

30th July, 2025

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NSE Code: - PCBL

The General Manager,
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Dear Sir,

Sub:- Q1 FY 26 Earnings Conference Call – Transcript

Further to our letters dated 18th July, 2025 and 23rd July, 2025, please find enclosed herewith the transcript of the Q1 FY'26 Earnings Conference Call held on Wednesday, 23rd July, 2025 at 16:00 hrs India Time, for the quarter ended 30th June, 2025. This information will also be hosted on the Company's website and can be accessed at the link: <https://www.pcbltd.com/investor-relation/financials/investor-presentation>.

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

Thanking you,

Yours faithfully,

For **PCBL CHEMICAL LIMITED**

K Mukherjee
Company Secretary and Chief Legal Officer

Enclo: As Above

PCBL Chemical Limited

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Note: "PCBL Chemical Limited" was formerly known as "PCBL Limited"



“PCBL Chemical Limited

Q1 FY26 Earnings Conference Call”

July 23, 2025



MANAGEMENT: **MR. KAUSHIK ROY – MANAGING DIRECTOR – PCBL
CHEMICAL LIMITED**
**MR. RAJ GUPTA – CHIEF FINANCIAL OFFICER – PCBL
CHEMICAL LIMITED**
**MR. ANAND KUMAR – GROUP HEAD INVESTOR
RELATIONS**
**MR. PANKAJ KEDIA – EXECUTIVE DIRECTOR –
INVESTOR RELATIONS**

MODERATOR: **MR. SANJESH JAIN – ICICI SECURITIES LIMITED**



*PCBL Chemical Limited
July 23, 2025*

Moderator: Ladies and gentlemen, good day and welcome to the PCBL Chemical Limited Q1 FY26 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Sanjesh Jain from ICICI Securities. Thank you and over to you, sir.

Sanjesh Jain: Thanks, Vishakha. Good afternoon, everyone. Thank you for joining on for PCBL Chemical Limited Q1 FY '26 results conference call. We have PCBL Chemical management on the call, represented by Mr. Kaushik Roy, Managing Director; Mr. Raj Gupta, Chief Financial Officer; Mr. Anand Kumar, Group Head Investor Relations and Mr. Pankaj Kedia, Executive Director, Investor Relations. I would like to invite Mr. Kaushik Roy to initiate the call with his opening remarks, post which we will have a Q&A session. Over to you, sir.

Kaushik Roy: Thank you so much. Good evening, ladies and gentlemen. A very, very warm welcome to each one of you and thank you for joining Q1 FY '26 earnings conference call of PCBL Chemical Limited. Today, we'll be discussing our business and financial performance for the quarter in details. I hope that you've got a chance to review our financial results and the investor presentation, which are also available on stock exchanges as well as on your company website.

Before we begin, I would like to express my sincere appreciation to all of you for taking the time to join us today and for your continued interest and support in our journey.

Amid rising global uncertainties, including the Iran-Israel conflict, India-Pakistan tensions, Red Sea disruptions and escalating tariff risk from U.S.A., macroeconomic pressure continued to affect global sentiment. While intensity of dumping into Indian market has moderated but remains at somewhat elevated level. This is reflected in the pricing environment. Despite this backdrop, PCBL Chemical delivered a steady and stable performance in Q1 FY26, marked by volume growth across all key business segments. We remain confident in our ability to navigate the prevailing volatility in business environment and strengthen our competitive edge in the evolving global landscape.

The global tyre industry is undergoing a structural shift with manufacturing steadily moving towards cost-efficient hubs like India- driven by the need to optimize cost and enhanced supply chain resilience. Also, as higher tariffs have been imposed on some of the key tyre exporting countries, India is well positioned to increase its export share.

Recently, one of the major global carbon black producers announced the planned closure of few of its production lines in Europe and North America by the end of this year. This development further underscores the shift in global manufacturing dynamics. It also provides India an

opportunity to capture larger market share in the global trade of carbon black. This is likely to be beneficial for PCBL in the long run and as we add capacities.

In India, the tyre sector is witnessing steady growth, supported by OEM, expanding replacement tyre market and strengthening of export demand. As the world's 3rd largest tyre market, India continues to play a pivotal role in the global supply chain. PCBL remains strategically aligned to this momentum, backed by its scale, specialty offerings and commitment to innovation and reliability.

PCBL is rapidly expanding its capabilities via customized offerings and continued innovation, particularly in high-performance applications like battery chemicals and energy storage. With tightening regulations on export of new age battery technologies from China, we are seeing a natural shift in preference towards alternative and reliable sources. Our upcoming Nanovace facility is well positioned to offer advanced solutions to meet the growing needs of both domestic and global customers. The pilot plant is expected to be ready by the end of the calendar year, post which the sampling process will commence. We are encouraged by the strong level of interest from the partners across the battery value chain, reinforcing the potential of this new segment for PCBL.

