Deepak Nitrite Limited

Q2 & H1 FY26 Earnings Conference Call

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MANAGEMENT: **MR. MAULIK MEHTA** – EXECUTIVE DIRECTOR & CEO
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MODERATOR: **MR. RANJIT CIRUMALLA** – IIFL CAPITAL

Moderator: Ladies and gentlemen, good day, and welcome to Deepak Nitrite's Q2 & H1 FY26 Earnings Conference Call hosted by IIFL Capital Services Limited.

At the outset, I would like to clarify that certain statements made or discussed on the conference call today may be forward-looking in nature, and a disclaimer to this effect has been included in the investor communication. The results documents have been shared with you earlier and also posted on the Company's website.

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. Ranjit Cirumalla from IIFL Capital. Thank you, and over to you, sir.

Ranjit Cirumalla: Good afternoon, everyone, and thank you for joining us on Deepak Nitrite's Q2 & H1 FY26 Earnings Conference Call. Today, we have with us Mr. Maulik Mehta, Executive Director and CEO, Mr. Sanjay Upadhyay, Director – Finance and Group CFO, and Mr. Somsekhar Nanda, CFO of Deepak Nitrite Limited.

To begin, Mr. Maulik Mehta will share his views on the operating performance and the growth plans of the Company, followed by Mr. Sanjay Upadhyay, who shall take us through financial and segmental performance.

I now invite Mr. Mehta to share his opening comments. Thank you, and over to you, sir.

Maulik Mehta: Good afternoon everyone, and a warm welcome to all of you on Deepak Nitrite's Q2 & H1 FY26 Earnings Conference Call. Our results documents were shared with you earlier, and I hope you've had an opportunity to glance through them. I will initiate by briefly taking you through the key financial and operational highlights for the quarter and the half year ended 30th September, 2025.

As we move into FY26, the operating environment remains complex and challenging. We continue to uphold our commitment to responsible chemistry, creating value responsibly for all our stakeholders, our people and our planet. This philosophy anchors our vision. Strengthened by our core fundamentals of agility, customer responsiveness and continuous process improvement, it provides us with the resilience to deliver an accretive performance even amidst multiple headwinds.

In Q2 FY26, Deepak reported consolidated revenues of INR 1,922 crore, higher on a quarter-on-quarter basis. This was accompanied by an improved profitability as we reported a 5% quarter-on-quarter increase in consolidated EBITDA at INR 224 crore. You will notice that we are presenting our performance on a sequential quarter basis as the operating backdrop over the last 2 quarters has been broadly comparable, particularly in terms of pricing trends, tariff development, ongoing geopolitical situations and interest rate movements. On a year-on-year

basis, however, the change in the operating environment is far more pronounced with factors such as U.S. tariffs, dumping intensity and under-pricing either being absent or significantly less severe during the corresponding period last year.

Our Phenolics business continues to show performance in continuously challenging times, reporting a revenue growth of 2% on a sequential basis, accompanied by a strong 23% improvement in EBIT. Top line growth was aided by higher throughput, including achieving a record quarterly production and sales of Isopropyl Alcohol. This was supported by favorable product mix and lower feedstock prices, which aided profitability.

The Advanced Intermediates segment (AI), on the other hand, navigated headwinds from tariff actions and the influx of underpriced imports. We countered these challenges by pivoting to non-traditional geographies and proactively engaged with customers, thereby protecting market share and volumes, which helped us to report a largely stable top line. However, pressure on realizations were fairly severe and profitability has been impacted. We've undertaken some aggressive optimization actions to partially mitigate this impact, and this will be seen in the quarters ahead.

In terms of outlook, we are optimistic about our prospects given the strong traction in Phenolics. And further in the AI segment, we anticipate an improvement in performance on the back of better volumes for agrochemical-linked intermediates from Europe as well as other geographies, enhanced contribution from capacities that have undergone debottlenecking and an improved ability to capture contribution across the value chain with our upstream integration assets, which are expected to be fully operational in Q4 FY26. There can be a further uptick to our expectations should there be an amicable resolution to the U.S. tariff matter.

A key development to share is the commencement of our hydrogenation asset at Deepak Chem Tech on 26th September, 2025, which came at an investment of about INR 118 crore as well as the inauguration of our state-of-the-art research and development center at Savli, which is alongside its sister concern, which is focused on polymer compounding.

The R&D center was built with an investment of about INR 100 crore and spread over a 5-acre campus, which will serve as an innovation hub for developing chemistries, specialty applications, polymer technologies as well as scale-up and semi-commercial batches. The center will focus on expanding our product portfolio and increase our operational excellence. It will also help us to develop a technology platform and work on new chemistries in partnership with key customers. We're confident that this investment, coupled with our right strategic initiatives with key customers will provide a platform and thrust our efforts in this area over time. It already has served to reinforce the brand value of the Deepak Group and is serving to support and attract global partnerships in the CDMO as well as the CMO space. It will also, of course, help to further derisk hazardous chemical manufacturing processes through rigorous process safety protocols and thus elevating our HSE practices. Moreover, we're on the cusp of a transformative growth phase.

Our planned investments in a mega complex, India's first integrated polycarbonate project, which is a strategic leap towards self-reliance and high value addition, supported by long-term feedstock arrangements with Petronet LNG and robust policy tailwind under the 'Atmanirbhar Bharat' project. This is a landmark step in backward as well as forward integration for the group. Deepak's strong pipeline of upstream products such as Nitric Acid as well as downstream products such as MIBK and MIBC are set to be operationalized in the following few quarters. However, there have already been products manufactured under these banners for seeding made by a different location in the group's portfolio.

