5th May, 2025

The Manager,
Listing Department,
National Stock Exchange of India Ltd,
Exchange Plaza,
Plot No. – C – 1, G Block,
Bandra – Kurla Complex,
Bandra (East),
Mumbai – 400051

NSE Code: - PCBL

The General Manager,
Department of Corporate Services,
BSE Ltd.,
1st Floor, New Trading Ring,
Rotunda Building,
P.J. Towers,
Dalal Street, Fort,
Mumbai – 400001

BSE Code: - 506590

Dear Sir,

Sub:- Q4 FY 25 Earnings Conference Call – Transcript

Further to our letters dated 24th April, 2025 and 29th April, 2025, please find enclosed herewith the transcript of the Q4 FY'25 Earnings Conference Call held on Tuesday, 29th April, 2025 at 17:00 hrs India Time, for the quarter and financial year ended 31st March, 2025. This information will also be hosted on the Company's website and can be accessed at the link: https://www.pcblltd.com/investor-relation/financials/investor-presentation .

We request you to please take the afore-mentioned information in record and oblige.

Thanking you,

Yours faithfully,

For **PCBL CHEMICAL LIMITED**

KAUSHIK MUKHERJEE
Digitally signed by KAUSHIK MUKHERJEE
Date: 2025.05.05 18:02:37 +05'30'

K Mukherjee
Company Secretary and Chief Legal Officer

Enclo: As Above

"PCBL Chemical Limited Q4 FY '25 Earnings Conference Call"

April 29, 2025

MANAGEMENT:	**MR. KAUSHIK ROY – MANAGING DIRECTOR, PCBL CHEMICAL LIMITED** **MR. RAJ GUPTA – CHIEF FINANCIAL OFFICER, PCBL CHEMICAL LIMITED** **MR. ANAND KUMAR – GROUP HEAD, INVESTOR RELATIONS** **MR. PANKAJ KEDIA – VICE PRESIDENT, INVESTOR RELATIONS**
MODERATOR:	**MR. SANJESH JAIN – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the PCBL Chemical Limited Q4 FY '25 Earnings Conference Call hosted by ICICI Securities Limited.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*', then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjesh Jain. Thank you and over to you, sir.

Sanjesh Jain: Thank you. Good afternoon, everyone. Thank you for joining on for PCBL Chemical Limited Q4 FY '25 Results Conference Call.

We have PCBL Management on the call represented by Mr. Kaushik Roy - Managing Director; Mr. Raj Gupta - Chief Financial Officer; Mr. Anand Kumar - Group Head, Investor Relations; Mr. Pankaj Kedia - Vice President, Investor Relations.

I will request Kaushik sir to open the call with his initial remark post which we will have a Q&A session. Over to you, sir.

Kaushik Roy: Thank you so much. Very good evening to all of you.

I would like to extend a very warm welcome to each one of you for joining this call today to discuss Q4 and FY '25 of PCBL Chemical Limited. I hope you have already gone through the investor presentation and the financial results which we have already uploaded on the Stock Exchange and I am honestly thankful to all of you for taking your time to join us today in this call.

Now, coming to last quarter and this year:

I am happy to inform that in the whole year, PCBL Chemical has reported its best ever operational performance and highest ever EBITDA, highest ever Carbon Black sales as well as Specialty Black sales. And in addition to that, power sales volume was also the highest in the history of PCBL. And the other milestone which we have achieved is we have achieved in FY '25 a revenue of $1 billion plus.

As you all know, over the last few years, we have diversified beyond carbon chemistry into new fields within the chemical sector and this growth, both organic and through strategic acquisition and partnership have brought us to a pivotal moment. We have broadened our capabilities to pioneer advanced solutions for our customers globally.

Our quest to diversify from a pureplay Carbon Black producer led to the acquisition of Aquapharm chemical, which you are fully aware of in early 2024. As you know, Aquapharm is a leading Specialty Chemical player focusing on water treatment, detergent and oil and gas chemicals. This particular acquisition provided us with access to an export-oriented Specialty Chemical platform and FY25 was the first full year of operation for Aquapharm post integration.

FY '25 was a bit challenging year for Aquapharm. The business scenario, the business environment was weak, there were sharp corrections in the yellow phosphorus crisis resulted in a soft performance. Phosphonates have a huge opportunity, given Aquapharm's global leadership position. Raw material prices of Phosphonates have now stabilized, which would be beneficial for us going forward. We have strengthened management capabilities. There were some gaps in that area and created a revamped organizational structure in Aquapharm. We expect a very strong improvement in both operational and financial performance in Aquapharm in this financial year, which is FY '26. The steps taken to improve cost and operational efficiency measures, value added product launches and strengthening of sales teams in the USA and Europe has set a strong foundation for the next leg of growth in Aquapharm in coming years.

In oil and gas chemicals, Aquapharm has less than 1% of global share and we are working on strategies to increase our customer base presence in multiple geographies, increasing capacity and supply chain capabilities. In the United States, oil and gas chemical opportunity is large considering Mr. Trump's new policies focusing more on increased oil production.

Keeping all these things in mind, we have also gone ahead with expansion projects which are on track and nearing commissioning. This would help us to accelerate the sales volume growth in coming years. We are also evaluating Brownfield capex across all manufacturing locations in India as well as in USA. Within Aquapharm, Green Chelates is another segment where we see strong growth opportunity with push towards biodegradable chelating agents in USA and Europe as well as in China and India. We are therefore working on expanding the portfolio of Green Chelates by using our R&D capability. We have already developed MGDA and GLDA liquid and are now working on MGDA granules.

