"SRF Limited
Q3 & 9M FY25 Earnings Conference Call"

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MODERATOR: **MR. MEET VORA** – EMKAY GLOBAL FINANCIAL SERVICES

Moderator: Ladies and gentlemen, good day and welcome to SRF Conference Call hosted by Emkay Global Financial Services. 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 Meet Vora from Emkay Global Financial Services. Thank you and over to you, sir.

Meet Vora: Thank you. Good afternoon everyone and thank you for joining us today. We at Emkay Global Financial Services Limited are pleased to host SRF Limited's Q3 and 9M FY25 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 proceedings for the call. Thank you. Over to Nitika.

Nitika Dhawan: Good afternoon everyone and thank you for joining us on SRF Limited Q3 & 9M FY25 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. Thank you.

Rahul Jain: Thank you, Nitika. Good afternoon everyone. I would like to extend a warm welcome to all of you and thank you for joining us today for SRF's Q3 and 9 Months FY25 Earnings Conference Call. I trust that you have had the opportunity to go through our results and the 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 have delivered a healthy performance this quarter, supported by a strong Q-on-Q uptick, primarily driven by strong contribution from our Chemicals business. The Packaging Films business also demonstrated stable performance. For Q3 FY25, the company reported gross operating revenue of INR 3,491 crore reflecting a 14% year-on-year growth. EBIT was at INR 529 crore, yielding a margin of 15%, while PAT stood at INR 271 crore, up 7% Y-o-Y. Overall, we have seen a decent recovery this quarter. Building on the momentum, we expect to finish the year on a reasonably strong footing, with a positive outlook for the next fiscal.

Coming to our segmental performance, our Chemicals business reported revenues of INR 1,496 crore during the quarter, registering a 7% Y-o-Y growth and 10% growth over Q2 FY25. Also, when compared to Q2 FY25, EBIT margins were up 600 basis points plus and around 100 basis points plus when compared with the corresponding period last year.

The Specialty Chemical segment delivered a strong performance this quarter with healthy increase in revenues and margins. While the broader industry continues to witness some overhang of inventory buildup among agrochemical customers, our performance was strong, driven by positive traction in recently launched products and a gradual pickup in demand for some key agro intermediates which were deferred earlier. Our cost competitive pricing strategies and robust export market performance further supported revenue growth. With sustained momentum in demand from agrochemical customers, we expect Q4 performance to improve even further. We have received registrations for some of our future active ingredients and are hopeful of ramping up sales for some of these products during FY26 as customer demand picks up.

In our Fluorochemical business, domestic demand for refrigerants, particularly for room air conditioners, continue to be strong, taking our domestic refgas sales to their highest ever levels. While export realizations for some refrigerant gases were soft, we expect performance to improve in Q4, supported by stronger volumes and better realizations. The Chloromethane segment delivered stable results during the quarter. We continue to focus on ramping up sales of PTFE in both free flow and fine cut grades and expect positive traction from the same from FY26 onwards.

The Packaging Films business delivered a steady performance this quarter with revenue growing 27% Y-o-Y to INR 1,385 crore. Despite some demand supply imbalance in BOPET, margins improved slightly, supported by strong sales of value-added products in both BOPET as well as BOPP segments. In India, BOPET demand and prices have remained stable, whereas BOPP witnessed demand growth. Meanwhile, in the aluminum foil segment, export sampling has started gaining momentum from the US and European markets; however, there was pressure on margins in the domestic market due to lower cost imports from China.

Our Technical Textile business delivered a stable performance with revenues increasing 11% Y-o-Y to INR 510 crore. The segment benefited from steady demand and highest ever capacity utilization for Polyester Industrial Yarn and better traction for Polyester Tyre Cord Fabric, though lower demand and margins in Belting Fabrics impacted overall performance. To mitigate this, we are focusing on expanding our VAP sales. The ongoing Belting Fabric and dipping machine projects remain the key drivers of future growth and are on track.

In our Others segment, the Coated Fabric business experienced slower demand in the domestic market, though we continue to maintain a dominant position in this space. The laminated fabric segment performed in line with expectations. Looking ahead, the demand is expected to remain stable in the next quarter and the integration of our new hot lamination machine is expected to drive margin improvements.

