

November 14, 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 Q2 FY26 Earnings
Conference Call.**
**Ref.: Regulation 30 of the SEBI
(LODR) Regulations, 2015.**

Please find enclosed the Transcript of the Q2 FY 2026 Earnings Conference Call held on November 7, 2025.

Kindly take the same on record.

Thanking You,

Yours faithfully,
FOR AARTI INDUSTRIES LIMITED

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



Aarti Industries Limited
Q2 FY '26 Post Results Conference Call
November 07, 2025

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY '26 Post Results Conference Call of Aarti Industries 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 star then zero on your touch-tone phone. Please note that this call is being recorded.

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

Nishid Solanki: Thank you. Good afternoon, everyone, and thank you for joining us on Aarti Industries Q2 FY '26 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 remarks from Mr. Kotecha, followed by a Q&A session where the management will address 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. A disclaimer to this effect has been included in the results presentation, which has been shared earlier and also uploaded on stock exchange websites.

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

Suyog Kotecha: Thank you.

Good afternoon, everyone. We value your continued support for Aarti Industries. I will share the industry trends, key highlights and updates from our Q2 FY26 performance.

The external operating environment continues to evolve amid a complex geopolitical backdrop led by U.S. tariffs on select Indian chemical exports. Despite these market pressures, we delivered sequential growth

predominantly driven by proactive market diversification, smart investments in innovation, and disciplined project execution. We are actively using our integrated manufacturing and product portfolio strengths to further establish Aarti as the Global Partner of Choice in Speciality Chemicals.

The tariff represents a near-term headwind for the Indian chemical sector, temporarily eroding competitiveness against European as well as Chinese suppliers to an extent.

In response to the steep tariffs imposed by the United States, we also took steps to diversify and rebalance our export mix, towards Europe, the Middle East, and Africa, and also are recalibrating our U.S. strategy to sustain long-term growth momentum. Over the medium term, we expect policy clarity and normalization of trade flows to restore a more balanced operating environment.

While near-term challenges persist, long-term volume visibility remains healthy across most businesses. At the macro level, we continue to navigate a volatile but gradually improving demand environment and deliver resilient performances.

Let me now move to our financial performance for the quarter:

- Revenue stood at Rs. 2,250 crore, an increase of 21% Q-o-Q driven by improved volumes across key product categories.
- EBITDA surged to Rs. 292 crore, marking a 36% quarter-on-quarter increase, primarily fuelled by improved capacity utilization and ongoing cost optimization initiatives.
- As a result, Profit After Tax was Rs. 106 crore, an increase of about 150% Q-o-Q, reflecting improved operating leverage and after factoring in the exceptional items that you may have seen in our published financial results.
- CAPEX for the quarter was at Rs. 267 crore and is expected to be around Rs. 1,000 crore for the year FY26, as guided earlier, reflecting continued capital discipline

Despite short-term uncertainties, we remain firmly committed to achieve our FY28 EBITDA aspirations and executing our strategic plan focused on cost optimization; volume ramp led operating leverage and monetisation of ongoing capex projects.

Now, on our key product applications:

Within our energy-linked portfolio, MMA delivered strong performance in Q2 and achieved highest-ever quarterly volumes, driven by spill-over demand from Q1 as well as diversification efforts to various geographies where initial customer response was encouraging. US tariffs weighed on volumes and margins, while renegotiations are underway as a proactive measure to secure and sustain future demand. On Capacities front, while we have achieved peak utilisation of the newly expanded capacities for MMA, we are in the process of executing various debottlenecking initiatives which will support us to scale up our volumes further from Q4 FY26.

MMA remains an important additive for blenders and refineries, primarily used to enhance octane ratings in gasoline blending. During the second quarter, favourable naphtha-to-gasoline spreads supported robust MMA consumption by blenders. Despite ongoing competitive pricing challenges from both China and domestic Indian players, our strategy focuses on market expansion: growing the MMA customer base and extending our geographic footprint, globally.

In Agrochemicals, select products are showing promising volume recovery, although overall margins remain under pressure. Demand growth in the Dyes & Pigments segment has been muted. The Polymer business also faced a significant headwind in the quarter, as U.S. tariffs impacted Q2 volumes. Meanwhile, the domestic pharma market remains stable, providing a consistent base. Overall, margins for the company's high value fluoro products are experiencing notable challenges due to aggressive competitive pricing from China. The strategic focus across these verticals is on navigating these pressures on margins while capturing available volume growth.

Looking ahead, a broader recovery is anticipated, contingent on external trade developments. The successful negotiation of a potential India-U.S. trade deal could be a major catalyst, as it would likely provide crucial support for a wide range of products.

