

August 8, 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 Q1 FY26 Earnings
Conference Call**
**Ref.: Regulation 30 of the SEBI (LODR)
Regulations, 2015.**

Please find enclosed the Transcript of the Q1 FY 2026 Earnings Conference Call held on August 1, 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

Q1 FY 2026 Earnings Conference Call Transcript

August 01, 2025

Moderator: Ladies and gentlemen, good day and welcome to Aarti Industries Q1 FY '26 Earnings Conference Call.

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

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

Nishid Solanki: Thank you. Good morning, everyone and thank you for joining us on Aarti Industries Q1 FY26 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 Question-and-Answer Session where the management will address participants' queries.

Just to share a standard disclaimer: Certain statements that may be made in today's conference 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 also 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. Good morning, everyone, and thank you for joining us today.

We appreciate your continued interest in Aarti Industries as we discuss the performance for the first quarter of Fiscal Year 2026. As you may all know, this quarter commenced with several external headwinds – both geopolitical and market-driven; however, our strategy and operational discipline have helped us remain agile and forward-focused.



Let me start with a brief overview of the broader macro environment that shaped the quarter.

Q1 was one of the more complex quarters we have navigated in recent times. A steep correction in key input prices – particularly benzene and aniline, which declined by about 15-20% – led to pricing volatility and inventory adjustments across the value chain.

Global trade dynamics also lacked stability. The initial tariff announcements by the United States created uncertainty among customers. The tariff landscape continues to remain unpredictable, compounding the already challenging global trade dynamics and leading to sustained pressure on product pricing and profitability. The new US announcement of a 25% tariff on Indian imports, along with an unspecified "penalty" has created even more market uncertainty. We are currently assessing the potential impact of these measures on our products in the US market. The Israel–Iran conflict in May/ June 2025 sent ripple effects through global logistics, temporarily impacting the regional supply chains and shipping schedules, especially affecting export flows. Consequently, some of our shipments experienced delays and rerouting, spilling over into Q2.

Domestically, the India–Pakistan tensions in April-May 2025 briefly impacted our operations at our Kutch facility. Blackout periods led to intermittent productions, curtailing our capacity utilisation. In parallel, the Kandla Port, one of our critical export routes, faced temporary shutdowns and subsequent congestion due to this conflict, which further strained outbound volumes.

Despite these challenges, the underlying demand conditions remained stable. Our business continues to demonstrate strength rooted in product diversification, multi-process expertise, and long-term thinking. Our resilient operations enable us to navigate through regional and segment-specific disruptions. Diversified exposure across energy applications, agrochemicals, dyes and pigments, and polymer additives provides support to the business.

As you may be aware, we had undertaken major capacity enhancements in the last financial year we scaled up our capacities for Nitrotoluene, from 30 to 45 KTPA and Ethylation, from 10 to 30 KTPA. These facilities are now in the ramp-up phase and positioned to meet the rising demand in the end applications. Further, during last quarter, we have scaled up our MMA capacity from 200 KTPA to about 260 KTPA and have more room to expand further with limited capex. We have also taken various initiatives linked to inventory and cost optimisation in line with the plan shared earlier.

Now, let me walk you through our financial performance for the quarter:

- Revenue stood at Rs. 1,867 crore, a decline of 16% QoQ. While volumes largely remained intact, we faced pricing pressures due to raw material corrections, inventory adjustments and deferred export realisations
- EBITDA came in at Rs. 215 crore, reflecting a decline of 19% QoQ, impacted by inventory valuation losses to the tune of Rs. 30 crore, temporary production issues due to India-Pak conflict, export deferment due to global geopolitics and margin pressures on few value chains arising on account of lower demand
- As a result, Profit After Tax was Rs. 43 crore, while interest and depreciation costs remained largely in line with the expectations
- Capex for the quarter was at about Rs. 280 crore and is expected to be below Rs. 1,000 crore for the year FY26, as guided earlier. Our Zone IV projects are

progressing well and expected to commercialise in a phased manner from H2 FY26. These projects will add a host of newer products with better margin profile and support the margin improvement over the long term

While the reported numbers reflect a soft quarter, the underlying health of the business remains robust. We are confident of a strong recovery in the ensuing quarters, driven by ongoing demand revival.

Coming to key application highlights:

Energy Applications: In Q1, volumes in the energy segment remained flattish quarter-on-quarter, due to plant disruptions on account of Indo-Pak conflict and also shutdowns taken for the expansion purposes. Continued efforts to increase the customer base and geographic reach will support the faster ramp up of these expanded capacities. While demand for MMA remained strong, pricing was under pressure due to competition and decreasing RM prices. However, AIL's ability to manage large volumes and first mover advantage will support AIL in continuing to maintain higher market share. Further improving crack spreads are expected to support the business in the coming quarters. So summarising, our focus remains on driving volumes for optimal capacity utilisation and maintaining market leadership.

Non-Energy Applications: The agrochemical intermediates segment continues to experience pricing pressure, while dyes, pigments, printing inks and pharmaceutical applications remain stable. The Polymers and additives segment shows a mixed performance across different product value chains. DCB had shown certain pressure on the demand versus the other part of the polymer additive segment actually showed very good demand recovery.

With the recent development on the US tariffs front, we see potential impact on our US businesses which accounts for about 15-20% of our revenues. We are closely monitoring the situation as it evolves to ascertain the impact on our business and potential mitigation measures to minimise the same.