Additionally, the geopolitical environment remains uncertain and overall interest rates both locally and globally, probably with the exception of the EU, may settle higher than earlier expectations. Overall reductions in interest rates over the past 6-9 months should flow through to the P&L during FY26.

The current quarter also witnessed a significant strengthening of the US dollar against major currency pairs, which negatively affected the results to the tune of about INR 34 crore. However, a weaker rupee is generally favorable for the company over the long term, both as a net exporter and import parity pricing for some of our key domestic products.

In line with our commitment to consistent shareholder returns, the Board of Directors has approved a second interim dividend of 36% amounting to INR 3.6 per share. This follows the earlier declaration of the first interim dividend at the same rate.

I am glad to share that SRF has been honored several prestigious awards including the Gold Award for our Annual Report 2023-24 at the LACP Global Communications Competition, a Bronze Medal in Sustainability from EcoVadis, a globally recognized consortium for sustainability rating and the internationally recognized Gold Stevie® Awards for our Diversity, Equity and Inclusion campaign #InHerShoes. Additionally, our Packaging Films business in Indore has been recognized as one of the top 25 industries for waste minimization and management at the CII 4R awards.

SRF strives to be a responsible corporate citizen. SRF Foundation works at the grassroots to empower communities. As part of our Anganwadi development program, we organized door to door visits and community meetings in Bhopal to strengthen programs and retain students at these centers. We also held two-day training for Anganwadi workers, focusing on hands-on activities, workbooks and proper use of materials. In Rajasthan, we inaugurated a new Anganwadi center in Khijuriwas in December, attended by children, villagers, Anganwadi workers, supervisors from Gram Vikas Samiti and SRF Foundation team.

To conclude, SRF's multi-business structure has enabled us to navigate a challenging operating environment over the past two years with resilience. Despite headwinds across verticals, we have remained focused on strengthening our core foundation, built on world class infrastructure, a highly skilled workforce and cutting-edge R&D capabilities. These strengths reinforce our leadership position and equip us to capitalize on emerging opportunities as market conditions improve. As we move forward, our focus remains on driving innovation, operational excellence and sustainable growth, creating long-term value for all our stakeholders.

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.

Moderator: Thank you. We will now begin the question-and-answer session.

The first question comes from the line of Sumant Kumar from Motilal Oswal.

Sumant Kumar: In our PPT, we mentioned about focus on maximizing HFC production for quota requirement between 2024-2026. So, can you talk about how much R32 capacity expansion we can do under quota system?

Rahul Jain: Sumant, the R32 position with respect to 25,000-28,000 tonnes capacity that we have is fairly well set. As of now, there are no plans on the ground to expand HFC-32 or R32 capacity. Whenever there is a need, we will be able to do that depending upon what situation the market presents. As of now, there are no plans to increase HFC-32 capacity.

Sumant Kumar: But how much can we expand on the quota? What are the limits we have?

Rahul Jain: Sumant, we have not done that calculation as of now in terms of what quota we can get. Quota is a combination of production as well as consumption. So, to that extent, depending upon what the situation turns out, we will be able to do our expansions or let us say, modify some of our existing plants to be able to do R32. But again, R32 is not just the only HFC that we are doing. We are doing multiple other HFCs and blends as well. So, it really will depend on the situation at that point in time.

Sumant Kumar: So, on an overall basis, how much quota we have? Do we have a calculation for that?

Rahul Jain: To be very frank about it, there is no quota set up that has been created as of now. These 3 calendar years 2024, 2025, 2026 have to pan out, post which we will know what the quota position the government sets up.

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

Arjun Khanna: Thank you for taking the question and congratulations on a good set of numbers. Sir, the first question is on the AIs. So, we have talked of a better 4th Quarter versus the 3rd Quarter, and in addition, we have mentioned in the presentation that we are on track with the new AIs. In terms of the milestones you would have had internally, are we on track with those, such as samples sent, etc.? Also, you have said that 4th Quarter should be better than the 3rd Quarter, are we also indicating that the 4th Quarter should be better than the 4th Quarter of the previous year, which was actually a very good quarter for us too?