Overall, we believe the chemical sector will see a gradual recovery likely through the next couple of years as global trade flows stabilise and pricing dynamics improve.

In this environment, our focus remains on de-risking the portfolio, broadening our product base, and strengthening our competitive position through cost optimisation and disciplined execution.

Our Zone 4 expansion project continues to progress as planned, with newer capacities expected to come online over the next few quarters. A new multipurpose plant (MPP) within Zone 4 is expected to be commissioned in Q4 FY26, enhancing flexibility in product development. In parallel, the Calcium Chloride facility is expected to be commissioned in this ongoing quarter.

As one of the growth projects in forward integration, we are set to commission a new 4,000 TPA PEDDA (2-Phenyl Ethyl Diethyl Aniline) project in Zone 4, in Jhagadia. It will utilize raw materials from our Ethylation capacity in Dahej and it will position us as one of the key domestic suppliers to support India's agrochemical industry and capitalize on the demand trend that we are currently seeing.

During the quarter under review, we also entered into a long-term strategic partnership with DCM Shriram who will serve as the exclusive supplier of chlorine from its Chlor-Alkali plant to our upcoming downstream chemicals facility at Zone 4.

On the innovation front, we have intensified R&D efforts in advanced materials, polymer chemistry, and other sunrise applications, aligning our capabilities with emerging opportunities. As our current CAPEX cycle concludes, the emphasis will shift decisively toward innovation-led growth and value-added chemistry in a more optimised manner.

At an overall level, while the near-term environment remains challenging, our strategic priorities are clear – to broaden our geographic footprint, diversify end-use applications and accelerate innovation in high-growth specialty segments. With key capacity additions nearing completion, new products coming to market and strong progress on innovation, the Company is well positioned to enter its next phase of sustainable growth. We remain committed to delivering on our medium-term financial objectives while focusing on creating long-term value for all our stakeholders.

That concludes my initial remarks. I now invite the moderator to open the floor for questions.

Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session.

We will take our first question from the line of Arun Prasath from Avendus Spark. Arun, please go ahead.

Arun Prasath: Yes. Hi. Good afternoon, everyone. First question is on margins. We have seen the improvement in margins despite our mix going more towards MMA and energy products. Can you comment on any specifics or any other category which has led to the increase in the margins? And how sustainable is it?

Suyog Kotecha: The margin's improvement was predominantly driven by operating leverage. At a contribution level, if you see at the overall product portfolio level, we remain quite consistent on the contribution margin level. But as the overall business volume goes up, the operating leverage starts kicking in and that starts getting reflected in the EBITDA percentage increase.

Arun Prasath: This is despite the slightly adverse mix, we have seen this. So is it safe to assume that when, say, probably the energy-related mix goes down, we will have better margins going forward?

Suyog Kotecha: I have mentioned this in the previous calls as well. The portfolio across end application is now converging in terms of contribution profiles. So the variation across end application is not significant. So at this point in time, what impacts more is the operating leverage rather than a shift from one end application to other end application.

Arun Prasath: Understood. Secondly, if you can just give a small recap on what are the likely plants which we are closer to starting in the next 12 to 18 months and which will make a significant difference in our volume and our P&L? If you can list out and give the milestones and the approximate commissioning date?

Suyog Kotecha: So what we can say at this point in time is, in this quarter, we will commission a calcium chloride facility. In the next quarter, we are commissioning our multipurpose plant, both of these are at Zone 4. In addition to that, in the next quarter, which is Q4 of FY '26, we are also planning to commission a slightly increased capacity of MMA based on the debottlenecking effort and in addition to that, one specific molecule PEDDA, again, which will become a form of MPP. Post that, there are 5 blocks, incremental blocks in Zone 4. I think each of the blocks will get sort of sequentially commissioned throughout the next financial year.

From a financial point of view, frankly, some of the products where the market is relatively well developed and it is more of a volume placement game, those will accrue to the bottom line relatively quickly. But many of the specialty products, especially coming from the Zone 4 blocks, they will take

time to ramp up because those have to go through qualification cycles with the global customers. So there, the capacity utilization ramp-up will take time.

Arun Prasath: Okay and for these projects, if you can also give a view of which end-categories, because today, we have almost 40%, 45% exposure to the energy segment and then agro is around 20%. So at the steady state, say, after all these are commissioned any rough idea about what would be the likely mix of the end-category exposure?

Suyog Kotecha: We briefly touched upon this. If we look at our 3 year plan at this point in time, and of course, it is subject to evolution, depending on given how volatile the situation has been in the recent years. But if you look at, at least from a strategic planning perspective, we feel energy will remain in kind of 30% to 40% range and the share of Agro, polymer specifically, these two end-applications, along with a little bit of pharma will inch up as we execute on our strategic plans. That is what is on the cards. How it evolves in reality, I think all of us will observe and see, but that is where we see kind of a resolved state at the end of 2- 2.5 years.

