October 23, 2024

Ref. No.: **AIL/SE/54/2024-25**

To,

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001, MH.

Scrip Code: **543534**

National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex, Bandra (E),
Mumbai-400051, MH.

Symbol: **AETHER**

Dear Madam / Sir,

Subject: Transcript of the Earning Conference Call

In accordance with Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, the Transcript of the Earning Conference Call scheduled on Friday, October 18, 2024, on the financial performance of the Company for the Second Quarter ended on September 30, 2024, is enclosed herewith.

We request you to kindly take the information on your records.

Thank you.

For Aether Industries Limited

AETHER INDUSTRIES LIMITED SURAT

Chitrarth Rajan Parghi
Company Secretary & Compliance Officer
Mem. No.: F12563

Encl.: As attached

CHITRARTH RAJAN PARGHI
Digitally signed by CHITRARTH RAJAN PARGHI
Date: 2024.10.23 17:11:08 +05'30'

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"Aether Industries Limited

Post Results Conference Call"

October 18, 2024

MANAGEMENT: **DR. AMAN DESAI – PROMOTER AND WHOLE TIME DIRECTOR – AETHER INDUSTRIES LIMITED**
MR. ROHAN DESAI – PROMOTER AND WHOLE TIME DIRECTOR – AETHER INDUSTRIES LIMITED
MR. FAIZ NAGARIYA – CHIEF FINANCIAL OFFICER – AETHER INDUSTRIES LIMITED
MR. KUSHAL DOSHI – LEAD INVESTOR RELATIONS – AETHER INDUSTRIES LIMITED
MS. SHUBHANGI DESAI – EXECUTIVE INVESTOR RELATIONS – AETHER INDUSTRIES LIMITED

MODERATOR: **MR. NILESH GHUGE – HDFC SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Aether Industries' Post Results Call hosted by HDFC Securities. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nilesh Ghuge from HDFC Securities. Thank you, and over to you, Mr. Ghuge.

Nilesh Ghuge: Yes. Thank you, Renju. Good afternoon all. On behalf of HDFC Securities, I welcome everyone to this Aether Industries conference call to discuss the results for the quarter and half year ended September 2024.

From Aether Industries, we have with us today, Dr. Aman Desai, Promotor and Whole Time Director; Mr. Rohan Desai, Promoter and Whole Time Director; Mr. Faiz Nagariya, Chief Financial Officer; Mr. Kushal Doshi, Lead Investor Relations; and Ms. Shubhangi Desai, Executive IR.

Without further ado, I will now hand over the floor to Ms. Shubhangi Desai to begin with the earnings call for Q2 FY'25. Over to you, Shubhangi.

Shubhangi Desai: Thank you, Nilesh. A warm welcome to everyone. Today on October 18, 2024, our Board has approved the financial results for the second quarter and half year ended of the fiscal year 2025, and the same has been filed with the exchanges as well as updated over our website. Please note that this conference call is being recorded, and the transcript of the same will be made available on the website of Aether Industries Limited and exchanges.

Please also note that the audio of the conference call is the copyright material of Aether Industries Limited and cannot be copied, rebroadcasted or attributed in press or media without specific and written consent of the company.

Let me draw your attention to the fact that on this call, our discussion will include certain forward-looking statements, which are predictions, projections or other estimates about future events. These estimates reflect management's current expectations on future performance of the company. Please note that these estimates involve several risks and uncertainties that could cause our actual results to differ materially from what is expressed or implied.

Aether Industries Limited or its officials do not undertake any obligation to publicly update any forward-looking statements, whether as a result of future events or otherwise. Now Mr. Rohan Desai will begin by sharing Aether's business outlook, then Mr. Faiz Nagariya will cover the financial highlights for the period under review and Dr. Aman Desai will share the ongoing expansions and the strategy of the company going forward.

Now I shall hand over the call to Mr. Rohan Desai for his opening remarks. Over to you, sir.

Rohan Desai: Good evening. I hope everyone is doing well, and I'm delighted to connect with you all to share our company's performance during the second quarter of financial year 2025. During this quarter under review, total volumes has increased, but the prices remained low due to China's dumping. While we feel prices have bottomed out, the current change in the trend is only likely to start in the fourth quarter of financial year 2025. The demand for our products remains strong and we have added 12 new clients during this quarter.

