"Indo Rama Synthetics (India) Limited
Q2 & H1 FY27 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day and welcome to the Indo Rama Synthetics (India) Limited Q2 H1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashok Yadav, Company Secretary and Compliance Officer, Indo Rama Synthetics India Limited. Thank you and over to you, sir.

Ashok Yadav: Thank you. Good afternoon, ladies and gentlemen. I welcome you all to our Earnings Conference Call to discuss the company's Q2 and H1 FY27 performance. Joining me today are Shri. Om Prakash Lohia ji, Chairman and Managing Director; Mr. Vishal Lohia, Executive Director; and Mr. Umesh Kumar Agrawal, Chief Commercial and Financial Officer of the company.

It is a pleasure to reconnect with all of you. We appreciate your continued interest in the company and thank you for taking the time to join us for this interaction. We look forward to continuing similar interaction through regular earnings calls and sharing updates on our performance, business priorities, and progress.

Before we begin, please note that some statements made during today's call may be forward-looking and are subject to risk and uncertainties. Actual results may differ materially from those expressed or implied. Please refer to our investor presentation and other disclosures available on the company's website for further details.

With that, I now hand over the call to our Chairman and Managing Director, Shri. Om Prakash Lohia ji, to share his opening remarks. Over to Chairman sir.

Om Prakash Lohia: Thank you, Ashok. Good afternoon, everyone, and a very warm welcome to the earnings con call of Indo Rama Synthetics (India) Limited. I thank you all for joining us to discuss our performance for Q2 & H1 FY '27.

Let me begin with a brief introduction. We are part of Indorama Ventures, a Thailand-headquartered, global sustainable chemical company with an integrated presence across the value chain. As one of the world's leading PET producers and recyclers, the group brings considerable scale, technical expertise, global process know-how, and established customer relationships across packaging, fibers, and specialty chemicals.

Being part of this global platform provides Indo Rama Synthetics with access to technological capabilities, international best practices, tactical collaboration, and global market insights, strengthening our competitive position and supporting our focus on operational excellence, product development, and sustainable long-term growth.

Further, talking about Indo Rama Synthetics, we carry a legacy of 40 years with a diverse portfolio comprising polyester staple fiber, filament yarn, textured yarn, polyester chips, and bottle-grade PET resin. Through this portfolio, we serve a diversified B2B customer base, including yarn spinners, non-woven manufacturers, fabric weavers, knitters, and preform, bottle,

and packaging manufacturers. These customers convert our product into materials used across apparel, home furnishing, hygiene, automotive, industrial textiles, and packaging.

Our customer reach spans 19 states and Union Territories in India with exports to 28 countries, contributing 5.59% of our total operating revenue. This presence across domestic and international markets allows us to serve multiple industries and reduces dependence on any single end-use segment.

Supporting this customer base is our integrated manufacturing facility at Butibori, near Nagpur. We are one of the India's leading integrated polyester manufacturers with capacity of 6.72 lakh tonnes per annum, including 2.31 lakh tonnes of polyester staple fiber, 1.7 lakh tonnes of draw textured yarn, and 2.28 lakh tonnes of bottle-grade PET resin.

The facility is supported by 71.08 megawatts of backup captive power capacity and a sanctioned DISCOM load of 51 megawatts, providing power supply flexibility for plant operations. Across our manufacturing process, we also draw our technology from partners including Chemtex, Oerlikon, Teijin, Toyobo, Zimmer, etc.

Over the years, we have continued to invest in our manufacturing capabilities and broaden our product portfolio. These investments have shaped our recent operational journey and laid the foundation for the next stage of growth.

I now invite our Executive Director, Vishal Lohia, to take you through the journey, our operating progress, and opportunity ahead. Over to you, Vishal.

Vishal Lohia: Thank you, Mr. Chairman, and good afternoon, everybody. Let me begin with our investment journey, which provides the context for our current performance. FY23 and FY24 were periods of significant investment and operational transition. We invested approximately INR628 crores during these two years to expand our manufacturing capabilities and diversify our product portfolio.

During 2023, we completed three important additions. In February, we increased polyester chip production capacity from 1,743 tonnes per day to 1,920 tonnes per day through debottlenecking. In June, we commenced commercial production of bottle-grade PET resin with a capacity of 2.28 lakh tonnes per annum. Around the same time, our subsidiary commenced 39 additional DTY machines, textured machines, taking its total installed textured yarn capacity to 1.75 lakh tonnes per annum.

While these investments strengthened our manufacturing base, the commissioning and stabilization period coincided with challenging market conditions, coupled with QCO imposition then on PTA and MEG along with end products PSF and POY.

Subdued demand, pressure on realizations, competitive imports, and geopolitical disruptions affected the business. Higher borrowings and finance costs also weighed in on profitability. Capacity utilization stretched, stood at 58% in FY23 and declined to 55% in FY24.

