



“SRF Limited
Q1 FY26 Earnings Conference Call”
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MODERATOR: **MR. KUMAR SAUMYA** – AMBIT CAPITAL

Moderator: Ladies and gentlemen, good day, and welcome to SRF Limited Q1 FY26 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kumar Saumya from Ambit Capital. Thank you, and over to you, sir.

Kumar Saumya: Thank you. Good afternoon, everyone, and thank you for joining us today. We at Ambit Capital are pleased to host SRF Limited's Q1 FY26 Results Conference Call. We have with us today, Mr. Rahul Jain, President and CFO of SRF Limited. I would now like to invite Ms. Nitika Dhawan, Head of Corporate Communications at SRF, to initiate the proceedings for the results conference call. Over to you, ma'am. Thank you.

Nitika Dhawan: Good afternoon everyone and thank you for joining us on SRF Limited's Quarter 1 Financial Year 2026 Results Conference Call. We will begin this call with brief opening remarks from our President and CFO, Mr. Rahul Jain, following which we will open the forum for an interactive question-and-answer session.

Before we begin this call, I would like to point out that some statements made in this call may be forward-looking and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

I would now like to invite Mr. Jain to make his opening remarks.

Rahul Jain: Good afternoon everyone. I extend a warm welcome to you all and thank you for joining us today for SRF's Q1 FY26 Earnings Conference Call. I trust all of you have had the opportunity to go through our results and presentation shared with you earlier. I will begin the call by briefly taking you through the key financial and operational highlights for the period under review, following which, we will open the forum for a Q&A session.

We started the year on a positive note, delivering strong performance across our key business segments, despite prevailing global uncertainties. With expectations of an improving external environment, we remain cautiously optimistic about achieving stronger performance in FY26 as a whole.

In Q1 FY26, our gross operating revenue stood at INR3,819 crore and EBIT was up 43% recorded at INR694 crore, reflecting an 18.2% margin. Profit after tax grew 71% year-on-year to INR432 crore. During the quarter, Board also approved an interim dividend of INR4 per share with a total outflow of approximately INR119 crore.

Our Chemicals business reported revenues of INR1,839 crore, registering a 24% year-on-year growth. The operating profit of Chemicals business increased 64% from INR306 crore in CPLY to INR503 crore in Q1 FY26. The Specialty Chemicals business segment delivered strong revenue and margin performance, driven by a healthy demand for newly launched products. We are now witnessing a gradual recovery in the agrochemicals market post inventory rationalization that happened during FY24 and FY25. While there are still some overhang of the inventory cycle, we believe majority of the same is now behind us. Albeit, some pricing pressures remain, and we continue to witness the same in some of our products. During the quarter, key milestones included the launch of new pharma intermediate and registration of an AI product both of which are expected to scale up in FY26. In an environment of evolving market dynamics, Chinese competition and uncertain tariff position, operational efficiency remained a key focus for this segment, supported by cost optimization, process improvements, automations and better asset utilization.

Demand for agrochemical intermediates remained favourable with strategic pricing and solid export performance contributing to overall growth. To support future demand, the Board approved a INR250 crore investment for a new agrochemical intermediate facility at Dahej, reinforcing SRF's commitment to long-term sustainable growth.

The Fluorochemicals business delivered good growth compared to corresponding period last year. While the overall domestic market remained weak with RAC production being lower, we were able to find countermeasures in the export market and grow our HFC volumes when compared to corresponding period last year. A key highlight in the segment was SRF's commercial sale of R467A in Q1 FY26. Developed and patented in-house by SRF's R&D team, R467A is a low GWP, nontoxic refrigerant gas designed for retrofitting legacy R22 stationary air conditioning systems. It has also earned global ASHRAE certification, making SRF the first Indian company to achieve this milestone.

SRF maintained its leadership in both room AC and mobile AC segments in the domestic market. The recently operational AHF-3 plant is helping increase HFC production and PTFE segment is preparing to expand sales for its free-flow and fine cut variants in FY26. The Chloromethanes segment also delivered stable results with pricing largely remaining rangebound.

A lot of questions around quota regime for HFCs have been received since our results announcement and in the past as well. We will plan a separate call to explain deeper nuances around the same. However, I would like to clarify that the quota policy is extremely clear, and we believe that someone putting up large capacities has incorrect understanding of its implications.

