5th August, 2026

The Manager, Listing Department, National Stock Exchange of India Ltd, Exchange Plaza, Plot No. – C – 1, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051	The General Manager, Department of Corporate Services, BSE Ltd., 1st Floor, New Trading Ring, Rotunda Building, P.J. Towers, Dalal Street, Fort, Mumbai – 400001
NSE Code – PCBL	**BSE Code** – 506590

Dear Sir,

<u>Sub:- Q1 FY 27 Earnings Conference Call – Transcript</u>

Further to our letters dated 24th July, 2026 and 29th July, 2026, please find enclosed herewith the transcript of the Q1 FY 27 Earnings Conference Call held on Wednesday, 29th July, 2026 at 17:00 hrs India Time, for the quarter ended 30th June, 2026. This information is hosted on the Company's website and can be accessed at the link: www.pcblltd.com/investor-relation/financials/investor-presentation .

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

Yours faithfully,
For **PCBL CHEMICAL LIMITED**

KAUSHIK MUKHERJEE
Digitally signed by KAUSHIK MUKHERJEE
Date: 2026.08.05 18:32:11 +05'30'

K. Mukherjee
Company Secretary and Chief Legal Officer

Enclo: As above

"PCBL Chemical Limited

Q1 FY27 Earnings Conference Call"

July 29, 2026

MANAGEMENT: **MR. NILESH KOUL – MANAGING DIRECTOR – PCBL CHEMICAL LIMITED**
MR. ROHIT NARANG – CHIEF EXECUTIVE OFFICER, AQUAPHARM CHEMICAL
MR. RAJ GUPTA – CHIEF FINANCIAL OFFICER – PCBL CHEMICAL LIMITED
MR. PANKAJ KEDIA - EXECUTIVE DIRECTOR - INVESTOR RELATIONS

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

Moderator: Ladies and gentlemen, good day, and welcome to the PCBL Chemical Limited's Q1 FY27 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Sanjesh: Thanks, Shruti. Good evening, everyone. Thank you for joining me on for PCBL Chemicals Limited Q1 FY27 earnings Conference Call. We have PCBL Chemical management on call represented by Nilesh Koul, Managing Director; Mr. Rohit Narang, CEO Aquapharm Chemical; Mr. Raj Gupta, CFO; and Mr. Pankaj Kedia, Executive Director, Investor Relations.

I would like to invite Mr. Nilesh to initiate the call with his opening remarks, post which we will have a Q&A session. Over to you, sir.

Nilesh Koul: Thanks so much. Good afternoon, everyone. A warm welcome to PCBL Chemicals Q1 FY27 Earnings Conference Call. I'm pleased to report that there has been a strong quarter for us on almost every parameter. Consolidated revenue grew 17% year-on-year. EBITDA grew 23% and profit after tax grew 65%.

What makes this performance particularly satisfying is the background against which it was delivered. Cost continues to be volatile with the West Asia situation persisting through the quarter. When we spoke to you last -- at the end of FY26, we have said that the recovery would consolidate progressively. This quarter is evidence of exactly that and of the resilience we have built into the business over the last few quarters.

Let me offer some perspective on the composition of this performance. Close to a third of our volumes are on the spot market, and our teams monetize this exposure very effectively as crude ran up sharply through April and May, capturing strong realizations. On the formula linked portion of our business, the pricing mechanism works exactly as designed. Input cost movements are passed on to our customers with a contractual lag.

And we remain committed to maintaining this pricing discipline. While a part of the spot-related gains is naturally linked to how crude behaved during the quarter and may moderate as crude effects correct, the more important point is that, the underlying operating environment for our industry is improving structurally. And I'll spend a few minutes on that shortly.

First up on cost and margins. Brent crude averaged USD 97 per barrel during the quarter compared to USD 78 per barrel in Q4 FY26, largely on account of the escalation of the West Asia conflict. CBFS costs moved in line with crude and together with higher inward freight, this raised our raw material bill during the quarter.

Despite geopolitical disruptions impacting global trade routes, we ensured uninterrupted customer service and met every customer commitment. This took a lot of effort and a lot of agility, and I'm really proud of the team for having delivered this. A discipline that continues to strengthen our standing as a reliable global supplier.

Now let me talk a little bit about the structural tailwinds I talked about. Global landscape turning in India's and PCBL's favor. Before I run to the operating segment, I want to step back and talk about 3 structural developments that we believe are shaping the global carbon black landscape in favor of India and the Indian manufacturers and PCBL, in particular.

First, India's trade architecture has strengthened remarkably over the past several quarters. The India-U.S. trade deal discussion in February this year has brought tariffs on Indian exports down sharply from the peak levels seen last year. And subsequent negotiations have secured for India one of the most favorable tariff years among major exporting nations.

