is typically used in products that demand durability & toughness like packaging or household item. The growing HIPS demand is attributed to booming packaging industry along with increased use in construction & consumer products. HIPS has higher strength & tensile properties than GPPS. Price of HIPS is 5-6% higher than GPPS.

Indian Polystyrene Market: A Snapshot

- India Polystyrene market demand stood at 310KT in FY25 and is expected to reach 400KT lakh tonnes by FY30E, thereby, growing at a healthy CAGR of ~5%. The growth in domestic manufacturing of advanced refrigerators backed by robust growth in demand for FDA compliant polymers for manufacturing disposable plastic cutleries and other kitchenware will drive the Polystyrene market in the forecast period.

Fig 28: Indian Polystyrene demand growth (In Tonnes)



Source: Company, SMIFS Research Estimates

- Being FDA complaint, GPPS finds major applications in food packaging, disposable utensils, cutleries, and various other consumer durables. Because of its glass-like clarity and easy moulding, GPPS is predominantly used for manufacturing opaque and transparent food storage containers or jewel cases.
- High impact PS or HIPS is known to possess high impact resistance and is predominantly used in consumer electronics and toys. Several grades of HIPS are formulated to develop exceptional characteristics for specific end-use, such as in refrigerator inner liner products and food trays that require high environmental stress crack resistance. The Make in India scheme and its focus towards expanding the country's Appliances and Consumer Electronics industry is likely to impart great momentum to the Polystyrene demand going ahead.

Fig 29: Indian Polystyrene demand supply dynamics (In Metric Tonnes)

| | CY19 | CY20 | CY21 | CY22 | CY23 | CY24 | CY25E | CY26E | CY27E | CY28E |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Capacity | 471,000 | 471,000 | 381,000 | 381,000 | 381,000 | 381,000 | 381,000 | 381,000 | 381,000 | 431,000 |
| Production | 292,860 | 291,720 | 217,450 | 247,940 | 271,680 | 285,750 | 304,800 | 323,850 | 342,900 | 366,350 |
| Utilization | 62% | 62% | 57% | 65% | 71% | 75% | 80% | 85% | 90% | 85% |
| Imports | 30,708 | 36,117 | 41,573 | 57,196 | 63,762 | 47,614 | 45,000 | 43,000 | 41,500 | 40,000 |
| Exports | 44,750 | 28,549 | 32,210 | 24,475 | 40,655 | 37,991 | 39,000 | 40,000 | 42,000 | 44,000 |
| Demand | 278,818 | 299,288 | 226,814 | 280,661 | 294,787 | 295,372 | 310,800 | 326,850 | 342,400 | 362,350 |

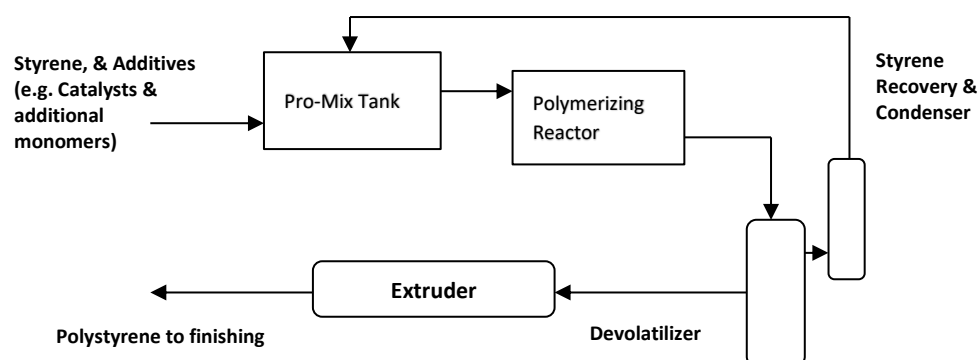
Source: Industry, SMIFS Research Estimates

- As seen in table above, Indian polystyrene capacity declined from 4.71 lakh tonnes from CY20 to 3.81 lakh tonnes in CY21 owing to closure of LG Polymers polystyrene capacities. However, Styrenix will be adding new capacity of 50KT by the end of CY28E. Apart from it no new capacity addition by any player is in the pipeline.
- Closure of LG Polymer capacities was a game changer for Styrenix & Supreme Petrochem as their own capacities reached peak utilization levels in 2-3 years timeframe & also there was a need to import more PS as existing capacities were already full.

Production Process of Polystyrene

- Solution (bulk) polymerization is commonly referred to as mass polymerization in the industry. Most of all polystyrene produced today is produced via this technology. The common solvents used in this process are the styrene monomer and ethyl benzene. The two types of mass polymerization are batch and continuous, of which continuous mass is by far the most popular.
- Batch mass polymerization consists of a polymerization section containing agitated vessels polymerizing up to 80% conversion in a batch method. The polymerized solution is then pumped to a batch finishing section for either devolatilization or plate and frame final polymerization and grinding. The most widely used process for polymerization of polystyrene today is the continuous mass process. This solution is continuously prepared in a holding vessel and will then be injected into the reactor system.

Fig 30: General process flow diagram for Polystyrene Process



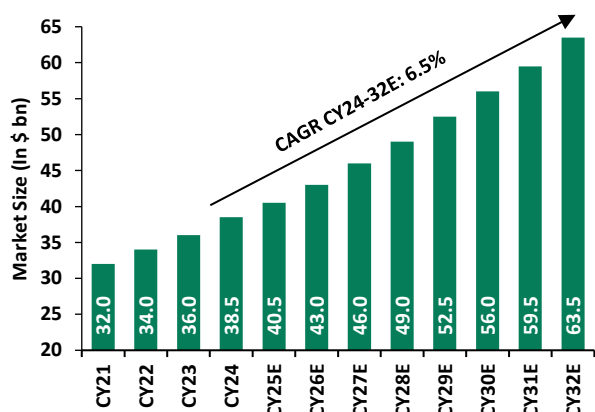
Source: CPMA, SMIFS Research

What is Acrylonitrile Butadiene Styrene Polymer (ABS)?

- ABS is a tera-polymer made by polymerizing styrene and acrylonitrile in the presence of polybutadiene rubber.
- ABS has excellent mechanical properties such as it is hard and tough in nature and thus, delivers good impact strength. It offers a high degree of surface quality and exhibits good chemical resistance properties.
- ABS is the preferred engineering plastic when it comes to dealing with automotive applications. Being a great substitute to metals, ABS has been extensively used in manufacturing automotive parts.

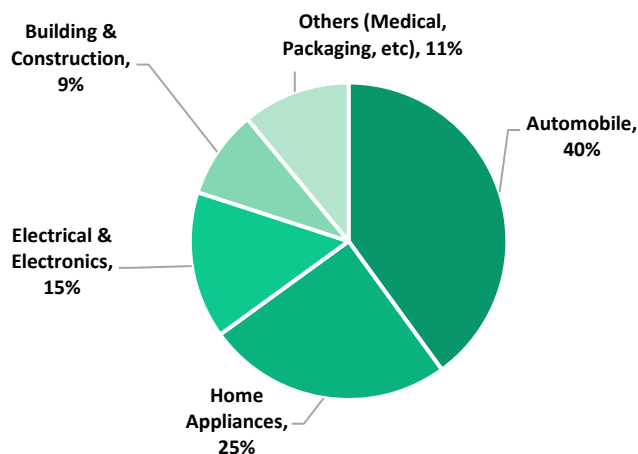
Fig 31: Global ABS market size

(In \$ bn)



Source: Market Intelligence, SMIFS Research Estimates

Fig 32: Breakup of end user industries of ABS (%)



Source: Company, SMIFS Research

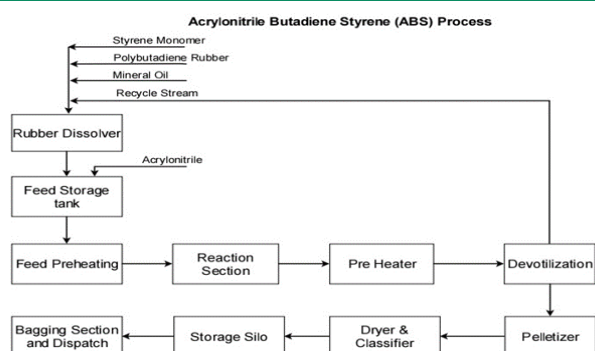
Why is the ABS Market Growing Rapidly?

