

May 11, 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 CODE: AARTIIND

Dear Sir/Madam,

**Sub.: Transcript of Q4 FY26 Earnings
Conference Call.**

**Ref : Regulation 30 of the SEBI (LODR)
Regulations, 2015**

Please find enclosed the Transcript of the Q4 FY 2026 Earnings Conference Call held on May 5, 2026.

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

Q4 FY26 Earnings Conference Call

May 05, 2026

Moderator: Ladies and gentlemen, good day, and welcome to the Aarti Industries Q4 FY26 Earnings Conference Call. As a reminder, all participant lines will be on listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nishid Solanki from CDR India. Thank you, and over to you.

Nishid Solanki: Thank you. Good afternoon, everyone, and thank you for joining us on Aarti Industries Q4 FY26 Earnings Conference Call. Today, we are joined by senior members of the management team, including Mr. Suyog Kotecha, Executive Director and Chief Executive Officer; and Mr. Chetan Gandhi, Chief Financial Officer. We will commence the call with opening remarks from Mr. Kotecha, followed by a Q&A session where management will address participants' queries.

Just to share our standard disclaimer, certain statements that may be made in today's conference call could be forward-looking in nature, and a disclaimer to this effect has been included in the results presentation shared earlier and also uploaded on Stock Exchange websites.

I would now like to invite Mr. Kotecha to share his perspectives. Thank you, and over to you, sir.

Suyog Kotecha: Thank you, Nishid. Good afternoon, everyone. Welcome to Aarti Industries Limited Q4 and Full Year FY26 Earnings Call. It is a pleasure to connect with you all again. The quarter under review was defined by a complex and dynamic global landscape. The escalation of geopolitical tensions in the Middle East has led to disruptions across global supply chains, impacting trade flows, logistics timelines and input cost structures. In particular, the prices of key raw materials such as benzene, sulfur, aniline, toluene, methanol went up by over 60%. Elevated freight rates are also resulting in an increase in cost of global trade. Further, the curtailment of volumes from Middle East has created significant supply chain issues and has presented near-term headwinds for the chemicals industry. This has reinforced our need for operational efficiency, product diversification and deeper customer engagement.

Against this backdrop, our FY26 performance and Q4 performance demonstrated the inherent resilience of our diversified and cost competitive product portfolio and our ability to manage global volatility, leveraging our expansive geographic footprint and deep-rooted customer relationships. The overall demand environment for our basket of products remained largely stable. While we experienced disruptions in the shipments to the Middle East, we were able to proactively redirect volumes to the other geographies, ensuring continuity in operations and minimizing the impact on overall volumes.



Before we go into the financials, let us also highlight the two long-term contracts which we concluded in the last quarter. First one being a backward integration initiative with a leading global chemical company, transitioning the relationship into a more integrated end-to-end manufacturing model with a capex of about INR200-250 crore to cater to the requirement over the residual 15-year contract period.

And the second one is a \$150 million multiyear supply agreement with a global agrochemical innovator for a critical agrochemical intermediate used in crop protection formulations, extending through March 31, 2030. This contract will be met without any incremental capex. These developments mark a strategic shift towards a deeper integration, enhanced earnings visibility and improved capital efficiency.

Notably, during the year, Aarti Industries was also honored with the 2026 Gallup Exceptional Workplace Award by Gallup, becoming one of the first manufacturing companies in India to receive this recognition. This distinction further reinforces AIL's position as a global manufacturing organization, combining operational scale with high performance and a people-centric culture.

Let me now take you through the financial performance for the quarter and the full year. For the Q4 FY26, the company reported revenue of INR2,422 crore, representing a growth of 9% Y-o-Y, driven by stable domestic demand and increase in export volumes. EBITDA stood at INR342 crore, growing 29% Y-o-Y and profit after tax was INR137 crore, registering a growth of 43% Y-o-Y.

The freight cost has significantly increased in the current quarter, driven by increase in export shipments and also due to increase in the fuel rates accounting for the bulk of the increase in the other expenses. Interest costs also include an amount of INR39 crore being the revaluation loss in respect of our long-term foreign currency loan.

For the full year FY26, revenue stood at INR9,018 crore, up 12% on a Y-o-Y basis. EBITDA grew by over 15% to close at INR1,172 crore, while PAT recorded a growth of about 27% to close the year at INR419 crore. In line with the guidance given, the capex for the year was at about INR1,125 crore. Overall, the performance reflects steady execution supported by volume growth, improving capacity utilization and benefits coming from operational efficiencies despite continued margin pressure over a significant part of the portfolio.

Let us talk about specific business updates, starting with energy application, which contributes roughly 40% of the revenue. We continue to maintain a very strong global presence, holding a market-leading position. The volumes for the quarter were down 4% quarter-on-quarter, primarily driven by lower exports to the Middle East, which were impacted due to geopolitical disruptions. The impact was lower as we were able to successfully reroute part of these volumes to other geographies. And despite the disruptions, the capacity utilization continued to remain high, preserving our wallet share with the global customer. The full impact of disruptions will be felt in the ongoing quarter.

Our expansion to 360 KTPA is on track and is expected to be commissioned soon in line with the market requirements. Ongoing volatility in the refining product margin does create uncertainty in terms of gasoline naphtha cracks and the supply chain risk related to the key RMs is adding some near-term risk to this business. But against this backdrop, we maintain a very dynamic approach, balancing volume growth with spread management to optimize overall profitability to the best extent possible.

In non-energy applications, agrochemical applications as a basket demonstrated a steady volume growth, albeit the margin pressure continue to prevail. The contract win supports the growth of select products and intermediates and is in line with our plans to ramp up capacities, which are already created for this application. Dyes, pigments, paints were relatively stable for the quarter. In the near term, as the impact of West Asia war is felt in the global market, there could be some impact on export, but that we expect to be compensated by increase in volumes in the domestic market. Polymers, as an application, continued to perform well and is currently in a strong growth phase, especially demand and volume driven due to applications in the EV market. Within the polymer application, MPDA specifically continues to underperform due to heavy competition from China. Rest of the portfolio continues to do extremely well. Pharma application also continued to remain stable during the quarter. The last quarter announcement of China's anti-involution stance and impact to products related to PNCB in the NCB chain should start seeing benefits from the Q1 FY27 onwards. But on an overall basis, even the non-energy and sort of the base business has performed better, driven by volume growth and supporting cost efficiencies as we continue to make rapid progress on our operational and strategic initiatives.

On Zone IV projects, they are expected to be commissioned in a phased manner during the current financial year. Multipurpose plant and PEDDA plants are actually under commissioning trials and should come on stream soon, while others will commission gradually in the next couple of quarters. These projects were delayed by 3 to 4 months on account of labour constraints, primarily driven by LPG, commercial LPG-related issues and migration of labour due to election as well. The company has taken multiple steps to support contract labour and to sustain them and to minimize the delay in the capex execution.