At Deepak, responsibility is not just an add-on. It is core and embedded in our DNA. We're transitioning towards achieving 60% of our energy consumption coming from renewable sources, which may exceed 70% once regulations and policies about banking are made clear. We've already achieved a significantly reduced emission score and increased our intensity in a meaningful way in H1 FY26.

In conclusion, Deepak stands at the threshold of a new era of sustainability and innovation-led growth with disciplined execution, strategic investment and an unrelenting focus on operational excellence. We will continue to strengthen our foundation for long-term success. Our commitment to integration, renewable energy and digital transformation is not only enhancing our efficiency, but deepening our competitive edge.

As we move forward, our priority remains clear to deliver enduring value to all stakeholders through consistent performance, prudent capital allocation and sustainable profitability. We're building a future-ready enterprise that balances growth and responsibility and success with trust. Together, we will ensure that Deepak continues to create a lasting impact for our stakeholders, community and for India that we're all proud to help build.

I would now like to hand the call over to Mr. Sanjay Upadhyay, who will address this forum and take you through the financial performance and key updates during the period under review.

Sanjay Upadhyay: Thank you, Maulik. Good afternoon, everyone, and thank you for joining us today on Deepak Nitrite's earnings call. I will now take you through the highlights of the financial results for the quarter and half year ended September 30, 2025.

Amid a challenging landscape, Deepak has sustained a resilient performance. The Company expanded its market share, especially in the Phenolics segment. Our operations remain capital efficient, which has added to the returns. On a consolidated basis, our ROCE is reported at 14%, continuing on our track record.

Coming to our financial performance on the operating front, our domestic business revenue stood at INR 1,632 crore and INR 3,256 crore in Q2 and H1, respectively. Export revenues were INR 270 crore in Q2 and INR 536 crore in H1. On a consolidated level, the domestic to export mix stood at 86:14.

In Q2 FY26 on a consolidated basis, revenue stood at INR 1,922 crore compared to INR 1,914 crore in Q1 FY26. While EBITDA came in at INR 224 crore, up by 5% on a sequential basis. Margins were up by 100 basis points at 12%. PBT and PAT stood at INR 163 crore and INR 119 crore, respectively, up 5% and 6%, respectively.

In H1 on a consol basis, revenue stood at INR 3,836 crore compared to INR 4,239 crore in H1 FY25. EBITDA came in at INR 438 crore in H1 FY26 compared to INR 647 crore in H1 FY25. Margins came at 11% in H1 FY26. PBT and PAT came at INR 318 crore and INR 231 crore, respectively.

Moving to our segmental performance. Deepak Phenolics delivered an encouraging performance with the revenue growth of 2% quarter-on-quarter basis, INR 1,333 crore in Q2 as compared to INR 1,304 crore in Q1. While EBIT grew at 23% sequentially at INR 145 crore and EBIT margin came in at 11% in the quarter. In H1 FY26, revenue stood at INR 2,637 crore and EBIT came in at INR 263 crore, translating into a margin of 10%.

In the Advanced Intermediates segment, revenue stood at INR 588 crore in Q2 FY26 compared to INR 605 crore in Q1 FY26, while EBIT stood at INR 23 crore, translating into a margin of 4% during the quarter under review. In H1 FY26, revenue came in at INR 1,193 crore and EBIT came in at INR 58 crore, translating into margin of 5% despite the current environmental and challenging circumstances.

On the balance sheet front, Company's financial position is significantly enhanced. The Company continues to maintain low gearing position with debt-to-equity of 0.21 and net worth of INR 5,550 crore, maintaining a strong balance sheet for planned future expansion.

We are also excited about our new R&D center at Savli, which is set to drive innovation and product diversification. As Maulik shared, it will play a vital role in strengthening our capabilities in life science, material science and sustainable solutions, reinforcing our long-term competitiveness by enhancing our moat in existing areas and opening new vistas for growth.

Lastly, our ongoing projects reflect our commitment to long-term growth and self-reliance. Our Nitric Acid as well as MIBK/MIBC plants are expected to be commissioned soon, while the MIBK/ MIBC plant, along with offsite and utility projects, are in an advanced stage of completion and are expected to begin pre-commissioning activities soon, leading to the commercial phase. Apart from above, we are in final stage of construction activity in specialty chemical plant. The polycarbonate project is on track and signifies a major advancement towards building one of the world's first fully integrated value chain in phenolics.

As these projects come to fruition, they will enhance our competitiveness, improve margins and support sustainable growth, creating lasting value for all our stakeholders.

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

Moderator: Thank you very much. The first question is from the line of Nirav Jimudia from Anvil Wealth.

Nirav Jimudia: Sir, a few questions. So first, you mentioned that in the Advanced Intermediates business, we are expecting some better trajectory for the select agrochemical intermediates in the second half. So I just wanted to understand like when those supplies to those global majors who were using our intermediates were at the peak level, if we just compare Q2 vis-a-vis those peak volumes, how much of the volume erosion or the quantities would have fallen from those peak volumes, which they were earlier taking from us?