Recently, we have been granted a process patent by the U.S. Patent Office on our proprietary method of developing nanomaterials designed for next-generation energy storage technologies. This breakthrough patent represents a significant milestone in our R&D efforts and strengthens our intellectual property portfolio in the energy storage domain. The grant of this patent not only validates our technological innovation, but also opens new avenues for strategic partnerships, licensing opportunities and potential commercialization in global markets.

The technology transfer process for our upcoming Acetylene Black expansion has been successfully completed this quarter. We have started detailed engineering work for setting up India's 1st Acetylene Black capacity. This has applications in high-voltage cables, batteries, semiconductor packaging, conductive plastic, paint and coatings.

And it is drawing strong interest from the partners across value chain. Currently, India is 100% dependent on import of Acetylene Black. Once PCBL facility is ready, we would be well positioned to meet the domestic requirement and serve the global customers. We believe this development will have a significant positive impact on the company's long-term growth prospects and aligns with our vision to be a leader in sustainable energy solutions.

Now coming to Carbon Black projects. The first phase of our Brownfield expansion of 30,000 MTPA at PCBL Tamil Nadu has commenced trial runs and will be commissioned in next few weeks' times. The second phase comprising an additional 60,000 MTPA, along with 12 MW power capacity will be commissioned by the end of this financial year.

We are in the process of completing the acquisition of 116 acres of land at Naidupeta in Andhra Pradesh for a Greenfield Carbon Black project. This new facility will focus on producing Rubber Black and Performance Chemicals. Capex at this site is expected to commence once we obtain environmental clearance in this year.

We are also planning to set up a new line of Specialty Black of 20,000 MTPA capacity, which is expected to be ready over next 3-4 quarters. This would take our total Specialty Black capacity to 1,32,000 MTPA. This line will be coming up in Mundra.

Capex activity is going on for 1,000 MTPA Specialty Black capacity dedicated for superconductive grade and as expected will be completed by the end of FY '26 in Palej. We are on track to achieve our targeted capacity of over 1 million tons by FY '28. This provides a good visibility of consistent growth in our Carbon Black business with an improving margin profile.

PCBL anticipates continuous growth in international sales volume over the next few years, driven by expansion into new geographies, strategic investments in supply chain capabilities, moving up the value chain and the launch of new specialty grades. The demand for Specialty Black continues to be steady.

Over the last decade, we have been focusing on developing newer grades with varied applications in plastics, pigments, inks, paints and coatings as well as conductive applications. We continue to expand our product portfolio, enter newer geographies, while moving up the technological curve.

Now coming to Aquapharm Chemicals. The initiatives taken in the last few quarters have started yielding benefits and is setting a strong foundation for accelerated growth in coming years. We are focusing on expanding our business in U.S., Latin America, Europe and Middle East.

Corresponding increase in capacity, product development and supply chain capabilities have already been undertaken. We are also working on end-to-end integration of the 3 business segments, detergents, oil and gas chemicals and industrial water treatment chemicals, with focus on opportunities for cross-selling across business segments with higher capacity utilization.

Aquapharm Chemicals expansion projects are on track and nearing commissioning. We have commissioned capacity of 11,500 MTPA to produce polymer at Mahad plant. We are also working on debottlenecking as well as Brownfield projects, both in India as well as U.S.

We plan to commission additional capacities for PBTC, green chelates, acetyl chloride, granulations, amines, imidazoline in Q2 FY '26. Aquapharm is on track to deliver strong growth in FY '26 versus FY '25 with focus on new product development and capacity growth for the existing portfolio. PCBL has established a resilient and far-reaching global footprint supported by a seamlessly integrated manufacturing and distribution network.

As the company scales into high-margin, high-growth segments, it continues to demonstrate discipline in capital allocation and agility in responding to evolving demand cycles. Coming to the quarterly performance, PCBL continued with a steady performance in challenging macro environment.

During the quarter, our consolidated sales volume in Carbon Black business increased 2.6% QoQ to reach 1,54,093 MT. This translates into a capacity utilization of over 97% during the quarter. In Aquapharm business, our sales volume increased by over 9% YoY to 26,523 MT during the quarter.

Consolidated revenue from operations during the quarter was INR2,114 crores. Consolidated EBITDA increased by around 2.5% QoQ to INR325 crores. PBT stood at INR120 crores, while the PAT stood at INR94 crores. EBITDA per metric ton in Carbon Black business stood at INR17,791/-.