In FY25, we shifted our focus towards stabilizing these facilities and getting more from the expanded asset base. We worked on production efficiency, cost control, and ramp-up of our PET resin and textured yarn capabilities. Growth capex in this year moderated to approximately INR20 crores, while utilization recovered to 58%. As the new facilities began contributing and market conditions improved, we returned to profitability.

Building on this recovery, capacity utilization increased to 68% in FY26, compared to 58% in FY25, while growth capex moderated in this year to around INR5 crores. Our priority was to improve output from the investments already made and strengthen operating performance. This progress has continued in FY27, with further improvement in profitability, including in Q2.

PET resin and value-added textured yarn are contributing alongside our established polyester products. Better utilization, operating efficiencies, and cost discipline have supported this performance, reflecting the progress made in stabilizing operations and improving our product mix.

Alongside this operational progress, we remain mindful of the external environment. Geopolitical uncertainties, particularly in West Asia, continue to pose risk to energy and petrochemical supply chains, disruptions around key shipping routes, including Strait of Hormuz, is affecting raw material availability, freight, and insurance costs.

Movements in crude oil prices, PTA and MEG cost, and exchange rates also require close attention. We continue to manage procurement and inventories carefully, with a focus on serving our customers reliably. Beyond domestic demand, the India-UK trade agreement, which came into force in July 2026, creates opportunity for our downstream textile customers.

Looking ahead, implementation of the India-EU FTA and progress towards a bilateral trade agreement with the US could further improve export opportunities, subject to final terms and approvals. Over time, better access to these markets could support demand across the textile value chain, including for polyester fiber and yarn.

On the raw material side, investment in domestic PTA capacity is another positive development. Indian Oil 1.2 million tonne per annum project at Paradip and GAIL 1.25 million tonne per annum facility at Mangalore could broaden domestic sourcing options as production becomes available and stabilizes.

This could reduce exposure to import-related shipping disruptions and lead times. While the benefits will depend on supply reliability and competitive pricing, a stronger domestic raw material base would support the industry long-term competitiveness in enhancing domestic and export markets.

Against this background, our next investment is focused on specialty products. Our board has approved approximately INR200 crores of additional investment across the company and its wholly owned subsidiary, Indorama Ventures Yarns Private Limited. This is a fresh investment, separate from the investments done earlier.

The projects will expand into specialty filament and specialty fiber production at Butibori in the same complex, complementing our existing portfolio. Commercial operations are expected within Calendar Year 2027 with funding through combination of term loans and internal accruals.

Based on the current estimates, we expect around 15% growth in top line, and a 20% growth in EBITDA because of this investment, with a payback of less than 2 years, subject to execution, ramp-up, and market conditions.

Our focus going forward is clear, to improve utilization of existing facilities, maintain cost and reduce cost, and financial discipline, and execute the specialty expansion in a timely manner. Coming to our financial performance, the progress I have outlined is reflected in our Q2 results. Total income grew 10% year-on-year. EBITDA increased by 46.4% and profit after tax rose by 201.8%.

For H1 FY27, profitability improved despite lower total income, due to supply chain issues, alongside stronger operating cash flow and reduced net debt. Now, Umesh ji will take you through the financial performance in greater detail. I would like to thank our customers, employees, suppliers, lenders, shareholders for their continued support.

With this, I now hand over the mic to Umesh ji. Thank you very much.

Umesh Kumar Agrawal: Thank you, Vishal sir. Good afternoon, everyone. I will take you through our consolidated financial performance for Q2 and H1 FY27. Let me begin with Q2. Total income increased 10% year-on-year to INR1,344 crores, compared with INR1,222 crores in Q2 FY26. EBITDA increased 46.4% to INR117.7 crores compared with INR80.4 crores in the corresponding quarter last year.

EBITDA margin expanded by 220 basis points to 8.8% from 6.6%, supported by improved product contribution and continued attention to operating efficiency and cost. Finance cost declined to INR29 crores from INR33.6 crores. Profit after tax increased 201.8% to INR 74.1 crores compared with INR 24.6 crores in Q2 FY26. PAT margin improved to 5.5% from 2%.

Moving to our H1 performance, total income stood at INR2,284 crores compared with INR2,531 crores in H1 FY26, a decline of 9.7% due to supply chain issues mainly. Despite lower total income, EBITDA increased 24.9% to INR225.7 crores compared with INR180.7 crores. EBITDA margin expanded by 280 basis points to 9.9% from 7.1%.

Finance costs reduced to INR58.4 crores from INR62.6 crores. Profit after tax increased 78.3% to INR137.8 crores compared with INR77.3 crores in H1 FY26. PAT margin improved to 6% from 3.1%. Cash generation was another important feature of our H1 performance. Net cash from operating activities stood at INR328.5 crores compared with approximately INR92 crores in H1 FY26.