Arun Prasath: Any preference on any particular; I mean I am not talking about the current ongoing projects, but going forward, strategically, do we want to say that we will focus on this category, and that is how we will be going forward where we will be putting the incremental capital allocation? Any such broad thoughts on how to think about the future capital allocations?

Suyog Kotecha: Two things. One, from a future capital allocation standpoint, I think we are driven more by economic rationale than particular application segment logic. I do not think at this point in time, we are thinking about sort of the next level of large investment, which is sort of INR1,000 crore plus kind of a ticket size, which is what we did at Zone 4. I think for the next few years, the focus will remain on sort of relatively medium ticket size projects, which can be turned around quickly based on existing infrastructure, at the same time, significantly accrue to the bottom line. I think that will be the sort of dominant focus over the course of next 2 to 3 years as we digest the capital expenditure that has been done over the course of last 2, 3 years. And as I said, no specific preference towards any particular application. It is about which are the chemistries where we have value chain integration, which are the chemistries where we see a little bit protected market in terms of trade flows and less volatility and, of course, the financial returns on this investment. That is what will predominantly drive decision-making.

Arun Prasath: Understood. Just one final question, you briefly touched upon the tariff part. What are the levers that we have? I mean many of these products, we already know who our global customers are and where they are, what is exposure and all. So what we can do in the next 3 to 6 months with what is in our control, I just wanted to understand, to mitigate these tariff-related impacts?

Suyog Kotecha: To be honest, relatively limited things that we can do at an organization level. I think the only couple of levers that have worked for us, and we continue to push that is sort of having the proactive conversations with customers to ensure that the relationship remains intact and the business remains intact where both sides have to compromise to some extent and the second aspect is, I think the product portfolio, which is potentially re-exported out of U.S. There, there are strategic levers which can be applied to minimize the overall tariff impact there. So these two levers, I think we have been deploying it over the last 3 months, and we will continue to deploy it over the subsequent 6 months to mitigate the impact.

Arun Prasath: Understood. Thanks, Suyog and all the best.

Moderator: Thank you. We will take our next question from the line of Archit Joshi from Nuvama.

Archit Joshi: Good set of numbers, firstly to start off with. So first one, just a near-term one. If I look at this quarter in isolation, and the INR 15 -20-odd crore EBITDA impacts that we had from the previous quarter, which I am assuming that would have been a part of this quarter. If I just make an adjustment, the EBITDA number should be roughly in the range of INR270-280-odd crore. Would this be like a steady-state number, let us say, a couple of quarters down the line before our Zone 4 and PEDTA capacity is commissioned?

Suyog Kotecha: I would avoid from commenting on exact numbers. But yes, I think the level of performance that we are seeing right now is what is reflected based on the current strategies that are deployed. So if we are able to maintain this level of volumes, these are the numbers that someone can assume as steady-state numbers. But I think the objective is sort of not to stay here, right. I think both volume ramp-up as well as the cost optimization efforts that we are doing right now should ideally start supporting the business further and potentially compensate for any more volatility that we might see from an end market standpoint, right. So from an existing business point of view, I think the quarter reflects a decent level of capacity utilization. But at the same time, I

think there is still significant work left on the cost optimization as well as further volume ramp-up possible from existing capacities.

Archit Joshi:

Sir, second one on the PEDDA expansion. I believe it might be an opportune time to make PEDDA given that we have an anti-dumping duty placed on Pretilachlor, I believe that would be the end product application of PEDDA. Sir, we also had similar initiatives taken earlier from the ethylation unit for S-metolachlor earlier. Are we having any targeted approach towards agriculture given the family of products is similar? And do we have any export opportunities also in PEDDA since I was just going through Pretilachlor's market, it does not look like it is a big market in India, roughly 1,000-odd tonnes, and we already have one competitor with roughly 8,500 tonnes of capacity of PEDDA. So could you explain the rationale and the supply/demand in the end product.

Suyog Kotecha:

So I think, first of all, I think the market is much larger as far as our understanding goes. If you look at the entire value chain because India imports 3 different stages of value chain in this particular product, right? We import DEA, we import PEDDA, we also import Pretilachlor. So I think the imports happen at 3 different stages. But I think beyond that, at AIL, we always look at opportunities from a global point of view. I think we enter into a product where we feel we can have global competitiveness and we can have a global scale play. This is one value chain where we are developing end-to-end integration. So we will start from all the way basic petrochemical building blocks, and we will go all the way downstream. And we also feel that we will be able to do this with a distinctive competitive cost advantage. So that is the logic which we are deploying. So yes, it is a broader value chain play and targeting to build globally competitive presence in that particular value chain.