Of the total Carbon Black sales volume, domestic sales volume stood at 89,606 tons, while international sales volume stood at 64,487 tons in Q1 FY '26, which is 2% YoY growth. Moving on to our segmental performance. Tyre accounted for 91,140 tons, Performance Chemicals reported sales volume of 46,888 tons, while Specialty sales volume was 16,065 tons.

With this, our specialty contribution in volumes has reached over 10% from less than 1% in the year 2015. We expect this share to continuously ramp up over the next few years. We continue to expand our product portfolio and customer base. Aquapharm Chemicals reported a steady performance during the quarter. Q1 FY '26 revenue stood at INR382 crores with an EBITDA of INR50 crores.

Under Aquapharm, the detergent accounted for 9,419 tons, oil and gas reported sales volume of 8,501 tons, industrial water treatment accounted for 3,944 tons, while remaining 4,660 tons pertains to other segments.

This Quarter, we also achieved the highest ever power generation and sales volume during the quarter. Power generation increased by 11% YoY from 194 MUs to 215 MUs with an external sales volume growing by around 14% YoY to 132 MUs as against 116 MUs in Q1 FY '25. PCBL's transformation into a multi-chemistry platform reflects a clear intent to deliver science-driven, scalable and sustainable solutions across high-impact sectors.

With offerings that span traditional performance materials and emerging specialty chemicals, the company has created a portfolio that is both diversified and future ready. This diversity enables PCBL to address varied customer needs across mobility, industrial processing, infrastructure, water treatment and energy storage, while reducing concentration, risk and enhancing profitability. With this, I conclude and open the floor for your questions. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sailesh Raja from B&K Securities. Please go ahead.

Sailesh Raja: Thanks for the opportunity. Sir, my first question is in the Rubber Carbon Black segment, next pricing cycle negotiations are scheduled to begin in the month of August with the revised price set to take effect from October month. So, considering the uncertainty around the U.S. potential tariff and the elevated inventory levels and the customer, there is likely to be a pricing pressure. So how do you see this scenario playing out in the near term?

Kaushik Roy: See, at this point of time, you're right, there is some strong headwind and there is a lot of uncertainty in the market. As such, the economies were not very strong and on top of that, the uncertainty got created because of Mr. Trump's initiatives, what is going on at this point of time. So, headwind is definitely very strong.

We know that this might have some impact on the pricing. But at the same time, you need to understand there are markets where supply is less than demand and U.S., Europe are examples for that. So, there will still be opportunities in this market. There will be imports into this region from Asia. So, we'll be looking at that opportunity.

As far as specific to the pricing, of course, it will depend on when we finally get into a discussion and negotiation and what is the economic situation at that point of time. And at the same time by that time, hopefully, there will be more clarity on the tariff side. Once those clarities are there and we have got another 2-3 months' time before we get into a final negotiation with all big tyre companies across the globe, which will be effective 1st of January next year. So that will continue.

But the other thing is, as an organization, to take care of the situation in terms of performance, we are taking a lot of initiatives internally, which are in our own hand in terms of improvement in efficiency across all functions, trying and improving our working capital management so that overall, the organization's performance remains strong financially.

So, this is our strategy. And at the same time, we continue to grow and be ready for future because we are quite confident and optimistic about this that eventually the market will turn positive going forward. Maybe it will take some time, but we are quite positive and optimistic about it.

Sailesh Roy: Sir, for the whole year, can we see this EBITDA per kg to be maintained at INR17-18 per kg?

Kaushik Roy: As I said, I don't want to give you any guidance for this. But as I said that there's a lot of focus internally in the organization for improvement in efficiency. And I'm quite hopeful that will bring a lot of value on the table. So, I can't give you a number or guidance, but yes, we are positive. Why should only talk about maintain, maybe at some point of time, we'll talk about improvement from here on.

Sailesh Raja:

Okay, sir. Sir, my second question on the exports front. So, our volumes to Europe and U.S. that has grown significantly in the last 3 years from 9,000 tons to 85,000 tons. So, with increasing consolidation in the global Carbon Black industry, how do you see our mix going up in the next 1-2 years?

Given the current exports contributing, it is around 41 % of the overall volumes. So how do you see that mix going up? And within U.S. and Europe today, it is around 35% of overall exports. So how do you see that mix to go up in the next 2-3 years?