- The rising applications of ABS in 3D printing along with the demand for 3D printers will support the overall ABS industry.
- The global ABS market is also growing due to rising demand from the automobile industry. The demand for fuel-efficient and lightweight vehicles, which help to mitigate fuel consumption, is the primary factor for driving the market ahead.
- Moreover, increased construction activity, growing demand for electronic applications, and expanding industrialization will contribute towards the growth of the market
- The emerging applications of ABS in 3D printing coupled with the rising demand for desktop 3D printers will support the overall ABS industry. 3D FDM/FFF printers and ABS plastics are a very popular combination for numerous applications.
- The Asia Pacific region is expected to dominate the global ABS market. The region will account for 75% of the volume share by 2027E leading to a CAGR of 6-7% led by growing adoption of ABS in the automotive, appliances and consumer goods industry. Moreover, the rising construction activities in countries like India and China will propel the ABS market sale to all-time highs. ABS is used for manufacturing corrugated plastic structures and plastic tubing in the construction industry.
- The North American regions will be second to lead the ABS global market because of rising ABS applications. Furthermore, the growing demand for consumer goods along with the rising population could drive the consumption of ABS.

Manufacturing process of Emulsion ABS

- ABS is produced from three monomers: acrylonitrile (provides thermal and chemical resistance), butadiene (provides rubber-like ductility and impact resistance) and styrene (provides stiffness, the ability to be easily processed and reduces overall cost).
- ABS resins typically contain at least 50% styrene, with varying proportions of acrylonitrile and butadiene.
- There are two main processes that can be used to produce ABS: mass and emulsion. In the mass process, styrene and acrylonitrile are mass polymerized in the presence of a rubber substrate (polybutadiene or styrene butadiene elastomer). In the emulsion process, ABS is prepared by polymerizing butadiene in aqueous emulsion using radical initiators, emulsifiers followed by a grafting step of emulsion polymerizing styrene and acrylonitrile onto the polybutadiene latex elastomer substrate. Styrenix & Bhansali follows Emulsion process whereas Mass ABS is a new technology in India used by Supreme Petrochem.

Fig 33: Process flow diagram of ABS



Source: Company, SMIFS Research

Fig 34: ABS image



Source: Industry, SMIFS Research

Duopoly market of ABS in India, Supreme Petrochem entry will intensify competition

- In India, ABS is being manufactured by Styrenix Performance (Formerly Ineos Styrolution) & Bhansali Engineering via emulsion route with a total capacity of around 180 KTPA (Post de-bottlenecking of 20KTPA by Styrenix). Since these two are the only players operating in Indian ABS Market, they contribute to a market share of approximately 55% of the overall demand. The rest 45% of the demand is met through imports from South Korea, Thailand, Malaysia, Saudi Arabia & China.
- The recent entry of Supreme Petrochem (using continuous or mass route tech) in ABS has slightly heightened the competition, as evident in input output operating spreads which has seen steep decline in Q1FY26, but largely it will be an import substitution opportunity for Supreme & industry spreads will find its true balance over time.
- Apart from Supreme, we do not feel there will be any new entrant in this business over the next 5-6 years. The Indian market itself provides incredible opportunities for growth after the government's initiative of self-reliant India, the entry of new players in the Indian market is still a tough deal as there are certain complexities and high capital investment involved in the manufacturing of ABS.

Fig 35: Indian ABS demand supply dynamics

(In Tonnes)

| | CY19 | CY20 | CY21 | CY22 | CY23 | CY24E | CY25E | CY26E | CY27E | CY28E |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Capacity | 160,000 | 160,000 | 160,000 | 160,000 | 160,000 | 180,000 | 250,000 | 300,000 | 395,000 | 445,000 |
| Production | 148,180 | 136,460 | 121,940 | 122,780 | 148,940 | 165,600 | 200,000 | 234,000 | 276,500 | 311,500 |
| Utilization | 93% | 85% | 76% | 77% | 93% | 92% | 80% | 78% | 70% | 70% |
| Imports | 111,925 | 84,905 | 123,358 | 109,500 | 129,103 | 148,471 | 140,000 | 125,000 | 105,000 | 100,000 |
| Exports | 360 | 440 | 1,545 | 584 | 380 | 951 | 1,050 | 1,100 | 1,200 | 1,300 |
| Demand | 259,745 | 220,926 | 243,753 | 231,696 | 277,663 | 313,120 | 338,950 | 357,900 | 380,300 | 410,200 |

Source: Industry, SMIFS Research Estimates

Corporate Governance

We believe that good corporate governance is necessary for enhancing the trust of the shareholders. Hereby, we present a detailed framework on corporate governance for the comfort of the investors of Styrenix Performance Materials Ltd.

Promoters' Shareholding

The promoters currently hold ~46.2% of the equity capital. Shiva Performance Materials Private Limited (SPMPL, owned by Rakesh Agarwal and his family members) acquired 61.19% of the equity share capital of Styrenix Performance Materials Limited from INEOS Styrolution India Limited, and another 1.54% equity stake through an open offer in November 2022. Post acquisition, the board of directors were changed from November 17, 2022, and the name of the company was changed from INEOS Styrolution India Limited to Styrenix Performance Materials Limited w.e.f. January 05, 2023.

Thereafter, in June 2024 the promoters sold 16.5% stake in SPML. Proceeds from the stake sale have been utilised by the promoter company to repay the debt, which had been availed for the acquisition of stake from INEOS Styrolution India Limited. Consequent to the said debt repayment, pledge on the promoter's equity stake in Styrenix Performance Materials Ltd has also been released. As on FY25, the promoters held 46.2% equity stake in the company.

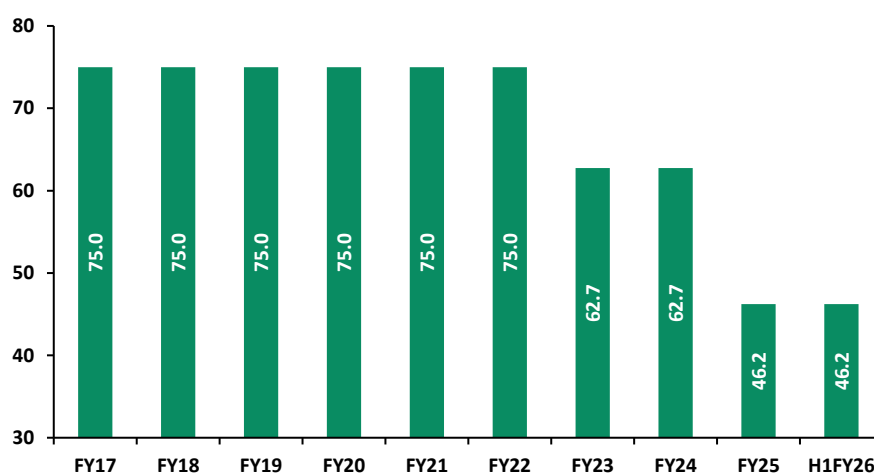
The details of the shareholding and its movement are indicated in the following table and chart:

Fig 36: Latest Promoter Shareholding

| Particulars | % Holding |
|---|-------------|
| Shiva Performance Materials Private Limited | 46.2 |
| Total | 46.2 |

Source: Company Annual Report, SMIFS Research

Fig 37: Promoter Shareholding



Source: Company Annual Report, SMIFS Research

The promoter shareholding stands at 46.2% as of H1FY26.