Archit Joshi:

Sir, any rough working that we could have on PEDDA regarding the economics around it, be it margins or revenue potential?

Suyog Kotecha:

I will not share product-specific numbers precisely for the reason that it is a value chain play, right? So we do not look at it as a product. We look at it as a value chain starting all the way from aniline to ethylene. And some of it will be a part of existing business and some of it will be incremental.

Archit Joshi:

Sure, noted. Lastly, if I can just have one more. On the Zone 4 capex commissioning that starts from Q4, and you mentioned that there will be about 5 blocks that will get added sequentially. How do we look at these blocks, sir? Because you mentioned 5, so I am assuming 5 to 6 multipurpose plants, but any block dedicated towards a particular chemistry or a product

just to understand a little bit more on the nuances of this with regards to application area or any industry exposure that it could have? And given that we had also spoken quite a bit on CDMO opportunities, are these also targeted to meet that kind of demand which can come up in the future? Any colour on this would be helpful.

Suyog Kotecha: So not all of them are multipurpose blocks. The first unit that we will commission in the next quarter will be a multipurpose unit. Beyond that, the blocks are sort of chemistry-oriented blocks without getting into too much technicals, but it is kind of a photochlorination block, hydrolysis block, nitration block and so on. These are the kind of chemistry blocks, which allow us to make any product using that particular type of reactions, right. That is how the blocks are designed for, which will get sort of sequentially commissioned. There will be different products that can be produced from these blocks, which will have to be optimized on a time-to-time basis based on what is the margin profile and demand supply profile for these products. That is one. Sorry, what was your second part of the question?

Archit Joshi: The CDMO bit. It is been quite some time since we have had our contract.

Suyog Kotecha: Yes, we have started our work in that dimension. I think we have good initial success. But currently, where we are in that sort of we are getting to know and build relationships with some of the global innovators. As we speak, we are doing sort of 3 or 4 projects, which are at R&D level. So I think the focus remains on building relationships with global innovators and trying to get involved in the very early part of a development cycle. That work converting into a concrete large-scale business in terms of manufacturing or supplying of a particular intermediate/chemical. That is kind of an 18 to 24-month journey in sort of our sense.

Archit Joshi: Sure. Noted, sir, I must admit the quality of disclosure and communication has improved significantly. So thanks for that and all the best for quarters.

Moderator: Thank you. We will take our next question from the line of Rohit Nagraj from 360 One Capital. Please go ahead.

Rohit Nagraj: Thanks for the opportunity. So first question is on the M&A strategy. So earlier, we had indicated that since we have a large presence established in the Middle East, we will go for U.S. given that U.S. is a gasoline market, whereas Europe is a gasoline market. And now there is a change because of the U.S. tariff situation. Obviously, we did not anticipate that. But how do we look at it from a change in strategy perspective and the benefits that we were

likely to get accrued from U.S. would it be in similar quantum if we change the strategy to Europe and further into the Middle East?

Suyog Kotecha: So I think the thesis still does not change. The U.S. still remains the largest gasoline market. I think we will not be able to change that thesis/facts because it is natural. I think it is the biggest market for gasoline.

Yes, the trade barriers did impact sort of our strategy in the U.S. And in that context, we had to figure out some alternate market where the teams have been able to do a decent job. But we continue to focus on U.S. So we will also see resumption of volumes going to U.S. in this quarter despite tariff uncertainty. So that gives us confidence that in the long term, as the India-U.S. trade deal stabilizes, Potentially, it will remain one of the most important market for this product and at the same time, we continue to develop globally because it is a product as we say, sort of high potential product. So the market efforts to develop markets across regions, including Europe, including Middle East, including Africa, they continue to remain on track.

Rohit Nagraj: Sure. Second question, it is just a bookkeeping question. So this year, our capex will be INR1,000 crore. What will be the likelihood of capex for FY '27? And similarly, a tax rate for FY '26 and '27?

Chetan Gandhi: So capex for next year will be substantially lower than INR1,000 crore. We do not have the right number. We are still yet to work out the numbers, but it will be substantially lower. On the tax rate, I anticipate FY '27, we should be somewhere at a number below 15%. And FY '28, we should be between 15% to 20%. That is a rough estimate right now.

Rohit Nagraj: Thanks a lot and all the best.

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

Aditya Khetan: Thank you, sir, for the opportunity. Sir, first question on the DCB, we are witnessing a quarterly jump despite muted uptick in dyes and polymers. Any specific reason like other segments where we look NT, NCB all have been muted, that is understandable. But on DCB, we have seen an uptick. Any specific reason, sir, despite end user remaining muted?