Maulik Mehta: Okay. Nirav, thanks for the question. In the second quarter, regardless of the peak volumes, the volumes that we sent were essentially 0 or close to 0. And this is because there was an intense, I think, 4 or 5 quarters of inventory destocking that took place. And hence, what ended up happening is that customers were essentially not even producing. They were only trying to release their own inventory of finished goods product. Now all of this also meant that the intermediates from our side were impacted, so basically, let me put it this way, that these products are conspicuously absent in our Q2 results.

Nirav Jimudia: Correct. So sir, just taking this ahead. So let's say, in terms of the recovery, what we are expecting in H2, how are you seeing these volumes picking up in the subsequent quarters based on your interactions with the customers?

Maulik Mehta: So cautious optimism here. And I think all of them, just like us, are all waiting for some degree of clarity with regards to things like U.S. tariffs and overall the situation with regards to crops such as soya and corn and other things. So what we are seeing definitely is that moving forward, the number is no doubt higher than the 0 that it was in Q2. We are not aware of what it will grow to or plateau up to. But right now, what we have in clarity is that material movement is to begin from, I think, this month or next month onwards. And then there are discussions that are ongoing with regards to volumes with regards to diversified geographies where now even China and other regions like India have come into play. So there are multiple conversations that are taking place. Rest assured that on these fronts, especially on these kinds of agrochemical intermediates, we are looking at more traction in H2 than in H1.

Nirav Jimudia: Got it, sir, helpful. Sir, second question is on the ammonia side. Since we are already in the process of commissioning the WNA and CNA plant. And what we have understood is that most of the domestic players in India have a very little to offer in terms of the excess ammonia. And also because it requires large storage infrastructure, how are we placed in terms of our ammonia contracts, (a). And (b), in terms of minimizing our storage and transportation cost to minimize the impact of the higher ammonia cost, which otherwise the domestic players are currently charging on?

Maulik Mehta: So fair question. One, we do have an alignment similar to the way that we have with regards to other key raw materials, which allow us to import ammonia as well as buy from domestic sources. So I think there is a fair diversity in terms of our ammonia sources. And generally speaking, the product that we are buying has a degree of linkage with regards to international indexes. That said, then the second question that you were asking was regards our ability to store. Now our ability to store historically over the last 30, 40 years was limited to a very minuscule volume, which was close to maybe just a couple of days of consumption. Now moving

forward, I think from the end of Q3 onwards, anyways, we've already commissioned a storage facility about last year, which about doubled our storage against our consumption. And now I think it will be roughly about 15x how much we would have had over these many years. Again, I don't know whether this will be enough moving forward, but we're actively seeing how we can do it in a way which is going to give us an accretive benefit and do it in a safe way. So now we have multiple storage facilities that are all feeding into our consumption point where pipelines. And we already have in place also a network of tankers that move. Now I think from Q4 onwards, not only will our consumption capacity increase almost to a double or more, but our storage facility will be equal to about 15 days of the higher consumption as against maybe 1 day that we have had for the last 40 years.

Nirav Jimudia: Sir, last from my side, since now we are in the process of commissioning the WNA, is it possible to share the capacities for both of them? Like what sort of operationalized capacities we are coming up with?

Maulik Mehta: I'll tell you the nameplate capacity, but you can reflect on our ex all that nameplate capacity is only a challenge to see how we can overcome. So we would be on an annualized basis, I think, producing roughly between 250 to 270 tons per day.

Nirav Jimudia: What about WNA?

Maulik Mehta: And I think somewhat close to that with regards to concentrated acid, maybe slightly lower because we also are large consumers of WNA.

Nirav Jimudia: Got it. So sir, here, like in terms of this Nitric Acid plant and capacities, would it be fair to assume that initially as our requirement picks up over the subsequent quarters, we would try to maximize the plant utilization and try to sell the excess production in the market and try to cover up the fixed cost? Or would it be only for our captive consumption only and nothing would be sold outside?

Maulik Mehta: No, we will make sure that we've been aggressively increasing our nitration capacity and also, in many cases, our hydrogenation capacity. So we're looking at significantly increasing our own self-consumption because that's where we will make more margin. I'll just put it in a simple way. Our Nitric Acid plants will be pushed to their limits regardless of anything. So our consumption plan is happening independently and aggressively, but our Nitric Acid production plan will happen aggressively of its own accord.

Moderator: The next question is from the line of Arun Prasath from Avendus Spark.

Arun Prasath: My first question is on the volume growth on phenol. We have mentioned there is some sequential growth. So what will be the Y-o-Y growth because we have done debottlenecking of the phenol plant. So if you can share this, it will be helpful.

Maulik Mehta: Are you talking about in H1? Or are you talking about in H2?

Arun Prasath: In Q2, in this quarter? And overall, if you can guide what will be the FY26 volume growth on the phenol front?

Maulik Mehta: Yes. So in Q2, I think it was very moderate growth. I think it was about 2%, 3%, frankly. And we actually had a very hot summer in Dahej. And these large continuous plants prefer to have nice cool climates. So the cooler the winter, the more efficient our assets will be. We also had a pretty heavy monsoon. So I would say that in H2, we should be able to operate the plant and be able to squeeze out more output in H2.

Arun Prasath: Okay. If I remember rightly, the debottlenecking and the capacity was supposed to grow by around 10%. So summer to summer shouldn't also be a 10% volume growth? Or is it some other constraint in selling the material in the domestic market? How should we look at it?

