May 15, 2025

To,
Listing/Compliance Department
BSE LTD.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001.

BSE CODE : 524208

To,
Listing/Compliance Department
National Stock Exchange of India Limited
"Exchange Plaza", Plot No. C/1,
G Block Bandra-Kurla Complex,
Bandra (E), Mumbai – 400 051.
NSE Symbol : AARTIIND

Dear Sir/Madam,

Sub.: Transcript of Q4 FY25 Earnings Conference Call.
Ref.: Regulation 30 of the SEBI (LODR) Regulations, 2015.

Please find enclosed the Transcript of the Q4 FY 2025 Earnings Conference Call held on May 8, 2025.

Kindly take the same on record.

Thanking You,

Yours faithfully,
FOR AARTI INDUSTRIES LIMITED

RAJ KUMAR SARRAF
Digitally signed by RAJ KUMAR SARRAF
Date: 2025.05.15 18:32:57 +05'30'

RAJ SARRAF
COMPANY SECRETARY
ICSI M. NO. A15526
Encl.: As above.

Aarti Industries Limited
Q4 FY 2025 Earnings Conference Call Transcript
May 08, 2025

Moderator: Ladies and gentlemen, good day and welcome to Aarti Industries Q4 FY '25 Earnings Conference Call.

As a reminder, all participant lines will be in 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 touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nishit Solanki from CDR India. Thank you and over to you, sir.

Nishit Solanki: Thank you. Good evening, everyone. And thank you for joining us on Aarti Industries' Q4 & FY '25 earnings conference call.

Today, we are joined by senior members of the management team, including Mr. Suyog Kotecha – Executive Director and Chief Executive Officer; and Mr. Chetan Gandhi – Chief Financial Officer.

We will commence the call with opening thoughts from Mr. Kotecha on Q4 and FY '25's performance overview and outlook, post which we shall open the forum for Q&A where the management will be addressing queries of the participants.

Just to share our standard disclaimer:

Certain statements that may be made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the results presentation that has been shared earlier and uploaded on stock exchange websites.

I would now like to invite Mr. Kotecha to share his perspectives. Thank you and over to you, sir.

Suyog Kotecha: Thank you, Nishid. Good evening, everyone. And thank you for joining us today. Apologies for joining this call 15 minutes late.

Let me begin by acknowledging FY26 has started on a measured note coupled with new uncertainties such as US tariff actions, etc. We continue to operate in a volatile external environment marked by increased global uncertainty stemming from geopolitical events and evolving trade dynamics, requiring us to remain agile and adaptable in our strategic planning. Having said so, we are seeing encouraging signs of stabilisation in demand across several end-user industries and underlying volume growth across our businesses. This growth is being supported by our strategic initiatives to diversify our product portfolio, expand our geographical reach, and strengthen our customer relationships. Overall, we are well poised to navigate the current volatility and capitalize on future growth opportunities within the evolving chemical landscape.

I am pleased to share that we ended the challenging year with a positive note. We clocked in total revenue of Rs 8,046 crs posting a growth of about 15%, while EBIDTA grew by about 3% to Rs 1,016 crs on consolidated basis. Commercialisation of our various projects and higher interest costs in FY25 increased the depreciation and finance costs components resulting in PAT of Rs.331 crs.

Speaking of our Q4 performance has been steady on a sequential basis. We clocked revenues of Rs. 2,214 crore, marking a 9% Q-o-Q growth, largely driven by volume recovery across all end applications. EBITDA for the quarter came in at Rs. 266 crore, reflecting a 13% sequential improvement. Likewise, PAT increased to Rs. 96 crore, driven by better cost efficiencies achieved through higher volumes.

Considering the annual performance, the Board has recommended a final dividend of Rs. 1 per share (20% of face value of Rs. 5/- each) for FY25.

Speaking of specific applications, volumes for Energy applications grew 21% Q-o-Q driven by our strategy to diversify and widen the customer base and geographical spread. On the other hand, our base business has shown good volume recovery in chains such as Nitro Toluene, NCB, and Ethylation-based products, driven by new capacity additions and improving demand landscape. These segments have contributed to a sequential uptick in overall performance and will remain a focus area moving forward. Volumes grew 14% Q-o-Q. Even as agrochemical inventory levels seem to have stabilised, demand for other end-use applications like dyes, pigments, and polymer additives remains positive. We anticipate the volumes to continue this growth path as we move forward.

Earlier this year, we signed two renewable energy power purchase agreements for solar and hybrid power with Cleanmax and Prozeal. These agreements are on track, with one of the contracts to start delivering within this calendar year, and the second one is expected to begin by end FY26 or early FY27. Upon commencement, this will lower operational costs and provide sustainability benefits by facilitating a transition to a cleaner, more resilient energy landscape.