Kaushik Roy:

Again, I'll not put a number how much it will go up by but I can generally tell you about our strategy. As I said that we'll be continuously growing in all segments, value-added as well as our regular Rubber Black. Now in regular Rubber Black, as you already know that in India, the supply-demand situation is in favour of the customer because supply is almost 1.8 million tons, whereas demand is just about 1.1- 1.2 million.

So, India should be looked at as a manufacturing hub for the globe. And we are already a very strong player in India. We are the leader. So, we'll continue with our leadership. But at the same time, the major growth will come in the international market, where there is a lot of headroom for us. The market share of PCBL there is not as high as what we have in domestic market. So naturally, there is a lot of headroom over there.

We're looking at the international market as a growth opportunity for us. Entire Asia, European Union as a whole and, of course, U.S.A., subject to the tariff situation doesn't go out of control completely because the logistics cost is obviously a little higher for U.S.A. and on top of that, if tariff goes haywire, then of course, there is a concern.

But then at the same time, the tariff, if it is applicable in India, I'm sure the tariff rates will be even higher for some of the other countries. So maybe net, we will be in a beneficial position. So, as we see the international market growth will be very sharp going forward.

And with new capacities which are coming up, Brownfield in Tamil Nadu and eventually after that, in Andhra Pradesh, a major share will definitely go to the international market. But at no point of time, we'll be ignoring or neglecting domestic market. We are a leader and we'll continue to be the leader.

Sailesh Raja:

Okay. Sir, you said 1.8 million tons supply in the India market. Of that, how much it is coming from China and Russia imports?

Raj Gupta:

That's not much. India in totality imports about 9,000-10,000 tons a month. So, India net-net is an exporter.

Sailesh Raja:

Okay. Last question. In Aquapharm, last year and 1Q it was muted EBITDA. But how do you see the performance to pan out in the next three quarters in terms of volume as well as the

margin? Also, this business is diluting the overall ROCE. So, what kind of ROCE you are targeting internally over the next 2-3 years?

What are the steps that we are taking in terms of customer acquisition, then raw material sourcing and improving the conversion cost? Also, the capital allocation policy in Aquapharm, can you please discuss?

Raj Gupta:

Last few quarters, a lot of work has been done towards market building, creating higher bandwidth in our sales and marketing team, expanding the product portfolio. And these have started yielding results. Maybe this will be more visible in subsequent 3-4 quarters. We expect this year to be significantly better than last year. And, of course, this business has significant potential to grow from here.

Now in terms of ROCE, see the internal expectation is always that, whatever investment we make, whether organic capacities or inorganic, these acquisitions, etcetera, that we have, at least 17-18% kind of minimum return on invested capital, but it takes time to reach to those numbers.

In 3-4 years' time, this business as it becomes bigger in terms of top line, we'll start getting better and better returns on capital. Hopefully in 3-4 years' time, we should be there.

Sailesh Raja:

How much capex we have, sir, in this business?

Raj Gupta:

In totality, during the quarter, we have done about INR112 crores of capex.

Sailesh Raja:

Only in Aquapharm, I mean?

Raj Gupta:

Aquapharm is not much. Aquapharm, it was ongoing. So, a good part of capex has already been incurred in last year. This year, in the first quarter, it was about INR15-16 crores.

Sailesh Raja:

Okay, sir. Thank you, sir.

Moderator:

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

Sanjesh Jain:

First on the Orion plant closure. Any sense is that the plants were old and not efficient or do you see that Europe and North America, it's becoming incrementally less viable for them to produce at those cost level and become competitive versus India and China? What's playing out in market of Europe and North America?

Kaushik Roy:

Yes, you are right, absolutely, Sanjesh. That is precisely what is the reality. I think the cost structure is such for them in U.S.A. and Europe and these plants are very old plants. And what we understand that our intelligence says that they're trying to close down the Rubber Black lines.

I mean, so-called not the high value-added lines they are trying to stop. And put that money, whatever they save from there, more on the specialty lines. That is their target. And indications are there, out of these five what they're talking about, possibly two to three will be in U.S.A. and a couple will be there in Europe.

That is the indication. And this is clearly indication that competition-wise or competitiveness-wise, India and China are definitely ahead of them today from those regions. It is difficult for them to compete and that is what is reflecting. And this is honestly an opportunity for organizations like PCBL for growth. Definitely, there's an opportunity for us.

Sanjesh Jain: And do you expect more such closure to come? Is it fair to assume that in net-net every year, there will be less of addition and more of closure.

Kaushik Roy: Yes, addition for sure will not be there. Addition for sure is ruled out for the regular black. Specialty, something may happen. But Specialty, possibly what will happen, they'll convert some of these lines to Specialty. They may not add anything new, but they will be converting some of the conventional lines to Specialty but that also requires a lot of capex, it will be a call of those companies.