Our balance sheet also strengthened during H1. Net debt declined to approximately INR852 crores as of September 30, compared with INR1,113 crores at the end of FY26, a reduction of 23.5%, while debt-to-equity improved to 1.31 times from 2.18 times. Returns also improved. On

a trailing 12-month basis, return on equity stood at 38.2%, compared with 33.85% at the end of FY26, while return on capital employed increased to 27% from 20.34%.

As Vishal sir outlined, the proposed INR200 crores specialty expansion is an additional planned investment. Alongside executing this project, our financial priorities remain disciplined working capital management, healthy cash generation and careful management of borrowings.

Overall, Q2 delivered growth in total income and a stronger increase in earnings. For H1, we improved profitability despite lower total income, while generating stronger operating cash flow and reducing leverages. That is all from my end. We will now be happy to take over your questions. Moderator, please open the floor for the question-and-answer session.

Moderator: Thank you. We will now begin with the question-and-answer session. The first question comes from the line of Himanshu Bisani with PinpointX Capital. Please go ahead. Himanshu, please unmute your line in case if you're on mute and go ahead with your question. Since there's no response from the participant, we move to the next participant, that's Dev Mehta with Unique PMS. Please go ahead.

Dev Mehta: Yeah. Am I audible?

Moderator: Yes, you are.

Dev Mehta: Yeah. So just wanted to check the spreads currently. How are they looking like and have they increased Y-o-Y and are we seeing that they will sustain for the next quarter and the following quarter?

Om Prakash Lohia: No spreads were there around 6% to 7% in the last half year and it will be maintained in the next two quarters.*

Moderator: Sir, I'm sorry to interrupt. Your voice is breaking up. Please come a little closer to the microphone.

Om Prakash Lohia: Okay. So actually, it was [inaudible 18:46] in the last 6 months, it is 9.9% and more or less be maintained in the next two quarters.

Dev Mehta: Sorry, sir, I did not get you. Your voice was breaking.

Om Prakash Lohia: I think from [inaudible 19:04]

Moderator: Sir, I'm sorry to interrupt. You're not audible.

Om Prakash Lohia: Now?

Moderator: Yes, sir, please go ahead.

***This statement to be read as:** Spreads are good and EBITDA is around 9.9% in the last half year and we are hopeful, it will be maintained in the next two quarters

Om Prakash Lohia: Yes, EBITDA margins of last 6 months were 9.9% and we hope that yes it will be maintained in the next two quarters. We don't see any big change.

Dev Mehta: Any pressure from Chinese imports?

Om Prakash Lohia: Actually, Chinese let me give you the background. Like today, China, our currency has depreciated [inaudible 19:46] compared to China and China is also losing out from the business. So there is no much competition coming from China now which was there 1 year or 2 years back. Going forward, I don't see much competition coming from China. So...

Dev Mehta: Yeah, sir. So my question was on Chinese imports. And also, sir, if you can mention, the crude price has been on an increase, so our finished product's end price has also increased. So just wanted to get an insight if we are able to pass on the price to our end customers or we are seeing a drop in volume as of now?

Om Prakash Lohia: Okay. So coming back on Chinese import, actually now China is gradually is getting out of the commodity business and so the competition from China is not much there and because the currency devaluation in the last one and a half years, where compared to Chinese yuan, which was INR12 early '25, today is INR14.5. So Chinese competition is getting away and going forward, I do not see much Chinese competition and our margin may be maintained.

Coming on the crude prices, the crude prices is USD115 today and whatever the increase has been there, we have been able to pass on to the customer. And that is why today we can see our margin has gone to 9.9% in the last half.

And going forward, we see that we will be able to maintain these margins and we do not see much pressure coming. On the volume also, because earlier the last 6 months, the volume were lower because of supply chain, which is now is fine and we do not see any impact coming on the supply chain in the current scenario maintained in Middle East.

Dev Mehta: Got it, sir. And when you mentioned that there are multiple PTA plants coming in India from GAIL, IOCL, and I guess, a larger plant from Reliance, so what is the approximate EBITDA per kg savings we are expecting from these plants? Do we have any estimates for the same?

Om Prakash Lohia: At the moment, I think they are still to come in next year, '27 and '28. But gradually definitely, India is importing around 2.5 million tons of PTA, and these plants come together are 5.5 million tons. So this will well take care of the domestic demand as well as have some surplus or increasing demand. So definitely, we see improvement in the margin, and we must get because when we are importing, definitely we may see 2% or 3% gain coming out of that.

Dev Mehta: Two or three in percentage terms? Okay.

Om Prakash Lohia: Yes.

Dev Mehta: Okay. And sir, final question. We have entered into some a JV with a GRN Chemicals in China. So what is that JV about? And let's say the recycled chip, which the GRN will sell, what is the cost differential between that chip and our virgin chip?

