November 6, 2026

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

BSE CODE : 524208

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

NSE Symbol : AARTIIND

Dear Sir/Madam,

Sub.: Transcript of Q2 FY27 Earnings Conference Call.
Ref.: Regulation 30 of the SEBI (LODR) Regulations, 2015.

Please find enclosed the Transcript of the Q2 FY 2027 Earnings Conference Call held on November 2, 2026.

Kindly take the same on record.

Thanking You,

Yours faithfully,
FOR AARTI INDUSTRIES LIMITED

RAJ KUMAR SARRAF
Digitally signed by RAJ KUMAR SARRAF
Date: 2026.11.06 17:21:32 +05'30'

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

Aarti Industries Limited
Q2 FY27 Earnings Conference Call
November 02, 2026

Moderator: Ladies and gentlemen, good day, and welcome to Aarti Industries Limited Q2 FY27 Earnings Conference Call. 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 this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you, and over to you, Mr. Solanki.

Nishid Solanki: Thank you. Good afternoon, everyone, and thank you for joining us on Aarti Industries' Q2 FY27 earnings conference call. Today, we are joined by senior members of the management team, including:

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

We will commence the call with opening remarks from Mr. Kotecha, followed by a Q&A session where management will address participants' queries.

Just to share our standard disclaimer. Certain statements that may be made in today's call may be forward-looking in nature. A disclaimer to this effect has been included in the results presentation shared earlier and uploaded on the stock exchange websites.

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

Suyog Kotecha: Thank you, Nishid. Good afternoon, everyone, and welcome to Aarti Industries' Q2 FY27 earnings conference call. We value your continued interest and support. Today, I will walk you through the performance highlights, industry environment and update on strategic initiatives.

To begin with, I am happy to share that Aarti Industries has delivered its highest-ever quarterly and half yearly revenue and EBITDA, a testament to our strong operational performance and sustained business momentum. We achieved robust volume growth driven by resilient export demand and our ability to pass through raw material cost variations. Most notably, our quarterly EBITDA surpassed the Rs. 400-crore threshold, reaching a record of Rs. 418 crore.

Escalating geopolitical tensions in the Middle East triggered significant crude oil volatility, driving raw material cost inflation across key chemical value chains. Almost all of our raw materials saw significant price increase, while RMs such as Sulphur saw prices surge by over 5-6x, combined with sharply elevated freight costs, strained global supply chain economics brought out challenges of the sort of soaring working capital and debt levels, maintaining supply chain stability to cater to market demands, etc.

We believe the shifting dynamics in global trade present a compelling tailwind for Indian specialty chemical manufacturers, including Aarti Industries. China's ongoing capacity rationalization, paired with India's expanding trade agreements with countries like the UK and Europe, is set to solidify India's position in global supply chains. With our deeply integrated manufacturing footprint and long-standing client relationships, we are well-positioned to capitalize on this shift — a trend that is beginning to translate into volume growth and margin expansion across our key value chains.

Against this structural backdrop, our quarterly performance across key end-user segments reflected varying sector dynamics. Let me take you through it, segment by segment.

- Dyes & Pigments: Despite inflationary prices pressures from key raw materials like Sulphur, we delivered steady growth anchored by resilient domestic demand for NCB chain.

- Agrochemicals: While demand across select categories within the Agchem chain remains stable, allowing us to achieve volume growth, pricing trends remain mixed. The second half might reflect the impact of weaker monsoon in the domestic market.

- Pharma & Fluoro Products: We achieved pricing and volume gains in PNCB. Key paracetamol building blocks saw robust demand, bolstered by capacity rationalizations in China. The Fluoro products' margins continue to remain under pressure.

- Polymers & Additives: Demand dynamics across high-end engineering, EV, and defense markets remain robust. While softness in the PDA chain created a short-term drag on our Q2 FY27 performance, we expect traction to resume in Q3 FY27, underpinned by accelerating DCB demand.

- Energy-Linked Portfolio: Blending dynamics remain favourable on the back of elevated crude oil prices and strong gasoline-naphtha cracks. Performance was also supported by price increase undertaken due to higher RM costs. To build a more steady and sustained business, we are transitioning towards a solutions-based approach across the broader Energy value chain. Leveraging our bulk shipment capabilities and robust R&D pipeline, we anticipate launching of several new solutions over the next 12 to 24 months.

Now, turning to financial highlights for the quarter and six months ended 30th September, 2026, under review.

- Total revenues increased both quarter-on-quarter and year-on-year, driven by strong volume gains as well as pass through of elevated input prices. Revenues in Q2 FY27 were at Rs. 3,887 crore, an increase of 73% over Q2 of last year.

- Q2 FY27 EBITDA increased by 44% year-on-year reaching Rs. 418 crore. Our H1FY27 EBITDA increased by over 58% to close at over Rs 802 crs, as against Rs 507 in H1FY26.

- Raw material prices continue to increase during the quarter, resulting in higher input costs. While raw material procurement in Q2 was efficiently managed with limited/ minimal availability issues, early indications for Q3 point indicates for the domestic RM, we will continue to have good availability and visibility while for imported RM, there could be supply chain gaps that we will have to mitigate.

- PAT for the quarter increased to Rs. 169 crore with growth of about 60% over the same quarter in the previous year. While on the half yearly basis, our H1FY27 PAT grew by 117% to Rs 324 crs from Rs 149 crs in last year

Elevated RM prices have also stretched our working capital requirements over the past two quarters, pushing our net debt to over Rs. 4,650 crore and leading to higher finance costs. To strengthen our balance sheet, support long-term growth, and optimize our capital structure, the Board, on October 1, 2026, approved an enabling resolution to raise up to Rs. 1,000 crore by way of various avenues and/ or any combination of fund raise. The primary objective of this capital raise is to deleverage our balance sheet, strengthen our financial position, and build long-term flexibility to support strategic growth initiatives beyond FY28, FY29. The said enabling resolution has been approved by the Shareholders in the EGM held on 31st October 2026

Moving to our strategic initiatives and growth plans: Our product portfolio continues to expand across energy, agrochemical intermediates, advanced polymer formulations, and pharma building blocks, supported by our planned FY27 CAPEX of Rs. 700 crore to Rs. 800 crore.