Rahul Jain: Arjun, you have asked multiple questions. Let me try and answer each one, one by one. With respect to AIs, I think what we have done and in terms of our internal targeting, we are in fairly good shape. It also depends on two things, what registrations and what dossier we are able to get into, which is in good shape, but the final demand of this will come through only once the customers are looking to expand their production on that side. So, to that extent, we are very hopeful that FY26 should be a good year for some of the AIs that have got registered. My sense is 3 or 4 have already got done. Hopefully, some of the sales traction will also start getting witnessed in FY26, and maybe to a certain extent in Q4 FY25 as well. Further, with respect to the question that you asked, in terms of whether Q4, will be a better quarter. We were typically talking about Q3 versus Q4 where I was saying Q4 is going to be a very good quarter. Also, historically for specialty chemicals business, Q4 has been a good quarter always. So, to that extent, I have not looked and compared it with Q4 numbers, but I am sure the way we are looking at it today, Q4 is going to be probably even better than the last year, CPLY.

Arjun Khanna: Thank you for that. Sir, the second question is regarding ref gas. So, we have seen a slight uptick in R22 prices in India, and since R22 is a key ingredient in the production of PTFE, are we also seeing an increase in prices in the PTFE market? You mentioned in the previous quarter that we would likely start seeing improvements in the 4th Quarter, and from FY26, both grades could perform well. Could you elaborate a bit on what pricing improvements we might expect and what our current utilization rates are? Also, do you expect that by FY26, we could be looking at 3,000-4,000 tonnes or possibly even higher?

Rahul Jain: PTFE is being driven by two or three things today, Arjun, the suspension grade, plus some of the free flow and the fine cut positions that we are creating. Domestically, we are doing fairly well but there is pressure on PTFE given current pricing. And we have not seen very significant increase in domestic prices on PTFE. The way we are looking at it also is that as our sampling for the international market starts to get approved, there will be export traction that we should see building out on PTFE as well. It is at that point in time, where we will believe that things have changed for the better, and once exports starts to kick in, we're targeting better utilization of PTFE for FY26.

Arjun Khanna: Sure. Any guidance in volumes what we possibly can do?

Rahul Jain: Generally, we don't do that. So, I would keep it close to my chest and hopefully just say that we will be better going forward.

Moderator: The next question comes from the line of Naushad Chaudhary with Aditya Birla Sun Life Mutual Funds.

Naushad Chaudhary: Thanks for the opportunity and congrats on a good set of number. First on the ref gas business side, if I look at it, 4-5 years back in domestic market, there were 3-4 peers. Eventually when things started phasing out, other peers started shifting focus to some other businesses and we kept adding capacity and now moving to HFO as well. Does that mean eventually in the next couple of years, we might kind of have a virtual monopoly situation in the ref gas business versus the market share we have today? How do you look at your ref gas business 3-4 years down the line?

Rahul Jain: I don't think it is going to be a monopolistic situation, Naushad. I think we have always seen imports on HFCs coming in. That I think will probably continue to a certain extent and I am not really sure with respect to what pans out in, let us say, next 3-4 years from a market perspective. The only couple of things that I want to talk about is the fact that what we are seeing is AC manufacturing in India going up quite significantly. Roughly, let us say about from 15 million ACs, the demand for ACs is going up. So, what we are seeing is that there will be growth in the AC market that will happen over a period of time, which should auger well for the overall domestic demand for the HFCs and more specifically R32. I don't think it is a monopolistic situation. We know there are announcements by other players about R32 expansion. Let us see how that pans out, Naushad.

Naushad Chaudhary: And from HFO point of view, is there really any tech barrier or can anybody easily enter by investing some money into ref gas?

Rahul Jain: What we have said in the past, Naushad is that we are looking at the fourth-generation gases. We are a key player. We are doing it through our own technology. I think we will let it be at that rather than comment on what others are doing around it.