Moving to Strategic Updates:

Augene Chemical Pvt Ltd (JV with UPL): Project execution is progressing well, with commissioning expected in H1 CY26, and market development activities have been initiated to establish our presence

Re Aarti Pvt Ltd (Investment through Aarti Circularity Ltd.): The project has achieved a key milestone with the completion of technology selection. Pre-processing design and capex finalization are currently in progress. We expect commercial operations to start in early FY27.

To conclude, Q1 was shaped by external headwinds and temporary disruptions. These issues had a bearing on financial performance, but we view them as short-term in nature. Demand conditions remain intact, capacities are scaling up, and our core portfolio continues to expand its reach and relevance.

Our future performance will be steered by key strategic pillars:

- Successful foray in high-value and advanced chemistries, with commissioning targeted in a phased manner from H2 FY26 at Zone IV.



- Focus on Advancement and long term partnership, leveraging our robust manufacturing infrastructure and R&D expertise
- Driving growth through new initiatives, particularly in circularity and other emerging sunrise sectors

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

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Vivek Rajamani from Morgan Stanley. Please go ahead.

Vivek Rajamani: Hi, sir. Thank you so much for the presentation. The first question was you had given us to understand that the strength in the gasoline margin, naphtha margins would be a good indicator for your own MMA margins and obviously, for this quarter, the spreads were quite strong compared to the last quarter. So, would it be fair to say that if it was not for these various disruptions that you faced, the performance from the MMA business would have been a lot more better? I just wanted to get a bit more clarification on that.

Suyog Kotecha: I think the answer is yes. And I think to answer it simply, Vivek, maybe we should look at our July export numbers of MMA, which are now, I guess, available in public domain. Roughly, I think we have clocked somewhere in the range of 20,000-22,000 tons of MMA exports in the month of July, which was a combination of deferred shipments from June due to geopolitics issues and then further additional orders during the month of July.

Vivek Rajamani: Sure, sir. And just the other question is with respect to the expansion that you have mentioned, I think before this, there was another expansion as well, which you had completed in the previous quarter if I am not mistaken, and now there is one more meaningful expansion. I just wanted to get your thoughts with respect to what is the kind of potential that you are seeing for this product, as well as the competitive landscape, if you are feeling confident to continue this expansionary process on this product?

Suyog Kotecha: Look, I think we have maintained this stance over the last few quarters. I think it is an important product. We fundamentally feel very confident about the product's performance potential, which is now validated by several global customers. We have a market leadership position globally in this product, and we would like to continue to maintain that. And we have the least cost position as far as our internal benchmarking exercise goes with respect to competition.

Now, if you look at a broader strategy point of view, we obviously started increasing our customer base, diversifying our geographic reach, I remember talking about it almost one year back in my first investor call, and I think we have progressed quite significantly on that dimension. One of the aspects of that was where we built US as a strategic market for this product, and we really scaled it up very significantly over the course of the last six, nine months. The latest tariff announcement do put some pressure on that strategy. So, we have to now obviously figure out a mitigation measure, at the same time, develop additional new markets, which we will continue to do. So, given the fundamental performance of the product is still very robust in the downstream end application, we are very confident of finding new markets.

So, from a volume point of view, we remain confident, and that is what leads to our conviction on expanding capacity, which is at now roughly 260 KTPA level. We can further go up with a minor CAPEX that provisioning has already been done as we expanded the latest debottlenecking effort that we did in the last quarter.

Coming to margins, I think, yes, we are dependent on aniline, which is one of the key raw materials on imports, and which means that we have to, at any given point in time, keep one and a half months to two months of inventory given there are so many supply chain disturbances globally that keep happening. Also from a production security point of view, we do need to keep these one and a half months to two months of aniline as an inventory stock, which means we carry pricing risk on that particular stock. But that is a strategic call that we have taken.

And the last aspect is competition. There is emergence of some domestic competition. I think Chinese competition has been around for quite a while. And in that context, we have taken certain strategic calls from a pricing point of view to ensure that we maintain our global leadership positions in all of the global major accounts. That is sort of broadly the sum and substance of the strategy around that product. Overall, I remain pretty confident about the market potential. Yes, I think the tariffs and the geopolitics sometimes do create some of the speed bumps. But we have to be agile enough to sort of revise our strategy to go back to achieve the true potential for this product.

Vivek Rajamani: Sure, sir. Thank you so much for the explanation. I will rejoin the queue. All the very best.

Moderator: Thank you. Next question is from the line of Nitesh Dhoot from Anand Rathi Institutional Equity. Please go ahead.

Nitesh Dhoot: Hi. Good morning, team and thank you for the opportunity. My first question is on DCB. So, DCB volumes have declined both year-on-year and sequentially. Is this purely cyclical or is there a structural shift in the downstream demand? And when do you expect normalization to happen?

Suyog Kotecha: Thank you, Nitesh, for that question. Yes, DCB, I think it was potentially one of the weakest quarters and it was driven by significantly lower demand from our US customers, where they convert this into advanced polymer, which ultimately gets utilized in automotive applications. This combination of our customers going through inventory liquidation, at the same time, uncertainty around automotive demand profiles within the US market itself. The combination of the two, our DCB exports to US were significantly lower, even if you take YoY or QoQ comparison. But given we have sort of annual contracts secured with some of the major customers, we are confident of recovering these volumes in the second half. So, as soon as the demand stabilizes and the inventory correction phase gets over for two of our strategic customers in the US, in the second half, we should see significantly better volumes compared to the first quarter.