- In Fuel Additives, the capacity utilization remained strong in Q2 following our expansion from 290 KTPA to 360 KTPA in the first quarter of 2026.

- For DCB, the capacity debottlenecking to 140 KTPA remains aligned with downstream PDCB demand.

- With current NCB asset utilization remaining elevated, the capacity expansion initiatives are under evaluation by the management team.

To drive operational excellence, we are actively leveraging advanced analytics and AI tools to optimize plant yields, reliability, and energy efficiency, while rapidly democratizing in-house tech capabilities demonstrated by our successful execution of over 50 GenAI use cases across our workspace last quarter alone.

During the quarter, we achieved several key operational and strategic milestones:

- Starting with Zone IV Expansion (Jhagadia, Gujarat): The Phase I of Zone IV was officially commissioned on September 7, 2026. The Calcium Chloride unit, the PEDA (2-Phenyl Ethyl Diethyl Aniline) plant, and a section of the Multipurpose Plant (MPP) are now operational and are undergoing stabilization. In many cases, we have achieved the designed capacity and quality. Current operational focus is on commercial batch qualification, customer approvals, and progressive volume ramp-up. PEDA extends our ethylation platform downstream for agrochemicals, while Calcium Chloride strengthens our Energy & Additives portfolio.

- In Zone-IV, we plan to introduce 5 to 10 products in FY27, expanding to 20 to 25 products across 5 different chemistry blocks by FY28. The remaining 4 chemistry blocks are expected to come online within this financial year, positioning Zone IV as a strategic growth driver for next 18-24 months.

- On October 13, 2026, we also entered into a dedicated 10+ year manufacturing and supply agreement with a global specialty chemical major, representing a revenue potential of ~Rs. 1,500 crore. We will build and operate a dedicated facility using proprietary technology with structured CAPEX financing under US$ 25 million, with commercial operations targeted for FY29.

- On the Augene Chemicals JV (Partnership with Superform), the facility is ready with the trial production which is underway, while the order book is gaining traction. Commercial production is expected to commence soon, with steady-state revenue projected at Rs. 300-400 crore.

- Project execution for Aarti Circularity (Plastic Recycling JV) remains on track.

Looking ahead, as our major capital expenditure cycle progresses towards completion, our strategic priority shifts towards maximizing asset utilization, expanding value-added chemistries, and strengthening portfolio resilience through strategic partnerships. By deleveraging our balance sheet and accelerating targeted R&D in the next-generation specialty platforms, we are establishing a disciplined, capital-efficient foundation to drive sustainable growth and long-term value creation.

We remain committed to achieving our financial objectives and delivering long-term value for all stakeholders.

Thank you. I will now ask the moderator to open the line for questions

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rohit Nagraj from 360 ONE Capital. Please go ahead.

Rohit Nagraj: Good afternoon. Thanks for the opportunity, and congrats on a strong set of numbers. First question is on the Non-Energy applications. In the global market, how are the segments looking like incrementally, given that Q2 has been relatively stronger and the performance is reflective of that. But coming into Q2 and incrementally, how are we seeing the traction in terms of demand for our ex-energy applications?

Suyog Kotecha: Thank you, Rohit. I think the demand tailwind both in domestic as well as in the global market in Non-Energy application remains very steady and strong, and we can go value chain by value chain. The NCB, which is predominantly a domestic market, the demand trends are very strong. We are actually considering capacity expansion being pushed by requests from our customers.

On DCB side, the first half is usually a softer, second half is very strong as the U.S. flows kick in. So that is one value chain where also the demand portfolio remains pretty strong. On the NT chain side, we have taken some strategic initiatives to develop downstream markets and there, we expect the volumes to increase subsequently. PDA is one chain where we are reevaluating how we should utilize those assets in the most efficient manner. But there, at this point in time, we are not pursuing strategic growth from a volume standpoint and for ethylation, with our multiproduct strategy, including MEA, DEA and some of the other specialty ethylation/propylation-based chemistries, we expect the volume growth to continue there as well. So overall, the Non-Energy portfolio, we continue to remain bullish on the volume growth.

Rohit Nagraj: Sure, thanks. Second, first of all, congrats on the new long-term contract. I understand that we had three earlier ongoing long-term contracts, two for specialty chemicals and for agrochemicals. Where are we, in that journey, in terms of how much of useful life is still left? and if you can just broadly tell us what is the current size of revenues from these three contracts and whether these will get further extended once their life is over?

Suyog Kotecha: Yes. So all of our contracts are actually running quite well. The three contracts that specifically you talked about, On the specialty chemicals' side, they continue to run well. The demand portfolio for the advanced polymer going into EVs and electronics' space has actually picked up. So the volumes there have gone up. But given the nature of our commercial arrangement, what is more important is the bottom line because the commercials are structured around margins and not necessarily around top line and that continues to perform as per expectations. Even the Agrochemical contract with a global major continues to perform as per expectations. The residual life for each of these contracts differs. The first two are long term, they have sort of 15-year-plus contracts. So the residual life still is significant. I think if I am not wrong, we are expecting this to run in late 2030s up to 2040, some of them versus the AgChem contract will last till 2029, 2030 kind of a time frame. So there is no reason that we expect discontinuation of business performance from any of these contracts. They are long-term partnerships, and they should continue even beyond the contractual period.