Naushad Chaudhary: Final one, in the agro-chem cycle recovery, so we have invested so much in our spec-chem. We have created a gross block. Do you think, if the cycle recovers your commercials of the pipeline molecule at least for the initial first year of recovery should accelerate and should be better than your expectation, and then it should normalize. Is that how we should look at it?

Rahul Jain: The way we are looking at it is that we are starting to see some recovery in the ag-chem cycle. The customer traction is good. We are also looking at Q4 better than Q3. We have in the early part of the year as well that H2 will be better than H1. I think that's the situation that's panning out, just the way we anticipated at the beginning of the year. I think there is some recovery that has happened. Again geopolitical and various issues still persist. Let us see what happens, but yes, we are fairly confident about Q4 and what FY26 has in store for us.

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

Jason Soans: Just wanted to understand from a ref gas pricing point of view, in the middle of the quarter there was some news regarding very big price increase in terms of the US distributor. So, in terms of a pricing trajectory, if you could give us some color on how the ref gas pricing is looking domestically as well as in the export markets?

Rahul Jain: The way I would look at it is that we have seen some price increase happening, both in the domestic and to a certain extent that has also been as above for the international market and to a certain extent local China prices also. We talked about it in the past also, we have seen historical low prices of HFC coming through probably for the past 18-24 months. This cycle had to recover at some point in time. The way we are looking at it is pricing is going to be stronger, it is going to be a positive. But when we see historically also, when there is a long tail in terms of low pricing, we also see an uptick in pricing which is very strong. Hopefully, that can continue and give us better realizations on ref gases, especially on R32. We also commented that some of the other HFCs have seen lower export prices in the last quarter. Hopefully, some of that negative can also turn into some positive.

Jason Soans: Sure. Thanks for that, sir. And just in terms of ballpark, sir, how much would be exports and how much would be domestic in terms of ref gas?

Rahul Jain: What are you talking about 9 months or Q3, which one are you asking?

Jason Soans: Roughly 9 months, how would that be?

Rahul Jain: HFCs exports would probably be about 40%-42% in terms of tonnages.

Jason Soans: And margins have recovered very smartly at 24.3%, I am talking on a consol level. So, from the sub 20% levels and you of course alluded to a good recovery going ahead. So, what are we doing differently? I understand the environment has not changed considerably, still things are quite difficult in terms of business as such, so just wanted to know from your point of view could this be looked as a sustainable turnaround from here? And what things are we doing differently in a tough environment?

Rahul Jain: We have said this multiple times, we don't look at margins on quarter-on-quarter basis. It is best to look at it on an aggregated basis because there will be seasonality, volatility, customer demand, and various other factors playing out. Now, when you think about margin just Q-on-Q, when you are looking at Q2 versus Q3, yes, there has been a smart recovery that has happened. We had also alluded to the fact that this is likely to happen, given that some of our new products have started to kick in, given some of our existing products have also started to show some better traction. We believe margin profile can improve from here when you look at it on a Q3 versus Q4 basis. But again, going back to it from an aggregated year-on-year basis, I think +/-2% from FY24 versus FY25 perspective should still be the overall target. When you think about margins in Q4 FY24, we were probably at about 30% overall. I don't remember the number, but that may have been the case. Now, purely from that perspective, we will see some positives for Q4 FY25 as well.

Jason Soans: You clocked in 27.4% margins for the chemical business in Q4, so can we look at a better margin there?

Rahul Jain: Not to be looked at purely from that perspective, go back to FY23, probably we were in 30% plus ranges.

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

Sanjesh Jain: First on the specialty chemical, got that Q4 is going to be very strong. What is the sense are we getting? It is a restocking demand which they are seeing or there is an underlying recovery in the agrochemical demand? Or it is that we have sitting on a lot of approval and that is driving, so what exactly is playing out so strong for specialty chemical for us and in general?

Rahul Jain: To be very frank, it is combination of all these factors. To a certain extent restocking is happening. To a certain extent, the balance sheets of some of the customers, they are probably looking at getting this from a Q3 versus Q4 perspective, because their financial year typically ends in December and therefore some of their future requirement, they are looking to price out or take delivery from their Q1 onwards. So, there is restocking, there is some underlying recovery that is happening. So multiple factors playing out Sanjesh and again customer traction seem pretty decent going forward as well.