Maulik Mehta: No. Let me just clarify. This 10% was something that we said earlier. So I'm not sure about what base it was set on. This was, I think, several quarters ago. So that we have already achieved. That is behind us. Look, honestly, Arun, every quarter, the team says that they're looking at maybe 4% opportunity to debottleneck. And then every quarter, they achieve it and then they come back saying that, okay, now we've identified some other places where we can optimize. So this is an ongoing activity, and I'll join all of our shareholders in congratulating them for constantly aiming higher. So even looking ahead, they have similarly come back with the same commentary that they have given every single quarter that while they achieved last quarter's efficiency improvement numbers, they believe that there is some headroom left, and they are targeting to do that. And generally, all of this is around with, I would say, either 0 or insignificant CAPEX. So this is all an efficiency improvement from the plant side.

Arun Prasath: No, absolutely. I was just trying to reconcile my own numbers. No, it goes without saying that it's certainly a good number.

Maulik Mehta: 10% that I had mentioned has already been achieved. We've gone past that. So the 3% I'm referring to is over and above, I don't even know when I said 10%, but I think it would have been at least a few quarters ago. So we are past that point.

Arun Prasath: No, I was reconciling because last year, we took a shutdown in Q3. After that, we said there is a debottlenecking. So I was expecting that's why the Q2 to Q2, there should be some bigger volume growth. Nevertheless, no problem. I'll reconcile offline.

Maulik Mehta: There is a summer, winter, monsoon aspect that does come in. So, I would hasten don't look at it literally quarter-on-quarter last year Q2 and this year Q2. Don't look at it from that perspective at all. What I had said last year in Q2, 10%, we've done it. It's behind us. After that, subsequently, there has been further debottlenecking. And now subsequently, the plant is confident of being able to create even more headroom in H2. Let me just put it that way.

Arun Prasath: Understood. Okay. All clear, very clear. My second question is on the current state of roughly INR 2,000 crore is there in the balance sheet. Now that we are in the final stages of each of the projects, which is about to be commissioned. So can you just give a breakup of how should we

look at this INR 2,000 crore? And how much of this INR 2,000 crore so far, we have spent on the phenol and the integrated polycarbonate? And how much of this will be capitalized in the balance sheet in the next 6 to 8 months?

Maulik Mehta: Most of this is not on phenol and polycarbonate. Maybe if there is something minor, that would have been with regards to things like licensing fees or something like that, I don't think that would be considered for investments which will be commissioning in this quarter and in the upcoming quarters. And there is some balance amount of it, which will be in commissioning during the first quarter of FY26.

Arun Prasath: Can you still provide some kind of a breakup between various projects which are under commissioning, excluding maybe the polycarbonate.

Maulik Mehta: So I think 95% of this would not have anything to do with polycarbonates or phenol. So Nitration, hydrogenation and fluorination in Dahej, this would be over Nitric Acid in Nandesari. This would be over the R&D facility. This would be over a couple of other multi-purpose plants. So the R&D facility was commissioned. The hydrogenation was commissioned. Nitration will be commissioned at some point either this month or early next month. Nitric Acid will be commissioned this quarter. It's in the process of being commissioned, in fact. And then you will have some balance, the multi-purpose plants, which are going to be commissioned between March and May 2026. And finally, MIBC and MIBK, which will be commissioned by March 2026. And that will be then taking care of all of that INR 2,000 crore that we had announced into specialty chemicals and upstream integration.

Arun Prasath: So largely, this INR 2,000 crore say by March 2026 or April or before June 2026, we should see fully capitalized, right?

Maulik Mehta: Most of it in this year and I think 2 projects will be commissioned in the first quarter of next year. So by June 2026, I think June end, everything will be done, whatever we had announced.

Arun Prasath: And if you can also provide timelines when we can see the full impact on both the revenue and the bottom line should also be by June 2026 or it will be a little bit elongated?

Maulik Mehta: When it is for upstream integration such as Nitric Acid, we start running hot as soon as we are able to because we don't foresee any challenge in consumption. In nitration, and hydrogenation also, we will see how quickly we can go to 100%. And again, these are all now as compared to before, they're all flexible assets. So they will be able to do multiple different kinds of products. But for the multi-purpose plants, which are going to be commissioned between March and June 2026, there, there will be a ramp-up based on customer validation and on the basis of those stability trial things, which traditionally take anywhere between 3 to 5 months. So there, we will have some production and it will be over 70 customers. But then high operating rates will be from, I would say, mid Q3 onwards, which will then arrive at the end of December or December onwards. So that's how it would be.

Arun Prasath: How much we have spent on Oman plant so far?

Sanjay Upadhyay: Oman will take some time. So maybe 24 months from now.

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

Abhijit Akella: Just on the agrochemical intermediates, where there's been some kind of stop in exports. Are the U.S. tariffs a factor behind this as well? Are these intermediates subject to the tariffs? And is that a factor holding back the demand from customers? Or is it purely a matter of end demand?