Sustainability continues to be a key driver of our future roadmap. AIL has been elevated to the CDP Leadership Band for its outstanding performance in Climate

Change and Water Security. Our ESG score improved significantly from to 62 in the S&P Global DJSI, positioning us in the top decile of global chemical companies. We have maintained the Gold Medal in the EcoVadis CSR Assessment for 2025, marking our fourth consecutive year of excellence. Our score has improved to 78, up from 72 last year, placing us in the top 5% of companies assessed by EcoVadis. AIL has been granted approval by the Indian Chemical Council (ICC) to use the Responsible Care (RC) logo for a three-year period, from April 2025 to March 2028. All this accomplishment reflects our unwavering commitment to the Responsible Care principles, highlighting our dedication to sustainable practices and ethical conduct across all aspects of our operations.

In FY25, several cost optimization initiatives, both variable and fixed, were successfully completed, with plans to achieve similar targets in FY26. The key achievements include the successful implementation of the Back-Pressure Turbine Project to improve steam efficiency, the scale up of power generation through our Hybrid Power Phase-1, which also helps in reducing our carbon footprint and generating cost savings, and yield improvements across key product/value chains such as Ammonolysis, NCB, Halex, and Hydrogenation. Additionally we are taking steps for fixed cost optimisation and are progressing well.

Our CAPEX for FY25 stood at about Rs. 1,372 crore, in line with expectations. Our large project initiatives at Zone IV are being executed in a phased manner, with commissioning scheduled to progress through FY'26. Our newly operational pilot plant at Zone IV has already commenced commercial operations. It will play a vital role in driving new product development, fostering innovation, and supporting the diversification of our offerings moving forward. Based on our current plan, we expect the capex in FY26 to be about 950-1000 crs.

To sum up, while the external environment remains volatile, we are encouraged by our business's resilience, agile cost control measures, and clear path to capital discipline. We are entering FY26 with a strong execution pipeline, a healthier balance sheet, and a sharp focus on delivering sustainable, volume-led growth.

Thank you, and I now welcome any questions from the participants

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kumar Saumya from Ambit Capital. Please go ahead.

Kumar Saumya: Good evening. Sir, my question is on the volume growth, so if you could give us indication on the year-on-year volume growth in FY '25 as well the 4th Quarter.

Suyog Kotecha: So I think on a 4th Quarter or quarter-on-quarter basis, non-energy business grew roughly 14 odd % and the energy business grew by almost 21%. I think that energy business volume growth was also linked to, as we explained in the last call, one of the shipment had got pushed out from Q3 to Q4. So that's the range of volume growth numbers. If you look at year-on-year numbers, FY '24 versus FY '25, we are roughly at around 17% growth at overall portfolio level.

Kumar Saumya: And we expect to continue this growth momentum at least on the volume side?

Suyog Kotecha: I think if you look at the capacity utilization numbers that we have given value chain by value chain, it clearly shows that we have significant upside to drive volume growth based on existing asset footprint and we remain very aggressive in the market to capture growth as well as increasing market share to ensure we drive up our capacity utilization levels.

Kumar Saumya: Sure sir. Thank you. I will come back later.

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

Aditya Khetan: Thank you, sir, for the opportunity. I have a couple of questions. Sir, on the agrochemical business, we had witnessed that volumes had reported an uptick, but pricing still remains under pressure. Any specific reasons sir for this, because the destocking cycle has ended roughly around 9 to 10 months back, so why are the prices still weak?

Suyog Kotecha: We covered this in some of the earlier conversations. I think overall our perspective is, the inventory destocking story got done some time back. I think there's a genuine demand supply imbalance issue for the agrochemical intermediates and downstream technicals. We are seeing volume recovery for sure, but given the amount of over capacity that exists in China, that incremental volume growth is also served by marginal pricing, and that's where we are not seeing uptick on pricing/margins at this stage. Going forward, especially with the with the US tariffs announcements, there are some movements happening in the overall agrochemical value chains and we expect, at least from a downstream product flowing to US point of view, there should be positive traction and in that context, the requirement of intermediate for our domestic customers is expected to go up.

Aditya Khetan: Sir, this should benefit after the tariff imposition, or do you think the demand supply dynamics will automatically adjust and we can see improvement from the very first day?

Suyog Kotecha: No, it will take its own time to adjust. What is very clear is that the volume and the demand growth is there. I think pricing and margin is a bit of a complex question to answer because there are second and third order impacts.The downstream exports of Chinese technicals and formulations get impacted, they will also have a tendency of dumping the intermediate product portfolio in the remaining part of the world. In that context, how as the country and as the market we protect ourselves from that dumping will also determine to some extent our margin profiles for those intermediates. So the impact coming out from US tariffs, especially on the agrochemical sector, I think the second and third order level of impact is yet to become visible and our sense is it will take a few months to play out.