Om Prakash Lohia: No, this is not for Indo Rama Synthetics.

Dev Mehta: Okay, so that is for Indorama Ventures, right?

Om Prakash Lohia: Yes

Dev Mehta: Got it. So do you have any insight on what could be the differential between a virgin PET chip and a textile-to-textile recycled chip?

Om Prakash Lohia: You are talking about PET recycled chips?

Dev Mehta: Yeah.

Om Prakash Lohia: Actually earlier if you see beginning of the year, the recycled chips were selling around INR8 to INR10 higher than the PET virgin chips. But with the raw material increase in the last 6-8 months, the virgin chip prices have gone up by INR30-40. So at the moment, recycled chip is cheaper. So once the raw material prices comes down, our virgin chip prices will further come down, this will definitely help the virgin chip market to further improve.

Dev Mehta: But, sir, this recycled chip which you are mentioning is bottle-to-textile, right?

Om Prakash Lohia: Yes, bottle to bottle.

Dev Mehta: Okay, okay. Yeah, fair enough, I will get back in the queue. Thank you.

Om Prakash Lohia: Okay, thank you.

Moderator: The next question comes from the line of Udit Sehgal with PinpointX Capital. Please go ahead.

Udit Sehgal: Yeah. Good afternoon, sir, and congratulations for the great results. Sir, firstly, I would want to know what is the current capacity utilization, and say on the current capacity, what is the maximum revenue we can generate?

Om Prakash Lohia: Actually, revenue will be very difficult to say. Like today, the raw material prices are 40%-50% higher. So ultimately, the revenue will depend on like last year, we have generated INR5,000 crores. So as we have generated like FY'26, INR5,000 crores, so this is a bottom. So maybe next year, if the prices remain high and with the growth in capacity utilization, definitely we will have revenue will be much higher. This year also we will be exceeding last year's turnover, in spite of the first quarter being low.

Udit Sehgal: Okay. So in terms of volume, sir, what would be the growth? We can just talk of volume growth. Last year, what was the volume we did? What is the volume we are expecting this year and for next year?

Om Prakash Lohia: Actually, last year, we have done a volume of around 4,75,000 tonnes. And this year, as the first quarter and the second quarter was impacted, so we still see a volume of around let's say around maybe 4 lakh tonnes.

Udit Sehgal: Okay.

Om Prakash Lohia: And then we will come back to 4,75,000 plus in the next year.

Udit Sehgal: In the next year. And so that would be how much that would be the maximum capacity we can utilize or we can go further than that?

Om Prakash Lohia: At the moment, this is the minimum what I'm talking about, but with the growth coming in and with the raw material availability. Like today, if I say, our export used to be 15%-20%, which has come down. But next year with the raw material availability increasing domestically and the prices will be competitive, we, India, also may be exporting more, plus with this agreement coming in, the demand will also go up.

So definitely, our volume also will be going up next year, definitely. It is very difficult at the moment because of these prices to say how much, but definitely it will be higher, capacity utilization. Secondly, actually we are operating the PET chip plant only at 60%. Our filament and fiber, we are operating normally at 100%. But PET chip plant, we are not running fully.

That's why the volume are lower, and we are trying to see that how we can increase the PET chip production, so that will increase the volume. As I told you that with the PET chip prices coming down and the recycled prices will be higher, maybe it will help us next year to increase the volume in the PET chips also.

Udit Sehgal: Got it. And, sir, you are talking of a new expansion that we are doing of INR200 crores, and the payback being less than say 2 years. So then if we think in those terms, that would mean like an incremental EBITDA of more than INR100 crores per year. And I think this year, we are at a run rate of say INR250 crores EBITDA or slightly higher, so that means almost a 40% increase in EBITDA we can think of per year, once the new capex comes on line?

Om Prakash Lohia: Not 40%, because this year we will be EBITDA of maybe like in the first half, we have INR225. So this year, definitely we will have INR400 plus. So definitely this INR100 crores EBITDA in but this will be FY'28-29.

Udit Sehgal: Got it. And, sir, about the Indorama Group, like, I mean, we have their expertise and their backing. And I'm sure they are not here just to run say a INR2,000-odd-crores market cap company. Like I am sure they must be having a lot of plans for the medium term. So, I mean, anything on, you know, what we are thinking about how we can make this like a bigger company?

Om Prakash Lohia: At the moment, I think this INR200 crores expansion we are doing. But looking actually what we are seeing the demand going up with this agreement, plus raw material availability, definitely will help this industry to grow. If I let me brief you, that today, Indorama after Reliance, is the only integrated player. Like there are no other polyester players. Mostly they are in filament yarn. We have the filament yarn, we have the fiber, as well as we have the PET chips.