SRF's R&D capabilities remain a core strength, supporting innovation and competitiveness across Fluorochemicals Chemicals and Specialty Chemicals. With over 400 skilled

professionals, our R&D team is engaged in developing complex chemistries and advanced products. SRF has built a strong intellectual property portfolio with 153 granted patents and 494 process patents filed. Moving forward, R&D will remain central to advancing process development, scale up and commercialization across agrochemicals, pharmaceuticals and next-gen refrigerant gases.

The Performance Films and Foil business recorded a 6% year-on-year revenue growth in Q1 FY26, reaching INR1,418 crore with operating profit increasing 62% over CPLY to reach INR140 crore in Q1 FY26 on account of record production, improved efficiency, higher capacity utilization and overall margins. Volumes of BOPP were higher and margins improved on the back of better overall realization, higher VAP sales and disciplined cost control. South Africa remained stable and Hungary benefited from lower energy costs and higher exports to mainland Europe, while our Thailand unit did face margin pressure due to high costs and competition from China. The aluminium foil business delivered its best-ever quarterly sales, driven by higher volumes and supportive trade measures on the notified antidumping duty. The current BOPP demand supply situation is likely to remain favourable in the domestic market given known market developments. In the Performance Films and Foil business, we remain focused on profitability by commercializing new VAPs and accelerating sales of high-impact VAPs.

To support future growth, the Board approved INR490 crore capex investment in a BOPP film facility, in Indore equipped with a 10.4 meter wide Bruckner line and metallizer. The project is expected to be completed in 24 months, further strengthening SRF's leadership in high-performance sustainable packaging films.

Our Technical Textiles business recorded INR467 crore in revenue during Q1 FY26. Weak domestic demand of Nylon Tyre Cord Fabric and pricing pressure in Belting Fabrics due to Chinese competition impacted the business performance. However, higher exports in Belting Fabrics and healthy sales in Polyester Tyre Cord Fabrics (PTCF), helped offset some of the challenges. While NTCF volumes improved sequentially, they remained below last year's levels. Ongoing capex of the new dipping machine and ramp-up of recently commissioned belting fabric line positions the business for future growth with continued focus on high-margin value-added products.

In Others segment, we saw muted performance with Coated and Laminated Fabrics facing soft demand. However, Coated Fabrics retained its domestic leadership with monsoon demand expected to boost growth. Production capability and operational efficiency improved through installation of new looms. Despite industry overcapacity, Laminated Fabrics maintained price leadership and upcoming equipment additions will further enhance in-house production capabilities.

Sequentially, our overall interest cost has also witnessed some softening as both global and local

interest rate benchmarks were on a downward trend and is likely to impact our cost of borrowing in FY26 positively.

I am happy to share that during the quarter, SRF was honored with two prestigious awards, reflecting our commitment to quality and social impact. The Fluorochemicals Business received the ZERO PPM Award from Toyota Kirloskar Motor Pvt. Ltd. for flawless performance, while the SRF Foundation earned the CSR Times Gold Award 2025 for its Rural Education Program in Mewat.

During the quarter, our CSR wing, SRF Foundation undertook transformative initiatives around our manufacturing locations - empowering close to 2,500 students in Bhind via a Digital Bus, training 100+ educators in tech, upgrading classrooms for 140 children in Nambampatti, distributing medical equipment to 12 sub-health centers in Dhar, and delivering mobile healthcare across 15 villages in Bharuch.

In conclusion, we have had a solid start to the year, supported by a steady performance and continued momentum across key segments. Our commitment to capital expenditure remains robust with planned investments of around INR2,400 crore to INR2,500 crore during this fiscal year. The recent announcements reflect our confidence in the business and its long-term potential. SRF has built a strong diversified foundation that enables us to adapt to evolving market conditions and pursue growth opportunities with agility. While certain sectors may face near-term headwinds, our overall outlook remains positive, and we are firmly focused on delivering sustainable, long-term value through innovation, strategic initiatives and operational excellence.

On that note, I conclude my remarks, and would be glad to discuss any questions, comments or suggestions that you may have. I would now like to ask the moderator to open the line for the Q&A session. Thank you very much.

Moderator: The first question is from the line of Nitesh Dhoot from Anand Rathi Institutional Equities.

Nitesh Dhoot: My first question is on the agrochemical capex of INR250 crore, that's for 12,000 metric tonnes. So, assuming 1 point per metric tonne, this appears to be a sub-\$3 product. Can you give some colour if it's an existing product or a new product? And if you could also clarify any particular reason for capex in lower value products?