The accident affected Site 2 has been redesigned and is planned to be fully operational by mid-November 2024 in a highly compliant and safe manner as we are awaiting regulatory permissions to restart at 100% capacity. We expect to commission Site 3+ and 3++ in early quarter 1 of financial year 2025-'26.

Our greenfield capex expansion is on track on Site 5, which is located in Panoli with Phase 1 being expected to be completed in quarter 3 of financial year 2025-'26. Due to a prior delay in finalizing the contracts and subsequent long lead times in procurement of raw materials for Baker Hughes contract, Site 4 is likely to witness an increase in production beginning from quarter 3 of this financial year.

We have commissioned 10 megawatts of solar power plant, out of total order of 15 megawatts, which was given earlier. The remaining 5 megawatts power plant will be commissioned by the end of October 2024. This is a significant investment towards our sustainability goals, and will also help us save money on electricity overheads, which will enhance the company's operational profits.

With respect to Aether's business model, we have seen 57% of contribution coming from large scale manufacturing business model, 27% coming from contract/ exclusive manufacturing business model and 14% coming from Contract Research & Manufacturing Services business model during the quarter 2. We have seen volume growth in all the three business models.

Contract/ exclusive manufacturing is expected to rise significantly beginning from quarter 3 and quarter 4 of this financial year when the commercial orders from the SSA with Baker Hughes will begin to be shipped. Our exports and our domestic revenues stand at 50% of our total revenue each in quarter 2 of financial year 2025.

Last week, we showcased ourselves in CPHI in Milan, which gave us great insights into the prospects of the current business dynamics landscape and helped us to position our capabilities globally. With this, I would like to conclude speaking and wish you all a very Happy Diwali in advance.

I would now request our CFO, Faiz Nagariya, to touch upon the financial highlights for the period under review. Over to you, Faiz.

Faiz Nagariya: Thank you, Rohan, and good evening, everybody. I'm glad to present the financial results of Aether Industries Limited for Q2 and half year ended for financial year '25. The total consolidated revenue of the company stood at INR2,098 million in the quarter 2 of financial year '25 as against INR1,920 million in quarter 1 of financial year '25, which is an increase of 9% quarter-on-quarter. This has resulted in EBITDA of INR613 million in Q2 of financial year '25 as against INR521 million in quarter 1 of financial year '25, an increase of 18% in the comparing periods. EBITDA margin stood at 29% in Q2 as against 27% in Q1 of financial year '25.

The PAT has amounted to INR348 million in Q2 of '25 as against INR299 million of quarter 1 of financial year '25, an increase by 16%. The PAT margin stood at 17% in Q2 of financial year '25 as against 16% in Q1 of financial year '25. The stand-alone PAT has been INR381 million in Q2 as against INR303 million in Q1 of financial year '25, resulting in healthy PAT margin of 18% against 16% in the comparing period.

The consolidated revenue in H1 of FY'25 increased by 18% to INR4,017 million from INR3,417 million in first half of financial year '24, enabling an EBITDA margin of INR1,134 million in H1 FY'25 against INR1,071 million in H1 FY'24 and PAT being INR647 million in half year financial year '25 as against INR665 million in half year '24.

The main reason in decline in the PAT margins on the consolidated basis on half year is the result of the operations to still begin in Aether's facility, whereas the expenditure of common natures like salaries, utilities, etcetera, coming up. We expect this to be turned around well by the end of financial year '25.

During the quarter, we had submitted the stock loss claim resulting from the fire accident, which had taken place on 29th of November 2023 to the insurance surveyor, and the same will be processed and claims settled by the insurance company in Q3 of financial year '25. The revamping of the affected site is progressing as per the plan with certain delays from our regulators.

Still, we anticipate 100% operations at the fire-affected site within a month or so. The remaining claim for the fixed assets for the loss will be put up to the insurance company in the month of November '25, along with the loss of profit claim and we are confident to get the sum settled by the insurance company by or before the end of this financial year '25.

We have been able to reduce the inventory cycle to 178 days as on 30th September 2024 as against 210 days as on March 31, 2024. The debtor cycle has also been reduced to 136 days on September 30, 2024, as against 142 days as on March 31, 2024, encompassing the payment flows from the customers. With the commercialization of SSA with Baker Hughes, we anticipate to have better debtors, inventory cycles in future.

Now I will request Dr. Aman Desai to share updates on Aether's ongoing expansion plans and strategies going forward.