The India-EU FTA concluded in January 2026 is progressing through ratification and opens up duty-free access to European markets. It's also expected to eliminate 4.5% EU import duty on Indian tires, enhancing the competitiveness of the Indian tire manufacturers in an important export market and in turn supporting domestic carbon black demand.

Alongside this, the India-U.K. CETA and India EFTA trade economic partnerships, which is already in force and new agreements with Oman and New Zealand together position India as a preferred trusted partner in global chemical supply chain. Very few carbon black producing geographies enjoy this breadth of preferential market access today.

Second, and specifically on the U.S. market, Indian carbon black now attracts a materially lower tariff than from competing Asia and Middle East origins. With China facing significantly higher effective duties, U.S. customers are actively looking to diversify their sourcing away from China and Russia making India a natural beneficiary.

We are seeing good traction from U.S. customers. And even after accounting for elevated ocean freights, we are more competitive in the U.S. market today than we were before the conflict. Our upcoming presence in Texas further strengthens our ability to serve this market.

Third, the global supply chain is tightening. Ukraine's sustained strikes on Russian energy infrastructure have now hit all of Russia's largest refineries. And Russian refining throughput has fallen to new lows with a meaningful share of capacity offline. This has 2 direct consequences for our industry.

Russian exports of carbon black feedstock have shrunk, keeping global CBFS availability relatively tight. And Russia's own carbon black exports, historically a large low-cost supply to Europe, Asia and the Middle East have contracted sharply on top of European sanctions already in place on Russian material. This combination of shrinking Russian supply and India's improving market access creates durable white space for PCBL in Europe, the Americas and other premium markets, a structural, not just a cyclical opportunity.

Let me talk a little bit about domestic and export. Domestic sales were a bright spot this quarter with steady demand across key segments driving strong growth. Domestic volumes were also supported by an element of inventory building by our customers in the last quarter.

On export realizations were temporarily weighed down by elevated freight costs, and we responded with agility, strategically diverting a part of our volume to domestic spot market where realizations were more attractive. But at the same time, we continue to service our key strategic export customers to protect long-term relationships.

As freight normalizes and the tariff and FTA tailwinds I spoke about earlier take hold, we see significant headroom to scale our international business from here. You should see those volume flows happening quarter 2, quarter 3, quarter 4 onwards.

The tire outlook. Globally, the tire industry continues to navigate cost headwinds, while demand in U.S. replacement segment has stayed resilient. Closer home, Indian tire sector is on a healthy growth path after a solid 7% to 8% this fiscal, industry estimates for growth is in a similar high single-digit range over FY '27 to '29, supported by a growing aging vehicle fleet, premiumization and rising EV penetration.

Leading tire makers are stepping up the capacity. Several are running close to 90% utilization and have lined up fresh capex for FY27, which gives us good visibility on uptake for our carbon black volumes over the next few years.

Exports are another factor behind the investment cycle. India's tire exports grew 9% in FY26 despite supply chain disruptions, elevated logistics costs and trade uncertainty. The U.S. remains the largest export destination, while Germany, Italy, Brazil and France continue to be important markets. And with the trade agreements now in place or in ratification across U.S., EU and U.K., the runway for Indian tire exports, therefore, for domestic carbon black demand only gets stronger.

A few words about our specialty black outlook. In Specialty Carbon Black, we continue to make good progress across multiple fronts. Volumes remained healthy during the quarter, supported by a rich product mix and increasing customer acceptance of our differentiated offerings. We continue to develop new grades and expand our customer base, deepen relationship with existing customers and strengthen our presence across new geographies.

Globally, specialty demand continues to move up the value chain with customers increasingly shifting towards higher-grade performance differentiated products rather than commodity grades. We see this as a validation of our own push to innovate towards higher grades, and we intend to keep building our position there.

The 20,000 MTPA specialty black line in Mundra was commissioned in Q1 FY27. With this, our total installed carbon black capacity now stands at 900,000 metric tons per annum, a milestone that firmly establishes PCBL among world's leading carbon black producers.

A word about our advanced battery materials business. On battery materials, we continue to make strong progress in building a differentiated platform focused on 2 most attractive and fast-growing segments, silicon-based anode materials and high-performance conductive carbons. The global battery industry is transitioning rapidly towards silicon enhanced anodes to deliver higher energy density and faster charging capabilities.

We view this as a significant long-term growth opportunity and have invested accordingly. Our Nanovace pilot plant in Palej is in progress, and we have received the consent to operate for R&D and customer sampling. At the individual machine level, we have already started trials, and we are in readiness to start sampling in the coming weeks of August.

We are, of course, also going beyond nano silicon and evaluating broader portfolio of silicon-based materials to address evolving battery industry requirements and sustainability objectives. At the same time, we are strengthening our position in high-performance conductive carbons, which play a critical role in improving battery conductivity, charging efficiency and overall battery performance.

