

9th February, 2026

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The General Manager,
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BSE Ltd.,
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Dalal Street, Fort,
Mumbai – 400001

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Dear Sir,

Sub:- Q3 FY 26 Earnings Conference Call – Transcript

Further to our letters dated 29th January, 2026 and 3rd February, 2026, please find enclosed herewith the transcript of the Q3 FY'26 Earnings Conference Call held on Tuesday, 3rd February, 2026 at 15:00 hrs India Time, for the quarter and nine months ended 31st December, 2025. This information is hosted on the Company's website and can be accessed at the link: [https:// www.pcblltd.com/investor-relation/financials/investor-presentation](https://www.pcblltd.com/investor-relation/financials/investor-presentation) .

We request you to please take the afore-mentioned information in record and oblige.

Thanking you,

Yours faithfully,

For **PCBL CHEMICAL LIMITED**

K. Mukherjee
Company Secretary and Chief Legal Officer

Encl: As above

PCBL Chemical Limited

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Note: "PCBL Chemical Limited" was formerly known as "PCBL Limited"



“PCBL Chemical Limited Q3 FY'26 Earnings
Conference Call”

February 03, 2026



MANAGEMENT: **MR. NILESH KOUL - MANAGING DIRECTOR, PCBL
CHEMICAL LIMITED**
**MR. RAJ GUPTA - CHIEF FINANCIAL OFFICER, PCBL
CHEMICAL LIMITED**
**MR. ANAND KUMAR - GROUP HEAD, INVESTOR
RELATIONS**
**MR. PANKAJ KEDIA - EXECUTIVE DIRECTOR,
INVESTOR RELATIONS**

MODERATOR: **MR. SANJESH JAIN- ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to PCBL Chemical Limited Q3 FY'26 Earnings Conference Call hosted by ICICI Securities Limited.

As a reminder, all participants' 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 an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Sanjesh from ICICI Securities. Thank you and over to you, sir.

Sanjesh Jain: Thanks, Pari. Good afternoon, everyone. Thank you for joining on for PCBL Chemicals Limited Q3 & 9-month FY'26 Results Conference Call.

We have PCBL Management on the call, represented by Mr. Nilesh Koul – Managing Director, Mr. Raj Gupta – CFO, Mr. Anand Kumar – Group Head (Investor Relations), Mr. Pankaj Kedia – ED, Investor Relations.

I would like to invite Nilesh to initiate with his opening remark, post which we will have a Q&A session. Over to you, sir.

Nilesh Koul: Good afternoon, everyone, and a warm welcome to you on PCBL Chemicals Q3 and 9-month FY'26 Earnings Conference Call.

Our result documents were shared with you earlier and I hope you have 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 9-months ended 31st December 2025. Following that, we will open a forum for your questions.

Before I talk about business, a quick introduction is in order. I have taken over this role from Mr. Kaushik Roy on the 3rd of November 2025. Prior to joining PCBL Chemicals, I worked in Castrol, British Petroleum, Lafarge Holcim in a career spanning 28 years, and my last assignment was with Hindalco Industries Limited as Senior President, Aluminum and CEO, Downstream Business.

Now, about the business:

As we reflect on the quarter, our Q3 performance has been shaped by geopolitical developments and volatile market conditions across segments. While this has put pressure on near-term profitability, the underlying fundamentals of our business remain strong and unchanged. Domestic demand remains healthy, supported by high domestic consumption and rising tyre exports. Globally, carbon black demand has been impacted in the short term due to trade tensions, tariffs and geopolitical challenges. Following significant capacity addition over the last few years, industry utilization currently around 75% is lower compared to the normal level of

80%. As utilization improves in coming quarters, pricing power should gradually return. Given the uncertainty around global trade policies, particularly the U.S. tariff around 50% on India, we saw very cautious behavior from customers in the U.S. The conclusion of Indian-U.S. trade deal announced yesterday at a substantially reduced tariff of 18% will meaningfully benefit both PCBL and Aquapharm in expanding our sales volume and profitability in the U.S. market. The trade deal is a major boost to India's export competitiveness as India has now a significant advantage to its Asian peers. Recent announcement of the India-EU FTA is also positive for us. The EU carbon black market is around 1.5 million tons in size and offers meaningful headroom for Indian players to increase their presence in a more conducive trade environment. Overall, improved trade relations should be supportive across our chemical businesses.

Over the past three years, India's carbon black exports have more than doubled to around 450 KT. This gives us confidence that export momentum will continue and recent signing of multiple FTAs will increase the export opportunity in medium to long term. The continuous decline in crude prices over the past years impacted margins and led to inventory adjustments, while also helping reduce working capital requirements. With crude now stabilizing and moving up around \$65 per barrel, we do not expect the same margin pressures going forward. China's anti-involution policy may also gradually moderate price competition, although the timing remains uncertain.

In the end-use industries, such as tyres, capacity addition across Asia, U.S. and Europe are expected to support downstream demand. Globally, the tyre industry is expected to see close to \$29 billion of new investment by 2029. In India, tyre demand remains healthy, supported by improved affordability following GST cuts, premiumization trends, EV adoption and upcoming tyre investments.

While Q3 has been challenging, we have remained disciplined in execution and sharply focused on strengthening the core. In parallel, we have embarked upon a company-wide cost optimization drive, focused on procurement optimization, yield and productivity improvement, further reduction in downtime, logistics optimization, and expanding our market reach. These are measurable execution-led projects, and we are targeting cumulative cost savings of Rs. 200 crores over the next two years, which we expect to translate into visible improvement in profitability over the coming quarters. Alongside cost initiatives, our R&D teams are working on diversifying our feedstock mix, including evaluating alternates, which include coal tar. This enhanced supply chain flexibility reduces concentration risk and strengthens our ability to manage volatility across market cycles. Our growth strategy remains volume-led, supported by geographical diversification, efficiency initiatives, new value-added product streams, and improving performance at Aquapharm. We have also taken initial steps towards integrating circularity in our operations, including evaluating the use of tyre pyrolysis oil and end-of-life recyclable carbon black. These efforts are currently at an early stage, but they align with our focus on sustainability, cost resilience and long-term competitiveness. As technology has matured and adoption improves, we expect momentum in this area to gradually accelerate.