But you'll definitely be not seeing any addition. So, therefore, this gap between demand and supply will only grow in future, which will be, in a way, advantage for Asia.

Sanjesh Jain: Very clear. Second, on the Specialty, now including acetylene and the 1,000 metric ton in the superconductive grade, is it fair to assume that the growth will accelerate with all these products coming up next year in the Carbon Black side and eventually that should lead to a much better EBITDA per kg, right?

Kaushik Roy: You are right, absolutely. I'll tell you, as an organization, our strategy is on one side, looking at continuous growth on the conventional items where we supply largely to tire companies and some of the non-tyre rubber companies. So that continues to grow through expansions in Tamil Nadu, in AP Greenfield, etcetera.

But at the same time, to keep an eye on the profitability improvement, we have taken all these initiatives like Acetylene Black, superconductive, then Nanovace, the battery thing. So, both will continue in parallel. So, we are going to grow. At the same time, profitability also will improve. And I think rest Raj can add from the point of view of finance, what is his thinking on that.

Raj Gupta: All these things will take some time. The real reflection of all these new technologies on our bottom line would be more visible from FY '28.

Sanjesh Jain: We said the plant should be all available by end FY '26 or early FY '27. So, we will have some benefit showing up in '27, right?

- Raj Gupta:** We will have some benefit, but the approval process, etcetera will also take some time, Sanjesh. So, the real reflection, I'm not talking about the marginal reflection, but the real reflection would come with a time lag.
- Sanjesh Jain:** Got it. Raj, so that Carbon Black oil used to trade at a premium in China. Has the situation changed with slowdown?
- Raj Gupta:** Yes. The gap between the feedstock that we use and that of our Chinese counterparts use, that has come down a bit. Currently, it is about USD 130.
- Sanjesh Jain:** Okay. And any reason why China dumping has come down. Sir you mentioned in your opening remarks that the dumping intensity in India has come down. Is that the freight cost not available or domestic or matching and or the grade is not right for India? Any particular reason why there is a sudden drop in the intensity by Russian?
- Raj Gupta:** Russian import intensity has not changed much. It all started a couple of quarters back and Russia continues to sell in India but the quantities are not very significant. They are doing about 2,000 tons a month out of roughly 9,000 -9,500 tons which is coming in India. And mostly this is being imported by small time traders.
- So, none of the tyre companies are buying directly from Russia because of the quality concerns and also because of the sanctions on Russian material. So, it is mostly on spot market where this is being traded.
- Sanjesh Jain:** So where are Russians selling right now, the quantities?
- Raj Gupta:** China, mostly China.
- Sanjesh Jain:** Okay. And then last question on the Aquapharm. I think since we took over the EBITDA has been consistent at INR50 crores. When should we see this trajectory changing? We were expecting INR300 crores plus kind of an EBITDA this year. Will Q2 show that trajectory changing for us in the Aquapharm?
- Raj Gupta:** See, we are still maintaining that guidance of INR300 crores for the current year. And first quarter was also marked by all this U.S. first announcing tariffs and then withdrawing it. And the level of import in U.S. significantly increased during the quarter because of the announcement and then withdrawal of that.
- So, this quarter, again, is not a normal quarter from a performance point of view. Second quarter onwards, you will start seeing the numbers.
- Sanjesh Jain:** Got it. Thank Kaushik. Thanks Raj for answering all those questions so patiently and best of luck for the coming quarters.