Aditya Khetan: Sir, when we say that the agrochemicals and pharmaceuticals volumes are witnessing an uptick, even the dyes segment also, so why are the dichlorobenzene volumes in the second half relatively weak compared to the first half?

Suyog Kotecha: So dichlorobenzene, the end application is actually polymer, right? PDCB specifically goes into the polymer segment mostly into PPS which is used into automotive kind of applications and that segment has been under pressure from a demand point of view. So, I think in the first half we were actually expecting much more inventory correction by some of our customers in US and Japan, and that's what impacted DCB chain volume. But again, even in that case, we have seen some level of inflow coming in, especially from the US customers to advance their shipments in the first quarters to have certainty around the tariff impact. So, we will see slightly different behavior over the next three months. But in general, the DCB volume question that you asked was more linked to polymer end application, it was not linked to the other two applications.

Aditya Khetan: Sir, just one last question, this quarter SABIC, which is the Saudi chemical giant, so they have also reported losses at the bottom line and sir, one of our long-term contract is linked with SABIC. So does this change or alter any of the offtake agreements with them?

Suyog Kotecha: No, there is no impact on our arrangement at this point.

Aditya Khetan: Okay, got it. Thank you.

Moderator: Thank you. The next question is from the line of Vivek Rajamani from Morgan Stanley. Please proceed.

Vivek Rajamani: Hi sir. Thank you so much for the presentation and congratulations on a good set of numbers. Two questions from me. Firstly on the MMA side, I think you mentioned in your comments that you have made progress on expanding the customer base as well as the geographic base. Could you just talk a bit more about what kind of customers these are, and what kind of impact they could have in terms of the pricing as they ramp up? That's the first question.

Suyog Kotecha: So, the MMA effort, as we mentioned earlier, I think we are obviously trying to diversify consumption, which is more concentrated mostly towards the Middle East. Now we are seeing increasing supplies going to the US, some of the supplies going into Europe, as well as the Indian volume is also looking up. So in that context, broader geographic diversification is playing out. At this point in time, we remain focused on market development, right and the objective is that we have a significant capacity to produce this particular product and we remain focused on developing the market and ensuring there is a much wider customer base which has used the product, understood the value proposition, and is able to consume it in sort of larger quantities in their end applications.

From a pricing and margin point of view, it's relatively linked to raw material in most cases and I think most of the global markets do understand it to a great extent now aniline is the key raw material which ultimately drives the MMA price. At the same time there is also an impact of the downstream end market site. As we have explained before, ultimately the viability of the product to the end customer is linked to gasoline, naphtha economics and gasoline crude economics. So a combination of these two is what determines the pricing. But right now our focus remains on developing the market for higher volumes.

Vivek Rajamani: Sure, sir. Thank you so much for that. The second question I had was more from the broader customer base. Just wanted to get your thoughts, with everything that's happened recently in the past few months, how are the customer conversations generally evolving into the remainder of ’25 and ’26? Is there more uncertainty? Is there a shift towards probably more short-term contracts? Could you just give us a sense of how the customer is thinking about everything that has been evolving? Thank you.

Suyog Kotecha: So if you are asking specifically about MMA, then I think as I said, we are in a development phase. So I think every conversation is sort of a discovery of a new client, taking them through the entire sampling qualification, sort of try and test mode and that journey continues.

Vivek Rajamani: No, Sir. Sorry. I was actually talking non-MMA. I think you covered MMA already.

Suyog Kotecha: On non-MMA, frankly, the volume growth still looks very strong. I think, yes, the recent events do pose a challenge where some of the customers start going into sort of holding decision kind of mode, right? Because there is so much uncertainty around what's going to happen to tariffs, what's going to happen to end market growth, will there be recessionary pressures, will growth rates come down. I think in that context we saw there was a phase in which there is kind of a holding pattern where people start pushing out key decisions. But over the last few weeks, we have also started seeing people coming back, and sort of moving on with respect to regular business. In general, we are anticipating the tariff issues to settle down over the course of the next two to four months. And that will definitely bring much more clarity in terms of how the final trade will settle.

Vivek Rajamani: Sure, sir. I will rejoin the queue. All the very best.

Moderator: Thank you. The next question is from the line of Abhijit Akella from Kotak Securities. Please go ahead.

Abhijit Akella: Good evening and thanks for taking my questions. Suyog, first on the outlook for fiscal '26, would it be possible to share any revenue or EBITDA kind of targets you have for the year? I know there's a three-year target out there, but anything you would like to share for fiscal '26 please?

Suyog Kotecha: No, Abhijit, we are not talking about specific yearly guidance, we mentioned that last time, right. We have set out a strategy for the three years and I think the only thing I can confirm is we remain on track to deliver that three-year numbers. Of course, not all of it is back ended. I think we have also given clarity on initiatives that will lead us to that range, right, and the initiatives are a combination of cost, operating leverage-related ramp ups, and then new CAPEX-led growth and in this time's presentation we have also talked about, at least given some indication of which of these initiatives are completed, which of these initiatives are sort of ongoing and are in the advanced stage of completion. So in that context what we can say is that we continue to remain optimistic about volume-led growth for the coming financial year. From a three-year standpoint, we are not changing the guidance that we had given earlier. And we feel confident and remain on track to achieve that.