So we have scope to grow in all the three areas. And other important points, which is very important, that today cotton is already stagnant. Last 30 years, cotton area has not grown. Cotton production in India also, last 7 years is stagnant. This year India will be importing highest

amount of cotton. So now whole growth of that whole to service the INR140 crores domestic population, with the agreement of EU and US, definitely the growth will be there.

Like government is targeting from USD174 billion textile industry to grow to USD350 billion, export from USD38 billion to USD100 billion. So to take all this thing in mind, and that is why all this PTA producers have decided to implement 5.4 million tons of additional capacity. Like today, we have only 6.5 million tons for all these years.

And today, you can understand if 5.5 million tons investment is made by GAIL, IOC, and Reliance, it means they are seeing definitely a big growth in this industry. So that is where we see there a lot of scope for this industry to grow further from here. And Indorama, being integrated player, can take good advantage.

Udit Sehgal: Okay. So, sir, once you have more clarity, say there's so much PTA production coming in, and we, like you said, we're running at 100% capacity on the polyester side, we have some capacity left on the PET chips side, but on the polyester side, we are 100% full. So, can we think of some expansion coming on line here as well with the better availability of PTA chips?

Om Prakash Lohia: Actually, let us see that next year, once this PTA capacity comes and this oil prices also, what happens in the Middle East. After that, I think we'll have a more clearer picture. So we can give a much clearer thing, maybe once the Middle East thing stabilizes and the oil prices are corrected.

Udit Sehgal: Okay, sir. Thanks a lot, sir, and best of luck.

Om Prakash Lohia: Thank you.

Moderator: The next question comes from the line of Niraj Khandelwal with NMDT Family Office. Please go ahead.

Niraj Khandelwal: Yes, sir. My question was on the current yarn prices and the current utilization of the yarn in our subsidiary. How has it been trending across, which is there?

Om Prakash Lohia: Currently, the yarn prices like what all -- they are -- see not one product. We have different quality of yarns and all the prices are, one can say, that in the range of INR125 to INR150, INR160. So -- and the capacity utilization, as we discussed, that we are now ramping up the all production on PSF and POY, and PET chips we are running at 60%, but gradually we will see that how to ramp it up to 100%.

Niraj Khandelwal: So if I understand it correctly, the prices are on upward trend, which is there and they are likely to stay that way or how is it like going to be?

Om Prakash Lohia: As the moment -- as the margins, what you can see in the last half, whatever the raw material increase has been there, 40%-45%, we have been able to pass on to the customer and some margin improvement also. So gradually, when the prices comes down that will definitely help us to maintain the margins.

Niraj Khandelwal: Okay. And is there any time lag between the raw material price increase and the finished product prices, which is there, and how much normally the raw material inventory we keep across? Is it like two months, three months, which is there?

Om Prakash Lohia: No, not two, three months. We keep a maybe 15 days to a month or 1.5 months. 30 days plus, minus, you can say.

Niraj Khandelwal: Okay. And…

Om Prakash Lohia: And the lag is only maybe week to 10 days in passing on the raw material prices. Not much.

Niraj Khandelwal: Okay. So basically, all our contracts are basically based on the current market price. They are not like basically a long contracts at a fixed price, which is that, if I understand it correctly.

Om Prakash Lohia: Yes, it is on the market price, variable pricing.

Niraj Khandelwal: Okay. That's it. That's it from my side. Thank you.

Om Prakash Lohia: Thank you.

Moderator: The next question comes from the line of Rajesh with CP Investment. Please go ahead.

Rajesh: Hello. Am I audible?

Moderator: Yes, Rajesh. Please go ahead.

Rajesh: Historically, sir, Indorama's track, what we have been seeing is has been fluctuated between profit and losses over two to three year periods. So where does management believe the company stands in the current polyester cycle and what has structurally changed in the business to make the current profitability more sustainable through the next downturn?

Om Prakash Lohia: Let me explain. If you see, we were profitable in '22. '23 and '24, we made this investment of INR628 crores to ramp up and plus the debottlenecking has been done. And some, as the plant was there and some improvement has been done. And now that's why the results, if you see, this is the eighth quarter running is profitable.

And now as the cost optimization has been done and the plant is running quite well and that's why we are taking this INR200 crores further investment and we don't see actually earlier, we have anti-dumping duty on PTA and MEG always all through. And then in the last 2-2.5 years back, India put QCO on China. So the actually raw material prices went up and that is why Government of India decided that no MEG and PTA will be under anti-dumping duty to protect the domestic industry.

If you recall in '21 budget itself, it was the first time PTA was anti-dumping duty was withdrawn in the budget. In the paragraph, the Government of India said normally we will be protecting domestic industry by putting anti-dumping duty, but to promote textile industry, I am withdrawing the PTA anti-dumping duty. And that is where the actually industry has been suffering for 10 years because of anti-dumping duty on MEG and PTA was put up and import

could not come, and domestic supply was not there. That's why industry growth has not taken place and not lot of investment taken place.