Suyog Kotecha: No. So I think on a DCB, you have to look at it both on quarter-on-quarter and year-on-year numbers. I think if you see year-on-year numbers, they will actually be negative. But quarter-on-quarter numbers are positive because the first quarter was actually very weak for DCB chain. And it is also one of

the chains, which did get impacted because of U.S. tariffs. But I think we have revised our strategy for DCB, and that is one chain where we expect sort of very strong second half. So you will see volume growth in that particular segment irrespective of what happens to U.S. tariffs over the course of the next 2 quarters.

Aditya Khetan:

Okay. Sir, on the MMA, when we look in this quarter, like the contribution from the energy segment is around 43%, considering we are doing some debottlenecking and taking it to around 3 lakh tons, do you see the contribution to be around 50% from energy segment? And does this pose any risk to our long-term spreads per kg or spreads per tonne like what Aarti used to enjoy earlier spreads per tonne that will be materially lower if energy segment picks up more from the current levels. Any thoughts on this, sir?

Suyog Kotecha:

Frankly, at this point in time, we are not actively managing exposure to a particular application segment, right? We have certain assets and we have certain capability. Right now, the focus remains on how do we sort of utilize these assets to the best possible extent to deliver the best possible financial performance? As I mentioned in some of the earlier conversations, the contribution levels at a broader portfolio level across applications have started to converge. Now they will get reset over the next 1 to 2 years, and we do that optimization on a dynamic basis. But ultimately, the objective will remain that sort of how do we maximize the net contribution for the company across different applications while utilizing all of our existing assets?

On a steady-state basis, again, we mentioned it previously, we feel given the entire Zone 4 new capacity, new products will also come on stream over the course of next 1.5 years. The energy as a segment ultimately might settle down somewhere in the range of 30% to 40%.

Aditya Khetan:

Okay. Sir, just one last question. Sir, also the U.S. tariff, you have indicated that there was no pain we have witnessed in this quarter. Do you see any significant dip in volumes from the U.S. market in next quarter and materially, we could be lower from this quarter?

Suyog Kotecha:

No, I think we did witness pain from the U.S. in this quarter. Our share of U.S. business in the last quarter was significantly lower compared to Q1. So there was definitely a pain. It was offset by a push in the other geographies. But potentially to the level where we have already reached, the further downside sort of can be arrested. In fact, there could be a positive trigger if we get stabilization in the India-U.S. trade deal.

Aditya Khetan: Any tentative figure, sir, of the volume loss or the revenue loss from U.S.?

Suyog Kotecha: There is no revenue loss because I think that volume has been actively placed in the other markets.

Aditya Khetan: Okay, got it. Thank you, sir.

Moderator: Thank you. We will take our next question from the line of Abhijit Akella from Kotak Institutional Equities. Please go ahead.

Abhijit Akella: Good afternoon. Thank you so much. Just with regard to the cost-cutting part of the guidance that we have spoken about. So this INR150 crore to INR200 crore is now mentioned as fully completed. Is this in the base in terms of the P&L numbers that we see in the expense numbers? Or is some benefit yet to flow through in coming quarters?

Suyog Kotecha: There is a lot of benefit yet to flow through, especially one of the major items there was around sort of renewable power purchase agreements. A large chunk of it is expected to get commissioned only in April 2026. So that is a significant benefit that will flow through in the next financial year. There are also certain long-term contracts for raw material where new pricing formula gets set in. Those are also yet to flow through to the bottom line completely. So in terms of actions, the activities have been completed. But from a benefit point of view, there is a decent of it which is yet to flow through in the bottom line.

Abhijit Akella: Any sort of numbers you could put around that? How much of the INR150 crore to INR200 crore is in the base versus how much we should expect next year?

Suyog Kotecha: Difficult to say it is also a continuing journey, right? I think we have given a number of INR150 crore to INR200 crore for which the action is completed, I would say roughly 40% to 50% of it is yet to flow through in the bottom line. But given it is the ongoing journey, we hope to also continue to add more initiatives to that funnel. And to some extent, it is also volume linked, right, because many of these are variable cost reduction initiatives. So ultimately, if the rupees per kg cost are down, as we increase the volume ramp up, automatically, the cost saving benefit also gets multiplied accordingly.

Abhijit Akella: Got it. And just one other thing on the tariffs. Any colour if you could please put around the sort of conversations that customers are having, U.S.-based customers regarding maybe the sharing of the pain. So I mean, is the tariff

burden basically being shared? How are things evolving on that front and how you see them going forward?

