Apcotex Industries

Operator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY27 earnings conference call of Apcotex Industries Ltd. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star, followed by zero, on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand over the conference to Ms. Purvangi Jain from Valorem Advisors. Thank you, and over to you.

Purvangi Jain – Valorem Advisors: Thank you. Good afternoon, everyone, and a warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent the investor relations of Apcotex Industries Ltd. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the second quarter and first half of financial year 2027.

Before we begin, a quick cautionary statement. Some of the statements made in today's conference call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs, as well as assumptions made by, and information currently available to, management. Audiences are cautioned not to place any undue reliance on these forward-looking statements when making any investment decision.

The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial performance for the quarter under review.

Now, I would like to introduce you to the management participating with us in today's earnings call and hand it over to them for their opening remarks. We have with us Mr. Abhiraj Choksey, Vice Chairman and Managing Director, and Mr. Vivek Thakur, Chief Financial Officer.

Without any delay, I would now like to hand the call over to Mr. Vivek Thakur for his opening remarks. Thank you, and over to you, sir.

Vivek Thakur – Chief Financial Officer: Thank you, Purvangi. Good afternoon, everyone. It is a pleasure to welcome you all to the earnings conference call for the second quarter and first half of financial year 2027. I hope you had an opportunity to review the financial statements and earnings presentation, which have been circulated and uploaded on our website and the stock exchange.

Let me provide you with a brief overview of the financial and operational highlights for the period under review.

For the second quarter of financial year 2025, operating revenue stood at INR 499 crores. This registered a growth of 48% year-on-year. This was supported by a 7% increase in sales volumes. Export volumes also witnessed a recovery during the quarter, reversing the decline seen in Q1 FY25.

Operating EBITDA stood at 58 crores, registering a growth of 44% year-on-year. This was driven by modest volume growth and an enhanced contribution margin following strategic price adjustments. EBITDA margins stood at 11.69% compared to 12.06% in the corresponding quarter of the previous year. Profit after tax for the quarter stood at 35 crores. This reflected a growth of 38%

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year-on-year, with PAT margins of 6.98%.

Despite the moderation in profitability compared to previous quarters, our overall business performance has remained strong, supported by sustained volume growth and strategic pricing actions.

For the first half of financial year 2025, operating revenue stood at 1,025 crores, registering a growth of 44% year-on-year. Operating EBITDA stood at 175 crores, registering significant volume growth and a significant growth of 121% year-on-year, with EBITDA margins expanding by 599 basis points to 17.12%. Profit after tax stood at 114 crores, reflecting a growth of 156% year-on-year. PAT margins improved to 11.11% from 6.25% earlier.

The period marked our strongest-ever half-yearly financial performance, with record EBITDA, profit before tax, and profit after tax. This strong performance was supported by volume growth, improved margins, and our ability to effectively navigate market conditions.

During this quarter, other expenses rose somewhat. This was driven by higher freight costs resulting from geopolitical supply chain disruptions. While these economic and macroeconomic pressures persist, we have successfully offset a significant portion by passing these costs through to the market.

Alongside our financial performance, we continued to make progress on our strategic expansion plans. The execution of 210 crore capex projects at our Valia facilities has remained largely on track.

During this quarter, working capital requirements continued to remain elevated due to higher input costs. This resulted in increased inventory values as well as receivables.

We also continued to maintain a net cash-positive position as of 30 September 2024, reflecting our financial strength.

Overall, our performance during the period reflects the strength of our operations and our continued focus on profitable growth.

With this, I now open the floor for the question-and-answer session. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. To ensure that management is able to answer queries from all participants in the queue, please restrict yourselves to two questions at a time. We will wait for a moment while the question queue assembles.

We'll take our first question from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan – SMIFS Institutional Equities: Thank you, sir, for the opportunity. I have a couple of questions. When we look at this quarter, obviously, we are witnessing pressure on the gross margin side, excluding the exceptional gains in the last quarter. We are at approximately a four-quarter low

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in terms of gross margins. What changed in terms of costs? Was it because we had built inventory at a higher cost and prices subsequently declined, resulting in inventory losses?

Secondly, you mentioned that export volumes recovered during this quarter. Based on our understanding, geopolitical tensions are still present, and freight and container availability remain an issue. What has led to this jump in export volumes? Was customer uptake in the export market strong and were you able to obtain containers, or what has led to this jump in export volumes?