Nitesh Dhoot: Right, sir. So, next question is on the Zone-IV and the MPP timeline. So, basically, you have guided for phased commissioning from the second half. So, can you just share some more granular details in terms of customer tie-ups and expected EBITDA contributions that are coming for FY27?

Suyog Kotecha: So, as you rightly mentioned, we are going by phase-wise commissioning. In the first phase, the multipurpose plant and a calcium chloride unit, we are expected to commission by the end of this year. So, around December of this calendar year is

when the first phase-I will go live from a commissioning point of view. Both of these units, along with associated utility, infrastructure, ETP, are at advanced stages of mechanical completion and handover. So, that is what will go live within this calendar year. The remaining blocks, there are five additional blocks, they will go through phase-wise commissioning from Jan to May next year, kind of a timeframe. And then, of course, post-commissioning, there is a sort of ramp-up and stabilization, and then ultimately a scale-up kind of a phase.

From a profitability point of view, I think we have given the overall number that we expect from all of this Zone-IV investment in our three-year guidance. We continue to stick to that. That is pretty realistic and achievable. The full potential of it, I think, will come in one and a half years down the line. But the multipurpose plant and calcium chloride unit at least should start contributing from the next calendar year itself.

Nitesh Dhoot: All right. Just one last question before I join the queue. So, given the sharp drop in EBITDA this quarter and the volatility quarter-after-quarter, especially, sorry to say, but almost every macro event does impact us negatively. Can we also have an annual EBITDA guidance along with our three-year guidance of Rs.1,800 crore? I mean, if you could just share some outlook for FY26?

Suyog Kotecha: So, as a management, we have taken a call to a three-year guidance, and we stick to that. And I think we remain committed, at the same time confident on that three-year guidance outlook. I think yearly guidance is a practice from which we are moving away. And we actually feel it is prudent given there are so many uncertainties going around in the market right now, both from trade barriers as well as from a geopolitics standpoint, we would like to continue to maintain the same practice.

Nitesh Dhoot: All right, sir. Thank you so much. I will get back in the queue.

Moderator: Next question is from the line of Archit Joshi from Nuvama Institutional Equities. Please go ahead.

Archit Joshi: Hi. Good morning, gentlemen. Thanks for the opportunity. First question on these logistical challenges that we faced. Could you quantify what would be the extent of, let us say, our sales for an EBITDA deferment that we saw during the quarter, which we are expecting to recoup in July and onwards?

Suyog Kotecha: So, Archit, I think a broad estimate would be roughly anywhere in the range of Rs.15 to 20 crore of EBITDA and I guess you will see that in the sort of export volumes for the month of July.

Archit Joshi: Got it, sir. Sir, the second question is a little more nuanced and is on the MPP and Zone-IV plants. You did mention that you are planning to start up the Phase-I from December '25, but any layout that you could share with regards to what kind of products, platforms, chemistries that you are planning to incorporate in both Zone-IV and the one that you are starting in December, the MPP, any broad understanding on that if you can?

Suyog Kotecha: So, the overall, if you look at the product portfolio, the original design of the Zone-IV was done for chlorotoluenes and dichlorotoluenes downstream in phases. We added the entire dichlorotoluene and the downstream product portfolio also to the same design to make it a bit fungible. So, that is the significant chunk of the product portfolio. But at the same time, there are almost 15 to 20 new products,



which are downstreams of some of our existing product portfolio, which can also be made in the same set of blocks, combination of Zone-IV and the multipurpose plants. So, at any given point in time, there are roughly 35 to 40 products that we can manufacture as a combination of Zone-IV and multipurpose plant. And the logic is to pick and choose the products where we feel we can maximize the contribution, and they are in line with our long-term strategy from a value chain integration standpoint.

Specifically, talking about phase-1 for MPP, at any given point in time sort of we have a kind of list of 10-odd products from which we prioritize four to five products that we want to take in the first phase of MPP commissioning. And that decision is typically driven by the demand pull and the profitability potential of this product. And they will keep evolving every three to six months. So, it is difficult to answer your question in terms of specific products, because by nature, it is multipurpose, and we want to use it as a multipurpose plant to maximize contribution.

Archit Joshi: Understood, sir. I was actually trying to understand how margin-accretive would it be, which is why I asked you. Also, alluding to a comment that you had made in the annual report, would this be true for the multipurpose plant or the Zone-IV expansion we are doing, to enter newer spaces like defense, electronics and advanced polymers? I think it is a comment that I catch from an annual report. So, if you can elaborate a bit on the sunrise sectors that you have spoken of and how margin accretive these products could be, that would be my last question? Thank you.

Suyog Kotecha: Yes. So, they would definitely be margin-accretive. We are talking about historical five years back if you look at what was the AIL's margin profile, we are targeting to go back to those kind of margin levels with these new products coming in. So, 20% plus EBITDA kind of margin profile for most of these products. In terms of end segments, there is wide variety, including advanced polymers, agrochemicals, pharmaceuticals. I think these three remain right now the largest target end market applications for Zone-IV and MPP. Some of the defense and electronics might require very specific investments because the quality specifications and the nature of the assets that you require to serve these end markets look slightly different and will require sort of specific tailor-made assets. For that, we have a separate effort ongoing. But from an existing MPP point of view, if you start plotting end market profile based on the current products which are shortlisted, I think it is more towards advanced polymers, advanced materials, pharmaceuticals and agrochemicals.

