

Volume growth and change in product mix to drive profitability

Styrenix Performance Materials Limited (formerly known as INEOS Styrolution India Limited) is one of the leading producer of of Absolac (ABS) and Absolan (SAN) in India. They also manufacture Polystyrene . Styrenix Performance Materials Limited employs approximately 500 people and operates 4 production sites . The company has over 4000 customers across India. ABS comprises of 70% revenue and the balance is Polystyrene

(PS). Within ABS, speciality products form approximately 60%, while the same for PS stands at 40%. The products of the company finds application in various industries like automotive, household, electronics and many more.

Transition – Change in Management improving the performance of the company

Previously known as INEOS Styrolution India Limited , the company was taken over by Shiva Performance Material Pvt Ltd in November 2022 , renamed to Styrenix Performance Materials Ltd in January 2023 . The promoter group is headed by Mr. Rakesh Agarwal who is the pioneer of ABS technology in India setting up ABS Plastics Ltd in 1973 . Signs are very promising , as capacity utilization has increased from 70% prior to take over to about 100 % currently within a year of change in management.

Q4FY24 Result Update

Revenue for the quarter was Rs.5980 Mn (+ 23.5% QoQ, - 2.76% YoY) and EBITDA for the quarter was Rs. 740 Mn (+ 25.4% QoQ, + 7.2% YoY). The company has been able to maintain their EBITDA margins due to a better product mix and cost optimization measures. The company has been able to maintain production volumes of 45,000 tons for the quarter. Volume growth on an annual basis was up 10.7% YoY on account of various debottlenecking measures. EPS for the year was Rs. 98 vs Rs.104 in FY23. The company has announced 100% dividend payout ratio for FY24, translating to a dividend of Rs. 98.

Volume growth to aid earnings growth

Capacity expansion plans announced by the Company are as follows: ABS -Increase in Capacity from 85,000 tons to 210,000 tons by FY28. PS - Increase in Capacity from 66,000 tons to 150,000 tons by FY27. These capacity expansions are happening in phased timeline. For the next two years, company expects combined production (ABS+PS) to reach 210,000 tons in FY2025 and 225,000 tons in FY2026. This translates to volume growth of 37% over the next 2 years.

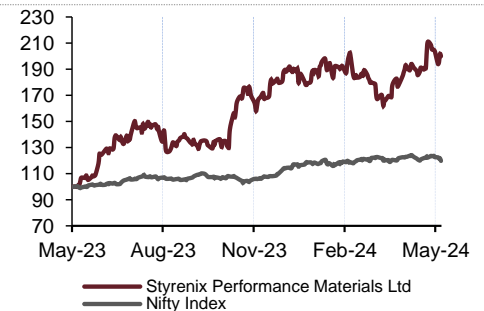
Rating	TP (Rs)	Up/Dn (%)
BUY	2,100	31

Market Data

Current price	Rs	1,609
Market Cap (Rs.Bn)	(Rs Bn)	28
Market Cap (US\$ Mn)	(US\$ Mn)	339
Face Value	Rs	10
52 Weeks High/Low	Rs	1778 / 791.85
Average Daily Volume	('000)	33
BSE Code		506222
Bloomberg		STYRENIX.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-24	Dec-23
Promoters	62.73	62.73
Public	37.27	37.27
Total	100	100

Source: Bloomberg

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Operating spreads to improve driven by change in product mix and operating leverage.

Operating spreads of the company (EBIDTA/ton) has remained fairly constant inspite of volatility in prices. The EBIDTA/ton has averaged between Rs 16,500/ton to Rs. 17,000/ton. Going forward, we believe the value added specialty product portfolio shall dominate the product mix which would help improve the margins. We also expect the company to benefit from operating leverage as production volumes increase by 37% in the next two years. In FY23-24 two new products have been added namely - Asalac (ASA) and Styrology (PC+ABS, PA+ABS blends), both of which are import substitute.

Valuation & Outlook

We expect the company to deliver approximately 15-18% CAGR growth in topline and bottomline over the next few years. This growth as mentioned earlier will be driven by capacity expansion, change in product mix and operating leverage. Going forward, we expect dividend payout to moderate as company does capex for capacity expansion.

At CMP of Rs 1,609, the stock is trading at 11x FY26e expected EPS of Rs.140. We believe valuation are attractive given the earnings growth. We recommend a BUY with a target price of Rs.2,100 (15x FY26e EPS).

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