Abhijit Akella: Second, just on the tariff impact, are most of the products you export to the US exempt from the tariffs? and if so, what sort of implications, if any, do you see for your business in the context of these whole tariff developments?

Suyog Kotecha: So I think if you want one line summary, then I can say that the overall US tariff impact in terms of AIL is a bit mixed, right. Because it is complex, we have a wide variety of product portfolio, and different products have different implications because some products are part of Annexure-2, and some products are not part of Annexure 2. In general, the products where we are directly competing against China, and if they are not exempted, if they are not part of Annexure 2, then in that context of course we have a positive tailwind and likes of, for example, MPD is one of the product in PDA chain where in the near term we are seeing positive demand traction because it's not part of exemption and the competition was from China, so there is a clear-cut advantage.

While there are some products which are part of exemptions, but even though they are part of exemptions I think there is a tendency generally coming out from the market to see if they can source better volumes from India, provided we are able to meet the pricing expectations. This is a second category of products, and there are a lot of products in that category, especially in agrochemical science and life sciences.

And the third category of the product is like, for example MMA, where we are not really frankly competing head-on with any particular manufacturer, but it's more of a market development effort that we are doing. In that context, of course, tariffs have a negative impact because they straight away add cost to the product for the final customer and the economic viability does get a little bit compromised because of increased costs.

So I think three types of scenarios I described, all of them have different types of impact and we are not even talking about second or third order impact, right. Right now we are talking about a direct product level impact, but in the overall three to four months' time frame, the second and third order impact will also start to come through in terms of what happens to end use sector growth, what happens to US demand, what happens to the extra volume that gets freed up from China. So, all of that is expected to play out over the course of the next few months and quarters.

At current level, based on our best judgment, we can say it's a mixed impact on AIL. Certain products are definitely seeing positive traction, whereas for certain products we are trying to adjust the pricing to ensure that the tariff impacts are absorbed by both sides in a fair manner.

Abhijit Akella: That's a really helpful color actually, thank you for that. And just one last thing for me before I rejoin the queue. Just on the CAPEX outlook for Fiscal '26, the Rs. 1,000 crore approx number, what projects specifically is that going into, the bulk of it? And from a revenue growth standpoint for fiscal '26, is it coming primarily from better utilization of the existing product capacities or are there any significant contributions from the newer projects you are commissioning, say for example Zone-4 ends up getting commissioned? Thank you.

Suyog Kotecha: So I think the bulk of the CAPEX spend that we have committed right now is going to Zone-4. I think we will complete the Zone-4 CAPEX by and large within this financial year, a significant part of that number is sort of reserved for that. In terms of volume growth for this year, a large part of it will come from existing asset which are already commissioned.

Zone-4 staggered commissioning will happen throughout let's say Q3, Q4 of this financial. Especially the multipurpose plant, the calcium chloride plant is expected to start up in Q3. But we do not think there will be a significant addition to volume growth based on this. This will take time to stabilize, ramp up during this financial year. And the volume growth from all of these assets will actually start to get reflected from the next financial year. So yes, this year we are pushing for volume growth from the existing assets which are already stabilized and ramped up.

Abhijit Akella: Understood. Thanks a lot. And all the best.

Moderator: Thank you. The next question is from the line of Arun Prasath from Avendus Spark. Please go ahead.

Arun Prasath: Good evening. Thanks for the opportunity. Suyog, the first question is on the impact of the current crude prices on the MMA. So, I understand that probably our realization will also go down as the crude price comes down, but what will happen to the spreads, especially the gasoline naphtha spread? Historically has it come down and will that also have impact on the MMA margins that we will be realizing?

Suyog Kotecha: So Arun, the crude prices have been corrected very sharply and at the absolute level gasoline and naphtha have also been corrected. The gasoline-naphtha spread has actually widened a bit if you look at the March numbers or the April number for that matter and as I described, I think absolute prices are of importance, but at the same time the delta is also of larger importance because that's what determines the viability of the product. So that's first.

Second, as the absolute tests are coming on the crude gasoline side, even the raw material is also coming down quite significantly. So, though of course there will be a lag in terms of adjusting the raw material from inventory valuation standpoint because bulk of this raw material is imported from out of India. So usually there's a lag of one and a half to two months to get the pricing adjusted from a raw material costing point of view. But there's also significant correction on that front. In that context, overall we feel if the current gasoline naphtha differentials are maintained, then we are hoping to continue on the volume trajectory.

Arun Prasath: But directionally, the spread increases on the lower crude price, is it a short term event and it will revert to the mean or the medium term, is it the right understanding?

