August 7, 2026

To,
Listing/Compliance Department
BSE LTD.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001.

BSE CODE : 524208

To,
Listing/Compliance Department
National Stock Exchange of India Limited
“Exchange Plaza”, Plot No. C/1,
G Block Bandra-Kurla Complex,
Bandra (E), Mumbai – 400 051.

NSE Symbol : AARTIIND

Dear Sir/Madam,

Sub.: Transcript of Q1 FY27 Earnings Conference Call.
Ref.: Regulation 30 of the SEBI (LODR) Regulations, 2015.

Please find enclosed the Transcript of the Q1 FY 2027 Earnings Conference Call held on July 31, 2026.

Kindly take the same on record.

Thanking You,

Yours faithfully,
FOR AARTI INDUSTRIES LIMITED

RAJ KUMAR SARRAF
Digitally signed by RAJ KUMAR SARRAF
Date: 2026.08.07 18:05:37 +05'30'

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

Aarti Industries Limited
Q1 FY27 Earnings Conference Call
July 31, 2026

Moderator: Ladies and gentlemen, good day, and welcome to Aarti Industries Q1 FY27 Earnings Conference Call. As a reminder, all participants will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

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

Nishid Solanki: Thank you. Good afternoon, everyone, and thank you for joining us on Aarti Industries' Q1 FY27 earnings conference call. Today, we are joined by senior members of the management team, including:

- Mr. Suyog Kotecha, Executive Director and Chief Executive Officer, and
- Mr. Chetan Gandhi, Chief Financial Officer

We will commence the call with opening remarks from Mr. Kotecha, followed by a Q&A session where management will address participants' queries. Just to share our standard disclaimer. Certain statements that may be made in today's call may be forward-looking in nature. A disclaimer to this effect has been included in the results presentation shared earlier and uploaded on the stock exchange websites. I would now invite Mr. Suyog Kotecha to share his perspectives. Thank you, and over to you, sir.

Suyog Kotecha: Thank you. Good afternoon, everyone. Welcome to Aarti Industries Limited's earnings call for the first quarter of the financial year 2027. I will walk you through our financial and strategic performance for the quarter, alongside the key milestones achieved across our growth initiatives.

The quarter was characterised by a challenging macro environment, with persistent geopolitical tensions in the Middle East disrupting global supply chains, increasing freight costs and driving inflation in crude-linked raw material prices. Despite these headwinds, demand across our core products remained broadly stable, supported by our diversified customer base, operational resilience and market development efforts. Our ability to optimise the product mix in such constrained macros resulted into higher margins despite elevated prices.

The West Asia crisis had a direct impact on our Energy business, temporarily halting exports to the region. The region's share in our revenues declined from about 15% to 2% in this quarter. We successfully redirected a significant portion of these volumes to other markets, limiting the overall business impact. We are working on opportunities to open new fronts for supply in the region, which we expect to regain the volumes in the upcoming quarters.

The quarter witnessed elevated prices of key raw materials, particularly Benzene, Sulpur, Methanol and Aniline amongst others. High prices impacted the purchasing power in specific end applications such as dyes, selected agrochemicals and polymer compounds. This impacted our volumes during the quarter, however our robust supply chain and efficient inventory management resulted into market share gains and inventory gains, which contributed to our overall EBITDA growth.

Let me now take you through our financial performance for the quarter.

Overall, the Company reported:

- Revenue of Rs. 2,627 crore, representing a growth of 41% Y-o-Y, which was primarily driven by higher input prices passed on to the customers.

- EBITDA of Rs. 385 crore, growing 79% Y-o-Y, driven by a combination of product mix optimisation, monetisation of low-cost inventories. This was also supported by stable demand, improved realisations for select products and resilient execution despite temporary disruptions.

- Profit After Tax of Rs. 155 crore, registering a growth of 260% YoY.

Working capital requirements expanded during the quarter, driven by higher feedstock prices and increased export volumes. Consequently, debt levels and finance costs rose to support this requirement.

Our business continues to be driven by two key segments – the Energy business, and the Non-Energy business.

In the Fuel Additives, that's Energy business, demand visibility remains robust. West Asia's contribution to revenues has declined primarily due to the ongoing regional conflict, thereby impacting sequential volumes. Meanwhile the other international markets continue to perform well, while our efforts to develop other potential markets have strengthened our ability to diversify volumes across geographies. We have completed our key fuel additives capacity expansion to 360 KTPA, from 290 KTPA, providing additional flexibility to serve newer markets with newer products as demand evolves. Against a volatile backdrop, we maintain an agile strategy, dynamically balancing volume growth with spread optimization to safeguard overall profitability despite ongoing fluctuations in feedstock costs, refining margins, and gasoline–naphtha crack spreads.

Within the Non-Energy business, demand trends remained mixed. Polymers demand remained soft during Q1, primarily due to weak demand for downstream products in US & China, with recovery expected in Q2.

Dyes and Pigments segment continues to face demand headwinds, driven by subdued demand amid a high raw material pricing environment and seasonal factors.

Pharma demand continues to be stable, and the Agrochemical volumes were marginally lower, primarily owing to customer resistance to source at elevated RM Prices. Volume recovery is expected in Q2 supported by underlying stable demand.

The suspension of export tax rebates in China has created favourable opportunities for our NCB value chain products.

While short-term export headwinds may persist due to the West Asia conflict, we expect sustained volume growth supported by capacity expansion and deeper market penetration. Overall, our business continues to demonstrate underlying strength anchored by steady volume growth, enhanced operational efficiencies, and the disciplined execution of our strategic roadmap.

Barring the 3-6 months delay due to labour constraints and war related issues, our Zone 4 project expansion continues to progress. The project is being commissioned in a phased manner this year, FY27, with ramp-up expected over FY28 and FY29. Our PEDA project is progressing through market seeding activities and expected to be commercialised soon. We are also looking to debottleneck our DCB capacity to 140 KTPA backed by volume increase supported by PDCB and downstream demand.