From a capital allocation perspective, as guided earlier, the capex for FY26 is at about INR1,125 crore. You would have witnessed the decline in the capex spend in FY26 versus the spend in the past 2 to 3 years, which is in line with our plans to optimize the capital allocation. Our capex for FY27 is expected to be in the range of INR700 crore to INR800 crore as we continue our journey to optimize capex and maximize the returns. Going forward, we expect to invest in high-growth initiatives with investment largely focused on niche high-return projects.

Our previously announced partnerships are also advancing well. Augene, the Superform joint venture is on track for commissioning in H1FY27 with an initial focus on agrochemicals and coating end markets. Our circularity initiatives also continue to gain momentum with commissioning on track for the CY26. All these initiatives not only underscore our R&D progress, but also helps us secure a first-mover advantage as we tap into emerging opportunities in sustainable chemistries.

Working capital requirements expanded during the quarter, driven primarily by significant elevation in raw material prices, causing an uptick in net debt as well as interest expenses. While we are working with our customers and suppliers to optimize the working capital cycle, the normalization of this might take some time. However, given the capex intensity is lower, we still anticipate the net debt to decline in the current year.

FY26-27 begins with sort of cautious optimism supported by improved capacity utilization, strong order visibility through long-term contracts and continue to progress on the key growth and integration initiatives. The specific situation in West Asia continues to pose near-term risk to the availability of certain critical feedstock and placement of key products in the Middle East. While

near-term risk persists, the company is actively working with suppliers and customers to explore alternate sourcing and placement avenues to ensure continuity of operations.

The company has delivered strong growth in quarterly EBITDA run rate and is on track to implement profitability improvement initiatives, including the higher operating leverage related initiatives, cost optimization initiatives and incremental contributions from recently commissioned and upcoming assets. With a strong foundation of strategic investments, improving capacity utilization and long-term partnerships, Aarti Industries is well positioned to navigate near-term volatility while building a robust foundation for sustainable growth.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Archit Joshi from Nuvama Institutional Equities. Please go ahead.

Archit Joshi: Hi, good afternoon and thanks for the opportunity and congrats on a great set of numbers this quarter. First question, sir, on the quarterly results. I just wanted to understand you have had a healthy gross margin expansion. Would there be an element of an inventory gain that we might have booked especially during the month of March? So that will be my first one.

Suyog Kotecha: So, on an overall quarter basis, there is an FX gain of roughly around INR10 crore. On inventory, I think it is a bit of a mixed bag because though the pricing went up in March, many of our raw material pricing also went up simultaneously. And we did have some amount of contracts concluded from a pricing point of view in Feb, which we continued to serve in March. So not a significant impact of inventory gain in the last quarter. But from an FX standpoint, there was a gain of roughly INR10 crore in the last quarter.

Archit Joshi: Understood. So, second question on the exposure that we have in our energy portfolio, specifically in the Middle East. And also at the company level, if you can, throw some number on that?

Suyog Kotecha: So, on an yearly average basis, roughly 9% to 10% of our revenue came from Middle East, which is dominantly in energy application. So that is the extent of exposure that we have currently in the region. We are working actively to figure out a way to divert that product portfolio to the rest of the world.

We also hope the situation in the Middle East should get settled at some point in time. And at that point in time, we actually might see an increase in demand, in that particular region, given practically the material flow to the region has stopped now for almost 6 to 8 weeks' kind of time frame. But nonetheless, that is the extent of exposure.

Archit Joshi: Sure. One last final one before I join back the queue again. So you did mention about the MPP and the PEDDA plants to come online at the earliest. What would be the balance capex that we plan to commission in this year?

So, if you could just elaborate on the kind of timelines in terms of commissioning of these capexes? And when can we expect revenue accruals or sales to happen from these plants? If you can split this in an elaborate, time-wise manner, if possible, that would be helpful. That would be all from my side.

Suyog Kotecha: Yes. So I think the entire Zone IV, which is a combination of multipurpose plant, calcium chloride plant, and there are 5 chemistry blocks, different chemistry blocks. I think the entire capex will get commissioned during FY27. I think the first 2, which will get off the block is the calcium chloride and the multipurpose plant.

The PEDDA capacity, we consider it as an extension of the multipurpose plant. The calcium chloride is actually already sort of where the commercial runs have happened. The plant is under operation. It will ramp up to full capacity over the course of next 3 to 4 weeks. I think a multipurpose plant and associated extension of PEDDA is also under commissioning trials as we speak.

So within this quarter, we should be able to declare it sort of commissioned and commercialized. I think the remaining 5 different blocks will get commissioned throughout the current financial year. I think compared to our original expectation, there is a 3 to 4 months of delay in that commissioning cost, mostly due to contract labour issues. But nonetheless, even with that, we anticipate all of this we will get to commission within the current financial year.

And accordingly, the revenue aggregation will start over a staggered manner, right? We do not anticipate all of it will go to a full capacity utilization in a very short time frame. As I mentioned earlier, it does take a little bit of a time bandwidth to go through a qualification cycle and improve capacity utilization over a period. But the initial revenue from these assets should start as early as from Q2 of this financial year.

Archit Joshi: All right, sir. Thank you.

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

Arun Prasath: So, my first question is on the utilization we are mostly at upwards of 80%, 85%. And if I look at the Q4 volumes and annualize it, it is close to 100 percentage. So, is this an industry-wide phenomenon? Or is it just because we are at this kind of utilizations because we did not have any supply during the last cycle?

Suyog Kotecha: No, I think it would be a bit unfair for me to comment whether this is an industry-wide phenomenon. I think at AIL, what I can comment on it is, I think improving utilization levels of all of our existing assets has been a deliberate strategy. And I think we have pushed volumes sometimes even at the expense of a slight compromise on the margins. And that is reflected in the utilization levels that you see. I think there are some value chains like PDA where we are structurally figuring out a long-term solution. But I think apart from that in rest of the value chain, we have been able to push up the utilization levels. And as we speak, we see further upside possible in select chains like DCB, where we are also working on capacity debottlenecking as we mentioned in the last quarter and even in ethylation chain where the new contract that we signed in the last quarter plus the downstream integration of PEDDA will help us improve utilization levels in that particular chain. But I think from our global customer diversification and relationship standpoint, in a significant part of our portfolio, we are reaching the utilization levels, which are healthy.

Arun Prasath: Okay. Because this kind of utilization usually leads to a pricing recovery and margin expansion because of the tight supply-demand balance. So should we expect some kind of a pricing-related upsides from our existing portfolio and existing volumes?