And now if you see the advantage coming, today, there's not much capacity in the pipeline. Demand will be increasing because of this agreement where our duty, which is 10% to 15% in EU and now US also. And our competitive disadvantage was there with Bangladesh and Vietnam. Everyone talks about Bangladesh and Vietnam. They have got advantage 20 years back for LDC countries, which is going away in November next month itself.

So suddenly this two or three things coming together on polyester industry, you have anti-dumping duty withdrawn, no more. No anti-dumping duty, no QCO, textile agreement coming in place and PTA plant coming in place. And China and Vietnam is becoming uncompetitive. So suddenly all this advantage, and that is why today we see a demand and we otherwise, in a normal situation, we would not have been able to pass this raw material increase of 50%.

As the situation is that, that's why we could pass on, and going forward the price will be corrected. And cotton, as there is no crop there worldwide and it's not growing, cotton prices will not go down and it can only go up. So that's the thing what we see. Going forward, I don't see any much challenge to the polyester industry and Indorama going forward, and we may have a better days going forward. This is my view. Thank you.

Rajesh: Thank you, sir.

Moderator: The next question comes from the line of Lakshmi Narayanan with Ksema Wealth. Please go ahead.

Lakshmi Narayanan: Hi, sir. Am I audible?

Moderator: Yes, you are.

Om Prakash Lohia: Yes, yes.

Lakshmi Narayanan: Sir, with the capex going in, sir, I just wanted to understand like how your business product portfolio changes in two years, sir? Would you just throw some light on it, sir?

Om Prakash Lohia: Business portfolio remains the same. We'll continue to produce…

Lakshmi Narayanan: Sir, the contribution of the draw textured yarn will it be increasing or it will be remaining at the 30%- 35% percentage, sir?

Om Prakash Lohia: No, draw textured yarn remains the same. Only we are making some specialty yarn and fibers by this investment of INR200 crores, which will add some of the capacity which we are not producing and that will enlarge our basket of supply to the customers.

Lakshmi Narayanan: Sir, is it only for captive use?

Om Prakash Lohia: No, captive. We will be supplying to the market. All the new production will go to the market.

Lakshmi Narayanan: Understood, sir. Sir, could you also give me the margins for your products, sir, in the sense like how much would be a ballpark range?

Om Prakash Lohia: Nothing like last six months was 9.9%. So you can just base that from here with the raw material coming in domestically, raw material price coming down, cotton competition going away. That will definitely help to improve some margin going forward.

Lakshmi Narayanan: Yes, that I understood, sir. I just want to understand like which is a high-margin product in your portfolio? Like would it be like synthetic yarn or like PET resin? Just wanted to have a thought.

Om Prakash Lohia: All are more or less same. Some specialty products which we make, 10% to 15%, which gives a margin maybe 15%, but they are some specialty product, but most of the other products are in the same range of similar margin, maybe 1%, 2% lower or higher.

Lakshmi Narayanan: Understood, sir. Sir, last question, since you are talking about this EU and FTA, and other FTAs coming in, are you in talks with the customers in EU for like to get this uplifts forward?

Om Prakash Lohia: Actually, if I give you a background of earlier, we used to export 20% to 25% of our product, which in the last 6 months has come down to 6%. So it means, because of the domestic demand, which has gone up, and we find that more lucrative domestically, we have been doing it.

Plus, we had to import raw material from China and then to produce and export was becoming uncompetitive. But now with the domestic availability of PTA, definitely if we were able to export 25% earlier with the agreement now in place where our duties will be lower, we may target to go back to 20%-25%. So there be a…

Lakshmi Narayanan: Margins will also be higher, sir? Sorry to interrupt. The margins will be higher for export, is it?

Om Prakash Lohia: Actually, textured yarn margins earlier used to be higher. At the moment that is not higher. But once our raw material availability will increase, we may also get higher margins in the DTY export, because China is becoming uncompetitive.

Taiwan and Vietnam also is becoming uncompetitive. Because today Vietnam is depending on -- actually, if you see these two countries, Vietnam and Bangladesh, Bangladesh was importing a lot of products from India and then converting it to garment and exporting.

Vietnam was doing it from China. And now they are advantage of duty, which now with this agreement, we have advantage of 10% coming on the garment. That will create domestic demand much, much higher. Which we don't know how much effect will be there. Maybe in the next year, we'll be able to talk more in that manner. But at the moment, that is to happen.

Lakshmi Narayanan: Understood, sir. That's it from my side, sir. Yeah, thank you.

Om Prakash Lohia: Thank you.

Moderator: The next question comes from the line of Ansh Khimavat with Capital One. Please go ahead.