Abhiraj Choksey – Vice Chairman and Managing Director: Thanks, Aditya. I will take this up. This is Abhiraj Choksey.

First, yes, certainly, gross margins have been lower. As you know, in our business, when prices are very high, Q1 was an exceptional quarter. As I mentioned in the Q1 meeting as well, a couple of our competitors were shut. Because of our better risk management, we were able to keep our plants running, so the margins we were able to achieve despite very high raw material prices were very healthy.

In this case, there is a combination of reasons. One is that prices were very high, so as a percentage, gross margins appear low. There were inventory losses as well this quarter because prices were coming down during the first 2 months of the quarter and then went back up again. Net-net, for this quarter, we probably had close to 1.5% in inventory losses. Gross margins, or the EBITDA margin, may therefore have been better by about that much.

Another major reason is that, as I said, we were able to recover some of the exports. The MENA region remains tight, but compared to Q1, the availability of ships has actually improved somewhat. We are able to ship to Saudi, for example, from the west coast, although not to the UAE. In the UAE, we have also been able to get some ships going into Fujairah. So, certainly, things have improved somewhat compared to Q1. That has been the reason for the recovery in exports. We have also received orders from other markets where, I think, we have been more aggressive. That may be one of the reasons our gross margin is a little lower; we have also been more aggressive.

But we are quite happy with the results because the other 2 parameters are EBITDA per ton, which I know we do not discuss, and EBITDA per ton is much better in Q2 of this year compared to the corresponding period of last year, even though EBITDA margins as a percentage may be a little lower.

The second parameter is ROCE, or return on capital, which remains very healthy despite these lower gross margins and slightly lower EBITDA margins. That is what we have been focusing on, while ensuring that our volumes are protected and that at least some growth takes place during this difficult period.

I hope that answers your question.

Aditya Khetan – SMIFS Institutional Equities: Sir, my next question is about nitrile latex. Do you have any sense of where we are in the cycle in terms of prices? Are export prices firming up? What is the global situation? Has the oversupply been coming down, or is it still at those levels? We have been hearing that some capacities in Indonesia and Malaysia are shutting down. Has that remained

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consistent, or are new capacities also being built? Do you have any sense of the nitrile latex side? Also, where are we standing today in terms of volumes?

Abhiraj Choksey – Vice Chairman and Managing Director: First of all, we are operating at close to full capacity in nitrile latex.

As I mentioned last quarter as well, last quarter was a blip. We had very good margins on nitrile latex in Q1. When I say last quarter, I mean Q1. Q2 normalized somewhat, but it is definitely much better than it has been over the last 3 years. Let me put it that way.

I know somebody on the call will ask me at some point about the investment decision regarding nitrile latex. We are still waiting. We had a board meeting yesterday, and we have not yet taken a decision on further expansion of nitrile latex because, as I mentioned earlier, Q1 was somewhat of a blip. If you remove that, we still want to see a couple more quarters of consistently decent margins, and then we will decide how and what to invest in. As I said, most of it is ready. We will only have to add reactors.

At the current moment, we are focusing on the projects for solid NBR, which will come on stream early next year, early in the next financial year, and also on our other synthetic latex, the SBR latex plant in Valia, which currently looks like it will come on stream perhaps in the second quarter of next year. That is our focus. In the next couple of quarters, we will probably decide on the nitrile latex expansion.

We are waiting to see how margins develop over the next few months. Capacity utilization has definitely improved, but there is still overcapacity. What was created during COVID is still affecting the market. You are right that some of the smaller capacities or older capacities have shut down, but there is still overcapacity in the market today.

Aditya Khetan – SMIFS Institutional Equities: Understood. Sir, just one last question. What could be the sustainable margin, factoring in the inventory losses you mentioned? What do you see going forward as the sustainable run rate for gross and EBITDA margins?

Abhiraj Choksey – Vice Chairman and Managing Director: Frankly, as I have said, EBITDA margin as a percentage is just one number for me, and we do not focus only on that. The main number for us is ROCE. Even if EBITDA margins are as they are in this quarter, let me explain. This quarter, EBITDA margins are around 12%, depending on how you calculate them. Vivek, correct me if I am wrong.

Vivek Thakur – Chief Financial Officer: Yes, sir.

