Indo Rama Synthetic

Operator: Ladies and gentlemen, good day and welcome to the Indo Rama Synthetics (India) Ltd. Q2 and H1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star and 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) Ltd. Thank you, and over to you, sir.

Ashok Yadav – Company Secretary and Compliance Officer: 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 Mr. Om Prakash Lohia, 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 interactions through regular earnings calls and sharing updates on our performance, business priorities and [trails off]

Om Prakash Lohia – Chairman and Managing Director: Further talking about Indo Rama Synthetics (India) Ltd., we carry a legacy of 40 years with a diverse portfolio comprising polyester staple fiber, filament yarn, draw textured yarn, polyester chips and bottle-grade PET resin.

Through this portfolio, we serve a diversified B2B customer base, including spinners, non-woven manufacturers, fabric weavers and knitters, and preform, bottle and packaging manufacturers.

These customers convert our products 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 reduce our dependence on any single end-use segment.

Supporting this customer base is our integrated manufacturing facility at Butibori, near Nagpur. We are one of India's leading integrated polyester manufacturers, with a capacity of 6.72 lakh tonnes per annum, including 2.61 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 processes, we also draw our technology from partners including Chemtex, Oerlikon, Teijin, Toyobo, Zimmer, and others.

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

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I now invite our Executive Director, Vishal Lohia, to walk you through the journey, our building blocks and the opportunity ahead. Over to you, Vishal.

Vishal Lohia – Executive Director: 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 628 crores during these 2 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 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, 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 the imposition of QCO on PTA and MEG, along with the 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 on profitability. Capacity utilization 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 the ramp-up of our PET resin and textured yarn capabilities. Growth capex in this year moderated to approximately 20 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 5 crores. Our priority was to improve output from the investment 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 risks to energy and petrochemical supply chains. Disruptions around key shipping routes, including the Strait of Hormuz, are affecting raw material availability, freight and insurance costs. Movements in crude oil prices, PTA and MEG costs, and exchange rates also require close attention. We continue to manage procurement and inventories carefully, with a focus on serving our customers reliably.

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Beyond domestic demand, the India-UK trade agreement, which came into force in July 2026, creates an 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 approval.

Over time, better access to these markets could support demand across the textile value chain, including for polyester fiber [cut off]

Management: On the raw material side, investment in domestic PTA capacity is another positive development. Indian Oil's 1.2 million tonne per annum project at Paradip and GAIL's 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 {? linkages ?}, 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's long-term competitiveness in domestic and export markets.

Against this background, our next investment is focused on specialty products. Our board has approved approximately 200 crores of additional investment across the company and its wholly owned subsidiary, Indo Rama Ventures Yarns Private Limited. This is a fresh investment, separate from the investments made 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 a combination of term loans and internal accruals.

Based on the current estimates, we expect around 15% growth in top line because of this investment, and 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 and reduce costs, maintain 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 will take you through the financial performance in greater detail. I would like to thank our customers, employees, suppliers, lenders and shareholders for their continued support. With this, I now hand over the mic to Umesh. Thank you very much.

Umesh: Thank you, Mr. Chairman. 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 Rs.1,344 crore, compared with Rs.1,222 crore in Q2 FY26. EBITDA increased 46.4% to Rs.117.7 crore, compared with Rs.80.4 crore 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

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and costs. Finance cost declined to Rs.29 crore from Rs.33.6 crore. Profit after tax increased 201.8% to Rs.74.1 crore, compared with Rs.24.6 crore in Q2 FY26. PAT margin improved to 5.5% from 2%.

Moving to our H1 performance, total income stood at Rs.2,284 crore, compared with Rs.2,531 crore in H1 FY26, a decline of 9.7%, mainly due to supply chain issues. Despite lower total income, EBITDA increased 24.9% to Rs.225.7 crore, compared with Rs.180.7 crore. EBITDA margin expanded by 280 basis points to 9.9% from 7.1%. Finance cost reduced to Rs.58.4 crore from Rs.62.6 crore. Profit after tax increased 78.3% to Rs.137.8 crore, compared with Rs.77.3 crore 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 Rs.328.5 crore, compared with approximately Rs.92 crore in H1 FY26. Our balance sheet also strengthened during H1. Net debt declined to approximately Rs.852 crore as of September 30, compared with Rs.1,113 crore 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 the Chairman outlined, the proposed Rs.200 crore 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 strong increase in earnings. For H1, we improved profitability despite lower total income, while generating stronger operating cash flows and reducing leverage.