- Moderator:** Thank you. The next question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.
- Aditya Khetan:** Yes. Thank you for the opportunities. Sir, my first question is on to the power business. Sir, since last quarter, so sequentially we have seen power business EBIT contribution has gone up. So, some INR25 crores incremental EBIT has been added in power business alone, whereas Aquapharm and Carbon Black seems to be flattish only. Sir, what has changed since last quarter? Because I was checking the volumes, they have not gone up much like on QoQ basis. So, what explains this INR25 crores jump?
- Raj Gupta:** So, there is increase in both volume as well as realization. Our power volumes have gone up to 13 crores unit from roughly 10 crores unit in the previous quarter. And realization also has improved by roughly INR0.50 paisa per unit. So that explains the increase in the bottom line.
- Aditya Khetan:** Okay. And sir, so this power business contribution has gone up, but other businesses seem to remain muted only, sir. For the last few quarters, we have seen like a muted.
- Raj Gupta:** Yes. So Aquapharm business and also the Carbon Black business, the performance was kind of flattish during the quarter.
- Aditya Khetan:** Got it. Sir, what explains this dip in the spreads of Aquapharm? Because I believe we had mentioned earlier as volumes increase, operating leverage benefits the EBITDA. But the realization is spreads of Aquapharm has declined. Is this because of higher imports from China are we facing today or any other reason?
- Raj Gupta:** It is not imports from China. I mean, the reason for profitability to be not reflecting in the current quarter. One reason is higher freight cost that they had to incur because of all this geopolitical disruption.
- Aditya Khetan:** Okay. But sir, freight cost, like it could have gone up by almost around 30-40% in a quarter's time frame?
- Raj Gupta:** The impact of freight cost is around INR6 crores during the quarter.
- Kaushik Roy:** I'll explain something to you. While you're talking about numbers, we can definitely talk about specific numbers. But I think you need to understand the overall perspective of business. Now last quarter and this quarter i.e. Q4 and Q1, possibly are the 2 most difficult quarters and most probably it will continue for a little more time.
- The whole economy has gone upside down across the whole world. None of the big economies are doing well today. You look at U.S.A., you look at Europe, you look at Asia as a whole and within that, India and China, none of them doing too well. And on top of that, these policy changes which were announced by Mr. Trump created further confusion and uncertainty in the whole system.

So today, if some company is at least able to hold on to their performance of previous quarter or previous year, then I think it is reasonably good achievement, I'll put it that way. You need to see the overall perspective and then kind of analyse the whole situation. So that is my suggestion to you to kindly look at it that way. Within that, of course, we can talk about specific numbers to analyse and understand more. That is fine.

Aditya Khetan: Got it, sir. Thank you, sir, for that explanation. At Aquapharm, so we have commissioned 11,500 tons in this quarter. So, the remaining capacity would be completed by FY '26?

Raj Gupta: This should come up in next 2-3 months' time.

Aditya Khetan: Okay. Sir, any idea like for the next 2 -3 years, how much capacity in Carbon Black would be added and in which country? And roughly how much expected closure could be there?

Raj Gupta: There is very little coverage on industry, but the historical trend has been... every year about 300,000-400,000 tons of new capacity get added.

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

Moderator: We'll take our next question from the line of Madhav Marda from FIL.

Madhav Marda: Hi, good evening. Thank you so much for your time. Sir, I just wanted to understand, if I look at the Carbon Black margins for us, we had a very strong improvement just after COVID had improved until last year. So, could you give some colour in terms of the softness which you've seen this quarter? If you could break it down in terms of maybe domestic versus export market or how we should best understand sort of the impact on margins this quarter? I understand the global macros are quite weak, but just some more colour for our understanding would be great.

Raj Gupta: Madhav, there has not been much difference in terms of margins in different markets. I mean international market, domestic market, more or less margins have been in parity. The challenges that we are facing primarily is in the spot market trades, not the contractual trades, where because of little oversupply and plus all these global macroeconomic conditions weighing down on businesses, which is impacting margins.

Madhav Marda: Sir, could you remind me like what is our spot volume mix versus the contracted volume mix for PCBL today?

Raj Gupta: We are doing about 60% to tyre companies and roughly around 10% on the specialty side. The balance 30% kind of remains in spot market or under short-term contracts.

Madhav Marda: Okay. Got it. Understood, understood. And the competition is there like in the spot market is from the Russian producers or sort of who are the players who are kind of creating the pressure or is it just some demand softness, which is leading to temporary margin pressure here? What's happening here?

Raj Gupta: See, in recent past, capacity addition has been at a little higher pace as compared to the demand growth in industry. And that certainly is one of the reasons. A good part of the new capacities are in Asia, primarily India. And then, of course, Russia, because of sanctions, they are not being able to sell in Europe. So, they are also dumping it in some of the Asian countries.

And Asia, in totality is still very big for us. We do about 60% volumes in India and then another roughly about 24-25% in rest of Southeast Asia. So, all this Russian dumping and rapid capacity addition has impacted. And of course, the demand growth has not kept pace with capacity addition. So that's, of course, one more factor.

Madhav Marda: Okay. And the Orion plant closure, sir, what is the capacity which is shut down there? Any ballpark number like the sort of 2-3 facilities in U.S. and a couple of them in Europe? How much would that be?

Raj Gupta: We don't have exact details so far. We are trying to get some more details. Our sense is that it could be somewhere around 250,000-300,000 tons.

Kaushik Roy: We do not know really how much it will be and by when. They're indicating by end of this year, but it has not happened yet. So, we have to wait and watch for a while.

Madhav Marda: Okay, okay. Got it. And sir, just one more question was on the capital allocation. Could you give some sense in terms of capex in the next couple of years? How much do we plan to spend in the Carbon Black business and then Acetylene Black and Nanovace? If you could give some breakup, that would be great. Thank you.