Abhiraj Choksey – Vice Chairman and Managing Director: Ideally, we would want it to be closer to 15%, but we are quite happy with 12%, given the high cost of raw materials and the high selling prices today. As a result, we are achieving fairly healthy EBITDA per ton margins and therefore fairly healthy ROCE. We want to ensure that we remain competitive in the marketplace and do not lose volumes during this difficult period. That is something we are wary of, so our focus right now is on volumes, even if it means a somewhat lower gross margin.

Aditya Khetan – SMIFS Institutional Equities: Understood, sir. Thank you. That's it from my end.

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Abhiraj Choksey – Vice Chairman and Managing Director: Thank you. Thanks, Aditya.

Operator: Thank you. Next question is from the line of Farokh Pandole from Avesta Fund Management. Please go ahead. [cut off]

Farokh Pandole – Avesta Fund Management: Hi, Abhiraj. My first question was regarding your initial comments. You mentioned that some pricing was implemented during the quarter, and you also mentioned that raw materials were at a high level at this point. Is it fair to assume that the increases we have taken will take effect in the next quarter, and that we can therefore expect a somewhat better operating margin, at least on that account?

Abhiraj Choksey – Vice Chairman and Managing Director: Yes, that is partly true because one of the factors last quarter was inventory losses. We had some inventory losses when prices started coming down in July and August. As of today, at least in October and November, we have seen a price increase again as the situation has worsened and everyone knows what is happening with oil. Oil has gone up further. So, partly, you are right that some of that will be recovered. However, this quarter is still only 1 month old, so we will have to see how the rest of the quarter plays out.

But again, as I said to the previous caller, Aditya, one consideration is percentage margins, but our focus is also on volumes, EBITDA per ton, and ROCE. These are 3 other parameters that we monitor closely.

Farokh Pandole – Avesta Fund Management: And the second question is on the NBR expansion that we are in the midst of. How much of the 210 crores has already been spent, and how much remains to be spent? This is in relation to our net cash position. Also, when we say early next financial year, could you give us some kind of roadmap for when we plan to commission the project and what sort of ramp-up we can expect in utilization beyond that?

Abhiraj Choksey – Vice Chairman and Managing Director: As I mentioned earlier, our target is around April '27. We are on track for April '27 right now, and utilization will gradually ramp up over perhaps 2 to 3 years until we reach full capacity utilization. We hope it happens earlier, but our current thinking is 2 to 3 years.

Farokh Pandole – Avesta Fund Management: And on the capex?

Abhiraj Choksey – Vice Chairman and Managing Director: On the capex, I would say we have another, Vivek, perhaps 140-150 crores to go in terms of cash outflow?

Vivek Thakur – Chief Financial Officer: Right. Out of 220 crores, we have spent about 65 crores, and 155 crores remains to be spent by next year, until project completion and sometime thereafter. Just to add to the timelines for completion, I think we have 2 projects. SBR may come into operation in a subsequent quarter, but NBR will happen as mentioned, in April.

Abhiraj Choksey – Vice Chairman and Managing Director: Yes.

Farokh Pandole – Avesta Fund Management: Great. Thanks a lot, and all the best for the current quarter.

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Operator: Thank you. Next question is from the line of Karan from Kredent. Please go ahead.

Karan – Kredent: Hi. Good morning. Am I audible?

Operator: Can you use your handset mode, please? The audio is not very clear.

Karan – Kredent: Hello. Am I audible now?

Operator: Yes, please go ahead.

Karan – Kredent: Good morning. Hi, Abhiraj. Congratulations on a great set of results. My first question is about the synthetic latex segment. Which industries have started doing better? Which industries do you think have performed better over the last 6 to 12 months?

Abhiraj Choksey – Vice Chairman and Managing Director: Frankly, in the synthetic latex segment, we cater largely to approximately 5 industries. The one that has done really well for us is construction. That continues to grow. When I say construction, there are some specialty applications, including repairs, waterproofing, and oil drilling applications. All of that falls within the construction industry for us. That has performed extremely well over the last 6 to 12 months.

I think paper has also done quite well for us. Textiles are decent, and tires are okay. The laggard for us has been carpets because we are dependent on large Middle Eastern and North African customers. Our domestic carpet manufacturers are also dependent on some of those markets and on Western markets. Overall, that is where we have seen a volume loss.

There have been various reasons: first, US tariffs; then the war; and high ocean freight rates. Essentially, everything has affected that segment. Despite that, things have looked somewhat better this quarter than in the previous quarter.