Suyog Kotecha: Frankly, I would be totally honest, it is very difficult for us to forecast gasoline-naphtha spreads, especially in different crude price environments. I think I have seen forecasts from three different agencies in the last six months and none of them have panned out the way they were supposed to be. So, what we remain focused on is to ensure that; what's important for us at this point in time is that the product is available to more and more customers in the global market, and that's what we remain focused on. The current level of differentials is good enough for people to try out this product and sort of scale up the usage of this product and the third aspect is, we continue to optimize on our cost, right, both raw material as well as operating cost to ensure that we are able to offer better value proposition to our customers.

Arun Prasath: Right, right. Understood. The second question is on our three-year EBITDA growth outlook that we have given, out of the three buckets one is cost optimization and then volume ramp up, and then CAPEX-led growth. Is it fair to assume that cost optimization bit we will be realizing this year in FY '26?

Suyog Kotecha: From an implementation point of view, bulk of it will be done in FY '26. From an EBITDA accrual of that saving initiative point of view, it will go into, I think the full approvals will happen into next sort of, not in this financial year but the next financially, especially the hybrid projects which are expected to contribute also significant value. They will start accruing to the bottom line fully from the start of FY '27. So implementation wise, yes; accrual point of view, slightly delayed.

Arun Prasath: Even for the cost optimization bucket?

Suyog Kotecha: Yes, especially the hybrid power part of it.

Arun Prasath: So sir, largely this '26 fiscal earnings growth will be led by the macro parameters?

Suyog Kotecha: Yes. I think as we said, we remain focused on driving up utilizations of surplus capacity that we have in the existing scene and then continue to optimize the cost.

Arun Prasath: Understood. Thank you very much. All the best.

Moderator: Thank you. The next question is from the line of Deekshant Gupta from Geojit PMS. Please go ahead.

Deekshant Gupta: Good evening. Sir, my question was, what exactly would be the reason for higher expense growth than the sales growth? Even though the sales volume has grown a lot, the expenses have grown a lot, but the sales number has not grown as much. So what would you attribute that to?

Chetan Gandhi: So there's this increase in the global transaction or shipment, so the export numbers have been significantly higher. If I have to put the number out, 55% of revenue for the quarter is from exports as compared to the previous period where it was close to 48%, 50% . So that has resulted in an increase in the freight cost.

Deekshant Gupta: And you are saying that after the cost optimization takes place then the margins will improve, and this profitability will go up?

Chetan Gandhi: Yes, that is how it will plan out.

Deekshant Gupta: And with decreasing crude oil and petrochemical prices, do you see that the volume growth can offset the pricing pressures?

Suyog Kotecha: Both frankly are a little bit delinked. I think for us, if you look at the reducing price environment, right, if you really want to sort of go a bit deeper into the analysis, what are the major raw materials that we consume? We have benzene, we have nitric acid, we have aniline, right, and we have toluene to some extent. Out of which benzene and nitric acid we practically operate on a very, very limited inventory, we are talking about one to five days kind of inventory. So in that context, the pricing impact in our inventory is intermediates, right. So our ability to manage that to our customer is very, very high.

Versus aniline is where we import the raw material, so of course we have to maintain certain inventory and then there is a one and a half, two months lag in terms of reflecting the latest market pricing into our inventory valuation, which is where we have to manage the inventory valuations to some extent while ensuring that we give the best possible service to our customers. So on a net-net basis, from a volume growth point of view, we manage our inventories and pricing in a way where we do not let that impact our volume growth, and that's been the philosophy for the operations.

Deekshant Gupta: Okay. Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Harsh Shah from HSBC Asset Management. Please go ahead.

Harsh Shah: Hi. Just one question, in your balance sheet your debtor days have reduced on a Y-o-Y basis, inventory days more or less is the same. But your payable days have more than doubled, what is the reason for that? Because if you look at from a cash flow perspective also, apart from operations, the increase in debtor days has led to a significant cash flow accretion for you in this year. So yes, what is the reason for that?

Chetan Gandhi: It's more of some of the imports of raw materials such as aniline and everything comes at the longer credit, which is why those numbers have gone up and also the aniline consumption over the last 12 months has been significantly higher. If you look at the volume data of different products, MMA, the volume numbers across two years have increased by more than almost 38% or so. So that has resulted in higher consumption of aniline, higher import of aniline which comes at a longer credit.

Harsh Shah: Okay, and entering FY '26, will this remain like this, or will this reduce? Because this is again also one of the reason why as such yours net debt has remained range bound.

Chetan Gandhi: I guess with the increase in the volumes, probably there could be a bit of an uptick at which the opportunity is available. But broadly I will say, between here and a bit of increase in those numbers, we will be somewhere midway.

Harsh Shah: So as a company basis, in the whole of FY '26 or you can also guide for H1 if the outlook is still not there, what is the overall working capital days that you are looking at?