Now coming to the Carbon Black side, we are in the process of acquiring 116 acres of land in Naidupeta, Andhra Pradesh for our 6th manufacturing unit. This new facility will primarily focus on rubber black as well as performance and specialty chemicals. This land can eventually accommodate 4,50,000 MTPA of additional capacity. Capex at this site is expected to commence in a year and construction to take 18 months thereafter. The proposed Greenfield plant under PCBL, Tamil Nadu, has significant tax advantage as earnings would be subject to a lower tax rate of 17.2%.

We are also participating in a fast-growing battery chemicals market through Nanovace Technologies. We intend to manufacture nano-silicon, which is to be used in anodes of lithium-ion batteries. It brings significant benefits like extended battery range, longer battery life, faster charging and reduction in CO2 emission, at the same time it is cost effective. The pilot plant currently is under construction in our Palej plant and should be ready in the next few months' time.

PCBL has also signed technology transfer agreement with a Chinese Company for Acetylene Black capacity, which finds application in high voltage cable, batteries, semiconductor, packaging, conductive plastics, paints and coatings. Global demand for Acetylene Black is approximately 70,000 MTPA with 90% of supplies coming from China. We plan to set up an initial capacity of 5000 MTPA by FY '27 at Mundra. We are witnessing strong interest from across value chain partners for this.

FY '25 was the 1st full year operation for our new Greenfield CB facility of 1,47,000 MTPA in Tamil Nadu. We have already announced Brownfield expansion of 90,000 MT in two phases in Chennai, Tamil Nadu. The first phase 30,000 metric ton will be commissioned in a few weeks' time and the second phase of 60,000 metric ton along with 12 MW green power by FY '26 end.

We aim to cross 1 million tons capacity in Carbon Black by FY '28.

PCBL anticipates continuous growth in the international market over the next few years, driven by expansion into new geographies, strategic investments in supply chain capabilities, moving up the value chain and the launch of new specialty grades.

The capacity growth in EU and USA has been stagnant and Russian CB is banned by the European Union. In the process, PCBL is gaining market share in both EU and USA.

Tyre industry growth outlook, both in India as well as at global industry level continues to remain positive. With EV penetration rising across two-wheelers and passenger vehicles, we expect replacement demand to remain steady and positive.

The demand for Specialty grade Carbon Black continues to be resilient. Since, FY17-18, PCBL has increased its focus on developing grades, which can be used in these products, leading to a corresponding increase in margins, significant increase in share of Specialty Black volume from 1% in FY '15 to 11% in FY '25. PCBL added 20,000 MTPA Specialty Black capacity in Mundra in FY '25, taking the total Specialty Black capacity to 1,12,000 MTPA.

We also plan to set up 1,000 MTPA Specialty Black capacity dedicated to superconductive grades, where margins are obviously extremely high and is expected to be completed by the end of FY '26.

Over the last few years, the Company deepened its research commitment, comprising forward-looking investment in infrastructure, people and process, resulting in empowerment of the Company with proven capabilities in product, application, process efficiency and product customization.

Now, I will come to a quarterly performance of PCBL Chemical Limited. But before that, just to give you a flavor of how we are looking at the business and what the philosophy of the Company is. Broadly, if you look at PCBL, it has got 3 major baskets or verticals of business, one is relating to Rubber Black, the second one is relating to Specialty Black, Specialty

Chemical, along with new initiatives and the third one is Aquapharm which is beyond carbon chemistry. When you talk about the Rubber Black, which is our foundation today, we started with Rubber Black in a big way and we are a leader in India and we continue to grow globally. The growth journey continues and therefore as you know we have already added 5th plant in Chennai and we are working on the 6th plant in Andhra Pradesh. The focus will remain there. We will keep growing in that area both in India as well as globally.

Let me come to the second bucket where we are talking about Specialty Black, where the journey started in 2014 and today, we have reached the position of 4th largest player globally. Along with Specialty, we have also started focusing on things like Nanovace which you are aware of nano-silicon technology. Acetylene Black, just now I talked about, we are looking at superconductive which will be commissioned very soon. This is another big bucket for us.

And the third one is about Aquapharm. It was the first year of operation, last financial year and we moved from a promoter driven organization to a professionally managed organization. So, it was important to create the right kind of foundation and we have taken all those actions to ensure the organizational structure is in place and it will eventually reflect in the performance and we are very confident that in this financial year, we will be seeing a substantial improvement in Aquapharm's performance also. So, the focus remains on all the three verticals, Rubber Black related, Specialty plus new initiatives driven by R&D and innovation and third one is about Aquapharm which is phosphorus-based chemistry moving away from carbon chemistry.

Let me now talk about the quarterly performance;

During the quarter, our consolidated sales volume in Carbon Black business increased by over 5.3% year-on-year to 1,50,152 MT. This translates into a capacity utilization of over 95% during the quarter. Consolidated revenue from operations increased by 8.2% to Rs. 2,087 crores on the back of higher sales volume and revenue from Aquapharm Chemicals.

Consolidated EBITDA reduced by around 4.5% year-on-year to Rs. 317 crores. PBT stood at Rs. 126 crores, while PAT stood at Rs. 100 crores. EBITDA per metric ton in Carbon Black business stood at Rs. 17,655.