Karan – Kredent: My second question is on NBR. Considering that freight rates have been elevated throughout the year so far and there is significant geopolitical turmoil across the world, at a broad level, how do you see NBR developing? You are the sole producer in India, and this product was entirely imported. How do you see this industry evolving over the next 3 to 5 years?

Abhiraj Choksey – Vice Chairman and Managing Director: As far as the final applications are concerned, there are various rubber products, ranging from automotive to industrial applications, including hoses and LPG hoses. In the long term, I do not know about the next 6 to 12 months, but if we look at 4 to 5 years, we see very good growth in this particular segment in India. We are well positioned to capture that growth, which is the reason we are undertaking this capacity expansion in NBR.

There was obviously an issue of dumping, which was a concern for us, and we had been working with the government. Anti-dumping measures have not worked out, but in the meantime, higher ocean freight rates have helped us to some extent, for sure. However, we are also looking at our own costs and ensuring that, with or without dumping or high ocean freight rates, this project will generate good ROCE and be a good-return project for the company.

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Karan – Kredent: Just one additional question on that. Of the 3 segments we have—synthetic latex, NBR, and nitrile latex—which one currently has the highest margin?

Abhiraj Choksey – Vice Chairman and Managing Director: I do not have the exact numbers right now, and when you say currently, I do not know which period you are referring to. However, if I were to take the first half, I would say NBR margins are probably slightly higher than those of synthetic latex, but both are very good. Obviously, nitrile latex would be lower on a percentage basis.

Karan – Kredent: Okay, thank you, Abhiraj. Thanks.

Abhiraj Choksey – Vice Chairman and Managing Director: Thanks.

Operator: Thank you. Before we take the next question, I would like to remind participants that to ask a question, please press star and one on your phone.

We'll take our next question from the line of Jasdeep Ahluwalia from Clockvine Capital. Please go ahead.

Jasdeep Ahluwalia – Clockvine Capital: Hi, sir. Thank you for taking my question. What has been the volume growth in the synthetic latex business in the second quarter and first half?

Abhiraj Choksey – Vice Chairman and Managing Director: For the synthetic latex segment in the second quarter and first half, I do not know if we have [cut off]

Jasdeep Ahluwalia – Clockvine Capital: I am asking about latex excluding nitrile latex, specifically the SBR business.

Abhiraj Choksey – Vice Chairman and Managing Director: I do not know if we provide those separately. Vivek, do we generally provide those numbers?

Vivek Thakur – Chief Financial Officer: No, we do not provide segment-wise volume numbers, [trails off]

Abhiraj Choksey – Vice Chairman and Managing Director: To talk about overall growth, it is 7% for the quarter, right? Volume growth?

Vivek Thakur – Chief Financial Officer: Right.

Jasdeep Ahluwalia – Clockvine Capital: That data was included in the presentation, sir. Thank you. Also, on the synthetic latex side, are there any new launches or product launches planned that could open up large addressable segments for you in the coming years?

Abhiraj Choksey – Vice Chairman and Managing Director: There are 1 or 2. For example, battery binder is something we are working on. I do not know whether it will be a very large segment; it may be a niche, small segment for us. We are developing products for the battery industry.

As I said, over the last few years, we have developed some products for the oil drilling industry, and I think there are a few more that we could develop, so we are working on that. We are also developing some products for the textile industry and some products for the paper industry.

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These are largely the industries we are already in, but I would say they involve different applications. In some cases, we are also developing innovative products to reduce costs, including some bio-based products that use more bio-based raw materials in conjunction with the petrochemicals we use. Of course, we will not be able to replace petrochemicals 100%. Those are the kinds of things we are doing in the synthetic latex segment.

Jasdeep Ahluwalia – Clockvine Capital: Understood, sir. What is your view on volume growth in the synthetic latex business over the next 3 to 5 years?

Abhiraj Choksey – Vice Chairman and Managing Director: We are quite bullish. Again, it depends on the wars and other circumstances. I will give you an example. In synthetic latex, as I said, we have 5 different industries. The carpet industry has been the laggard for us over the last 6 months in terms of volumes, and I explained why to the previous caller.

Overall, under normal circumstances, we see most of these industries growing in our part of the world for a couple of reasons. One is that our population is growing, per capita GDP is growing, and Southeast Asia is growing.

The second issue is substitution from Europe. In other words, European competitors that supplied the Middle East, North Africa, and the surrounding regions have typically not been able to compete with Asian competitors such as us. We are gaining market share there as well.