In line with our earlier guidance, FY27 CAPEX remains on track within the Rs. 700 to 800 crore range, with about Rs 180 crores already deployed in Q1FY27. With our major expansion programs nearing completion, CAPEX intensity is expected to reduce significantly starting next year. Going forward, our capital deployment will pivot toward high-growth, high-return niche projects.

Aarti Industries is also accelerating its long-term strategy through high-impact, collaborative partnerships and ESG-led growth initiatives. Our JV with Superform for downstream amine derivatives exemplifies this approach, leveraging complementary commercial and manufacturing strengths to unlock significant market potential, reflecting the strategic model we intend to build upon. Strengthening this collaborative approach, our partnership with Superform Chemistries through Augene Chemicals combines our deep chemistry expertise and raw material backward integration with their market application insights to build a differentiated specialty chemicals platform; this joint venture remains firmly on track for commissioning in Q2FY27. We are seeing demand tailwinds in a primary end-use application, which provides opportunities for faster ramp-up.

Parallelly, our commitment to sustainability and circularity is anchored by our plastic recycling initiative with Re Sustainability through Aarti Circularity, that is slated for commissioning in the second half of FY27 which utilizes advanced recycling technologies for hard-to-recycle waste streams.

Reinforcing this ESG-led direction, we were pleased to achieve the EcoVadis Platinum Rating 2026 during the quarter with a score of 87 out of 100, placing Aarti Industries among the top 1% of companies globally for sustainability performance.

Our business expansions through our subsidiaries globally (i.e. in UAE, UK and USA) is progressing well and supporting better growth trajectories in various markets. With an endeavour to expand our global footprints and be a step closer to the potential markets, we have planned to set up a subsidiary in China. This entity shall facilitate our plans to expand our base in one of the large global Chemicals' markets, accounting for more than 45% of the global market. Our presence will also enhance our sourcing capabilities for some of the key RMs and support a cost and time efficient supply chain arrangement.

Execution across all our long-term contracts remains stable, continuing to underpin baseline volume growth and safeguard revenue visibility.

Despite near-term uncertainties, we remain confident in our long-term growth prospects, supported by our diversified portfolio, expanded capacities, and strong customer relationships. Backed by disciplined capital allocation, continuous process optimization, and deeper integration with global key accounts, our focus on execution ensures we maintain operational resilience in the near term while building long-term, sustainable shareholder value.

Thank you for your continued trust and support.

With that, I would now request the moderator to open the floor for the Q&A session.

Moderator: Thank you so much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. First question comes from the line of Rohit Nagraj with 360 ONE Capital. Please go ahead.

Rohit Nagraj: Thanks for the opportunity. Just one question in terms of the Zone IV capex; given that it has got delayed, however, our FY28 guidance remains intact. So how confident are we to reach the lower end of guidance given that there is at least 6 months of delay in this project, and we were probably considering a decent amount of scale up happening in FY28, which will give additional EBITDA? That is all from my side.

Suyog Kotecha: Hi, Rohit, that is one area where we continue to work upon. In our guidance, we had given the numbers that will come from the capex-led programs and in capex-led, Zone IV was a significant contributor. In that overall capex section, the JVs are expected to remain on track. I think Augene and RESL will commission. Even the MPP, the multipurpose plant and the calcium chloride unit in Zone IV is also expected to commission now. So it should get ramped up. The other blocks, there are 5 different chemistry blocks in Zone IV, is where we are seeing the delay and which might lead to a bit slower ramp-up compared to our original anticipation that we had given in our target aspirations for FY27, '28.We continue to remain watchful while being fully transparent in terms of where we stand against our strategy. As and when we commission these blocks and we will share the ramp-up phase of these units, once we have a better understanding of what is the speed of ramp-up of these 5 different chemistry blocks.

Rohit Nagraj: Perfect, and just one question on the numbers. What was the inventory gain during this quarter, although we have specified the forex gain in the press release?

Suyog Kotecha: The FX and inventory gains are difficult to estimate correctly, but I think the impact could be anywhere in the range of INR 50 crore to INR 60 crores. But it is difficult to quantify that precisely because within the quarter, we saw significant volatility. We had April and May where the raw material prices were elevated. We saw towards the end of May, some part of June where the prices corrected dramatically and then again, sort of restarting of conflict in Asia led to price increase towards June and July.

So, I think, this quarter, specifically, it would be a bit unfair to sort of quantify the exact amount of inventory effect, same thing happened also with currency. I think the April currency versus June currency looked phenomenally different during the quarter. There was tremendous amount of volatility. But by and large, given the timing of the raw material purchase and the timing of the product placement, there was a support in the overall EBITDA performance for this quarter.

Rohit Nagraj: Perfect. Thanks a lot and all the best, sir.

Moderator: Thank you. Our next question comes from the line of Arun Prasath with Avendus Spark. Please go ahead.

Arun Prasath: Good morning. Thanks for the opportunity. Sir, my first question is on the energy segment. We successfully diverted our products from Middle East to the new geographies, as you mentioned. How were the new geographies earlier fulfilling their fuel additives demand? Is it some other fuel additives or is it a product? And is this sustainable? Can we continue to service these new markets and as well as Middle East markets once the crisis is over? Will it mean that our current additional capacity that we have added, will we go back to, say, 100%, 90% to 100% utilization in the near term? These are the first set of questions on the energy markets from my side.