Rahul Jain: Okay, here's how we're looking at it. While 12,000 is the rated capacity, actual capacity will ultimately depend on the base product mix. As we move up the value chain and focus on more differentiated products, the actual capacity will vary. This shift is something we believe is essential. So therefore, while 12,000 will be nameplate rated capacity, which is a requirement to be given, the idea here is to not set this up as just that product. It is a requirement for a very large product, and the assumption of 1:1 may not be correct on this side. And therefore, we believe its set up the foundation for the future for us.

Nitesh Dhoot: But is this an existing product? Or is it a new product completely?

Rahul Jain: For us, it is a new product completely. We've not done this in the past.

Nitesh Dhoot: Okay. So, on the capacity utilization, the current capacity utilization in R32 and what will be the likely exit rate for FY26? And if you could give some outlook on the R32 prices. What we heard from the channel is that there has been some softening in prices in the domestic market. If you could just give some colour there.

Rahul Jain: Two or 3 questions together, Nitesh. The first one about capacity. Our current capacity utilization is pretty much as much as the rated capacity that we have on the table, so that's effectively full capacity utilization. From FY26 exit perspective, our target is to continue this at that level. From a pricing perspective, you have to also understand that pricing of this is also a function of the current demand and supply. There is always the seasonality that prevails within the R32 or overall HFC position. Also, that is your channel check in terms of what the pricing is, either lower or higher. We believe that the pricing is strong, and given overall market conditions, it is likely to remain that way.

Nitesh Dhoot: Sure. So just one last question on packaging films. So typical equipment ordering to plant commercialization would typically be around 24 months, right? But are there any other faster routes also, asking this in context of the recent supply disruptions that happened in the industry, and also if you've seen any increase on the BOPP import side since the incident?

Rahul Jain: So, 2 things, Nitesh. I think in the BOPP segment of Performance Films and Foil business, what you are saying in terms of supply situation is right. But there are no other routes. You will have to buy the machinery from the 2 global suppliers. If it is BOPET or BOPP, there are 2 large global suppliers being Brückner and Dornier. So that's how it works out, no shortcuts around it. The second question was with respect to the overall situation in terms of the supply on BOPP, yes it remains tight. India will be short from an overall perspective. The incident that happened is roughly about 25% of the India production capacity, so India will be short and therefore, there will be a need for some imports as well.

Moderator: The next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management.

Arjun Khanna: Congratulations for a great set of numbers. Sir, I have few questions. The first question is on the N2, N3 regulation for the MHCV side, we have referred to that in a market trends part of it. In terms of R134a, my understanding is we are the sole HFC manufacturer of this gas in India. Is this correct? And what would your market share be at this point in time?

Rahul Jain: From an HFC perspective, overall domestic market share is roughly in the range of 60% to 70%, balance gets imported. There are a couple of new capacities that have started on R32, but on R134a, you are right, we are the sole manufacturers.

Arjun Khanna: Sure. And just in terms of pricing, while you did allude to R32, given with this regulation, do you see a step-up in terms of demand? And since it's already in the system now, are we seeing benefits from the same?

Rahul Jain: Roughly speaking, I would say it should start to see demand positive in 2026 and not in the current year from R134a perspective.

Arjun Khanna: Okay. Sure. Fair. The second one is on the PTFE and the aluminium foil. So, these have been recent projects by us. We were expecting a ramp-up in FY26. If you could comment on both of them, please?

Rahul Jain: On the aluminium foil, we said in the press release as well, that the ADD that has been levied for 5 years is a positive. We are starting to see traction on the aluminium foil in the domestic market. Our overall goal here is to continue to grow the market and to increase our production on the aluminium foil. From PTFE also we believe there will be some positives from the overall FY26 perspective; global sales, free flow, fine cut should take up a better position going forward.

Arjun Khanna: We were earlier talking about exports also of aluminium foil. We haven't seen much in export data. So, is this something that will happen maybe in the second half of the year? Or we are now concentrating post the ADD on the domestic market?

Rahul Jain: No, there are U.S. and European customers that have been identified. Some of the sampling will start happening. And hopefully, some of that traction we should see in FY26 itself.

Arjun Khanna: And just on this, what utilization levels are we currently at for both PTFE and aluminium foil?

Rahul Jain: Aluminium foil, we will roughly be, I would say, at 50% to 60%. PTFE will also be in the similar range.

Moderator: The next question is from the line of Sumant Kumar from Motilal Oswal.

Sumant Kumar: So, In Specialty Chemicals, when we talk about healthy revenue growth, is it primarily driven by newly launched products, or are existing products contributing more significantly to the growth?