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

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

Arun Prasath: Yes. Good afternoon, everyone. Thanks for the opportunity. Suyog, my first question is, usually if you see the recent history in our company, second half has been usually much stronger than the first half. Should we expect similar kind of a trend this year onwards given that unusual strong first half? If that is so, probably we will be reaching our INR1,800 crore of EBITDA guidance, in this year itself. So then should we expect improvement in the guidance for the next year? Or how should we look at the overall growth trajectory over the next 12, 15 months? That is my first question.

Suyog Kotecha: Thanks, Arun. Yes, historically, second half has been stronger than the first half. I think this year, the first half has also been a bit unusual. We have seen a huge pull-up from the energy portfolio in the second quarter specifically, which was linked to extremely strong refining margin and gasoline-naphtha cracks. As we go into the second half, in the winter season, typically, we see some of the tracks might soften. At this point in time, what we can say is that the momentum remains very strong, and we expect and we hope that the momentum will continue. There might be certain issues around Zone IV commissioning and the fixed cost associated with that coming into the P&L around Q4 and if there is a major correction in the global crude oil pricing scenario and if that has an impact potentially on some of the inventory, these are the two issues that we have to watch out for. But broadly, we expect the current momentum to continue and on the basis of that, we will come up with appropriate guidance for the next year, closer to the end of the financial year.

Arun Prasath: Just to clarify, Suyog, our original INR1,800 crore of guidance did not anticipate this kind of a higher pricing-related upside. So should not it be revised anyway given that current pricing scenario is likely to sustain for probably until the crude remains at this level?

Suyog Kotecha: Yes. So I assume you meant margins and pricing, because we operate in most cases on a pass-through basis. If you look at it from a spread point of view, by and large, we are running in line with our expectation, except NCB chain where we have expanded the spreads compared to what our original assumption was. So there is definitely an upside in the NCB chain that we are seeing compared to our assumption. At the same time, we are running a bit delayed on Zone IV, right. So this kind of two things are sort of offsetting each other at this stage from our overall planning perspective. If there is a further improvement in margin spread due to China's current stand linked to anti-involution and removal of, VAT rebate removal if that sort of gets passed on to multiple other value chains, we could see an upside in the margins, and that will be reflected in our numbers accordingly.

Arun Prasath: Understood. One more query on the pricing front. If you see our sequential revenue growth across various end-use categories, as expected, revenue from Energy segment has kind of doubled from INR1,000 crore to roughly INR1,900 crore, largely led by pricing, something led by the volume growth also. But we are not seeing this kind of a sequential growth in any other segment other than probably Pharma. So does it mean that we are still yet to see the benefits of the price growth in the other segments and that should be expected in the second half?

Suyog Kotecha: Yes. In some cases, there will be a price-led growth if the current momentum continues. In many of the segments, for example, in Agrochemicals, we have quarterly contracts, right. So there is a lag of quarter when it comes to pass-through of the pricing. So there is a delayed impact on revenue for some of the long-term contracts and long-term arrangements that we have. So in rest of the segments, we might see an impact with a bit of a lag. So your assumption is correct on that front.

Arun Prasath: Right. Anything unusual in Pharma because you did mention that paracetamol is doing well. But given that it is a mature segment, sequentially, this kind of a growth is largely led by the pricing or is something else also happening there?

Suyog Kotecha: Both volume as well as price. I think that is one sector where we have also significantly grown in terms of volumes, which is reflected in our NCB chain utilization levels and we are also considering potential expansion possibilities for that value chain.

Arun Prasath: Right. Understood. Finally, one last question on the inventory. Our absolute inventory has doubled, obviously, because of the overall uplift in the raw material prices. Given that at some point of time, some of these will also reverse, how are we, this time, going to manage the risk in the potential inventory loss? Anything that we can mitigate and what kind of an action we can take to reduce this inventory loss whenever the pricing corrects, probably in the near term?

Suyog Kotecha: Yes, it remains one of the top priority topics for the management team. We are very well aware of the risk that we carry and given current global geopolitics, if there is a reversal of the trend and the impact of that. So we are trying to ensure that to whatever extent possible, forward book some of the product contracts to ensure that wherever we have booked the raw material that pricing is passed on to our customer. That is the simplest way to manage this and at the same time, we are trying to really live with minimum possible inventory. Though in numbers, you see higher numbers on overall working capital. But in terms of days, we have practically optimized to 55 to 60 days of working capital, which is the optimum level at which we could operate. So from a volume standpoint, we are really running tight. Wherever possible, we are trying to do forward booking of the contracts to ensure that our exposure gets minimized to the best extent possible. But irrespective of everything that we do, the risk cannot be fully eliminated. So we will always carry; given we operate a significantly import and export heavy nature of a business, some risk on inventory loss will always remain.

Arun Prasath: Understood. Just one bookkeeping question, probably Chetan bhai can chip in. For the entire first half, what is the inventory-related gain in the P&L?

Chetan Gandhi: I do not think we have seen anything-significant improvement in the second quarter. In first quarter, we had indicated that the inventory and FX was roughly around INR 50 - 60 crore as a combined number.

Arun Prasath: And that remains. Understood. Thank you very much for answering all my questions. All the best, everyone. Thank you.

Moderator: Thank you very much. Next question is from the line of Abhijit Akella from Kotak Institutional Equities. Please go ahead.

Abhijit Akella: Good afternoon, yes. Thank you so much for taking my questions. First one, just on Zone IV, would it be possible to share what sort of peak revenue potential we see from the Zone upon full utilization in, say, 18, 24 months as you have been calling out? and just a related question was out of this INR2,200 crore CWIP that we see on the balance sheet at September, how much of it pertains to Zone IV and by when will it be capitalized?