Suyog Kotecha: I think the utilization levels that you see are at sort of the bulk product level, right? It is an NCB level, DCB level or at a ethylation level. I think if you look at our portfolio, our portfolio significantly also goes downstream of this bulk isomer level chemistries. And that is where I think the story product by product will be very different. Of course, there are some value chains where there is a pricing recovery at a bulk level.

We talked about NCB last quarter as well, and we have seen that kind of happening now as the Chinese anti-involution plays out, where the margin profile has definitely improved, including pricing. I think DCB continues to remain quite robust and it is driven by both – tighter capacity utilization as well as demand growth coming from EV market. Versus some other chains, even though we might be operating at a relatively higher level, if the global industry has not moved to those utilization levels, then the margin uptick or the pricing correction will not happen.

Arun Prasath: Okay. In your assessment, that is a likely scenario that maybe we are at higher levels but the industry is not at this kind of level?

Suyog Kotecha: I think there are some products in which that situation does exist. And that is why I would hesitate to say that across the portfolio, we are seeing margin recovery or pricing corrections. I think there are definitely pockets of the portfolio where it is happening. And in general, I think given the global dynamic, I think if China continues to act what they are talking about, then there should -- this recovery should become much more broad-based going forward compared to current situation where it is sort of in select pockets.

Arun Prasath: Understood. My second question is on the MMA. So typically, on an elevated crude prices, our understanding is that MMA scores over the, say, probably the traditional MTBE, are you seeing this playing out at least? And secondly, if you are not facing or if you are not seeing a supply to the Middle East, where we are facing MMA volumes currently and is it sustainable?

Suyog Kotecha: Yes. So, I think on the MMA economics, frankly, it's a complicated answer and without getting into technical details; we have described this a few times in the past – there are multiple factors which play out when it comes to affordability of MMA of final customers. I think one of that is also a naphtha gasoline spread. I think in the current situation, naphtha being significantly stronger, that sometimes does have impact on naphtha gasoline spread available to our customers. But at the same time, the absolute pricing level, sort of remaining at a higher level, also creates a counterbalancing sort of factor for the spread affordability.

It also has an impact in terms of our raw material cost goes up, right, both aniline and methanol at a significantly elevated level. So, in that context, our ability to offer certain pricing to customers, that also gets impacted by ultimately raw material cost prices having to be passed on. So there are multiple factors playing over there. What I can say is that we are able to optimize volumes and spreads to ensure that liquidation happens wherever there is a physical possibility of supplying the cargo.

So our shipments to U.S. are relatively consistent and happening. Our shipments to Europe are starting, and we hope to expand that going forward. I think the domestic market also remains relatively consistent from a volume standpoint. I think Middle East is a place where physically it is impossible to ship the material as of now as we speak. And that is where there is an impact.

I think we partially offset that in the last quarter. But the full impact of that, I think, will be visible in the coming quarter. It depends on how soon the West Asia situation settles and we are able to restart our flows to Dubai and Oman markets.

Arun Prasath: So we should expect the contribution from energy in our revenue should slightly moderate?

Suyog Kotecha: Frankly, difficult to answer the question, right, because we are in the sort of 4 weeks into the quarter. If the situation stabilizes, there is also a possibility that the volume requirement in Middle East can dramatically go up given the region has been running dry of the product for the last 6, 8 weeks. But if the situation in West Asia does not settle down over the course of next 2 months, then, of course, we would expect certain impact on the volumes for this molecule going into the Middle East market.

Arun Prasath: Understood. If I can squeeze in one more question on capex. You said that '26 capex reduced from INR1,125 crore to some INR800-odd crore. Is it because of the scope reduction or postponing of the cash flows to '27? If you can give the breakup on the FY27 capex.

Suyog Kotecha: We did not; FY26 capex was in line with what we had said. It was INR1,125 crore. It was not reduced. FY27 capex is what we are saying will be in the range of INR750 crore to INR800 crore.

Arun Prasath: Okay. Any breakup, approximate ballpark breakup of the capex, project wise?

Suyog Kotecha: INR750 crore to INR800 crore, a significant part of it will still go in completion of Zone IV and part of it will also go to the new long-term contract, which we signed, right, where we announced total capex of INR200 crore to INR250 crore. I think part of that will be spent in the current year. So these 2 will kind of broadly account for a significant amount of capex. And then we have a sort of yearly run rate of INR150-odd crore that goes into asset maintenance.

Arun Prasath: Okay. Understood. And then finally, on the MPP and the calcium chloride, at current prices, what is the steady-state revenue from these 2 projects?

Suyog Kotecha: I would not like to comment. Again, we do not talk about revenue. I think we talk about margin profile. And given there are a lot of products which are interlinked even within MPP and within the different Zone IV blocks, I think the total potential coming from that location in an integrated manner is what we have talked about, and I think we will continue to maintain that range.

And we will hit that. We will hit that over the course of 2 years is the current plan. I think it would not be correct to talk about revenue/margin potential based on today's pricing because it is definitely a bit or rather, I would not call it a sort of regular pricing/margin level.

Arun Prasath: Understood. Thank you very much.

Moderator: Thank you. Next question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: Yes, thank you, sir, for the opportunity. My question is on the dye segment. Sir, as you mentioned in your opening comments for dye segment is recovering and we are expecting a steady state going ahead. But sir, when we look at the numbers, so on Y-o-Y basis and on a quarter-on-quarter basis, there is a dip. And it seems like the dye segment is now slowing down after peaking out the last 2

quarters. Is there any change sir, into the structure of the business or volumes in the global markets or Indian markets are slowing down? Any thoughts on that?

Suyog Kotecha:

So overall, if you look at our share of business in dyes, pigments and printing mix, we classify these 3 end markets together, it remains in the range of 10% to 11% and it will remain broadly around that. I think there are multiple trends within the segment at a product level, which differ. For example, 3:3DCBH is one of the core products in that segment where we are facing pressure on the demand from the global markets, but then that is partially getting compensated by increasing demand in the local market as the global consolidation in the pigment industry happened, right?

So, there are different trends at an individual product level. Overall, I think our share of this application remains at around 10, 11-odd percentage. There is a part of the portfolio where because of extremely high raw material pricing and corresponding price being passed on through our products, some of the low-margin segments may not be able to afford, and we might see a slight amount of demand destruction. And that could be a potential impact in a 3 to 6 months' kind of time frame. But so far, I think the pressure in the global market has been compensated by the growth in the domestic market.

Aditya Khetan:

Got it. On Agrochem, sir, it has been 2 years and persistently, we are mentioning on the margin pressure. It seems like there is no answer. Any sort of a positive thing which you see going ahead for FY27, '28; like higher uptick in the domestic could partially mitigate the RM price hike Any sort of thing that can change structurally in the business?