Suyog Kotecha: I think in near term, it is in the interest of both sides to figure out a workable model. But at the same time, we remain sort of cognizant of the fact that if the situation does not get resolved, then there would definitely be some long-term impact. As we see based on the current situation, it feels like China has a preferred trade arrangement even than India in today's situation. We hope that will change very soon. But so far, we have been able to hold on to the conversations. And I think all the customers also remain sort of actively engaged. But yes, people will look forward to getting clarity over the course of next few weeks to ensure that they lock in their plans for the next year.

Abhijit Akella: Thank you so much and all the best.

Moderator: Thank you. We will take our next question from the line of Vivek Rajamani from Morgan Stanley. Please go ahead.

Vivek Rajamani: Hi, Sir. Thank you so much for the presentation. Just a couple of clarifications on the tariff spread again. I think you mentioned that you have already reduced the share of volumes to the U.S. this quarter and offset it with sales to the other regions. So would it be fair to say that if the tariff situation resolves whenever it does, the volume impact may not be significantly higher because it could just be a case of you moving the volumes to the U.S.? Or there could still be a more improved volume performance should that happen? That is the first bit. And second, you just also touch upon ex of tariff, the volumes going to the U.S., do they have a better margin profile vis-a-vis your volumes going to the other geographies? Some colour on that would also be helpful?

Suyog Kotecha: The answer to the second question is yes. I think ex of tariffs typically we enjoy better margin profile in the U.S. than other geographies. I think the first part of that question, the answer sort of changes from value chain to value chain. So if you look at something like MMA where if you are operating at 90% plus capacity utilization, then opening of U.S. market will not change the volumes. It might change the margin profile, but it will not change the volumes because anyway, the capacity utilization is to a decent level. But there are some other things like phenylenediamine, like DCB, like ethylation where the capacity still exists. So opening up of U.S. market or making it more of accessible based on reasonable tariff arrangements will help us also push incremental volumes.

Vivek Rajamani: Sure sir, that is very clear. Thank you and all the very best.

Moderator: Thank you. We will take our next question from the line of Surya Narayan Patra from PhillipCapital India. Please go ahead.

Surya Narayan Patra: Thanks for the opportunity sir and congratulations for the great set of numbers. My first question is on the, let us say, the MMA. So within a year, you are just almost like tripling the capacity. Can you give some sense what incremental confidence that you are having on this product segment? And now with the diversification, whatever that we have seen from the GCC market together, so what is the split between GCC plus other for MMA currently?

Suyog Kotecha: So overall, we remain, again, very confident about the market potential of the product. That is the reason further debottlenecking efforts underway to increase the capacity. From a regional share point of view, at this point in time, we would not address it because right now, it is frankly driven a little bit by the current geopolitical situation that we are facing. We will reach to a little bit stable global footprint position in the 6 months down the line, where we have a resolution on the U.S. India issue. At the same time, we have good feedback from current expansion activities that we have done in, let us say, Europe, Middle East and Africa. So we will reach a steady state potentially 6 to 7 months down the line. But the only thing we can say is that we do have a presence practically in of all major blending markets in the world.

Surya Narayan Patra: Second question is on the upcoming projects which are likely to drive profitable growth for you the way that you are indicating. So any of the upcoming projects, whether it is the multipurpose plant or the PEDDA or the other set of projects. So any of them, whether that has been backed by a customer and hence, the implementation of those projects or execution of those projects would not be deferred or delayed?

Suyog Kotecha: We have moved past that industry phase to be very honest. I think there are very rare instances where these are kind of back-to-back customer committed with take-or-pay kind of contract kind of commitments projects. Yes, in all of them, we do have very active conversations with customers, and we do have decent relationships and conversations in place, which gives us confidence to place the molecules. But if your question is specific to that whether we have a take-or-pay contract for any of these products, then the answer is no.

Surya Narayan Patra: Okay. Even then can you give some vision because this multipurpose plant is a kind of a project which can encompass so many projects, but we may not be having any sense about it? Since it is coming in the fourth quarter and it would be very much there in next year and following year as a kind of earning driver for the company. So if you can give some colour to it that, how things will really shape up for this project, which would be helpful?

Suyog Kotecha: I think PEDDA is a classic example of MPP, right. We saw the opportunity in the market. A sort of 80%, 90% infrastructure already exists in terms of multipurpose plant and you have to do final tweaking to get the asset ready to deliver on a certain product in a certain value chain. Your time to market goes down significantly. The way we look at MPP is a flexible asset, which reduces our time to market for new innovative products significantly. So it is been looked at as a capability rather than necessarily as an NC or as a net contribution engine. Once we get into the market, stabilize the product, we have 2 choices, either we can continue to manufacture that in one of the MPP setups or if the volume ramps up and we see significant market development, we could potentially also build the dedicated assets for ramped up chemistries. So the way we look at MPP is a tremendous capability, which accelerates time to market and at the same time, gives us opportunity to try out innovative products at a lower cost.