Ansh Khimavat: Hi, sir. Am I audible?

Om Prakash Lohia: Yes, yes.

Ansh Khimavat: Yeah, sir. I just wanted to know more about the specialty project which is coming. The specialty filament yarn and the fiber, so are we going to be doing dope dyeing or anything of that sort? In what way is it going to be special?

Om Prakash Lohia: Mr. Vishal will be able to put light on that.

Vishal Lohia: Yeah. Sir, your question exactly was what, sir?

Ansh Khimavat: I was trying to understand, in what way are we -- when you say a specialty filament and specialty fiber, can you just try to explain as to what does that mean? What is the specialty aspect to it? And in what capacity are we building that plant?

Vishal Lohia: Sure. So it is basically we're putting extruders on some of our machines. That's not the only one to make different kinds of yarn, which includes cationic, which includes colored yarns.

Ansh Khimavat: So cationic and dope dyed, both, correct?

Vishal Lohia: Cationic, dope dyed, colored, all types of filament.

Ansh Khimavat: Okay.

Vishal Lohia: And in fiber, we also again putting extruder in a line. We have one line, fiber line, which is closed down for a long time. Now we are planning to restart that with extruders to make any kind of fiber which we don't make right now, because right now we have a large CP process. So we cannot make small, small lots of specialty products. With the extruder, we can.

Ansh Khimavat: Okay. Understood, sir. And any -- so those extruders, any capacity we will be putting for that?

Vishal Lohia: In filament, it will be around 115- 120 tonnes per day, which we will convert our semi-dull products to specialty for that 120 tonnes per day.

Ansh Khimavat: Okay.

Vishal Lohia: And there will be another filament specialty, which will be around 70 tonnes per day. But that's again, that's different machines altogether. That'll be an addition to our product basket. And fiber, like I said, a closed line is restarting, including hollow fiber.

Ansh Khimavat: Okay, sir. And another question is regarding -- so recently there was a news where weavers were asking for zero duty on POY and FDY and the textured yarn, texturized yarn. So is there any like what would that do to your filament pricing in India then? Do you see that's a threat in anyway?

Om Prakash Lohia: No, we don't see any change coming because already our raw material PTA is 5%, and fiber also 5%. So if all the duties come to zero, so it will be more beneficial to us, because raw material also will come to zero. But I don't see that is happening. The demand from the industry side always will be there because today the prices have gone up.

But these prices, which has gone up now because of this Middle East war, will not continue to be ever. So once the prices comes down the demand will go away. And it is only 5% -- today the duty is only 5%.

On the other hand, actually some of the players are -- we are asking to increase the duty from 5% to 10%. So this will continue, but I don't see any change coming on the duty side. But if that comes down, raw material also will come down. So in that way, that will not have any impact.

Ansh Khimavat: Okay, sir, understood. And, sir, would our sourcing dynamic also change when IOCL commissions their capacity in the country? So by end of December 2026, so would our sourcing dynamics also change?

Om Prakash Lohia: It's a good question what you are asking and this is the question what I have been -- actually, today, we have some disadvantage being Nagpur, which is in Central India compared to the plants in Gujarat. But with these two plants coming in, the disadvantage which we have will go away.

Because when the plant of IOC coming in Odisha, and there is no market in eastern India, we have Haldia Petrochemicals, which is making PTA, and then IOC coming with no market in that area, we are the nearest customer to IOC. So in that way, definitely we'll have advantage compared to the Gujarat industry.

And with Mangalore also, today whatever the price they will be supplying to Gujarat, they will be supplying to us. So together, we see definitely a bigger advantage coming after these two plants coming in. And once the Reliance plant comes in, Gujarat will be self-sufficient and then Mangalore and Odisha plants will be definitely looking at us to supply. So looking to all this, we definitely see some advantage coming to us. How much, is very difficult to say.

Ansh Khimavat: But that advantage would be on the logistics side of it, if that's the correct assumption?

Om Prakash Lohia: Advantage on?

Ansh Khimavat: On the logistics side, on the freight and transport side of it?

Om Prakash Lohia: That's right. Because that is very important. Like today, if I save 2%, it makes a big difference.

Ansh Khimavat: Okay, sir. So could we be saving 1.5% to 2% on the freight cost then?

Om Prakash Lohia: Let us hope. Let's hope once we come in, we'll know the exact situation. But once actually today when we are importing and the domestic people are pricing the product based on imported landed and today we are not able to compete on some area with China. And that's why some of the question was coming, will the China will be dumping in India?

So once the domestic availability we'll be getting raw material at the same price as China, we'll become more competitive in exporting our product. And that is why the demand will also increase. Because we have to service not only export, like Vietnam and Bangladesh, they don't have big domestic market. India luckily has a 140-crores large domestic market.