Of the total Carbon Black sales volume, domestic sales volume stood at 86,737 MT, while international sales volume stood at 63,415 MT. Export sales volume registered a strong year-on-year growth of 16.8% in Q4 FY '25.

Moving on to our segmental performance:

Tyre accounted for 90,080 MT, Performance Chemical reported sales volume of 44,700 MT, while Specialty sales volume was 15,372 MT. We continue to expand our product portfolio and customer base across all segments.

Aquapharm Chemicals reported a steady performance during the quarter. Q4 FY '25 revenue stood at Rs. 372 crores with an EBITDA of Rs. 51 crores. The quarterly sales volume stood at 24,098 metric ton.

Coming to the yearly performance:

Consolidated revenue from operations increased by over 30.9% year-on-year to Rs. 8,404 crores from Rs. 6,420 crores in FY '24. Sales volume increased by around 12.1% year-on-year to 5,96,262 MT in FY '25. The consolidated EBITDA for FY '25 was up by 28.8% year-on-year to Rs. 1,384 crores from Rs. 1,074 crores in the previous year.

During this time, we also achieved the highest ever power generation and sales volume during the year. Power generation increased by 10% from 671 MUs in FY '24 to 738MUs during the year, with an external sales volume growing by about 7% to 436 MUs as against 408 MUs in FY '24. Aquapharm reported revenue of Rs. 1,420 crore and EBITDA of Rs. 193 crores in FY '25.

Now, turning to the macro environment:

We are assessing the current development in the USA. As such, the economies are not really doing too great as all of you know, USA is not showing great signs of improvement in economy. Europe is going almost flat. China is also a little bit down. India is the brightest spot at this point of time, so that is good news for all of us. But at the same time, a certain amount of uncertainties has been generated recently because of the tariff issue which got created recently. We are watching out for the situation. We believe that possibly once the dust settled down a bit, things will be sorted out. India might have an advantage over others and hopefully that will reflect on our Company as well.

India's Specialty Chemical manufacturers may gain some share in USA because of this tariff issue. We are not sure about the basic Carbon Black, the Rubber Black, whether that opportunity is there or not, but Specialty for sure, there is an opportunity. We might also see some benefit coming to the Aquapharm as we go along. Currently, the carbon black exposure to USA market is about 5% for PCBL. CB Exports to the USA would be exempted from a tariff for the portion of raw material, which is procured from the USA, which is approximately 75%.

At PCBL Chemical, we continue to work on portfolio expansion and capacity additions across all business verticals and increasing allocation of resources towards strengthening our supply chain, improving the product mix and optimization of cost. The long-term prospects of all the business segments remain positive and we are on track to achieving our mid and long-term growth targets. All this achievement underscores our strong position within the industry and highlights the progress we have made in global Specialty Chemical space. PCBL has successfully set a strong foundation for its growth journey upwards. And with this, I would like to conclude and the floor is open for your questions, please. Thank you so much.

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

Aditya Khetan: Thank you sir, for the opportunity and for the detailed understanding on the business. Sir, my first question is on to the outlook for the Carbon Black. I believe, sir, in the domestic market in FY '26 like most of the auto OEMs have guided for a muted set of growth. Even in the Tyre segment also, the growth would be largely in the lower single digit. So, demand seems to be muted for carbon black in domestic. In times of this muted demand, are we able to compensate for the loss in volumes in domestic in the export market and how the trend in spreads generally takes up like when the demand is muted? Any thoughts on this, sir?

Kaushik Roy: Yes, you are right. In a way, Indian demand at this point of time for Auto and Tyre is naturally not very strong as you rightly said. And therefore, the Carbon Black demand in India will not be very strong, though there is a decent amount of demand, which will be there. And what is our plan is that while maintaining the leadership position in India, we will be focusing more on the international market. And our presence, as you will see going forward, will grow further. Just to give an example, about 10 years back, our international sales were around 80,000 MT in a year and already last year we have crossed 2,40,000 MT. So, we will keep focusing on the international market and keep growing further in the international market. You are absolutely right, while India might be a little soft at this point of time, but we will be growing more in the international market.

Aditya Khetan: Got it. Sir, on to the international markets, it is rightly understandable that EU and USA, these are the two markets where we would be witnessing volume growth. Sir, in terms of number, if you can put, although we know that the ban by Europe on Russia has led to a supply gap of almost around 6,00,000-7,00,000 MT of Carbon Black volume. How much of that is compensated by China and India and what is the wallet share like if you can highlight by Indian players like especially for PCBL, how much we have reached the penetration and how much more room is there, sir?

Kaushik Roy: Yes, you are right. In Asia, naturally, our wallet share is quite high, but when you look at Europe and the USA, our wallet share is in single digit and therefore the headroom is quite large for us and we see that as an opportunity to grow both in EU and USA. And to be honest, we are putting up capacity that is the primary reason, 90,000 MT we are adding in this year, in Tamil Nadu and again in parallel almost we are initiating the project activities of Andhra plant. So, keeping that in mind, we are going ahead.

Aditya Khetan: Got it. Sir, onto the Aquapharm, this quarter, definitely there was a good upturn in terms of volumes and per kilo realizations, any sort of change like which has happened compared to last quarter and we could see this trend to be materially on the higher side. Any sort of a demand uptake in international markets for Phosphonates? Anything has changed if you can highlight that?