Surya Narayan Patra: So is it fair to believe that the vast R&D capability and the investment what we have already created, so this MPP is a forward integration to those R&D capabilities?

Suyog Kotecha: Yes. So that is where CDMO efforts will also come into the play because if you look at the overall pipeline that we have built, right, we have a great R&D setup. We have now two world-scale pilot plants, which have already got commissioned, then we have a multipurpose plant, which was kind of a missing piece in the overall chain and then we have a dedicated chemistry block. So I think our ability to serve global partners across the different stages of development and different stages of the market product evolution is going up phenomenally with this addition to our capability.

Surya Narayan Patra: Just one book keeping question for Chetan sir. Sir, you mentioned that there is INR34 crore kind of forex loss sitting in the finance cost line. So this INR34 crore is excluding that INR15 crore forex loss number that is there in the line items. Am I right?

Chetan Gandhi: Yes. INR34 crore is related to the long-term ECB, which was taken from IFC and INR15 crore comprises the impact on the short-term working capital

export finance like packing credit and other stuff which is taken. It actually also gets netted off against the positive benefit on exchange, which is part of revenue from operations to the extent of around INR25-odd crore.

Surya Narayan Patra: Sure. Okay. Sir, then when this 2-3 projects that is going to be commercialized in the second half, what is the kind of spike in the finance cost that we can see on a quarterly basis or in whichever way that if you can give some clarity? That is one part. And also, if you can just give the export number for the quarter.

Chetan Gandhi: On the finance cost, there will be some increase which will come through because this project will also start kicking in, in the initial period, the contribution to EBITDA would be quite limited. There is working capital which will go through. I do not have a right number in terms of what is the increase in the finance cost, which we would assume. I am also anticipating a bit of softening of interest rate going forward. So that should support in terms of not moving the finance cost significantly up. On the export numbers, I will probably come back to you.

Surya Narayan Patra: Sure sir. Thank you.

Moderator: Thank you. We will take our next question from the line of Tushar Raghatate from Omega Portfolio Advisors. Please go ahead.

Tushar Raghatate: Good afternoon, sir. Thank you for the opportunity and congratulations for a great set of numbers. Just wanted to know in the MMA, which is contributing upwards of 40%, will that maintain going forward, that is the case? That is the first thing. And secondly, we are very confident on the MMA. Just wanted to know our right to win in India in the global market in the MMA business.

Suyog Kotecha: So I think from a manufacturing point of view, we feel we have one of the largest and most competitive capacities for this product. There are several innovations that we have done on technology front, which also allows us to play in this market against competition. And thirdly, we are genuinely investing a lot in building a supply chain infrastructure as well as creating very deep customer relationship with the large global players.

At the same time, on the volume confidence, I think the confidence of manufacturing and placing the product is sort of demonstrated also in the quarterly performance. At the same time, we have to understand that there is an economics linked to global oil and gas sector trends and certain support from differentials available for gasoline and differentials available between

gasoline and naphtha do have a fundamental impact on the demand for this particular product in the global market. So with the understanding of that context, we still continue to remain excited and we continue to expand both market as well as our capacity.

Tushar Raghatate: Fair enough. And sir, in the agrochemicals, considering the second order effect, do you see the agrochemical's global picture in terms of volume is improving going forward?

Suyog Kotecha: At a global level, volumes for sure, have seen some recovery, but the margin pressure remains quite intense. I think if you look at India's specific picture, we are starting to see some second order impact of some of our downstream customers who are exporting to U.S. I think some impact was visible in the last few months. But at the same time, everyone is hopeful of settlement on that issue and the long-term issue of inventory-linked pressures, which were having overall impact on the consumption or the volume growth it; I think those are mostly settled.

Tushar Raghatate: Got it, sir. And sir, in terms of your margin profile, this 14% margin, do you see the structural one going forward? Or it just depends on the price movement in terms of the margin?

Suyog Kotecha: No. I think, as I said earlier, for us right now, the biggest needle mover is the operating leverage. So if we are able to continue maintain and sustain the volumes at this level, then the operating leverage kicks in. But however, I have to also admit that the volatility in the market, both in terms of raw material and the product pricing still remains at a very elevated level. In the last 6 months, we have seen significant volatility in raw material and that also corresponds to product prices in a lot of other segments. So we remain watchful of that. But I think at a generalist answer level, the current volume levels will support the operating leverage led increase in the margin.

Tushar: That was really helpful. Thank you and all the best.

Moderator: Thank you. We will take our next question from the line of Siddharth Gadekar from Equirus. Please go ahead.