Maulik Mehta: Okay. So Abhijit, the problem is that the U.S. tariffs have been spread across the whole world. So nowadays, everything is one way or another linked to U.S. tariffs, either the anticipation of tariffs being withdrawn or the imposition of new tariffs or the uncertainty about what is tariffed and what is not tariffed. So this creates a lot of uncertainty in the customers' perspective. Even if there is a conversation about whether Ag purchases will take place in China, bought from the U.S. and those questions, I would say that, you can throw this tariff word at anything nowadays. And with fair confidence, you can say that there is some impact because of this. So I would rather say that while tariffs are certainly a significant portion of the uncertainty, in Q1 and in Q2, but mostly in Q2, the gap has been genuinely simply because of an inventory buildup, which it took a lot longer than it should have to deplete itself. So when our customers are not producing, they are not in a position to buy our intermediates. When the customers start consuming, then they are in a position to buy our intermediates. So moving forward, as I have mentioned, it is more linked to the consumption plan rather than just the tariffs. The tariffs will, of course, affect the intensity of the consumption.

Abhijit Akella: Okay. Fair enough. Yes. Got it. And just on the Advanced Intermediates segment, the 3% revenue decline we see year-on-year this quarter to INR 588 crore. Would it be possible to just help us get a split between volumes and prices for that segment for the quarter?

Maulik Mehta: I'll give you the answer, but the answer won't make sense because the value drop is from one direction where the volume is not high and the volume bump is in another direction where the margins are not high. So let me put it this way. As I mentioned, key chemicals being absent from our Q2 sales plan has been a significant contributing factor to the top line as well as the bottom line. But in other places, ironically, our production efficiencies and our throughput continue to remain high even in the face of dumping from China as we are ensuring that we maintain market share because whatever one says, important at this point is to ensure that we keep our plants running at optimized efficiencies, and we remain key in our customers' wallet shares. So we are confident that sooner or later, this kind of dumping either by policy measures or non-policy measures it will start to moderate to levels which have been traditionally there over the last how many years. But look, honestly, nothing stops a large country like China from importing sanctioned natural gas from Russia, even if other countries cannot. And this will, of course, lead to a degree of arbitrage, which we are happy to forgo because it's better to operate with all legal compliances, not really get into spaces which have sanction risks and all those things. So we believe that these things will moderate in terms of the impact on the bottom line. And we believe that it will be in H2.

Abhijit Akella: Right. Are there any preoperative expenses also within Advanced Intermediates that are depressing the results? And if so, is it possible to just quantify how much that impact might be?

Sanjay Upadhyay: There are expenses which is a part of this. To quantify, it will be around INR 15 crore for the quarter.

Abhijit Akella: Okay. Similar number in Q1 as well, Sanjay bhai?

Sanjay Upadhyay: Yes, yes. Similar number.

Abhijit Akella: Okay. Got it. Maybe just one last thing, on the new products that we are proposing to launch in Advanced Intermediates, any incremental color you could share there regarding, end users, those sorts of things. And I mean maybe growth potential and revenue potential, that will be very, very helpful, Maulik.

Maulik Mehta: Sure. What I can tell you right now rather than getting into revenue potential because these are still products which we have recently started producing. And I'm happy actually, I'm delighted to share that I think we have started production of 7 new products in just Q2 itself. And these are all homegrown, home developed products, which we did not really require any technical technology licensing or anything. All of these products for example, it is into life sciences in another 3 cases, these are into what we call effect chemicals. So they go into applications such as polymers, flame retardants, mining chemicals, etc. Now all of them do have a validation and an approval cycle. I think a large amount of them would go to customers in Japan and in the EU. So they do have a validation cycle required. Happy to share that our product specifications so far have exceeded what is available in the market as told to us by our customers. Nonetheless, stability studies and all that have to be carried out because in some cases, what they qualify as food grade because they have contact with food ingredients. So these qualification cycles can take as little as 3 months or as much as 5 months. And I think by some point, maybe towards the end of Q4 or the middle of Q1, we would be able to have an aggressive ramp-up on all of these. All of these will be done in existing assets themselves. And they will be done in campaigns. All of them have good margin profiles. And they will factor significantly in our FY27 numbers and completely in our Q2 FY27 numbers, but they will start to feature in Q1 as well. And I think as we come closer to that, I will be able to share more light. But these are exciting molecules with a lot of upside potential on margin and volume. So we're just about starting to scratch the surface.

Abhijit Akella: That's very, very helpful. The total investment in these products would be how much? Is this part of the multi-purpose plants? And if so, how much have we spent on that area?

Maulik Mehta: So in a couple of cases, yes, for agrochemicals, I think one pharma product, it will be in the multi-purpose plant. In the others, it will be in existing plants, which have already been refurbished to make them more compliant to these stringent specifications. So other than the multi-purpose plant investment, nothing else is, I would say, a significant capital investment, maybe small things such as solid handling systems and powdering systems, HVAC systems, those things. So these are all what we consider as minor. We don't go into tom-toming about them as investments, but there is a good upside potential in terms of their market penetration

and growth because the product quality has been surpassing the customers' expectation. But now we have to await their validation period.

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

Sanjesh Jain: First, on the agrochemical molecules, you spoke about moving up in the value chain. When we should see that? And how many products are we working there? And the effect of that should be visible in the second half of this fiscal year? That's one. Number two, on the phenol spread that appears to be quite depressed. It's gone further down. Can you help us understand whether it's a demand side issue or whether it's a supply side issue? And if it is supply side, where are we seeing the supplies coming in and how much more can come in? Number third, you said in your opening remarks that we have seen Chinese dumping in a few products in other geography because they are facing challenge from U.S. tariff. Which are these products and which are the geographies, whether it is also coming into India? So these are the 3 questions.