Promoter Remuneration

The promoter remuneration stood at ~1.8% of PBT during FY25. The promoter remuneration includes salary, Retirement Perquisites, Ex-gratia, commission, etc.

Fig 38: Remuneration of promoter (Rs in mn)

| Particulars (Rs mn) | FY22 | FY23 | FY24 | FY25 |
|--|-------------|-------------|-------------|-------------|
| Mr. Rakesh Agrawal | - | 10.3 | 27.6 | 28.6 |
| Mr. Rahul Agrawal | - | 10.3 | 27.6 | 28.6 |
| Sanjiv Vasudeva - MD & CEO (Resigned w.e. 17th Nov, 2022) | 36.5 | 38.7 | - | - |
| Sanjeev Madan - Whole-time Director (Resigned w.e.f 16th Nov, 2022) | 17.3 | 17.3 | - | - |
| Total Remuneration | 53.9 | 76.6 | 55.2 | 57.2 |
| As a % of PBT | 1.2% | 3.1% | 2.4% | 1.8% |

Source: Company Annual Reports, SMIFS Research

Independent Director's Compensation

Independent directors were cumulatively paid ~Rs6mn which is 0.2% of PBT as on FY25. Independent directors were paid sitting fee, commission / Remuneration.

Fig 39: Remuneration of Independent Director (Rs in mn)

| Particulars (Rs Mn) | FY22 | FY23 | FY24 | FY25 |
|-------------------------------------|-------------|-------------|-------------|-------------|
| Mr. Anil Shankar (Commission) | 1.6 | 1.0 | - | - |
| Ms. Ryna Karani (Commission) | 1.5 | 0.2 | - | - |
| Mr. Vinesh Sadekar (Commission) | 1.5 | 1.7 | - | - |
| Ms. Sandra Martyres (Commission) | - | 1.4 | - | - |
| Mr. Milin Kaimas Mehta | - | 0.6 | 1.5 | 1.5 |
| Mr. Premkumar Taneja | - | 0.6 | 1.5 | 1.5 |
| Mr. P.N. Prasad | - | 0.2 | 1.5 | 1.5 |
| Mrs. Radhika Nath | - | 0.2 | 1.5 | 1.5 |
| Total | 4.6 | 5.9 | 6.0 | 6.0 |
| As % of PBT | 0.1% | 0.2% | 0.3% | 0.2% |

Source: Company Annual Report, SMIFS Research

Board Composition

Independent directors constitute 50% of the board composition. The details are given below:

Fig 40: Board Composition

| Particulars (% Holding) | FY22 | FY23 | FY24 | FY25 |
|--|--------------|--------------|--------------|--------------|
| Executive & Non-Independent Directors | 2 | 4 | 4 | 4 |
| Non-Executive & Non-Independent Directors | 1 | 0 | 0 | 0 |
| Non-Executive Independent Directors | 3 | 4 | 4 | 4 |
| Total | 6 | 8 | 8 | 8 |
| Independent Directors As % of Total | 50.0% | 50.0% | 50.0% | 50.0% |

Source: Company Annual Reports, SMIFS Research

Contingent Liabilities

A major portion of contingent liabilities is related to tax and excise duties.

Fig 41: Contingent Liability (Rs in mn)

| Particular (Rs mn) | FY22 | FY23 | FY24 | FY25 |
|-----------------------------|--------------|--------------|-------------|-------------|
| Income tax | 644 | 644 | 428 | 428 |
| Excise duty and service tax | 931 | 930 | 107 | 107 |
| Custom duty | 12 | 12 | 12 | 12 |
| Sales tax, VAT & GST | 29 | 12 | 22 | 13 |
| Others | 33 | 33 | 24 | 23 |
| Total | 1,649 | 1,631 | 594 | 583 |
| As a % of Net Worth | 19.3% | 22.8% | 8.2% | 5.0% |

Source: Company Annual Reports, SMIFS Research

Related Party Transaction

As per our analysis of RPT, nothing specific has come to our notice.

Fig 42: Related Party Transaction (Rs in mn)

| Particulars | FY22 | FY23 | FY24 | FY25 |
|---|----------------|----------------|----------------|--------------|
| Purchase of Raw Materials | | | | |
| Shiva Performance Materials Pvt Ltd. | - | 31.0 | 99.1 | 131.3 |
| INEOS Styrolution Mexicana S.A. de | 17.6 | - | - | - |
| INEOS Styrolution Korea Ltd | 298.9 | 259.1 | - | - |
| INEOS Styrolution (Thailand) Co., Ltd. | 280.0 | 317.1 | - | - |
| INEOS Styrolution Europe GmbH | 129.5 | 209.6 | - | - |
| INEOS Europe AG (Nitriles) | 1,101.7 | 905.4 | - | - |
| Total | 1,827.6 | 1,722.2 | 99.1 | 131.3 |
| Receiving of Services (including reimbursements) | | | | |
| Monet Properties LLP | - | 0.4 | 4.8 | 4.8 |
| Geetganga Investment Pvt Ltd | - | 0.4 | 4.7 | 5.1 |
| K C Mehta & Co LLP | - | 0.8 | 2.2 | 1.8 |
| Shiva Premises Owners Association | - | - | 1.1 | 1.3 |
| SES Engineering Private Limited | - | - | - | 17.8 |
| INEOS Styrolution APAC Pte. Ltd. | 111.2 | 37.0 | - | - |
| INEOS Styrolution Group GmbH | 247.2 | 103.8 | - | - |
| Total | 358.4 | 142.4 | 12.9 | 30.8 |
| Royalty | | | | |
| Shiva Performance Materials Pvt Ltd. | - | - | 2.6 | 17.7 |
| INEOS Styrolution Group GmbH | 26.7 | 18.3 | - | - |
| Total | 26.7 | 18.3 | 2.6 | 17.7 |
| Sale of Goods | | | | |
| Shiva Performance Materials Pvt Ltd | 6.6 | 9.2 | 75.7 | 209.3 |
| Total | 6.6 | 9.2 | 75.7 | 209.3 |
| Dividend payment | | | | |
| Shiva Performance Materials Pvt Ltd | 2,664.2 | 882.5 | 1,036.9 | 479.7 |
| INEOS Styrolution APAC Pte. Ltd. | - | 1,129.9 | - | - |
| Total | 2,664.2 | 2,012.4 | 1,036.9 | 479.7 |
| CSR Amount spent during the year | | | | |
| Uttarayan Art Foundation | - | 1.5 | - | 20.0 |
| Total | - | 1.5 | - | 20.0 |
| Outstanding Balances: | | | | |
| Balances of Trade Payables | | | | |
| Shiva Performance Materials Pvt Ltd | - | 8.0 | 8.7 | 11.3 |