To address growing demand from battery semiconductors and advanced polymer applications, we have set up a 1,000 metric ton per annum super-conductive specialty black facility in Palej and have commenced market development activities across battery, conductive polymers and electronic applications.

In addition, we continue to advance our entry into acetylene black, a high-performance conductive carbon gaining relevance in battery and energy storage applications. Engineering for the first phase of the modular manufacturing facility has been completed, and we have initiated product development activities with our technology collaborator.

This positions us in high-value margin-accretive segments benefiting from the accelerating adoption of electrification, electronics and renewable energy technologies. Together, our silicon and conductive carbon initiatives create a differentiated battery materials platform aligned with some of the fastest-growing and most attractive segments of the global energy storage value chain, offering significant potential for long-term growth and value creation.

A quick update on our cost optimization and efficiency program I talked about last time. The program continues to progress well, and we last updated you the initiatives would yield an improvement through enhancement and feedstock diversification. And we believe that the target we had identified earlier of INR200 crores to INR250 crores of savings over the next 4 to 6 quarters still holds, and we look forward to starting to deliver that in our results.

Now a quick view on the outlook. Looking ahead, we are positive on the opportunities in front of us. The 3 structural shifts I described, India's expanding network of trade agreements, our tariff advantage in the U.S. market and contraction in Russian refining and carbon black exports are all durable tailwinds that play directly to PCBL's strength, scale, reliability and a global supply chain and an expanding specialty platform.

In the very near-term, the operating environment remains dynamic and some customers have adopted a more cautious procurement approach than we could have temporarily -- that will probably have a temporary effect on volumes in Q2.

We see this as a timing effect, not a demand effect and therefore, remain constructive on the second half of FY27. Our focus remains on capturing opportunity, driving volume growth in newly opened markets, sustaining cost efficiencies and continuing to strengthen our specialty and battery chemicals portfolio.

Now addressing the financial and operational highlights. Consolidated sales volume in carbon black business was steady at 153,513 metric tons. Consolidated revenue from operations grew 17% to INR2,474 crores and consolidated EBITDA grew 23% year-on-year to INR400 crores. Profit after tax grew 65% year-on-year to INR155 crores.

Of the total carbon black sales volume, domestic sales volume grew 15% year-on-year to 102,985 tons, while international volumes was 50,528 tons, reflecting a deliberate reallocation to domestic spot market that I spoke about earlier.

Moving to segmental performance. Tires accounted for 91,379 tons, Performance Chemicals 42,386 tons, while specialty sales grew a strong 23% year-on-year to 19,748 tons. Power generation was 217 million units and external sales volume of 130 million units in Q1 '27 at improved realization.

Now about Aquapharm. I'd like to take this moment to introduce Mr. Rohit Narang as the new CEO of Aquapharm Chemicals, something I mentioned in the last call. Rohit brings over 25 years of global leadership experience across general management, strategy and M&A. His last stint was with Eastman Chemicals, where he led global P&Ls across large-scale specialty portfolios and spearheaded multi-billion dollar M&A transactions.

Aquapharm remains an important part of our specialty portfolio. And under his leadership, we look forward to sharing -- shaping our future on growth, operational efficiency and expanding our presence across key markets and segments. His track record of delivering transformational and profitable growth aligns well with what we want to take Aquapharm over the next 5 years and scale it meaningfully. We are confident that with the new leadership in place, there will be a renewed push on growth and execution in the coming quarters.

Now I'd like Rohit to share his perspective on the company's growth and walk us through the performance of Q1 FY27 for Aquapharm. Rohit, over to you.

Rohit Narang: Thank you, Nilesh, and good afternoon, everyone. It's a pleasure to be speaking with you all for the first time since joining Aquapharm as the CEO. Over the last few weeks, I have been on the ground visiting our plants, working with our people and listening to our customers.

What I found leaves me extremely optimistic. There is a strong foundation here, and I see meaningful headroom for growth as we sharpen our focus on execution and scale over the next few years. I look forward to partnering with my team to take Aquapharm to the next level, and I'll keep you all updated as we move forward.

Just a quick word on the markets. On the home care, the industry is seeing strong overall growth with good tailwinds from Asia on phosphonates, though Europe is a bit of a headwind as the market gear shifts towards green chelates, which conveniently is also part of our growth story. In water treatment, demand remains strong across regions, especially with newer use cases like data centers coming up, and we are scaling our phosphonates and polymer portfolio to keep pace.

Renewed geopolitical friction and economic uncertainty across the Americas have stalled near-term demand growth in oil and gas segment and created customer inventory overhangs. This should pick up in subsequent quarters as we continue to innovate on product portfolio, target new accounts and geographies.

Let me now take you through this quarter's numbers. Aquapharm reported sales volumes of 22,985 metric tons, revenue of INR394 crores and EBITDA of INR47 crores in Q1 FY27. During this quarter, home care and water solutions sales volume decreased marginally on a year-over-year basis, whereas application-specific solutions posted a double-digit growth of 10%.