In the Specialty Carbon Black segment, the near-term environment has been influenced by slower infrastructure activity and consumer trends and continued capacity addition, leading to lower pricing power. However, our newly developed value-added grades are gaining acceptance in applications such as industrial coatings, supported by their performance characteristics. That said, we are seeing encouraging traction in segments like semiconductors, data centers and AI-led investments. Overall, we remain constructive on the outlook and continue to selectively increase our focus and resource allocation in this segment.

Alongside our ongoing focus on execution, we are progressing with strategic capacity expansion across segments. I will now share a brief update on these projects.

- a) We have commissioned 60,000 MTPA brownfield expansion of rubber carbon black at our Tamil Nadu plant. This takes our total installed capacity to 8,50,000 MTPA
- b) Trial runs commenced for Super-conductive Specialty black grades of 1,000 MTPA at Palej, Gujarat
- c) Pre-commissioning process has started for the Specialty Black line of 20,000 MTPA in Mundra
- d) Nanovace pilot plant project of 80 tons is expected to be live by the end of Mar 2026
- e) Work on the 4,000 MTPA Acetylene black plant has been initiated, and we expect it to be commissioned by the end of FY27
- f) For the proposed Greenfield CB project in AP- we have applied for environmental clearance, and we expect to receive them within a period of 12 months.

We are committed to meaningful investment in technology and digital capabilities also, aligning with our long-term vision.

We firmly believe that the coming quarter will reflect the benefit of all these investments and the India-US and India-EU trade deal, positioning the company on a stronger, more sustainable growth trajectory.

We continue to strengthen PCBL's sustainability and safety performance alongside business execution. PCBL has retained its gold rating from EcoVadis, placing us among the top 5% of companies globally assessed on environmental, social, and governance parameters.

During the year, we have also made measurable progress across our sustainability priorities, including reduction in greenhouse gas emission, specific water consumption, and energy intensity. PCBL's TN plant and Durgapur plant received ISCC plus certification, demonstrating our initiatives towards circularity and responsible consumption and production. Year-to-date, specific water consumption has reduced by 3.9% in Durgapur and 5.3% in Kochi, while specific

power consumption has reduced by 1.3% in Durgapur and 3.6% in Kochi. All manufacturing sites have achieved zero waste to landfill certification, platinum diversion rating. Importantly, we have also maintained a strong safety track record with zero loss time injuries in FY'26, reflecting continued focus on operational discipline and people safety.

Coming to the quarterly performance:

During the quarter, our consolidated sales volume in carbon black business marginally declined by 2% YoY to 141,271 metric tons. Consolidated Revenue from operations during the quarter was Rs. 1,846 crores and Consolidated EBITDA were Rs. 231 crores. Further, in alignment with recent changes in the labor code, we have recorded a one-time provision of Rs. 21 crores during the quarter.

Of the total carbon black sales volume, domestic sales volume grew by 6% YoY to 89,615 tons, while international sales volume decreased by 13% to 51,656 tons in Q3 FY'26.

Moving on to our segment performance:

Tyres accounted for 81,219 tons, performance chemicals 43,352 tons, while specialty sales volumes were up by 17% YoY to 16,700 tons. Power generation increased by 28% YoY from 161 MUs to 206 MUs, with an external sales volume growing by around 33% YoY to 125 MUs as against 94 MUs in Q3 FY'25.

Coming to the nine-month performance during FY26:

Consolidated revenues from operations stood at Rs. 6,124 crores as against Rs. 6,317 crores in 9-months FY'25. Sales volume from carbon black increased 2% YoY to 4,57,092 metric tons in 9-months FY'26 against 4,46,111 metric tons in 9-months FY'25. Consolidated EBITDA for 9-months FY'26 stood at Rs. 834 crores as against Rs. 1,067 crores in 9-months FY'25. Power generation went up by around 14% and sales volume by 18% during the 9 months of fiscal year.

Despite microeconomic volatility and trade barriers, PCBL continues to strengthen its position as a diversified multi-chemistry, anchored in cost discipline, innovation, scalable operations, and long-term resilience.

Now, I would like to talk about our Specialty and Solutions business at Aquapharm. Recently, there has been a change in the leadership at Aquapharm. Mr. Suresh Kalra, who was the CEO of Aquapharm has resigned due to personal reasons. Interim leadership has been placed for effective business continuity and smoother operations.

In coming weeks, we plan to organize an investor day at the Aquapharm facility to take you through the various steps being taken to take the business to the next leg of growth. In the short term, the business faced a challenging external environment. There are different dynamic shaping performances across our key markets. I will take it one by one.

Performance was weak as geopolitical tensions remained elevated like tariffs under few of our products in USA and slowdown in end offtake. Aquapharm reported revenue of Rs. 327 crore and an EBITDA of Rs. 35 crores in Q3 FY'26. Home Care sales volumes declined by 8% on a QoQ basis. Our water solutions business also faced headwinds, resulting in a 26% QoQ decline.

Application-specific solutions remained flat while the oil and gas segment declined by 23% QoQ impacted by lower oil rig counts and frac spreads in the U.S. While lower oil prices have led to more cautious customer behavior and then an indirect impact on realization, but with crude prices stabilizing and moving higher, visibility has improved.

Home care and water solutions are largely supplied from India and U.S. tariffs on biocides and select polymers have impacted part of the business, while impact on home care business is seasonal. This is now expected to improve with the lowering of the U.S. tariffs. However, we continue to focus on our opportunity funnel.