Sanjesh Jain: And in the Q4 when you see, a significant portion of incremental demand is coming from the new products or even the existing?

Rahul Jain: It is a combination of both. Some of our existing products had seen a bit of a rundown when we look at the 9-months period and to that extent, some of the existing products are seeing some good traction, but yes, certainly new products are providing a positive.

Sanjesh Jain: And then one last question here, in your opening remarks, you said that you also had a better margin for Speciality Chemical in this quarter? Was it more operating leverage or it is that the cost has come down and that is benefiting us, what is driving margin improvement for Specialty Chemicals?

Rahul Jain: I think combination of both. To a certain extent, pricing has improved. To a certain extent, I would say operating leverage, because newer plants are starting to kick in, that is giving the positive and I would also say that volumes have also picked up, so all of those three are adding to the margin. When volumes pick up it also adds to the operating leverage, when the new products have started to kick in, operating leverage is positive and to a certain extent pricing as well. I think combination of all of these factors. But I would really say volumes and to a certain extent, new products are creating the positive.

Sanjesh Jain: Got it. One last question, you looked a little cautious on the US HFC demand. Why you seem cautious, given that industry wide there appears to be some sort of shortage?

Rahul Jain: I have not talked about US HFC demand. Thematically, the US has now gone through another large cut on the HFC side, and therefore, thematically, there will be lower demand from the US. Yes, to a certain extent what we have seen also is availability of the product and therefore some positive developing on that side is clearly visible. But I have never said that we are negative on US demand. I have always said that pricing going forward seems to be in good shape.

Sanjesh Jain: No, in your opening remark there was a statement, but I got the point.

Rahul Jain: That is a thematic Sanjesh. Thematically, because US will have to cut their GWP positioning because of the protocol, there will be a lower demand. There would also be a situation where, because of lesser use of R125, the R32 goes up, so that is the mechanics operating between the HFCs overall.

Sanjesh Jain: Got it. Structurally, next year we should have more refrigerant gas exports than the domestic or because of the quota regime you want to maximize the domestic quota than the export one? How do you want to place yourself for the longer game?

Rahul Jain: You are talking about FY26?

Sanjesh Jain: I am talking about CY25, correct.

Rahul Jain: I think it has been a stated position that we want to increase our domestic positions given quota positioning playing out, but we are also happy to export, because we have fairly large capacity on this side. Hopefully, both can work out well. I think mix between 40%-50% on HFCs still is a good mix to have in terms of domestic versus export.

Moderator: The next question comes from the line of Madhav Marda from Fidelity Investments.

Madhav Marda: I just wanted to check on the ref gas pricing, so obviously there has been this decent increase in price coming out of China for exports of HFCs. Just wanted to understand how does that pricing contracts work in India and in the key export markets like Middle East and US like, are these quarterly contracts or monthly contracts, so basically the impact of the increase like over what duration of time does it start showing into our P&L?

Rahul Jain: For the US market, there will be some contracts that we will have. The way domestic market operates is largely spot, but OEMs will be different. The trade market versus OEM market would operate differently. OEM typically on a monthly, maybe in some situations a quarterly position, but largely, some of the price benefit that we have seen should start to percolate down in Q4 as well.

Madhav Marda: Yes, that is what my question was that given some of this price increase has been more recent, is there some price hike benefit which will flow through more in Q4 versus Q3 in our key markets? Is that the right way to think?

Rahul Jain: If we keep telling you each pricing of each gas for each quarter, it will be very difficult to do that Madhav. Thematically, pricing is higher, that is what we will see.

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

Ankur Periwal: Thanks for the opportunity and congratulations on a good set of numbers. First question on the specialty chemical side, from a demand recovery perspective, you did highlight that there is a gentle uptick, a volumetric uptick from the existing portfolio as well. But what is your thought on pricing front, at least for the existing portfolio wherein there was some bit of pressure earlier and we had highlighted that we will be trimming our cost as well to negate that negativity, so where are we on that?