Archit Joshi: Sure, sir. Helpful. Thank you. All the best.

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

Surya Patra: Thanks for this opportunity. Sir, first, the clarification I wanted. You just mentioned about the impact of around Rs.50-odd crore. That is at the EBITDA level or it is the kind of revenue impact that you have witnessed in this quarter?

Suyog Kotecha: EBITDA level. It was Rs.50 – it was Rs.15 to 20 crore from a delayed shipments point of view and Rs.30-odd crore from inventory point of view.

Surya Patra: My second point was that about the capacity expansion that we are on. See, in the recent times, what we observed was that capacity additions without any customer backing was not really helpful. So, since we have been there in the CAPEX mode

for some time and we have also recently added capacities like MEA and all that, has not been really helpful given the demand situation. So, the upcoming CAPEX, let us say the multipurpose plant or the Zone-IV, other capacities, are any of those are backed by any contract?

Suyog Kotecha:

So, of course, Surya, we continue to do this evaluation in terms of which product we want to manufacture and in that context, the capital allocation decision is made wherever there is a demand pull. I think maybe a bit longer answer to your question. I think overall from a capital allocation point of view, we have become quite stringent in the last one year timeframe. Many of the capex that you see which are completed or which are getting completed right now, I think construction of these assets started practically two, two and a half years back. So, these are committed capex. And to some extent, they were kind of half done in the last one year where we changed our capital allocation strategy in terms of stringent criteria to decide on the investment profiles. And that is why we are on a taper-down mode when it comes to overall capex. I think last year, somewhere around Rs.1,300-1,400 of capex, this year, Rs.1,000 crore and next year, the number will drop dramatically.

So, we are mindful of the global demand/supply balances and where should we allocate incremental capital going forward. At the same time, the projects which we have taken on, I think we are going through them while optimizing the design and the portfolio of those capex to ensure that we get best returns out of it. That is the sort of sum and summary of the overall capex strategy. The latest capex expansions that we are announcing, for example, MMA 200 to 260, these are done very thoughtfully with very limited capex to ensure that return on that investment is significantly better. And wherever there is a significantly higher capex involved, I think they will go through a very regressive valuation from both demand/supply dynamic point of view as well as from a return calculation standpoint.

Surya Patra:

Sure. Second point was about the quarter-specific impact what we have seen. See, most of those are external factors I believe, let us say, a war issue or it is the kind of a raw material price crash impacting the inventory or trade deferrals because of the tariff-related aspect. But if you can add your thought process about the pricing angle to it, how should we see a pricing aspect for the raw materials going ahead and hence impact to the overall profitability, and also the pricing scenario for the product basket? And ultimately, what changes that we are anticipating in the product mix going ahead in the second half? So, hence, these three things are likely to have some implication on profitability. So, if you can address that, sir?

Suyog Kotecha:

So, yes, it is a bit of a longish question, but three aspects. One, in raw material, we have been in falling price environment, not only in last quarter, but I would say, in fact, the last five or six quarters. So, if you plot raw material trends for the last five, six quarters, aniline has practically come down from \$1600 per ton to \$1,000 per ton. Benzene, which used to be as high as Rs.85-86, it has come down to Rs.58-59 kind of level. So, we have been in falling price environment for a very long time. But at least current judgment of the management is we have practically bottomed out in terms of key raw material pricing. We are not seeing further room for raw material to go down. So, it has stabilized at that level at least for last one and a half to two months. There is some minor uptick as well in some of the raw materials. And in that context, the only thing we can do is to ensure that we are most optimized on inventory and we are able to pass on the pricing volatilities as soon as possible to the market. It is not always possible because there is always some lag, but that is the best thing we are doing at this point in time.

I think when it comes to product mix, there are two types of assets that we have. We have like certain dedicated chemistry plants and then we have certain assets where we can do multiple products of similar chemistries in the same asset, likes of chloroanilines, for example, or different hydrogenation-based products, different nitration-based products. So, we are optimizing our products. For the second category, I think we continue to optimize our product portfolio depending on the demand pull and the margin profile available. And that exercise is continuous. So, if you look at our ammonolysis product footprint what it was one quarter back versus what it will be in the next two quarters or if you look at chloroanilines what it was two, three quarters back versus what it will be for the next two, three quarters, they will look different in terms of exact products produced and sold both in domestic and export market, again, linked to demand and margin profile. However, there is a decent chunk of our asset which is dedicated chemistry. So, if you look at our assets portfolio, if you look at our NCB portfolio, DCB portfolio, PDA portfolio, where the focus remains to ensure that we have the leadership position, we have the lowest possible cost, and we retain the global market share, or in some cases even gain market share. So, I think different strategies for different assets, but that is how we are playing it right now.

Surya Patra: Sure. So, just one simple question now, sir. What is the export number for this quarter? This is for Chetan sir and also, if you can give some clarity, how has been the domestic performance in the difficult time of this quarter?

Chetan Gandhi: Just give me a moment. The exports for the quarter was roughly around Rs.950 crore.