In Q3 FY'26, we saw some strong conversations.

Green chelates

- For GLDA, we received a formal allocation from P&G (MENA and Europe for the first time) and we are also on track to initiate supplies to Henkel from Q1 FY'27 in Europe.
- IDS received REACH registration and initiated commercial supplies in Europe.
- MGDA Liquid initiated seeding through distributors in Europe.

In water treatment,

- From Saudi water authorities, we received a letter of intent from them for anti-scalant for RO plants and anti-foaming for thermal plants (both for the first time).
- New product development- PBTC: initiated sampling of our own produced PBTC across all major water treatment companies

In Oil & gas,

- Initiatives are taken to diversify business geographically. With dedicated hiring across LATAM region and Midland Basin. We are further looking forward to hiring more people to cover other basins as well.
- New product pipeline includes launch of new products to ensure increase in wallet share with all our existing customers.

Recent regulatory tailwinds will lead to a significant uptick in coming quarters.

- China VAT refund of 13% revocation for products like PBTC will help us to expedite sales conversion.
- Constructive positive movement in imposing anti-dumping on China for HEDP and ATMP coming in India should also help.
- India-Europe FTA will also remove the 6.5% duty on our chemical exports.
- And of course, the India-US trade deal agreed at lower tariff at 18% will also help.

We have built a well-researched opportunity pipeline across green chelates, biocides and phosphonates. To support execution, we are strengthening our sales organization and appointing new distributors in markets where we have limited presence such as Africa, Latin America, Canada and Australia, which should enhance our market reach over the coming quarters.

We are also focusing on optimization of our vendor and raw material supply base for Aquapharm.

Now that these initiatives are largely completed, we are confident they will start reflecting in better EBITDA.

With this, I conclude my remarks. Thank you for your attention and I now welcome your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: Thank you, sir, for the opportunity. Just a couple of questions. Sir, when we look in this quarter holistically, overall volumes have seen 23,000 tons decline quarter-on quarter-on-quarter basis. But the realization and gross profit still look okay despite all the tariff related uncertainty. But again, on hindsight, our fixed cost has gone up. So, what has led to this steep dip in volumes and higher fixed costs during the quarter?

Raj Gupta: Aditya, if you look at our quarter-on-quarter cost changes, the fixed overheads have not gone up. So, there is a saving in fixed cost. But operating leverage has played negatively. And consequently, when you look at EBITDA level, then it is slightly lower compared to the last quarter.

Nilesh Koul: In terms of the volume decline, it's predominantly come from a reduction in the export volume. While we maintained domestic market share, the export environment being a little more tricky is where we have lost volume and that's impacted on the bottom-line.

Aditya Khetan: How much volume, sir, we have impacted because of tariff in US?

Nilesh Koul: So, it's difficult to put a hard number on that. One of the things that happened with the US customers was that even when we were competitive, because they were not sure about what the eventual duty structure would be, they were not willing to commit. We shall now see how we engage back with them and get back that volume. So, there's not a particular number I can give you. But yes, it did impact us not being able to convert a lot of opportunities which were being discussed earlier in the year.

Raj Gupta: Last quarter was end of calendar year. And a lot of our customers are in international market for them, that is balance sheet period. And consequently, historically, we have seen some inventory reductions on their books. And which last quarter has also kind of hit us, the changes in inventory level. And consequently, there was impact not only in US, but in number of other geographies also.

Aditya Khetan: Got it, sir. Sir, my second question is, when we look at the current business structure, we have not been able to ramp up Aquapharm, like it has been a very long period of time now. So, what gives us the confidence that in our future businesses, like your Nanovace and your Super-conductive grades, wherein I believe a bigger share of EBITDA going ahead would be coming from the Nanovace. So, what gives us the confidence that, that also would be a linear ramp up or the Company can start the plant, what they have said, considering what has happened in the hindsight in Aquapharm, we have not been able to get that number. Can you let us know how things will move ahead and whatever we have said, can we deliver on that?

Pankaj Kedia: Aditya, on Aquapharm side, while we have not been able to ramp up in the past, that point is true. But a lot of steps have been taken in the recent past and a lot of regulatory tailwinds are also supporting us now, which gives us a belief that next financial year, we will see a significant ramp up on the volume side. If you recall, we almost added 30% of capacity in Aquapharm in the last couple of quarters, first half of this year. And those were those products where we were seeing customers demanding products. Having commissioned those capacities, it takes some time to ramp up those capacities, which we believe will start happening going forward.

Secondly, if you see on multiple product sides, practically, primary reason of Aquapharm not doing well in the last quarter was a decent degrowth in the oil and gas business, where lower crude prices were kind of impacting in terms of customer demand to us. But with crude slightly moving up, we believe that demand should pick up. On some of the other products, specifically on the green chelates side, where we have in the past also spoken about a very large opportunity, because we see very specific movement from the customer side requirement towards green chelates. We have added capacities in the past for green chelates. We are working on new capacity addition on green chelates and from the existing capacities, which we have in the past, we have now, after a lot of effort and product approvals in place, we have started getting orders. As Nilesh mentioned in the call, for the first time, we have got an allocation from P&G. And from Q1, we are also looking to initiate initial supplies to Henkel. And as these top-end, top-tier customers in Europe and then in US also start accepting our product, probably a few quarters down the line, we are expecting significant growth in the green chelates portfolio. From the

Saudi facility, which we have, we have received a letter of intent for some of the anti-scalant products, which will add a decent volume to us next year. On the oil and gas segment, we were primarily not present on the Latin American market, which we believe, will now open up. And while it is a little early, but again now Venezuela becomes a market for us, which was practically not available. Also, there are a couple of regulatory tailwinds, which I am re-highlighting to you, which is on the PBTC product, the 13% VAT removal from Chinese side, will now ensure that our margin on PBTC will move up significantly. And it's a reasonably decent portfolio for us. And last year in September end, we filed an anti-dumping petition with DGTR for our HEDP and ATMP product, and have already spent almost four months on that. The investigation is in process. As and when the ADD is imposed on these products, you would see a meaningful increase in both the revenue and bottom-line contribution from them. So, I think overall, while Aquapharm has not grown as we anticipated, but we believe in the coming few quarters, you will see a gradual upward movement in both topline and contribution.