Rahul Jain: When you think about Q1 FY26, I would attribute a larger growth into the newly launched products. But when you compare it to CPLY, where we were seeing a bit of depression from an overall inventory cycle that we have spoken about, we've seen some of the older products or some of the legacy products also go up in volumes, although in some cases, we've seen pricing to be slightly lower. The point also is that for some of these products, we are saying that we will ensure that our market share remains positive and we continue to find answers to some of the pricing pressure that's there.

Sumant Kumar: And considering our current scenario, can we assume chemical business, what margin we have shown in Q1, it is going to continue in Q2?

Rahul Jain: I have always looked at it from an annual margin perspective, Sumant, you are aware of that. Again, quarter-on-quarter margin may not be the right way to look at it, and therefore, we will continue to be on the same position on that side, Sumant. I don't think we want to look at quarter-on-quarter margins.

Sumant Kumar: Okay. And any change in chemical business growth guidance for the year?

Rahul Jain: I think we've done fairly well in Q1. Why should there be a change? You want a higher change or a lower change?

Sumant Kumar: Higher.

Rahul Jain: So, you will always want the higher one, but we are still sticking to the original guidance.

Moderator: The next question is from the line of Jason Soans from IDBI Capital.

Jason Soans: So, sir, in terms of the ref gas pricing, of course, it has helped us this quarter, and roughly speaking, R32 quarter-on-quarter as it grew around 20%. That's what the pricing increase reflects. You have also mentioned in the presentation that domestic market was weak. So could you give us some colour in terms of how this has panned out, just roughly ballpark in terms of volume or price, how the performance has been so strong in terms of the Fluorochemicals business. And also, a related thing is, do you think the pricing will be sustainable going ahead?

Rahul Jain: I would really say 2 things here, Jason. The fact is there has been a positive in ref gas pricing. I don't want to put a number of 20% or 25% or 30% around it from a domestic and an export market perspective. I can only give tell you that the pricing has been positive. The other thing, in terms of overall market situation, RAC production is known data, that it has been weak when we compare it to CPLY. We've been able to find some countermeasures and continue to utilize our capacity to the maximum possible. The second question I kind of forgot, could you repeat?

Jason Soans: So just wanted to know, given the strong pricing trajectory of ref gas so far, do we expect this trend to sustain going ahead?

Rahul Jain: The way you want to look at it is the global pricing for this. I think there are various positions in terms of where China is, where overall capacity positions are playing out. We do believe that pricing should remain strong. But there could be changes in overall demand from a world market perspective, although we don't see that happening.

Jason Soans: Okay. My next question, I just wanted to know the progress on the various AIs under development under the Specialty Chemicals segment?

Rahul Jain: Going on. There are a few that are under campaign positions, hopefully, some of the ramp-up will be seen in FY26, but there are larger products that we are talking to and are in various stages of development in the AI phase.

Jason Soans: Okay. Sir, just wanted to know, it's a well-known fact that last quarter, 1 major competitor witnessed a major fire and that must have positively impacted our performance films business. Just wanted to understand, how much of a positive impact was there? And how much do you think it is sustainable going ahead?

Rahul Jain: We are all aware of what is happening in the market. That incident has caused a positive, in terms of the fact that BOPP demand and supply situation has kind of got changed. But frankly speaking, I would say that to be able to quantify it is very difficult.

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

Sanjesh Jain: First, on the specialty side, you mentioned that there was some strategic pricing action that has been taken. And in the initial remarks, you said that there were pricing pressure. In a scenario of pricing pressure, and I think when you say strategic pricing, you're talking of upward revision, now what's transpiring there?

Rahul Jain: That's your assumption, Sanjesh. What we are saying here is that in certain products, we are not willing to let our market share go. We are working on cost position, we are working on our overall utilization of the product and therefore, want to continue it like that. We are not saying that we have taken certain strategic pricing decision upwards or downwards. We are just saying that we want to look at some of the products as one of the largest products that we have and continue gaining market share around it.

Sanjesh Jain: Okay. Got it. That's clear. Second, on the R32, you said that India market was weak, but we as a countermeasure found some market in the exports, which are the markets which are showing traction for R32 for us?

Rahul Jain: I don't want to go into position for various export regions. I'm saying overall exports were higher from a volumetric perspective, and it could be to the U.S. market, it could be to other Middle East and Southeast Asia markets. I'm not talking about various jurisdictions or geographies here.

Sanjesh Jain: Okay. Same geography, but more volume is what you are telling?

Rahul Jain: I have not said any of that. Interpretation at your end.