Suyog Kotecha: Thanks. So, as I have sort of repeatedly said in the previous quarters, this business is still in its market development phase. We have not reached the true potential of this business, and it will remain in market development phase for some time to come. And that is how the ability to divert the products from one region to another region is, as and when the new market opens up, it gives you a lot of flexibility. In general, our portfolio has become a lot well balanced in terms of percentage of volume going to U.S., Africa, Europe, Middle East and India. There is still a Southeast Asia region, which we have not cracked. But apart from that, in the rest of the global markets, we are pretty well diversified and in that context, it is giving us ability to move volumes around.

To your question on capacity utilization, I think from a customer and a market development point of view, significant efforts have happened. They are also supported fundamentally by the fact that the demand has been good, right. The gasoline naphtha cracks were strong, and they continue to remain strong, which is where we are sort of the continued strong demand is also visible in the quarter 2 and that is what is giving us confidence that irrespective of the Middle East situation, we should be able to ramp up our pipeline.

Arun Prasath: Right, and given our success in this segment, are you worried that at some point of time, competition will also try to; right now, I believe competitive intensity is less in this product, not as fuel additives but in this product. But how are going to know that when the time comes, what would be our strategy to retain market share? Can we become more cost competitive? Can we increase our distribution? How are we going to retain this once competition decides to come after us?

Suyog Kotecha: Yes. So, I would say there is already significant competition in this product. I think there are more than two or three players in India, which have entered this market and there are more than 2 or 3 players in China which are currently playing in this market. We continue to maintain our market leadership position and we will continue to do so. The strategy involves multiple aspects. I would not go into the details, but it does includes all aspects, including new products in the portfolio, differentiated products built for specific markets, specific customers. It also includes global supply chain planning and footprint optimization, and it also includes unique distribution strategy linked to specific customers. Cost remains sort of in our DNA. We can very confidently say that we will be top decile in terms of cost structure for the entire product portfolio that we are trying to develop as part of this segment. So, it is a combination of multiple aspects. Competition already exists, and we try to do our best to retain the market leadership position.

Arun Prasath: Now that we are close to commissioning our Augene, any kind of numbers would you like to quantify what are our steady state expectations on this? How soon can we see it reflecting in our quarterly numbers and how long it will take to ramp up to the steady state?

Suyog Kotecha: So, I think from an operations point of view the commissioning activities are ongoing as we speak. The first sale of the raw material to the joint venture has already happened. We also see traction in terms of order book of the product that we plan to produce in this joint venture. So, within this quarter, we should start seeing operations and ramping up happening. Within the first sort of 1 to 2 years, we should be able to reach to a decent utilization level for the entire capacity that we have built. From a financial standpoint, being 50-50, it will consolidate at PAT level. So, the numbers at PAT level will start becoming visible. The meaningful difference may come, we would say, around 2 to 4 quarters down the line, but it should start becoming visible from this quarter onwards.

Arun Prasath: Any revision to the steady-state revenue for our JV at the current prices?

Suyog Kotecha: We had projected INR300 crore to INR400 crore. I think we will maintain that range for the joint venture to start with. As and when we complete the ramp-up in this quarter and we stabilize the plant operations, we will come back with a firmer estimate.

Arun Prasath: Finally, on Zone IV, you said that a bunch of the chemistries are delayed. Is it linked to the Agri markets, and hence the recoveries also will track the Agri market turning around?

Suyog Kotecha: I do not think the delay is anything to do with market or linked to a particular Agri segment. It is a pure product execution challenge, which we faced, primarily started around March, April's time frame, where there was a huge labor shortage driven by LPG issue and then consequent elections & monsoon which triggered a few delays. But at the same time, I think multipurpose plant is undergoing commissioning again as we speak. The product out is expected within the month of August, and we will announce commissioning post first product is out from the plant. The other blocks of different chemistries will get gradually commissioned as we had indicated earlier. The product mix that we are currently starting with is very well diversified. It has a mix of agro, it has a mix of pharma, it has mix of coating, it has mixed of polymers. And we remain to have a different sort of segregated differential end market exposure for the overall Zone IV capabilities. It will not be heavy towards one particular end market. That is the current strategy. So the ramp-up is linked to project execution is not necessarily linked to end market at this stage.

Arun Prasath: Understood. Thank you very much for answering all the questions. All the best, sir.

Moderator: Thank you. Our next question comes from the line of Aditya Khetan with SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: Thank you, sir, for the opportunity. Just a couple of questions. Sir, on the price hikes when we look in this quarter, across segments we would have taken price hikes, but when I look at the Dyes & Pigments and the Pharma segments, then the price hike number looks much higher compared to Energy segment or the polymer additive business. Are we expecting these price hikes to roll back going ahead, suppose if the base commodities prices reverse? And what would be the sustainable number we can work with this going ahead and secondly, sir, when we look at the overall volume performance, exports during the quarter have taken a sharp dip. How do you see the domestic volumes picking up in the coming quarters? And how do we see it for FY27 and FY28.

Suyog Kotecha: I think the first thing, the increase that you see in pharma and in dyes and pigments, it is a combination of two factors. One is, of course, the raw material inflation and passing that on to the customers. The second is the NCB chain forms a significant part of these two end segments. NCB chain, the China's VAT removal led to changing of the pricing regime for the products in the entire value chain. So you will definitely see volatility linked to raw materials as the raw material softens in future, pricing, of course, will get corrected to some extent. But there is some element which is also linked to some of the actions Chinese government took, which might sustain. So the answer on pharma and dyes and pigments, I hope you got it. There are two factors, one of which is linked to raw materials. The second is not linked to raw materials. On the exports, the exports for the quarter actually were very robust. 59% of revenue actually came from exports and we are seeing good traction in exports. The volumes are expected to go up in Q2. In exports, it is just that now our footprint, our supply chain in terms of export is changing quite dramatically and towards longer destinations, especially places like U.S. and America. In that context, the recognition of revenue is linked to the inco terms and many of the sales which are on DAP basis, especially in U.S for which you will see quarter-on-quarter volatility in terms of production numbers and the exports from India versus when the revenues are recognized. But over the quarters, it should smoothen out.

