

**November 15, 2024**

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 Analyst and  
Investor Meet 2024.**  
**Ref: Regulation 30 of the SEBI  
(LODR) Regulations, 2015.**

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Please find enclosed herewith the Transcript of Analyst and Investor Meet 2024 held on Friday, November 8, 2024 on Q2 FY25 and H1 25 Financial Highlights, Future Outlook and Roadmap.

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**  
**Analyst and Investor Meet Transcript**  
**November 8, 2024**

<b>Speakers</b>	<ul style="list-style-type: none"><li>● Rajendra Gogri - Chairman and Managing Director, AIL</li><li>● Rashesh Gogri - Vice Chairman and Managing Director, AIL</li><li>● Suyog Kotecha - Chief Executive Officer and Executive Director, AIL</li><li>● Chetan Gandhi - Chief Financial Officer, AIL</li><li>● Nishid Solanki - CDR India</li></ul>
<b>Analysts:</b>	<ul style="list-style-type: none"><li>● Surya Patra – PhillipCapital</li><li>● Aditya Khetan - SMIFS Institutional</li><li>● Rohan Gupta - Nuvama</li><li>● Rohit Nagaraj - Centrum</li><li>● Jignesh Kamani - Nippon Mutual Fund</li><li>● Abhijit Akella - Kotak</li><li>● Archit - Barclays</li><li>● Priyank Chheda - Vallum Capital Advisors</li><li>● Meet Gada - Emkay Global</li><li>● Archit Joshi - B&amp;K Securities</li><li>● Pranitha Shetty - Morgan Stanley</li><li>● Ankur Periwal - Axis Capital</li><li>● Siddharth Gadekar – Equirus</li><li>● Manoj – KSA Securities</li><li>● Yog – Money Works 4 Me</li></ul>

**Moderator:**

Hi, good afternoon everyone, and welcome to Aarti Industries Analyst and Investor Meet 2024. My name is Nishid Solanki from CDR India. And I, along with the senior management team of Aarti Industries Limited, extend a warm welcome to everyone. It's good to see everybody in person here. Thanks for your time and presence.

From the management today, we have Mr. Rajendra Gogri, Chairman and Managing Director; Mr. Rashesh Gogri, Vice Chairman and Managing Director; Mr. Suyog Kotecha, CEO and Executive Director and Mr. Chetan Gandhi, Chief Financial Officer. We will commence this forum with a detailed presentation from Mr. Kotecha, after which we'll open the floor for question and answer. So please hold on to your questions till then. As always, we'll upload the presentation on the website for you to download.

Please note that certain statements that may be made by the management may be forward-looking, and the actual results may vary from these forward-looking statements. Aarti Industries Limited will not be responsible for any actions taken based on those forward-looking statements.

Before we begin, I would request all of you to put your phones on silent mode. So without further delay, let me invite Mr. Rajendra Gogri to take the discussion forward. Thank you and over to you, sir.

**Rajendra Gogri:**

Good evening, all. And thank you for coming here to attend Aarti Industries Q2 Investor Meet. So this, I think most of you will be aware, but for some of them, you may be new. We started in 1984 and basically have integrated operations in Benzene-based and Toluene-based products with a very strong R&D. We have across 100 plus products; 16 plants out of which 11 are zero liquid discharge; 1,100 plus domestic and global customers, exporting to 60 countries and 5 co-generation power plants. On the right side of the slide here is Benzene, Toluene plus Sulphuric Acid and other Speciality Chemicals and manufacturing, outsourcing, joint product development, technology sharing and feedstock arrangement. Those are the kind of strategic partnerships over the years that we have done. We are a "Responsible Care" company, in "Ecovadis" we have got a "GOLD" rating and we are also part of "TFS" and "CDP".

Overall, we are a value-based company. Care, Integrity and Excellence are the three major values that we have. As our Purpose, we define the right chemistry for a brighter tomorrow. Our Vision is to emerge as a global partner of choice. As you know, we are basically in a B2B business, and we have customers across the board who are into various end use industries. So that is our Vision to emerge as a global partner of choice for our customers. Our Mission is encompassing all the stakeholders, like delighted stakeholders. This year is actually the 40th year. We started the company in 1984. I think this is a very big milestone year in the company's journey. As you know, a listed company is different from individuals. Individuals come and go but the company goes on and on.

Moving on, there are four Founding Directors. Chandrakantbhai retired in 2012, then I took over as a Chairman. Shantilal bhai, another Founder, Director, he expired in 2019, while Parimal bhai retired in 2024.

In our 40th year, I think, as a milestone step, we have onboarded Suyog Kotecha as Executive Director and CEO. That's a major milestone in the company's journey in professionalising and taking forward the company from this 40th to 50th year in 2034. He has a strong background of McKinsey and then Reliance and

others. We are sure that we will be able to drive the company very well in the future and we are always there to guide and support.

Also, this year has seen a churning for Independent Directors across the Board. For our company, there are a lot of retirements. We have got three new Directors who are mainly in Governance, Ms. Rupa Devi Singh, Ashok Barat, Nikhil Bhatia. They're also very well experienced, almost 40 years plus in the industry. They are also a part of a lot of listed companies. Their experience will help in guiding the company. Mr. Belur Sethuram joined us in May as a Director and he has also worked in multinational companies. Overall, I think we have very good Independent Directors.

I think we are currently, I would say, we are in very challenging times as well as very exciting times. Challenging is in the sense that volumes are recovering, but the margins of the products are under pressure because in the last two years, post-COVID, in China, a lot of capacities have come up for most of the products, which is tending to keep margins under pressure. An exciting part is that India still is a country where the people want the material from. So inherent demand from India is there. Our idea will be to identify proper products for that and we have done a lot of partnerships and alliances earlier. So we are also looking at a lot of new kinds of further strategic alliances for that.

Also with our strong capability in manufacturing as well as R&D and customer relations, we also would be participating in a lot of Sunrise sectors such as circularity and Battery Chemicals, etc. I think it's going to be a very interesting and exciting journey in the coming few years.

Another point that I want to share is that Mr. Rashesh Gogri has to take a flight. So, I think he may have to leave in the middle. I would now like to request Suyog Kotecha to take it forward on the Q2 highlights.

**Suyog Kotecha:**

Thank you, Rajendraji. Good afternoon, everyone.

So the objective is of course, we will take you through the financial highlights, but we're also trying to give a flavour of what's happening in the different segments in which we operate. And at the same time, how the company is looking at the next few months and few years.

On the Q2 and H1 FY'25 highlights, as you can see on the chart, the quarter was a difficult one. I think we've delivered about ₹202 crores of EBITDA against roughly ₹311 crores of Q1. On an H1 basis, H1 to H1, Y-o-Y comparison, we are still 18% up ₹512 crore EBITDA against ₹434 crores. On a quarter-on-quarter basis, there was a compression in margins.

If you sort of disaggregate this performance on the volumes and margins front, I think on volumes, all of you are aware that the Energy business became a significant part of our portfolio and hence we're trying to give details of non-energy and energy business to get a better flavour of what's happening in the business.

On non-energy business, both on Y-o-Y basis and Q-o-Q basis, there is healthy volume growth. We're talking about almost 22% volume growth on a Y-o-Y basis. And that uptick is visible across end applications, dyes, pigments, polymer additives. Agrochemicals continue to remain soft, but still there are some green shoots of recovery as we mentioned in the last call. So volume story on the non-energy remained relatively robust. Pricing pressure continues to persist and sort of we are navigating that to the best extent possible.

The energy business is where the second quarter became tough. So we had a very good Q1 for the energy business. In Q2, on a Q-o-Q basis, there was a 36% drop on the volumes for the energy business, specifically MMA. And that was linked to a steep drop in refining margins. So both the absolute gasoline-crude delta as well as the gasoline-naphta delta crashed in the second quarter which is what led to reduction in demand of MMA. We will talk more about it as we go through it segment by segment. A little bit more on financial highlights going all the way to PAT, we are at roughly ₹189 crores in H1FY'25 versus ₹160 crores in H1FY'24.

As I said, at aggregate entity level on a Y-o-Y basis, there's still a volume growth of 15%. I think there's an exceptional income of ₹2.3 crores, which is on account of divestment of stake in a step down subsidiary.

Interest costs broadly have remained constant. I think the original anticipation was that the softening of interest rates will start benefiting from now, but that cycle has obviously got delayed. We expect that the benefits from that will accrue from the next quarter onwards. Depreciation has increased slightly as we sort of capitalise based on commercialisation of certain expanded capacities. And on the basis of H1FY'25 numbers, the Company's tax liability is declining and hence in that context corresponding deferred tax assets are also accrued.