Therefore, both in India and in this region, where our main focus for Apcotex is the MENA region and Southeast Asia, we see good growth potential across all these segments.

Jasdeep Ahluwalia – Clockvine Capital: Can you give us a range of the volume growth you expect for the overall business over the next 3 to 5 years?

Abhiraj Choksey – Vice Chairman and Managing Director: I would say 20-30% over GDP. So, 10-12% a year is what we expect.

Jasdeep Ahluwalia – Clockvine Capital: Okay.

Abhiraj Choksey – Vice Chairman and Managing Director: On average, yes. Some of it may be lower. Construction is a higher-growth segment, while carpets are a lower-growth segment. On average, I would say about 10% is [cut off]

Jasdeep Ahluwalia – Clockvine Capital: A 10% CAGR for the next 3 to 5 years is your estimate as of now. Okay.

Abhiraj Choksey – Vice Chairman and Managing Director: Yes.

Jasdeep Ahluwalia – Clockvine Capital: Understood, sir. Thank you. That's all from my side.

Operator: Thank you. Next question is from the line of Neeraj Paswan from InCred Equity. Please go ahead.

Neeraj Paswan – InCred Equity: Hi, sir. Congratulations on a great set of results.

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Operator: I am sorry, Neeraj. Can you use your handset mode, please? Your audio is not clear.

Neeraj Paswan – InCred Equity: Okay, sir. Congratulations on a great set of results.

Operator: Neeraj, are you using a Bluetooth device? Please use handset mode.

Neeraj Paswan – InCred Equity: Am I audible now?

Operator: There is some cracking. Please use the handset.

Neeraj Paswan – InCred Equity: Is it better?

Operator: You can go ahead with the question.

Neeraj Paswan – InCred Equity: I wanted to know whether you could provide the sales volumes of the different segments for this quarter and the same quarter last year.

Abhiraj Choksey – Vice Chairman and Managing Director: Unfortunately, we do not provide sales volume numbers by segment. While we would be happy to be transparent with our investors and analysts, for proprietary reasons, we do not want some of this information to be made public.

Neeraj Paswan – InCred Equity: Okay, sure. I have one more question. I wanted to understand that we import a substantial portion of our raw material inputs, such as styrene monomer. IOCL is setting up capacity for this product. Have we been in contact with them regarding domestic supply of the material, or any kind of tie-up?

Abhiraj Choksey – Vice Chairman and Managing Director: Yes, of course. We are buying butadiene from IOCL, so we are very much in touch with them regularly. I think the styrene project is still some time away, and I do not think it will be enough for the entire country. If it makes commercial sense for us, we will certainly look into it, but as of now, they have not started any commercial discussions or anything of that sort. I think it will still be some time before the styrene project comes on stream.

Neeraj Paswan – InCred Equity: Okay, sure, sir. I was reading that this capacity was expected to come around 2026 or 2027, so perhaps it has been delayed. I will check the details and connect again. Thank you.

Abhiraj Choksey – Vice Chairman and Managing Director: Certainly not in 2026 or 2027.

Neeraj Paswan – InCred Equity: Okay, thanks.

Abhiraj Choksey – Vice Chairman and Managing Director: Thanks.

Operator: Thank you. Ladies and gentlemen, to ask a question, please press star and one on your phone.

Participants who wish to ask a question are requested to press star and one on their phone now.

We have a question from Sujit M, a shareholder. Please go ahead.

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Sujit M – Shareholder: Good afternoon, Abhiraj. My question relates only to these 2 quarters, Q2 and Q3. Forget Q1 and Q4; those are outstanding. Q2 and Q3, on a sequential-quarter basis—please note, sequential, not year-on-year—are negative. Is there some long-term strategy that management is working on to make this positive? Please note that I am referring only to the sequential movement.

Sujit M – Shareholder: Q2 and Q3—forget Q1 and Q4, which are outstanding. On a sequential-quarter basis, please note sequential, not year-on-year, it is coming out as negative. Is there some strategy that management is working on for the long term to make this positive? Please note that I am referring only to the sequential movement.

Abhiraj Choksey – Vice Chairman and Managing Director: I am trying to understand your question. It is a valid point, and we have never analyzed it this way. When you say negative, what is negative?