Suyog Kotecha: Yes. So Abhijit, On Zone IV, I will answer the second part of your question first. We hope to capitalize a significant chunk of that CWIP, which is mostly Zone IV, roughly around INR 1800 crore

to INR 1900 crore by the end of this financial year. So by 31st March 2027, most of it should get capitalized. On the Zone IV potential, we would hesitate to again give revenue number given, as you have seen in the last two quarters, revenue numbers can go completely haywire depending on the crude price environment. From a margin standpoint, in the first 18 months, our target is to achieve INR250 crore to INR350-odd crore of bottom line from Zone IV, and I think we continue to push for that aspiration.

Abhijit Akella: That is helpful and the other question I just had was on MMA on the expanded capacity. Are we now running at 100% utilization already or a bit south of that?

Suyog Kotecha: I think in the second quarter, we ran almost at full capacity.

Abhijit Akella: Okay, understood. Yes, that's it from me. Thank you so much and all the best.

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

Surya Narayan Patra: Thanks for the opportunity and congrats for the great set of numbers, sir. My first question is on the MMA we know that generally the quarter, within the year, it is a cyclical product area. But given the kind of ramp-up that we have seen so far and the capacity expansion and all that, how should one think about FY28? On an annualized basis, should we think progressively or it should be kind of flattish performance that we should anticipate?

Suyog Kotecha: So Surya, I think the way we are thinking about it is we have established certain level of capacity in the market and our idea would be to now sort of stabilize the business at a higher utilization level on an annual average basis for this level of capacity. Our subsequent actions will be more driven by how to improve the stability and the profitability of the entire value chain, which could involve multiple things. It could involve certain preferential arrangements on the raw materials, certain downstream integration to get better share or better value of the customer service and also expanding the product portfolio within the energy value chain, right. So going forward, we will focus more on stability in the earnings profile of that energy value chain. From a capacity point of view, we will remain focused on achieving the higher utilization level for existing capacity.

Surya Narayan Patra: Sure sir. Just an extensive point about the profitability of this revenue stream. So generally, we have seen 100% kind of volume growth and revenue growth. Within that 57% kind of the volume growth, if I even add the kind of rupee depreciation factor, so then it is more than 30% kind of price rise. So still this is the stream which is kind of driving significant revenue growth for this quarter and on the margin front, if I see gross margin-wise, so there is a drag. So is it fair to believe this year that we could not have passed on the full impact of the rise in the raw material in Aniline. So hence, it is a kind of impact on the gross margin that we are seeing.

Suyog Kotecha: Yes. So I think two ways to look at it, right. One way is sort of absolute margins and the second is a percentage margins. I think typically, our pass-throughs are on an absolute basis, not on a percentage basis and that is where in an inflationary scenario of significantly higher RM prices, sometimes the

percentage might get impacted, while the absolute EBITDA or absolute contribution on the product remains relatively concrete.

Energy, given the volume that we operate, in that particular segment, also sometimes the contribution can be a bit different compared to rest of the portfolio and the third one is also impacts of inventory, which is in the waters, right? Given the size of the business that we are running at any given point in time, we roughly have anywhere between INR 800 crore to INR 1,000 crore worth of inventory on the waters for which we have to account for margins as they get accrued to the P&L only when the material is delivered to the customer. So combination of all of this is what you see in the gross margin performance. On an absolute basis, more than 2/3rd of our portfolio kind of operates on a pass-through basis, right, where the absolute rupees crore is sort of protected. But in terms of percentage, it has different impact depending on the RM price environment.

Surya Narayan Patra: Okay. Sir, my next question is about the Zone IV. See two things here. You obviously mentioned that a couple of new chemistry blocks that we are likely to introduce from this block. So if you can elaborate a bit on the areas, that is one and secondly, is it fair to believe that Zone IV would be kind of EBITDA neutral at least for FY28?

Suyog Kotecha: The aspiration is to get Zone IV additive to EBITDA in FY28 itself and that is the current plan. At this point in time, the good news is that whatever we have commissioned in Zone IV, it has achieved the ramp-up, the scale, both in terms of efficiency norms and the capacity norms in a relatively short span of time. So we have been able to do first time right across many of these capacities. The Calcium Chloride plant that we commissioned has achieved more than design capacity within first three months of operation. The PEDA plant that we commissioned is able to achieve its design capacity and design norms within the first two months of its operation. So that is giving us confidence that as and when we launch the product from Zone IV, the ability to ramp up these products provided there is a good demand traction for these products will be superior and with that in FY28, we expect Zone IV to be value accretive.

Surya Narayan Patra: Okay. Just one clarification, sir, on the energy portfolio, what we have seen in the last two quarters, there is a robust ramp-up in the domestic sales. What is driving that?

Suyog Kotecha: No, it is a combination of multiple things in the energy portfolio. First of all, we have two products there, which are contributing now significantly. Even Calcium Chloride, both the volume and revenue contribution has increased quite significantly after Zone IV commissioning of Calcium Chloride as well and there, the price uptick in Calcium Chloride is quite significant. That is one.

Second, we have domestic demand picking up for the Fuel Additives portfolio in the market and in some cases, some of the exported volume has also been bought in the domestic market. So it is a combination of three, four things, but that is what you see reflected in the domestic performance of energy portfolio.

Surya Narayan Patra: Okay sure sir. Thank you. Wish you all the best.

Moderator: Thank you. Next question is from the line of Aditya Khaitan from SMIFS Limited. Please go ahead.

Aditya Khaitan: Thank you, sir, for the opportunity. Sir, my question is on the Energy segment. So the jump what we see almost 2x of a revenue jump in, partly contributed by volumes and partly by the realizations also, as you mentioned. On to the pricing side, sir, have you also noticed a similar jump in spreads also? and also, if you can highlight like what is the number, like for last quarter, you mentioned some $15, $16 a barrel. So similarly, on that line only, what would be the number for Q2?

Suyog Kotecha: So I think the spreads, we have been able to maintain. I would not say there was an expansion of spread for us in the energy portfolio in the second quarter. The gasoline-naphtha crack, it was very robust. It was $20-plus per barrel, if I look at last quarter. So overall, demand remained quite robust. From a spread point of view, we were able to maintain our spread despite inflationary raw material environment.