| | | | | |
|--|--------------|-------------|-------------|-------------|
| Shiva Premises Owners Association | - | - | 0.2 | - |
| K C Mehta & Co | - | - | 0.5 | 0.2 |
| INEOS Styrolution Europe GmbH | 28.8 | - | - | - |
| INEOS Styrolution APAC Pte. Ltd. | 8.9 | - | - | - |
| INEOS Styrolution Korea Ltd | 43.4 | - | - | - |
| INEOS Styrolution (Thailand) Co., Ltd. | 88.0 | - | - | - |
| INEOS Styrolution Group GmbH | 42.4 | - | - | - |
| INEOS Europe AG (Nitriles) | 150.4 | - | - | - |
| Total | 362.0 | 8.0 | 9.3 | 11.5 |
| Unspent CSR Amount | | | | |
| Uttarayan Art Foundation | - | 47.5 | 63.9 | 96.1 |
| Total | - | 47.5 | 63.9 | 96.1 |
| Balance of Other Assets | | | | |
| Styrenix Performance Materials Limited | 0.1 | 2.9 | 2.1 | - |
| Group Gratuity Scheme | - | - | - | - |
| Total | 0.1 | 2.9 | 2.1 | - |
| Balance of Trade receivables | | | | |
| Shiva Performance Materials Pvt Ltd | - | - | 9.2 | 50.4 |
| Shiva Performance Solutions Pvt Ltd | - | - | - | - |
| INEOS Styrolution Group GmbH | 6.5 | - | - | - |
| INEOS Styrolution APAC Pte. Ltd. | 2.2 | - | - | - |
| INEOS Styrolution Korea Ltd | 5.2 | - | - | - |
| INEOS Europe AG | 1.6 | - | - | - |
| INEOS Acetyls UK Ltd. | 2.0 | - | - | - |
| INEOS US Chemicals Company | 2.0 | - | - | - |
| INEOS Styrolution (Thailand) Co., Ltd. | 0.1 | - | - | - |
| Total | 19.5 | - | 9.2 | 50.4 |

Source: Company Annual Reports, SMIFS Research

Key Management Personnel (KMP)

Fig 43: Details of KMP

| Name | Designation | Profile |
|--------------------------|-------------------------------|--|
| Mr. Rakesh S. Agrawal | Chairman | A first-generation entrepreneur, Chairman-Shiva Group. He completed Master of Engineering in Chemicals from Stevens Institute of Tech. Have total experience of over four decades. |
| Mr. Rahul R. Agrawal | Managing Director (MD) | Director & Promoter, Shiva Pharmachem. Completed bachelor's degree in chemical engineering from Michigan University & MBA from Harvard Business School. He has total 24 years of experience in chemicals. |
| Mr. Vishal R. Agrawal | Joint Managing Director (JMD) | Managing Director & Promoter of Shiva Pharmachem. He completed MBA from Stevens Institute of Tech & cumulatively have 26 years of experience in chemicals. |
| Mr. Bhupesh Porwal | Chief Financial Officer (CFO) | Mr. Bhupesh Porwal is the CFO of Styrenix. Before joining Styrenix, he was working as CFO at Ankur Scientific Energy Technologies Pvt Ltd from Apr 2021 to Nov 2023. He has also worked at AIA Engineering Ltd, etc. He has completed CA and have done LLB (Taxation) and MBA (Finance) from Mohanlal Sukhadia University. |
| Mr. Ravishankar Kompalli | Whole-Time Director | He Co-patented High Rubber Graft ABS Powder Technology. He has completed his graduation in Chem Engineering & cumulatively have over 46 years of experience in Styrenic polymer. |
| Mr. Milin Mehta | Independent Director | Leads the practice of K.C. Mehta & Co. Chartered Accountant and Law Graduate Experience of over three decades. |
| Mr. Prem Kumar Taneja | Independent Director | He is Ex-Additional Chief Secretary, Industries & Mines Dept. He is with Government of Gujarat since 41 years & have experience in Governance and Business Management. |
| Mr. P.N. Prasad | Independent Director | He is an Additional Independent Director, Axis Bank and Certified Associate of Indian Institute of Banker. He has cumulatively 38 years of experience. |
| Mrs. Radhika Nath | Independent Director | She is Trustee-Governing Council, Educational Initiatives, Mahindra Group. Cumulatively she has over 31 years of experience in retail, export, and trade. |

Source: Company Investor Presentation, SMIFS Research

CSR Activities

SPML has been actively involved in CSR activities for the betterment of the society. The company has spent ~10% in FY24 and ~16% in FY25 of the prescribed expenditure. During the last 3 years, unspent amount has been deposited to ongoing projects within stipulated timeline. We expect the unspent amount to be utilized at the appropriate time of use.

Fig 44: CSR spend

(Rs in mn)

| Particulars | Prescribed Expenditure | Total Spends | Spend as % of Prescribed |
|-------------|------------------------|--------------|--------------------------|
| FY20 | 13 | 9 | 71.1% |
| FY21 | 5 | 5 | 106.4% |
| FY22 | 23 | 23 | 102.7% |
| FY23 | 54 | 6 | 11.2% |
| FY24 | 71 | 7 | 9.9% |
| FY25 | 62 | 10 | 15.9% |

Source: Company Annual Reports, SMIFS Research

Auditors

Till Aug 2023, Deloitte Haskins & Sells was the statutory auditor, however, the auditor resigned, and subsequently management appointed M/s. Talati & Talati, LLP & Co as the new statutory auditor.