Kaushik Roy: Yes, sure. I think I mentioned that there is a lot of opportunity for Aquapharm to grow in the field of oil and gas chemical industry, which is a very large one and our share is just about a couple of percentage. So, there is a huge amount of growth opportunity there, huge amount of headroom is there. It is the question of penetrating the market, penetrating the customer and expanding the geography and making the right set of products which is technically reached and precisely that is what we are doing. We had issues in terms of lack of skill, lack of leadership which now we have corrected and therefore, we have already started seeing in the last quarter there is improvement and going forward you will be seeing further improvement in Aquapharm's operation. And there is also a lot of focus on better cost management, more efficiency in procurement and all other functions as well. So, on one side, we are focusing on sales, closely working with customers, expanding geographies, and expanding product portfolio. On the other hand, we are focusing on operations to improve costs. So, the combination of these two have reflected already in the last quarter. Going forward, it will be even more prominent.

Aditya Khetan: Got it. And sir, the guidance of 15-20% volume growth in Aquapharm that will be maintained? And sir secondly, in FY '25 the EBITDA was Rs. 194 crores for Aquapharm. This includes the other income also.

Raj Gupta: Yes, it does.

Aditya Khetan: So, sir, how much would that be in this Rs. 194 crore EBITDA?

Raj Gupta: Other income was Rs. 11 crores.

Aditya Khetan: Sir, for full fiscal FY '25?

Raj Gupta: Yes.

Aditya Khetan: Sir, just one outlook on the debt side. Sir, this quarter we have witnessed some decline in the finance cost. I believe, sir, like we were also doing the Capex of around Rs. 5,000-6,000 crores and the cash flow which we would be generating largely would be used for that expansion going ahead. Alongside sir, are we also focusing on reducing the debt? If yes, sir, what is the guidance for debt in FY '26 and '27?

Raj Gupta: Absolute debt level may not go down significantly from the current level unless crude goes down from here. We would be generating good cash flow, but we also have a Capex pipeline, not Rs. 5,000-6,000 crores, but in the next 5 years, we will be spending around Rs. 3,500 crores. So, on average, about Rs. 700 crore every year will be the Capex run rate and consequently, absolute debt may not go down significantly from the current level. Interest rates have started cooling off a small reflection of which is there in our Quarter 4 finance costs. We believe that next year, with more interest rate cuts expected, our interest costs should go down.

Moderator: Thank you. The next question is from the line of Angad Saluja from UBS Securities India. Please go ahead.

Angad Saluja: Hi, sir. Thank you for taking my question. The first one on realizations for the Carbon Black business for the quarter, I think we have seen a decline now for two consecutive quarters in realizations and obviously now with crude also being slightly volatile in the last one odd month. How do you see the realization shaping up for the next quarter and the year ahead, like what is your outlook on realization specifically?

Raj Gupta: So, this quarter, realization should be mostly flat, small uptick, small improvement because there is quarter lag between the movement in crude prices and change in our realization. So, in the first quarter, we would see marginal improvement in realization, but then realization should not be seen as a reflection of change in margins. It is more reflective of the movement in raw material prices, which is linked to crude. But margins would depend on product portfolio and also broader demand supply situation in the industry.

Angad Saluja: Got it. And sir, just going back to that you have said product mix will drive more margins, I think in the quarter we have seen that despite Specialty Black sort of doing better, I think almost 9% Y-o-Y growth overall and the full year as well, our margins for Q4 have dipped Q-o-Q as well as Y-o-Y, so any specific reason, any one-off or anything that we should know about?

Raj Gupta: Specialty still is about 10% of our total volume, right. So, while year-on-year Specialty volumes are going up in terms of percentage, its weight on the overall sales volume is still very small. Coming to the reason behind drop in prices, Russia, which earlier used to sell in Europe mostly, now because of ban, is pushing more material in Asia and India and they are selling at unrealistically low prices. And consequently, with our focus on capacity utilization, we also have to play a bit on pricing, which is reflected in the drop in margins in the current quarter. But with all the work that we are doing on portfolio building, on efficiency improvement and also with higher volumes operating leverage would be favorable for us. We believe that from 4–5 year perspective, we would be largely on track with our guidance of Rs. 25,000 EBITDA/MT.

Angad Saluja: Got it. Thank you. That is it.

Moderator: Thank you. The next question is from the line of Sanjesh Jain from ICICI Securities Limited. Please go ahead.

Sanjesh Jain: Good afternoon and thanks for taking my question. First, touching upon the Aquapharm, in this quarter, EBITDA because if I take Rs. 194 crores for the full year, it appears that we have done only Rs. 38 crores for this quarter while the earlier run rate was Rs. 50 crores on a much higher volume, much higher revenue, anything which has one-off or anything which has happened in the EBITDA margin for this quarter?

Raj Gupta: EBITDA for the quarter is Rs. 51 crores. I don't know where you are getting Rs. 38 crores.

Sanjesh Jain: Because you have disclosed Rs. 194 crores for the full year?

Raj Gupta: Yes, Rs. 194 is for the full year, you are right.

Sanjesh Jain: So, in the first 9 months, what we have disclosed is Rs. 156 crores, so Rs. 194 minus Rs. 196 is Rs. 38.

Raj Gupta: The EBITDA, Rs. 194 crores that we are talking, is the reported EBITDA and in the 1st 3 quarters, we were mostly talking about operational EBITDA. This year also, there are some expenses which are being incurred on the consulting side like BCG and McKinsey and when we report numbers, those expenses also become part of our operating expenses and consequently our reported EBITDA comes down.