Aman Desai: Thank you, Faiz, for the financial highlights. Good evening, everybody. I'm very pleased, as always, to connect with all of you again. To begin my section, we've been working diligently in augmenting our capabilities with our ongoing capex across multiple sites, integrated with the incremental additions in chemical reaction capabilities in our core competencies, where we begin all the way from R&D through pilot plant all the way to commercial scale. And this is aiding us significantly in enabling and developing newer technology, which we are translating into our CRAMS business model.

We continue to witness a significant influx of business inquiries in the CRAMS business model against the backdrop of the various global scenarios. This business model of CRAMS has indeed grown quarter-on-quarter. This is on the backdrop of our expanded state-of-the-art R&D infrastructure, what we think are cutting-edge technology and chemistry core competencies.

With our efforts to broaden our range of end-use industry applications, we have again successfully proved this CRAMS business model by entering into and publicly announcing our contracts/ exclusive manufacturing contract with the SEQENS Group of Europe. It's a take-or-pay contract and under the take-or-pay contract, Aether will produce a series of natural bio-based products exclusively for the SEQENS Group.

The innovative manufacturing process, which involves continuous reaction technology, which is one of our core competencies, was collaboratively developed at Aether by Aether and the SEQENS Group over the last three years in the CRAMS business model, and this is now translating into the contract/exclusive manufacturing business model under the current executed contract.

Sustainability and renewables continues to be an important emerging area for us, now evidenced by numerous publicly announced collaborations with Saudi Aramco Technologies Company, Novoloop in the U.S., a major lithium-ion battery producer and now the current contract with SEQENS Group. We are further working on numerous other projects in this overall platform, and we anticipate several positive developments in the near future in this overall platform.

Near future should also see significant projects being translated into the contract/exclusive manufacturing business model from the CRAMS business model, specifically a significant project for our Site 3++ as well as multiple projects in our Baker Hughes partnership.

Our R&D expenses for the quarter 1 of the fiscal year '25, which is the current quarter past, stood at INR143 million, i.e., 7.5% of our total revenues was R&D spend. Our in-house pilot plant has enabled us in enhancing chemical development and scale-up of our in-house molecules as well as further expanding CRAMS portfolio.

We have been working relentlessly to leverage the learnings from the upheaval that we faced because of the fire accident in the past year with continuous sustainable improvements and enhancements being made across the board to implement stringent safety measures, which are also progressing and have been vouched by numerous full-scale HSE audits led by various regulatory bodies as well as our innovator customers across the globe.

Just in the past quarter, we have faced nine customer audit, including four full-scale HSE -- multi-day HSE audits by four of our multinational global leading innovator customers, and we have successfully passed all these audits. And in the process, we have also reinvigorated our collaborations with these various innovators.

So all in all, I believe we are proceeding in a significantly positive direction. And with that, thank you, everybody. Wish everybody a very Happy Diwali and a prosperous new year and a safe and satisfying vacation wherever you all are. Looking forward to your questions and Kushal, back to you.

Moderator: Thank you. Shall we begin the Q&A?

Shubhangi Desai: Yes, sure.

Moderator: The first question comes from the line of Krushan Mundada with NJ Wealth.

Krushan Mundada: I have a couple of questions. Firstly, regarding the operating capacity utilization at our sites, what was the capacity utilization for second quarter at Site 2 and -- manufacturing Site 2 as well as Site 3?

Faiz Nagariya: The capacity utilization at Site 2 was around 55%. And at Site 2, it was -- at Site 3 it was around 62%.

Krushan Mundada: Okay. So we are improving gradually. And what is the target for the end of the year?

Faiz Nagariya: Our target for the year-end is around -- we should be 100% on with the Site 2 also, and so we should reach again the 70% mark. And for the Site 3 also, we would expect to reach around 70%, 75%, which is the maximum we try to go ahead and then we keep the other capacities free for any kind of downtime or any contingencies.

Krushan Mundada: Okay. And on the realization front, our product portfolio saw some growth at the...

Faiz Nagariya: Your voice is not clear. Can you speak once again?

Krushan Mundada: Okay. On the realization front, your product portfolio saw some growth at Site 3, the newly launched chemical site. What was the reason?

Rohan Desai: The average realization stands the same as quarter 1.

Krushan Mundada: Okay. So are we seeing any improvement in the realization or increased Chinese pressure would further cause it to go down?