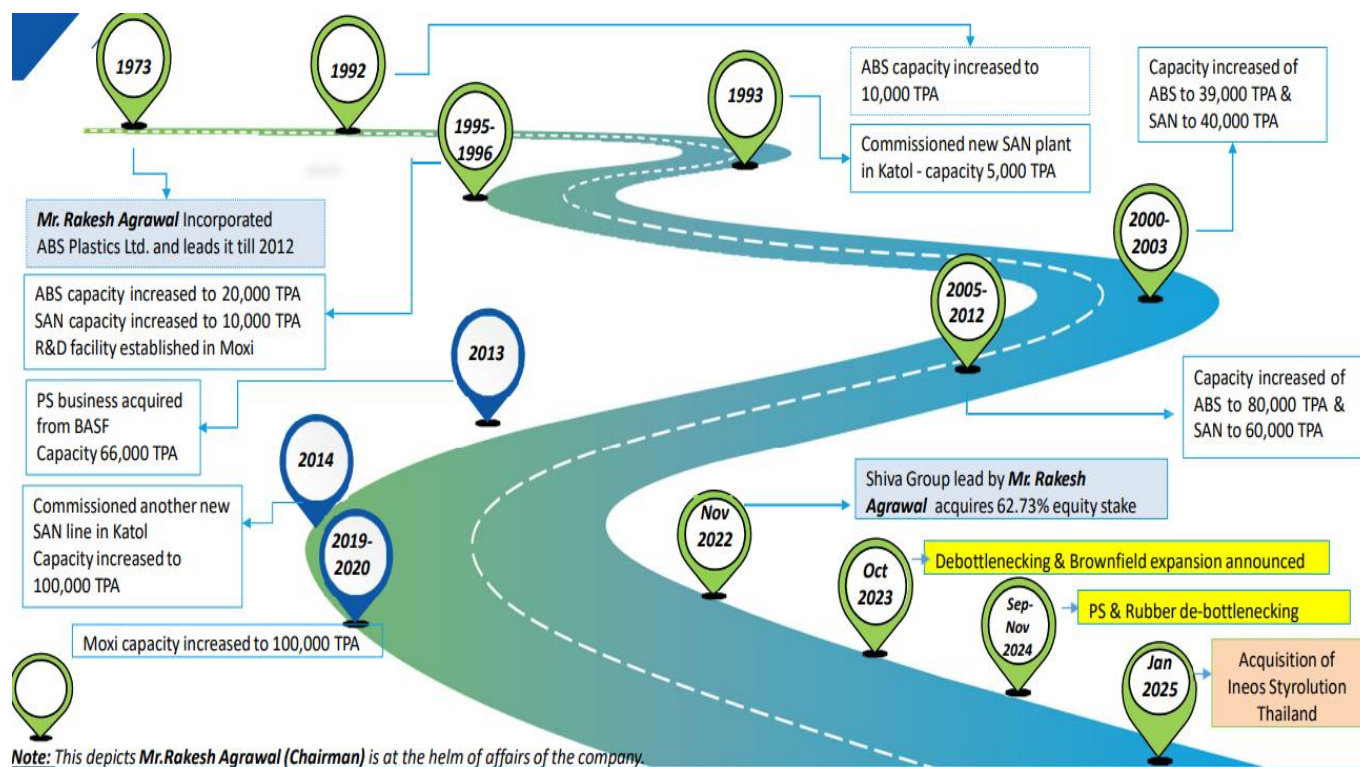
Fig 45: Auditor fee

| Particular (Rs mn) | FY22 | FY23 | FY24 | FY25 |
|-----------------------------|--------------------------|-------------------------------|---------------------------|---------------------------|
| Auditor Name | Deloitte Haskins & Sells | M/s. Deloitte Haskins & Sells | M/s. Talati & Talati, LLP | M/s. Talati & Talati, LLP |
| Type | Statutory Audit | Statutory Audit | Statutory Audit | Statutory Audit |
| Auditor Fees (Rs mn) | 4.2 | 4.3 | 2.1 | 5.2 |
| As a % of PBT | 0.1% | 0.2% | 0.1% | 0.2% |

Source: Company Annual Reports, SMIFS Research

Key Milestones

Fig 46: Key Milestones of Styrenix Performance Materials



Source: Company Investor Presentation, SMIFS Research

Company Background

What is Styrenix Performance Materials Ltd (SPML) all about?

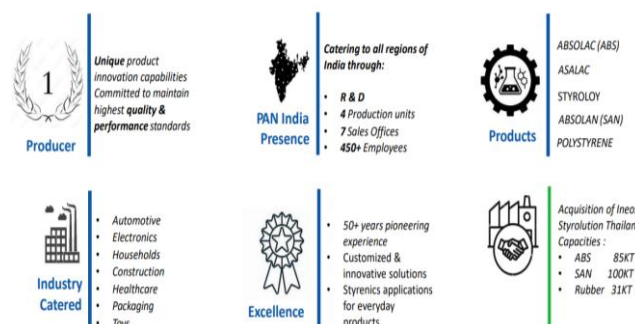
- The company has started production of ABS sheets by the name of ABS Plastics Ltd in 1987. Thereafter, multiple promoter hands have been changed.
- Shiva Performance Materials Private Limited (SPMPL, owned by Rakesh Agarwal and his family members) acquired 61.19% of the equity share capital of SPML from INEOS Styrolution India Limited, and another 1.54% equity stake through an open offer in November 2022. Post acquisition, the board of directors were changed from November 17, 2022, and the name of the company was changed from INEOS Styrolution India Limited to Styrenix Performance Materials Limited (SPML) w.e.f. January 05, 2023.
- Thereafter, in June 2024 the promoters sold 16.5% stake in SPML. Proceeds from the stake sale have been utilised by the promoter company to repay the debt, which had been availed for the acquisition of stake from INEOS Styrolution India Limited. Consequent to the said debt repayment, pledge on the promoter's equity stake in Styrenix Performance Materials Ltd has also been released. As on FY25, the promoters held 46.2% equity stake in the company.
- Styrenix Performance Materials Limited (formerly known as INEOS Styrolution India Limited) is market leader of Absolac (ABS) and Absolan (SAN) in India.
- ABS is a plastic resin produced from acrylonitrile, butadiene and styrene, used for manufacturing automobiles, consumer durables, home appliances and machinery.
- Absolan (SAN) is a polymerized plastic resin produced from styrene and acrylonitrile and mainly used for products such as lighting, stationery, novelties, refrigerators and cosmetic packing.
- The company takes immense effort in analysing and understanding its customer's requirements to offer innovative solutions that enhances the quality of their products.
- With best-in-class production technology, advanced R&D skills, the company is perfectly equipped to ensure the highest level of quality, efficiency and innovation in its production facilities.
- The company has a diverse set of clientele list varied across end user industries. The company serves to various OEMS along with smaller. No single customer contributes more than 8-10% of the topline indicating the company is not dependent on any one customer or end user industry.

Fig 47: Capacity breakup location wise (In Tonnes)

| Product & Plant Locations | ABS | PS | HRG Rubber | SAN |
|---------------------------|----------|----------|------------|----------|
| Nandesari | - | - | 27,000 | - |
| Moxi | 1,05,000 | - | - | - |
| Katol | - | - | - | 1,00,000 |
| Dahej | - | 1,05,000 | - | - |
| Thailand | 85,000 | - | 31,000 | 1,00,000 |

Source: Company, SMIFS Research

Fig 48: Business Snapshot



Source: Company Investor Presentation, SMIFS Research

Products Details:

ABSOLAC / NOVODUR (ABS): It is a plastic resin produced from acrylonitrile butadiene styrene (ABS). ABSOLAC is produced exclusively in India. Specialty acrylonitrile butadiene styrene (ABS) copolymers feature grades characterised by easy processing ease, high aesthetic colourful surfaces and excellent paintability, as well as good impact strength and heat resistance. They also exhibit high adhesion strength required for electroplating, as well as good mechanical strength and chemical resistance. It has applications diverse from automotive exterior like radiator grilles, light housing spoiler, helmets and automotive interior like loudspeaker grilles. Housing for electronic devices, household applications and office equipment.

ABSOLAN (SAN): Styrene acrylonitrile polymer (SAN) portfolio (ABSOLAN) grades feature a very well-balanced property profile ranging from excellent transparency and good chemical resistance to high stiffness, and good dimensional stability. It has applications diverse from industrial goods, stationery, electrical appliances, household applications and cosmetic jars.

LURAN S (ASA): Acrylonitrile styrene acrylate (ASA) polymers are the benchmark styrenic polymer for weather resistance. The grades in the Luran S portfolio feature high surface quality, excellent chemical resistance and good impact strength, including enhanced colour fastness and superior long-term performance when exposed to UV irradiation and heat. It has applications diverse from automotive exterior like radiator grilles, mirror housings and automotive interiors like overhead compartments. Household applications, PVC cap stock for sheets, sidings, roof tiles and gardening equipment.

NOVODUR High Heat (ABS HH): Speciality acrylonitrile butadiene styrene (ABS) is the material of choice for heat resistance and aesthetics. The copolymers feature grades with a well-balanced mix of properties for injection moulding, including good impact strength, dimensional stability and heat resistance. Novodur high heat is easy to process and creates highly aesthetic, colourful surface appearance. The versatile product line is available pre-coloured and contains products with unique features to fit the most demanding product applications. Like for automotive exterior: mirror housings, light housings, front grills, trims and for automotive interiors: glove box, centre consoles and instrument panel trims. Vacuum cleaners' housings and coffee machines.