That is all from my end. We will now be happy to take your questions. Moderator, please open the floor for the question-and-answer session.

Operator: Thank you. We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Himanshu {? Visani ?} with Pinpoint X Capital. Please go ahead.

Himanshu {? Visani ?} – Pinpoint X Capital: Hi, am I audible?

Operator: Himanshu, please unmute your line in case you are on mute, and go ahead with your question.

Himanshu {? Visani ?} – Pinpoint X Capital: Hello, am I audible? There has been no unmuting. Hello?

Operator: Since there is no response from the participant, we move to the next participant. That is Dev Mehta with Unique PMS. Please go ahead.

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Dev Mehta – Unique PMS: Hello, am I audible? Hello?

Operator: Dev, please go ahead.

Dev Mehta – Unique PMS: Yes, am I audible?

Operator: Yes, you are.

Dev Mehta – Unique PMS: I just wanted to check the spreads currently. How are they looking, and have they increased year-on-year? Are we seeing that they will sustain for, let us say, the next quarter and the following quarter?

Umesh: [pause] No, spreads were around {? 6-7% ?} in the last half year, and {? we expect ?} [inaudible] next quarters will be maintained.

Operator: Sir, sorry to interrupt. Your voice is breaking up. Please come a little closer to the microphone.

Umesh: Okay. In the last 6 months, it was 9.9%, and more or less it will be maintained in the next 2 quarters.

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

Umesh: [line issue] Actually, the problem is 9.9% and

Operator: Sir, I am sorry to interrupt. You are not audible.

Umesh: Now?

Operator: Yes, sir. Please go ahead.

Umesh: Yes, EBITDA margins for the last 6 months were 9.9%. We hope that it will be maintained in the next 2 quarters. We do not see any major change.

Dev Mehta – Unique PMS: Is there any pressure from Chinese imports?

Umesh: Actually, regarding China, let me give you the background. Today, our currency has depreciated much more compared to China. China has also stopped giving subsidies. So there is not much competition coming from China now, which was present perhaps 1 or 2 years ago. Going forward, I do not see much competition coming from China. So, gradually, I think, we...

Operator: Sir, sorry to interrupt. Please give me one moment. I will just call you back.

Umesh: Okay.

Operator: Yes, because you are not audible. Ladies and gentlemen, please stay connected while we get the management reconnected. Thank you.

Ladies and gentlemen, the management has been reconnected. Dev, I would request you to repeat your question.

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Dev Mehta – Unique PMS: My question was on Chinese imports. Also, if you can comment, crude prices have been increasing. Our finished product prices have also increased. I wanted to understand whether we are able to pass on the price increase to our end customers, or whether we are seeing a drop in volumes as of now.

Umesh: [pause] Coming back to Chinese imports, China is gradually getting out of the commodity business, so there is not much competition from China. Because of the currency devaluation over the last 1.5 years, compared with the Chinese yuan, which was {? 12.5 ?}, the exchange rate today is 14.5. So Chinese competition is going away, and going forward, I do not see much Chinese competition. Our margin will be maintained.

Coming to crude prices, the crude price is {? 75 ?} today, and we have been able to pass on whatever increase has occurred to the customer. That is why today you can see our margin has gone to 9.9% in the last half year. Going forward, we expect to maintain these margins, and we do not see much pressure on volumes either. Earlier, volumes were lower during the last 6 months because of supply chain issues, which have now been resolved. We do not see any impact on the supply chain if the situation in the Middle East remains stable.

Dev Mehta – Unique PMS: Understood, sir. When you mentioned that there are multiple PTA plants coming up in India from GAIL, IOCL and, I believe, a larger plant from Reliance, what is the approximate EBITDA-per-kilogram savings we are expecting from these plants? Do we have any estimates for the same?