Sanjesh Jain: Right.

Raj Gupta: So, like to like basis, 4th Quarter is better than the 1st 3 quarters and 4th Quarter is still only a small reflection of the improvement which is now happening in the business. A good reflection of it will be from the current year, 1st quarter itself of the current year.

Sanjesh Jain: Got it. That is on it, but how do we see this Rs. 194 crores going? Because that consulting fee and all will be done in FY '25, so from a reported basis, where should we see EBITDA for FY '26?

Raj Gupta: So, the business with its capacity has potential, it did perform Rs. 400 crores plus EBITDA 2 years back and we strongly believe that now with more capacity addition and more & more product launches and a better portfolio, we can further improve from there. It will take a couple of years' time to maybe cross that Rs. 400 crores. But this year itself, we believe we can do 40-50% better performance.

Sanjesh Jain: Fair enough. Now coming back to the Carbon Black, again, there is a drop in EBITDA sequentially. Any particular reason you are seeing pressure on the premiums which we were earning or the product mix because the Specialty mix has remained fairly stable. So, what is driving this drop in EBITDA per kg in the Carbon Black business?

Raj Gupta: Fourth quarter was kind of an uncertain quarter from global economic point of view. Post this Presidency election in USA, there was an indication that there would be some tariffs which will be levied on trade partners of USA and consequently, lot of our customers wanted to reduce inventory, not knowing as to how it is going to impact them. And therefore, the market demand was sluggish generally. Also, Russia, last 2 quarters has started dumping in India and in some of the Asian countries and they are selling it at almost $200 lower prices. Now, we want to keep our capacity utilization high and therefore we still booked some volumes which were not at our usual margins.

Sanjesh Jain: And the Russia dumping continues because I don't see why it will not because they need to somehow place their around 0.7 million of capacity somewhere in the market and the market opens up in India and China, which are larger market which can absorb this. This situation is unlikely to change, right?

Raj Gupta: Yes. Possibly, it will continue with this. We will have to find new markets and customers, which is precisely what we are focusing on.

Sanjesh Jain: So, when we say Rs. 25/Kg EBITDA in next 3-4 years in such a scenario, can you help us understand the bridge, how we really want to transform this from Rs. 17-18/ KG EBITDA to a Rs. 25/ Kg EBITDA?

Raj Gupta: Sanjesh, the operating leverage itself is going to play a big role. For every 10,000 tons incremental sales volume at the current gross margin that we make, it will be adding about Rs. 400 per ton to the whole portfolio at EBITDA level.

Sanjesh Jain: But we are already using 95% utilization, right? How are we going to add that volume?

Raj Gupta: Yes, but we are adding capacity of 90,000 MT. The capacity is going to come in a year's time, 30,000 MT of which is almost ready. And then in a year's time, we will have more Brownfield and then eventually a Greenfield in Andhra Pradesh.

Sanjesh Jain: And Greenfield you are not going to add that much?

Raj Gupta: No. Greenfield will also add because the head office expenses are not duplicated, right, so they remain more or less stable. Maybe the operating leverage will be a little less there, but we will still have operating leverage. And this Rs. 400/MT is at 10,000 MT additional volume. We still have cushions even with the Brownfield expansion, which is in pipeline, to add Rs. 4,000 from operating leverage, but I am not saying that our operating cost structure would remain the same. So maybe half of that is about Rs. 2,000-2,500 is going to come against this 90,000MT capacity itself and then the product portfolio is also changing. For every incremental 1000 tons of Specialty sales, our blended EBITDA improves by about Rs. 60-70 and every year, we can add between 7,000- 10,000 MT additional Specialty volume. Also in Specialty, we are moving up the value chain. Our MD, Mr. Roy, has just mentioned about 1000-ton superconductive capacity. Now, here the margin profile is likely to be $10,000+ as against our current $400 average gross margin. So, the margin profile in the new product lines will be very different from the conventional products that we have in the portfolio. And add to that the work that we have been doing on the yield side, which still has sufficient cushion. We are not the best manufacturer even now. So, when we are talking about Rs 25,000/MT, we are not saying that at that level, we will get saturated. That is just our next 5-year target, maybe we will do better.

Sanjesh Jain: Got it. But any example, is any operator in the Carbon Black doing Rs. 25/Kg EBITDA?

Raj Gupta: Rs. 25/Kg EBITDA, it will be difficult because different countries have different cost structures, but at a gross margin level, there are certainly companies which have at least Rs.7,000-8,000 better margins than us.

Sanjesh Jain: Fair enough. Just last question from my side. This Acetylene Black, what we are trying to do, the Specialty, the raw material will come from China and the capacity which we are putting, the technology is also coming from China. Is that fair understanding and how much more profitable is this product from the EBITDA per kg perspective?

Raj Gupta: Your understanding is correct, with respect to the technology and the raw material and what we are seeing in India, India currently imports about 2000 tons of Acetylene Black and it is sold at around $4,000-5,000 a ton and with $800-1,200 kind of margin per ton.

Sanjesh Jain: Which is almost 3x what we do?

Raj Gupta: Yes.

Sanjesh Jain: Fair enough. That is it from my side. Thanks for taking all those questions and best of luck for the coming quarters.

Raj Gupta: Thanks, Sanjesh.

Moderator: Thank you. The next question is from the line of Krishan Parwani from JM Financial. Please go ahead.