Suyog Kotecha:

I think the biggest driver to get back the margins in the agrochemical segment would be how Chinese industry evolves on this particular application. I think they have been one of the most important driver of the margin compression in this segment over the last few years. And I think their conduct and behavior over the coming quarters and years is what ultimately determines the ultimate sort of margin potential in this segment.

As I said, the narrative that we are hearing what we are seeing, I think if that persists and that becomes much more broad-based, we might see a recovery in the margin. But I think we wait to see a firmer trend to make a conclusive commentary on the segment.

Aditya Khetan:

Got it. Sir, on the debt side, we have seen like debt to reach around INR49 billion in this fiscal, so highest over when we look at the Aarti's history. Any particular reason for because we also see on the asset side, there is some INR600 crore of cash also sitting today. What I see, sir, because we do not have also material capex also, INR700 crore, INR800 crore or maybe INR1,000 crore in FY28 that we can easily do it from our cash flow only. So, what is the need for so much debt ticking down?

Chetan Gandhi:

So, let me answer that. So, the cash which you see is more like a one-off kind of a situation. It just happened that one of the term loans got disbursed towards the last days of March and then a couple of holidays, so the monies were not effectively utilized to reduce the debt. So, on a net debt basis, we are still at around INR4,300 crore. A good part of this, maybe around INR250 crore to INR300 crore is purely because of the working capital increase, which has happened in the last part of the Q4.

Plus, as you would have seen, the exports share has gone up. Export revenues have gone up. So in exports, the receivable days are optically a bit higher than the domestic receivable days, which is the

working capital profile continues to remain a bit elevated. So, INR4,900 crore debt, obviously will not be there.

We have to look at a net debt number of around INR4,300 crore. And as we speak, bulk of that cash has already been used to liquidate the debt portfolio immediately in the first week of April. So that is how it is. But yes, going forward, as the capex intensity is going down, the capex is coming down, the EBITDA and cash flow is improving, the debt for this year will start tapering off.

Aditya Khetan: Sir, just one last question. Sir, can you provide the breakup of the CWIP of INR2,000 crore, which we have done in FY26?

Chetan Gandhi: A bulk of that would be for Zone IV. As you understand, Zone IV had a capex of around INR1,800 odd crore. So, bulk of that would be with Zone IV. I do not have that exact breakup right now, but we will send it separately later on.

Aditya Khetan: Got it, sir. Thank you, sir.

Moderator: Next question is from the line of Amar Mourya from Lucky Investments. Please go ahead.

Amar Mourya: Hi, sir. Thanks a lot for the opportunity. Sir, I just want to understand like in terms of your pricing environment, primarily, let us say, if you see an agri portfolio, are you seeing some improvement in the pricing and primarily a lot of supply, which was China-based. There were a couple of plants which had fire incidents. So, do you see any improvement in your pricing of the product?

Suyog Kotecha: So, I think on absolute pricing, of course, there is a huge positive trajectory compared to where we were in Jan. I think what we have to look at is the spread and margin because even raw materials have also gone up significantly. In some cases 60% in some cases, they have also more than doubled. So I think what we have to look at is spread and, I guess, not necessarily absolute pricing, which definitely is significantly better compared to where it was at the start of the Q4.

I think some of the incidents that you mentioned, which happened in China, yes, I think there is a sort of increasing scrutiny, especially on sort of nitration chemistry-related assets. And we see more and more regulatory constraints rightfully being put on these chemistries to avoid sort of hazardous operations, which are kind of non-safe, right? So, move more towards continuous operation, put additional sales in place.

And that will mean that some of the smaller volume inefficient players will ultimately vacate the market at some point in time, and that should lead to sort of industry consolidation and sort of better conduct going forward. But it will happen over a period of time. In select products, we see impact of that in the near term. But I think, as I said, a broad-based recovery, we will, I guess, get to see a firmer trend over the course of next few quarters.

Amar Mourya: Okay. And typically, when you talk about spread, let us say, ideally, how much percentage of your portfolio in agro as well as in the energy space would have seen the improvement in the spread?

Suyog Kotecha: So, I think on agro side, frankly, we are currently, we are able to hold on to spread and that itself is, from a company's point of view, is a good outcome because passing on such a rapid increase in raw material costs to agrochemical, specialty chemical companies who have a much longer gestation period in terms of absorbing price rises, I think is a good outcome.

I think over the course of next 3 to 6 months, we will be able to fully pass on the price rise provided there is certain stability that comes on the raw material side, which itself is a bit of a question mark right now. Typically, there is a huge amount of inventory in the agrochemical chain, right? We are at an intermediate level, but there will be inventory at the intermediate level, inventory at a technical level, inventory at a formulation level and inventory at ultimately end consumer level.

So, all of that needs to get adjusted before the full pricing is passed on. And that is what typically takes time versus if you look at some of the energy applications or some of the polymer applications where you are directly closer to end customer, there the price pass-through happens relatively quickly.

Amar Mourya: Okay. And typically, sir, one last from my side. Typically, how much percentage of the supply would have gone out of the system, let us say, because of this fire incident in China and these small facilities, which are now likely to be closed or on the verge of like closure because of the scrutiny increases and all those things?

Suyog Kotecha: Difficult to comment. We do not have answer for that. Also, the specific incidences that you are mentioning are not linked to our product portfolio, right? So, it does not impact AIL directly as such. We are not in a position to answer that.

Amar Mourya: Okay. Fine, sir. Thanks a lot.

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

Nitesh Dhoot: Hi. Good afternoon, team. Thank you for the opportunity. My first question is basically it looks like there is a higher inventory created that is also visible from the disconnect between the increase in the production figures across the products and the sequential revenue decline if you see, and that is despite the increased prices. So, what explains this disconnect? I see a stock adjustment line of INR409 crore that is increase in inventory. Could you give some color on this?

Chetan Gandhi: Yes. So, if you are looking at that, there are certain materials being moved out from India were exported out and are on seas reaching to our customers, and that is where they have been in transit inventory which you are looking at.

Suyog Kotecha: So that material given it is not delivered to a customer. I think the revenue for that part of the portfolio is not recognized.

Nitesh Dhoot: Okay. So, is that what explains the increase in the working capital on the inventory side between Q2 and Q4?

Suyog Kotecha: Yes. And some element of the raw material price impact, which came in the later part of the last month.

Nitesh Dhoot: Right. And so sequentially, there is a 22% increase on the other expenses side on a 5% revenue decline. So that is also partially related to the production levels versus the sales volumes?

Suyog Kotecha: That is primarily driven actually by freight. So, I think we saw, especially mid-Feb onwards, we saw sort of huge escalations in the freight rates. So, I think the jump that you see in other expenses, significant part of it is actually coming from freight. It is a combination of freight rates as well as the

additional export volumes, right? I think the on an overall basis, almost 57% of total revenue came from exports. And that is what is also reflected in the incremental freight and other expenses.