Oil and gas segment, while saw 35% year-over-year decrease, sequentially, the segment reported a strong growth of 50%, which shows turnaround momentum. Q1 saw some challenges on the raw material availability, which affected production levels. On the cost side, we saw higher costs across raw materials, logistics and packaging.

LPG availability added even more pressure. We had a raw surcharge in place through Q1 that helped us keep our spread constant, but we assume no surcharge for rest of the year. Going forward, demand for our existing portfolio is picking up. With a strong new product pipeline and growth in distribution network, we are confident of delivering a better number in FY27, led by volume growth.

In Saudi Arabia and wider Gulf region, we are positioning ourselves for industry shift to seawater reverse osmosis. We are speeding up our account approvals and expanding our reverse osmosis portfolio.

The effort is already delivering good wins, including a new 3-year anti-scaling contract and active qualification with more customers. On procurement, we are actively working to derisk our raw material supply chain, evaluating alternative vendors and exploring backward integration for some key raw materials.

On green chelates, order booking is running ahead of our current capacity, and we are now getting qualified with key accounts like P&G, Reckitt and Henkel. To build further on this shift towards green chelates, we are in discussion around a new facility. Alongside this, we continue to focus on cost reduction through a number of ongoing initiatives.

Over the next 1 to 3 years, our growth will be built around a few clear pillars, introducing new products across polymers, phosphonates and adjacent categories, sharpening our focus on the U.S. market, qualifying green chelates with our key accounts, expanding our oil and gas portfolio through biocides and paraffin inhibitors and securing new customer qualification in desalination.

We are also actively building our customer relationship and driving more targeted engagement. We believe all these efforts will give Aquapharm a solid foundation to build on through the rest of FY27 and beyond.

With this, I'll conclude my remarks and open the floor for questions.

Moderator: Thank you very much. The first question is from the line of Aditya from SMIFS Institutional Equities.

Aditya: Congrats on a good set of numbers. Sir, my first question, you mentioned in your opening remarks that because of the volatility in crude oil prices, the realizations were higher, and subsequently, there were some inventory gains benefit also, which could reverse once crude oil price can go down. Any thoughts, sir, like in this quarter, how much quantum would be from the inventory gains, first?

Second, sir, when we look in the overall volume mix, the performance chemicals volumes is dipped on sequential basis. But when I look at your specialty carbon black volume, that remains intact. But I believe, sir, like specialty carbon black is for the export market, so 90%, 95% is exported. So ideally, a dip in export should complement a dip in your specialty carbon black volumes also, but that is remaining intact and performance chemicals is going down.

So this means like the exports going down is because of the performance chemicals also. If you can share how much mix of the performance chemicals only volumes is from exports and domestic, and you see these volumes coming back going ahead? That's it. First two questions.

Raj Gupta: Okay. Aditya, I'll answer your questions. On specialty, around 70% of our volumes are sold in international market. Most of our customers are strategic customers, and like Nilesh mentioned in his speech, we ensured that none of our strategic customers suffered because of supply chain disruptions. We ensured timely delivery, and therefore, there was no impact on the specialty volumes in international market.

Performance chemicals and rubber grade carbon black, that story is different. We had some low-cost oil at our end, and in international market, because of higher freight, our margins tended to be lower as compared to domestic market. And therefore, we tried and pushed more material in domestic market where margins were better. So that was a deliberate act on our side to ensure that we have better blended margins..

On the first question that you asked regarding how much was the impact of low-cost inventory, we did about close to INR70-odd crores. Part of which is not going to go away in the next quarter. My estimation is about INR40 crores to INR50 crores, we might have to give away because of the change in the inventory position.

Aditya: Got it, sir. Sir, now coming to the tariffs part, -- so the U.S. government is reversing the tariffs, and most companies from India have applied for the tariffs which they have paid. Even we have also paid some of the tariffs to U.S. Have we also applied for the tariff reversal? If yes, sir, how much number or quantum can we see from the top line or from the other income? How you see that number will flow, from top line or from other income, and what would be that quantum?

Raj Gupta: Well, the accounting treatment we'll have to discuss with our auditors, but in terms of overall magnitude, between Aquapharm and PCBL, the amount would be somewhere between INR40 crores to INR45-odd crores. We have already made application, and we are tracking it very closely. My own sense is maybe in next 2 to 4 weeks' time, we should be receiving that refund.

Aditya: Got it. Sir, onto the Aquapharm numbers when we look at these quarters. Definitely as you mentioned, like inventory benefits also supported. So EBITDA per kg looks at around INR20,000 per ton or INR20 per kg. That looks more onto the higher side when we look over the last seven, eight quarters.