Aditya Khetan: Sir, during the quarter, like a INR380 crore EBITDA and stripping off the INR47 crore forex benefit and some inventory gains, whatever the number could be. So we are still at around like INR300 crore to around INR310 crore EBITDA, that could be a guess. How do you see reaching INR1,800 crore EBITDA by FY28? Ideally, this number should have been on base business and not taking the inventory benefits, it should have been at around INR350 crore. But we are still lower by sir, some around 20% on that. How you see this trajectory moving? And what would be that particular quarter which can change that trajectory going ahead?

Suyog Kotecha: So the FX gain to some extent is a combination of accounting and the combination of volatility during the quarter, right? And that is sort of part of a routine business. In the coming quarters, as the volume recovery happens and potentially, if there is a regime where the pricing is maintained throughout the quarter without significant change, everyone should be able to see the underlying business performance in terms of what is the true potential of the existing asset. And that itself should sort of direct in terms of what is the EBITDA trajectory that we are on.

Aditya Khetan: Sir, just one last question. I missed your opening remarks on the volumes front, volume numbers during the quarter.

Suyog Kotecha: So volumes on energy business were down 17% on a quarter-on-quarter basis and on non-energy business, they were down by 7% on a quarter-on-quarter basis. On an overall organization level, they were roughly 12% down on quarter-on-quarter basis.

Aditya Khetan: We have stopped giving the actual numbers like we were actually mentioning it earlier in our presentation, sir.

Suyog Kotecha: So we are giving numbers at two broad application levels, which is energy and nonenergy. And we are also showing utilization numbers specific to value chain in a relatively narrow range, which we feel gives good enough indication of where the assets are. The actual sales numbers is something that we have removed from the slides because they was getting utilized in a situation which was not favourable for the company. But we feel this gives good enough indication. I think at an overall company level, you have a volume trajectory within energy and non-energy, you have exact volume growth numbers, and you also have a utilization ranges for all the major value chains.

Aditya Khetan: Got it, sir. Thank you.

Moderator: Thank you. Our next question comes from the line of Viraj Vajratkar from Kotak AMC. Please go ahead.

Viraj Vajratkar: Thank you. So first on the chlorotoluene, that is part of the five chemistries in Zone IV. So what are exactly the execution issues? Why is the chlorotoluene; we had mentioned about in 2024, 2025, I just wanted to get some sense on what is happening in the chlorotoluene space.

Suyog Kotecha: So as I said, I think we changed our strategy for Zone IV around 1.5 years back, where we made the entire chain capable of producing different chemistries. So we have 5 different chemistry blocks and yes, chlorotoluene was the original intention and the asset still retains the capability to manufacture the entire chlorotoluene chain if we want to. But now the assets are designed in a way where they can produce multiple other chemistries as long as the fundamentals of asset capability sort of deliver the performance that is expected for the finished products. So that is one. Second, the exact nature of the challenge is right now, where we are is practically all of the equipments are erected, 97% of the equipment is erected for those blocks. In terms of piping, 85% of piping is complete. I think this is one area where it requires huge amount of manpower, both piping and the final insulation. And that is where we faced a bit of challenges, as I mentioned majorly in the March-May time frame. But we are back to full manpower in Zone IV and hence, hopefully, no further delays, and we should be able to commission it as we had indicated during this financial year itself.

Viraj Vajratkar: And in terms of the Augene JV, so basically, I think that is more for the amines chemistry. So which end segments within the amines chemistry, the end product or end customer sectors, what are you targeting and roughly would this amines chemistry have a little bit of a higher margin versus the benzene chemistries, which right now probably would probably be overall at the group level?

Suyog Kotecha: I think there are 2 dominant end markets, coatings and dyes. A coating is expected to be a much larger market and mostly India-focused market for the chemistry, which is targeted as part of that unit. So it also gives us exposure to a very different end market, which is helpful. And yes, the profitability expectation is that it will typically deliver higher margin profile compared to our existing product portfolio.

Viraj Vajratkar: One last question in terms of MMA. So how have been the markets, especially, I mean, the base market of Middle East as well as the replacement markets? How has been the market's ability to uptake your MMA's products, especially in terms of the price hikes which had to be taken and the slightly longer-term plans in terms of going back how fungible are the markets in terms of taking up; would you shift back to Middle East when things settle? So what are your thoughts there?

Suyog Kotecha: Yes. I think we remain very active in the market. Overall, the market has been pretty strong, as I said, linked to the end market profile, given decent strength in gasoline naphtha cracks, the pull for this fuel additives business remains very strong. I am purposefully saying not only MMA because we are trying to broaden the basket of the products that we supply as part of this application. And going forward, you will see more and more that we are talking about fuel additives than specifically MMA. So the global market demand linked to the end market characteristics remains very strong. As and when the market opens up the idea is not to then necessarily shift volume, but increase capacity utilization, which is what should be visible in the quarter.

Viraj Vajratkar: Thank you.

Moderator: Thank you. Our next question comes from the line of Sanjesh Jain with ICICI Securities. Please go ahead.

Sanjesh Jain: Yes, good afternoon. Thanks for taking my questions. First on the energy side of it, how are we seeing the gasoline naphtha side across the market? I know Middle East has not been great, but what is been spread in, say, Europe, U.S. and Africa, the other 3 key regions for us?

Suyog Kotecha: Overall, at the gasoline naphtha level, the cracks have averaged in the range of $15 to $18 per barrel, which are pretty healthy and this is a global market. And at these levels of cracks, the demand for the product is pretty robust.

Sanjesh Jain: So, we are back to that pre-war kind of a spread in gasoline, naphtha. We were at around $15 to $20. We are back to that range?