Nitesh Dhoot: Right. And sir, of the targeted EBITDA, so we expect about INR350 crore to INR400 crore coming in from the capex, right? And with this the delay in the Zone IV capex by a few months, any slippages on the guided EBITDA numbers or probably would stay closer to the lower end of the EBITDA range ex of pricing gains, obviously. I mean, what are your thoughts?

Suyog Kotecha: No. I think, look, our target as a management team still remains on how to do catch up even with the 3 to 4 months of delay. But at the same time, we are transparent in communicating in terms of how are we progressing against our initiatives, right? I think we laid down a very clear path in terms of what actions we are taking to achieve the targeted growth. And cost and operating efficiencies, operating leverage, which is sort of relatively in our control is going as per track.

Most of the initiatives on the costs that are implemented, they will start accruing fully in the current year. Operating leverage, all initiatives are on track. There is no delay in any of these. Of course, near-term volatility will create quarter-on-quarter a different picture. But from a strategy implementation point of view, there is no lag effect there.

I think on the capex side, yes, we are behind compared to our original plan and that 3 to 4 months of delay will have an impact in terms of how much we were budgeting over the course of next 2 years, but we are figuring out strategies to mitigate that impact.

Nitesh Dhoot: And this is purely on account of labour shortages or any other reasons also partially responsible because 3 to 4 months delay is on account of labour shortages suddenly, I mean at least in last quarter, this was not spoken about. So, I am not sure maybe if you can explain.

Suyog Kotecha: This is the phenomenon of this quarter. There is a 35% reduction in the contract labour availability in the region where we are executing capex. And right now, the project is in the kind of last mile connectivity like where a lot of pipeline work needs to happen, which is usually significantly labour intensive.

And that is where I think the impact is hitting us right now. It is a combination of the impact of LPG and I guess, to some extent, also the election-related migration. We are working quite proactively to address that issue. But today, yes, we do have a significant shortage of contract labor in our project execution.

Nitesh Dhoot: Understood. And just one last, sir. So, this INR39 crore of revaluation loss on FX, I mean it looks slightly on the higher side for a particular quarter. If you can probably give some color on the total exposure and the hedging policies there?

Chetan Gandhi: So, we have roughly around \$87 million of an FX loan, which is unhedged and is open. Rupee depreciated by close to INR5 from a level, I guess 31st December was at INR89.8 or something and 31st March was at INR94.8. So, there was a INR5 depreciation on Indian rupee on \$87 million of exposure. Unfortunately, the accounting treatment requires us to take the impact of this on the day of the balance sheet, whereas if you look at our overall dollar perspective, say, this is relatively an exposure, which will be repaid over a period of next 8 years. Whereas I have got a larger export portfolio, which will absorb this as a natural hedge. But from an accounting point of view, that gains are accounted only once it is materialized where this loss is accounted now.

Nitesh Dhoot: I understand. Great, sir. Thank you so much. It was really helpful.

Moderator: Thank you. Next question is from the line of Darshita from DSP Asset Managers. Please go ahead.

Darshita: Hi. Thank you for taking my question. Firstly, the INR1,800 crore to INR2,000 crore of capex that we are doing on Zone IV, can you give a split for the calcium chloride and the MPP plant? I mean, how much would it be? Would it be anywhere somewhere between INR450 crore, INR500-odd crore? Or how should we think about it?

Suyog Kotecha: Typically, we will not share asset block by asset block capex. I think at an overall level, the number is what Chetan described earlier.

Darshita: Secondly, on the INR1,800 crore of EBITDA run rate, INR150 crore, INR200 crore was from the cost initiatives. Any changes you think from the MPP plus Zone IV plus UPL JV that we may see? I mean, any change in the incremental EBITDA from these three segments?

Suyog Kotecha: No, I think at this point in time, we are not changing the EBITDA potential from all of these initiatives. I think the only thing we are highlighting is on the capex-led growth, I think we have seen a slight delay in the project execution, and that might have an impact on realization of that EBITDA potential in the given time frame. But apart from that, there is no change on any of the EBITDA potential that we have already highlighted.

Darshita: Right. So INR300 crore to INR450 crore is something that can flow through, but maybe not in FY28, but could get delayed by 6, 7-odd months or something like that?

Suyog Kotecha: Yes.

Darshita: Okay. On the working capital days, I understand the freight-related issues and the war-related issues. But I believe that our exports will continue to grow as it is. So how should we think about the receivable and inventory days from here on?

Suyog Kotecha: I think it will remain pretty dynamic. I think one is export, but I think the export to which region also matters quite a bit because different regions have different voyage times, and that ultimately decides your working capital exposure. For example, in last quarter, a significant part of export was done to U.S., which typically on an average has 2 to 3 months of voyage time.

So, your working capital requirements are much larger versus Middle East where voyage times are as low as 7 to 10 days, your working capital exposure is significantly lower. So frankly, difficult to comment at this stage. I think it does remain quite dynamic depending on which region you are sort of pushing your product to and transit times, customer terms, the situation in the market, all of that determines ultimately what kind of receivable position we end up landing into.

What is more important at this point in time is, of course, to ensure a very dynamic allocation of the product to the regions because global geopolitical situation remains quite volatile. So I think that remains a priority. And a subsequent impact of that in working capital is managed through incremental debt. We do not like it. It does cost us in terms of our balance sheet as well as the interest cost, but that's the necessity given the global situation at this stage.

Darshita: No, no. So, I meant keeping the current situation aside, should we think about it as, I mean, total your net working capital days of anywhere between 60 to 70-odd days, we have also seen a 50-odd day kind of a cycle. So that is where I was coming from and more so from a perspective of Zone IV is commercialized, then how would that incrementally affect our working capital days?

Suyog Kotecha: Ideally, we would like to remain within 55 to 60 days kind of average levels. But as I mentioned, it does vary depending on the market situation. But from an objective standpoint, I think we like to target 55 to 60 days kind of levels.

Chetan Gandhi: And I guess Zone IV will not materially change the number. It will continue to be in the same trajectory.

Darshita: Okay. Got it. And just lastly, on the tax rate. It is been a little volatile this year. I think you had mentioned 15% kind of tax rate for '27, 28, sorry, '27. Should we assume it to be 15%? Or is there any change there?

Chetan Gandhi: We should be in the range of maybe around 10% to 15%. This year, there are a lot of earlier tax litigations, which came in our favor, and that is why you have seen a lot of prior adjustments and the deferred tax adjustments and everything. Hopefully, with that getting over, we will not see much of volatility. But given the fact that we have Zone IV, which is getting commercialized and there is an IT depreciation, which is a significant part of deduction available, the tax rate will be in the range of around maybe 9% to 14%, 15% kind of stuff lateron.