If you go to the underlying business performance, we also wanted to give you clarity on what's happening on volumes across different chains. And on the left hand side, you see most of the major product groups, right. So Nitro Chloro Benzene, DiChloro Benzene, Hydrogenation based molecules, the PDA chain, Nitro Toluene, Ethylation where we recently expanded capacity and MMA.

And the capacities for some of them, wherever there is an expansion that has happened in the recent quarter or the expansion happening in the ongoing quarter, the numbers are based on expanded capacities. You can see the year-on-year trend on volumes for each of these chains. You also have details now of Q1 versus Q2 and H1FY24 versus H1FY25.

The point that we made earlier, across the chains, except MMA, on a quarter-on-quarter basis the volume growth story still remains robust. On H1 FY '24 versus H1 FY '25 as well, except the NT chain, the volume growth remains robust. The capacity utilisation numbers tell you a story of operating leverage available for Aarti Industries Limited from a future growth point of view, especially the chains where we have recently expanded capacity like NT, Ethylation and MMA. The capacity utilisations are in the range of 50 to 60 odd percent, which means that as we ramp up those volumes linked to market demand growth, we have the ability to increase the size of the business without incremental Capex. MMA specifically, as you can see here, the volumes from Q1 to Q2 have dropped from 31 odd KT to 20.5 KT and that's predominantly driven due to the market factors. We'll go through it more in detail. The Ethylation capacity and the Hydrogenation capacity are multiple product groups based on that single chemistry. Hence the exact capacity sometimes varies depending on which products you're producing. For example in Ethylation, I can manufacture three, four different types of products and depending on which product I'm producing, the effective capacity utilisation may look different. Hence as you start looking at this number from a quarter-on-quarter point of view, you will see some variation depending on what product we are focusing on. That was a story on the production volume trend.

Now coming to revenue by end use application. And this is where also significant evolution has happened over the last three years. If you look at the FY'22 split versus what you're seeing on FY '25 Q1 and Q2, you will see one obvious trend is of course Energy has become a significant part of the portfolio, it used to be relatively small in the range of 15%. Today, this quarter it came down to 32%, but was as high as 41% in the Q1.

On the Agrochem, after registering a significant growth in FY '23, post that, I think that sector has been facing challenges and we've seen the story around inventory correction, pricing pressure, certain things to do with weather patterns, especially in North and South America. But that sector remains sort of under challenge, though their demand degrowth, as we said, has potentially bottomed out and the recovery is visible. Product by product the story changes, but there are certain green shoots in the sector.

Dies, Pigments and Printing Inks remain relatively steady. The growth is linked to the economic cycle and GDP-linked growth.

Energy applications are still evolving and have extremely large potential, but remain volatile linked to the refinery market dynamics in the gasoline-naphtha margin specifically for us.

Pharma obviously had a significant volume growth during pandemic linked to the environment at that point in time, of course it has normalised post FY '24 beyond that.

Polymer and Additives, which was earlier going through a lot of pressure from a demand point of view, has actually bottomed out and we have also seen a good recovery as far as the Polymer and Additives segment is concerned.

Going segment by segment, Agrochem and Fertilisers, the key products that we supply in this segment are around – Chloro Anilines, Di Chloro Phenols and all the Ethylated products, roughly accounting about 19% of our overall revenue share, with decent mix of export and domestic, 40:60 odd kind of export:domestic mix. Market-wise, it remained challenging. All of us have talked about channel inventories, adverse weather conditions, so not going to go into that. Market environment will improve as we go into the 2025 calendar year, but the pricing pressures are expected to persist, because the overcapacity levels in China are quite significant across many of these products. To answer the question as to what are we trying to do about this, let me share that we continue to focus on higher market share. I think we would like to retain the market share. Wherever our capacity expansions pan out, we'll push for even more market share there. In the areas where we have expanded capacity and where the demand will take time to pick up, we are trying to develop alternate products to effectively use that capacity, especially in the Ethylation chain where we have expanded capacity. We are trying to build products, which are not only based on Ethylation, but also based on Propylation chemistry, so we can utilise that asset more effectively. We are also doing in couple of phases, with sort of very minor investments. Further backward integrations into certain products where we are already a purchaser and where we are already in the downstream product portfolio, so that improves the margin profile for that particular chain.

And last one, but most importantly, we have invested significantly in our R&D and technology capabilities. So our ability to churn out new chemistries and new products is phenomenally high. In the current market environment, we're trying to see how we can leverage that capability, while operating in an asset light manner.

So for instance, without investing assets on our own, can we use outsourcing tolling kind of models to serve the customers based on our technical and R&D capabilities.

Now moving to Dyes, Pigments and Printing Inks, the big products here are PNCB, DCBH and PNT collectively contributing 12% of overall revenue share. Here it's more domestic, roughly 72% domestic and 28% export. On the market side, it's overall stable, there was a temporary impact of Bangladesh due to political unrest, but it was temporary. The good thing here is that industry is going through consolidation, like, with Sudarshan Chemicals acquiring asset/business of Heubach. An Indian player becoming a major player of course helps, because we are one of the major raw material suppliers.

There was a recent announcement of ADD on Sulphur Black from China. We supply one of the key intermediate going into that particular molecule. So we expect demand there to grow. On PNT as well, I think there is an announcement of initiation of ADD investigation. We will see how it concludes, but that could potentially also have a positive impact on this end market, particularly for us. In terms of our focus areas here, I think we actually expect both volume as well as margin improvement in the domestic market driven by industry consolidation. The major portion of this business actually operates on sort of spot/short-term contracts. Here we are trying to see if we can get consistent volume offtakes over a longer-term by getting into some of the partnerships/offering some specific schemes.

Energy Additives, major products here is MMA, of course Calcium Chloride as well, however MMA is relatively large part of our portfolio. For H1FY25, 37% of our revenue came from this segment dominated by exports. So 77% export, only 23% domestic. From a market point of view, as the gasoline-naphtha crack decline, it makes the octane boosting economics difficult. And let me actually go to the next slide and come back to the previous slide. This is the data on the gasoline-crude crack and the gasoline-naphtha spread. Both these numbers are important, because that's what drives the economics of using additive to boost octane. As you can see, Q4 onwards going all the way to Q2, the absolute gasoline-crude crack also compressed that was driven by higher refinery runs, globally and also little bit of seasonal patterns. The recovery in demand as the petrochemical market improves also relates to the naphtha cracks improved, which meant that the gasoline naphtha spread actually got compressed. While, in Q2 the compression was quite severe. that's what may be leading to a lower demand for octane boosters in general in the global oil and gas sector. So that was one of the significant reasons for volume impact for MMA in Q2.

I think in terms of capacity, yes, few Chinese and Indian players have "announced" or have started manufacturing MMA at small scale, but the capacities are significantly less compared to where we stand. For us, the highlight is we've completed our expansion, our capacity is now roughly in the range of 200KTPA and we can expand it even further with a very minor investment. In the last quarter, we have also established bulk shipment capability for our strategic customer. There are certain large customers, which can take volumes in the thousands of KTs kind of order of magnitude. And now we have established that capability of how to serve those customers.

We continue to push our efforts to diversify customers and geography base across. We were Middle East heavy for exports. Now we are targeting customers in U.S., Europe, Singapore and as well as other refineries globally. We've had

initial success in U.S. We have done already a couple of bulk shipments, one actually went in October and we are hoping to scale up that business quite significantly over the course of next 12 to 18 months.

We have also built our technical sales capability with the support from market experts. And we are looking for strategic tie-ups in select geographies with local distributors, which can give us access to new refineries. Given the high volumes involved, we are also aggressively working here on cost optimisation, both in process as well as logistics that will help improve the bottom line significantly going forward.

On Pharmaceuticals, the major products we supply here are to the likes of PNCB, MDCB and some of the Fluorinated compounds. It forms a relatively small part, 9% of total revenue share. But this is completely a domestic story. 99% of the products here get sold in the domestic market. On the market side, the story remains quite robust. We continue to grow at 8% to 9% per annum. The U.S. Biosecure Act also gives us positive traction from sort of Indian pharma companies' point of view.

There is one specific market here, the PAP market, which is an intermediate for paracetamol, that witnessed slowdown due to significant pricing pressure. Also in the case of the Fluoro chain of the products specifically because of the overcapacity in that section in China that does have impact on pricing in the Indian market. Here we continue to focus on the domestic market. We are trying to increase the share of PNCB in the downstream PAP market. In select cases, wherever we see higher margin potential, we are trying to see export opportunities. And again, focusing on cost improvement efforts so that we increase our competitiveness against Chinese suppliers.

And the last end application Polymer and Additives consists about 13% of revenue share. PDCB, MPDA and ONA are supposed to be the key products that go into this segment. Here it's mostly export heavy, 85% exports and 15% domestic. The product goes into applications like automotive, medical devices, electrical electronics, and also into the high temperature resistant polymers.