Rahul Jain: I think we commented on that also in our presentation to a certain extent. We will be able to mitigate some of the price negatives coming out of China, but it won't be 100%. There is a price reduction in some of the key products that has happened. We will continue to fight for our share of those products, we will continue to cut our costs around it, there will be tech interventions around it, all of that we are doing. Some of that benefit we will start to see probably in Q4. Also, there is work going on in terms of cost of certain other products which should pan out over a longer period of time. I can tell you that there is still some pricing pressure that is going on, although we are starting to see some positive, where pricing is starting to inch up a bit, but there is still price pressure.

Ankur Periwal: Fair enough. And for the new AIs that we have been working with the global innovators, most of them have already been cracked at the R&D approval stage, etc., is done. Are we seeing pricing pressure over there as well or it is largely for the older portfolio that is in pressure?

Rahul Jain: Like I said during the initial remarks, we are seeing some of the registration that we had taken for coming through. As we will start to see traction building on some of those AIs, we will start to see more volumes. But because these are so new, I can't even say that there is pricing pressure here. Pricing pressure will be witnessed, when let us say, some of the products you were selling at $35 has come down to $25-$28. That is the pricing pressure that you end up seeing. As these pan out, we will see some positive on that side, but whether it is pricing pressure, I really can't comment on that, Ankur.

Ankur Periwal: Fair enough. Secondly, on the PTFE side, we have been sort of trying to get the product approval here both in the domestic and international market, any timelines or anything further that you can share over there in terms of ramp up and over what time?

Rahul Jain: The sampling is out. There are positive tractions that we have seen from some of our global customers. Hopefully that will pan out positively, more towards FY26 than let us say Q4 FY25.

Ankur Periwal: Sure. And this will be both a commodity as well as the specialty grade?

Rahul Jain: As of now, we are only talking about 3 grades, the suspension which is pure commodity type of grade, plus the free flow and the fine cut. So, free flow and fine cut are more specialized, which has already gone out for sampling and in the process of getting customer approvals on it.

Ankur Periwal: Sure. Great. Last question on the capex guidance, if you can share some thoughts?

Rahul Jain: For FY25, we should be in the range of about INR 1,500 crore on overall cash spend basis. For FY26 for current projects and let us say certain future projects, we should probably be again in the range of INR 1,500-2,000 crore. Hopefully, next year onwards, there can be some kick in on the investment cycle and therefore some more traction developing on that side.

Moderator: The next question is from the line of Archit Joshi from Nuvama Institutional Equities.

Archit Joshi: Thank you for the opportunity and congrats on a good set of numbers. I have a couple of short questions. First, on packaging films, for the aluminum foil capacity—where would we be in terms of utilization, and how likely is it that we'll ramp up in the near future?

Rahul Jain: Roughly speaking about 55% for Q3, but the learning cycle on this has been longer than what we expected. I can also tell you that the product is now out into Europe and US for approvals. It is probably a similar story to PTFE, where we believe traction develops on these products in FY26. You are also aware that Anti-Dumping Duty has been proposed for the Indian market, and hopefully, once that is implemented, the Indian market will start to show some positive trends in pricing as well.

Archit Joshi: Sure, sir. Thanks for that. Sir, second one, like we are mentioning before about the pricing pressure on our existing spec-chem portfolio, and I think the DSPA has been one of the key losers there, has anything changed on that account with respect to volumes. Of course pricing will be a function of different market forces, but at least volume shaping up well?

Rahul Jain: Thematically we are starting to see some inch-up on pricing. Some of the tech intervention and some of the interventions that we have done are also starting to show some positive signs on that side. Volumetrically, I think we are slightly higher, if not flattish, but price remains pretty much stable. Hopefully, some of the pricing pressure that is there, gets toned down to a certain extent in Q4 and going forward in FY26 as well.

Archit Joshi: Sir, the volumes will be higher going ahead, that is what I was trying to get?

Rahul Jain: I am saying Q3 versus Q2 certainly.