Krishan Parwani: Yes. Hi, sir. Thanks for taking my question. Three from my side. First on the Carbon Black side, what is the volume growth headroom in FY '26 considering the time taken to bring the capacity downstream?

Raj Gupta: We should be doing about 650,000 tons, which is about 9%-10% increase over our FY '25 volumes.

Krishan Parwani: So, you do have growth headroom from that 90,000MT expansion that you are doing at Tamil Nadu, so from there you are expecting an incremental probably is 50,000-60,000 MT, is that correct?

Raj Gupta: We have about 35,000 MT of capacity cushion already and then one 30,000 MT line is ready for commissioning in Tamil Nadu which is part of 90,000 MT. So, that itself would give us this additional 50,000-60,000 MT. And then once the larger line of 60,000 MT is commissioned, which will be towards maybe the 3rd or 4th Quarter of this year, then, we will have more capacity available. But we are not counting that in our current numbers of 50,000-60,000 MT volume.

Krishan Parwani: And you are fairly confident with the domestic demand not very strong, I think, Kaushik sir's earlier commentary, so with the strong export volumes, we are confident of achieving 650-660 KTPA, correct?

Raj Gupta: Yes, we are.

Krishan Parwani: Secondly, I don't know, if you mentioned it earlier, the reason for decline in Carbon Blacks price this quarter and probably, what is your aspiration for the next year and the year after that?

Raj Gupta: See, the market remains extremely volatile and therefore it may not be a very linear kind of improvement in our margins. So, like in the past, you have seen that in some years, our margin jumped by Rs. 2,000-2,500 also and similarly in some years it tends to remain flat. So, while on a long-term basis, maybe 3-4 years' basis, we are fairly confident that with our initiatives, with change in portfolio and with operating leverage playing its role, we will be moving towards the targeted number. But immediately in 1-2 years, there are a lot of things which are changing very rapidly. Like this, this USA tariff thing, how it is going to impact the entire ecosystem of auto industry across globe, that is yet to be assessed. So, I would say that this is a little early for us to comment on how margins are going to be this year, but we believe that we should be able to maintain our margins.

Krishan Parwani: Maintain probably Rs. 18000-20000/ MT. Is that correct or?

Raj Gupta: Our current year's average EBITDA margin is around Rs. 20,000/MT.

Krishan Parwani: Yes. Rs. 18,000- 20,000/MT that is the range, yes. And lastly, on Aquapharm, just one or two clarifications, so our 4Q FY '25 EBITDA is Rs. 51 crores, while our EBIT is Rs. 19 crores. So, I think depreciation is closer to Rs. 32 crores. So just wanted to understand why is that depreciation so high for largely depreciated assets that you were required?

Raj Gupta: We acquired this Company at around Rs. 4,000 crore and as per accounting regulations in India, the difference between the value of physical assets and the acquisition value becomes intangible assets, which are available for amortization and which also carries tax benefits. A good portion of this depreciation and amortization is on account of amortization of intangible assets. The quarterly run rate is Rs. 23 crores.

Krishan Parwani: And then what explains the difference between the Rs. 32, is it other income Rs. 9 crores or was it what?

Raj Gupta: The balance is the physical asset depreciation.

Krishan Parwani: Fair enough. You are saying that the physical asset depreciation is Rs. 9 crores quarterly and then the intangible is okay, fair enough.

Raj Gupta: And this intangible amortization is also entitling us for a tax shield. It is going to be huge, almost around Rs. 500 crores and which kind of makes profit of India business exempt from tax for next 7-8 years. That is the kind of shield that we are going to get out of it.

Krishan Parwani: Fair enough. Got it. And I think, just one last bit. On the Aquapharm EBITDA side, I think you were till about last guiding that by the end of FY '25 exit run rate, EBITDA should be about Rs. 70-80 crores so how far are we from that exit run rate of Rs. 70-80 crores quarterly in Aquapharm?

Raj Gupta: Rs. 70-80 crores guidance was for FY '26 4th Quarter is what we said we will be reaching and we are fairly confident that we would reach and God willing, cross that number.

Krishan Parwani: Fair enough, sir. Thank you for patiently answering my question.

Pankaj Kedia: Krishan, if I can add on the Aquapharm side, see the green shoots are visible from last quarter onwards, both on our top 2 categories of business which is the oil and gas chemicals and the detergent sides. On both these businesses, we see a very good growth opportunity this year. And the fact that we have a local manufacturing facility in the USA in Texas, with this whole trade tariff thing happening today, there are a lot of uncertainties, but we see a very clear advantageous situation emerging in the next few weeks and months. Hopefully, when we come back to you by the end of the first quarter of this year, we should be able to come and tell you about the significant growth prospects on the Aquapharm side. So overall, we are still talking about almost 50% of EBITDA growth coming in Aquapharm this financial year. So, that kind of number we think we should be able to deliver.

Krishan Parwani: In terms of the capacity expansion in Aquapharm, the 38,000 MTPA, I think it was supposed to come on stream in March '25. So, is there a delay of 1-2 months or when will that come on stream?

Pankaj Kedia: Some capacities have been commissioned before March and the rest is in process of getting commissioned.

Kaushik Roy: It is already ready at this point of time and it has just commissioned 2-3 days back. So, it has already happened. There is slight delay, not exactly delay from the point of view of completing the activity. It took some time to get clearance from local government. What you call is Consent to Operate. That took a little longer than expected and that is why this delay is, but it has already happened now.