Our end market is growing steadily. There's some dynamic here in terms of global trade flows, because one of the key product here PDCB, which goes into downstream polymer of PPS. There are trade barriers getting established globally, which means it is becoming more of a China and non-China kind of a market. And that's where our business highlights come into picture. We are targeting to increase the market share in the geographies of U.S., Europe and Japan, where the competitive intensity is different. We are also focusing on developing new markets for Plasticiser Additives.

Typically, this market operates in a sort of one-to-three-year contract. There are regular renewals happening. We don't see any challenge over here. Given the nature of the contract here, we are also able to pass on the raw material pricing variation. The long-term contract – two, which was in the Polymer Additives space is actually performing well. This year we are seeing the highest volume from this particular contract.

I think, given there are lots of conversations around sort of five or six long-term contracts that we have. We're also sharing update contract-by-contract. For Contract-one, as many of you are aware was the 10-year supply contract, which was cancelled in June 2020, long time back, for which we received the compensation of \$120 million. That capacity currently remains underutilised. If you



split that plant into two sections, precursor and the finished product, I think we are able to now utilise the precursor capacity. That has been very successful over the course of the last three to six months. However, on the downstream capacity we continue to work to develop new products so that we can utilise that capacity in a much better way.

Contract – two, which was a 20-year supply contract for Specialty Chemical Intermediate, where the capital employed was also met from long-term customer advances. That plant, as I said, continues to operate at full capacity. This has been potentially the best year for that contract. And as per this contract terms sort of EBITDA is protected and is not linked to volumes.

Contract – three, which was a 10-year supply contract again for a Specialty Chemical Intermediates is operating as per contract terms. This is expected to ramp up to peak levels in FY '27 timeframe. Here, the product stabilisation and qualification has taken bit of a longer time, but the commercial orders and deliveries have already started. And as it ramps up, we hope it will reach its sort of full potential by FY '27 timeframe.

Contract – four, which was for Agrochem intermediate, again is going as per the contract terms. Here the peak will happen most likely in the course of next 18 months, because we have just expanded the capacity. The molecule produced here is based on the recent expansion. So as we ramp up that capacity, I think the corresponding contractual volumes will also increase.

Contract – five, which was a four-year contract for a niche Specialty Chemical, given this is linked to the oil and gas market here, we are seeing month-on-month volatility driven by end use. But as I said, from a four-year timeframe point of view, we still see very robust potential for this contract.

And contract – six is slightly different. It's a 20-year sourcing contract for purchase of Nitric Acid, which mitigated a risk for Aarti Industries from a key raw material purchase point of view. Again, it is operating as per contract terms and it will also give us supply security for one of the key raw material. Also some of the major savings from this contract will actually kicking in the second half of FY '26. So that will also help us improve the bottom line, once those savings start kicking in from the second half of FY '26 point of view. Now that was on the sort of a recent quarter and H1 updates.

I think in terms of future outlook and roadmap, in the current market conditions, management team has taken a step back and charted out a path, a more concrete paths in terms of our focus areas and our deliverables from a three-year standpoint.

And if you look at what are the key EBITDA drivers in the near term, right. If you start from here and go to FY '28. I think broadly we are classifying our focus areas into three buckets. There is a big focus on cost optimisation from where we are trying to see EBITDA potential of ₹150 crore to ₹200 crore. And I'll go through initiatives in detail.

The second bucket of volume and margin ramp up. Especially in the areas where we have expanded capacity there's almost upside potential possible of ₹350 crores to ₹550 crores on EBITDA terms.

And then there is a Capex-led growth, part of which, we had sort of announced in the previous calls, which will start delivering ₹300 crores to ₹450 crores, in the kind of timeframe that we're talking about FY '25 to FY '28.

On cost optimisation, we're doing broadly three buckets – steam, power, fixed cost and then a little bit of yield improvements. On steam several initiatives are already in the play. We've installed back pressure turbines in one of our zones. We continue to expand that to other zones. It's expected to deliver significant savings in terms of steam unlock potential.

On renewable power, we did one phase last year, which got commissioned and is actually delivering savings right now. In this today's Board Meeting, we just approved second phase, which means by the end of 2026, we will have further savings from renewable power. And compared to our total external power purchase by that time more than 70% of our power will come from renewable source. That will also help us tremendously from a sustainability aspect and meeting our SBTI targets.

I think we've taken a lot of initiatives around waste energy streams' utilisation, ETP cost optimisation, both from solid waste management and disposal point of view, wherever we can use co-processing versus incineration or reducing the effluent load generation itself. So many of those initiatives will also start accruing over the course of the next six to nine months.

On fixed cost optimisation, I think we went through a phase where we did lot of Capex, which is also linked to debottlenecking, asset upgradation, reliability, especially in our zone 1, zone 2, zone 3. As all of that gets completed, we actually see a significant opportunity to optimise on fixed cost. And that is sort of a deliberate effort that we are launching and we expect to see savings coming from that as well in the next six to nine months. And then there are technical initiatives, lot of initiatives around yield improvements, raw material cost optimisation. I will not go into details of that. But all of that in near-term should give us the benefit of ₹150-200 crores of EBITDA. The detailed initiatives are in the play and already under execution.

I think on the volume and margin ramp up, Acid, DCB and NCB chains where the capacity expansion happened a bit earlier are already in a ramp up phase. And we see that over the course of next one, one and a half year, those value chains will ramp up where utilisations could start hitting upwards of 85%, 90% kind of levels. I think Ethylation and NT volume, where the capacity is just now getting commissioned, ramp up will happen over a bit more elongated time. But there also potentially in the course of next two years, we will see significant volume uptake without incremental investment. MMA volume ramp up is a long-term story. We already have a significant capacity available with us and as I mentioned, we can expand it further with very minor investments. Hence, we see this as a long-term growth story for us. We continue to invest, building our capabilities to serve the Energy sector and that could become a significant growth driver for us in the mid as well as in the long-term. And in Fluorination and Speciality Chemicals, wherever we are doing minor debottlenecking, I think, that capacity will also start coming into play and will help us too. So this bucket is a significant bucket of ₹350 crores to ₹550 crores depending on sort of demand and margin uptick, but over the course of next two to three years will add significantly to our bottom line.

On Capex-led growth, we recently commissioned our pilot plant in the new zone 4 that will fuel our new product development because now we have ability to produce the new molecules developed by R&D technology and also get it qualified with end customers early. before the actual commissioning of the new assets.

So that will help us tremendously. Our client development effort will get accelerated significantly with this pilot plant. The MPP, the Multipurpose Plant that we are setting up in zone 4 is likely to get commissioned by the middle of next year, it will also give us ramp up abilities to do molecules depending on margin profile happening at that particular point in time because multipurpose, our ability to switch the product portfolio is quite significant over there.

And overall in zone 4, the commercialisation will happen gradually over the course of next 18 months kind of timeframe, but that ramp up will also start. That ramp up will not get completed in the three-year timeframe that we're talking about, but it will start accruing to the bottom line as we do phase-wise commissioning.

And the UPL JV that we had announced two quarters back, there we are expecting in last part of maybe the FY '28 timeframe is where we will see some ramp up in volume and margin coming from that JV as well.

If you look at all the three areas, we see significant EBITDA uptick potential in the near term. And near term, we are defining it as sort of by the FY '28 kind of timeframe. Now from a long-term even beyond FY '28, which are the areas, where we have to also act now, to ensure that we capture upside from there. Broadly speaking, as Rajendra ji mentioned, our core strengths are around three aspects, Sustainable Manufacturing, our R&D tech capabilities and our Customer Relationships.

And on the basis of that, there are three areas we're focusing on. One is, how do we leverage the R&D and tech capability to drive asset light growth. It's a very unique capability. We feel we are one of the best in the industry as well as where the domestic market is concerned. Next is how do we utilise this capability to launch new chemistries and use the asset light model including tolling outsourcing, but where we can do commercialisation much faster, is going to be one of the priority focus areas. We have already done two pilots, some initial success and we will scale this up as we go through mid-to-long-term kind of stuff.

Strategic alliances have always remained a priority for Aarti Industries and will remain a priority. I think as we speak there are five plus projects where there are active conversations happening for different chemistries. There are different phases, these include the likes of backward integration for a Polymer where we are already in a long-term tie up or intermediate for end use in personal care or a polymerisation project for oil additives. So there are different types of chemistries for different types of end markets, it is a pretty diversified set of relationships and we hope to conclude some of the strategic partnerships towards the course of the next six to twelve months.