Aditya Khaitan: So largely, sir, this margin pressure, like you mentioned that we have not been able to pass on the higher raw material, particularly in which segment like we are witnessing that pain? Because when I look at your commentary, like so Pharma was good, Dyes and Pigment demand was also stable, even other segments also had witnessed a jump in demand. So which segment particularly faced this raw material pricing pressure?

Suyog Kotecha: So there are select areas. There is acid value chain, for example, where the inflationary sulfur price, we were not able to pass on fully where margins actually got compressed quite significantly. So that is one value chain where the pass-through was very difficult and there was a compromise on the spread. Even in some of the AgChem intermediate product, as I said, the pass-through happens with a lag. It takes time for market to absorb and in that context for that particular time period, sometimes the spread can get compressed. But in AgChem, typically, with the lag, price pass-through does happen, but you might see a pressure for the last three to four months kind of time frame. So there are select value chains in which price pass-through was a bit difficult.

Aditya Khaitan: Got it. Sir, my next question is on the PDA, like you mentioned PDA that remains a pain point. We are also looking for other areas to utilize that asset. So is the product market not fit properly or demand in the global market that is coming down because this is particularly an export product. Is the customers not accepting or there is a substitute which has come up for this product, which is why it is not picking up?

Suyog Kotecha: No, we see huge overcapacity and dumping by some of the Chinese players for this particular product in the global market. Now that behavior can correct and the margins can again become attractive for us to operate the plant at full capacity. But right now, we are kind of trying to protect the minimum margin levels that we desire from this value chain. At the same time, as I mentioned earlier, we are also evaluating if we could utilize part of this capacity to produce other products where we have favorable margins and demand trends.

Aditya Khaitan: Sir, just one last question. Sir, suppose in this quarter, we would have passed on the complete impact of RM prices. What would have been the sustainable margins?

Suyog Kotecha: So as I mentioned, we do not want to talk about percentage margins because, frankly, it is a factor of a top line, which can swing significantly linked to where crude and downstream derivatives are operating. From an absolute EBITDA number; so we focus on three things, right. We focus on underlying volume growth, we focus on absolute rupees crore in terms of contribution margins and EBITDA and third is our sort of balance sheet health, right, especially debt to EBITDA and I can say with confidence that in all these three fronts, we are making progress in a positive direction, and we expect that momentum to continue.

Aditya Khaitan: So per kg wise, so we are flat, like you mentioned, so per kg wise, we are better, but in terms of percentage margin, it is looking lower?

Suyog Kotecha: Per kg wise, I would say in almost 2/3rd of our portfolio, we have been able to maintain our spreads.

Aditya Khaitan: Okay sir got it. Thank you, sir. That is it

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

Darshita Shah: Hi, good afternoon. I just had one question regarding the PDA value chain. You mentioned that there is a lot of overcapacity. I suppose that was the scenario with NCB value chain as well and somehow we have seen some changes happening on that front. Maybe if you could just throw some light on what is the difference between the competitive intensity between the NCB value chain, I mean, back then versus now? and if something like that can also translate into something like that could happen with the PDA value chain as well where we may see spread expansions coming through in the near term?

Suyog Kotecha: Yes. The biggest lever for there was China's anti-involution strategy, which impacted NCB chain, right, where we removed the VAT subsidy rebates that Chinese players used to get, which was as high as 13% of the product price and if something similar happens like that in PDA chain, of course, the turnaround will be pretty dramatic. But that is one of the biggest differences between the two value chains.

Darshita Shah: Okay. But is there any difference between the number of players who are there operating in the NCB value chain versus the PDA value chain and thus, it is relatively better to kind of implement those price hikes because we have seen export coming out for a lot of other products as well across the chemical category, but we have not seen something like that happening across all the other categories. So just your thoughts on that. Is there any difference in the competitive intensity in China specifically?

Suyog Kotecha: We do not feel there is; In terms of number of players, in terms of concentration, it is not majorly different. I think it is a matter of how much subsidy region exists and also industry conduct to some extent, right, how leading players in that particular value chain want to behave. So it is a combination of the two.

Darshita Shah: Got it. Okay, that's all from my side.

Moderator: Thank you. Next question is from the line of Ranjit Cirumalla from IIFL Capital Services. Please go ahead.

Ranjit Cirumalla: Yes, hi. Thanks for this opportunity. I have a couple of questions. Firstly, on the isomer management largely on the benzene chain, we did have some challenges last year. But incrementally, what we have seen there has been a healthy improvement in at least managing the isomer management. So if you can give some color on whether this is more sustainable largely backed by the Chinese innovation? Or how should one see that?

Suyog Kotecha: By and large, across all of our value chains, we have very strong downstream integration in both isomers, right? If you look at NCB, DCD or NT, all three value chains where isomer balancing comes into a play. We have been able to develop either customers or our own downstream integration in each of the isomers to ensure we are very well balanced when it comes to our production capacity and the market footprint. We have made significant progress on this dimension over the last 18 to 24 months, and we will continue to make investments to ensure that we retain that as one of our competitive advantage.

Ranjit Cirumalla: Right. I also heard in your opening commentary that you are planning to kind of increase capacities in some of these products as well and just connecting these two to the earlier roadmap of limiting the capex intensity and probably focusing more towards the free cash flow generation. How should one see that roadmap given the new vis-à-vis expanding capacities?

Suyog Kotecha: So this is a bit of a different capex wave. We are not looking at sort of big capex programs at this stage. The capacity expansions that we did either in Fuel Additives or in DCB chains were done with limited incremental capex and whatever was achievable through a debottlenecking is what we decided to go through. Even in NCB, we are looking at a debottlenecking capex and not necessarily a greenfield capex. So from that point of view, capital intensity would not be significantly higher and that is our approach in the current market, right? Whatever best we can get in brownfield and debottlenecking versions is what we are trying to get done quickly and accrue to the bottom line.