Sanjesh Jain: One last question from my end before I get back into the queue. For the specialty, what we are hearing commentary from the global agrochemical is sort of slightly weakish from earlier. Are you seeing that trend in your discussion with the customer because the customers, one's who are listed large agrochemical companies have been downward revising their guidance. Anything

that we have picked in our discussions?

Rahul Jain: I think our order book is in fairly good position. There could be various positions that some of the global players have, and therefore, from their overall perspective, they are looking at probably a slightly negative outlook. I don't think we are in a situation where we are saying that there is a negative outlook on our end as well. We continue to stick to our overall guidance.

Sanjesh Jain: Got it. So, we stick to the things we said last quarter that 60% - 70% of our order book is already booked, so that gives us the confidence of growth and we stick to that point.

Rahul Jain: Correct.

Moderator: The next question is from the line of Naushad Chaudhary from Aditya Birla Mutual Fund.

Naushad Chaudhary: Congrats on a good set of numbers. 2- 3 quick clarification. First, you touched upon R467A, which is our in-house developed baby. Just wanted to understand the current revenue size, and can this be big for us in the future in the next 4 - 5 years.

Rahul Jain: Look, Naushad, I can't give you gas by gas revenue. Overall, HFC positions were higher, that's all that I can tell you. But gas by gas, I don't give either revenue or volumes. But yes, given the fact that this is a replacement for R22, we certainly believe that for a 5 to 10-year period, this could play out as a large positive.

Naushad Chaudhary: Sure. Second, on the fresh land acquisition, similar or larger size of compared to Dahej, any development there or if anything you would like to touch upon?

Rahul Jain: I can only say there is work going on, on that side. Hopefully, there should be something that comes through in the near future. Once there is an announcement around it, you will certainly come to know. But as of now, I can only tell you work is going on.

Naushad Chaudhary: On the Packaging business side, despite marginal revenue growth, we have seen a good jump on the margin side sequentially and year-on-year as well. But historically it has been, on an average 14% - 15% margin business. But last 2 - 3 years was a problem. So, do you think the cycle has bottomed out and we should quickly go back to the normalized run rate at least?

Rahul Jain: I think you are aware in terms of the current market situation on what has happened to one of the market participants. Given the situation, the supply demand situation has completely twisted on its head for BOPP. Hopefully, that can sustain over a period of time because capacities don't come up quickly. It will take time. Someone else had asked the question earlier that can there be a shorter room to get these capacities online, for which I said it's not practically impossible.

Naushad Chaudhary: Sure. Should this lead to the normalized average margin of the packaging business versus what we have today?

Rahul Jain: Look, very, very difficult to be able to say marginal increase or more increase. It will depend on the demand and supply situation only.

Moderator: The next question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: There is a comment wherein we highlighted that stricter registration norms are delaying some bit of product launches from the innovators. So, just wanted your clarification here. Is this referring to some of our AI that we are making or it is a general comment for the industry at large?

Rahul Jain: It's more a general comment, but yes, to a certain extent, dovetails into the AI position as well.

Ankur Periwal: Okay. But as you mentioned, your 20% growth guidance remains intact, which factors in such delays or maybe the pricing-led strategic initiatives which we had highlighted there. Will that be a right statement?

Rahul Jain: We are still very confident that we will be able to get there. There may be some delays, but given the prevailing situation, we are fairly confident that whether with AI or without AI, we should be able to get that number.

Ankur Periwal: Great, sir. Secondly, the new pharma intermediate that we had launched, and I'm going back to our earlier comment wherein we had expected the pharma business to grow at a much faster pace. Will this be a bigger driver for that ramp-up? Or how should one look at the new launches on the pharma side there?

Rahul Jain: Look, pharma intermediates, agrochemical products, all of these will continue to come through. When we say we have launched the new product, it doesn't mean that the commercial scale quantities have started to flow through. It has now been approved, and as the customer needs get more stable, we will continue to sell the product.

Ankur Periwal: Great, sir. And just lastly, on the fluoropolymer side, any timelines you'd like to share from a ramp-up perspective given that we are almost 50% - 60% utilization?

Rahul Jain: You are talking about PTFE?

Ankur Periwal: PTFE, correct.

Rahul Jain: Yes, I think FY26 should be a better year than FY25 for the PTFE segment overall.

Ankur Periwal: So should we expect full ramp-up by the end of this year, let's say, Q4 at an exit run rate? Or it may take slightly lower.

Rahul Jain: About 75% - 80% exit FY26.

Moderator:

The next question is from the line of Abhijit Akella from Kotak Securities.