And then early bets on new sectors, right. I think we mentioned this, but there are three themes we are focusing on where potentially we could grow with partnerships as well as joint ventures. The models could look very different. I think on Circularity and Chemical Recycling, we see a huge upside, both linked on our strengths as well as based on domestic market potential that's area we continue to remain focused on. On Electronic chemicals, we are in active conversations and we hope to make some early bets to capture the tailwind in that particular

sector. And the Speciality Chemistries used in battery materials remains another focus area where we're doing joint development with few players, which could potentially commercialise in sort of three to five years kind of timeframe.

So putting this together, where do we see from a growth outlook point of view? I think this year is expected to remain broadly similar to last year, roughly ₹1,000 crores to ₹1,050 crores kind of EBITDA given the challenges that we are going through. But from FY '28 timeframe, I think we are targeting somewhere in the range of ₹1,800 crores to ₹2,200 crores kind of EBITDA, predominantly driven by consistent volume growth over three years because of our increased capacities. The operating leverage and the cost optimisation initiatives that we talked about will add significantly to EBITDA, which is completely in our control.

I think the Capex plan has been optimised and moderated. So this year is expected to be in the range of ₹1,300 crores to ₹1,500 crores versus earlier estimate of ₹1,500 crores to ₹1,800 crores. So that has gone down and the Capex for FY '26 is also estimated to be around ₹1,000 crores. It's a part of zone 4 and the maintenance Capex, but significantly lower than FY '25. I think as management, the three-year outlook that we're taking is both on sort of health of the balance sheet as well as the bottom line performance.

We're saying that we target less than 2.5x of debt-to-EBITDA, ROCE of greater than 15% and EBITDA in the range of ₹1,800-2,200 crores, which we feel is a realistic with a stretch kind of aspiration and feel very confident of delivering on it. So with that, let me conclude. I think the presentation will be available to all of you and we are happy to start Q&A. Thank you.

## Question-and-Answer Session

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- Moderator:** Thank you sir for detailed and insightful presentation. We will now open the forum for question and answer. I think we have around 30 to 40 minutes. Please limit your questions to one or two per participant, so everybody gets an opportunity to ask a question. Anyone who wishes to ask a question, please raise your hand, introduce yourself and ask a question. Please raise your hand to ask a question. Yes, sir.
- Surya Patra:** Hi this is Surya from PhillipCapital. Thank you for the detailed presentation, sir. My first question is on MMA. We have already seen that the run rate is something at almost ₹2,000 crores, that we are currently at, with near about ₹900 crores kind of business in the first half, that is my assessment. And I believe you mentioned that the domestic sales mix of the MMA business is around 23%. Is that right?
- Suyog Kotecha:** So the split of domestic and export was at a segment level, not at a particular product level. For Energy Applications, which has other products as well, so the ratio is for the entire Energy Applications and not for a particular product.
- Surya Patra:** So then my question is that, we are fetching almost like, near about ₹1,000 odd crores in the first half. And, that is at a 45% kind of capacity utilisation level. So the annual run rate itself looks like a kind of one-third or more than one-third of the business. From MMA itself, it is more than one-third of the business. Now you are also indicating about a ramp up there. So could you give some visibility? Because this itself is becoming or looking like a kind of a major contributor going ahead. And I think you mentioned that you started this MMA business with a couple of refiners.

If USA is claiming that it is a kind of a larger kind of opportunity and the scope for adding new refiners, that is also there, so can you give some visibility here in terms of the kind of scope and expansion? Also an additional point here, is there a scope of backward integration here? I think you touched upon something here. Can you give some sense about that? How can we grow profitably led by both volume as well as the cost optimisation?

**Suyog Kotecha:**

So a lot of questions on there, but let me try to do justice. So MMA, as I said has become a relatively large product for us. The capacity numbers that you saw are after the recent expansion. The recent expansion of MMA got concluded literally in the last quarter, which is where it has now become 200 KT. But the way we have done the expansion is that we have the ability to further add with limited investments. The market pickup will take time. The capacity expansion comes in chunks, but the market development will happen a bit more linearly. And that is where in that context, we took a bit of a longer timeframe for the MMA ramp up. There are two levers we are deploying for the ramp up there. One is geography diversification. As I said, we were mostly Middle East heavy. We have got some success in U.S., right now and we're planning to see if we can replicate that success for Europe and Singapore as well, where there are other sort of gasoline blending hubs globally. That covers sort of the major four global blending hubs. And the other channel, which is where we directly sell to the refineries, where currently let's say on an average we are supplying to two to three refineries. Can we scale that up to 15 to 20 refineries? I don't think we can say with very high degree of confidence that we will be able to scale this up in the next three to six months kind of a timeframe. But if you take two to three years kind of a timeframe, then definitely both the strategies will play out. I think cracking an oil and gas client takes time. But I think once cracked then potentially there is a long-term business potential. And that is the path on which we are on, which is a combination of market outreach and capability building and we're working on both fronts.

**Surya Patra:**

Just an extension, you mentioned that there's an uptick in the month of October for MMA, supply-wise. So is it fair to believe that the bottom has already been achieved so far, I mean, the seasonal bottom for MMA supply during the quarter two?

**Suyog Kotecha:**

So look, we want to be clear. The market here is linked to what is happening in the refinery market. So it is fair to say that October or Q3 numbers for MMA will look better than the Q2. But using the term bottoming out, I think is sort of stretching it, because ultimately it depends on how the refinery cracks both gasoline-naphtha delta as well as the gasoline-crude crack evolve over the course of next two, three sort of six, nine, twelve months kind of timeframe where there are multiple other aspects, right, from geopolitics to refinery runs to the demand for gasoline and the impact on that from several other factors. So from a near term outlook point of view, we see recovery in Q3 from a volume point of view. And our objective remains that how do we widen the customer base so much where even if there is a fluctuation in the end market because of the wide customer base, we are still able to utilise our capacity effectively.

**Surya Patra:**

Yeah. With your permission just one more question. You have guided about ₹1,000-1,050 crores kind of EBITDA for full-year. In the first half, I believe already it is just that 2x of the first half number that you have given as the guidance. That means are you really sceptical even for the second half, although directionally things are looking positive?

**Suyog Kotecha:** I think the way I would put it is that as a management, we are giving guidance where we have relatively higher degree of confidence and probability levels in terms of achieving these numbers, right. In Q4, as the seasonal demand in the U.S. picks up and at the same time how the Agrochem sector typically picks up from a demand and volume point of view, I think we can have that conversation.

But right now, the only point I can make is that our current guidance both for near term as well as for mid-term are realistic.

**Surya Patra:** Sure. Thank you.

**Moderator:** Thank you. Please raise your hand to ask a question.

**Aditya Khetan:** Hello. So this is Aditya Khetan from SMIFS Institutional. My first question is on to the exports market. On a sequential basis, we have witnessed that the freight costs have gone down. And in the U.S. and the European markets also, demand has been quite steady. Despite that, we are witnessing a decline in volumes vis-a-vis the other companies who are witnessing in a growth trend. So is there any sort of a differential why our volumes are declining over there? And continuing on to this, considering the demand of MMA, so what it is today, and taking a view so 10 years down the line, how you see the demand? Will it be at the same level, or it will be at a declining trend only for the next 10 years?

**Suyog Kotecha:** So on the first front, actually we saw the trend the other way around. Our freight costs, frankly, were higher, especially in the earlier part of Q2 due to tensions driven in Middle East. I think those started easing out relatively recently in the last few weeks. But for the major portion of the quarter actually the freight costs were higher. I think in terms of our products going into the Western markets, frankly, the answer will differ from product-to-product. So I would not like to generalise it.

Coming to the second part of your question, on MMA's 10-year demand and where it will remain. So again, I want to fundamentally correct here that this is a market development story. This is not a product where market already exists, and where we are trying to capture a share, right? MMA at this scale was not used as octane booster till two, three years back. So there is no comparison here in terms of this is the market of MMA today and what will be the market of MMA 10 years down the line. The market for this product, if you go by actual numbers or actual trade flow did not exist two and a half, three years back. This is the market development that we are creating, we are developing. So to some extent, of course, it is linked to the downstream market economics, but it is also linked to how much market we are able to develop for this particular product.

**Aditya Khetan:** And you mentioned that, so there are some new capacities which are coming in into the MMA, into the China market. Any sort of a quantification number you can give? How much capacities have been added over there?

**Suyog Kotecha:** The information is sketchy and limited. The only thing I can say is that we remain the largest player as far as this product is concerned. And I think we will remain by far the largest player for at least, in the near future for which we have visibility given the kind of capabilities that we have built both from a technology and a cost point of view, as well as our ability to service customers. We talked about bulk shipment capabilities, we talked about some of the technical know-how. We feel that we have a significant competitive advantage even if some of the other smaller players come up with sort of small capacity.