Raj Gupta: Acetylene Black and Nanovace would not require much investment. These are low investment businesses. Carbon Black, I mean, between all the businesses that we have, Aquapharm, PCBL and the Nanovace now, on an average, we would be doing about INR600-odd crores every year.

Madhav Marda: Okay. And how much of that would go into Carbon Black versus non-Carbon Black businesses?

Raj Gupta: Total commitment for Nanovace will be around INR200-250-odd crores. I'm talking about the residual portion. And Aquapharm would require roughly about INR100-125 crores on an average every year. The rest will be for Carbon Black.

Madhav Marda: . And the Acetylene Black project, how much capacity do we plan to add? You're saying it's not capex intensive. So, any outlook in terms of what capacity you want to add and by when?

Raj Gupta: Initially, we are planning 4,000-5,000 tons but we will be creating higher cushion upstream and downstream. And in between, the reactors are kind of small reactors of 1,000 tons. So, we can keep on adding reactors based on our market seeding and all.

Moderator: The next question is from the line of Krishan Parwani from JM Financial.

- Krishan Parwani:** Yes. Hi, sir. Thank you for taking my questions. Sir, did you give Carbon Black offtake guidance for FY '26 and per kg EBITDA guidance, which stood at, let's say, INR17.4 a kg ex of other income?
- Raj Gupta:** No, we have not given any guidance, Krishan. If you have seen our current quarter's number, you would see that we are already operating at 96-97% capacity. I think we will reach almost full capacity this year. We'll maintain this kind of capacity utilization a little higher. And realization would also depend on movement in crude prices.
- Krishan Parwani:** Yes. Okay. So basically, you are at 154 kt run rate, and annualizing it, you would be closer to 616 kt-odd and then probably some incremental. So, 630-635 kt should be a fair assumption?
- Raj Gupta:** Maybe a little more. We are also about to commission one small line in Tamil Nadu in the next, 2-3 weeks. And that will be available for a good part of the year.
- Krishan Parwani:** Got it. And so, realization, I understand it's crude linked, but from the spread perspective, I was asking like, let's say, per kg EBITDA, I think you had indicated in the last call that your overall or 2-3-year aspiration is to be at INR20-22 per kg EBITDA. For F '26, where do you stand?
- Raj Gupta:** I would not talk about current year's numbers, but we are on track to achieve targeted EBITDA per ton. We spoke about some INR4-5 increase from the current level in next 4-5 years' time. And that will come because of the product portfolio expansion, moving up the value chain. Some part of it will come from operating leverage and also a good part will come from all the work that we are doing towards conversion efficiency improvement.
- So, we are on track to achieve that. I mean the business environment volatility is very high every quarter, there's some or other development, which is negative for our industry.
- Krishan Parwani:** Got it. Coming to Aquapharm, we can see your volume has gone up. However, your EBITDA has not gone anywhere. So, what actually happened there?
- Raj Gupta:** We just spoke about that. So, first quarter, again, I mean, we were talking about US announcing tariff and then again deferring it by a quarter, which kind of resulted in the US importing a lot more during this quarter from China and some other countries, which impacted our business volume. So, this is again not a usual quarter for this segment's performance. But the guidance that we gave for Aquapharm for the current year, we are holding on to that.
- Krishan Parwani:** Yes. That I got it. I mean, I think you said volumes were impacted, but I'm saying that the volume did go up, but your EBITDA went down. So, something had to give, right? I mean or was it costs were high or was it the realization went down or you were holding some inventory? Because volume, we can see its material.