Surya Patra: And the domestic performance, if you can just comment, how is it doing?

Suyog Kotecha: So, I think, frankly, Surya, the overall trend is not that different when it comes to domestic and export. I think the falling raw material price environment does impact both domestic as well as export markets. Of course, the supply chain disruptions that were caused in the month of June, those mostly impacted sort of the export portfolio quite significantly. While there, I think the domestic market continued to do well during the month. We also had certain operational challenges in the month of June, especially in our NCB assets, for example, or in some of the chloroaniline-related assets. So, that had some impact on the domestic market. But broadly, at an overall level, I think from a falling raw material price environment point of view, both got impacted to somewhat similar levels.

Surya Patra: Yes. Sure, sir. Yes. Thanks for the answering the questions.

Moderator: Thank you. Next question is from the line of Abhijit Akella from Kotak Institutional Equities. Please go ahead.

Abhijit Akella: Yes, Good morning and thank you so much. Suyog, if you could please just help us understand a little bit more about the possible impacts of these new tariffs from the US on your business? I know you mentioned 15%-20% of the business comes from there. So, which specific products are we using primarily, MMA and PDA or any others also? And also, how do you see the puts and takes playing out here?

Suyog Kotecha: So, look, I think it is early, but I will give anyway the perspective because we have been evaluating this now for the last quite a few months. So, different products have different nature of impact. Let me start with the positives first, right? I think on the phenylenediamine chain, if we continue to see differential tariffs between India and China, then that helps us. That is visible in sort of significant volume recovery

in Q1. We do not know where the tariffs are going to settle with India versus China. But if there is a differential tariff, then it will support that particular value chain from a demand recovery point of view.

Second, there are a decent number of products where we have good exports to US, which are part of "Annexure to Exemption List." So, there are key agrochemical intermediates that we export to US or even some of the decent volume products like DMS, ONA. All of these are part of exemption list and in that context, there is no as such visible impact, either positive or negative from a US tariff perspective. Two more value chains. DCB is where we typically end up competing with European competition. And in that context, it looks like right now there would be a preferential tariff towards Europe compared to India based on the current announcements. In that context, we will face increased competition on the DCB portfolio that is exported to US. But still, given our cost competitiveness, we are targeting to retain the market share, maybe at the slight expense of margins. But that is where we expect some headwind given the differential tariffs between Europe and India.

And the last one is MMA of course, is sort of a very large market that we developed in the US in the last six to nine months and frankly, there, it is less about competition. It is more about affordability to the end customer and the 25% tariff on that will impact the affordability for the end customer. We are in process to understand what actions we can take to mitigate the same. We will have better clarity on it in the coming two to three weeks. But in addition to that, we also continue to focus on expanding the global markets for that product, including European region, where we are putting significant efforts as we speak. But that is broadly our current understanding of potential impact of US tariffs on our product portfolio. I do want to caveat it. It is very early. We are still studying the new regulations which just got published yesterday, late at night, in terms of the exemption list, in terms of relatively geographic comparison of different tariff lines and different exemptions. And also, we frankly also do not know where it will settle, right? We are expecting this is just the start, but there could be further rounds in terms of where it actually settles.

Abhijit Akella: Thank you. I appreciate the colour. And just one other thing on the financials. So, one is there is a significant foreign exchange gain this quarter of about Rs.16 crore. So, why exactly did that come about?

Chetan Gandhi: Okay. So, this is more of a regrouping. It was earlier part of export revenue, but this is the recent clarification and other advisory stuff which is coming. We just regrouped it separately. So, in all the historic numbers, it was part of revenue only. It is more of the currency fluctuation on the export revenue which is there.

Abhijit Akella: Okay. So, this is the reason why there is some deviation in the expense line items compared to what were reported in previous quarters, right?

Chetan Gandhi: It was part of revenue. So, yes, this is a new requirement on the disclosures, so we started showing it separately.

Abhijit Akella: Okay, and just one last thing from me. The working capital seems to have increased a little bit if I look at the ratios at the back, and the debt has also increased, but the finance cost is down sequentially. So, if you could please just help us understand that?

Chetan Gandhi: So, the working capital has gone for two reasons. One is, as you know, there are a couple of shipments which had to go in June, those got postponed to July. So, the inventory got locked up at the port and at the plant. So, that was one component. Also, some customer receivable got delayed by a week or 10 days, which is where you have seen a temporary uptick in the working capital and so on the debt level. The finance cost reduction is; structurally we have been witnessing a bit of a softer rate regime and we expect the softer rates to continue. So, it is a result of that.

Abhijit Akella: Great. On the tax rate, do you still maintain your expectation for mid-single digit this year or could it be lower?

Chetan Gandhi: It could be a bit lower than mid-single digit.

Abhijit Akella: Okay. Thank you so much. All the best.

Moderator: Thank you. We will take our next question from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: Yes, thank you, sir, for the opportunity. My first question is, when we add back the one-off items like the inventory loss of Rs.30 crore and Rs.20 crore of the deferment volume, still sir, the number looks muted, when compared on a quarter-on-quarter basis; it has been relatively flat. So, it looks like, there is good pressure on the demand side. And also you alluded to the fact that the volumes have been lower in DCB and in NCB. How do you see the coming quarters, will they optically look higher compared to this, and are we on track to achieve a 20%-25% EBITDA growth, to achieve that guidance of Rs.1,800 crore, 20-25%, so CAGR growth should be insight, how does that look, sir?