Abhijit Akella:

Just one question on the refrigerant side, for R32, what would our estimate of total world demand be at this point in time? And if you have a forecast for the next 5 years by 2030 or so, that would be great to have as well. And also, how much might China production be at present for the product?

Rahul Jain:

I don't have that data available readily. I will probably relook at this and maybe come back to you separately on this.

Abhijit Akella:

Sure, sure. That's fine. And maybe just one other thing then. You did mention at the close of your opening remarks that some businesses could see some near-term pressures. So, if you could please just specify which areas you might be seeing that in?

Rahul Jain:

That's a more general comment. We are facing some pressure on the technical textile front, given where demand is, given where the overall position is. So that's something that is there. But overall, I don't see a negativity around it. I think our commitment to capex has been strong, we are continuing to put in more money on the capex. Some headwinds will always be there. Since business is not linear, it will continue to evolve over a period of time. So, I think that was a more generic comment rather than a specific comment.

Moderator:

The next question is from the line of Vivek Rajamani from Morgan Stanley.

Vivek Rajamani:

Congratulations on a good sort of numbers. Just one question on the refrigerant gases, ex of R32, if you could just touch upon the kind of pricing trends that you're seeing for the remaining products and how you see that evolving over the course of fiscal 2026?

Rahul Jain:

The way I would look at it is not ex of R32. Thematically we've seen overall HFC prices are higher. I think stable to higher is the trend that we will end up seeing during FY26 also, and that's the thematic. I can't give you gas by gas prices because it will depend on which market it is going, what kind of packaging it is going, the SKU wise positioning etc. So I don't kind of talk about that. But thematically, better pricing is what we've seen in Q1, and hopefully, that trend can continue.

Vivek Rajamani:

Sure, sir. That's clear. And just one clarification from a domestic export mix, the 50-50-odd percent number, which would be the same for this quarter? Or has that mix changed, purely on the ref gas side?

Rahul Jain:

HFC side, I think, about 60% domestic, 40% export from a volumetric position.

Moderator:

The next question is from the line of Krishan Parwani from JM Financial.

Krishan Parwani:

Congrats on a good set of numbers. Two from my side. First, in your opening remarks, you

mentioned that registration and scale-up of an AI is expected in FY26, so what is the status of the rest 4 to 5 AIs? Would there be a scale-up of any other AIs apart from the one that you mentioned in FY26?

Rahul Jain: There are 4 or 5 AIs in commercial batching situation. Because these are dependent on customer registration and customer positions on it, we don't know the exact timing of it, but likely to witness some traction in FY26.

Krishan Parwani: Got it. And secondly, just on this Spec. Chem. side, what would be your domestic specialty chemical sales as a percentage of overall Spec. Chem. sales? A rough range would be helpful.

Rahul Jain: Roughly speaking, I would say 60% export, 40% domestic. But even that 40% domestic is at the behest of some global majors only.

Krishan Parwani: Yes. So earlier, I think that used to be 80% export 20% domestic. So that mix has changed considerably?

Rahul Jain: At some point in time, it was probably 95% export and 5% domestic, so that situation is also evolving over a period of time.

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

Kumar Saumya: Sir, just one question, sir. Just wanted to understand the domestic and export mix of R32, last quarter is 60:40 and now you said this quarter as well 60:40?

Rahul Jain: 60:40 I said earlier was for overall HFCs. For R32 also, roughly speaking it's the same as 60:40.

Kumar Saumya: Okay. No. So I was of the view that domestic has been weak and we have pushed more volume in the export market. So, this Q would have been different this quarter compared to the last quarter.

Rahul Jain: The fact is that generally speaking, in this quarter we would expect a better domestic demand. But given the weakness in RAC segment, that demand was weak. So we had to find countermeasures from an export market perspective.

Moderator: The next question is from the line of Meet Vora from Emkay Global.

Meet Vora: Sir, first question was with respect to R467A. I wanted to understand the current market size in India and globally. Is it already sizable today, or is it still in the development phase as a potential replacement for R22 globally?

Rahul Jain: Very difficult to give you the exact data on it. The fact is that this is a replacement for R22, and as the secondary market or the trade market develops and this becomes more available in the market, we will find out. I don't have a sense of that right away.

Meet Vora:

Understood, sir. Second, sir, was more of a clarification. We have mentioned in the PPT that our AHF-3 plant is getting stabilized. So, is it now running at optimal capacity or the ramp-up is yet to be seen?

Rahul Jain:

Ramp up is yet to be seen. But it is kind of getting there.