Darshita: Got it. Okay. That is all. Thank you.

Moderator: Thank you. Ladies and gentlemen, in order to ensure that management is able to answer queries from all participants, kindly restrict your questions to two at a time. You may join back the queue for follow-up questions. We will take our next question from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: Yes, good afternoon. Thanks for the opportunity. First on the follow-up on MMA, you did explain some of the dynamic, but just to get the picture clear. My understanding is there is 2 big applications for MMA. One is in the gasoline-naphtha blended application where they boost octane. The other one is the refinery, which are not able to meet the guidelines on the octane boosting ARO, they add MMA to meet the regulation.

Now given gasoline and naphtha spread in between, in fact, went to negative and even today, it remains in a weaker zone and considering the volatility, it does not seem that this dynamic is going to change pretty much in next 1 or 2 quarters. How should we think and if you can help us with the breakup, one is more sustainable, the other one could remain volatile.

So that is number one. And probably an associate question is that considering that crude has gone up, one can anticipate ethanol blending to rise very sharply, which in itself acts as an octane booster. And then there is a gas shortage, which can lead to some of these dynamics playing against us. I know we have a balance in terms of higher crude price, but I think there are a lot more headwinds. So, can you help us explain this entire MMA situation? How is it going to think about it for next 2 to 3 quarters?

Suyog Kotecha: So, as you yourself explained, it is complex, right, because there are multiple trends that play out simultaneously. And trying to aggregate all of these trends, which have different directional impacts

to come up with a concrete point of view on where we will land up at the end of 3, 6 months, frankly, is not an easy exercise. I think you only talked about factors, but also these factors vary region by region, right?

What gasoline naphtha spread we see today in the Middle East versus what we are seeing in Europe versus what we are seeing in the U.S. is also a very different number. It is not necessarily that all 3 regions will see exactly the same number on a given day. So with all of these factors playing out, I think the only objective effort that we can do is to ensure that we are working very closely with our customers to understand their affordability.

And in that context, optimize the volumes and spreads to ensure our manufacturing asset sort of runs at a healthy utilization levels. And also, it gives us guidance in terms of what is our affordability to buy our raw materials. And that is what we are focused on right now. I think the gasoline naphtha cracks have been very volatile.

And yes, there are days in which it has gone negative. There are days in which it has also gone up \$20 per barrel, right, given the sort of extremely volatile Middle situation that we have seen over the last 6 weeks. I do not think there is any conclusive trend at this point in time, which we can draw. And I do not think we will reach a stability until the situation in the Middle East is kind of directionally at least settled.

Till that point in time, the only thing that we do is to ensure that we remain very, very closely connected with our customers to understand their affordability and try and do sort of our raw material sourcing and the production planning linked to their affordability and their requirement, and that is what we are focusing on right now.

Sanjesh Jain: But can you just split between or probably give a breakup on how much it is where the pricing is not linked to the crack and it is just the production or the refinery inability to produce the gasoline and irrespective of pricing, they will need to add MMA to the gasoline.

Suyog Kotecha: I think that is, I would frankly say, it is a relatively small market. I think irrespective of pricing, the need to add MMA, I think that market will always remain a bit limited because MMA is not the only octane booster available in the market, right? I think there are multiple other products, albeit they operate at a significantly lower performance range. But there are, of course, alternate options available in the market.

So, at some point in time, the pricing economics has to come into the picture when it comes to customer decision-making. But we can have a detailed chat later. At this point in time, as I said, I think the objective remains at least the region where the trade flow is operating right now, there, how do we maximize sort of our share. And we hope that the region where currently the flows are closed, which is the Middle East, will hopefully open up as the things stabilizes.

Sanjesh Jain: That is pretty clear. My second question is on the contracts, not the 2 we have announced now. I am talking about the historical 5 contracts. One was cancelled. Can you help us on the business cycle, where are we in those 4 contract utilization levels? Have we reached the peak contract level? Where are we in those 4 contracts? I know one got terminated. So we were trying to do something out of it, but yes, on utilization level will help.

Suyog Kotecha: No. So, without getting into specifics, but broadly, out of 3 contracts, one was for sort of advanced polymer intermediate that continues to operate as per the contractual terms. There is no volatility there. It is relatively secure and predictable earnings coming from that particular contract. The one linked to MMA, I think there were certain aspirations in terms of target volumes and that we wanted to achieve.

I think at least if you look at the last calendar year, I think that contract operated in that range, right? So, we were able to achieve the target volumes. It does not mean that the monthly and the quarterly volumes necessarily are met. But at a yearly level, if you see I think that contract did meet kind of the targeted volumes. Our nitric acid contract, which was another long-term contract which we did for the purchase of the raw material also continues to operate as per the contractual terms, there is no deviation from that.

And there was another contract for agrochemical intermediate where the volume conditions are being made. But yes, from a margin point of view, there has been a pressure compared to what was originally anticipated during the contract closures. But that is the current status of the 4 large contracts.

Sanjesh Jain: That is great. One last on the balance sheet side. We ended this year with 4x-odd net debt to EBITDA. And next year, there is a headwind of higher raw material translating into higher working capital requirement, and we have a target of reaching the 2.5x net debt to EBITDA. Can you help us the path to the net debt to EBITDA of 2.5x in next 2 years?

Suyog Kotecha: I think we, Chetan can add, but I think we closed the year at roughly INR 1,172 and our net debt was around INR4,300 crore.

Chetan Gandhi: Roughly 3.6x.

Suyog Kotecha: We are roughly at a 3.6x level, just to get that perspective right. Going forward, of course, the anticipation is that the EBITDA will increase and the net debt will go down. I think this is the year potentially where hopefully, the cash flow should be more than the capex that we are planning to do, and from a working capital point of view, yes, there is a pressure, but I mean, whether it goes; currently, we are operating at a crude level of \$100, \$110 a barrel, right?

If it goes to a scenario where it goes to \$140, \$150 a barrel, then of course, we are looking at a scenario where the raw material; the working capital requirement will go even further up, and that will put a strain on the balance sheet. The likelihood of that scenario, we do not know. In general, the anticipation is that the pricing scenario should stabilize at the current level or should get corrected once the situation normalizes, and that should ideally lead to reduction in the working capital requirement going forward.

And as I talked about capex and with the capex intensity going down and the operating cash flow going up. Overall, at least the internal target is to reduce the net debt levels from the current levels in the current financial year despite the current pricing scenario and the capex intensity that is planned for the current year.

Sanjesh Jain: Super. Thanks. Thanks for all those elaborate answers and best of luck for the coming quarters.