PS GPPS General Purpose Polystyrene (GPPS): These are transparent polymers suitable for injection moulding and extrusion applications. Uses for these products vary from food service and food packaging to refrigerator components, healthcare and diagnostic and lab ware as well as XPS insulation. Flexible property makes it ideal for toys, cases, hangers, plastic cups, IT equipment, jewel boxes, disposable medical products, bath accessories and garden equipment.

PS-High Impact Polystyrene (HIPS): This is modified PS resins are a line of robust grades designed to fulfil a variety of customer's needs. Whether the application is intended for a single use yogurt cup or a durable refrigerator liner, STYROLUTION PS HIPS resins can meet the demands of technically challenging applications. Key applications are electronic goods housings, Refrigerator liners and parts, Toys and Stationary products, household items, Food packaging products like cups, dishes, containers, yogurt bottles etc.

Valuation and Recommendations

We are optimistic on the long-term prospects of the company led by improved demand, better product mix, operating leverage, diversification in international business. We believe there is lot of headroom for input output spreads to improve which will drive EBITDA & profitability.

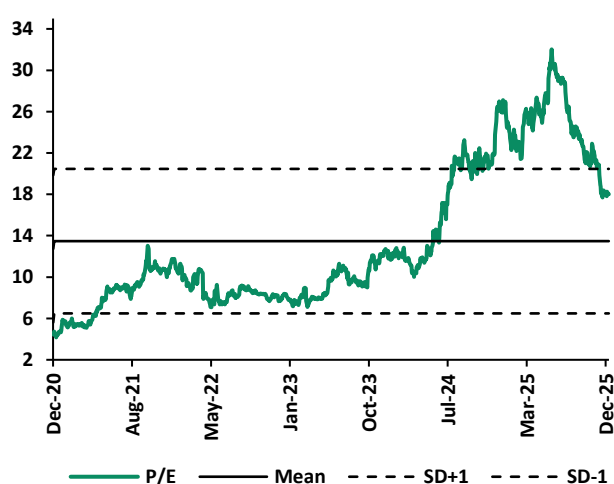
The multiple will re-rate as conversion cost in Thailand drift down coupled with stronger growth trajectory in volumes in base business. The company is already trading at a steep discount to its large competitor in the domestic market but considering the company's strong growth trajectory & confidence in promoters' ability to transform & align company on a new multi-dimensional growth path, we believe re-rating & shareholder value creation will be much faster in Styrenix.

Currently, the stock is trading at 15.7x P/E multiple on Sept' 27E EPS of Rs 130 per share. We value the stock on forward P/E multiple of 22x thereby, arrive at target price of Rs 2864 per share which offers upside of 40% from current valuations.

Therefore, we initiate coverage with **BUY** rating on the stock.

Risk to our call is unforeseen impact on the demand and sharp decline in spread.

Fig 49: 1-year forward P/E



Source: AceEquity, SMIFS Research

Fig 50: 1-year forward EV/EBITDA



Source: AceEquity, SMIFS Research

Quarterly financials & Operating metrics

Fig 51: Quarterly Financials (Consol)

| Y/E March (Rs mn) | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net Sales | 4,847 | 5,987 | 6,987 | 6,532 | 6,908 | 9,397 | 9,435 | 7,989 |
| Raw Materials | 3,543 | 4,515 | 5,308 | 4,784 | 5,311 | 6,796 | 6,876 | 5,708 |
| Employee Costs | 180 | 163 | 168 | 169 | 178 | 385 | 377 | 357 |
| Other Expenditure | 545 | 591 | 615 | 591 | 678 | 1,344 | 1,218 | 1,069 |
| EBITDA | 579 | 719 | 897 | 988 | 740 | 872 | 965 | 855 |
| Depreciation | 92 | 92 | 93 | 99 | 100 | 240 | 247 | 262 |
| Interest | 7 | 6 | 6 | 9 | 11 | 31 | 46 | 54 |
| Other Income | 17 | 24 | 25 | 64 | 14 | 27 | 34 | 30 |
| PBT | 497 | 644 | 823 | 944 | 643 | 629 | 705 | 569 |
| Tax | 148 | 151 | 211 | 243 | 166 | 67 | 186 | 122 |
| Tax rate (%) | 29.7% | 23.4% | 25.6% | 25.7% | 25.8% | 10.6% | 26.4% | 21.4% |
| Reported PAT | 349 | 494 | 612 | 701 | 477 | 562 | 519 | 447 |
| YoY Growth (%) | | | | | | | | |
| Revenue | -13.0 | -2.7 | 28.5 | 9.8 | 42.5 | 57.0 | 35.0 | 22.3 |
| EBITDA | 18.8 | 8.5 | 76.1 | 19.3 | 27.9 | 21.4 | 7.5 | -13.5 |
| Adj PAT | 15.7 | 16.4 | 88.6 | 24.2 | 36.5 | 13.8 | -15.2 | -36.2 |
| QoQ Growth (%) | | | | | | | | |
| Revenue | -18.5 | 23.5 | 16.7 | -6.5 | 5.8 | 36.0 | 0.4 | -15.3 |
| EBITDA | -30.1 | 24.1 | 24.8 | 10.1 | -25.1 | 17.8 | 10.6 | -11.4 |
| Adj. PAT | -38.1 | 41.3 | 24.0 | 14.5 | -31.9 | 17.7 | -7.5 | -13.9 |
| Margin (%) | | | | | | | | |
| Gross Profit | 26.9 | 24.6 | 24.0 | 26.8 | 23.1 | 27.7 | 27.1 | 28.6 |
| EBITDA | 11.9 | 12.0 | 12.8 | 15.1 | 10.7 | 9.3 | 10.2 | 10.7 |
| Adj PAT | 7.2 | 8.2 | 8.8 | 10.7 | 6.9 | 6.0 | 5.5 | 5.6 |
| Employee cost as % of sales | 3.7 | 2.7 | 2.4 | 2.6 | 2.6 | 4.1 | 4.0 | 4.5 |
| Other expenses as % of sales | 11.2 | 9.9 | 8.8 | 9.0 | 9.8 | 14.3 | 12.9 | 13.4 |
| Operational Metrics (Consol) | | | | | | | | |
| Overall Volume (in Tons) | 35557 | 44094 | 48055 | 41806 | 47515 | 65053 | 68841 | 60183 |
| Realization per kg | 136 | 136 | 145 | 156 | 145 | 144 | 137 | 133 |
| Gross spread per kg | 36.7 | 33.4 | 34.9 | 41.8 | 33.6 | 40.0 | 37.2 | 37.9 |
| EBITDA spread per kg | 16.3 | 16.3 | 18.7 | 23.6 | 15.6 | 13.4 | 14.0 | 14.2 |

Source: Company, SMIFS Research: Note: Consol numbers incl. of Thailand acquisition are from Q4FY25. Earlier quarter before Q4FY25 numbers are standalone

Key Performance Indicators

| Operational Metrics | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Base Volumes (In tonnes) | 124000 | 148981 | 165189 | 185429 | 207400 | 226000 | 254200 |
| Thailand Volumes (In tonnes) | 104000 | 82000 | 65000 | 74000 | 68750 | 75000 | 81250 |
| Gross Spreads (Rs per kg) | 64.1 | 40.0 | 33.9 | 26.4 | 35.4 | 36.5 | 37.6 |
| EBITDA Spreads (Rs per kg) | 38.3 | 18.5 | 16.0 | 13.3 | 13.6 | 14.3 | 15.4 |
| India Revenue (Rs in mn) | 21745 | 23678 | 22222 | 27444 | 26962 | 30510 | 35588 |
| Thailand Revenue (Rs in mn) | 18640 | 14830 | 9740 | 11250 | 8594 | 9750 | 10969 |