Meet Vora:

Okay. And just one last bit, with regards to HFC capacity utilization, we mentioned that we are now running at optimal capacity, right in terms of all HFCs put together.

Rahul Jain:

That comment was more on R32.

Moderator:

The next question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal:

Sir, with respect to your comment around the quota regime in India for HFCs and the challenges that some of the other competitors may face in putting up larger capacities. Sir, what is the typical time required for someone to set up the capacities to meet the quota requirements?

Rahul Jain:

2024, 2025, 2026 are the measurement or baseline years from a calendar perspective. Somebody will have to look at their average production of HFCs for these 3 years and 65% of the 2009 and 2010 average of the R22 or HCFC, to calculate their overall production quota. The other position is also with respect to how much HFCs you sold during 2024, 2025 and 2026 on an average. So, that is how it is going to play out to determine the overall quota available.

Nitin Agarwal:

And sir, for our perspective, are we looking to put up any incremental capacities before the quota – 2026 period ends?

Rahul Jain:

We don't have any plans around that as of now. You have to understand the overall position on the quota regime. Capacity additions were only allowed until a certain point in time. Post that, they may not be considered for Montreal, and if you set up capacity by, say close of 2026, where will you sell that capacity? You may then have the production capability, but no consumption capability.

Moderator:

The next question is from the line of Rohit Nagraj from B&K Securities.

Rohit Nagraj:

Congrats on good set of numbers. Sir, just one question on the agrochemical intermediates capacity new capex that we have announced. In terms of margins for the product, will it be in line with the company-wide specialty chemical margins? And an allied question to that, in terms of the capacity it seems a large capacity, but at any point in time in future, will it be fungible? I mean you said it's a nameplate capacity, so, will it be fungible at any point in time?

Rahul Jain:

I have not understood the second question, but let me answer the first one, where you are saying that are the margins similar to the margins of some of the competition in this.

Rohit Nagraj:

Not competition, but for our company-wide margins on the Spec. Chem. business.

Rahul Jain: I don't give out breakup of the EBIT margins between Fluorochemicals and Specialty. So that's not what we do.

Rohit Nagraj: Sure. In terms of capacity, you said that the 12,000 tonnes capacity, it's a nameplate capacity, and we may reach that level or we may not, but we have taken an approval. So, at any point in time, is the capacity fungible for any other products? Or will it always be a dedicated product till the life cycle of the final year?

Rahul Jain: It will be dependent on the product mix of various products that can be produced. So yes, it will be, to a certain extent, fungible between products.

Moderator: The next question is from the line of Madhav Marda from Fidelity International.

Madhav Marda: Just one question on the quota. When you said that 2024 to 2026 is the quota measurement period. If instead of R32, anyone is selling R125 in the domestic market in this period of 2024 to 2026, given that it's an HFC as well, does that give the ability to sell R32, if you're already selling R125 in the domestic market?

Rahul Jain: It will be on the GWP equivalence basis. So, if someone was selling R125 in the domestic market, yes, they get a 3x multiplier on that. The only point is that where are R125 sales in India? It is largely an export product.

Madhav Marda: Okay. But R125 goes into some 410A consumption, right, in the country?

Rahul Jain: Yes, but what I meant is that largely, as R125, it is primarily exported to the U.S. market.

Madhav Marda: Okay. And sir, just a follow-up there. The HFC consumption of 2024 to 2026, that gets added with your HCFC production you did in 2009 to 2011, right? So, is it a combination of these two, or is it one or the other? How exactly does it work?

Rahul Jain: There are 2 positions on this. There is one with respect to production capability and one with respect to sales capability. So, there are 2 different things. And like I said, at the right point, we will set up a call along with Prashant to explain the entire detailed nuance of this. So maybe that's the right point to answer and ask that question.

Moderator: The next question is from the line of Dhavan Shah from Alpha Accurate Advisors.

Dhavan Shah: So, sir, my question is on the R32. If we look at the global capacity, it is always in the excess supply than the demand. So, what gives us the confidence that the prices are likely to sustain? And secondly, I think IGAS also came out with capacity in Middle East. So, are you seeing any incremental volumes from there for R32 and do you foresee any other incremental capacity coming in, in the global market except the Indian players who have announced the expansion for R32?

Rahul Jain:

Dhavan, like I said earlier also, you know global capacity better than I do. So, I am unable to comment on the first one. In terms of pricing of R32, I answered that in a brief to a previous question by someone, that we believe where the current demand and supply situation is, pricing remains strong. That's how I would look at it. To comment on whether the UAE plant is producing or not, or is it selling or not, you know pretty much as much as I do. So, I kind of pass that question.