Maulik Mehta: Okay. I'll answer your third question first. So the significant amount of dumping that we are finding from China would be in products such as sodium nitrite, would be in products such as DASDA, which is an intermediate to make optical brighteners and in a couple of cases of nitro aromatics. So the pressure from Chinese dumping is substantial. Now obviously, it is always going to be a fight about maintaining wallet share versus maintaining a price premium. And this is a balancing act. With regards to the margin question with regards to phenol spreads, I think right now, we are in a very strange position where none of these things are actually representative of the reality on the ground simply because you've had a lot of these situations such as a few traders and distributors in India being sanctioned by the U.S. Government. There has, therefore, been a curtailment of the normal trade flows that one would see between South Asia and India in terms of the large volume petrochemical products. Obviously, that also affects products such as phenol and all. So what you're seeing as indexes are different from what is being felt on the ground in terms of the ease of availability or the premium that is charged over and above the index to service the Indian market. So what turns out to be a negative for the AI segment because of a challenge in bringing petrochemical products into India also turns out to be at least a short-term advantage for Phenolics because it is able to ensure that it continues to retain a market share even if it is able to create a small premium in the short term, it's able to do that.

Sanjesh Jain: Moving up in the value chain in terms of agrochemical, you spoke about it a few quarters back. Just wanted to get your sense, where are we in the process? And when should we see these products commercializing?

Maulik Mehta: So our ability to commercialize will be within the quarter. We're speaking with a couple of potential strategic partners to see how we can do it together, which allows them to have an expanded presence in India without needing to put steel on the ground. Now we're trying to see whether we can do it together, if not together, then we will find a different strategy to approach the market. What we've also done in the meanwhile is assets which are used for making one agrochemical intermediate are now fungible towards being able to make other agrochemical intermediates or other life science intermediates. So most of our assets over the last 6 months have been made increasingly fungible because we are continuing to anticipate a degree of

volatility that we have not seen in the previous few years. First and foremost, our focus has to be to see that we can do multiple products in the same plant in a campaign basis or by saying, okay, let's break this plant up into Stream 1 and 2. Stream 1 will continue to do the legacy products. Stream 2 will continue to do these 2 or 3 new products and campaigns. This is how we are approaching to increase our own resilience and by being product agnostic but chemistry focused.

Sanjesh Jain: Got it. One follow-up question there, Maulik, on the sanction part you spoke about in the Phenolics spread. Now that increasingly when Indians are talking of using lesser Russian oil, that means the feedstock prices can increase in India. Are you seeing that impact? And can it act as a negative catalyst in coming quarters?

Maulik Mehta: See, feedstock prices in products such as toluene, benzene, xylene, normally, even if there are large Indian refiners, there is also a significant trade flow that takes place from Asia, from South Asia. Somehow you don't generally see these products being imported from China, but whether it is Korea, whether it is Thailand, Taiwan, etc, you do see a regular trade flow from these regions into India. And I think that, there is a short-term blip with regards to the dealer distributor network having some sanction threat over them. But other than that, I would not say that Russian oil sanctions would dramatically affect the prices on such things such as toluene, benzene, xylene. I could be wrong. But so far, we have not seen any direct implication of that.

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

Kumar Saumya: A couple of questions from my side. Firstly, when I look at the difference between Advanced Intermediates and overall business, we have seen good improvement over the last 2, 3 quarters. If you could help me understand what is driving this? Is it entirely Chem Tech or there is some contribution from polymer compounding as well?

Maulik Mehta: No, not so far. We're optimistic. I think once the projects start getting commissioned, Chem Tech will become a significant contributor to the group's bottom line. But again, just to be clear that the products that are being made in Chem Tech are products which are largely familiar to the business teams in both Deepak Nitrite and Phenolics. So the teams are across the board working together to ensure that there is smooth project execution and commissioning. There have been delays in the last couple of quarters. There's no doubt about it. But we are starting to ensure that there is a greater degree of control and coordination. And that's why we are more positive about the commissioning dates, as I had mentioned earlier.

Kumar Saumya: Got it. Where are we on this compounding business right now? Have we started that asset? Have we started to test the market?

Maulik Mehta: So we put up a polymer compounding facility, which I would still call a pilot facility in Savli. And this is a state-of-the-art facility. So this is allowing us to create formulations, which are in their validation process. But now in compounding, these validations, unlike agrochemicals and other products, these validations can take up to almost maybe a year or 18 months. So that's the reason we started early, and that's the reason that we have started seeding this. So we've been

getting a lot of positive traction on that front. What we're also starting to do is engage with potential strategic players who are already there in this space to see if there's opportunities to approach jointly for certain applications where there is IP on which they have and an interest and intent in getting into the Indian market. And at the same time, they're able to see how to get this made in our own, as I mentioned earlier, our pilot facilities to service the customers. Otherwise, it's not really competitive for them to do it in high-cost regions such as Europe. So this is an ongoing activity and still too early to congratulate ourselves, but we are seeing positive traction from global majors on this front. How much this translates into what percentage of the polymer revenue coming from these kinds of partnerships and how much of it comes from doing it ourselves, it's too early to say.

Kumar Saumya: Got it. Two questions for Sanjay, sir. Firstly, on the cost control measures that we have seen in the standalone business. How should we look at this? Should we expect this run rate to continue? So just if you could throw some light on this because we are seeing some cost controls even quarter-on-quarter and year-on-year on the employee cost side, other expenses.