Suyog Kotecha: So, look, the growth levers are very clear and those growth levers are getting implemented, which is the ultimate aim of achieving that Rs.1,800-odd crore. And as we deploy that, what we feel confident of is executing on all of these actions. There are of course certain detours that you have to take depending on how the market evolves, right? I think, for example, we did scale up US business of MMA quite significantly and it was expected to contribute quite significantly over the course of the full year or for the course of the next nine months. Now we are altering that plan, right? And we are figuring out alternate way of scaling up that volume in case there is some impact from a US tariffs point of view. So, overall, if you look at the strategy, fundamentally the product portfolio, the strategy around cost optimization, ensuring operating leverage from the existing asset to maximize the volumes, I think that is not changing. I think the entire Zone-IV commercialization along with MPP and some of the JVs, that is not changing. So, from an activity we are doing on the ground, there is practically no change. But yes, the strategy around product placement and market mix needs to evolve. The fact is the frequency with which geopolitical events have been happening and the supply chain disruptions that have been coming, has definitely been higher in the last five, six months' timeframe, which puts additional onus on the management team to remain agile so that we reflect and respond to those disruptions and that is what we are doing right now.

Aditya Khetan: Got it. Sir, on the lower volumes in DCB and NCB, you mentioned that it is because of the lower export into the US market, and also with the tariff uncertainty ahead. Do you expect that these numbers will materially not improve from the current levels?

Suyog Kotecha: So, different answer for these two chains. DCB is export dependent. NCB is mostly 99% domestic market. So, DCB, yes, I think there are large customers in US. And as I said, we end up competing with European competition for that share. Ideally, at least till 24, 48 hours back, I think the clients were pretty confident of recovering and increasing volumes in the second half and we will have conversations with them to ensure how to mitigate the tariff impact. But, in general, the expectation was for the second half to be better than the first half.

On NCB, which is purely for the domestic market, I think it was a combination of some of our strategic customers going through certain challenges. We also had operational challenges in the nitrochlorobenzene unit in June, certain maintenance and breakdowns, because of which the volumes were down. Those volumes ideally should come back going forward.

Aditya Khetan: Got it. Sir, you stated the fact that competitive intensity has increased. Sir, in our product basket on a base of 100, I remember in one of the calls you have stated that out of 100, so 70% to 75% products still have competition with China. Has that gone up materially from that level?

Suyog Kotecha: No, I do not think it has gone up. It remains somewhat at a similar level and as we continue to optimize our product portfolio with sort of unique chemistries in value chain, potentially we are now creating a product portfolio which should be less dependent on that pricing pressure. But at the same time, look, even the Chinese players continue to evolve. So, it is not a status quo kind of situation. It is a dynamic strategy which keeps evolving. I do not think it has materially gone up. As I had mentioned in the previous call, we fundamentally feel that everyone has reached the kind of pricing levels where it is difficult to go down from here, at least on the core product portfolio. And now it is a matter of being efficient to survive at this level and then use those market share gains when the cycle turns around.

Aditya Khetan: Got it. Sir just one last question on the agrochemicals, dyes and pigments' side. Sir, we were stating this fact that volumes have picked up, but pricing pressure remains. So, sir, when we look at the cycle for the last one year, global inventories have come down, inflation also in select economies has come down and rainfall has also been good. So, what is the reason why the pricing is not getting improved in this select end user segment?

Suyog Kotecha: So, I think it will take some time. In some of the value chains we are seeing improvement also in realizations. But at a broader generic level, we can still quantify it as pricing pressure continues. And that is also because of the reason that there are two steps in the value chain. There is an intermediate and then there is a finished product. As the downstream demand improves at the farmer level, I think the first segment to see an uptick is the people who are closer to downstream consumers, the guys who are doing the technicals in the formulations. The intermediate guys will see impact of that a bit later in the timeframe.

Aditya Khetan: Any particular quarter you believe; or that by second half it can improve or by FY27 only we see improvement?

Suyog Kotecha: I would not hazard a guess, but my personal belief is it is not about one or two quarters, I think it is about a bit of a longer timeframe because it is a combination of demand uptick and capacity absorption, right? So, it is not only one of the two. Both have to happen for realizations to improve materially and we feel it will take a bit of a longer time.

Aditya Khetan: Got it. Thank you.

Moderator: Next question is from the line of Jignesh Kamani from Nippon Mutual Fund. Please go ahead.

Jignesh Kamani: Hi Suyog. Just on the profitability part, even if you had a close to Rs.50 odd crore of profitability because of the inventory write-down and the delay, so we are close to Rs.250-odd crore kind of run rate and this was materially lower YoY. If you take about the last second half it was a similar run rate on the profitability. But if you take about, in volumes, like three to four percentage kind of energy volume, if I include the deferment of 20,000, 22,000 in July, we are close to double-digit kind of volume growth in energy while on the non-energy YoY we are already close to 10% kind of volume growth. So, despite our 10% plus volume growth YoY and maybe around 5-6% QoQ if I adjust, our profitability has materially come down. So, is it fair to assume that profitability pressure is so severe and more particularly in the MMA vertical and we have to live with the situation in near term?