Suyog Kotecha: Yes, it remains very volatile. Look, we are living in a world where the daily price movement is plus/minus 5%, right? So, for me, generalizing would be unfair. But yes, at an overall average level, the cracks have remained at around $15 to $20 per barrel, which is healthy.

Sanjesh Jain: When we talk about the fuel additives, what others, apart from MMA, are we looking at, because we are now talking like a portfolio approach. So, what are the other products we have identified or working on R&D within the fuel additive space?

Suyog Kotecha: Yes. I think we have talked about it in the past in previous investor calls. I think the expansion of the product portfolio in this segment started some time back. We have just initiated some of the development efforts and the sales efforts for the new products that are getting added, which will sort of help us expand the fuel additives business going forward. Of course, they are not at very significant volume levels right now. But the idea is to scale up these new products as well and then broaden from one product dependency to a multiproduct fuel additives portfolio over the course of next 12 months.

Sanjesh Jain: Can you name the products?

Suyog Kotecha: At this stage, we will not name the products.

Sanjesh Jain: Okay and how many will be there in terms of count?

Suyog Kotecha: I mean, at any point in time in our pipeline, there are 3 to 5 products.

Sanjesh Jain: 3 to 5 products. But they will be all in the octane booster itself or you are looking at the other end-use applications as well?

Suyog Kotecha: It will broadly fall into category of fuel additives.

Sanjesh Jain: Okay. Not necessarily an octane booster.

Suyog Kotecha: Yes.

Sanjesh Jain: Overall, with the crude coming down and we are facing the situation where raw material prices eventually will come down. Are we looking at behavior from the customer side where they are looking to destocking in a falling scenario and there could be a period where some of the gains may also go off or we may have an inventory loss like we had an inventory gain this time. Are we looking at such scenario in the immediate term because crude has sharply reversed, but I know it is super volatile.

Suyog Kotecha: So look, I think that risk always remains in a business when you are operating in crude-linked raw material and the product environment, I think that risk will always remain. What we can do as a company is to be very agile. So especially most of our domestic raw material procurement, the pricing pass-through is relatively quick. We typically will not have more than 7 to 15 days inventory, wherever we are purchasing raw material in the domestic market. I think in the imported raw materials, which is where we tend to have 1 to 1.5 months of inventory ideally in stock or over waters, which is where this price fluctuation sometimes could impact us. We have put in strategies in place, including a combination of forward booking of customer orders, including some hedging strategies to minimize that loss. But that risk will always remain and we actively manage it.

Sanjesh Jain: Got it. One interesting comment you made that if margin remain at this level, we will see an actual potential of the business. Now are we seeing these margins improving across the isomers of the benzene and that is where the true profitability of Aarti will come out? Is that the way to read that statement?

Suyog Kotecha: No, I think different value chains will have a different story. NCB value chain, which had suppressed margins for a very long time, has recovered in margin in the last quarter. DCB chain has always had sort of decent; so DCB hydrogenation has always had decent margins. NT remains suppressed for a while, and it is linked to an isomer imbalance that we have faced over the course of last 2, 3 years. We have put in some innovative strategies to rebalance that portfolio. And in that context, we hope to achieve better margin profile in that chain going forward. The overall fuel additives segment also with the broadening of market customer and now product footprint, we hope to gain a little bit on the margin profile on that front.

PDA chain is one where we structurally remain weak because of our technological disadvantage. And there, we are trying to work on cost efficiencies to figure out how to improve our margin profile. So the nature of improvement or strategic initiatives across the value chain and the characteristics differ, but the objective is to expand the volume and the margin profile across all of these chains.

Sanjesh Jain: One last on the Zone 4, particularly on the chlorotoluene and MPP side. Where are we in the product approval cycle from the customers now that the projects are slightly delayed, but from an approval perspective, product development perspective, we have a line of sight what product we will produce first and whom are we selling to?

Suyog Kotecha: Yes. So I think in most cases, we do have already a target customers identified and the qualification of the product from our pilot facility is also done with most of the customers. However, the customers will also ask for a commercial batch qualification. So whenever the unit gets commissioned, there will be a commercial batch taken and there will be requalification done based on that commercial batch, and that will happen only when the assets are commissioned. But relatively speaking, for most of these cases, the initial demonstration of technology in pilot and getting the product qualified through our pilot plants, that has already been achieved in most cases.

Sanjesh Jain: How many products are we looking to start with, say, by end of FY28?

Suyog Kotecha: I think by FY28, we are talking about anywhere in the range of 25 to 30 products. Within this year, we are looking at anywhere between 5 to 10 products.

Sanjesh Jain: That is clear. Thanks for answering all those questions and best of luck for the coming quarters.

Moderator: Thank you. Our next question comes from the line of Archit Joshi with Nuvama Asset Management. Please go ahead.

Archit Joshi: Thanks a lot for the opportunity, Sir, first question on the NCB chain. I think we have consistently seen a healthy utilization level in the last couple of years and we are also speaking of a possible tailwind that we are witnessing today because of the tax rebate issue. And the commonality here that I find is the nitration chain and since we have already started witnessing a healthy margin profile, should that warrant for a capacity expansion in here given that this portfolio is uplifting our margins at this point in time.

Suyog Kotecha: Yes. So the assets are actually capable of delivering slightly more volumes. We are evaluating minor debottlenecking projects to take up the capacity in that chain. At the same time, the dominant end market there is pharmaceuticals, right? Typically, paracetamol is one of the largest end user of this product and In that context, we are also watching out for consumption potential within Indian market for this particular chain. We will be pretty aggressive as soon as we see a potential to sell more in India, we will go for the debottlenecking efforts, and that is very much possible within existing assets. So that remains on our radar. But at this point in time, we feel it is some time away from demand going to a level where we need asset expansion.