Ranjit Cirumalla: And one last bit on the MMA front, we were also focusing more on the Non-Fuel Additive segment. How has been the progress on that front?

Suyog Kotecha: I do not think so. We have talked about non-fuel additives as an application. That application remains relatively small. We talked about other products going into different types of fuels. There, the journey continues and we continue to invest resources to develop new products, get them commercialized which we are able to target a broader energy value chain and not sort of depend on one specific product or one specific fuel.

Ranjit Cirumalla: Okay. Sure. Thank you. That is all from my side.

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

Nitesh Dhoot: Hi, team. Good afternoon. Thank you for the opportunity. So my question is on the feedstock constraints. I mean your Q2 PPT flagged difficulty in securing enough feedstock for elevated demand. Basically, PPT Page 13 mentions about some strategic initiatives to strengthen and build integrated value chain in energy products. So could you give some color here? I mean, what are we really looking at in terms of integration?

Suyog Kotecha: Yes. Maybe it is a bit early to comment at this stage. We are in exploratory phase. The type of initiatives on the table vary all the way from a strategic partnership to manufacturing some of these on our own. All of those initiatives are currently under consideration and we will implement some of these in a span of next three to four months, which will help us strengthen our value chain and the margin profile in that particular part of the business.

Nitesh Dhoot: Okay, and on the MMA business again, I mean, so how sensitive would this business be to a crack reversal? and how much volume is under term contracts versus spot. Also, if you look at Q1, you had mentioned about some competitors scaling up and in Q2's presentation, there is no such mention. So has something changed there as well?

Suyog Kotecha: No, so the business is, of course, subject to significant sensitivity with respect to end market affordability. All the commentary that I mentioned in Q1 remains valid. There is no fundamental change in the industry. Competition is there and some of them have ramped up the capacity. We have also ramped up our capacity. But we have also been able to place our capacity despite increasing competition. In general, as I have mentioned in my previous call, I think the product is still going through its business development phase. There is a lot additional market that is yet to be discovered compared to what currently is getting served. I think the more important element to track there is how the end market is performing and the affordability of octane boosters linked to end market cracks is the biggest driver of that particular business segment.

Nitesh Dhoot: Okay. All right. And sir, just one last on the Dyes and Pigments' part. So what drove the domestic rebound in one quarter? I mean, last time, you were mentioning about soft demand and seasonality, so what really transpired on the domestic side?

Suyog Kotecha: I think two to three things. One, there was a decent amount of reluctance to accept the higher levels of pricing linked to inflation, and that is what was reflected in the Q1 softness. But at some point in time, I guess, when most of the market realized that the elevated prices are here to stay, we saw demand coming back and demand actually came back more aggressively because people had delayed the decision-making significantly when there was a significant uptick around the Q1 time frame from a purchasing point of view and the second is also some of the Chinese exports got impacted, due to a combination of multiple things happening in China. But basically, availability of some of these products from China, coupled with people coming to terms with elevated RM pricing is what led to change in the stance in Q2 versus Q1.

Nitesh Dhoot: All right. So that helps. Thank you so much for answering my questions and wish you all the best for the coming quarter.

Moderator: Thank you. Next question is from the line of Tushar Raghatate from Omega Portfolio Advisors. Please go ahead.

Tushar Raghatate: Yes. Thank you for the opportunity. Just wanted to know, you mentioned that we are entering into adjacent markets and new platform. Can you please let us know that in which segment will that be, and do we have the anchor customer or planning to have anchor customer in that kind of application? You mentioned that you are seeing good growth in terms of the European market. Any qualitative understanding in that, in terms of some big-size contract or a large contract for 5, 10 years?

Suyog Kotecha: Thank you for asking that question. It is important to do a step back. As I mentioned briefly in my commentary, we are fundamentally seeing the nature of the industry trends evolving a little bit. China started its own anti-involution strategy, which was also pushed to some extent by a global pushback on the deflationary exports. U.S. already started erecting trade barriers against many countries in the world, but China was also one of the focus areas and what we have seen interestingly is Europeans becoming very sensitive with respect to Chinese imports coming into the region and that, coupled with FTA trends of Indian sort of market with some of those Western markets is creating very interesting opportunity for us. We have seen very good traction when it comes to inbound inquiries to do long-term partnerships for specialty chemical manufacturing in India to serve markets in Europe, in Japan, in U.S. That inquiry flow has gone up, and we are in active conversation with some of these customers. We concluded one as we announced a few weeks back, but we hope to conclude many more such partnership agreements, which gives opening into new areas, which we have not served before. Right now, as we speak, we are looking at strategic projects backed up by customers' demand in areas like personal care, for example, flavors and fragrances, batteries, in defense. So very interesting new areas opening up and many of these are backed up by a long-term contract in terms of offtake and assurance on the capital recovery as well as on the margin profile. So this tailwind will definitely augur well from a long-term growth point of view and that is what is giving us a lot of confidence to double down our reach out to some of the Western markets to secure these partnerships.

Tushar Raghatate: Fair enough. Sir, in terms of the R&D, where are we and our focus on, in terms of the bandwidth increment in the R&D front, on this platform which you mentioned?

Suyog Kotecha: So a lot of our R&D efforts were focused on chemistries that we intend to manufacture in Zone IV until recent past. As you know that the entire Zone IV is actually built based on in-house technology. We have not actually got any technology from outside. So it is a fully in-house developed technology. So a lot of our efforts in last three-four years were spent on developing those products with inhouse technologies. As we are going through a commercialization phase for Zone IV, now the R&D efforts have shifted towards the new generation platform. We are making interesting progress and we would; and this time, we are also doing a lot of R&D in partnership with our strategic customers. So we expect to launch such projects in the near future.