Chetan Gandhi: So it should be somewhere between 70 to 80 days on a gross basis. We will have to work out some numbers, but yes, it should be that way.

Harsh Shah: Because ideally that will lead to reduction in payable days, which will again shoot up your debt position. Your cash may not be able to handle that much of reduction in payables.

Suyog Kotecha: Yes. I think if you look at the absolute number of working capital, I think we feel pretty comfortable with where we are and I think without increasing the absolute rupees crore in working capital, we should be able to handle the FY '26 volume-led growth in our current sense.

Harsh Shah: Okay, just the last question from my end is with respect to net debt. You closed the year somewhere around Rs. 3,500 crore, for FY '26 how will this number look like, figuratively or directional?

Chetan Gandhi: So directionally, I guess, we would have peaked out. We expect the number to be lower. We are expecting some unlocking of cash flow from working capital as well. So, plus the CAPEX intensity is also going down. So directionally, I expect the number to be lower by maybe Rs. 200-300 crore kind of range.

Harsh Shah: Okay. Got it. That's it from my side. Yes, thank you. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Vishesh Dhoka from Nuvama. Please proceed.

Archit Joshi: Hi, good evening, sir. Archit here from Nuvama. Sir, I wanted to get a better sense of growth prospects in FY '26, given our utilization levels I think it's quite conceivable that PDA, nitrotoluene and ethylation, these are the kind of low hanging fruits here. What would be the utilization of NCB and DCB given that we are above 70%, even in hydrogenation, where could we peak out? And if you could just give a directional sense of how do we see these three value chains of PDA, nitrotoluene and ethylation in terms of any visibility that you can give with regards to volume growth in FY ‘26.

Suyog Kotecha: I think I will talk about value chain specifically, so let me start with PDA, which has frankly been an underperformer for the last few years. If you go by the current latest trends, we expect a significant uptick in utilization levels because of increasing demand in the US, given the tariff issues. So that change should see a higher level of utilization compared to last year. NCB, nitrochlorobenzene as a chain, given a couple of large customers are increasing their capacity, the bulk of the application there is pharma, and both large customers are increasing capacity. So through the year we also expect the NCB capacity utilization to go up from the current levels.

DCB, frankly, we expect we should be able to maintain the current level of utilization levels. This is where there's a mixed bag in terms of the downstream consumer demand of PPS, which is going into automotive, a little bit of pressure and depending on how US and Japan plays out there could be some impact on the demand of DCB chain. So broadly, maybe we are able to maintain the current utilization level.

And nitrotoluene and ethylation are linked to each other because NT provides raw material for the ethylation chain. That's where the life-sciences and the agrochemical story comes into play. We are expecting higher utilization compared to last year for this particular chain, but it is a ramp up process because we have expanded capacity very recently. The full capacity actually got proven only in Q4 FY ’25. So it will take a bit of a time to ramp up the capacity utilization levels. But nonetheless, the numbers should be better than last year.

Archit Joshi: Sure, sir. Got it. That's helpful. I just have another one on MMA. Just reading some articles with regards to some new competition beefing up in China, I think there's a company named Jiangsu New Materials whose planned the 4 lakh ton capacity, almost double of our size. While I am aware that the opportunity for developing this market is immense, do we see this trend of either switching from MTB to MMA or developing this market even in other areas is becoming a trend and would that be of any impact to us in the near to mid-term?

Suyog Kotecha: No, I think competition will come, right. I think people do track us closely, and in that context it is expected that competition will come up as and when we scale up certain products. But that's perfectly fine, if more people are trying to develop the market, it also works in the industry's favor. We do have a certain unique advantage for this particular product. I think of course we have a head start in terms of supply chain capabilities that we have built over the course of the last two years, that allows us to do some unique things which are not available to a lot of other players. Now, including I think some of the freight components, especially if you are sending bulk shipments to the Middle East or Europe or US, I think we are slightly better positioned at this stage compared to competition.

In addition to that, I think we remain sort of in the market aggressively to expand more and more customer base. Of course, we are expecting competition in the product and people will ramp up capacities over the course of, we do not know, maybe a year, maybe two. But at the same time, we feel the market is large enough to absorb the volumes and we do build certain competitive advantages which allow us to better capture the market share.

Archit Joshi: Sure, sir. That's great. Thank you and all the best for the next year. Thanks.

Moderator: Thank you. The next question is from the line of Surya Patra from PhillipCapital. Please proceed.

Surya Patra: Yes. Thanks for the opportunity, sir. My first question is on the MMA. Sir, since it is a new product area and we have been seeing a kind of rapid expansion in terms of volume over the last few years, so given the kind of a new customer addition and all that, so how to see the progression and the growth in terms of volume for this product, let's say, for FY '26?