- Moderator:** Thank you. We will take our next question from the line of Dhruv Muchhal from HDFC AMC. Please go ahead.
- Dhruv Muchhal:** Yes, sir. Thank you so much. Sir, the nitration-related incidents in China probably are linked to some specific product, one key product. But I am just trying to understand, based on some of the commentaries, it seems the read-through is; I mean, the implication could be for broader nitration-related chemistry, similar nitration-related chemistries. I am just trying to understand how are you reading this development? Also, is our nitration product-related change very different than probably what the Chinese are doing and the implication would be for, the impacted products would be for them?
- Suyog Kotecha:** Yes. So, our product portfolio is significantly different compared to some of the products in which these accidents have happened in China. So, there is no direct linkage, first of all. Second, in general, I think it is good that the regulatory standards, the standards on safety will go up, and that will help in general, overall chemical industry, and that is good for the society. The corollary of that is with increased governance with increased standards, it is possible that some of the smaller scale inefficient operators will be forced out of the market. And but that is expected to happen over a period of time and not sort of in a knee-jerk manner. And that is what will help the overall sort of margin profile of these nitration chemistries. But as I said, there are multiple products which get manufactured using this chemistry and one-to-one linkage is always difficult. But broadly speaking, as an industry, I think we are on the right track when we say that we want to improve the standards of safety and the standards of governance on some of the hazardous chemistries.
- Dhruv Muchhal:** Sure. Now based on the reading, what I understand probably if you can help me, was that the problem was or the issue was primarily related to the nitration related, whatever they were doing in that particular molecule. So the nitration that we do, is it very different? I am just trying to understand, say, for example, a chemical plant in China is doing nitration on a separate and a different molecule than the insulin-related molecule. Will they also see a tightness or this will not have any implication on them?
- Suyog Kotecha:** I think in general, the standards go up, they get applied as a rule across the product portfolio, right? It does not remain get to a particular product. It is applied to the chemistry and a reaction level and not necessarily for a particular product. So yes, everyone will go through increased scrutiny. I think especially from an AIL standpoint, bulk of our operations now we have moved to continuous nitration, which is inherently much safer than the batch nitration. And I think we have significantly enhanced our safety practices and safety measures when we are operating such chemistries over the course of last now couple of decades, right, which is sort of visible also in our performance on the safety dimensions and our recognition by the global bodies when it comes to safety and sustainability parameters. So we feel very confident and comfortable. And we also feel that the actions currently getting taken in China are in the interest of the industry from a long-term point of view.
- Dhruv Muchhal:** Sure, it helps. Sir, secondly is on the Bayer contract, the long-term contract, although we have seen some positive developments related to that final technical molecule in U.S. So any changes for us in terms of how we see; and also the duties in U.S. probably are now lower. So any changes that we see on the, utilization of this asset now?

Suyog Kotecha: I think as I mentioned in the last call, I think sort of 50% of that asset is used to manufacture one particular intermediate that goes into Dicamba. And there, we are seeing steady volumes right now. So it will definitely lead to a better utilization of that asset in the coming financial year.

Dhruv Muchhal: Sure. Got it. And lastly, if you can speak about RM availability, primarily methanol and I think sulfur related. How is the availability for you? I understand price will be high, but in terms of physical availability, are you seeing challenges?

Suyog Kotecha: No. In terms of physical availability, we are well covered so far as far as both of these commodities that you mentioned. It does come at an increasingly higher cost to ensure that sort of all of our plants are fed 100% of the requirement. But from a physical availability point of view, we are well covered on both of these commodities.

Dhruv Muchhal: Got it. And when you say covered, it is for duration?

Suyog Kotecha: So, it depends on the commodity, something like methanol, we will typically have a coverage of a couple of months, something like sulfur, given it is a domestic supply, we will have a contract in place, and we will have a coverage of a few weeks. But so commodity by commodity, the coverage will change.

Dhruv Muchhal: Got it. Sure, great. Thank you so much and all the best. Thanks.

Moderator: Thank you. Ladies and gentlemen, we request you to restrict your questions at this time, please. We will take our next question from the line of Rohit Nagraj from 360 ONE Capital. Please go ahead.

Rohit Nagraj: Yes, thanks for the opportunity. Just one question on the demand side. So you mentioned in one of the remarks that the demand contraction in exports market probably for the discretionary portfolio can be taken care by the domestic market. So, what gives us confidence that there may not be a material distortion even in the domestic market given that the pricing for the same discretionary portfolio will go up in domestic market?

Suyog Kotecha: That comment, Rohit, was specifically for dyes and pigments in the context of a particular product where there is a pressure in the global demand, but that is getting offset by the increase in the domestic demand. I think in general, your point is right. If globally because of West Asia war, if the global interest rate cycle reverses and there is a global inflationary scenario, which links to potential downward trend on the global GDP, then of course, it will have an impact on the discretionary spend, not only in the global markets, but also in the Indian markets. But that is a scenario which we continue to monitor and sort of mitigate. At this point in time, difficult to comment, but it is a potential risk in case we start seeing impact of the global GDP level, including India.

Rohit Nagraj: Right. Just one number related question. What would be the gross block by the end of FY27 when the entire Zone IV will be commissioned?

Chetan Gandhi: End of FY27, we should be in the range of around INR9,500 crore to INR10,000 crore. We do not have the exact number, but around that range.

Rohit Nagraj: Sure, that is helpful. Thanks a lot. And all the best.

Moderator: Thank you. Next question is from the line of Surya Patra from PhillipCapital. Please go ahead.

Surya Patra: Yes, thanks for this opportunity. Sir, just a couple of clarifications of what you have commented already. When you said that raw material security, is it fair to believe that for the June quarter, at least there is a 100% kind of raw material supply security that has been insured? Is that right understanding?

Suyog Kotecha: Given the way the situation changes here on every week basis, I think affirming anything for next 2 months seems like; anyway, let me not go there; broadly, I think we are well covered based on our current planning today. Of course, we cannot predict hypothetical scenarios two weeks down the line, three weeks down the line. As of now, based on our current contracts in place, we feel we are well covered.

Surya Patra: Okay. Second clarification about the freight. This is generally the spike in the other expenses quarter-on-quarter basis, what we see. You mentioned that, that is a large portion of that is due to freight. But looking at freight share kind of 7%, 8% of the total. So even with that getting doubled, so the number is slightly higher. So and second related aspect, what I want to understand, whether this elevated freight is still June quarter end or it can be very short-term phenomenon also?

Suyog Kotecha: There are 3 elements to freight, Surya. There is rate, which is a unit rate. The second is the volume and third is the destination, right? And all 3 were adverse in the last quarter, rate because of West Asia war-related issues, I think the freight rates went up. Volume because we did substantially higher exports, right, 57% of it is exports.