- Aditya Khetan:** On to the exports and on to the MMA, you see so on to the numbers side, we have reached the near-bottom and there wouldn't be further declining volumes from here on, at least?
- Suyog Kotecha:** The way I can answer that question is we have seen an uptick in the recent months compared to quarter two.
- Rohan Gupta:** Hi, good evening. Rohan here from Nuvama. First question is on the long-term guidance, which you have just given like almost ₹1,800 crores to ₹2,000 crores kind of EBITDA by '28. Just failed to understand that just almost six months back, we were looking at this kind of numbers, I mean, ₹1,700 crores to ₹1,800 crores to be achieved by next year itself. The story has been pushed by almost two years. Just wanted to understand the difference in last six months, whether it was the over-optimism of the earlier management or after you're taking the new seat, you have become more conservative?
- Suyog Kotecha:** To be fair and sort of give due credit to the question. The company definitely felt that MMA ramp up could happen much faster. Because at that time, the market scenario was like that. If you had a look at those numbers of naphtha-gasoline delta as well as absolute gasoline to crude cracks and if those numbers would have continued, I think we could have had a very different picture today as we are sitting in this room.
- So I think let's understand that it is difficult to forecast, it is difficult to predict how that market will operate and depending on how that market is operating, the numbers would have looked very different. And the other aspect was the assumption around how soon the margin pressure on the rest of the portfolio will go away. Potentially that has also got a bit more elongated compared to the expectation that earlier we had.
- So we understand what you're trying to say. But the only thing we will say is that the numbers that we are currently forecasting as a potential guidance ₹1,800 crores to ₹2,200 crores are very realistic in current market conditions.
- Rohan Gupta:** Second is on MMA itself. Like now almost one third of the revenue is coming from MMA. And going forward, we are still confident about the growth in this segment itself. And you also agreed that there is increasing competition from China and even India also. Definitely, you may have created the category, but when we see that whenever the category is created, the competition is bound to increase. So you just accepted that MMA sounds to be a little bit more commodity kind of in nature in terms of the margins volatility. So do you see that if going forward, we continue to remain in MMA and maybe the revenue share going to maybe 40% kind of thing. The company, our earnings can be more volatile and will be difficult for us to predict in future?
- Suyog Kotecha:** The product itself many people potentially can come into manufacture. But what we're trying to build here is a bit of a solution-oriented business. It's not a product where you take it and you sell it to anyone for mixing it into either naphtha or gasoline. I think there's a decent amount of know-how that goes into it in terms of, what to blend, how to blend, how to achieve the best optimum performance. That's where I talked about building our technical capability with market experts to do value-added sales to our clients. And that remains unique and that remains special where the value addition to individual clients would look very, very different. And that's why we feel that we will remain distinctive and we will have competitive advantage as far as this valuation is concerned.

- Rohan Gupta:** In the EBITDA breakup, you mentioned that, from the current Capex utilization ramp up and the ongoing Capex, you are looking roughly at ₹350 crores to ₹350 crores, I mean almost ₹700 crores to ₹800 crores incremental apart from ₹150 crores from the cost optimisation. So this ₹300 crores, I mean ₹700 crores total from the incurred Capex along with the ongoing Capex, EBITDA of ₹700 crores to ₹800 crores looks quite minimal in terms of the kind of Capex we have already invested and we plan to invest in future. Some more clarity on what Capex number you're talking about while you are giving this ₹700 crore to ₹800 crore incremental EBITDA? That's it from my side. Thank you.
- Suyog Kotecha:** I think the historical Capex numbers, you guys are already aware of it. So we're not going to repeat it. But from the current year and the next year point of view, we gave the numbers. I think the current year Capex will be in the range of ₹1,300 crores to ₹1,500 crores and the next year Capex in the range of ₹1,000 crores, which is a combination of maintenance as well as partly for zone 4.
- The numbers forecasted here are only on the basis of this incremental Capex. We have not accounted for any incremental Capex, which will happen for either expansion of zone 4 or newer projects that we talked about from a long-term point of view. So from an incremental Capex point of view, this year plus next year put together. We are talking about ₹2,300 crores to ₹2,500 crores.
- If I take out the maintenance Capex out of it, then it's going to be in the range of ₹2,000 crores to ₹2,300 crores, that's the Capex we're talking about for this incremental performance.
- Rohan Gupta:** ₹2,000 crores we have invested so far, right?
- Suyog Kotecha:** Of course.
- Rohit Nagaraj:** Rohit Nagaraj from Centrum. So first question again delving on MMA. I'm referring to Reliance's Q2 presentation. The gasoline market has actually improved QoQ as well as on YoY basis, and our volumes have been down. So is it the pricing of the product, which is prohibited for the refineries to take up the volumes? Or is there any other factor? Because if the volumes of gasoline are going up, ideally, our volumes should have also gone up. So if you can enlighten us on this? Thank you.
- Suyog Kotecha:** So we're not sure what information you're referring to. I can only sort of refer to the information that we have available in the public domain. The product is linked to the margins available for gasoline and the delta between naphtha and gasoline. And those two numbers we showed there is a significant compression on both these two numbers on a QoQ basis.
- Rohit Nagaraj:** So it's not related to the absolute volumes of gasoline consumption?
- Suyog Kotecha:** I mean indirectly yes, but look what is the purpose of the product? The product actually improves the octane performance of a blend, right. So it is improving the functional property for a particular product. So what it is more linked to is the premium available for that improvement. And that is what drives the demand for this product.
- Rohit Nagaraj:** And the second question, just Rohan asked about the benefits and including the cost benefit that we are targeting maybe ₹800 crores or ₹1,000 crores. Will it be a linear incremental EBITDA contribution? Or will it be more like back ended towards the end of the period that we have talked about?



**Suyog Kotecha:** It will not be back ended.

**Rohit Nagaraj:** Okay. Sure. Thank you so much.

**Jignesh Kamani:** Hi. Jignesh from Nippon Mutual Fund. Just harping more on MMA. So if you think about as you mentioned right now from two or three clients, you want to ramp it up close to around 15 clients. So how long will it take for you to develop a specific solution for the individual client? And once you develop the solution for a client to understand the efficacy improvement, how much time it will take to test and everything and hence how long the ramp up can happen on the MMA side, from the client side actually?

**Suyog Kotecha:** I will answer that question in two parts. One is the client development process. Any new client is anywhere between six odd months kind of a process. In this case, you will approach, you will reach out and if there is a basic value proposition, there is a conviction around it, you will send samples, there are trials based on that certain economics get established and then you get into a negotiation. So the process can take anywhere between four to eight months for an individual client in a normal scenario.

Depending on the market scenario, when the margins are good that can get compressed very fast, because people will come to you and ask for a product. When the margins are under pressure, that time gets elongated further, because they also want to justify the economics internally. So the average timeframe I have mentioned, but as I said that will change significantly depending on the market condition, which we are operating in.

**Jignesh Kamani:** And second question, if you take right now, you are close to, you have 2 lakh kind of capacity on the MMA. Hypothetically, the gasoline spread remains under pressure. Is there any alternative to utilize this capacity? saying that means if you take the next three years, clients continue with all additives doesn't migrate to MMA for any reason, you can say. Still, you can say you utilize this capacity for other purposes and maintain you can say generally ₹2,200 crores kind of EBITDA range, can you get it?

**Suyog Kotecha:** So the current capacity is dedicated for the MMA block, right. And MMA as an application, there are some other minor applications, but this remains the largest application. It does go into dyes and pigments as well. But I think oil and gas remains a larger application, so that ramp up will be linked to how much we are able to penetrate in the oil and gas application.

**Jignesh Kamani:** Understood. Thanks a lot.

**Moderator:** We have a question here.

**Manoj:** Hello. Good evening. This is Manoj here from KSA Securities. My question is pertaining to Sunrise sectors, that are pertaining to chemical recycling, electronics, electronics chemicals and speciality chemicals. Now you have just made the statements while giving the presentation that the company is going to be more about the R&D and it's going to be more about the technological company.

Now the world across there is a lot of many research going on as far as chemical recycling is concerned. So could you please take us through the vision of Aarti Industries Limited about the cost benefit analysis. How big is the market in India pertaining to all the sunrise sectors. And how much revenue we would have

envisioned for years to come. As far as Aarti Industries is concerned from its transition to R&D and a technological relevant company?

**Suyog Kotecha:**

So I think, to be honest with you at this point in time, it is difficult to give the revenue potential number. The only thing we can say is that each of these areas are multi-billion dollar market areas. I mean recycling circularity as a theme itself has multiple aspects under it. There's polyolefin recycling, there's rubber recycling, there's extraction of precious materials from some of the recycled stuff. Even within chemical recycling, there is a simple pyrolysis oil plant, but at the same time there are multiple opportunities to upgrade from that pyrolysis oil to different products, which can be used at a much better value. So I think the areas that we have selected, we have selected from the point of view that they have the decadal tailwinds, right.