Archit Joshi: Got it, sir. Another one just in the last 12 months, we have seen multiple closures or capacities being idle on the petchem side, be it ethylene or naphtha. I mean the global majors like even ExxonMobil and South Korean companies have sort of re-jigged their entire capacities, steam cracker or naphtha, ethylene and,the numbers that come out in terms of closures are out of proportion, right? I mean we are talking about 10 million, 15-odd million tons of capacities either being idle or out of the system and knowing that this directly impacts in a way the spread of naphtha and gasoline because naphtha also is quite conducively used in making ethylene. Do we see that there could be a shift on a sustainable basis, not in the time of this volatility that it could materially make an advantage to our MMA portfolio as spreads could possibly become more sustainable, do you see that on a mid- to long-term basis?

Suyog Kotecha: It is difficult to predict at this stage from a long-term point of view. I think I would answer the question more broadly for chemical industry. I think chemical industry has gone through a little bit of a turbulent times over the last 3 to 4 years, right, especially after the bumper COVID years, there was a pretty extended phase where margins profiles were squeezed for most of the chemical industry. The industry is, as a consequence of that, today, you are seeing what you described with a significant rationalization of capacities, especially in Europe, in Northeast Asia. And to some extent, the expansion, the pace of expansion in China has also slowed down across many of the value chains.

And if this behavior continues, we potentially could see post '28, '29 kind of a time frame where demand kind of picks up a pace and it starts reaching closer to capacities and the utilization level starts becoming healthy at a global level. We could fundamentally see restructuring of the margin profile at the industry level. But that is a personal hypothesis, and I guess we have to wait at least 2 or 3 more years to see if it pans out.

Archit Joshi: Right. Thank you. Thanks a lot, and all the best.

Moderator: Thank you. Our next question comes from the line of Abhijit Akella with KIE. Please go ahead.

Abhijit Akella: Yes. Hi, good afternoon. Thank you so much. So first, just on the quarterly EBITDA run rate, given that this quarter, we did have significant benefits from the inventory side as well as the forex side. What should a reasonable number to sort of expect, for the upcoming quarter be? Just I am just looking really short term given the very volatile environment. But should we expect that things will revert back to the 4Q run rate? Or do we think that this 1Q run rate could still be more or less sustainable?

Suyog Kotecha: I would say, I mean it is not far away. Given the kind of volatility that we have seen where there is a plus/minus 15% to 20% correction happening on a monthly basis, I would again hesitate to hazard a guess. But what I can say is that some of the gains which we may not get, which are linked to inventory could be potentially compensated because of the volume growth. I think that is how we are looking at the near-term quarter.

Abhijit Akella: Okay. Understood, and then just to clarify that the JVs, Augene & Re Aarti will not be part of the EBITDA number, right? So your guidance of INR1,800 crore is excluding these JVs. Is that correct?

Suyog Kotecha: So INR1,800 crore guidance included the EBITDA, especially for Augene JV because we expected it to start contributing by that time frame. The other JV, we did not anticipate will start contributing meaningfully before FY27, '28 time frame. So that guidance did include Augene's EBITDA. How to report that going forward, we will come with a plan, but that profitability was included in our guidance.

Abhijit Akella: Got it and just the last thing for me. One is the non-energy volumes, the quarter-on-quarter softness we have seen, is that again impacted by the Middle East or something else? And then just on this 360,000 ton expansion now of the fuel additives, how long do you expect to sort of fully use up on that expanded capacity?

Suyog Kotecha: So on non-energy business, the volume drop you saw was a combination of supply chain and in some cases, purchasing behavior getting delayed, right, because of sort of high price environment in segments where there is some little bit of inventory wiggle room available, people tend to delay the purchase decision. So it was a combination of the 2. We expect that the non-energy volumes also to pick up during the quarter and sort of given the end consumption demand remains pretty stable. We are not seeing any changes on that front and that business is not impacted significantly due to Middle East in general because the Middle East exposure of that segment is pretty low. On the capacity utilization for fuel additives, I think we are ramping up the capacity as we speak. And we feel we might be able to reach high levels of utilization in this quarter itself.

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

Moderator: Thank you. Our next question comes from the line of Surya Narayan Patra with PhillipCapital India.

Surya Narayan Patra: Thanks for the opportunity and congrats for the strongest ever kind of sales number that we have put out in the quarter, sir. First question is about gross margin. So despite of the inventory markup benefit and the INR depreciation benefit, we have seen a kind of sequential decline in the gross margins. So what is the factor that can be attributed to this sequential decline, sir?

Suyog Kotecha: So as I said, I think this quarterly gross margin numbers, Surya, I would kind of, at this point in time, park it. At an overall EBITDA percentage level, we pretty much remain on track in terms of what we need to deliver. It is a combination of multiple things. As I mentioned , within a quarter and within every month, when we have seen plus/minus 15% price volatility, I think taking a gross margin level for that quarter sometimes can tend to give a wrong picture.

There were multiple factors in play. The timing of raw material purchase, the timing of product placements, the way the forex moves within the quarter, the freight expenses, also lower volume leading to other consequences in terms of, in some cases, the higher operating cost, but at the same time, at an overall level, lower freight cost. So if you start putting together a combination of all of these factors, you lead to where you are. But we would say that it is not a reflective of a steady-state performance.

Surya Narayan Patra: Okay. But one should not believe this way that the kind of a rise in the product prices would be lower than the rise in the kind of input prices. That may not be the reason, right?

Suyog Kotecha: No. I think typically, what happens is the deltas are relatively in absolute numbers, right, I mean, the chemical business runs on absolute deltas, not on percentage margin business and that is the behavior we anticipate will continue going forward.

Surya Narayan Patra: Okay, sure. Second point is on the MMA side. Since we are kind of entering into a seasonal weak zone or period zone. So what is the kind of a market outlook that you are currently having in terms of while you are quite optimistic about the kind of expansion and achieving the kind of adequate utilization number. But in a weak season, which is coming up, any sense that you are having for that MMA outlook?