Suyog Kotecha: No, I think there is a bit more nuanced understanding of that market. I think as I said, there are certain strategic calls that have also been taken to maintain the market leadership position in some of the segments which sometimes get reflected in the pricing and the profitability. In the long-term, as I said, from an overall margin point of view, we have kind of bottomed out. I think it should improve going forward. It is not going to happen immediately in a quarter's timeframe, but on a steady state basis, as we move along, the margin profile should actually improve from here on.

Jignesh Kamani: But in the near term, the profitability materially lagged the volume growth, safe to assume, because of the market share initiative we are taking in the current market environment?

Suyog Kotecha: Yes, but I think I would slightly characterize it that the profitability growth on an absolute basis should track the volume growth going forward. Not lag.

Jignesh Kamani: Understood. And is there any material improvement in the cost structure on the QoQ basis, because we are taking a series of cost structure measures also, so has anything contributed in 1Q, which was not there earlier?

Suyog Kotecha: There are. I think that remains sort of an ongoing exercise. We are well on track, I think we are slightly ahead of track when it comes to implementation of some of the cost-saving initiatives. So, multiple initiatives there, including for example, the new back-pressure turbine that got installed in the Vapi unit or some of the initiatives around yield improvement, steam consumption improvement, all of those have also got implemented and they will start reflecting as they become relatively steady in the operations. So, that is one aspect of the business where the focus remains very strong and all of it is currently on track as per the plan.

Jignesh Kamani: So, had we not taken a cost-saving initiative, probably profitability could have deteriorated much sharper?

Suyog Kotecha: Yes, it could have definitely been lower than where we are today.

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

- Arun Prasath:** Good morning, everyone. Thanks for the opportunity. So, my first question is on the DCB utilization. We are talking about 60%, 65% whereas most of the downstreams to the DCBs are at a higher utilization even during this quarter. So, does it mean that overall globally also auto we have not seen this kind of a degrowth. So, how should we look at this DCB utilization and what factors or what sectors apart from auto we should track to see whether there will be an improvement in the volume ramp-up?
- Suyog Kotecha:** So, look, I think DCB, especially PDCB, that mostly goes into PPS manufacturing, which is one of the very large end applications and for PPS, auto is one of the major end markets. I think there we have sort of two or three large customers in US who have gone through their own sort of, I would say, balance sheet corrections, at the same time, inventory corrections for this particular product as well as the downstream PPS product. And that is what I think is leading to impact on the DCB volume in the first half. I think the kind of contracts that we have with some of these customers ensure that as soon as their demand comes back from a production point of view, our consumption will go up. And that is what sort of we are hoping for in the second half. Tariff does create certain amount of uncertainty because 25% is not a small number. But however, we are in conversation to figure that out.
- Arun Prasath:** So, can we switch between the other auto customers outside US for the PPS demand, is it not an option for us?
- Suyog Kotecha:** We can. I think there are multiple initiatives that we have on the plate, including this other application of that particular product, which goes into different form of a product, which we have scaled up actually quite significantly, both in domestic as well as exports market. Globally, we do have a leading market share in that product. So, frankly, we are actually quite deeply penetrated. And we, of course, try and loom market share into each of these clients. Typically, these guys do yearly contracts, and hence, the share of the volume gets locked in upfront at the start of the year. So, depending on those contracts and how your customers are performing. During the year, switching of volumes is difficult. But, when you go through the next contracting cycle, you have another opportunity.
- Arun Prasath:** Understood. On the question related to competitive intensity, you spoke that things are kind of finally looking to be turning for good. And we are also hearing that in China, in a lot of sectors where there are overcapacities, there is a government initiative to actually reduce it. So, in our product or a value chain, do you see that happening or some signs already appearing?
- Suyog Kotecha:** I think I would not say it has established as a firm trend. We see, of course, stray incidences where, realizations have been taken up in the last few months. But I would still hesitate to characterize it as a generic trend. We are a bit further away from sort of saying with confidence that the margin profiles or the realization levels from Chinese competitive intensity are turning around. But yes, we have started to see a few incidences where the margin profile and realizations have started to change.
- Arun Prasath:** Okay. Just for our understanding, in our products, say DCB, NCB, what is the extent of overcapacity in China, can you quantify please?
- Suyog Kotecha:** No, I would not go in that direction. The fact is, there is a significant overcapacity. But I think, depending on what is the real operating capacity and also what is the real capacity available to compete in the global market, the answer will look significantly different. But it is fair to say we are talking about significant

overcapacity and the demand/supply balancing will not happen with one year of demand growth. I think if that helps you get a perspective.

Arun Prasath: Okay. Understood. Finally, the question is on cost optimization. We have three buckets for our EBITDA to reach our three-year guidance. One is cost optimization. We are talking about Rs.150 to 200 crore where we have already done this co-generation initiative. So, can you quantify what percentage of this Rs.150 to 200 crore is already in the P&L and what is it yet to be realized over the coming months?

Suyog Kotecha: So, from an implementation point of view, it is relatively at advanced stages. I think it is just many of these initiatives will accrue at a different point in time. For example, the two initiatives that we announced on renewable power purchase, which are supposed to add significantly to this cost saving. One solar component of that is expected to get commissioned from November, December this year, versus the hybrid component of that is expected to get commissioned around April, May, and next year. So, the actual accruals to the bottom line will start from those timeframes, versus all the actions, implementation, contracts, that has already been done and completed. So, it is at very advanced stages of completion of this cost-saving initiative. It is just that the timing of the accrual will get triggered whenever the sort of overall implementation of the activity takes place.