Suyog Kotecha: So I think we have described what's our current capacity and we have also said that over the course of the next two years we are targeting to utilize that capacity and that's where I think we will remain focused. Whether we take12 months, 18 months, 24 months to reach a decent level of capacity utilization will be linked to the success of market development efforts. But that's the overall strategic direction that the current capacity numbers should be able to develop the market good enough to absorb that volume in a two-year kind of time frame.

Surya Patra: Okay. Overall, let's just say the overall growth for FY '25 if you see, it is entirely led by the volume-led growth.

Suyog Kotecha: Yes.

Surya Patra: So given the kind of new projects that we commissioned in the later part of FY '25 and hopefully and potentially the chlorotoluene which is likely to also come in the second half of FY 26, and also the likely ramp up in the MMA volumes given the new customer addition. So going ahead, for FY '26, is it fair to believe that the volume-led growth, again it would be volume-led growth, and the volume-led growth would be better in FY '26 compared to '25?

Suyog Kotecha: So right now our base assumption, we are factoring in most of the growth led by volumes. So, we are not factoring the significant recovery in the margins because we do not see the demand supply imbalances from China getting corrected soon. However, though that's correct at a macro level. I think from a near-term point of view there are events which are difficult to predict, right. How the US tariff scenario will pan out, how geopolitical uncertainty will pan out, it's difficult to predict this stage. But from management's focus point of view, I think we remain focused on delivering the volume growth. Margin is a function of a lot of external factors as well. If there is opportunity, we will capture it, right, but that's not a base assumption with which we are going into the financial year.

Surya Patra: Okay. Just even slightly more clarification, is it fair to believe that the volume-led growth what we are talking about for FY '26, that would be higher than FY '25 what we have seen? Or not predictable at this moment?

Suyog Kotecha: I think it's difficult to comment , I think we do not want to start talking about the sort of quarter-on-quarter exact sort of volume growth. I think we have certain assets; we have been very transparent with respect to where we are on the capacity utilization for those assets and in a three-year plan, if you see bulk of the operating leverage-oriented initiatives, we are targeting to finish it in the first two years, right and that's where we expect most of our assets, barring few where we have let's say costing issues, where we are not competitive with respect to the world scale assets from others, we should be able to reach respectable level of utilization levels within the first two years kind of time frame.

Surya Patra: Okay. Sir, since it is the full year result that we are discussing, is it possible to just update about what is the kind of level of performance that we are having for the long-term contracts? So, whether we are in the expected lines or it is slightly below, given the kind of demand situation that is prevailing currently? Or how should we be thinking about the long-term contracts that have been doing so far for FY '25 and what is the likely outlook for those contracts for FY '26?

Suyog Kotecha: Yes, I think contractually speaking, I will take the simpler ones first. I think the 20-year purchase agreements that we have for nitric acid continues to perform exactly as per contract, no issues on that front. The other project that we have, which is where sort of our profitability is ensured, right, it's the polymer application with a global major, I think that continues to run very well, no changes on that front and there is another contract which we had with a US major for a very advanced specialty polymer intermediate, which has started ramping up only last year. We are expecting that to do even better in the coming year, right, with the asset now stabilizing and sort of demand kind of picking up. I think those are the easier ones.

The rest of the contracts are kind of sort of supply contracts for some of the key intermediates. Individually, depending on the end market applications, there will be a variation, right. I think the contracts ensure that there is a relationship between the two parties where we have sort of privileged access to each other, and there are certain contractual terms in terms of volumes and pricing. But they do vary linked to market conditions and that's how it is playing out at this point in time.

Surya Patra: Okay. Sir, just one question for Chetan sir. So what is the export number for the quarter, sir?

Chetan Gandhi: The export number for the quarter was roughly Rs. 1,240 crore.

Surya Patra: Okay, Rs. 1,240 crore, so there is a kind of marked improvement sequentially that means?

Chetan Gandhi: Yes. So, as Suyog said earlier and it was shared in the last call, a couple of bulk shipments of exports which were expected to move out in Q3, end of Q3 which didn't move, moved out in Q4. So that has also been one of the factors for why a bit of this number is higher. But yes, there's a significant improvement in export volume that we are witnessing.

Surya Patra: Okay, and so if there would be a kind of normalization in the export, then the other expenses are also likely to see normalization going ahead?

Chetan Gandhi: Exports have a higher component of freight which is where you see the other expenses going up. If I have to specifically look at the fixed cost, the fixed cost actually has been lower on a sequential basis and more like a lower to flattish kind of a situation. It's more of this freight and other components are there.

Surya Patra: Sure. Okay. Thank you, sir. I wish you all the best.

Moderator: Thank you. The next question is from the line of Siddharth Gadekar from Equitas. Please proceed.

Siddharth Gadekar: Hi sir. First on the tax rate, how should we think about the tax rate for FY '26?