That demand growth for these sectors will not go away for 10 to 20 years. In fact, there will be a significant demand growth. And that's the intention to focus on these areas. In each of these, we have our own unique niches, right. We are not someone for example, if I talk about their battery chemicals, we're not going to be the large Capex player investing into all sorts of battery chemicals. No, that's not the intention at this point in time. I think our intention is to focus on speciality niches where we have certain inherent advantages from our current portfolio. And there is a linkage to what is required in that space versus what we can deliver. And based on that we are picking up niche pockets. And we are working with partners to make the business happen in those cases. So the opportunity side will get determined based on each of these opportunities.

The only thing I can tell you is that we are working with some marquee companies globally at this point in time. And some of those early bets will happen much earlier than later. The true revenue potential from each of these areas, which is scaled up to a level where it becomes part of this presentation potentially, is two, three years down the line.

**Manoj:**

Any thoughts on what the debt-to-equity which you have said is almost 2.5x right now and how best we can manage our working capital cycle in terms of your inventories, in terms of your debtors, creditors and all that. I would appreciate it if you could add some colours to that.

**Suyog Kotecha:**

Just a small correction, it's not debt-to-equity, it's debt-to-EBITDA. Debt-to-EBITDA currently, I think we are in the range of around 3x, 3.3x kind of a level. I think management's comfort is to operate at less than 2.5x. That's where we feel it's relatively straightforward to manage from a debt-to-EBITDA kind of situation and that's what we are aspiring to reach in the next two to three years' timeframe. Based on our current Capex programme, as well as current cash flow that are expected from the existing business, we feel confident we'll be able to hit that target.

**Manoj:**

Thank you and all the best in your future endeavors.

**Suyog Kotecha:**

Thank you.

**Moderator:**

Yeah, we have a question there.

**Abhijit Akella:**

Hi. This is Abhijit from Kotak. So you mentioned that there's significant room for capacity utilisation to increase in nitro toluene, Ethylation, MMA as well as PDA, the older capacities. What exactly has held it back thus far? And what needs to change in the environment for you to ramp up and meet those targets?

**Suyog Kotecha:** So for all these three, the answer is different. I think the NT, Ethylation and MMA capacity expansion happened right now as we speak. NT and Ethylation are getting commissioned right now, where we expanded from 10 KT to 25-30 KT and MMA expansion got completed in the Q2. So it's a gradual course where the ramp up will happen going forward. I don't think anything has held back. Of course it has happened at a timeframe where margins are under pressure, right. But from a demand point of view, we feel pretty confident that we should be able to ramp up this capacity. The answer for the PDA chain is different.

I think in respect of the PDA chain we had the capacity before and the utilization is now down compared to earlier levels because that's where we see true competition from China where the capacity is now 5x, 6x of global demand in some of the PDA chain molecules. And they're operating at a price point where we may not even participate in some specific client. That utilization levels will happen, the uptick will happen where we are trying to develop higher end of some of the value added PDA molecules in a strategic partnership with Western customers. But those are in early conversations, we will see if they go through some variability in terms of how soon we can see ramp up in utilization levels over there. But the other two chains, I think they're natural course of action where the expansion has happened just now. The ramp up will happen over the course of the next 6, 12, 18 months kind of timeframe.

**Abhijit Akella:** Yeah, but I presume they do go into agrochemicals to a significant extent.

**Suyog Kotecha:** No, it's different for different. MMA, you guys already know. I think the PDA chain the product are used for dyes application and but actually the polymer is a major end use, it's not agrochemicals. On NT and Ethylation, yes. I think agrochemicals and dyes are the major end markets. So PNT mostly goes into dyes and the ONT and the downstream is an agrochemical product. So different end markets for the three different. You wanted to add?

**Abhijit Akella:** Yeah, just one last thing on that point. So NT and Ethylation if the agro market remains broadly the way it is, what line of sight do we have regarding the ramp up of this?

**Suyog Kotecha:** So two things that we're doing there, just to get clarity. I think and maybe now we're getting into bit of a technical domain. But the Ethylation capacity that we have developed, the way we have built that capacity now is we have also ability to produce other specialty products based on the same technology, right. So we do one particular product for Agrochem intermediate right now, but we can do now Ethylation and Propylation based products in the same asset, which are so far not being done by anyone else in India as on date.

So our idea is that part of the capacity might be linked to conventional Ethylation based product that we were supplying so far, where also volume ramp up will happen, where we already have one contract in place and we are potentially targeting more. But part of the remaining capacity, we can also deploy to do the specialty products for both Ethylation as well as propylation based, which are so far not being manufactured in India. That capability has already been established through this expansion.

**Abhijit Akella:** Got it. Just one last thing from my side. With regard to MMA, implicit in the EBITDA guidance we've given for the full-year, this year, ₹1,000 crores, ₹1,050 crores. Does the long-term contract that we have there, the ₹6,000 crore contract, are we sort of assuming that that performs as per full-year commitment from the customer or there could be some risk in that regard?

**Suyog Kotecha:** I think first of all, it's a four-year contract, right? It's not a one-year contract. And there is a month-on-month and quarter-on-quarter volatility. I think we remain in sort of active discussion with our partner over there on how we can ensure that we deliver as per the contract terms. But there is a volatility. If you go back quarter-on-quarter numbers, there is a volatility. And we have to see how the next six months play out from a quarter three and quarter four point of view. But at the same time, if you look at the first half of this year, it was doing beautifully. So I think we will not make judgments based on one quarter performance.

**Abhijit Akella:** Thank you.

**Moderator:** We have a question here.

**Archit:** Hi. Archit from Barclays. Suyog, two questions for you. One, you have been a consultant for almost 10 years, right? And you understand the importance of predictability in a business. I mean, there is a reason why oil and gas gets slower multiple, because the predictability is not there.

Now, I mean, given what happened six months back, there was a guidance of ₹1,500 crores for this year for EBITDA, that has been cut by 40%. MMA there is a 30% decline in the quarter, I mean, in terms of volumes. So obviously, I mean, it appears that predictability has gone off. So what can happen to the business, which can improve the predictability, which can help all the investors? So that is question number one.

Question number two is on cash flows. So if you look at the last few years, we have been doing broadly ₹1,000 crores EBITDA. Capex has been higher than EBITDA, which means FCF negative has been in the stage for the last three years. Going forward also, I think, I mean, as the numbers you're mentioning Capex will be more than ₹1,000 crores, EBITDA is in that same range. So again, it will be FCF negative. What can happen? What can be changed in the business, which can make it significantly FCF positive? So two things, predictability and on the FCF? Thank you.

**Suyog Kotecha:** So we accept the fact that as the MMA got launched, I think the volatility increased in terms of performance. At the same time, I want all of us to also look at the fact that because of that "development", we were actually able to derisk our overall EBITDA performance quite significantly when the rest of the chemical market was down.

So let's also look at the positive side which was that we were able to develop that molecule in relatively shorter span, we were able to expand capacity and capture the market when gasoline crack delta was relatively high. That's one. Second, how do we improve predictability is that only by diversifying the risk associated with that particular product. And there are two ways it will happen. One, I think the remaining part of the business portfolio also grows over the course of time as many of those expansions come into the play.

And the second in MMA, as we were in the initial market development phase, I think the exposure was very concentrated. As we go forward, as we diversify geographies, as we diversify customer bases, I think the volatility there can get mitigated quite significantly is our current thought process. Whether it will happen in an immediate three-month timeframe, the answer is most likely no. But whether we can mitigate that volatility over mid-to-long term, I think potentially yes. Some volatility will always remain, irrespective of however the customer and geography base we develop. If the end market is so volatile and some part of that will get

impacted to us for sure, but I think we will minimize that to quite a significant extent.

On the second part of your question on FCF and cash flow, look we understand, I think potentially we are being explicit this time around that we want to go to more than 15% ROCE levels. We want to achieve less than 2.5x debt-to-EBITDA and that's the path on which we are on. We feel very confident that now the actions that are being put in place and we should reach to those kind of financial metrics in the timeframe that we talked about.

**Archit:** And just one follow-up. So I mentioned the FY '28 part of the story. But anything on FY '26, '27, I mean, are we looking at a linear? I don't know, I mean, whether linear is possible in this business or not. But any colour you can give on FY '26, '27 in terms of improvement for MMA or for the other part of the business?

**Suyog Kotecha:** At this point in time, I think we showed the levers that we are deploying. Some part of this levers will start accruing earlier. Some of the cost optimization levers will potentially start accruing much earlier in the second half itself or in the first two quarters of the next year. The volume and margin ramp up story where the capacities have already got expanded, there potentially that potential will accrue over a three year timeframe and most likely I guess in a linear fashion versus the Capex led growth will be little bit back ended.