Nilesh Koul:

If I can take on the Nanovace question, I think what you should get confidence from is, we have put together a very strong project management framework in taking this product from lab to commercial, with very strong engagement with customers, already on the pilot stage. Dedicated teams being hired ahead of time. And I think rigor in execution is something that we are prioritizing with strong project management. I think we are very confident that we will be able to take it to the commercialization stage as per the plan.

Aditya Khetan:

Got it, sir. So, putting things into perspective for Aquapharm, you have said like you are also starting Henkel supplies in Europe by 1st Quarter, anti-dumping duty imposition on HEDP and all. So, putting these things like what sort of volume growth we are anticipating in Aquapharm for the next two years? And similarly, in Carbon Black, is there any change in the volume guidance which we have earlier stated?

Pankaj Kedia:

On the Aquapharm side, I think we should be comfortably looking atleast a 20% volume growth next year.

Aditya Khetan:

But sir, this volume growth figure of 20% was despite the current order of Henkel and all these anti-dumping duties. So, ideally, it should be much higher?

Pankaj Keida:

It should be higher. Some products are under approval stage and supply ramp up takes time. So, we have conservatively estimated at that number. We will be happy to report higher growth going forward.

Aditya Khetan:

And on the Carbon Black side, sir?

Nilesh Koul:

On the Carbon Black side, again, we should be seeing growth. As I talked about earlier, we have commissioned and started up an additional soft line in TN, which should demonstrate that we are confident that volumes are going up. Both in the domestic market, it will be in line with the growth of the market. And in the international market, we expect to grow market share. So, you

should see strong growth coming in. We are already seeing some green shoots in Q4 itself. But the real value will start coming in from Q1-Q2 next year.

Aditya Khetan:

Got it. Sir, just one last question. So, when we look at the spread cycle of history, today we might be standing at the lower of the spreads. And quarter-after-quarter, management has reiterated that this is the bottom. But every quarter, we see a new bottom in spreads. So, just I want to know, considering all the negatives today what we have, and we are seeing US volumes ramp up inside. Is it fair to say, so this number could be the bottom, and from here on, we could see better numbers only? And on the demand side from the tyre customers, is there any visibility you're getting in the export market and in domestic market, whether we could inch up volumes further?

Nilesh Koul:

As I said, the domestic tyre market demand is robust. We should be expecting single-digit growth, but strong single-digit growth, I would say between 5-6%. So, tyre demand will continue to grow. And I think we can confirm that this quarter is the turning point with both international volumes shaping up and the growth returning. I think you should expect better performance going quarter-to-quarter.

Aditya Khetan:

Got it, sir. Thank you. That all from my side.

Moderator:

Thank you. The next question is from the line of Suyash from Mangaldas Venichand Trades and Investments LLP. Please go ahead.

Suyash:

Thank you for taking my question. I wanted to know about the Nanovace project. The pilot project is in place. So, can you tell me more about this?

Nilesh Koul:

So, Nanovace is a project we are entering into the battery energy segment. This is a partnership with an Australian company. So, the concept in terms of Nanovace is a new way of making the product and we are already engaged with customers in validating the properties of the product. And we have got very, very interesting and encouraging returns from them. After the pilot project is done in March, we expect a validation period of a few months before we look at final ramping up of the capacity. This is a significant growth opportunity for PCBL to diversify and get into the battery materials industry.

Suyash:

Okay. And what is the expected revenue and EBITDA margin from this product for FY'27 and FY'28?

Raj Gupta:

Commercialization of this product is going to take some time. We are planning to put up a 2,000-ton commercial plant. And at full utilization level, it should generate somewhere around close to about Rs. 1,700 crore kind of topline and almost 50% of that going to bottom-line. But the full utilization is going to take beyond FY'28. So, our sense is that it should be end of FY'29 or beginning of FY'30 that we will reach the quarterly full run rate of utilization.

Suyash:

Okay. So, that means the Rs. 1,700 crore topline will be achieved after '28?

- Raj Gupta:** No. So, while the commercial plant should come up by end of FY'28, utilization thereof will still take a few more quarters. It can take 4 to 6 quarters or maybe even more. This is a little early for us to comment on that. But at full utilization level, it should generate about Rs. 1,700 crore topline and about 50% of that should be flowing down to bottom-line.
- Suyash:** So, the commercialization will be end of FY'28, not '27. I thought this was in second half of FY'27?
- Raj Gupta:** Correct. You are right.
- Suyash:** Okay. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Radha from B&K Securities. Please go ahead.
- Radha:** Hello, sir. Thank you for the opportunity. Sir, in the investor meet, you had suggested that there will be no debt reduction in the next three years as you are planning to go for higher CAPEX, which was I believe about Rs. 3,200 crores. But the recent presentation mentions that there is a release in working capital and which was used for reduction in debt. So, I wanted to understand, is there any change in strategy on the CAPEX and debt front?
- Raj Gupta:** So, Radha, we are largely through with our ground field expansion. We just commissioned, one soft line in Tamil Nadu, this quarter. And while the other line is also ready, I mean, the commissioning might take a few more months, but the CAPEX has been incurred. For Andhra Greenfield, we have applied for environmental clearance. And again, based on our past experience, we think that it will be good 3-4 quarters before we get the clearance from government to start the project. So, next one year, the CAPEX intensity is going to be very low. Now, coming to the debt side, at the beginning of the year also, we said that we are trying to make our working capital cycle more efficient. And that's where we have worked. So, partly because of our being able to negotiate better credit terms with our vendors and our customers and better inventory management, we have been able to reduce the overall working capital. And also because crude came down in this period, so that has also supported. Now, on a net debt basis, there is already a reduction of about Rs. 400 crores plus in the first 9 months. And we believe, that by end of this year, we should see about a couple of hundred crores reduction in the debt.
- Radha:** Sir, how much CAPEX are you expecting for FY'26 and FY'27?
- Raj Gupta:** FY'26, it will add up to about Rs. 550 odd crores. So, far, we have spent about Rs. 400 crores. There's one specialty line which is under way currently, but that's the number for the current year. Next year, it should be somewhere around Rs. 300-400 odd crores.
- Radha:** So, FY'26 is Rs.550 crores and FY'27 is Rs.300 crores to Rs.400 crores.