Moderator:

The next question is from the line of Surya Narayan Patra from Phillip Capital.

Surya Narayan Patra:

Couple of clarification only. The R32 price appreciation in the recent month, is it led by any production disruption by any large global producer? Because that is how it has been reported by a couple of global listing articles. Could you clarify?

Rahul Jain:

To the best of my knowledge, it is the current demand and supply situation, given where China is, given where overall position is, given that there was a huge pre-quota filling that had happened in the U.S. because of which there was a massive overstocking that happened. So, when you think about it thematically, the world needs more R32, and therefore we believe that our capacity of R32 and a couple of other capacities are in good shape. Also given the fact that some of the U.S. blends use more R32 than HFOs, so overall, it seems in good shape, but I have not heard of any single disruption leading to capacity positions.

Surya Narayan Patra:

Second clarification, sir, about the agrochemical price or the specialty chemical pricing in the global market, you have mentioned in the presentation that there is a kind of China-led pressure that persists and this is likely to be the new norm going ahead. So, are you giving kind of a cautious indication about the margin situation for our overall specialty chemical business going ahead? Or how should one think about it?

Rahul Jain:

The way we are looking at the Specialty Chemicals business, and I've talked about it in the past is that we still believe growth is there. In some of the products, we have been global leaders, and we don't want to give up our position as global leaders in those products. It's probably more a product-based comment rather than a generic comment in terms of the overall margin profile of the Specialty Chemicals business.

Surya Narayan Patra:

Okay. Just one point more. In case of the capex situation, in the FY25, we have done around INR1,100-odd crore kind of capex, obviously, a lower number, but again, we are committing about INR2,500 crore kind of capex for the current year. So, the visibility of the demand situation, all that is giving a kind of positive indication or last year was a cautious stance in terms of capex announcement and execution. What was this indicating really?

Rahul Jain:

I think you're reading too much into it. Last year, we had clearly said that the capex cycle that we were in and given the market situation, we will not be going very large on capex. Today, what we are saying is we have seen some market improvement. Our capex position is a function of how the market improvement has happened, and therefore moving upwards when compared

to FY25. Also there were large capitalizations that happened during FY24, and therefore in FY25 we wanted to digest some of the capex that had happened earlier.

Moderator: The next question is from the line of Aman Kumar from AK Securities.

Aman Kumar: There is a significant rise in the price of BOPP films in the domestic market. So, is this happening to the overseas market also?

Rahul Jain: I've not looked at export pricing, but you are right in terms of BOPP, given the current demand and supply situation in the market.

Aman Kumar: So, it is confined to India only. So how are the margins in the international market?

Rahul Jain: Margins are largely same.

Aman Kumar: And regarding BOPET, there seems to be overcapacity in the market. When can we expect this overcapacity to ease?

Rahul Jain: From a BOPET perspective also, there is some change in the demand and supply situation. Not many large new lines are coming up globally on the BOPET side, so hopefully, in the next few years we should see some positive.

Aman Kumar: So right now, margins are better than last year?

Rahul Jain: Certainly.

Moderator: The next question is from the line of Amit Agicha from HG Hawa & Co.

Amit Agicha: Sir, what are your ROCE targets post commissioning of the new projects?

Rahul Jain: For which business?

Amit Agicha: For all the 4 businesses.

Rahul Jain: Overall, when we think about ROCE, IRR and payback period, each business has a different position. The Specialty Chemicals business from an overall perspective, is driven by positioning over a period of time, while the performance films & foils business is slightly more commoditized and therefore will have a slightly lower ROCE target. Capital is not a constraint, and we continue to invest in more value-added products even on the performance films business side. Overall targets remain in excess of 25% for the chemicals business, and maybe 200 basis points lower from a performance films and foil business perspective, on an overall long-term basis.

Amit Agicha: And sir, second question was coming to the debt, like what is the current debt levels? And what

is the company's strategy?

Rahul Jain: Roughly about INR3,200 crore to INR3,400 crore was the overall net debt position. Also, net debt is a function of how much cash we have available. So given our current situation, we believe the overall number remains there or thereabouts plus minus INR200 crore, given where the capex cycle would be at that point in time.

Moderator: Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

Rahul Jain: Thank you, everyone. I hope we've been able to answer all of your questions. I wish that each one of you remain safe and healthy. If you have any further questions, we would be happy to be of assistance. We hope to have your valuable support on a continued basis as we move ahead. On behalf of the management, I once again thank you for taking the time to join us on this call. Thanks, and bye-bye.

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