So what you see the sustainable run rate of Aquapharm? Can this run rate sustain even after inventory benefits going away and because our fixed cost earlier was high, that is also coming down. Some sort of quantitative numbers, how it will flow for FY27?

And secondly, similar onto carbon black side also per kg numbers looks to be elevated. What could be the sustainable numbers could be worked on for full fiscal '27?

Raj Gupta: The capacity utilization in Aquapharm still remains low, and therefore, the number for the quarter, there is an upside to it. It can go up. Now, whether it will go up next quarter, maybe not, because inventory adjustment will happen here also, right? But on a steady state basis, if we compare the current quarter's number with the same quarter last year, the numbers were more or less similar.

Last year same quarter also we did about INR19,500 EBITDA. And this quarter we have done about INR1,000 per ton more. So the numbers are sustainable, but in the immediate next quarter, because of inventory adjustment, the numbers may be a little lower. On a full year basis, I am confident that we should be able to deliver something similar to this.

Aditya: Just one last...

Nilesh Koul: With Rohit, just a quick add-on. Rohit has just taken over and he's of course developing an action plan for the turnaround of the situation. I would like us to give him a quarter or so to get a hang of what the opportunities are, and maybe in the next conference call, we will give you a far more detailed response on what to expect in the coming quarters. Rohit, if you want to add something?

Rohit Narang: No, I think you guys covered everything. Thank you, Nilesh. And I agree with Rajji's comment that we expect some hiccups in the next quarter, but on a full year basis, we are looking at sustainably managing our EBITDA per kg.

Aditya: Sir, just one last question, if you may. Sir, onto the power side when we look, sir, power business numbers this quarter on EBIT front it is INR110 crores. Last quarter when we look it is some INR80 crores. But there is a INR30 crores jump which has directly flown into our EBITDA. Sir, clarification like what has led to this jump and secondly sir what is the update on the Nanovace? Have you started that pilot plant?

And just a long-term question onto this, are you confident that whatever numbers we have shared, some INR1,000 crores EBITDA from Nanovace business, can that be achieved over the longer term and what could be the timelines for that?

Raj Gupta: I'll answer the first part of the question and then I'll hand it over to Nilesh. Power EBIT jump because of better realization. Last quarter our realization was INR3.66, which has jumped to INR5.39. It's almost 50% jump in power realization and consequent the increase in the EBIT.

Nilesh Koul: So, Nanovace, we remain extremely positive. So the lab scale testing and initial testing with some customers are very, very positive. The pilot plant is up now. As I mentioned earlier as well, at an individual equipment level, the testing is progressing extremely well. We now need to line balance it and ensure that the flows are managed well.

That process is ongoing and in the next few weeks we are committed to sort of starting producing the first batch of products which will go to customers with whom we have already been engaging for a while. In the long-term, we are extremely bullish about the battery material space.

So Nanovace, we continue to hold that it will hit the targets that we had set ourselves. Along with the other investments which I mentioned, the super-conductives and the acetylene black will form a significant portfolio of the future PCBL as we move forward.

So we are very bullish about it and as a result, we are also committing a lot of resources, both on the R&D side and now, as I said last time, we have now R&D facilities in India, Australia and Europe, which are working on this topic. We have recruited specialists in key positions over the last 3 or 4 months and we are very, very confident of making the numbers that we talked about.

Moderator: The next question is from the line of Rohit Sinha from Sunidhi Securities.

Rohit Sinha: Congratulations for good set of numbers. Sir, my question is on the Aquapharm side. In terms of looking at the scope, just wanted to understand how we would be expanding the volume there? Whether it would be from the newer product with each segments, or how would be the customer engagement would be there, in expanding the revenue size from the existing customer or acquiring new customers?

And in terms of new products, which segment, I mean, oil and gas, water treatment, where we will see more of the product launches going forward? And as we have seen some contraction in the oil and gas segment because of the war issues. So how that should be shaping up going forward, if we get a sense on that?

Rohit Narang: Yes. You had couple of questions there. I'll take them one by one. On the volume growth, on Aquapharm India side, on the phosphonates portfolio, we are actively launching commercial products right now. They have been qualified, and we are looking towards selling them in next 3 quarters.

That will bring growth -- revenue growth and margin growth both on the phosphonates side. There is also penetration growth in the Tier 1, Tier 2 customers on the distribution side in Europe, that's driving some of the growth on the volume and the revenue side.

Oil and gas, I would say, given what is happening with the oil prices and the volatility, a lot of -- we have seen a lot of erratic customer behavior. There was some demand surge in April when everybody thought the war was over, but as the oil price has gone down and gone up again, everybody's holding investments.

So we do expect still a rocky and volatile set of evolution in next couple of quarters. But in the subsequent quarter, full year basis, we are expecting when things will stabilize, and we will be able to drive growth.