Source: Company, SMIFS Research Estimates

Industry Comparison

Fig 52: Industry Comparison

| | Net Sales | | | | EBITDA | | | | PAT | | | | CAGR FY26E-28E | | | |
|--------------------------------|-----------|--------|--------|--------|--------|-------|-------|-------|-------|-------|-------|-------|----------------|--------|-----|-----|
| | FY25 | FY26E | FY27E | FY28E | FY25 | FY26E | FY27E | FY28E | FY25 | FY26E | FY27E | FY28E | Rev | EBITDA | PBT | PAT |
| Styrenix Performance Materials | 27,444 | 35,556 | 40,260 | 46,557 | 3,450 | 3,752 | 4,290 | 5,156 | 2,322 | 1,879 | 2,079 | 2,531 | 14 | 17 | 16 | 16 |
| Supreme Petrochem | 60,234 | 54,055 | 68,266 | 84,541 | 5,326 | 4,329 | 6,501 | 9,026 | 3,905 | 2,917 | 4,389 | 6,053 | 25 | 44 | 44 | 44 |
| Bhansali Engineering Polymers | 13,980 | NA | NA | NA | 2,150 | NA | NA | NA | 1,800 | NA | NA | NA | NA | NA | NA | NA |

Source: SMIFS Research Estimates

| Company Name | Gross Margin % | | | | EBITDA Margin % | | | | EBITDA Spreads per Kg | | | | PAT Margin % | | | |
|--------------------------------|----------------|-------|-------|-------|-----------------|-------|-------|-------|-----------------------|-------|-------|-------|--------------|-------|-------|-------|
| | FY25 | FY26E | FY27E | FY28E | FY25 | FY26E | FY27E | FY28E | FY25 | FY26E | FY27E | FY28E | FY25 | FY26E | FY27E | FY28E |
| Styrenix Performance Materials | 24.9 | 27.5 | 27.3 | 27.1 | 12.6 | 10.6 | 10.7 | 11.1 | 13.3 | 13.6 | 14.3 | 15.4 | 8.5 | 5.3 | 5.2 | 5.4 |
| Supreme Petrochem | 14.9 | 15.0 | 16.4 | 17.9 | 8.8 | 8.0 | 9.5 | 10.7 | 15.0 | 11.4 | 14.9 | 17.9 | 6.5 | 5.4 | 6.4 | 7.2 |
| Bhansali Engineering Polymers | 29 | NA | NA | NA | 15.4 | NA | NA | NA | 28.6 | NA | NA | NA | 12.9 | NA | NA | NA |

Source: SMIFS Research Estimates

| Company Name | ROE (%) | | | | Dividend Yield | | | | P/E | | | | EV/EBITDA | | | |
|--------------------------------|---------|-------|-------|-------|----------------|-------|-------|-------|------|-------|-------|-------|-----------|-------|-------|-------|
| | FY25 | FY26E | FY27E | FY28E | FY25 | FY26E | FY27E | FY28E | FY25 | FY26E | FY27E | FY28E | FY25 | FY26E | FY27E | FY28E |
| Styrenix Performance Materials | 24.6 | 15.2 | 15.1 | 16.4 | 1.1 | 1.6 | 1.7 | 1.7 | 20.8 | 19.3 | 17.5 | 14.3 | 14.8 | 10.7 | 9.7 | 8.1 |
| Supreme Petrochem | 18.4 | 12.8 | 17.9 | 21.8 | 1.7 | 1.5 | 1.6 | 1.7 | 34.6 | 41.9 | 27.9 | 20.2 | 24.0 | 26.6 | 17.7 | 12.3 |
| Bhansali Engineering Polymers | 7.2 | NA | NA | NA | 3.7 | NA | NA | NA | 17.6 | NA | NA | NA | 10.7 | NA | NA | NA |

Source: SMIFS Research Estimates

Supreme Petrochem & Bhansali are the best-known competitors of Styrenix. As Supreme is entering into ABS with already having a dominance in PS, we feel Supreme Petrochem is the best suited competitor. Bhansali is only into ABS & not into PS.

Post Covid era led to much better spreads of Styrenix performance Materials compared with Supreme Petrochem. However, as on FY25 Styrenix operating spreads are only slightly lower. Going ahead, we anticipate the difference to slightly widen in favour of Supreme Petrochem as ABS capacity addition will likely result in better operating spreads for the next 3 years. Styrenix operating spreads optically looks lower as Thailand addition has increased cost in FY26E coupled with continued capital expenditure for the next 3 years.

We have compared the input output operating EBITDA spreads growth of both companies. As per our analysis, Styrenix growth would be ~6% vs ~25% for Supreme Petrochem during FY26E-28E. The EBITDA growth of Styrenix would be ~17% vs ~44% for Supreme Petrochem.

In comparison, Supreme has better growth profile, however, Styrenix has other advantages like higher product mix & comfortable valuations. As on date, Styrenix is available at ~30% discount to Supreme & also having growth visibility in sight. We feel the investors are watching capacity ramp up & lowering its conversion cost in Thailand plant which will trigger the re-rating in the stock. We are assigning lower multiple to Styrenix by ~20-30% than Supreme Petrochem on FY28E basis.

We are initiating coverage on Styrenix with a **BUY** rating. We have Supreme Petrochem in our coverage universe.

Financial Statements (Consolidated)

| Income Statement | | | | | |
|----------------------|---------------|---------------|---------------|---------------|---------------|
| YE March (Rs mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
| Revenues | 22,222 | 27,444 | 35,556 | 40,260 | 46,557 |
| Raw Materials | 16,623 | 20,603 | 25,790 | 29,260 | 33,945 |
| % of sales | 74.8 | 75.1 | 72.5 | 72.7 | 72.9 |
| Personnel | 672 | 703 | 1,523 | 1,689 | 1,842 |
| % of sales | 3.0 | 2.6 | 4.3 | 4.2 | 4.0 |
| Other Expenses | 2,292 | 2,688 | 4,491 | 5,021 | 5,614 |
| % of sales | 10.3 | 9.8 | 12.6 | 12.5 | 12.1 |
| EBITDA | 2,635 | 3,450 | 3,752 | 4,290 | 5,156 |
| Other Income | 93 | 108 | 91 | 70 | 70 |
| Depreciation | 368 | 393 | 1,073 | 1,257 | 1,502 |
| EBIT | 2,360 | 3,165 | 2,771 | 3,103 | 3,724 |
| Finance cost | 28 | 35 | 238 | 300 | 313 |
| Core PBT | 2,240 | 3,022 | 2,441 | 2,733 | 3,341 |
| Exceptional Item | - | - | - | - | - |
| PBT | 2,333 | 3,130 | 2,533 | 2,803 | 3,411 |
| Tax-Total | 601 | 808 | 654 | 724 | 881 |
| Tax Rate (%) - Total | 25.8 | 25.8 | 25.8 | 25.8 | 25.8 |
| Reported PAT | 1,732 | 2,322 | 1,879 | 2,079 | 2,531 |
| Adjusted PAT | 1,732 | 2,322 | 1,879 | 2,079 | 2,531 |