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

Abhijit Akella: Just two questions from my side. One on Specialty Chemicals, for FY25, given that we are just two months away from the close of the financial year, is there any update you might be able to help us with in terms of the expected growth for this full financial year?

Rahul Jain: So, when we think about Specialty Chemicals, 9 months to 9 months, I think we have seen some increase in sales. So, that is positive. Again, given our guidance for FY25, we think there should be a positive trend on that side as well. But the 20% number is certainly out of the picture, given the kind of environment during FY25. Hopefully, we can get back on our growth track in FY26.

Abhijit Akella: Understood. Thank you. That is very helpful. And the other one I just had was on the R32 capacity. Where do we stand in terms of capacity utilization for that? I know we wanted to maximize output in CY24 through 2026. So, how are we progressing in terms of utilization?

Rahul Jain: Let us say about 75% in terms of overall capacity utilization, month-on-month we would have hit that peak. What we had suffered with was AHF availability. I think that problem is now pretty much sorted out. Hopefully, you will listen to an announcement on AHF probably in the next few months which should give us the ability to produce more. My sense is we will be probably in the 65%-70% overall utilization range in 9 months. But when we think about the overall year as a whole, hopefully better than that is what we can target.

Moderator: The next question is from the line of Bhaskar Chakraborty with Jefferies.

Bhaskar Chakraborty: Just wanted to check with you on this seven new AIs that we have been working on, how many of these are patented vis-a-vis generic and has any of these started contributing to our revenues in 3Q, 4Q FY25?

Rahul Jain: To a previous question I had given that answer, that we have got some registrations that are now completed in our favor. As customer traction builds in, we will start to see revenue positions on that also build in. I think most of them are patented. A couple of them may be also generic, but I will have to check that and come back to you.

Bhaskar Chakraborty: Thank you. And just one other question, which is that across your portfolio currently, what kind of increase you are seeing at your ref gas portfolio export realizations compared to the last quarter?

Rahul Jain: From an export perspective, ref gas prices on R32 has been better while we have also seen softer prices for other HFCs, which hopefully should recover in Q4 as well.

Bhaskar Chakraborty: So, at a portfolio level, would you be positive or would you be flat?

Rahul Jain: Don't look at it from a portfolio level. These are all different products, Bhaskar.

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

Rohit Nagraj: Thanks for the opportunity and congratulations on the good set of numbers. First question is delving into ref gases. For the first 9 months, given that the quotas have kicked in from January for the US market, what is the kind of overall growth that we have seen in terms of volumes for overall portfolio?

Rahul Jain: Only the US market?

Rohit Nagraj: Overall, and then the US obviously will be lower, I guess?

Rahul Jain: I think overall export volume growth has been roughly in the range of 7%-8% for all HFCs put together.

Rohit Nagraj: Combined together, domestic and exports for the first 9 months?

Rahul Jain: Domestic has been pretty significant. I think it is above 60% overall for all HFCs.

Rohit Nagraj: Fair enough. Second question, again on the AIs front, so we have done the registrations. From the customer perspective, have they also done the registrations and where are they in process of commercializing or marketing their products? Just broader sense on that?

Rahul Jain: It works in the sense that customer has already done their registration. We will get included in the dossier and once that happens, we will see positive traction on it when they start to see demand and start to buy the product.

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

Krishan Parwani: Congrats on good set of numbers. Just a couple of questions. So, firstly, when you mentioned large contribution from AI is expected in FY26, I just wanted to understand?

Rahul Jain: I never said large, I said, we will start to see some positive on that side. Don't misinterpret, Krishan.

Krishan Parwani: Fair enough, point taken. Sir, just what percentage of incremental spec-chem sales do you expect from AIs in FY26?

Rahul Jain: I can't comment on what percentage. I can only tell you that there will be positive traction. The existing one big AI that we are doing is P32. When we think about overall volumes of P32, it will start to kick in probably from Q4. That is the position that the customer is at. Some of these AIs, probably 2-3, will start to see some traction in Q1-Q2 as well, and hopefully by Q4, some of these would have ramped up and some of these would have started as well.