Sujit M – Shareholder: Let me give you an example. I am giving a hypothetical example. You have revenue, EBITDA, and PAT—3 columns. This is just a general question. Let us take revenue as 100, EBITDA as 50, and PAT as 20. Now, in Q2, revenue would be around 50, EBITDA would be 30, and PAT would be around 15. The same applies to Q3. Q3 is a decrease from Q2. I am not saying this is the business cycle; I am asking about what I am observing.

Abhiraj Choksey – Vice Chairman and Managing Director: You are saying that between Q2 and Q3, for the last 5 years, all 3 numbers—revenue, EBITDA, and PAT—have been lower in Q3 than in Q2?

Sujit M – Shareholder: Yes. Q1 always performs very well. It has done so for all 5 years—or perhaps for a decade. Q2 decreases compared with Q1. Then Q3 decreases compared with Q2. Q4 is highly, or very, strong. That is what I am saying. I do not know why those 2 quarters are extremely negative sequentially, not year-on-year.

Abhiraj Choksey – Vice Chairman and Managing Director: First of all, that is a great analysis. I have never looked at it this way, and we have never looked at it this way. We will definitely examine it.

I know there is a drop between Q1 and Q2, and I will explain why that generally happens: it is because of the monsoon season in India. First of all, 70% of our sales—about 65% to 67% of our sales—is India-based, right? Some of the industries we cater to, such as construction, tires, and, to some extent, carpets, experience slightly lower demand in Q2. Let me put it this way: it is demand, not sales, that is slightly lower. So Q2 is generally a seasonal or cyclical issue.

Sujit M – Shareholder: Yes, correct.

Abhiraj Choksey – Vice Chairman and Managing Director: That explains the movement from Q1 to Q2. But regarding Q2 to Q3, I will have to look into it. Frankly, I do not know. I have never examined this, and we will look at the numbers for the last 5 years. There is no good reason for that to happen, but we will certainly investigate it.

Sujit M – Shareholder: You already mentioned one point. Every analyst knows that, and I have been a shareholder for a decade, so that is not an issue. The problem is that your numbers are good year-on-year. However, when Q1 performs extremely well, at 100%, and then there is a sequential drop, the drop can be drastic.

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Please note that by negative I do not mean a decline in profit or anything like that. I mean that the percentage declines. I saw that scenario again today. The best option is for me to provide this data to the management team as a data analyst. I will do it voluntarily and send it to your team and to investor relations.

Abhiraj Choksey – Vice Chairman and Managing Director: Regarding Q2 to Q3, I do not know. But as I have always said—sorry, what is your name, sir?

Sujit M – Shareholder: Sucheth. Sucheth Mahadevan.

Abhiraj Choksey – Vice Chairman and Managing Director: Mr. Sucheth, as I have always said, for us—and there are many businesses in the same situation, not just us—if you look at the paints business, it is cyclical. Q2 is always lower than Q1. To some extent, we have that issue as well because of the monsoon. The cement business is similar.

We do not look at quarter-on-quarter performance very closely. For us, as management, I would urge all our esteemed investors, analysts, and shareholders to look at the bigger picture, annual numbers, and how they are growing.

Because of the nature of our business, and not only because of the monsoon—we are also highly dependent on oil prices and how they behave—we could have large inventory gains, large inventory losses, or lower percentage EBITDA margins. All of that is part of the quarter-on-quarter nature of our business. Therefore, please do not focus only on these results; look at the overall picture.

However, we are happy to review your analysis and examine your analysis of the last 5 years.

Sujit M – Shareholder: Your annual performance is always good. I have seen a particular year, perhaps 2022 or 2023, although I do not remember exactly. I do not have the data with me because I did not come prepared with the sheet; I left it at home yesterday. What I was trying to determine was that, if we take a year around 2018, the company was perfectly in the positive region. It is okay; I will send the analysis. That is not an issue from my side.

Abhiraj Choksey – Vice Chairman and Managing Director: Send it across, and then we will reply if we have any [crosstalk] findings from our analysis.

Sujit M – Shareholder: [crosstalk] Yes. Thanks.

Operator: Thank you. Ladies and gentlemen, to ask a question, please press star and one on your phone. Next question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan – SMIFS Institutional Equities: Thank you, sir, for the follow-up. I have a couple of questions. Regarding the upcoming 210 crore expansion, what would be the funding breakdown? How much would come from internal accruals and how much from debt?