There also MPP will start potentially hitting the bottom line in the next financial year. Zone 4 is likely to impact sort of towards the end of the time period that we are talking about. So I think based on that, I guess, you can make the best judgment possible in terms of how the growth trajectory will be there for EBITDA performance.

**Priyank Chheda:** Hi, Suyog, Priyank from Vallum Capital. Just, you spoke about market development within MMA product. One is we would get a more share from the other players, is where we can derisk our model as well as you said about a market development, what actually you meant about that given that there are lot of other macro dynamics that are playing out with respect to biofuels, with respect to electrification, with respect to many other LNG usage, hydrogenation. So how much is there in our control, in our hands to actually develop this market of MMA for high octane usage?

**Suyog Kotecha:** I think all those global factors are in play, Priyank and they will remain in place from a next 10-20-year timeframe point of view. What we're talking about here is the global market for a conventional octane booster like MTBE is about 35 million tons. We are not even scratching the surface when it comes to the kind of volume that we're talking about here as octane boosters, right.

So it is more about reaching out, educating the customer about what this product is, it's a relatively new product, how does it function, they have to try it out, see the performance improvement themselves and based on that structure of commercial relationship. So all the long-term macro trends that you talked about are valid. But for us, frankly, it's a development phase where the alternate octane boosters are at a scale where right now we are not even scratching the surface when it comes to that market.

**Priyank Chheda:** What is the volume of that market today?

**Suyog Kotecha:** The volume of that market will change depending on the performance that your particular product delivers in terms of octane boosting. But so without getting into

technical details, just to order of magnitude, understand MTBE, this is one of the largest applications of octane boosters is about 35 million ton market globally.

**Siddharth Gadekar:** In March '23, when you are giving a presentation, we had said that on March '24 on gross block we could do roughly around ₹2,000-2,100 crores of EBITDA. Now we are saying that in FY '28, on FY '26, gross block, our EBITDA will be in the range of ₹1,800-2,200 crores. What has fundamentally changed in the business?

**Suyog Kotecha:** I think, I guess we answered partly that questions with the presentation, but there has been genuinely pricing pressure and the margin pressure across the breadth of the portfolio driven by two aspects. One, of course, China overcapacity and second, demand being not as per expectation in many of the product portfolios. Combination of these two is what led to the pricing erosion in some of our large molecules. And that's one of the reasons where you see the numbers are today.

**Meet Gada:** Meet Gada here from Emkay Global. I wanted to understand that what will be the dollar per barrel rate would be at which MMA business will be sustainable?

**Suyog Kotecha:** I don't know which dollar per barrel you are talking about.

**Meet Gada:** Crude.

**Suyog Kotecha:** It's nothing to do with crude's dollar per barrel. As I explained many times, it is linked to what is the differential available either between naphtha or gasoline or the premium you get for octane boosting. There are two markers that we have shown in the chart. And you've seen quarterly evolution of these two markers over a time period and you have also seen the MMA volume linked to that. I think from that you can derive the best judgment.

**Meet Gada:** So is it a fair estimate that if the crude prices are higher, the gasoline prices will catch up to that or not?

**Suyog Kotecha:** As I said, again, it is linked to the delta available for that premium fuel. It is the delta available for octane enhancement, which drives the demand, not necessarily the absolute price.

**Meet Gada:** Understood and what is your take on, there is anti-dumping and investigation happening on Aniline. So major portion of our Aniline is imported. So what would happen and what is your take whether it will come or whether it will not?

**Suyog Kotecha:** To a large extent, it doesn't impact us because the bulk part of our business is export. So we can always do business based on advanced licences. So even if there is ADD, I think it has relatively limited implication on us.

**Yog:** Hi, Yog from Money Works 4 Me. I have a question regarding our cost competitiveness across our product portfolio with regards to Chinese players. Could you give us some more colour on that for our various products, how are we positioned from a cost perspective?

**Suyog Kotecha:** I think across most of our products, we can confidently say that we are very cost competitive. The fact that in today's margin environment, that we are able to run our assets almost at full capacity wherever the expansions happened earlier, shows you our competitiveness. And we know at those levels many of the Chinese players are actually bleeding right with net negative P&Ls and I think that just shows that when it comes to conversion yield energy norms, I think we remain one of the best as far as the value chains in which we are concerned.

**Yog:** Just a follow-up on that since you stated that they are bleeding, could you give us some more clarity on why they are continuing to sell at the current prices even though it's not profitable for them?

**Suyog Kotecha:** It's difficult for me to answer. I think it's a broader question that the chemical industry is facing. And I'm sure you will get some colour from your different conversations with sort of a different player. Fundamentally, the only one thing I can comment on if I take a step back, this industry went through a phase where Chinese started building capacity more from a self-sufficiency point of view in 2015 to '2018-2019 kind of timeframe and that is the direction in which they were going. What happened during the COVID years is that everyone saw sort of abnormal levels of profitability. Everyone made tremendous amount of money in that '21, '22 kind of timeframe. That abnormal profitability and with the base assumption that we will continue to grow at our historical rate is what led to Chinese to expand so massively. And two things happened simultaneously. One, all of that capacity got commissioned recently based on the money earned during the COVID Bonanza years. And that got coupled with a lack of Chinese domestic demand. So that domestic demand of China which was supposed to expect it to grow at historical growth rate actually never materialized. In fact, in some sectors it went down like real estate, for example. And that is where you see the basic calculation going wrong where they are now forced to dump that product globally, wherever there is a market available. And that's what leads to margin pressure from a near term timeframe.

**Yog:** Just a final follow-up on this point. Do you see any terminal value risk from China over the next 10 years? Or would you say that is not a threat that you all believe you all face?

**Suyog Kotecha:** As you know, Rajendra ji mentioned, they are challenging but exciting times. Because from the demand pool from our partners, especially in Western market remains very, very strong and very, very robust. Yes, the margin profiles are challenging, but from a 5, 10, 15 years story point of view, and I think this is in general true for chemical industry, I think India will remain a preferred destination from both sides. One, our domestic story will continue to get more robust. On any of these aspects, if you look at our current consumption levels, we are way below compared to global standards. So there is a domestic demand story and at the same time, there is a global market, which wants us to supply more, right. The question that you asked from a 10-year story point of view, I actually see that it will remain pretty robust.

**Archit Joshi:** Hi, thanks for the opportunity. Archit Joshi from B&K Securities. In your initial remarks, you're talking about PDCB. I think as far as I recall the slide, we've seen volumes decline quite a bit and you're mentioning something about China, non-China, how the market is divided right now. And the application area that you're talking about, if I understand correctly, it has increasing usage in EV, which is polyphenylene sulphide, if I recall correctly. So one of the key exported products that we had maybe four, five years ago now has seen a reasonable bit of a decline. So what would be your thoughts on that?

**Suyog Kotecha:** Just to correct that I don't know if you're referring to which number, this is a product which is growing in volume. There's absolutely no pressure in terms of demand growth. The demand remains pretty robust. It's grown in volumes, it has definitely not gone down and it will continue to grow.

As you rightly mentioned, it has, in general automotive applications, not necessarily only in EVs, but also in some of the ICE engines, because ultimately the application, the downstream molecule goes as a sort of heat resistant polymer. So it's a steady demand growth. We continue to target our customers. The fact that I was mentioning is that, because it has become a sort of China, non-China market. Our ability to target U.S., Europe, Japan is much better where we get preferred market shares from many of our end clients.

**Archit Joshi:**

Sure. So secondly, I think you're addressing the MTB issue earlier with the previous participant. Just on MTB, I think there are multiple other octane boosters in North America because of the availability of corn. Ethanol is a very big octane booster. I know that you said earlier that you are quite instrumental in making this market itself of MMA. What is the current thought process that notwithstanding the volatility in gasoline cracks, this actually can be a large octane booster in use. So is there an evident market share gain that you might get from ethanol or MTB or maybe some other octane booster? And what's the predictability of that to happen in the future?

**Suyog Kotecha:**

The multiple octane boosters used in the market, as you mentioned from all the way from MTB to ethanol to there are many other chemical components, which are also used as specialty octane boosters. Each end user will determine the blend mix depending on what works best for them from both a performance boost as well as the cost of that performance boost.

What gives us confidence is that the fact is we have been able to scale this up to this level in a relatively short term timeframe. So I also want to take a little bit of step back and understand that look from nowhere this molecule has scaled up. So definitely when we are talking to the customers, there is some utility that this product brings, which is where we have seen the scale up happening, which means then it's not like other octane boosters are not available. The demand growth is not led because some other octane boosters has gone down. Despite of availability of octane booster, this particular product has been able to take market share in a relatively short span of time and that's what gives us confidence that we should be able to ramp up the volumes based on our market development efforts.