Rohan Desai: We expect the realizations to improve from quarter 1 of this financial year -- quarter 4, sorry. Quarter 4 of this financial year, calendar 1 -- quarter 1 of calendar year.

Krushan Mundada: And since the Baker Hughes contract have not yet started contributing to your revenue, so our projections regarding Baker Hughes contract is INR200 crores top line this year and INR400 crores next year. Is it still intact?

Rohan Desai: That would be impacted for this current year, but for the next year, it is standing still the same.

Krushan Mundada: Okay. And like I have a question regarding the capacity. We have around 7,000 metric tons per annum capacity at Site 4 and our contract to manufacture the chemicals to Baker Hughes is around 17,000 metric tons. So are we going to expand from where we are going to supply the additional capacity?

Rohan Desai: The capacities of Baker Hughes will be utilized from Site 4 basically. And Site 4 we already have the necessary approvals, which are in place, and it is available in the public domain.

Moderator: The next question comes from the line of Ankur Periwal with Axis Capital.

Ankur Periwal: Sorry for the background noise. First question, in your opening remarks, you did alluded towards the new customer addition, the double-digit addition that we had done. Just your thoughts on which are these customers specific to some segment or end application and which geographies are we seeing good traction from?

Rohan Desai: They are broadly aimed for pharma, agro division majorly. And we have two customers in coatings, which we are already selling that product on commercial level. Also we have added two customers in Contract Research & Manufacturing Services business model. And majorly seven customers are from India and the remaining are from outside.

Ankur Periwal Okay. Great. And you did mention two of them to whom we are selling the existing products. Will it be fair to say that all of them will be -- we'll be selling our existing products to them? Or there are some new products as well, which is getting sold to these new clients?

Rohan Desai: No, no, no, existing products only.

Ankur Periwal: Okay. Secondly, on the new production and the new -- sorry, the new products and your discussion with clients, any feedback you can share across maybe even agro or pharma customers? How is the demand outlook there? We had seen some deferment in demand earlier. But any updates there will be helpful.

Rohan Desai: Yes, in the earlier quarter, we have suggested that the demands are back. The pricing is still a challenge. The pricing of the products are derived by China and the competition and something of China, which is affecting the price levels for us. However, we are seeing demands on the new molecules are coming back to its normal -- normality and also new products are being discussed with a lot of customers and new opportunities are also being discussed with a lot of customers. So except for the price, everything seems to be good at the moment.

Ankur Periwal: Sure. Just two follow-ups there, if I may. One, from a volumetric growth perspective, what is the thought process, both from existing customers as well as from the new ones? And secondly, you mentioned that Q1 CY '25 onwards, we should see some pricing uptick. What gives you the confidence there?

Rohan Desai: It will be a new year for Chinese. We hope that in the new financial year, that is based on the calendar year under which they operate, we can assume that they will change their stance and start increasing the price. That is what we are assuming. And during our visits and in the exhibitions and meeting with the Chinese suppliers who are supplying to us, we understood that they are all in tremendous pressure. And so we hope and we are assuming that the prices which have bottomed out will start increasing from quarter 1 of the calendar year -- next calendar year.

Moderator: Next question comes from the line of Krishan Parwani with JM Financial.

Krishan Parwani: Congratulations on a great set of numbers. Just a couple of them from my side. First is, we can see there has been a sharp improvement in your agrochem intermediate sales. So by when do you think -- or when do you expect uptick in other segment sales?

Rohan Desai: We are seeing a good uptick in pharma segment also. Oil and gas is going to increase. It's just a matter of time at this moment. So we're not seeing any challenges on oil and gas. High-performance photography has been pretty stable.

The textile divisions have shown great increase and which will also increase in the future, but not immediately. And on the coating side also, we expect certain percentage increase in the next 2 quarters. That is how we are seeing this business in the quarter 3 and quarter 4.

Krishan Parwani: Understood. And when you mentioned that you are expecting price improvement from 4Q '25, so were you referring more to, let's say, pharma intermediates? Because I think pharma intermediates sales has been like flattish quarter-to-quarter. So were you referring more to that in your commentary?

Rohan Desai: Yes, so we are referring to overall prices, so overall prices from commodities has to change to specialty has to change basically. So you should see a price correction in various pockets from quarter 1 of the next calendar year. That is what we are assuming. And as per our understanding and discussions, that could potentially happen.