Chetan Gandhi: We still have one more year of heavy CAPEX cycle which is where the depreciation is going to be high. We will continue to remain lower and subdued on the tax rate. I know this year we have been negative on the tax rate level, I expect it to be somewhere close to mid-single digit next year.

Siddharth Gadekar: Okay. Sir secondly on the trade payable, I was still not clear on your answer that trade payables have jumped by Rs. 600-plus crore this year. How should we think about this number going into FY '26 and '27?

Chetan Gandhi: I believe there will be a potential uptake of maybe around Rs. 100 crore to Rs.200 crore in next year, assuming the volumes continue to grow in the trajectory they are.

Siddharth Gadekar: The trade payables will increase you are saying by another Rs. 100 crore, okay, got it. Thank you.

Moderator: Thank you. The next question is from the line of Jay Bharat Trivedi from Incred AMC. Please go ahead.

Jay Bharat Trivedi: Yes. Thank you for the opportunity. The first question I have is with regards to the CAPEX that we are doing. The Rs. 1,000 crore CAPEX that we have estimated, how much of it would be maintenance CAPEX and how much of it is in the nature of new chemistries or new products what we are getting into?

Chetan Gandhi: I guess the maintenance CAPEX and CAPEX related to some of the initiatives which are there on the existing product should be in the range of Rs. 150 crore to Rs. 200 crore or so. Beyond that, everything will be for the new initiatives at Zone-4 is going to be a bulk of that.

Jay Bharat Trivedi: Okay, so Rs. 150 crore to Rs. 200 crore is the maintenance CAPEX, and rest is for new products, correct?

Suyog Kotecha: Yes.

Jay Bharat Trivedi: Okay, sir. And I was just quickly doing some numbers on the guidance which you have given for FY '28, for the Rs. 1,800 crore to Rs. 2,200 crore EBITDA, will our PAT fall around Rs. 900 crore to Rs. 1,000 crore range or am I far off? I do not want an exact number, but am I in the same lines what your assumptions are ?

Chetan Gandhi: If I look at FY '28, my depreciation, which is currently at around Rs. 430-odd crore, should be somewhere between Rs. 580 crore to Rs. 620 kind of crore. So that's let's assume Rs. 600 crore or Rs. 620 crore on depreciation. Interest, I am not sure what's going to be the interest rate scenario but let us assume a current number of around Rs. 250 crore to Rs. 270-odd crore, then we will have around roughly Rs. 50 crore going out. So, I would assume at Rs. 1,800 crore we would be somewhere between Rs. 900 crore to Rs. 1,000 crore at the PBT level and at Rs. 2,200 crore we will be somewhere between close to Rs. 1,200 crore, Rs. 1,300 crore.

Jay Bharat Trivedi: Okay. Yes, thanks. Those were my questions. Thank you so much and all the best, sir.

Moderator: Thank you. The next question is from the line of Meet Vora from Emkay Global. Please proceed.

Meet Vora: Yes. Thanks for taking my question. Just on this MMA side, so while we are seeing that in US market it would add extra cost on the consumer and there could be some impact because of absorbing this cost at their end. My understanding was that this is imported by blenders for re-exports and thus tariff will not be applicable. So is MMA a part of exempt list or is it not?

Suyog Kotecha: No, MMA is not part of the exempt list.

Meet Vora: And is it used for reexports, or will tariff be applicable on this?

Suyog Kotecha: No, our current understanding is that tariffs would be applicable on this.

Meet Vora: Okay and secondly, as regards NPDA, have you seen any benefit coming in Q4 because of maybe pre-buying or will we see that largely in Q1? And also say in terms of FY '26, in Q1 we will see higher volumes, and maybe once tariffs taper off, will we see rollback in Q2 because we have significant capacity as compared to the utilization right now. So I was just trying to gauge the benefit of this NPDA product.

Suyog Kotecha: No, so I think the tariff announcements only came in April first week. So, in that context, we saw upside or we are seeing upside as we speak from this quarter's standpoint. How does it stabilize in the mid-to-long term will depend on sort of how the tariff situation finally settles down. But yes, from a Q1 point of view, on this specific molecule, we do see some upside.

Meet Vora: Understood. Thanks. That's all from my side.

Moderator: Thank you. Ladies and gentlemen, we will take this as a last question for the day. I would now like to hand the conference over to the management for the closing comments.

Suyog Kotecha: Thank you everyone for taking our time late evening. As we mentioned earlier, I think despite a challenging year we ended the year, I would say, on a positive note, with a year-on-year growth both on revenue as well as on EBITDA. As we get into FY '26 despite volatile macros, we remain quite focused on driving all the cost improvement initiatives, remain very agile in our business operations to ensure that we take opportunities wherever available given the geopolitical uncertainty and in that context, remain committed to deliver on our three-year guidance. Thank you everyone and have a good night.

Moderator: Thank you, sir. On behalf of Aarti Industries, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.