Also, regarding the expansion of synthetic latex and nitrile and NBR compared with our traditional basket, are there any new grades? I understand that the broad categories are the same, but are we developing any new products, and is there scope for better revenue per kilogram compared with

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the traditional basket, or are the products and grades essentially the same?

Abhiraj Choksey – Vice Chairman and Managing Director: For sure. That is our endeavor: to constantly develop products that provide better margins than our traditional basket. We are developing more niche and specialty products, and we have already done some of that over the last few years.

If you look at the company's overall results, they have been reasonably good over the last year, for example. Part of the reason is these types of products, and we will continue to develop them in both NBR and synthetic latex.

As I mentioned to one of the previous callers, examples include products for oil drilling, battery binders, and specific niche paper applications, where we are developing customized products. However, these will represent a lower volume of the total volume. While they may help increase margins, they will not be a major game changer such that margins suddenly increase by 50% because of one segment we have entered. That kind of situation or story does not exist today.

Aditya Khetan – SMIFS Institutional Equities: Understood. On the end-user side, you mentioned that the carpet sector is struggling. When we look at other sectors such as paper and construction, they also do not appear to be performing very well. In construction, order flows have been muted, and the paper sector is struggling with overcapacity.

Could you broadly classify which sectors are facing pressure and which sectors are doing well? Secondly, you mentioned some volume loss on the carpet side. Can you quantify or indicate how much volume loss we have faced in these segments?

Abhiraj Choksey – Vice Chairman and Managing Director: Again, we do not provide segment-wise numbers, but broadly, there was a reasonably significant volume loss in the first quarter, especially when the war started. Q2 has been better. I think in Q2 we did not have any volume loss compared with Q2 of last year in carpets either. We may have been at break-even or recorded no growth.

However, we have managed to recover some of it, sometimes from other regions as well. By reducing prices again, we have been able to obtain some volumes from certain regions. We have done all of that.

Broadly, I would say construction has been strong. Paper has also been reasonably good. Despite overcapacity in the paper industry, demand for the final paper product is adequate, so we are still getting good paper volumes, or volumes for our products, in the paper segment overall. However, there is overcapacity within the paper industry.

Aditya Khetan – SMIFS Institutional Equities: Understood.

Abhiraj Choksey – Vice Chairman and Managing Director: For our product, volumes are increasing.

Aditya Khetan – SMIFS Institutional Equities: Okay. So, as you mentioned earlier, the main area of pressure remains carpets.

Abhiraj Choksey – Vice Chairman and Managing Director: For the first 6 months, yes.

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Aditya Khetan – SMIFS Institutional Equities: Understood. Thank you, sir. That's it from my side.

Operator: Thank you. Next question is from the line of Om Prakash Dhoot, an individual investor. Please go ahead.

Om Prakash Dhoot – Individual Investor: Abhiraj, greetings. Can you hear me?

Abhiraj Choksey – Vice Chairman and Managing Director: Yes, Mr. Dhoot. Please go ahead. Greetings.

Om Prakash Dhoot – Individual Investor: You have delivered good results again despite difficult circumstances, and congratulations for that. My question is whether all our plants are currently operating at full capacity.

Abhiraj Choksey – Vice Chairman and Managing Director: Not all of them. One or two plants are operating at full capacity, and one or two have very high capacity utilization. The NBR plant, for example, has been operating at full capacity utilization for the last 1.5 years, or perhaps the last 1.5 to 2 years. It will also operate at full capacity for the next 6 months.

The other plants are operating at 80% or 90% capacity utilization. Once the NBR and synthetic latex capacity comes on stream, at least we will have sufficient capacity for growth over the next 2 to 3 years.

Om Prakash Dhoot – Individual Investor: Thank you, sir. Thank you very much.

Abhiraj Choksey – Vice Chairman and Managing Director: Thank you, Om Prakash. Thank you for your support.

Operator: Thank you. As there are no further questions, I now hand over the call to management for closing comments. Over to you, sir.

Management: Thank you, everyone, for your time attending today's conference call. We hope that we meet your expectations and that you join the call during the subsequent results session. We wish you all a very happy Diwali and look forward to meeting you all. Thank you.

Abhiraj Choksey – Vice Chairman and Managing Director: I wish you all a very happy Diwali and a prosperous New Year. Thank you.

Operator: Thank you, members of the management team. On behalf of Apcotex Industries Ltd., that concludes this conference. Thank you all for joining us today. You may now disconnect your lines.

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