Arun Prasath: Right. And I understand it is implemented. I am just trying to understand what is already reflected in the P&L, what percentage of this Rs.150, 200 crore is already reflecting in P&L as of today?

Suyog Kotecha: I think we will come back to you on that one later, but I think from implementation point of view, we should be done; up to 60%-70% of it should get implemented within this year. I think remaining balance 30-odd percentage can get spilled over to the next year. From an accrual point of view, it will take time, but from an implementation point of view, I think 65%-70% of it should get done this year.

Arun Prasath: Got it, got it. All the best.

Moderator: We will take a next question from the line of Hussain Bharuchwala from Carnelian Capital. Please go ahead.

Hussain Bharuchwala: Yes. I think you have already said about the US exposure that you have an exposure of around 15-20%-odd. But wanted to understand exposure that you have said is combined of both the direct exposure as well as the indirect exposure that you say?

Suyog Kotecha: No, 15%-20% is direct exposure. I think indirect exposure could be even higher. What the numbers that we mentioned is our direct exports to the US.

Hussain Bharuchwala: Got it. So, how do you see the impact of the indirect exposure and what could be your ballpark sense of the indirect exposure? Because I think you sell a lot of products in your domestic market which eventually gets exported to the US. So, what is the end result and how do you see that getting impacted?

Suyog Kotecha: So, as I said, the story is yet to play out. I think apart from direct exposure, from an indirect exposure point of view, the largest segment where we have indirect exposure is actually agrochemicals, where we sell intermediates to our local partners who ultimately convert that into either a technical or a formulation for final exports to the US. And how will that story pan out? Frankly, we are yet to ascertain

the full impact. I think we remain in conversation, but everyone is in a kind of evaluation mode right now to give a sort of conclusive perspective on the same.

Hussain Bharuchwala: Okay, I think that is it from my side for the time being. Thank you. I will join back in the queue.

Moderator: Thank you. We will take our next question from the line of Pratik Oza from Systematix. Please go ahead.

Pratik Oza: Yes, thank you for the opportunity. Just one question from my side. If you can please provide the cash flows from operations for 1Q?

Chetan Gandhi: We do not have the number right now. We will just separately share it with you.

Pratik Oza: So, I guess in the previous call you had stated that net debt had peaked at around Rs.3,500 crore and we will be reducing it by Rs.200 to 300 crore in FY26. So, you are sticking to that guidance?

Chetan Gandhi: Yes, we will be sticking to that guidance.

Suyog Kotecha: I think we will remain roughly at around that level, right? I think of course from a working capital optimization point of view you will see Rs.100-200 crore upside-downside. But we do not expect material increase to that number. But broadly we should remain around that level.

Pratik Oza: Got it. Thank you, sir.

Moderator: Thank you. Next question is from the line of Tushar R from Omega Portfolio Advisors. Please go ahead.

Tushar R: Good afternoon, sir. Thank you for the opportunity. I just wanted to know, earlier in the call you mentioned that 70%-75% of our product basket is competing with China. So, I am coming from calendar year 2027. So, after your Zone-IV started contributing, like in quantitative terms, do you see that reducing to an extent with some numbers given?

Suyog Kotecha: Look, I think there are different ways to look at it. The fact of the matter is in today's chemical industry coming up with a product which China is not manufacturing would be a kind of an exception. I think it is also about intensity of capacity and intensity of players in that particular domain and at the same time, domestic demand pull versus export demand pull, right? So, that is what will lead to potentially less competition intensity as we broaden the product portfolio with commissioning of Zone-IV. It would be unfair to say that there would not be any Chinese competition because fact of the matter is they are practically present in sort of broad sector of chemical industry as on date.

Tushar R: Thank you so much, sir. And sir, in the MMA business of yours, so considering the 13 years spread, it is coming out to be \$13 per barrel. Just wanted to know that in order to get a higher double-digit kind of margin, what sort of spread Aarti would need? Because energy has been a major contributor to our revenue considering the past and will be going forward to the EBITDA and weighted average consumption.

Suyog Kotecha: Yes, I think current spread levels sort of are leading to a good demand growth. I think we see demand coming from different regions from different customers, which is relatively healthy at this stage at the current spread. So, they are good enough to have the pull for our products. As I said, geography-by-geography, sometimes the spreads are different and hence the demand pull do look different depending on the specific market. I think US, which was very attractive, with the tariff, it is a kind of a speed bump there, but we will figure that out. But the current spread levels are good enough to generate pull for demand of this product.

Tushar R: One last question. In the fluorination chemistry, do you see any contract coming in going forward post Zone-IV commercialization? And any JVs are you expecting for technical, you being the intermediate provider going forward?

Suyog Kotecha: Not, nothing at this stage, which we can provide you on that one.

Tushar R: Fair enough, sir. Fluorination, as a percentage of your sales, as you have shown in the value chain in the annual report, so the fluoro component would be what percentage of your total sales in that benzene chain?

Chetan Gandhi: Fluoro would be in single digit.

Tushar R: Fair enough, sir. That was really helpful. Thank you.

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, everyone, for joining us today. We appreciate your continuous support. We hope we have been able to address all your questions. Please reach out to us if you have any further queries and we will be glad to address the same. Thank you once again.

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

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