Sanjay Upadhyay: Yes, yes. I mean that is an ongoing exercise. In fact, I had mentioned in last conference call also that the Company is actively pursuing the cost-cutting measures because the market being whatever it is, these tariffs, I mean certain things are not in our control. But cost cutting or reducing the spend on this, we can certainly do and you are seeing in the first half and you will see in the second half also. Going forward, there will be reduction in the fixed cost over and above whatever we have achieved so far.

Kumar Saumya: Got it. Lastly, the CAPEX guidance for this year was about INR 1,500 crore. Are you holding on to that?

Sanjay Upadhyay: More or less same.

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

Vivek Rajamani: The question was an extension to the previous participant. Just with respect to the downstream integrated polycarbonate projects. Could you just give us how should we think about the CAPEX for fiscal 2027, fiscal 2028? And if you could also give us an update with respect to the timelines of the commissioning of the various parts?

Sanjay Upadhyay: So commissioning, we had mentioned earlier, it will be in the month of January to March 2028 quarter. And we are trying to see all the project goes on stream by and large at the same time because it's a very integrated approach we are taking. So some project may start late. But ultimately, completion should be during the same time. Now we are still working on 1 or 2 products on that. So on the exact dates we will come back to you later. But by and large, our endeavour is to complete at the same time by March 2028. If there's a delay in propylene supply, then we may have to push back our project also or we may run through imported BPA. But that all calculations we are making now once we know the reality what is going on. I mean when we come nearer to the project.

Vivek Rajamani: Sure, sir. That's clear. And any indication of how we should think about the CAPEX spend over the course of this March 2028 startup? You mentioned INR 1,500 crore of CAPEX for this year. Could you just give us an indication for fiscal 2027 and fiscal 2028 as well?

Sanjay Upadhyay: Okay. You want the CAPEX outlay for next 3 years. It will be around INR 3,000 crore to INR 4,000 crore. Because the total outlay is around INR 9,000 crore. So, INR 3,000 crore, INR 3,500 crore this year and then INR 4,000 crore next year.

Moderator: The next question is from the line of Sajal Kapoor from Antifragile Thinking.

Sajal Kapoor: Maulik, I heard the refreshing keyword fungible earlier on the call. So how does the new state-of-the-art R&D center at Savli combined with Deepak's existing digital and intellectual capital, enable a more sort of nimble and multi-purpose incremental CAPEX investments approach, perhaps helping avoid the prolonged rigidity and risks that are often associated with large dedicated CAPEX in a volatile and uncertain world. That's my first question.

Maulik Mehta: Okay. Thanks for the question. So basically, the R&D facility has a 3-pronged approach to it. One is to develop new molecules. The other one is what we call process intensification, how to make the same molecules more efficient. And the third one is to basically look at processes independent of each other. So for example, I have a plant that makes sodium nitrite or I have a plant that makes nitrotoluenes. Now it is a plant. It has a certain reactor setup. It has certain peak efficiencies and kinetics. What can I do using AI? What can I do using the data lake that we have generated? And what can I do to identify other products that can be made in the same reactor assembly without compromising on safety and perhaps ensure that rather quickly using just the digital tools available at our fingertips like modelling software. For example, or by doing failure mode analysis, how can I quickly have a tech pack developed internally to be able to replace the existing product with a new product as quickly as possible so that at least my bottom line is secure if I feel that there is a period of time where I'm expecting a lull in the marketplace. So one of the key things that we have done, thanks to that is, as I mentioned, we have genuinely accelerated our ability to take products from idea to commercial. Now they do appear to be attractive to customers, but they have to go through their validation period. And we've cherrypicked ones which would be made using assets where there is currently a lower occupancy. We've made large volumes of those and then seeded them out in time to ensure that the assets are then cleaned up so that they are available to make the legacy product. And once we get this feedback from customers, hopefully, for steady-state supply, then we will be able to run multiple products in campaign. And all of this, again, feeds to a very tightly integrated system between the idea generation, the R&D, which is both the software as well as the hardware, the people who are there in it, the piloting and scale up for sample seeding and then the plant teams. So that's why I just want to carefully say that while we are introducing a lot of new chemistries. I think by the end of next year, we will be at least in India, a company that has the maximum amount of chemistry platforms under one house compared to any other Indian chemical company. We will also see that much of this is developed using in-house R&D and a collaborative approach. As I mentioned, software, hardware, pilot plant, engineering and R&D.

Sajal Kapoor: Yes. So data lake, I like that. And thanks for giving a very detailed and very reassuring answer. We have all been personally invested in Deepak for many, many years and look forward to a long-lasting glory ahead. My second question is, Maulik, given India currently imports all the polycarbonate, what market intelligence beyond "import substitution" underpins conviction in future domestic demands from EVs, electronics and also healthcare?