Source: Company, SMIFS Research Estimates

| Key Ratios | | | | | |
|-------------------------------|-------|-------|-------|-------|-------|
| YE March | FY24 | FY25 | FY26E | FY27E | FY28E |
| Growth Ratio (%) | | | | | |
| Revenue | -6.3 | 23.5 | 29.6 | 13.2 | 15.6 |
| EBITDA | -4.2 | 30.9 | 8.8 | 14.3 | 20.2 |
| Adjusted PAT | -5.4 | 34.1 | -19.1 | 10.7 | 21.7 |
| Margin Ratios (%) | | | | | |
| Gross Profit | 25.2 | 24.9 | 27.5 | 27.3 | 27.1 |
| EBITDA | 11.9 | 12.6 | 10.6 | 10.7 | 11.1 |
| EBIT | 10.6 | 11.5 | 7.8 | 7.7 | 8.0 |
| Core PBT | 10.5 | 11.4 | 7.1 | 7.0 | 7.3 |
| Adjusted PAT | 7.8 | 8.5 | 5.3 | 5.2 | 5.4 |
| Return Ratios (%) | | | | | |
| ROE | 24.1 | 24.6 | 15.2 | 15.1 | 16.4 |
| ROCE | 23.4 | 20.3 | 12.3 | 12.0 | 12.8 |
| Turnover Ratios (days) | | | | | |
| Gross block turnover ratio | 4.1 | 3.1 | 2.8 | 2.7 | 2.6 |
| Adj CFO / Adj PAT (%) | 118.1 | 56.7 | 110.3 | 124.9 | 119.3 |
| Inventory | 44 | 102 | 80 | 85 | 85 |
| Debtors | 49 | 59 | 55 | 55 | 55 |
| Creditors | 37 | 80 | 60 | 65 | 65 |
| Cash conversion cycle | 56 | 80 | 75 | 75 | 75 |
| Solvency Ratio (x) | | | | | |
| Debt-equity | 0.0 | 0.3 | 0.4 | 0.4 | 0.4 |
| Net debt/equity | -0.1 | 0.2 | 0.3 | 0.4 | 0.3 |
| Gross debt/EBITDA | 0.1 | 1.2 | 1.3 | 1.4 | 1.2 |
| Current Ratio | 2.7 | 2.1 | 2.2 | 2.1 | 2.1 |
| Interest coverage ratio | 85.5 | 89.7 | 11.6 | 10.3 | 11.9 |
| Dividend | | | | | |
| DPS | 98.0 | 31.0 | 32.0 | 34.0 | 35.0 |
| Dividend Yield (%) | 8.1 | 1.1 | 1.6 | 1.7 | 1.7 |
| Dividend Payout (%) | 99.5 | 23.5 | 30.2 | 29.0 | 24.5 |
| Per share Ratios (Rs) | | | | | |
| Basic EPS | 98.5 | 132.0 | 106.1 | 117.4 | 142.9 |
| Adj EPS | 98.5 | 132.0 | 106.1 | 117.4 | 142.9 |
| CEPS | 119.4 | 154.4 | 167.9 | 189.7 | 229.3 |
| BV | 411.0 | 663.9 | 738.6 | 822.6 | 931.3 |
| Valuation (x)* | | | | | |
| Adj P/E | 12.3 | 20.8 | 19.3 | 17.5 | 14.3 |
| P/BV | 3.0 | 4.1 | 2.8 | 2.5 | 2.2 |
| EV/EBITDA | 7.8 | 14.8 | 10.7 | 9.7 | 8.1 |
| EV/Sales | 0.9 | 1.9 | 1.1 | 1.0 | 0.9 |
| Adj Mcap / Core PBT | 8.7 | 15.1 | 14.0 | 12.7 | 10.4 |
| Adj Mcap / Adj OCF | 9.9 | 35.8 | 17.1 | 13.7 | 11.7 |

Source: Company, SMIFS Research Estimates

| Balance Sheet | | | | | |
|----------------------------------|--------------|---------------|---------------|---------------|---------------|
| YE March (Rs mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
| Sources of funds | | | | | |
| Capital | 176 | 176 | 177 | 177 | 177 |
| Reserves & Surplus | 7,052 | 11,500 | 12,812 | 14,289 | 16,200 |
| Shareholders' Fund | 7,227 | 11,676 | 12,989 | 14,466 | 16,377 |
| Total Debt | 273 | 3,973 | 4,758 | 6,008 | 6,258 |
| Other Liabilities | 405 | 867 | 1,156 | 1,305 | 1,503 |
| Total Liabilities | 7,905 | 16,515 | 18,903 | 21,779 | 24,139 |
| Application of funds | | | | | |
| Gross Block | 5,495 | 12,169 | 13,034 | 17,099 | 19,164 |
| Net Block | 2,953 | 8,529 | 8,321 | 11,129 | 11,692 |
| Capital WIP | 281 | 294 | 1,908 | 1,001 | 1,307 |
| Right of use assets | - | 98 | 98 | 98 | 98 |
| Quasi cash investments | 17 | 94 | 94 | 94 | 94 |
| Other Non-Current Assets | 181 | 291 | 368 | 459 | 544 |
| Total Non-Current Assets | 3,432 | 9,306 | 10,789 | 12,780 | 13,735 |
| Inventories | 2,687 | 7,685 | 7,793 | 9,376 | 10,842 |
| Sundry Debtors | 2,969 | 4,399 | 5,358 | 6,067 | 7,015 |
| Current investments | 561 | 107 | 107 | 107 | 107 |
| Cash and bank balances | 566 | 1,004 | 623 | 531 | 629 |
| Other current assets | 164 | 411 | 534 | 605 | 699 |
| Total Current Assets | 6,947 | 13,607 | 14,415 | 16,685 | 19,292 |
| Sundry Creditors | 2,275 | 6,046 | 5,845 | 7,170 | 8,291 |
| Other current liabilities | 198 | 352 | 456 | 517 | 598 |
| Total Current Liabilities | 2,473 | 6,399 | 6,301 | 7,687 | 8,889 |
| Net Current Assets | 4,473 | 7,208 | 8,114 | 8,998 | 10,404 |
| Total Assets | 7,905 | 16,515 | 18,903 | 21,779 | 24,139 |

Source: Company, SMIFS Research Estimates

| Cash Flow | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| YE March (Rs mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
| Operating profit before WC changes | 2,645 | 3,591 | 3,752 | 4,290 | 5,156 |
| Net changes in working capital | 132 | (1,262) | (1,074) | (918) | (1,193) |
| Tax Paid | (614) | (863) | (654) | (724) | (881) |
| Cash flow from operating activities | 2,163 | 1,467 | 2,024 | 2,648 | 3,082 |
| Adj. OCF | 2,046 | 1,318 | 2,072 | 2,598 | 3,019 |
| Capital expenditure | (384) | (573) | (2,479) | (3,158) | (2,372) |
| Adj FCF | 1,662 | 745 | (407) | (560) | 648 |
| Cash flow from investing activities | (880) | (372) | (2,387) | (3,088) | (2,301) |
| Debt | - | - | 500 | 1,000 | - |
| Dividend Paid | (1,649) | (1,031) | (567) | (602) | (620) |
| Interest and Lease Expense | (117) | (149) | 48 | (50) | (63) |
| Cash flow from financing activities | (1,766) | (1,180) | (18) | 348 | (683) |
| Net change in cash | (483) | (86) | (381) | (92) | 98 |

Source: Company, SMIFS Research Estimates

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