**Archit Joshi:**

Sure. Thanks. Just last one, if I can squeeze in. The SABIC contract, if you could quantify at all, how much would be the EBITDA that we would be deriving yearly?

**Suyog Kotecha:**

We don't talk about client specific contracts as it's under confidentiality and definitely not talking any numbers over here. The only point I will make is that all of these long-term contracts and actually particularly the contracts that are going into Polymer applications are running at the best throughputs historically in this particular year.

**Archit Joshi:**

Sure. Thank you.

**Pranitha Shetty:**

Good evening. Quick one. Thank you. This is Pranitha from Morgan Stanley. I just had a very quick question on the non-energy side. Do you have any clarity or any visibility on the pricing trends, which the market is seeing on non-energy, especially in the Agrochem side?

**Suyog Kotecha:**

I think as I said the margin pressure, but potentially from a pricing point of view, we can say that we would have reached the bottom. That's what I think we've been observing since the last couple of quarters. So the ability to go down from



here, I think, is relatively limited from most players' point of view. So we can make a point that potentially bottomed out.

But as I said, the story will change product-by-product. Agrochem is a very diverse sector, right, different end products have different chemical intermediates. And hence, for a particular product, there always can be a different story. But in general as a sector, at least in our judgement, we would say that the pricing might have bottomed out.

**Ankur Periwal:** Hi, Ankur Periwal from Axis Capital. First question, you had alluded towards China's aggressive capacity expansion, and hence the pricing overall being lower, which had impacted our margins as well. Given the current state of affairs and we don't know how much excess capacity there is in China. Do you think that there could be this extended lower pricing scenario continuing for another one or maybe even two years?

**Suyog Kotecha:** Answer will vary from chain-to-chain. For some molecule where the capacity is significantly large in China that timeframe is very much possible. But as I said, we have to look at chain-by-chain and also we have to look at our exposure. So for example, NCB chain, where predominantly our exposure is domestic, right, or a pharmaceutical application where predominantly our exposure is domestic. There potentially the margin pressure should start getting elevated much earlier than later. For something like PDA chain, for example, where the capacities in China are also very large and our market is also predominantly export, there we could have a bit more longer time from a margin recovery time frame point.

**Ankur Periwal:** Sure. And just a related question, the margin EBITDA guidance that we gave over FY '25 to '28. In these assumptions, are we building in some bit of pricing improvement coming in, maybe some normalisation in pricing coming in or these are at status quo pricing?

**Suyog Kotecha:** I would say very marginal improvement we have baked in, not a significant one.

**Ankur Periwal:** Lastly, historically, we have been pretty aggressive in terms of our Capex. Even the next two years numbers, '25 and '26, roughly ₹2,500 crores, which is more than the EBITDA, I'll give you that we'll generate versus earlier when the asset turns were higher or even if you look at EBITDA on gross blocks, whichever number you want to look at. The numbers have depleted over a year considerably. And given the excess capacity, the global macro, do you think those numbers will improve? And the second part to this is the ₹2,000 crores EBITDA number that you guided for. Is that peak utilization for all the capacities, which is ₹2,500 crores incremental and the existing block?

**Suyog Kotecha:** Lots of questions packed in there, but let me try to answer that in a step-by-step manner. First one, just correcting on the Capex, right. I think our capital deployment and the efficiency of that capital will be very prudent, as far as these next 3.5 years are concerned. The Capex guidance that we gave was for this year for which ₹670 crore is already spent in the first half roughly. And in the remaining part of the year, we will do ₹1,300 crores to ₹1,500 crores, right.

And incremental ₹1,000 crore over next year and that's it. We're talking about by end of FY '26 and then there is FY '27 and there is FY '28 in which we are sort of generating EBITDA out of it. So I think the calculation that you're making in terms of EBITDA generated over the next three year time frame versus capital deployed, I think we might need to sort of relook at those numbers.

And the second question is, do we assume the ultimate end potential of all these chains that we talked about. When it comes to FY '28, two answers to that question. In some cases, still no. For example, MMA as I mentioned, going beyond 200KT is very much possible for me with practically very, very negligible Capex. So that ramp up story is a bit more long-term ramp up story at this point in time. So we will definitely not reach the full potential of that chain.

I think the another story is going to be around margin recovery. As we discussed, we are potentially not baking in the fully normalised margins in many of these chains. So that remains potentially a further upside in a long-term kind of timeframe. And even for zone 4, given we will only have sort of one year potentially 1, 1.5 year of ramp up timeframe. I think there also we are assuming certain parts of that portfolio are getting commercialised. So that also going forward on the deployed Capex should have better upside. So all the levers mentioned there, it's not that they're reaching their full potential by FY '28 kind of a time frame.

**Moderator:** Please raise your hand to ask a question.

**Surya Patra:** Hi, this is Surya, again. Just on the new product development side that you have mentioned and you were just alluding to also about the new product opportunities. So if you can give some clarity about that, because that is part of the zone 4; I think that is what you are including in the zone 4 area, I believe.

**Suyog Kotecha:** I think maybe it's a work in progress. I think we are trying to design that Capex in a way where we can produce a lot more molecules than originally planned, which will ensure better utilisation and better profitability from those particular assets. And that's still work in progress. But we potentially could do multiple new value chains in the same asset as we designed that plan more like a multipurpose process blocks rather than a dedicated chemistry block. I think that is the effort, which is ongoing right now. I think the teams are working on it and we'll have more clarity on it in the next three months.

**Surya Patra:** And about the Capex visibility, while we are talking about the Capex that it is peaked out; now in the current financial year and the next year, it is indicated to be kind of a lower number. But while you are talking about a kind of a collaboration and supply opportunities in the various new areas as well as in the existing lines of business. So then that obviously will give you an option for a capacity addition given new contracts and all that. So how do you think those kind of supply opportunities, multi-year contracts further going ahead?

**Suyog Kotecha:** Of course, I think if there are any attractive growth opportunities, I think we will pursue it and we will invest behind it. Right now, the visibility that we have given is based on the current approved Capex and the performance based on that current approved Capex. We continue to remain in the market to explore new growth opportunities. And as and when those attractive opportunities come up, I think we will be definitely going ahead in terms of the due course from approval and then execution standpoint. And then the only point I will make and maybe it's related to some of the previous questions. I think our hurdle rate on the Capex is potentially more stringent now. And given that we have seen these kind of market conditions are sort of meeting the hurdle rate to ensure that the Capex proposal goes through, it will go through a little bit more of testing times in the current margin environment. But we continue to have conversations on many of these new molecules and new partnership projects.

**Unidentified Analyst:** Thanks for the follow-up. So you have transitioned from a consulting to a manufacturing firm, and that's a good transition obviously. In terms of your imperatives, you have talked about multiple things and focus areas, right from cost optimization, utilising the unused capacities, the ongoing Capex, future Capex, business development. So what would be your key focus areas as of now? And what would be the supporting environment from the promoter led family to you? So are you going to be spearheading all the projects? Or will there be any bifurcation in terms of you as a CEO and the promoter led family? Thank you.

**Rajendra Gogri:** Yes. So basically, the word is this Chief Executive Officer, so entire the execution of the assets, once the assets are there, the entire asset management and running the assets and getting maximum amount out of it, that becomes his first responsibility on that. And I will be more of a facilitator in managing various stakeholders with a lot of customers or suppliers. We have over the years so many relationships and all, so that is what we believe. Our role will be, more in the future, where we should go, how we evaluate opportunities and then after identifying the opportunities and then further how it grows. So on the growth side and all, our involvement will be much higher in both identification, evaluation, and then critically examining and passing the investment side. So there we will be quite involved.

**Suyog Kotecha:** I think just to give a little bit more colour to it. Look, I think the organisation was getting professionalised, since a long time back. I think if you look at our CXO structure, right from our Chief Manufacturing Officer, our Chief Scientific Officer, our Chief Technology Officer, our Chief CHRO, I think all of these guys have come from impeccable pedigree. I think they got hired into AIL's system right from 2017 and 2020, the CXO structure was already established. So in that context, it's not like one or two people trying to do things. I think the organisation is relatively very well established and that team is committed to deliver what we talked about here today and as he mentioned, I think they are available for any guidance, surely driven by their experience of the last 40 years. And from a strategic best point of view, right, when it comes to investments, when it comes to long-term growth potential, of course, their experience and guidance is tremendously valuable.

**Unidentified Analyst:** So effectively the EBITDA guidance meeting is your prerogative, is it?

**Suyog Kotecha:** Well as a management team, we take responsibility for performance delivery.

**Unidentified Analyst:** Perfect. Thanks a lot and all the best.

**Moderator:** Thanks, everyone. Thank you, members of the management. We hope you found the discussion insightful. Please don't hesitate to come back to us if you have any further questions. Thank you, and have a great day.

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