Suyog Kotecha: So in general, for a fuel additive as a basket and as a segment, yes, the winter seasons are a bit weak. But typically, we start see cracks stepping down and demand starting to get impacted around end of October, November, December kind of a time frame. At this point in time, the traction remains pretty strong. We are prepared for that winter downturn. And in that context, the entire mitigation strategy in terms of how should we think about volume placements during the lean season is something also that we are evaluating. But yes, there would be some seasonality to this particular business.

Surya Narayan Patra: Sure. Just last one point from my side. About the polymer supply where the volume looks fairly low, is there anything to do with supply to Middle East getting impacted and hence, the kind of low volume? Or it is something else?

Suyog Kotecha: No, that business has very limited exposure to Middle East. So I do not think there is any impact due to Middle East issues on that segment. In general, I think the Q4 of the last financial year, there were a lot of bulk shipments that were done to the customers, especially in U.S. and in that context, the extent of shipment that happened in particular, that segment within first quarter were low. We expect it to pick up in the second quarter. And at an overall year basis, we think actually we should be able to see the growth as far as the polymer segment is concerned.

Surya Narayan Patra: Sure. Thank you, sir. Wish you all the best.

Moderator: Thank you. Our next question comes from the line of Tushar Raghatate with Omega Portfolio Advisors. Please go ahead.

Tushar Raghatate: Yes, good afternoon and thanks for the opportunity. Sir, just wanted to know the geographical distribution in the energy business, the average distribution?

Suyog Kotecha: I won't give the exact numbers. I would say we are well balanced across geographies. So U.S., Europe, Middle East, Africa and India it is well balanced. It is not tilted towards one particular geography. Quarter-on-quarter, we do see volatility where one geography tends to pick up significant share but if you take year average numbers, then we are pretty well balanced across all the geographies.

Tushar Raghatate: Okay. Do you see the voyage time increase has impacted the margin profile in the energy business?

Suyog Kotecha: So the voyage time does not impact the margin profile of the business as such, but it does impact the accounting of the overall business, right? As I said, in many cases, the business happens on DAP terms and in that context, given the 2 to 3-month voyage time, especially for material going to U.S., there is a delayed revenue recognition for some of the volumes.

Tushar Raghatate: Fair enough, sir. And sir, you mentioned that the EBITDA run rate would be maintained. So considering that, I think the numbers are kind of achievable with the guided numbers. So just wanted to know like this run rate of 16-odd EBITDA margin, considering the energy business volatility, is this the new normal of with the business?

Suyog Kotecha: So we did not see the EBITDA run rate can be maintained. Of course, I think we feel at this point in time there are 2 factors, right? There is sort of volume gain, which we are confident of and which is visible. The pricing margin and inventory is anybody's guess at this point in time. And frankly, at a management level, it would be difficult to hazard a guess. It is linked to ultimately how the West Asia situation settles and also how rapid is the change in the pricing movement, right? If it is gradual, then, of course, the impact will come over time. If it is sharp, then depending on the time when it happens, we might have to look at some of the inventory cost. So that is one. So volumes growth, we are confident. On inventory/margins, we remain a little bit dependent on the macro situation. Sorry, I missed the second part of your question.

Tushar Raghatate: Okay. Fair enough, sir. Yes.

Suyog Kotecha: Okay. Thank you.

Moderator: Thank you. Our next question comes from the line of Gagan Dixit with Elara Capital. Please go ahead.

Gagan Dixit: Yes. thanks for taking my question, sir. I have a question regarding the MMA. So given the U.S. is the largest gasoline user in the world, so in case of any favorable ties between the India and U.S. So how much is the target addressable market that as per you estimate in the U.S. for the MMA? That is my first question, sir.

Suyog Kotecha: So we will not give that number, Gagan. I think we have described this multiple times. I think the overall fuel additive market is in millions of tons. So it is very unfair to say that for a particular product, what is the market potential. As I said, we are going through a market development journey, and there is a phase of adoption by customers of this specific unique product, which can potentially either augment or replace some of the existing fuel additives that they are using.The upper side potential is in millions of tons, and we do not feel it is realistic to talk about it, given we are in a relatively early stage of market development journey for this product. Also, the trade flows are pretty dynamic. The overall oil and gas industry in the world is one of the most highly traded industry and how the physical flows move from either Middle East to Africa or Europe to Africa or North America to Latin America. Where the product, our product, gets consumed versus where the end gasoline gets consumed, there also there is a significant amount of disconnect and that is where sometimes this analysis tends to give a wrong picture. At this point in time, the only thing we can say is that, as I said, we have well-balanced customer and market portfolio, and we have potential upside in terms of discovering newer customers and newer markets.

Gagan Dixit: And sir, follow up question is, what is your advantage in the MMA versus typically the Chinese players? I mean, in terms of any chemistry, quality, logistics, anything? And also, sir, typically, I have seen that you are continuously increasing the MMA capacity that the brownfield expansion. So what is the potentially you can increase the capacity at maximum MMA that without going for any new greenfield something?

Suyog Kotecha: So we recently completed our capacity expansion of 360 KTPA. Again, I would emphasize the capacity for the overall fuel additives block does not mean necessarily linked to one particular product. And that is the capacity which we tend to stabilize over the course of next 12 months. We do not have any restriction or any limits to how much capacity we can increase. But the idea is to demonstrate good capacity utilization for this recent expansion over the course of next 12 months and then take decision going forward.

Gagan Dixit: And sir, my second question is about the demand visibility across the end markets as you are now serving the fuel additives, agrochem, pharma, polymers, new platforms like battery chemicals, defense. So which end markets are showing the strongest long-term demand visibility for you? And how is Aarti choosing where to allocate the future capex? Just I want to understand regarding that.