Umesh: At the moment, I think they are still to come in the next years, 2027 and 2028. India is importing around 2.5 million tonnes of PTA, and these plants together will have 5.5 million tonnes of capacity. So this will adequately take care of domestic demand as well as provide some surplus for increasing demand. We definitely see an improvement in margins, and we should benefit because when we are importing, we may see a 2-3% gain from that.

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

Umesh: Yes.

Dev Mehta – Unique PMS: Okay, and sir, finally—

Dev Mehta – Unique PMS: We have entered into a JV with GRN Tech and GRN Chemicals in China. What is that JV about? Regarding the recycled chip that GRN will sell, what is the cost differential between that chip and our virgin chip?

Management: No, this is not for Indo Rama Synthetics (India) Ltd.

Dev Mehta – Unique PMS: Okay. That is for Indorama Ventures, right?

Management: Yes, definitely.

Dev Mehta – Unique PMS: Understood. Do you have any insight into the differential between a virgin PET chip and a textile-to-textile recycled chip?

Management: Are you talking about a recycled PET chip?

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Dev Mehta – Unique PMS: Yes.

Management: Earlier, at the beginning of the year, recycled chips were selling at around Rs.8 to Rs.10 higher than virgin chips. However, with the increase in raw material prices over the last 6-8 months, virgin chip prices have gone up by Rs.30-Rs.40. Therefore, at the moment, recycled chips are cheaper. Once raw material prices come down, our virgin chip prices will further come down, which will definitely help the virgin chip market improve further.

Dev Mehta – Unique PMS: But, sir, the recycled chip you are referring to is bottle-to-textile, right? [trails off]

Management: Yes, bottle-to-bottle.

Dev Mehta – Unique PMS: Okay. Fair enough. I will get back in the queue.

Management: Right. Okay, thank you.

Operator: The next question comes from the line of Udit Segal with Pinpoint Apex Capital. Please go ahead.

Udit Segal – Pinpoint Apex Capital: Good afternoon, sir, and congratulations on a great result. First, I would like to know the current capacity utilization and, based on the current capacity, what is the maximum revenue we can generate?

Management: It would be very difficult to state the revenue because today raw material prices are 40-50% higher. Ultimately, revenue will depend on that. Last year, we generated Rs.5,000 crores. Since we generated Rs.5,000 crores last year, FY26, this is a base. Next year, if prices remain high and capacity utilization grows, our revenue will definitely be much higher. This year also, we will exceed last year's turnover despite the first quarter being weak.

Udit Segal – Pinpoint Apex Capital: In terms of volume, what was the growth? If we discuss only volume growth, what volume did we achieve last year, and what volume are we expecting this year and next year?

Management: Last year, we achieved a volume of around 475,000 tonnes. This year, since the first and second quarters were impacted, we still see a volume of around 400,000 tonnes.

Udit Segal – Pinpoint Apex Capital: Okay.

Management: We will then return to 475,000 tonnes or more next year.

Udit Segal – Pinpoint Apex Capital: Next year. Would that be the maximum capacity we can utilize, or can we go further than that?

Management: No, at the moment, this is the minimum that I am talking about. With growth coming in and raw material availability improving, our exports, which used to be 15-20%, have declined. Next year, with domestic raw material availability increasing and prices becoming competitive, India will also export more. In addition, with this agreement coming into effect, demand will also increase. Therefore, our volumes will definitely increase next year. It is very difficult at the moment,

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because of these prices, to state how much they will increase, but they will definitely be higher.

Secondly, we are operating the PET chip plant at only 60%. We are operating our filament and fiber facilities at 100%, but we are not running the PET chip plant fully. That is why volumes are lower, and we are trying to determine how we can increase PET chip production. That will increase volumes. As I mentioned, with PET chip prices coming down and recycled prices being higher, it may help us increase PET chip volumes next year as well.

Udit Segal – Pinpoint Apex Capital: Understood. You are talking about a new expansion of 200 crores, with a payback of less than 2 years. If we think in those terms, that would imply incremental EBITDA of more than 100 crores per year. I believe this year we are at an EBITDA run rate of around 250 crores, or slightly higher. Does that mean we can expect almost a 40% increase in EBITDA per year once the new capex comes online?