And after China, India is the only country which is integrated in the whole supply chain making from refinery to naphtha to paraxylene to PTA and MEG. Neither Vietnam makes it, neither Bangladesh makes it. Apart from China, we are the only one, but unfortunately, India could not take advantage.

But now I think in 2027 onwards, I see India also will be taking advantage and it may be a good days for synthetic industry to prosper. And it will help to create jobs. Because today biggest problem is jobs and Government of India, that's why we have target of taking textile industry from 174 billion to 350 billion to create jobs coming out of agriculture.

Ansh Khimavat: Right, sir. Okay. And, sir, do we have any plans to go towards the end product? So the weaving or, as we know, one of our brands also does spandex, one of our sister companies also does spandex, so…

Om Prakash Lohia: Spandex, we are making in a sister company, but we don't have plan to go for fabrics at the moment.

Ansh Khimavat: No plans to go further down the chain, correct?

Om Prakash Lohia: Yes.

Ansh Khimavat: And if you could specify, do we sell any raw material to our sister concern as such? So for the spandex facility which is there...

Om Prakash Lohia: No, we have actually worldwide, so that's why sourcing from Thailand or Indonesia or from Europe and MEG from the US, we have plants, so we have advantage of sourcing the product from our sister companies.

Ansh Khimavat: No, no, sir. What I meant was, do we sell anything to the to the spandex facility, which are which is in our sister concern?

Om Prakash Lohia: No, we buy actually. We don't sell. On the other hand, actually some of the product which this INR200 crores investment we are making, some of the product we are importing and selling. So with that, we are Spandex actually we buy from them.

Ansh Khimavat: Okay, sir. Thank you, sir. That will be all from my end. Thank you.

Moderator: The next question comes from the line of Dev Mehta with Unique PMS. Please go ahead.

Dev Mehta: Yes. Am I audible?

Om Prakash Lohia: Yes, Dev.

Dev Mehta: Yeah. So just wanted to get a direction with PTA plants coming in and as you mentioned that China is phasing out in a way with the polyester chips and EU FTA and American bilateral trade agreement coming in place, so do we see a double-digit EBITDA margins going ahead, let's say, for FY28, FY29, like 11%, 12%?

Om Prakash Lohia: Definitely from 9.9%, definitely we'll target on double digits. It should not go down, we are going to. But always this because always if people have not seen for last 5years- 7 years, so people are skeptical about this industry. But going forward, I definitely see with this all these changes happening, it will definitely help the industry. Because otherwise, why somebody will invest?

Like today, you must have seen IOC has announced to put INR3 lakh tonnes of capacity at an investment of INR5,000 crores. So today, INR5,000 crores if they invest, the interest cost itself will be INR300 crores plus depreciation. It means they have to have INR500 crores only for 3 lakh tonnes.

So if this sort of investment can and at the moment, there is no we have 5.5 million tonnes of PTA coming in, but we don't have any polyester capacity in pipeline because the margins were not there. Unless the double-digit margins will be there, nobody is going to invest. So margin has to go up for new investment to come.

Dev Mehta: Fair enough. And for any huge greenfield polyester capacity, 2 to 2.5 years' time is a fair amount, we presume, right?

Om Prakash Lohia: Not less than 3 years to 4 years, because environment nowadays is very important. This industry needs environment clearance, then we need a lot of water, electricity, stable electricity supply. So all that and today, at the moment, already we are seeing shortage of electricity in India and with data center coming in, electricity is also becoming tight.

So going forward, I think getting land itself is a challenge. So looking to that and at the moment, first of all, unless our margins people should have faith in polyester industry, then only somebody can invest INR2,000 crores. Is anybody interested today to put INR 2,000 – 3,000 crores in a polyester industry with all these questions?

Dev Mehta: Fair enough. So just a final question, sir. Apart from Sanathan's huge capacity, are we seeing any other big capacity like that?

Om Prakash Lohia: Sanathan is not huge. It's a very small capacity. But there's no that's why I'm saying there's no capacity in pipeline. At the moment, there's no capacity in pipeline. Once the margin improves, the capacity may come in, but that will take 3 to 4 years. Not before 2030.

Dev Mehta: Okay. Sir, that's it from my side. Thank you so much.

Om Prakash Lohia: Okay, thank you.

Moderator: Ladies and gentlemen, due to time constraints, we would take that as the last question for today. I would now like to hand the conference over to Mr. Ashok Yadav for the closing remarks.

Ashok Yadav: Thank you, Chairman sir, Vishal sir, and Umesh sir, for sharing your insights. I would like to thank all the participants for joining us today and for your interest in Indo Rama Synthetics (India) Limited. We look forward to staying connected and updating you on our performance in the coming quarter. If you have any further queries, feel free to contact us. Thank you very much for joining today.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Indo Rama Synthetics (India) Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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