Krishan Parwani: Understood. Thank you so much for patiently answering my question. Wish you all the best, sir.

Kaushik Roy: Thank you so much.

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

Sailesh Raja: Thanks for the opportunity, sir. We are planning to set up the Nanovace facility in Palej and also capacity for Acetylene Black in Mundra. So why are we not considering Naidupeta for these two projects? Are these two projects not eligible for 17% concessional tax rate?

Raj Gupta: No, Sailesh, actually our R&D team operates out of Palej plant and these products…these lines would require lot of technical support and R&D support and therefore we are planning to set it there. So, Andhra will take time. Andhra, for getting the MoEF approval, etc., will take at least a year's time. We can't afford to delay our projects, right.

Sailesh Raja: Sir, my second question on the input-output ratio trend, this has been enough, key driver behind the improvement in our gross debts over the last 5 years, so currently our approximate input-output ratio stands at 1.8:1 in standard and performance Carbon Black. So based on my estimate it is 10 bps improvement in ratio translating to saving of Rs. 150 crores if my understanding is right and what is our target input ratio over the next 2-3 years?

Raj Gupta: So, you may not be able to calculate it based on the raw material consumed and the overall production level, because the portfolio itself is changing and not all grades have the same input-output ratio. But internally, we have the benchmarks for each of the grades that we produce. And for 1% improvement in yield, it is almost like Rs. 100-150 odd crores. It will also have a relevance to crude prices. At current crude prices, about 1% yield improvement is roughly Rs. 1,300-1,400/MT EBITDA for us.

Sailesh Raja: Thank you.

Moderator: Thank you. The next question is from the line of Siddhant from Tusk. Please go ahead.

Siddhant: Sir, I just wanted to have clarity on the Nanovace technology. So, what is the progress so far and what update are we looking to commercialize the plant in FY '27?

Kaushik Roy: Yes, so Nanovace, currently we are working on the pilot plant. All orders have been placed and ground activity will start very soon once the supply starts and we are expecting by end of this calendar year which is October to December during that quarter, we should be able to commission that plant and in parallel, we have already started discussion with the prospective customers, both in battery side as well as anode side and in addition to that also with some of the leading automobile manufacturers. So, both activities are going on in parallel and once we get approval from them based on the pilot plant samples, we will immediately start the commercial plant thereafter.

Siddhant: But in terms of technology, we have already established credibility, right?

Kaushik Roy: Yes, absolutely.

Siddhant: And regarding FY '27, we are looking to commercialize the plant, right?

Kaushik Roy: No, we are looking at FY '28 mid to commercialize the plant. The pilot plant will be ready by the end of this calendar year. After that we will need to give some time for approvals and to put up the new capacity, the commercial capacity, which will take roughly about little more than a year.

Siddhant: And just to understand the technology, basically, we are replacing the graphite part in the anode with silica, right?

Kaushik Roy: No, not really. We are mixing nano-silicon with graphite at certain percentage. We are not replacing.

Siddhant: Both are combined together to increase the life cycle of the battery?

Kaushik Roy: It is a hybrid thing. It will increase the life cycle of the battery, the charging between two charging intervals. It will be much higher. The life of battery will be much longer and at the same time, the emission level will come down substantially. So, a combination of all three and additionally, the overall cost will go down over a period of time. Per running kilometer, the cost will go down.

Siddhant: And in terms of this technology, is there any competitor who is also looking to explore this or are we the only ones having this technology right now?

Kaushik Roy: You can say in a way that nano-silicon, the kind of technology we are exploring, we are one of its kinds in this area. There are other players, but it is so far not commercially viable or cost effective.

Siddhant: So, the first-mover advantage will remain with us?

Kaushik Roy: Absolutely. That is what the expectation is.

Siddhant: And like the revenue will be $100/kg. We are still sticking to that number?

Raj Gupta: No, that was an assumption that we took, which is a conservative assumption. Obviously, if it is selling at a higher price in the market, there would be only some discount to it that we will offer, but it may be higher than $100 also for all we know. This is a little early for that. That was for our internal conservative calculation of profitability.

Siddhant: Right. Thank you so much, sir. That will be it for me.

Moderator: Thank you. The next question is from the line of Prolin Nandu from Edelweiss Public and Alternatives. Please go ahead.

Prolin Nandu: Hi, team. Thank you for taking my question. I just want to understand our philosophy on this capex, right. See given that in domestic market, we don't know by when this Russia dumping will end. Now on the export market also, there is uncertainty on tariffs, right. But at the same time, you mentioned that you can't wait for approval to come in Tamil Nadu where we have probably a favorable tax regime there, right in some sense and hence we are expanding our facility. So just wanted to understand that, given that the demand outlook is not very encouraging at least for the near term, why is there an urgency to put capex?

Raj Gupta: Well, we are already operating at above 90% capacity. That is number one. Number two, the lines that Sailesh was talking about were more on the Specialty grades of Carbon Black side for which we would require to provide a lot of technical and R&D support, which currently is not available in our Tamil Nadu plant and consequently, we will have to keep these capacities stationed near to the R&D center, which is Palej on Mundra. So that is the reason. And third, the demand outlook. Even when, we say the demand outlook in India is not good, globally, still demand will grow by a certain percentage. Last 10-year CAGR has been around 3.5% industry growth rate, which adds about 500,000 MT of incremental demand every year. And that is on the regular Carbon Black side, not specialty. Specialty is a different market dynamic altogether. So, there is sufficient cushion in the market. And all said and done, we are just about 4% of the overall market size currently. Who stops us from taking this 4% to maybe 8% or 12% going forward, over a period of time.