- Raj Gupta:** In FY27, we expect sub Rs.400 crores capital expenditure, which includes maintenance CAPEX and CAPEX on Nanovace. One acetylene black line would come and maybe some small capital expenditure in Aquapharm.
- Nilesh Koul:** Operationally, Radha, for next year, we will be spending more effort on utilization rate improvement in India because we have lines which are yet to get commissioned, which is what will happen by the end of this quarter so that we will have effective capacity available next year, which is in line with the growth ambition we have earlier talked about.
- Radha:** Sir, actually, previously, our CAPEX guidance was more aggressive than the current numbers. So, that was because we were expecting higher growth in terms of volumes in our business. So, since you have reduced the near-term CAPEX estimates, is there also a reduction in terms of volume growth that you were expecting previously in your business versus now?
- Raj Gupta:** Radha, in terms of the mid-term to long-term prospects of the industry, the dynamics remain very positive. And therefore, the guidance that we gave, we are on track to achieve that. And therefore, we have acquired this land in Andhra and applied for environment clearance. But these are all regulatory processes which take some time and therefore, this delay in incurrence of capital expenditure. But Brownfield expansion, we have already completed. There is some Brownfield expansion which will happen next year. And by that time, we will also receive environmental clearance, and we will start working on the first phase of Andhra. So, from 4 to 5 years kind of a perspective, we remain very much on track.
- Radha:** And from next one year perspective, sir?
- Raj Gupta:** Next one year perspective also, Nilesh just mentioned that domestic market, we expect to grow at industry growth rate about higher single digit, maybe around 5-6%. And in the international market, we are still very small compared to the overall opportunity. And that's where we are trying to garner a bigger share. We have plans to invest more in infrastructure, which will give us inroads into some of the high margin markets.
- Radha:** Can we expect double digit growth in international market, mid-teen?
- Raj Gupta:** I don't think, very honestly speaking in immediate next one year, because the geopolitical situation is still very volatile. We are targeting double digits, but I think in FY'27, it will be a very high single digit.
- Radha:** Sir, secondly, the PPT mentions that Company has embarked upon a cost optimization drive in Carbon Black segment, which can reduce the cost by 200 crores. So, first question is, can this be done in ACPL also? And second, if you can give us some roadmap as to which are the, I mean, if there is a yield improvement then from what to where are we targeting? So, any more color on this?

Nilesh Koul:

So, it's a widespread project that we have taken, which is multifaceted. So, it starts with procurement, where we are looking at diversifying our feedstock. So, we expect 1-2% improvement there. In yield, across different grades, we are expecting further improvement. This is project where we have already finished our pilots and now, we are looking at expanding and horizontally deploying these solutions. On productivity improvement also, through the use of digital and analytics, we have got projects now which will deliver productivity improvement for us as well. Even on quality side, we are going to be looking at reducing off-spec production within the production cycle. This is not quality that goes to the customers that we are very, very good at. But within the manufacturing process, any off-spec generation reduction improves both yield as well as productivity. So, we will look at that. On logistics, there is an opportunity for us to improve. And as I said, on the procurement side also, we see opportunity to improve our costs. So, we have spent the last 60 days identifying these projects. And they are now in the execution phase. Of course, we won't have a 100% hit rate. But we are fairly confident that this program is going to deliver on the promise that we are making today.

Radha:

Okay. And the last question to you, Mr. Koul. So, since you joined, which has been three months, you must have understood about the Company and the pain areas of the Company. So, according to you, what are the current pain areas and what changes are you planning to bring to create value for the shareholders?

Nilesh Koul:

I think, yes, it's been nearly three months now and I have visited all our plants and met up with a lot of our customers. I think what I can confirm to you is that the fundamentals are very, very strong. I think we have got excellent people. There is a huge amount of ownership. There is excellent execution on the field that is happening. And, there is a willingness and openness to change. And therefore, we are embarking on some of these projects with the help of external consultants as well. So, what we have already started doing is getting some external consultants and experts to advise them on some of the projects I was talking about earlier in terms of yield and in terms of productivity improvement. And I think in terms of the feedstock diversity, that's an opportunity for us to leverage. The other opportunity for us to leverage beside the value-added part of the business, which is Nanovace and other battery materials, where we are strengthening the team and creating more focus, is that key account management with international players, which also requires us to invest in the supply chain assets in specific geographies. Especially with the improvement in FTAs, which are coming through Europe, certain geographies will become very interesting for us. So, it's not just about appointing a distributor or supplying directly to the customers. One of the areas we will try to improve is to reduce the lead time for customers by putting in supply chain infrastructure in specific geographies, not everywhere, but in a few specific geographies, which we believe is one of the keys asks of the customers. So, with these initiatives, I think we have the people to do it. We have the focus to do it. And we have now embarked on creating a roadmap on which each of these milestones is going to be tracked very rigorously to deliver on the promises that we make. I hope that helps.