Siddharth Gadekar: Hi sir. First one on chlorotoluene project, can you just highlight what has happened there? And when do we expect ramp-up in the entire project?

Suyog Kotecha: I think I answered it partially. It is part of our Zone 4 blocks. And as we start the next financial year, you will see sequential 5 blocks getting commissioned in Zone 4 over the course of full financial year. And all of these blocks are

designed and able to produce chlorotoluene valuation at the same time, many other products, and we will select the products depending on the market dynamics and the contribution possibilities.

Siddharth Gadekar: Okay. Sir, secondly, just on the MMA competition, can you highlight what kind of capacity are we seeing getting added in India and China?

Suyog Kotecha: I think exact numbers, frankly, are not very specifically available in the market. We suspect there is sort of another 100-plus kt capacity available in India and maybe 200 to 300 kt capacity available in China. Though that is not reflected in the volumes from competition, but that is the kind of capacity that could be available.

Siddharth Gadekar: Thank you.

Moderator: Thank you. We will take our next question from the line of Sajal Kapoor from Antifragile Thinking. Please go ahead.

Sajal Kapoor: Thank you for taking my question. First one is just an observation. The quality of communication and disclosures has improved significantly in recent quarters. So well done on that front. Even if you read through the annual report, the disclosures have significantly improved. That is one. And then we have stepped up our efforts in science and innovation, the intellectual property creation effort has increased. All that is good. The question I have is in an increasingly uncertain and random world, how do you see the balance sheet position? Would you be comfortable with the current debt profile we are carrying on the balance sheet? And what is the plan to sort of try and maybe deleverage amid the current wave of capex plus the fact that the next wave of capex will be much more focused on fungible, more science and innovation-led capex. So the capex is an ongoing effort. What I am slightly concerned about is the current debt levels that we have on our balance sheet.

Suyog Kotecha: Thank you, Sajal. I think first on the capex side, I think the capital execution strategy has been much disciplined for the last 12 months and will remain much disciplined going forward. I think in some of the questions, I did cover that. Going forward also, if you look at next 2 to 3 years, I think we are not looking at a very blockbuster kind of a capex, right? If something comes our way, we will, of course, evaluate and sort of come back. But at this point in time, the focus remains on sort of medium-scale capex, which are able to turn around very fast and are able to deliver significant returns utilizing existing infrastructure. So that remains a primary focus. And that will also help us to manage the overall balance sheet much better.

We actually think from a debt-to-EBITDA point of view, we potentially could have already seen the peak. Absolute debt numbers are important. But for us, I think what we track more is debt-to-EBITDA. And I think on that front, we feel that we could have potentially already seen the peak now, and it should improve going forward.

Sajal Kapoor: That is helpful. That is all I wanted to check. Thank you.

Moderator: Thank you. Next question is from the line of Anil Chaurasia from SMIFS. Please go ahead.

Anil Chaurasia: Hello sir. Congrats on good set of numbers. I have just two queries. One, sir, what explains the increase in debtor level, almost by 65%?

Chetan Gandhi: So if you look at the top line, the top line has also gone up. And in certain cases, in fact, just adding it to the previous question which was there, the export percentage is upwards of 60%, where the credit profile is a bit more as compared to the domestic numbers, so which is where you would see this receivable to be there. So if I combine on an overall working capital basis, the working capital cycle continues to remain at the level what it was. It continues to remain in the range of around 45, 50-odd days. The receivable plus inventory continues to operate at a similar level. So there is a reduction in inventory days, increase in receivable days because of the fact that the export profile has gone up a bit.

Anil Chaurasia: Okay. And secondly, sir, in cash flow, I think you were explaining that actual finance cost is INR159 crore. But if you look at in cash flow under financing activities, we have reported only INR115 crore. So what explains the difference?

Chetan Gandhi: So as I said that there is the mark-to-market impact on the loans, which has to be accounted based on the volatility of the currency and is not a cash flow item and that is where the cash flow will show the actual cash outgo versus the P&L will reflect the provisioning for those potential volatility impacts as well.

Anil Chaurasia: So you mean to say last year, there was no such item like mark-to-market? Last year, it was matching.

Chetan Gandhi: Not significant.

Anil Chaurasia: Thank you so much, sir. All the best.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to management for closing comments. Over to you, sir.

Suyog Kotecha: Thank you. Thank you, everyone, for joining us today. We appreciate your continued support. As shared earlier, we are transgressing across the most challenging phase of the chemical sector. I think our resilient and robust strategy helps us navigate this phase and deliver growth and sustainable performances. We hope we have been able to address all your questions. Please feel free to reach out to us if you have any further queries. Thank you once again.

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

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