And the third is the destination mix because we pushed out a lot of material to U.S., which is the longer as time and a significantly higher freight compared to, let us say, markets like Middle East, where the absolute quantity of freight also goes down significantly compared to U.S. It is a combination of these 3 things, and that is where you see significantly higher number.

Surya Patra: Okay. And just last one point, sir. While you are kind of a bit cautious given the short-term situation that is visible, but you are also very confident about the potential for FY27 in terms of growth and all that, looking at strong order book visibility or positioning and also the new project contributions.

So, if you can elaborate a bit where from that you are seeing the strong order book visibility? And if you also can give some sense about the upcoming project, whether it could be the JV with the Superform JV or the plastic recyclability, how meaningful those 2 projects, which is coming this year in terms of number contribution for AIL?

Suyog Kotecha: Yes. So, I think the midterm to long-term confidence comes from the fact that what we have been able to deliver on volume growth in the last 18-month time frame, right, which has shown that if we operate with agility in the market, we are able to get the market share and we are able to push up utilization of our assets. It is also kind of reaffirms our cost competitiveness when it comes to getting the required share of wallet from our customers. So, if we sort of disassociate ourselves from the near-term headwinds of West Asia war, I think in mid-to-long term, the ability to run the asset to their full potential and getting the required share of volumes from the global market, I mean that confidence level is there, and that is what is reflected in sort of our mid-to-long term guidance. And as the cycle turns, as we have seen in some of the chains, if you are operating at a higher volume base, then the recovery in margin supports you in incremental way because the margin gain that you get is on a significantly higher volume compared to your old baseline, right? So that the broad thesis for the mid-to-long term.

From a JV point of view, we expect Augene to commission within hopefully, June, July kind of time frame, which is the JV with Superform. And that should actually ramp up to a full utilization level within the current financial year. So that will start contributing meaningfully. I think the recycling JV is expected to commission within this calendar year, I think it may not contribute meaningfully in terms of numbers as of now, given it is a first of its kind plant and there will be a time frame to establish that technology as such. But nonetheless, I think the proof of that technology will be established within the current financial year.

Surya Patra: Sure, sir. Yes. Thank you for all the answers and congrats.

Moderator: Thank you. Next question is from the line of Kumar Saumya from Ambit Capital. Please go ahead.

Kumar Saumya: Hi, sir. Good afternoon. So just a couple of questions from my side. On the backward integration capex that you have announced for one contract. So, if I remember right, that was a fixed margin contract. So how will this backward integration help in that contract?

Suyog Kotecha: It is an additional fixed margin that we will get for the remaining period of 15 years.

Kumar Saumya: Okay. And the second contract, sir, that you said, this is the revenue potential over the next 3 years, that is '27, '28, '29 and '30, right?

Suyog Kotecha: Yes, 4 years.

Kumar Saumya: Yes, sir. So, in this Augene JV, what should be the margin that we should work with considering how the ramp-up will be and what is the contribution that we should expect?

Suyog Kotecha: I think I mean, honestly, maybe it is the right question to be asked to the JV management team as such. But in general, our philosophy is that JV should operate at a slightly better margin profile compared to where AIL is operating at this stage. Just to be sort of doubly clear, though we will start presenting EBITDA from that JV as and when the number starts becoming relevant.

But from a consolidation point of view, given it is a 50-50 JV, it will not consolidate into AIL. We will most likely report the numbers on a separate basis. But from an accounting standard point of view, that number might not consolidate into AIL at the EBITDA.

Kumar Saumya: Got it. So, it will come as a separate line item here. Thank you, sir. That will be all for now.

Moderator: Thank you. Next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Hi, sir. Thank you for taking my question. On the few contracts that you announced this year, and in the last call also, you alluded to the point that you are looking to probably I think we are probably stepping up activities around partnerships and JVs, the conversations are going up. So, I just want to check with all of that is clearly going on in West Asia, has there been a loss of momentum in some of those conversations or they are going on as they were even prior to the conflict?

Suyog Kotecha: No, I think there is no loss on momentum. I think it does continue. Of course, from a bandwidth point of view, management bandwidth point of view, sometimes the crisis management takes decisions over some of these activities. But I think we have created good enough structures within the organizations to ensure that the momentum is not lost. So, I would say that on an overall level, we do not see momentum falling. In fact, we see momentum increasing because people are increasingly looking at

more robust supply chains, more secure supply chain for their global requirements going forward. And we expect many such conversations to proceed and conclude in the coming financial year as well.

Nitin Agarwal: And what is the nature of qualitatively this kind of arrangements that we are exploring with people? I mean what is the motivation for them to tie up with somebody like Aarti?

Suyog Kotecha: So, I think, again, it is a long conversation, but I think in one line, I think it is our ability to deliver extremely reliable and safe operations in complicated chemistries in the most competitive manner, right? That is the value proposition that we offer. And I think the heartening thing to see in the last quarter was the repeat long-term contract from the global major, right? I think it is one thing to get a long-term contract. But if the same major comes back to you with a repeat long-term contract, that also gives you a significant validation of the value proposition that you are putting up in this partnership, and that was very heartening to see. The nature of the contract will keep varying. Some of these are fixed margin contracts. Some of these are pure buy and sell linked to index prices kind of contracts. So I think every partnership looks different from a commercial arrangement standpoint. But nonetheless, it does improve the quality of the portfolio going forward and brings a certain amount of earnings visibility.

Nitin Agarwal: And just to push that point, is it fair to assume that when you look through the next, say, couple of years or more, such kind of incremental partnerships or JVs that we will do will contribute or begin to contribute much more meaningfully to our business as we go forward and overall helping the earnings quality?

Suyog Kotecha: That is the intention as well.

Nitin Agarwal: And last thing, when you look at the disruption with whatever is happening for now with the West Asian war, I mean, at what point does it become a challenge for us? I mean is there a particular scenario or scenario by which it derails probably our trajectory? And at what time it does not really; it is only a temporary hiccup for us. I mean is there a way to it?

Suyog Kotecha: I do not know how do you; so for us, it is a challenge today, right? I think it is not easy to handle more than 60% increase in raw material pricing in a 2 weeks' time frame. It is not easy when 10% of your revenue, which is going to a market suddenly shuts, right? So, I think it is a challenge even today. And I think as I said, the only way you can manage it is sort of be proactive, be agile in terms of all the actions that you can take to minimize the impact of such disturbances. So, I would say the situation is serious enough where it is a challenge today. But at the same time, I think we are putting in a lot of efforts and actions to mitigate the impact to the best extent possible.

Nitin Agarwal: Thank you so much. Best of luck.

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

Suyog Kotecha: Thank you. Thank you all. We appreciate your ongoing support and participation in today's call. I think despite the prevailing near-term headwinds linked to the West Asia war, our disciplined approach allows us to manage to this field effectively. We remain committed to our 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. Have a good day.

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

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