Krishan Parwani: Okay. And a follow-up to that. So with improvement in pricing, would we see further improvement in our EBITDA margins, which has jumped from 24% to 27% in this quarter? So would we see kind of this kind of trend continuing going forward?

Faiz Nagariya: See, if there's a price correction, it will definitely increase the margins for us. But also remember that the raw material prices are also dependent upon China. So if the prices of our products increase, there is going to be a little bit increase in the raw material prices also. We see the traction, and we are on the target to reach our original margins of around 29% EBITDA margins.

Krishan Parwani: Yes, yes. I was coming to that only. Yes, yes. Got it, got it. No, that's fair. And just last one from my side, sir, if I may. From which site will this SEQENS contract be served?

Rohan Desai: Aman?

Aman Desai: Yes. So it will be Site 3++.

Krishan Parwani: Noted. And just last bit on that. So I'm not sure whether we have given any revenue potential from this, and if -- and also, are there any more products under work with SEQENS given this is, I think, in your opening remarks also you mentioned that looking at more sustainable products. So what's your view there?

Aman Desai: Yes. So giving -- I think we are under strict confidentiality terms. And so giving a revenue outlook will be difficult in terms of the confidentiality agreement that we have. But we are working on other products. And also, this is a series of launch products for them.

And so the 100-metric ton contract that we have currently is a launch and market development quantities and kind of a demo plant. And so if 100 tons is a launch quantity, then you can imagine that the ultimate commercialization, mature volumes will be significantly higher and that we are currently discussing with them as this project moves forward.

Moderator: Next question comes from the line of Nilesh Ghuge with HDFC Securities.

Nilesh Ghuge: Congratulations for a good set of numbers despite these challenging times for the chemical industry particularly. So congratulations for Aether Industries team. My question -- first question is to Faiz, particularly on the working capital. So how is the current situation as far as the working capital inventory is concerned compared to FY'24 end?

Faiz Nagariya: So in the FY'24, in the financial year '24, we had a fire incident and then we had started the facility in the month of February -- January, February. Most of the products are in the production and the inventory had increased tremendously, and it was around 210 days inventory which we have been able to bring it down to 178 days as of 30th September. So a good decrease and we are continuously working on that.

And we are -- because most of the raw materials are now available in India, so we are taking the materials as and when required and for the production, which is -- for the production which is required. So we are -- we will be still working on that and our target is to bring it down to 160 days odd by end of this year or more than that. And the debtor cycle also, which was around 142 days has come down to 136 days odd.

And as I have mentioned in my commentary also, with Baker Hughes, which is another contract manufacturing project start with other customers, this cycle also will be coming down, and our target is to reach around 130 days by end of this year and then further bring it down to 115, 120 days in the next year. And working capital cycle and also our cash flow from operations is positive just because of the good working capital cycle management which we have done in the 6 months.

Nilesh Ghuge: Okay. And the second question is to Aman. Aman, can you just elaborate on the number of molecules and the type of molecules that we are planning to come out from our Panoli facility?

Aman Desai: Yes, it's a good question. So we have -- currently, we are planning for 16 production blocks in Panoli. And we have line of sight and visibility for about 6 or 7 of these production blocks already in terms of the in-house molecules that we are developing in the pipeline as well as the exclusive contract manufacturing opportunities that we have in the CRAMS pipeline.

And so we already have visibility of about 40%, 45% of the total production capacity of the Site 5, which is I think a really good place to be, considering where we are in terms of timeline. The products will be a mix of in-house as well as external manufacturing.

We are currently into several advanced talks with several of our customers, especially in the renewables and sustainability segment and the oil and gas segment for contract and exclusive manufacturing partnerships in Site 5. And so we have various projects that are ongoing there in these industry applications.

And then we have a few pharmaceutical advanced intermediates that we are developing in our large scale manufacturing business model currently, are in advanced stages and one or two -- one, I believe, agrochemical advanced intermediate in very advanced stages -- finishing of the pilot plant phase validations right now, again, in our in-house large scale manufacturing business model.

So it will be a mix of both models and in the large scale manufacturing model, it will be heavy on the pharma and ag sector, and in the exclusive/contract manufacturing business model, as it stands today, it will be heavy towards the renewals and sustainability segment as well as the oil and gas segment.