Radha:

Yes, sir. Thanks and all the best to your team.

- Moderator:** Thank you. The next question is from the line of Sanil Jain from Ambit Capital. Please go ahead.
- Sanil Jain:** Hello. Just one question I have, what is the EBITDA per ton for the carbon black business for the 3rd Quarter, as well as the 9-month of FY'26? And do we expect to maintain the guidance of 25,000 per ton over the next 2-3 years?
- Raj Gupta:** Well, third quarter, we had Rs. 13,800 EBITDA per ton. And this number is for 9-months Rs. 15,300/ ton. What was the next question, Sanil?
- Sanil Jain:** And the guidance.
- Raj Gupta:** Yes, so beginning of the year and earlier earning calls, we had spoken about all the initiatives we are taking on our product portfolio improvement side, manufacturing efficiency and the operating leverage playing its role as we grow higher in terms of volumes and capacity. All of that, I am not talking about immediate short term, but 4-5 years, we stick to our earlier guidance. The potential is huge. And we should be reaching somewhere near Rs. 24,000-25,000/ ton in next five years. That's how we see it.
- Moderator:** Okay. Thanks. That's all from my side.
- Moderator:** Thank you. The next question is from the line of Ashwini Singh from Santosh Finlease Private Limited. Please go ahead.
- Ashiwani Singh:** Okay. So, sir with the European FTA and American tariff reduction in place, so would you like to quantify what percentage gains in volumes you expect in exports for FY'27 and considering crude at \$65, which is lower than your comfort zone of \$72- 75, what should be the overall margin profile of PCBL in FY'27?
- Raj Gupta:** Okay. I will answer the second part of the question. The first part, I will let Nilesh to answer. Crude as such doesn't impact our margin in absolute terms. So, the movement in crude becomes built into the pricing and passed on to the customers on a very macro level. I mean, there are some segments, of course, which is kind of impacted by change in crude prices, but it is more about demand and supply dynamics than the movement in crude.
- Nilesh Koul:** So, in terms of the volume, I think it's a dual question. One, what we did when the tariffs went up from 10% to 50% is we stayed engaged with our customer base, which did result in us taking a little bit of a hit on profitability. But we were expecting that tariffs would settle down, which is what has happened right now. However, it will take us a few months before the customer switches back over to us. So, I expect growth to happen in terms of volume as competitiveness improves with the US and European customers. The other element which we have to focus on is also the building of supply chain infrastructure in these locations, which is something that we have embarked on. I think a combination of that will deliver volume growth. I am not able to quantify it for you right now, but I expect strong growth from both these markets, especially

with focus on a few select territories where we believe the investment in local supply chains will impact both volume as well as profitability.

Ashiwani Singh: Okay. And sir, I have one more question. So, would you like to stick to the FY29 PAT guidance of Rs. 2,500 crores as were claimed by the earlier MD of PCBL around, I think in 2024, or do you wish to postpone or revise that guidance?

Raj Gupta: No, we don't want to make any changes in our long-term guidance now because all the levers which we built into our numbers for FY29, those work in progress, very much work in progress.

Ashiwani Singh: One last question is like this quarter, there was no dividend declaration. So, this is probably the first time in many years in Q3, there is no dividend. So, earlier in Q2, you had a dividend, but it was termed to be an interim dividend. So, would you like to comment anything about what should we expect on the dividend policy going forward?

Pankaj Kedia: Typically, if you see last few years, the board has declared the interim dividend either in Q3 or Q2. And while last financial year, it was in Q3, this time the board chose to deliver in Q2. And currently, I think at the board, there was no proposal to go for any further round of dividend. So, overall, in the past few years, typically, we have been maintaining a payout of 40-45% to 50% kind of a range. And generally, we should be able to maintain that going forward.

Ashiwani Singh: Okay, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Disha from Sapphire Capital. Please go ahead.

Disha: I just wanted to know what's the total CAPEX that we are spending on the Nanovace plant?

Raj Gupta: On the commercial pilot plant, it would be just about \$4-5 million. On the full-scale, our current estimate gives us a number of about between \$25-30 million.

Disha: And this we are expecting to commercialize by the end of FY'28, right?

Raj Gupta: Yes.

Disha: Okay. So, what's the utilization that we are targeting for FY'29?

Nilesh Koul: So, this is something that we will have a better hang of after the pilot results are in and further qualification of the material happens. But we expect after qualifications, the ramp up to be fairly quick.

Disha: Okay. So, can we expect to reach peak by the beginning of FY'30?

Nilesh Koul: FY'30, I think we should be seeing closer to where we want to target in terms of utilization. But as I said, it will require us to work on further downstream applications of Nanovace and work

with customers and see how that supply chain improves as well. But yes, we are confident that the ramp up will be fast.

Disha: Okay. All right. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: Thanks for the opportunity. I have got a few questions. First, on Europe, the Euro 7 norms are being proposed to be started from November of this calendar year. Where for the first time, there is a pollution norm getting introduced for the braking and the tyre, which should mean that there will be much stricter regulation. And hopefully, that should benefit somebody like us who has a stronger legacy in the carbon black business. Are we preparing anything for that? Or is that, I be a game changer for us in terms of winning more market share and all? Can you help us understand that?

Nilesh Koul: So, we are working very closely with the customers in developing new solutions for them. And, you're absolutely right. Our hope is that we should be able to increase our market share in the European tyre customers. We are also working in our Belgium R&D center on developing unique solutions for the EV ecosystem as well, because that's where a lot of growth and request for innovation has come from customers. So, on both these fronts, we are working very closely with customers. It should benefit us in the medium to long term.

Sanjesh Jain: Got it. Second, now that crude has stabilized, has increased from the lows we have seen, I think there could be some demand from the restocking. Are we looking at some restocking demand because crude is stabilizing or moving up? Any of those signs are visible today for us?