Suyog Kotecha: So I think in most end markets we are seeing pretty steady demand. Agro demand growth is actually relatively stable; polymer, we are seeing very strong demand, particularly in the end markets linked to EVs and automotive. On pharma, the demand growth sort of remains pretty robust. The dyes and pigment was one area where there was sort of softening of the demand trend overall globally, and that is reflected in the growth that the segment has seen over the course of last 3 to 4 years. Energy as a segment has a huge growth potential but the demand can be volatile given the nature of the business. So different end markets, are exhibiting different trends. Our selection of opportunity is linked to ultimately sort of our capability to deliver value to the customers and the return profiles of that particular opportunity. And that is how we are selecting our growth areas. So some of the forward-looking molecules that we are trying, for example, in battery applications or in defense are driven by that: are we able to add significant value, are we able to build a differentiated value proposition where we can be globally cost competitive and it can scale, right, in terms of size of the business and at a decently attractive return on capital. That is what drives sort of our decision-making in terms of shortlisting future growth areas.

Gagan Dixit: Yes . Thanks for giving the elaborate answers. That is from my end.

Moderator: Thank you. Our next question comes from the line of Ojas Sawant with Haitong Securities. Please go ahead.

Ojas Sawant: Thank you for the opportunity, sir. So, one question from my end, the forex gain that we have seen this quarter has been significantly higher than the previous quarters. So first, like what was the reason for this? and how do we see this going ahead into Q2?

Suyog Kotecha: Chetan, do you want to take that?

Chetan Gandhi: Yes. So it is a combination of multiple things. One is, if you look at it, there has been volatility both in Q4 and Q1 on the currencies. So there were instances where we have sourced imported material at a higher price, but we saw rupee appreciating and correcting significantly in April month, and we got an opportunity to kind of square up a that position at a lower rate, which was referring to Forex gain plus the exports which happened during the quarter were initially at lower rates as compared to the ones now. We saw rupee ranging from a level of INR92 to INR97 in the quarter and hence wherever the opportunities are there, we will look to capitalize on those.

I am not saying that we can always keep on doing it, but we have been able to hit some of the right boxes in terms of covering it up at some time which might benefit. So that is broadly on the forex. Further there is an element of inventory benefit blended into the forex related to the import transaction. But yes, that is what it is. Going forward, committing to a number of gain or loss will be difficult as it is driven by a lot of other factors.

Ojas Sawant: So sir, should we read this more from an operational perspective only?

Chetan Gandhi: You consider this as a part of the operational element only and also there is an accounting treatment in terms of at what rate the transactions are recorded in the books vs what is the closing rate. So that's where a mark-to-market element comes in. So I would assume that the better way to look at it is to consider this as a part of operating profit only.

Ojas Sawant: Understood, understood. That is it from my end. Thank you.

Moderator: Thank you. Our next question comes from the line of Prateek Dugar with Intelsense. Please go ahead.

Prateek Dugar: Thank you for the opportunity, sir. My question was more on a macro development, which is happening in Southeast Asia. So we have seen structural rationalization of the naphtha-fed steam crackers, particularly in Japan and South Korea and this, it is expected to persist through 2028, 2030. Based on that ethylene prices in the international market, that has also exploded. So my question was that given our own ethylation unit at Dahej, do we see this as a long-term opportunity to leverage our contracts with the customer like USD150 million contract which we had with an innovator and another long-term opportunity for ethylated intermediates like OEA and the 26 MEA that we do.

Suyog Kotecha: These products are part of our strategic focus areas. In most cases, our contracts are passed through as far as the ethylene pricing is concerned. So in that context, sort of our margin profile is relatively secured on those products' portfolios. So volatility in ethylene sometimes does affect on a quarterly basis because depending on the type of a contract we are seeing, sometimes there is a quarterly price pass-through, sometimes there is a monthly price pass-through. So that near-term volatility might be there but, from a long-term basis, in general, for most of these products that you mentioned, in significant number of cases, ethylene prices are typically passed through. So it does not impact us directly as such. It, in fact, gives us a little bit more robust volume and margin visibility.

Prateek Dugar: Okay, sir. Apart from the pricing, because the crackers are coming down in Japan and South Korea, so their capacity is coming down. So do we see this as an opportunity for us? That was the question.

Suyog Kotecha: These products are not produced in that region. I think the products that you mentioned dominantly are produced either in India, China or Europe, right? We are the only 3 regions where these products are produced. I think Korea or Japan or Thailand for that matter, do not have any capacities for these products.

Moderator: Thank you. Our next question comes from the line of Archit Joshi with Nuvama Asset Management. Please go ahead.

Archit Joshi: Yes. So just one question, sir, on the SABIC backward integration. Where are we in that journey, sir, if you can give us some color on that? And when do we expect those benefits to start accruing with regards to the backward integration that we are planning?

Suyog Kotecha: So we do not talk about a specific customer name linked to a specific contract. I think there is one long-term contract that we announced, which was linked to backward integration in the last quarter. If your question is with reference to that, I think we are in the project execution phase. I think the civil and the building work is currently ongoing. The commissioning of that project is expected around September to October 2027 time frame.

Archit Joshi: Got it, sir. Got it. Thank you. That is helpful.

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

Suyog Kotecha: Thank you. We appreciate your ongoing support and participation in today's call. I think despite the prevailing headwinds in the global macro environment, our disciplined approach allows us to manage through this phase effectively. We remain committed to our overall growth trajectory and look forward to engaging with you again. Please feel free to connect with us for any follow-up queries. Thank you once again.

Moderator: Thank you so much, sir. Ladies and gentlemen, on behalf of Aarti Industries Limited, that concludes today's conference. Thank you for joining us, and you may now disconnect your lines

---