There are two sources of growth there. Right now in U.S. and Latin America, we are focusing on regional growth. There are geographies where we are not present, and we are trying to drive growth there. And then we are -- later in the year, we are launching some new products that will also bring growth.

Rohit Sinha: Got it. So new product launches would be in oil and gas segment as well as in water treatment also?

Rohit Narang: In FY27, it's mostly -- the major impact is phosphonates and the commercialization of phosphonates. But at the end of the year, we are working on some qualifications on oil and gas, which I think the major impact will be probably seen next year.

Rohit Sinha: Got it. And secondly, sir, if you could help us on the carbon black side. If you could help us what sort of -- in terms of our export numbers, what was the mix from the U.S. side and the Europe side in this quarter? And as we were quite positive on the Europe side, so just wanted to understand how much improvement we have seen from the last quarter in that region.

Nilesh Koul: So, Raj, is going to give you the numbers, but overall in Q1, we were prioritizing regions and because Indian demand was far more -- giving us more value per ton, we diverted as much volume as we could to the local customers, and -- while retaining the volumes that we are supplying to the strategic customers both in Europe and U.S.

Going forward, we expect a significant growth as new annual contracts are getting deliberated and negotiated as we move forward. We are in a very good position to compete against the other countries in U.S., so we should see a significant growth in U.S. followed by EU as well. Raj, you want to give the breakup numbers?

Raj Gupta: Yes. In Europe, we did around 16,000 tons of volume, and U.S.A. we did about close to 4,800 tons.

Rohit Sinha: Okay. Got it. And sir, one last question. On the logistics side, as that has impacted our export to some extent, how we are now seeing the logistics issues shaping up for this quarter and maybe for the next quarter also?

Nilesh Koul: It continues to be erratic. It's a reflection of how the Middle East crisis keeps ebbing and flowing. And -- so we are quite agile in looking for capacities as well as prices. So we'll just need to be agile and nimble on this one. We are still seeing high prices both for inbound as well as outbound logistics for this quarter.

Rohit Sinha: Okay. And these costs are being distributed with the customers or how we are taking these cost impacts?

Nilesh Koul: Varies by customer to customer. In most cases, we have managed to get surcharges from our customers based on the fact that logistics costs have gone up. So most of the time we try to recover it, but are we able to recover 100% of it? The answer is no, because we have to be competitive at a delivered price level. So it's a bit of a mixed bag where we take customer by customer our approach on how much we are able to pass on.

Moderator: The next question is from the line of Sanjesh from ICICI Securities.

Sanjesh: I've a few of them. First, on the volumes, the demand scenario looks quite interesting. Can you explain why the volume has declined both on Q-o-Q basis and Y-o-Y basis? Was it the availability of raw material which was constrained? And we have also commissioned another line in Chennai. I thought that should have added to the volume growth, too.

Some color on the carbon black volume would be really helpful and specialty continues to grow quite well. So I think it's largely with the rubber where we have enough and more capacity now in Chennai. That's number one.

Number two would be, coal tar distillates, which we spoke earlier, that we are now looking to also foray into distilling the coal tar, which will make the raw material much easier for us. So any progress on that? And any plans, any capex we have outlined there? And how do we plan to in-source the raw material, which is tied up with two of the buyers today? So these are my two initial questions on the carbon black. I would get back after that

Nilesh Koul: So let me take the second question first. We are progressing very well on the definition of the project for the coal tar distillation. The business plan is being checked, and we are also in talks with the OEM suppliers of equipment, etc.. By this quarter, we should be looking at getting an approval -- on all the capexes that are required as we refine the business model.

Tying up the raw material, we have evaluated that completely, and we are confident that for the capacities that we are putting in, we will be able to lock in and make that type of raw material available to us. So hold on for us to give a much sharper advice on the dates and targets and capex that we're putting in over the next 1 month or so.

As far as volumes is concerned, it was a bit of a choice that we were making also. As Raj was mentioning, we made some choices on, it-- even though we had orders from international customers, not delivering some of those volumes because the logistics cost was eating away a lot of the margin, so it didn't make sense to do that.

Second, if you remember, our formula price hits with a lag. So the low-cost inventory that we had, it makes better sense for us to market it in this quarter where the new prices would have come in. So that was a tactical choice not to fully go all out for volume, but ensure that we were focusing on the margins and value that we were getting out of the inventories that we had. So going forward, I think there is a little bit of destocking which is happening in this quarter. But overall, we remain confident that the volumes will pick up significantly in Q3, Q4.

Sanjesh: That's clear. One just follow-up on the carbon black. My workings suggest that we have done gross profit in the range of Rs. 44-45, which look unusually very high. I know you called out the inventory gain. But the amount of reversal appear lower because the run rate of gross profit per kg we were doing for us was around Rs 31. It's a jump of around Rs.14 to 14.5.