Maulik Mehta: So a lot of the investment that is going into all of these, what we would call sunrise segments in India, although I would say also that you have a neighbor like China where these are mature technologies. What I qualify in India is, it's a term which I think other people don't like, but I'll share it anyways, is a second-mover advantage where a lot of these applications are already finding a high degree of maturity and acceptance. Polycarbonates are the backbone in a sense. What is important is the changing formulations and the compounds that are created by using polycarbonates as a backbone. So if I was to give you an example, a chair is a chair, been a chair for the last how many ever centuries. What changes is the fabric, what changes is various things like the flexibility, the modularity, those things. But a chair remains a chair. Polycarbonate resin is a chair. The compound is the different functionalities that you can add to it. So if you want to create a resistance to heat, if you want to create insulation or conductivity, all those properties are added onto the backbone of a polycarbonate. And that's where you have the compounding and the formulations. So the interesting thing is that India actually imports a substantial amount of the polycarbonate backbone itself. Our effort, step 1 has been to make polycarbonate as cost efficiently as possible. But because that takes a couple of years and large-scale project execution, what we've done is, in the meanwhile, we have gone downstream and we started seeding ourselves into the mind space and the factory space of our customers to say that here, we are offering you compounds, which are made using polycarbonate as a backbone. Now as these compounds start getting accepted and validated at our customers' end, those are electronics, those are things like mobile phones and auto components and those things. Then it will just simply look like polycarbonate manufacturing was an upstream integration. Even though it was thought of first, it came in last and it integrated as a cost optimization measure.

Sajal Kapoor: Absolutely. And second mover advantage is brilliant strategy, Maulik, because if you can learn from the mistakes of the first mover and make it better and cheaper maybe, nothing like it. So thank you for that.

Maulik Mehta: Thank you. I really appreciate it. I'll just add one more point. This is also one of the reasons why we chose to go with it, rather than investing in putting up a brand-new polycarbonate facility, we went with an asset which has been proven with a high degree of reliability where over this period of time, you've seen the cost of everything like metals, exotic alloys and all that go up. So honestly, if I was to put up a brand-new plant today, the same exotic alloys would be available at least 100% higher cost. So here, we have an asset where we have proven reliability, understanding about how maintenance has taken place, how scheduling for those things has taken place, learning from experience comes in for free in a sense. And so, I want to allay anyone's concern here thinking that if it was a greenfield investment, would it have had more traction. To be honest, the way that we've gone ahead with this has not been to save money, but

it has been to be able to hit traction very fast, where we have been able to buy in experience literally for free when putting up the asset.

Moderator: The next question is from the line of Nisha Pobaru from Vajani Capital Services.

Nisha Pobaru: My first question is, could you please explain the sensitivity of your margins to the fluctuations of the propylene price, which is the raw material of phenol.

Maulik Mehta: I've mentioned this earlier also, the index, I think because of these short-term challenges, is not a fair representation of the price at which we consume the feedstock. So I think it's a fair question, a good question, but maybe the same question, if it is asked next quarter or in Q1, I would be able to give you a more honest answer.

Nisha Pobaru: And the second question that I have is, can you just give me a guidance about the revenue and the profitability for the next quarter or the financial year?

Maulik Mehta: Look, all I can say is that we are cautiously optimistic about H2, which is, I would say, better than what we saw in Q2. And this will partially come from what we hope is an improving market sentiment and a demand sentiment. And partially, it will also come from the commissioning of investments that are in that process in Deepak Chem Tech. I'm referring to an answer given before.

Moderator: The next question is a follow-up from the line of Arun Prasath from Avendus Spark.

Arun Prasath: My question is on the polycarbonate project. So now that we have reaffirmed our start date as before March 2028. So if you have to work backwards, what should be the latest period by which we should finalize, let's say, each individual packages like detailed engineering or ordering long lead items or when we should be breaking the ground. Those time lines, if you can just explain, it will be very helpful.

Maulik Mehta: I think I can just say one that we've already broken ground, first of all. So there is already a site development that is taking place. In the meanwhile, we've already appointed the dismantling contractors in Q1. Dismantling has already started in Stade in Germany. We have also, as I mentioned, as Mr. Upadhyay clarified, that this is our goal with regards to ensuring that this is an integrated complex. If there is a mismatch in timelines for whatever reasons, we have already ensured that the investment includes that degree of flexibility where we are able to afford a degree of mismatch. So while everything will be integrated as the final outcome. If there is a mismatch where one thing comes up before another thing, there's ample opportunity for placing that in the market also, and there is ample opportunity for us to buy the feedstock and have that as a storage in our site where the downstream consumption may be ready before the upstream integration.

Arun Prasath: So our endeavour is to start polycarbonate resin capacity any cost before this time period, but you are flexible let say, BPA or the phenol one, right?

Maulik Mehta: We've already signed an agreement for licensing and basic package for the phenol plant. As you're aware, we've already signed an agreement with Trinseo for the technology and assets to make polycarbonate resins. We've already approved the dismantling contractor in Q1. We've already appointed an EPCM for polycarbonate and all the offshore off-site and utility packages. And we are in advanced stages of our discussion with regards to certain utilities being supplied as part of the integrated asset. So I think across the board, there's a lot of activity. A lot of things have been signed. There are a few things that are still in front of us, but I hope that this gives you confidence about the alacrity with which we are progressing on this.

Arun Prasath: Any update on BPA part because I think we are to finalize the technology, I guess?

Maulik Mehta: I look forward to answering that question.

Arun Prasath: Okay. So still some discussions are going on, it seems.

Maulik Mehta: Let's give the team the best opportunities they have to get the best technology possible. But just to be clear, rest assured, nothing in this value chain stops us from executing whatever has been signed off. So none of these things are dependent on something else happening first. Let's be clear about that.

Moderator: Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Sanjay Upadhyay: Thank you so much for taking out time to join us on earnings conference call. I hope we adequately answered all your questions. We look forward to connecting with all of you again in the next quarter. Thank you.

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