- Raj Gupta:** No. So, the product mix also changed and also there was pressure on pricing, which resulted into lower margins. Additionally, freight costs during the quarter went up because of this trade route disruption.
- Krishan Parwani:** Yes, that is probably explains the INR204 crores other expense went up to INR231 crores. That is fine. And I think you mentioned that you are holding on to your guidance of INR300 crores. So just wanted to understand what will drive almost like INR80 crores kind of a quarterly run rate if you were to just take it for the next 3 quarters. What will change to give you a INR30 crores uptick from the coming quarters?
- Raj Gupta:** We are operating at low capacity. Operating leverage is going to give us that improvement in the subsequent 3 quarters. We are planning to increase capacity utilization.
- Krishan Parwani:** Okay. So, I thought your capacities are closer to 130 KTPA plus you added 11 KTPA. So probably 140 and you're already running at 110 KTPA kind of a run rate. Is that fair...
- Raj Gupta:** So, we are going to get about 38,000 tons from the new facility, out of which only 12,000 tons have been commissioned so far. And we had 130,000 tons before this capacity addition. So, in totality, we will have about close to 170,000 tons.
- Krishan Parwani:** Yes. But isn't that the case like in the initial quarters or initial couple of months, the opex is higher until your plant stabilizes. So, are you still confident of operating leverage playing out just from this quarter and then the next quarter or operating leverage play out could happen probably 2-3 quarters down the line?
- Raj Gupta:** The pricing this quarter was also not the usual pricing.
- Krishan Parwani:** Yes. And that has changed?
- Raj Gupta:** Right. So, I mean, we can't extrapolate current quarter for the full year's profitability. We are already seeing some improvement in the current quarter. And hopefully, every quarter, you will see improvement going forward.
- Krishan Parwani:** Got it. And just the last bit, if you may allow me. So, what led to the increase in the interest expenses this quarter?
- Raj Gupta:** Interest expense is going down. It is one capitalization which happened in the last quarter of last year. So, for one of our units, PCBL Tamil Nadu, where we are putting up this brownfield expansion, there was some interest expense, which I mean, for the capex that we are incurring. And ideally, that should have been capitalized in the first 3 quarters, but capitalization for the whole year happened in the fourth quarter.
- And consequently, fourth quarter interest cost went down to that extent. And on that base, current quarter interest cost is looking higher. But actually, in terms of overall cash outflow for interest

payments, it has gone down in this quarter. And every quarter from here on, you will see further reduction.

Krishan Parwani: Okay. And on this continuation, what was your gross and net debt at end June '25? If you have that number in mind, yes.

Raj Gupta: There is some, we don't publish balance sheet in first quarter, but there is some reduction.

Krishan Parwani: Yes, I was just saying just a ballpark number if you have handy, but in case you don't, that's fine.

Moderator: The next question is from the line of Yash Sinha from MIPL Family Office.

Yash Sinha: I had a bit of a unit economics question around the Carbon Black business. Just wanted to understand the difference in realization between your Specialty Carbon Black, Performance Carbon Black and your normal Carbon Black?

Raj Gupta: It would depend on grade to grade. I mean we have a portfolio of some 100-odd grades between these 3 portfolios. At the portfolio level, we are getting about roughly 25% higher realization in Specialty, 25-30%, and about roughly 7-10% kind of higher realization in the performance segment.

Yash Sinha: Yes, I was asking if after this Orion plant closure announcement, any of the larger export clients have intimated to you that they would be providing slightly larger orders going forward?

Raj Gupta: It is little early for that. Of course, we expect to get some benefit out of it going forward, but it is going to take time. And these plants are still running. Orion has announced that they will close by the end of this year. So, I mean, there's still some time before we start getting concrete benefit out of this.

Moderator: The next question is from the line of Aditya Khetan from SMIFS Institutional Equities.

Aditya Khetan: Yes. Thank you, sir, for the follow-up. Sir, the new Carbon Black greenfield line like which we have planned, any idea, sir, when we are planning to start the construction and when it would be fully completed?

Raj Gupta: It takes about roughly 18 months to get the plant ready once we have all the necessary approvals in place. But the approval process is a little lengthy. We expect all the approvals to be in place in next 4 quarters. So, from now, maybe around roughly 2.5-3 years.

Aditya Khetan: Sir, my question was on to the Specialty Carbon Black line, which we are planning in the next 3-4 quarters. Sir, our current capacity utilization is around 50%. I think that would be fully operated by in the next 1-2 years. So, this capacity addition, any outlook like we are adding on to the same capacity into the similar grade and what will be the capex?

Raj Gupta: Okay. So first of all, there would always be a gap between the rated capacity and the actual achievable capacity based on the product mix. And in Specialty, we can reach maximum around 64-65%. I mean that's the maximum that we can achieve. So, against 112,000 tons, maybe we can reach about 70,000-75,000 tons.

And we are already operating at a run rate of 16,000 tons plus every quarter, which is very close to kind of full capacity utilization or in a year's time, we are going to achieve that. And therefore, we require more capacity. And to get this line commissioned will take about 4 quarters' time. The second question, I think you asked about the capex for this line. Is that right?

Aditya Khetan: Yes, sir.

Raj Gupta: Okay. So, it will be somewhere around INR85-90-odd crores.

Aditya Khetan: Okay. And sir, the grades are similar like which we are manufacturing today, it is into the similar grade's expansion?

Kaushik Roy: This will be mostly similar, some new grades come in the category of ink and coating.

Moderator: Thank you. Ladies and gentlemen, on behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.