And when I back calculate the reversal, it appears that we are still expecting the INR37, INR38 kind of a gross profit per kg. Is there structurally change in the market pressure we are seeing where spreads were declining globally for us and the competition, anything changing on the gross profit percentage?

Raj Gupta: Sanjesh, it is also for the reason that now we are trying to maintain some pricing discipline, and we are doing some bottom slicing when it comes to low margin volumes. And consequently, we may witness some upward movement both in our EBITDA per ton as well as gross margin per ton. Whether that is going to be Rs. 36,37 or 38, we'll see that, but that's what we are targeting.

Sanjesh: That's the right number to work with for us, right, from a modeling perspective?

Raj Gupta: Sorry, I didn't get your question.

Sanjesh: So for us to work for the full year, say Rs. 36/37 numbers for the next 9 months will be a right number to work for?

Raj Gupta: Yes, that's kind of right. But again, it will be a trade-off between volumes and margins. So we'll hold on to pricing discipline as long as we can see that our ability to push volumes in market is high. But it will also depend on demand and supply scenario, Sanjesh.

Sanjesh: Got it. That's very clear. And one on the Aquapharm. This quarter, we did EBITDA of 47 crore. I think there will be some inventory gain there as well. I think the oil and gas industry has done a phenomenal last 2 quarter in terms of data. How does the outlook for Aquapharm look like considering that we are getting into green chelating?

Phosphonates appears now more agile, probably the water problem everywhere driving the desalinations. We are hearing a lot of desalination plant in India. Thanks to data center, I believe desalination is becoming even more important.

And lastly, oil and gas rates, I think, the companies have done excellent in last 2 quarter. How does each of the 3 segment outlook appear? And we were looking at INR75 crores on the exit basis. Do you still hold that for Aquapharm at INR75 crores?

Rohit Narang: Sanjeshji, the line was very broken for me, so I'm trying to understand the question. So you were asking...

Sanjesh: Okay. Let me put it in simple. We have 3 segments, green chelates, phosphonates, and oil and gas, and it appears that there is clearly tailwind for all the 3 segments. How does the outlook look like? I think we have earlier guided an EBITDA exit run rate of INR75 crores for this year in Aquapharm. Do you still stick with that?

Rohit Narang: Yes. So green chelating, I would say, we continue to have momentum in green chelating, as I said during my remarks, that we are overrunning our capacity, and we are discussing another facility on green chelating. We have got significant qualifications with both Tier 1 and Tier 2 customers, and we are in the process of commercializing the current capacity and discussing future capacity.

So significant momentum there. But as you know, some of that is coming at the cost of some of the European customers moving away from phosphonates. So it's a give and take, but more on the positive side, both from revenue and margin growth perspective.

On the phosphonates side, we have good tailwind in the Asia region. Still growth momentum there. But in Europe, there are customers who are moving away from phosphonates to green chelates. And green chelates is where, as I answered the question, we are gaining some momentum. So that's the plus and the minus side.

On the oil and gas is a little bit more of a nonlinear story because there is momentum on the oil price side, but the volatility on the oil price side, all the service companies and the oil majors continue to, not believe that this is sustainable and are holding back investments.

And that's resulting in pretty erratic behavior in the sense we saw some surge in demand in April, but that has not sustained, and now the customers are telling us that there is an inventory overhang in oil and gas. So oil and gas will, I think, we are still looking some rocky evolution in next few quarters, and then it'll stabilize.

The last part on the INR75 crores, what I would say at this point is early days for me, and I'm trying to understand deeply on what the stable run rate will look like. I look forward to providing you a lot more details in the subsequent quarters as I come back with the answer.

Sanjesh: No, no, that's fair enough. Just 1 follow-up question on oil and gas. We were also looking to expand our footprint in the European regions. Any success, any early reward days in some or any early footprint we have seen in the European region?

Rohit Narang: Yes. So the way we are thinking about it is a sequential expansion. So we have 2 immediate opportunities of expansion when it comes to geography on oil and gas. One, there are some geographies in U.S. that we are not participating, New Mexico, North Dakota, all of that needed registration and approvals. We have attained approvals to operate in New Mexico or sell in New Mexico.

So that is progressing in expanding geographies in U.S. In Latin America, we are putting a lot of effort in countries like Venezuela, where there is a lot of rebuild happening, and trying to reestablish ourselves in Mexico. Because of the politics and government change, a lot of things changed, especially for our customers in Mexico. And then Europe is in line. We are putting the building blocks to be able to expand in future.

Moderator: The next question is on the line of Sanil Jain from Ambit Capital.

Sanil Jain: Congratulations on great set of numbers. I just have 2 questions. Sir, can you provide us with the EBITDA per ton for the carbon black business for the second quarter as well as the guidance for the full year? And the second question would be, can you give us the capex outlook for the year?