Nilesh Ghuge: Okay. And just you touched upon this CRAMS segment. If I look at the numbers also, the CRAMS segment is continuously doing better and better with every quarter. So what kind of revenue we envisage, let's say, FY'25-'26 from our CRAMS business? Currently, we are doing a run rate of more than INR25 crores per quarter.

Aman Desai: Yes. So let me not give you numbers on that, but let me give you an idea of what we are doing for that. We are -- we expanded our R&D significantly last year or 2 years ago. We are further expanding by additional 2x in the same site in an adjoining plot, R&D center that will happen by next year, 2025.

We have what we've been calling the world's largest pilot plant. It's certainly one of the world's largest pilot plant, and I've been calling it the world's largest pilot plant. And both the R&D infrastructure and the pilot plant have significant extensive infrastructure and all of this is focused towards the CRAMS business model.

And so our CRAMS business model has become the growth engine of the company. Our R&D is the growth engine of the company, it's the foundation upon which the company stands on. And so we are very upbeat and positive on the CRAMS business model going forward, and we are continuously adding new customers.

And these customers are innovators and they are across the industry spectrum. And so we are not dependent on any industry spectrum. We are really across the industry spectrum, and our partnerships are in the pipeline of these customers, and we are working with the R&D directors and the technology directors and the CTOs of these companies, of these innovators.

And so the vision of the CRAMS business model remains upbeat, even more upbeat than ever, which if it is possible, because I have always been very upbeat on this business model, but I'm even more upbeat than ever on this business model and we should be seeing -- and we should be having a really good fun with the numbers on this business model in the years to come.

Moderator: Next question comes from the line of Atishray Malhan with Fortress Group.

Atishray Malhan: I have a couple of questions, but first, a clarification. So in the investor presentation and the results disclosure you've provided, the stated revenue for large-scale manufacturing and contract manufacturing is about INR75 crores and INR64 crores, respectively.

But in the corresponding quarter, the corresponding disclosures you have provided last year for Q2 and FY'24, the stated revenue seem to be INR112 crores and INR27 crores. So has there been some sort of a reclassification for some products from large scale to contract manufacturing?

Faiz Nagariya: Yes. Yes, there was a reclassification in the last year's quarter. That's why there was a change.

Atishray Malhan: Okay. And can you maybe provide some names or some contracts, something of the sort?

Faiz Nagariya: Pardon?

Atishray Malhan: Will you be able to provide the names of the chemicals or some contracts that have been shifted from large scale to contract manufacturing?

Rohan Desai: Unfortunately, no. For confidentiality reasons, we cannot do that.

Atishray Malhan: Okay, fair enough. So I didn't hear you too well earlier. So I need a clarification regarding the Baker Hughes contract. So again, please correct me if I'm wrong. So last quarter, you had provided a guidance of about INR200 crores to INR250 crores from the contract for this fiscal year and about INR350 crores for next year. And now because of some of the delays that you had spoken about earlier, the guidance for next year seems to be intact, but the revenue guidance for this year will be a bit less than INR200 crores to INR250 crores, right?

Rohan Desai: Yes.

Atishray Malhan: Okay, fair enough. And just another question. I think last quarter, you had mentioned that there were some delays in the Otsuka contract. Has that been sort of figured out? And is that commercialized from this quarter?

Rohan Desai: Yes. It's already back on track, and we have already received the orders.

Atishray Malhan: Okay. So those numbers are reflecting in this INR56 crores in the contract manufacturing for this quarter?

Rohan Desai: Yes, by 2026.

Atishray Malhan: Okay, fair enough.

Moderator: Next question comes from the line of Rohit Ohri with Progressive Shares.

Rohit Ohri: Aman, congrats on adding one more feather to the hat, that is the SEQENS Group. And every 9 months or so, the team at Aether keeps surprising us with something or the other. So my question is that if you can take us through what exactly are these natural bio-based products? And where are the applications? And what is the market size that we intend to cater to?

Aman Desai: Yes. Thank you, thank you for the kind wishes. If it is up to me, it will be much, much more frequent than 9 months. So I hope we will be making it even more briefer than that. As you can imagine, it takes a lot of efforts and coordination to be able to get approval for main release, especially for these innovators who are very, very selective with how their publicity is seen worldwide.

And so I think the fact that we are able to get a few of these, I think, speaks to the kind of partnerships that we have, but hopefully, it will be much more in the future and we are continuously working towards that.