Nilesh Koul: As of now, we haven't seen too much of that yet. But let's see if the uptick continues because there are different models people are using in terms of what the trajectory is going to be. We haven't seen any uptick right now, but if there is, we will be more than happy to support that.

Sanjesh Jain: Got it. My third question is on the domestic business. It appears that auto is doing very, very well. While domestic sequential numbers have declined, anything that we have picked up for us to not do as good as auto OEMs?

Nilesh Koul: I think there is one is the seasonality issue, which played a little bit of a role in Quarter 3. Second is that, there has been additional capacity in the domestic market, which has come in as well. So, there is some jostling for market share, which has happened. However, our market share with tyre companies continues to be robust and we continue to stay engaged for long-term relationships with them, which are beyond transactional in terms of co-creating and working together for long-term strategic partnerships, which should help us continue to stay in a good strong position in the tyre market. But yes, we expect to leverage the growth, which we are expecting from the domestic tyre market which will be around 5-6% growth next year as well.

- Sanjesh Jain:** Got it. One last question on this U.S. tariff side. Earlier in the call, we have mentioned that the U.S. business was not profitable due to the tariff. This was still yesterday. Today, we have an 18% tariff. Does the U.S. business become profitable equal to the existing run rate with the 18% tariff or we will still see this 18% is increased from zero? That will still have some kind of an erosion in the profit from where we started, say, a year back?
- Nilesh Koul:** No, we should see a significant improvement. So, we started from a 10% tariff, where the effective tariff on us is roughly around 4%, because we source CBFS from the U.S., so there is an offset that we get. This 18% also will see the effective rate being less, maybe around 8-9% or so. So, we definitely, see margin improvement happening. And, equally importantly, we hope to see volume improvement happening as well as customers gets more confidence on the stability of the tariff rate. The customers were more worried about the instability and unpredictability of the tariff than on the absolute numbers. So, we should see improvement in both.
- Sanjesh Jain:** India now relatively tariff lower within the Asia peers. Will that put us in a better position to supply to the U.S. versus Chinese?
- Nilesh Koul:** Short answer, yes. But as I said, we need to do more work. We need to put in the infrastructure. We need to wait for some of the customers who have entered into medium term agreements with their other vendors, local vendors, so that it might take a little bit of time. But yes, definitely on the overall, we should see better competitiveness from us compared to some of the other Asian players.
- Raj Gupta:** And China doesn't supply much to the U.S. It's very small. I mean, they do annually some 10,000 tons to 15,000 tons to the U.S.
- Sanjesh Jain:** Okay, that's it. I think the tyre supply has increased. I think that is where at least global carbon black OEMs have been talking of significant dumping of tyres from China to North America and South America. That scenario is not changing, right? Or you think Indian tyre exports will become now competitive? Because I think Section 232 remains unchanged. At least that's what the news says.
- Nilesh Koul:** Yes, we will have to observe it. But yes, you're right on that. And there is, of course, also additional capacity being set up in Latin America as well as America on the tyre investments. So, in the medium term, we should see more demand for carbon black as tyre capacity increases there.
- Sanjesh Jain:** Got it. That's it from my side. Thanks for answering all those questions and best of luck for the coming quarters. Thank you.
- Moderator:** Thank you. The next question is from the line of Bharat Seth from Quest Investment Advisors. Please go ahead.

- Bharat Seth:** Hi, sir. Thanks for the opportunity. All my questions have been answered. I have only one question when we are talking of yield improvement. So, what kind of improvement currently we have at Tamil Nadu, which is a new plant vis-à-vis old plant and where do we have a strategy to improve when you talk about yield improvement measure?
- Nilesh Koul:** So, just to give you some of the interventions we are looking at is, for example, the type of refractories we are using, we are getting international consultants to come and support us in that and minor CAPEX investments to improve efficiency. So, we should see a 1-2% improvement in the near term with some of the interventions that we are planning.
- Bharat Seth:** Near term in the sense that when you are talking of two-year plan, correct? Is that we are understanding?
- Nilesh Koul:** That improvement might come earlier. As I said earlier, we have done a pilot test and there we have been able to realize the yield improvement. And now it's about horizontally deploying this across the other plants.
- Bharat Seth:** Okay. And medium term, what kind of improvement are we looking for?
- Nilesh Koul:** I think, we are looking at a minimum 1-2% improvement. Of course, there are multiple other initiatives. This one is attributable to one specific new intervention that we are making, but there are other projects being identified which might take, there'll be different phasing for multiple different initiatives to come into play. But I would say over the next two quarters, we should start seeing this improvement.
- Bharat Seth:** Okay. Thank you and all the best.
- Nilesh Koul:** Thank you.
- Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Hi, good afternoon, sir. Just wanted to check, sir. Can you share the geographical mix of your exports? Apologies, if we have already shared that and I missed in the initial remarks.
- Raj Gupta:** In international market, about ~50% goes to Southeast Asia, about 20% to Europe, 13-14% to US. And rest is spread across Middle East, Africa, and Australia, New Zealand.
- Shashank Kanodia:** Right. So, this is for the current quarter or is this at a normal level? Does it factor your decline in US?
- Raj Gupta:** I am talking about the average of current year. Earlier, I mean, 2-3 years back, our Asia weightage was much more. It was more than 65%. And Europe was very small, about 4-5%. So, from there, our North America and Europe volumes are on an increase.