Raj Gupta: For the quarter, we did about INR22,900 a ton. On a full year basis, if you refer to our last quarter's investor call, we had given a guidance of 14% to 15% improvement over our FY26 average EBITDA. With which will be somewhere around, say, INR16,500, INR17,000 per ton. So we stick to that.

Sanil Jain: Okay. And sir, capex outlook for the year?

Raj Gupta: Capex outlook this year, we are largely through with our ground field expansion. Small capex here and there, which is more like maintenance capex plus some new developments for productivity enhancement, yield improvement, etc.. My sense is that it should be somewhere around INR300 crores, maybe plus-minus INR50-odd crores.

Moderator: The next question is on the line of Harsh from SKP Securities.

Harsh: Congratulations on a great set of numbers. So a lot of my questions have already been answered. But sir, the volumes in the quarter have been muted, and you suggested that even the next quarter, the demand is going to be slightly on the rocky side. But do you expect that during the full year, we'll be able to meet the high single-digit growth guidance that we had given during the last year?

Nilesh Koul: That's correct. As I said in my opening remarks, we believe this is more a timing issue because a lot of domestic customers of ours are trying to push volumes into the next quarter. But overall, for the year, we expect good growth to happen in volume as well.

Harsh: And sir, on the capex side of things, can you provide a bit of an update or a color on how the greenfield expansion that we are doing is coming up?

Nilesh Koul: So greenfield expense this year will be limited because the Andhra facility, while we are getting the licenses, etc, in place, it will be -- the expense will actually happen more in the next year rather than this year. Most of the capex spend this year will be mostly efficiency capex.

As I mentioned earlier, we are looking at cost efficiency program, and to ensure that those get through, we are spending some money there. But there'll be, at best, about INR100 crores of strategic capex that we'll be able to spend this year.

Moderator: The next question is from the line of Dinesh from SHPL

Dinesh: So I have just 1 question. Can we expect growth from here on Q-on-Q basis? If it is, how much it would be? And how do we see the growth for PCBL business in next 2 years, since Aquapharm business is still facing headwinds and crude oil delivery is very dynamic.

Nilesh Koul: As I mentioned, structurally, we should expect significant growth both in value and volume for PCBL over the next few years. Simply because the Indian demand is going up, we are opening up more facilities outside of India, specifically U.S. and Europe. We have got contracts with international customers at an advanced stage of negotiation. So on the carbon black side, we should see volume growth both on global as well as domestic level.

On the specialty chemicals, specialty carbon blacks, we have good traction with the new range of products that we are putting in, as well as new products which are going to come into play over the next few quarters. So I would say it's a very positive outlook in the 1- to 2-year horizon. We should see strong growth both in volume as well as margins.

You will have the volatility over the next few quarters because of the geopolitical issues, especially in our neighborhood, where part of the biggest impact will be on the logistics cost and in some cases, we are losing some volume because some ports are getting out of action for limited periods of time. But overall, we remain very positive, and that's why we are investing in both volume as well as value growth as we move forward.

Dinesh: Just a small follow-up question on this only. Will we maintain the margins which we have in this quarter?

Raj Gupta: This quarter we have some extraordinary benefit of low-cost inventory, which is unlikely to be repeated in subsequent quarters.

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

Aditya: Thank you, sir, for the follow-up, just a couple of questions. Sir, is it possible to quantify the difference between CBFS and CBO prices? How much was CBFS in Q1, and how much was CBO? I believe CBO prices shouldn't have gone up to the level CBFS have gone, because steel production we have not seen anywhere globally taking a hit. So ideally, CBO prices should have been stable. So how was the difference like in Q4 versus Q1 today, and how you see that going ahead?

Raj Gupta: The difference continues to be close to USD 150-odd, CBO being higher. So that equation is still holding good.

Nilesh Koul: We did see CBO prices also moving up. Once the CBFS prices moved up, CBO prices also did end up moving up. So we are trying to diversify both options. Of course, if we do the distillation ourselves of coal tar, then those margins are also an incremental part of the value chain for us. But that's still something that we are exploring. As I said earlier, we should have a firm plan in the next couple of months on when we invest in that facility.

Moderator: The next question is from the line of Kumar from Ambit Capital.

Kumar: Sir, just 1 question from my side. Sir, I was looking at the realizations. The realizations have moved up about 20%. So I was just trying to understand if the spot market is just 30% of the volumes and contracted takes a quarter lag to move out. So if you could help me understand this that key realization has moved up 20%? How is that playing out?

Raj Gupta: So realization, Kumar, moved up roughly about, from quarter-on-quarter perspective, by about INR27,000. Out of that, about -- Rs. 11,000 to12,000 was on account of margin. I mean, our ability to price it better in the spot market, and balance was the cost pass-through.

Moderator: Thank you. We take that as the last question. Thank you, everyone. Thank you, management speakers. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.