Tushar Raghatate: Fair enough. Sir, just a last question in terms of the long-term contract, what is the aspiration in terms of the volume percentage? Where do we see Aarti in terms of long-term contract like it is 30%, 40% like what are our aspirations on that front in order to keep the check on the fixed cost for the facility?

Suyog Kotecha: Yes. I do not think we have any number or a target as such in mind. Usually, it is around 25% to 30% of our business that comes through some of these long-term partnerships. We hope the share of that will go up going forward as we do more and more such partnerships. In terms of the way these contracts are typically structured, the fixed costs are very well covered, right, including inflationary causes in many such contracts. So the protection of conversion margins in those long-term contracts is relatively well assured.

Tushar Raghatate: Yes. That was really helpful. Thank you.

Moderator: Thank you. Next question is from the line of Siddharth Gadekar from Equirus Securities. Please go ahead.

Siddharth Gadekar: Hi sir. So first in the presentation, we have mentioned that we have taken a INR40 crore provision between consol and standalone. So is that mainly for the goods in transit?

Suyog Kotecha: Yes, it is for goods in transit.

Siddharth Gadekar: So any quantum that why we have taken this kind of a provision?

Suyog Kotecha: Chetan, why do not you take that question?

Chetan Gandhi: So this is accounting treatment specifically when you have global operations and under consolidation, if your materials have not been supplied to the customer, the element of profit, which is accounted in either of the books, kind of gets parked as reserve or parked for the time the material is actually supplied to the customer.

Siddharth Gadekar: Okay. Sir, secondly, on this new long-term contract that we have announced, so is it fair to assume this is more like a service kind of a contract where we will be getting the conversion charge just to manage the site irrespective of the volumes?

Suyog Kotecha: That is the minimum in terms of conversion margins to support. But the nature of the partnership is actually much broader, including supporting them on improvement in process technology as we expand the relationship. I think this is just a start of relationship with a new client. We hope to do many more projects, including expanding capacity under the existing contracts, where there will be a lot more value addition through both capex and opex improvements.

Siddharth Gadekar: Sir, and any new technology that we are getting access to because of this partnership or something that even Aarti could benefit in the long run because of it?

Suyog Kotecha: Yes. The technology on which we are working as part of this is something that is the first time that we are doing and we hope that know-how will benefit us significantly in long term.

Siddharth Gadekar: Sir, just lastly, is this product manufactured by anyone else in India or this is the first time this technology is coming to India?

Suyog Kotecha: For this, we cannot comment on it, at this point in time. For this customer, this is the first time we are doing this in India.

Siddharth Gadekar: Thank you so much.

Moderator: Thank you. Next question is from the line of Rohit Sinha from Sunidhi Securities and Finance. Please go ahead.

Rohit Sinha: Yes, thank you for taking my question, sir. Some of my questions are already answered, but some clarification. On the topline side as we are seeing almost 75% jump on Y-o-Y basis and still we are seeing that some of the price pass-through is yet to be done. So just wanted to know, is there any trading volume also involved in this top line growth?

Suyog Kotecha: There is a trading volume. I think for the full first half, it was roughly around INR500 crore and that was done in anticipation to build the market for our expanded capacities. So there is a portion of trading volume involved in the top line.

Rohit Sinha: Got it and probably that is also the reason for the lower margin in this quarter?

Suyog Kotecha: Partially.

Rohit Sinha: Secondly, on the raw material availability side, as earlier participant also said that, we are looking for some strategic things. So how has been the availability mainly for, I would say, and methanol for us on the outside India? and is there any domestic arrangement available for us in terms of if there is any issue on the export side?

Suyog Kotecha: So India as a country is a huge importer of both these commodities, right. Methanol and Aniline. We unfortunately do not have much of a domestic production for any of these two products. So we have to rely on imports and when we talk about raw material availability, it is in two aspects. One is the quantum, the volume itself and the second is also desired level of pricing. Methanol has not been a challenge from an availability point of view. Typically, we have been able to source whatever volume we need. Our pricing, of course, remains quite volatile linked to Middle East situation, given that it is one of the largest supplying region for this particular commodity. On Aniline, where we depend quite a lot on China and now some supply from Europe has also started to come in. There, we have seen some challenges in terms of securing the volumes that we wanted to run our asset at full capacity. But we have developed enough markets to supply this particular commodity to India. Today, we are one of the largest merchant buyer of Aniline for non-mdi usage and in that context, we have initiated conversations with multiple global majors. So that will get increasingly streamlined as we stabilize our volumes.

Moderator: Rohit, do you have any follow-up question?

Rohit Sinha: Yes. Just on the tax rate side, what should be the tax rate for FY27 for us or '28?

Chetan Gandhi: We will be somewhere between 15% to 20%. As the new assets get commercialized, there will be the element of deferred tax liabilities which will start kicking in.

Rohit Sinha: Okay. Got it. That is it from my side. Thank you and best of luck.

Moderator: Thank you. Next question is from the line of Gagan Dixit from Emkay Global. Please go ahead.

Gagan Dixit: Yes, thanks for taking my question, sir. I have a question about the MMA. So now given that this is the largest product in your portfolio, do you have any plan for backward integrating the Aniline and also do you see any risk that, although it is a ban in China for MMA. But any risk you see that Aniline finds a larger application in China that can risk the price hike?

Suyog Kotecha: So it is one of the larger products in our overall Fuel Additive portfolio and what you mentioned is something that we proactively manage. From an Aniline point of view, as I said, we have very well diversified supplier network and some of the relationships are now getting elevated to a strategic level of partnerships. So that will give us increasing confidence in our ability to manage the value chain very well. On a backward integration side, too early to comment. It is a relatively large commodity. So we will evaluate all possible options to manage the handling procurement in the best possible way and whenever we have something concrete, we will come back and update you.