- Shashank Kanodia:** Okay. So, effectively, 13-14% volumes will tend to benefit from the reduced US tariffs, right?
- Raj Gupta:** It is not exactly US tariffs. Like, I tried to explain that there's also inventory destocking, partly because of December being balancing month for a number of our international customers. And crude price has seen some correction, continuous correction. And when that happens, typically the inventory level goes down in the system. So, both things and also, in some of the markets, some of the customers where our margins were very low, we took a conscious call to reduce volumes.
- Shashank Kanodia:** Sir, in the case of Aquapharm, you have the manufacturing facilities spread across US, Middle East and India. So, from India, do we export to US in the case of Aquapharm as well?
- Nilesh Koul:** Yes, we do.
- Shashank Kanodia:** And what proportion?
- Raj Gupta:** That's very small. That's more of raw material for some of their end products. But in terms of overall percentage of India business, it will be like 4-5%.
- Shashank Kanodia:** Right. And sir, in our broader scheme of things, we were supposed to spend Rs. 3,000 crores on incremental growth CAPEX, right? And you have considerably downward revised your CAPEX guidance for this next year. So, by 2028 onwards, do we pent up our CAPEX spends or it's going to be at a similar level going forward as well?
- Raj Gupta:** No. So, when we spoke about CAPEX spend, that was kind of addition of all the Brownfield expansion, Greenfield expansion, the new project in the conductive segment, and also bit for the Aquapharm. Part of that expenditure, Shashank, we have already incurred, like the Brownfield expansion in Tamil Nadu is complete. The specialty expansion in PCBL Mundra, that is also about to get completed. The pilot plant of Nanovace is ready. Acetylene black plant will come up next year. So, it is not that we are cutting down on the size of our expansion plan. It is only that part of that we have already incurred and part is waiting to get started, pending some approvals from the government, which is Greenfield primarily.
- Shashank Kanodia:** You were supposed to do a Brownfield expansion of 90,000 tons in Tamil Nadu, right?
- Raj Gupta:** So, that 90,000 tons included one soft line and one hard reactor. The soft line, 60,000 tons, that is already commissioned. The hard line is currently under trial run and we would announce commissioning of that too soon.
- Shashank Kanodia:** Okay, thanks. And sir, is there any possibility of advancing commissioning of a Nano-Silica plant because that is something which is interesting?
- Nilesh Koul:** So, it's a new technology. So, we want to take it step by step. We want to ensure that the pilot project goes well. So, we have enough adequate focus on it. We are continuing engagement with

the customers. But I think it's best to do it in a structured step-by-step way rather than trying to rush it and then sort of not being able to deliver on the promise. So, as I said, new technology, we should have the pilot on time and engagement with customers will dictate if we want to fast track this or not.

Shashank Kanodia: Are FY'30 plants included 2,000 tons of Nano-Silica plant to commission, right? Or is it now scaled back to 1,000 tons?

Nilesh Koul: No, we have not made any changes yet. As I said, the pilot project will dictate the next steps on this one in terms of timing. But as of now, we continue to hold on to that the next phase will be a 2,000-ton plant.

Shashank Kanodia: And sir, one last thing, in the case of Aquapharm, last call guidance was 75% EBITDA at the existing run rate. So, do we stay by that guidance for Q4 for the case of Aquapharm?

Pankaj Kedia: Next quarter, we expect improvement from the current run rate. But yes, the EBITDA guidance will be slightly delayed.

Shashank Kanodia: Right. And on the dividend payout, sir, you said that you maintain tend to be at 40-45% of PAT. Last quarter, you already distributed 226 odd crores. Do you feel you've gone overboard on dividend payout this time?

Pankaj Kedia: From the current quarter profitability, if you add up, the overall payout will look high. But from a normalized level, it would still be 45-50% kind of a payout.

Raj Gupta: One thing I will add here, Shashank, the visibility around performance and cash flow remains very strong. And therefore, the board has decided not to reduce dividend payout for now.

Shashank Kanodia: Sure, sir. Thank you so much and wish you all the best.

Moderator: Thank you. The next question is from the line of Aditya Khetan from SMIFS Institution Equities. Please go ahead.

Aditya Khetan: Thank you, sir, for the follow up. Sir, my question is on to the feedstock. Sir, you mentioned that you are looking at coal tar also as a feedstock. And some 1-2% benefit from it. So, currently our raw material mix is of the CBFS, which is a mix of feedstock like anthracite, quinone and petroleum oil. So, then moving towards coal tar or carbon black oil, how benefit it is in the near term? And also, can you share the difference in price between CBFS and CBO as on today?

Nilesh Koul: So, we have predominantly been operative in the CBFS, which comes from the crude. And now we are looking at diversifying. So, it's a strategy to diversify and sort of ensure that in different market cycles, we are equipped to mix and match. The other advantage is that we produce a lot of different grades and types of products, which have different quality requirements in specifics, like, for example, Sulphur, as an example. Now, if you are able to blend the products together,

we should see improvement in both being able to deliver quality at a lower cost, as well as diversifying our sources of feedstock. So, it's more in that direction. So, we continue to work on it. In the past also, we used to use coal tar-based products as well. So, it's a question of optimizing that flow and building optionality for ourselves.

Aditya Khetan: Got it, sir. And the difference, sir, in prices?

Raj Gupta: Currently, it is about \$200 per ton.

Aditya Khetan: Okay. got it. Sir, my second question is on to the EBITDA per kg number, which you have mentioned of Rs. 24-25 per kg. So, these number includes the new-age businesses EBITDA also, or this is your core carbon black EBITDA?

Nilesh Koul: No, that is carbon black.

Aditya Khetan: Okay. So, sir, carbon black EBITDA, like Rs. 24-25 per kg, seems like on the higher side, because the current number looks quite lower. So, what is that confidence like into, to get this sort of a number?

Nilesh Koul: I think we are looking at both sides, in terms of efficiency improvements, so that there is a cost reduction, as well as realizing better premiums, given we are going up the value chain in terms of different types of carbon black products as well. So, combination in the medium term, we are fairly confident that we will hit that number.

Aditya Khetan: Okay, sir. Got it. Thank you.

Nilesh Koul: Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.