Krishan Parwani: Got it. And on the ref gas capacity utilization, did you mention 65%-70% in 9 months?

Rahul Jain: Roughly, on R32 is what I talked about.

Krishan Parwani: And so overall, what is the capacity utilization, let us say 65,000 tonnes what we have versus utilization in 9 months FY25?

Rahul Jain: I will have to delve into that detail, probably in the range of about 75% overall.

Krishan Parwani: And so do you expect to achieve peak utilization in FY26 or would you be leaving some room for FY27?

Rahul Jain: The intent would be to achieve full utilization, but it would depend on current pricing, markets and various other elements around it.

Krishan Parwani: Got it. And just the last bit, I think I missed out on the chemical's EBIT margin guidance for FY26. Did you give it or did I miss that?

Rahul Jain: I never give guidance.

Krishan Parwani: So, are you going to give or no?

Rahul Jain: I said not happening Krishan, good try but.

Moderator: The next question comes from the line of Surya Patra with Philip Capital.

Surya Patra: Thanks for the opportunity and congratulations for the good set of numbers. First question is on the specialty chemicals side. See, in the last 6-7 quarters, we have capitalized specialty chemical project over around INR 2,000 odd crore and generally we have been saying that our new projects are backed by customer's contract and all that. So, if there is a visibility now coming better in terms of the demand and all, so what is the kind of utilization that one can target in, let us say FY26?

Rahul Jain: We believe for FY26 there will be better capacity utilization that should come through. There is the AI block that we have also put in, which should give us traction on the AI side. I would say that it is a chemicals business, it is not a turnover switch where you can ramp it up. It will probably take between 12 to 18 months for it to fully ramp up.

Surya Patra: So, that means if the trend reverses really, then by FY27 we will see the full benefit of this expanded capacities. That understanding would be right, sir?

Rahul Jain: More or less, I would say. We would target it to be faster, but more or less that should be a good target.

Surya Patra: Regards the refrigerant gas, there are contradicting trends. While in the export market, it looks like the pricing is kind of moderating or have been moderating so far, and on the domestic side, we have seen price rise. And we are anticipating there is a kind of a significant optimal utilization of the assets to qualify for whatever the quota that is likely. And there is a kind of a Chinese supply that has been continuously there. So, given all these, how should one think, because this quarter or following quarter could be because of seasonality that we see a better pricing situation for ref gas, but generally for FY26 as a whole, how should one think if you can give some sense?

Rahul Jain: I think Surya, you are answering the question yourself. The fact is that we have seen some pricing positive on the HFCs. I think that is a trend that can continue, given where the product positions are. Given where availability of the product in the market is, some upticks in price can continue going forward is what we certainly believe, Surya. But what will the price be, really nobody knows.

Surya Patra: Just one last point here, sir. Regards you mentioned that for the 9-month period, the export share of refrigerant gas in terms of volume is 42% odd.

Rahul Jain: For HFCs altogether.

Moderator: The next question is from the line of Niril Parekh from Awriga Capital Advisors LLP.

Niril Parekh: My question is regarding the BOPET spread in the packaging film segment. In the presentation, you mentioned that Chinese guys are impacting your Thailand operations. Could you provide an outlook on the spreads prevailing in Thailand? For example, in India, BOPET spreads are roughly 40-42 kg. What are the current spreads in Thailand?

Rahul Jain: I would typically say maybe 5%-10% lower, that is probably the range. I have not looked at it from that perspective, maybe, you want to send that question out and if possible, and within permissible range, we will try and answer it.

Niril Parekh: Thanks a lot, sir. And just to add one more question that is, are you observing any new BOPET or BOPP lines coming on board in the next couple of years globally?

Rahul Jain: Again, you are talking SRF perspective, or you are talking market perspective?

Niril Parekh: Market perspective.

Rahul Jain: There are multiple lines that are scheduled, but given the current scenario, I think some of those might get delayed as well.

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

Rahul Jain: Thank you everyone. I hope we have been able to answer all your questions. I wish that each one of you remains 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 the behalf of the management, I once again thank you for taking the time to join us on this call.