Gagan Dixit: And sir, my second question is about the five new platforms that you indicated in the presentation. So advanced materials, semiconductors, battery, defense. So for how many of these you have any customers or any qualifications is there? and any capex committed to them? That is my second question.

Suyog Kotecha: So rather than platform, what we meant was these are the applications where we see traction from the end customers to do long-term partnerships and that is where it is today. I think we are in conversation with the global majors if we could do something together where the product ultimately goes into the end application. As and when those contractual conversation gets converted into something concrete, we will come back and update you. As of now, whatever has got confirmed and signed is what we have communicated to the market and rest of them remains in the conversation stage.

Gagan Dixit: Yes, that is from my end, sir. Happy Diwali.

Moderator: Thank you. Next question is from the line of from Saksham Tyagi from Desvelado Advisory. Please go ahead.

Saksham Tyagi: Yes. Okay. So sir, my first question is, since we are targeting an EBITDA of around INR1,800 crore to INR2,200 crore in FY28, which is roughly around 150% higher than the EBITDA of H1 FY27. So I just wanted to understand like how are we moving towards it? Like how are we planning to achieve this target within an upcoming time?

Suyog Kotecha: So we have talked about the three focus areas that are important for us to achieve that trajectory in our previous calls and we remain on track on execution of all of those initiatives under these three areas.

Cost and efficiency levers are mostly implemented and the impact has also started to become visible in the bottom line and will become increasingly visible going forward. On operating leverage and sort of volume and margin ramp-up also, many of the initiatives have got completed and many of them have started reflecting in our quarterly run rate, and they will become increasingly reflected going forward as well and on the capex ramp-up, a few projects have got commissioned, but I think the big chunk of Zone IV is sort of yet to get fully commissioned and ramped up. So across the three levers is what gives us line of sight to achieve the range that we had mentioned in our guidance.

Saksham Tyagi: Okay, sir. And sir, how are we working on the cost optimization side?

Suyog Kotecha: There are several initiatives as we speak at any given point in time. We have a pipeline of 50 to 60 different initiatives, typically focused on yield, energy, throughput quality, all four levers and including fixed cost optimization. So I would not be able to get into sort of individual details, but there is a dedicated team internally which focuses on achieving the targets on the cost optimization.

Saksham Tyagi: Okay, sir. And sir, my second question is that can you provide some color on what kind of new products are you planning to manufacture from the Zone IV?

Suyog Kotecha: So we have talked about some of these products in the previous call. Originally, the chain was designed to manufacture a lot of products which were linked to chlorotoluene and downstream value chain. We also added the products belonging to the toluene side chain, chlorination value chain. And then there are increasingly now we are receiving inquiries for sort of specialty products, which may not be a part of a specific value chain, but they are a specific requirement from a customer for which the asset is sort of fit-for-purpose kind of asset. So we will have a combination of all three coming out of Zone IV and the objective is to do the overall planning in a way where we maximize the contribution coming out of that.

Saksham Tyagi: And it is to be commissioned by the end of FY28, right?

Suyog Kotecha: The commissioning will happen within this financial year. The ramp-up will happen throughout FY28.

Saksham Tyagi: Okay thanks.

Moderator: Thank you very much. Next question is from the line of Sahil Dhawan from SD Investments. Please go ahead.

Sahil Dhawan: Sir, my question is on the Energy segment. So are we looking at expanding from 360 KT to further capacity? Or are we comfortable with 360 KT going forward, sir?

Suyog Kotecha: So for the time being, our objective is to stabilize at this capacity and as I mentioned earlier, stabilize our integrated value chain presence, which brings more robustness, more stability to the earnings profile of these value chains. Once we have achieved that, then we could go back and potentially evaluate further expansion. But the near-term priority now is shifted to how do we make the current capacity more robust in terms of integrated value chain presence.

Sahil Dhawan: Okay. Thank you, sir, in terms of the market share, can you suggest us in terms of the Chinese competition, where do we stand in terms of; I know we have the dominant market share in MMA, but where do we stand in terms of the market share in the MMA segment, sir?

Suyog Kotecha: It is difficult to quantify that number, to be honest, because the market itself is not very well established in terms of absolute size. As we have approached newer geographies and newer customers, new order books have opened up. So it would be unfair for me to give the market share numbers. But what I can say very confidently is that we have been able to open up new geographies and new customers over the course of last 18 to 24 months, and we continue to be on that journey to ensure that the market remains large enough for all of us to operate.

Sahil Dhawan: Yes. sir, one last question, if I can, sir, on the Energy segment overall. Sir, looking at the TAM in this segment and our total share of energy has touched 50% in quarter 2. So sir, considering the medium-term outlook, where do you see the energy segment settling in, let's just say, the next two, three financial years? Where do we see it settling because one segment crossing 50% creates a lot of volatility as well, sir. So can you throw some light on this, sir?

Suyog Kotecha: So I mentioned this in the previous calls as well. We expect the energy to settle somewhere between 30% to 40% kind of a range of our overall portfolio and especially as the Zone IV ramps up pans out, many of the products coming out of that site as well as revenue getting contributed will balance the overall portfolio. The pricing corrections in the global markets will also contribute to some extent. But our expectation in the midterm is that energy will remain 30% to 40% of the overall portfolio.

Sahil Dhawan: Okay, sir. Thank you, sir. These are all my questions. Happy Diwali.

Suyog Kotecha: Thank you.

Moderator: Thank you very much. I will now hand the conference over to the management for closing comments.

Suyog Kotecha: Thank you everyone for taking out time this afternoon. As we mentioned earlier, we started the year on a positive note with a strong year-on-year growth both on volumes as well as on EBITDA, despite the macro volatilities and challenges. We remain quite focused and committed on our growth drivers to deliver the long-term, value-accretive growth. Please feel free to connect with us for any follow-up queries. Thank you everyone and seasons greetings from us. Have a good day and Happy Diwali, everyone.

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

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