I'm afraid I'm not able to give a lot of information because, as you can imagine, these are R&D pipeline projects rolling off into commercialization for these innovators and we have been working with them on developing the process for the last 3 years now, and they have been -- and before that, they were in discovery for a couple of years and we can say these all things have been rolling off now for the last 5, 6 years from the pipeline into commercialization.

And as you can imagine, these sort of companies are very, very secretive on what these products are, what their applications are and what the future looks like. But these are natural bio-based products, continuous reaction technology is very innovative technology of making these materials, which previously, as you can imagine, have been obtained from -- as raw materials, which were derived from crude oil.

And so they are -- and the industry applications we are now switching out the products which were previously available from crude oil to completely bio-based raw materials and product materials towards the sustainability of these end applications.

And as I mentioned before and as an answer to a previous question, these are market development quantities for the customer and launch quantities. And so if 100-ton is the launch quantity, then the ultimate commercialization will be much bigger, which we do hope to be a partner for with the SEQENS Group. So hopefully, much more to come in the years to come on this as well.

Rohit Ohri: Aman, is it possible to share from which of the segments that you will be working because SEQENS generally works on pharma, personal care and some specialty custom-made products. So if you can just share some more details whether -- which is the domain that you intend to work on with them?

Aman Desai: It's not the pharma. Let me just say that.

Rohit Ohri: Okay. That makes a lot of sense. Will you be interested in moving more towards certain products which are related to PEKK or certain resins or fluoropolymers or something like that?

Aman Desai: I didn't get the first one. I got the fluoropolymers and then I didn't get first one. If you could...

Rohit Ohri: Polyetherketoneketone, PEKK.

Aman Desai: Okay. Yes. So in the general field of polymerization, we are entering into significantly. And so for example, the polyols, converge polyols that we make with the Saudi Aramco Technologies Company and that -- for their commercialization is a polyol example. We are -- for example, the Novoloop is the depolymerization of a PV polymer back into monomers and then circular economy and upcycle towards other polyols.

A lot of the Baker Hughes products are polymers in fact and used in oilfield services. And we are working on potential contract manufacturing of hydrocarbon resins with our other partners as well. And so we are in the general field of polymers, but I don't think we are in the ones that you're talking about.

Rohit Ohri: Would you be interested in working -- as you say that going forward, there are many things more in the offering from this partnership that's come from SEQENS. Will you be interested in working with Arkema also?

Aman Desai: Arkema?

Rohit Ohri: Yes. A-R-K-E-M-A.

Aman Desai: Well, we haven't -- we don't have any business with them currently. But for sure, we will be interested, yes.

Rohit Ohri: Okay. So my next question is for Rohan. Sir, we used to -- there was a time when the molecules which were sold by Aether were at par or they were much, much better in terms of the pricing with the Chinese counterparts? And post that, and we see that since last 3 or 4 quarters, there's been immense pressure.

Sir, your thoughts on where exactly and what is exactly that is going wrong because there was a time when we were in a position to sell certain products or molecules which were far better than the Chinese prices.

Rohan Desai: Yes. So even today, we are holding majority market shares on all the products in spite of the fire accident, which has happened 9 months ago -- I mean 11 months ago. The raw material prices have also corrected quite a bit, and there's a pressure in the APIs and the AIs which is pharmaceutical end products and agro end products.

And hence, the prices had to be in line with the Chinese competition. And we are still competitive or at par with the Chinese prices. And this is clearly reflected in our margins also in terms of the percentage margins, where we are producing more, we are still able to retain the same percentage margins, which shows that we are able to perform better.

And again, if you see we have -- we do not have a better business edge as compared to China in terms of the currency devaluation, in terms of the export benefits and so on and so forth. So we are -- I consider that we are doing better in this dire circumstances also.

Rohit Ohri: Rohan or Faiz, is it possible or is it fair to assume that going forward that you'll try to inch more towards the traditional margin levels which you used to have in the past to the numbers of like 28% or 30% EBITDA margin kind of level for the second half of the year?

Rohan Desai: Yes, that's the target.

Moderator: As there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Shubhangi Desai: Thank you, everyone, for participating in the call. We hope that we have addressed the majority of your questions. If you still have any further questions, then please feel free to reach out to us. Stay safe and have a great day ahead. Thank you.

Moderator: Thank you. On behalf of HDFC Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.