Prolin Nandu: Sure. Understood. So, this Andhra capex that you have announced, right, is this going to be only for Specialty or it is going to be the mix, right because you mentioned that talent is available nearby for the Specialty line. So, what could be the level break up that we are looking at between Carbon Black and Specialty here?

Raj Gupta: I guess you misunderstood. I said our R&D and technical team are in Gujarat, not in Andhra. But having said that, in Andhra in the first phase, we will be putting up regular black lines and then maybe based on requirement, availability of feed stock and maybe availability of talent, we might also decide to add Specialty capacity there. But as of now, we are planning to put up 150,000 tons of Carbon Black capacity, which will be rubber grade capacity mostly, in the first phase of capacity in Andhra.

Prolin Nandu: Sure, and just to, last question from my side, just to double click last question from my side to double click on this capacity utilization, right at the question that you mentioned, could you help us understand what is the capacity utilization for Specialty Carbon Black?

Raj Gupta: Specialty, we are almost at 100%. Last year, which is FY '25, we added a 20,000 MT line and where we have about 7,000-8,000 MT of capacity available, which we hope to utilize this year. So immediately we will have to add one more line of Specialty.

Prolin Nandu: And when will that come, the new line or Specialty?

Raj Gupta: Next 12-15 months' time.

Prolin Nandu: So, till that time, we have that constraint on the Specialty mix, right? Is that understanding, correct?

Raj Gupta: Not constrained because this year, we already have capacity cushion. So, the capacity which came up in FY '25 is largely available for this year's growth and by the end of this year, we will have that line almost ready, the new line.

Prolin Nandu: That is from my side. Thank you, team.

Moderator: Thank you. The next question is from the line of Romil Jain from Electrum PMS. Please go ahead. Excuse me, Mr. Romil, your line has been unmuted. Please go ahead with your questions. As there is no response from the line of the current participant, our next question is from the line of Sarah from UVR Fund advisory. Please go ahead.

Sarah: Hi. Thank you for this opportunity. Sir, my questions are related to Aquapharm. In Aquapharm, what is the current logistics cost and what are the plans to optimize these cost?

Kaushik Roy: You are saying that in terms of percentage?

Sarah: No, sir, absolute and per ton basis, sir?

Raj Gupta: No, it could be very different. Aquapharm has manufacturing facilities in 3 geographies, USA, India and Saudi Arabia and from there, it caters to different markets, so there will not be any uniform logistics cost. Typically, if you were to look at the containerized freight rates, from India to Middle East or Southeast Asia, it will be about $20-25/ton. For Western Europe, it would be about close to $100/ton and from India to USA, it will be around $150/ton. These are the rates.

Sarah: Alright, sir. In Aquapharm, 85% of sales come from the USA and Europe. What is the outlook on demand and pricing in these key regions and what is the target addressable market in USA and Europe and how much of the current market is catered by China?

Kaushik Roy: Well, the USA market is the strongest for Aquapharm from the point of view of demand as well as from the point of view of margin. So that is the best possible market what we have. Europe is a decent market, but obviously not as good as the USA. So therefore, as an organization our thrust and focus right now is to increase our sale in USA as much as we can. So that is going forward will be our strategy as we go along while maintaining the presence in Europe because there are players like for example P&G, we are the largest supplier to P&G and mostly it is supplied in Europe, so it remains but at the same time lot of focus will be there in USA market. This I am talking about products which are sent or manufactured in Aquapharm India.

Sarah: Do we have the demand size for the same for the USA and Europe?

Kaushik Roy: In USA, the demand is strong because oil production is going at full swing in the USA and with Mr. Trump coming in, possibly that will increase further, the demand will increase further. So, the USA side is pretty strong. Europe is little soft, or I will say it is a bit muted and as I said, therefore, more focus is there for USA right now for us from Aquapharm side.

Sarah: That I understood, sir. I wanted some numbers like if you could give on demand side.

Kaushik Roy: On the demand side, the USA economy is growing roughly about 1.7% this particular financial year that is the projected growth around 1.7%, whereas for Europe, it is almost flat. It is just about 0.5%-0.6%. So that is what the growth looks like in Europe and the USA.

Sarah: Alright, sir.

Kaushik Roy: But of course, the USA is the largest economy, so on that almost 2% growth is not that bad, but it has definitely come down from the earlier numbers.

Sarah: Alright, sir. At what prices are China dumping and how competitive is Aquapharm pricing as compared to these prices that China is dumping?

Kaushik Roy: So right now, China is not able to dump in the USA because of the current tariff which is 145%. They are not in a position to dump, but yes, earlier China used to dump a lot of material and because of that at places we used to kind of compete with China and therefore it used to be a problem for us, but right now, a bit of an advantage for us, I will say, particularly from USA perspective with 145% duty.

Sarah: One last question. In the total debt that we have, how much is Indian debt and how much exposure do we have for foreign debt?

Raj Gupta: It is entirely rupee denominated debt.

Sarah: Alright, sir. That is it from my side. Thank you.

Kaushik Roy: Thank you.

Moderator: Thank you. Ladies and gentlemen, this was the last question for the day. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.