Management: Not 40%, because this year EBITDA will be around— in the first half, we had {? 225 ?}. This year, we will definitely have 400-plus crores. This Rs.100 crore of EBITDA will come in 2028-29.

Udit Segal – Pinpoint Apex Capital: Understood. Regarding the Indorama Group, we have its expertise and backing, and I am sure it is not here merely to run a company with a market capitalization of around 2,000 crores. I am sure it must have many plans for the medium term. Is there anything you can share about how we are thinking of making this a larger company?

Management: At the moment, we are undertaking this 200 crore expansion. Looking ahead, what we are seeing is that demand will increase with this agreement, and the availability of raw materials will definitely help this industry grow. Let me give you some background. Today, after Reliance, Indo Rama Synthetics (India) Ltd. is the only integrated player. There are no other integrated polyester players. Most of the others are in filament yarn. We have filament yarn, fiber and PET chips. Therefore, we have scope to grow in all 3 areas.

Another important point is that cotton is already stagnant. Over the last 30 years, the area under cotton has not grown. Cotton production in India has also been stagnant for the last 7 years. This year, India will import the highest amount of cotton. Therefore, to serve the entire domestic population of 140 crore, along with the EU and US agreements, there will definitely be growth.

The government is targeting growth in the textile industry from 174 billion to 350 billion. Exports are targeted to increase from 38 billion to 100 billion. Keeping all this in mind, all these PTA producers have decided to implement 5.4 million tonnes of additional capacity. Today, the entire industry has only 6.5 million tonnes of capacity.

If 5.5 million tonnes of investment is being made by GAIL, IOC and Reliance, it means they are clearly seeing significant growth in this industry. That is where we see substantial scope for the industry to grow further. As the only integrated player, we can take good advantage of this.

Udit Segal – Pinpoint Apex Capital: Once you have more clarity regarding the significant PTA production coming in, and since, as you said, we are operating at 100% capacity on the polyester side, with some capacity remaining on the PET chips side, can we expect some expansion to come

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online here as well with better availability of PTA?

Management: Let us see what happens next year once this PTA capacity comes in, and also what happens with oil prices in the Middle East. After that, I think we will have a clearer picture and can provide a much clearer answer. Once the Middle East situation stabilizes and oil prices are corrected, we will have more clarity.

Udit Segal – Pinpoint Apex Capital: Okay, sir. Thank you very much, and best of luck.

Management: Okay, thank you.

Operator: The next question comes from the line of Neeraj Khandelwal with NMDD Family Office. Please go ahead.

Neeraj Khandelwal – NMDD Family Office: My question was about current yarn prices and the current utilization of yarn in our subsidiary. How has it been trending across the various products?

Management: Regarding yarn prices, it is not a single product or a one-day price. We have different qualities of yarn, and the prices are in the range of Rs.125 to Rs.150-160. Regarding capacity utilization, as we discussed, we are now ramping up all production. We are running PSF and POY at 100%, while DTY is operating at 60%, but gradually we will see how to ramp it up to 100%.

Neeraj Khandelwal – NMDD Family Office: If I understand correctly, prices are on an upward trend and are likely to remain that way?

Management: At the moment, regarding the margin, as you can see from the last half year, we have been able to pass on the 40-45% raw material increase to the customer, along with some margin improvement. Gradually, when prices come down, that will definitely help us maintain margins.

Neeraj Khandelwal – NMDD Family Office: Is there any time lag between an increase in raw material prices and an increase in finished product prices? Also, how much raw material inventory do we normally maintain? Is it 2 months, 3 months or something else?

Management: No, not 2 or 3 months. We keep it at perhaps 15 days to 1 month, or 1.5 months. You can say 30 days, plus or minus.

Neeraj Khandelwal – NMDD Family Office: Okay. And—

Management: The lag in passing on raw material prices is only perhaps a week to 10 days. It is not much.

Neeraj Khandelwal – NMDD Family Office: So, basically, all our contracts are based on the current market price. They are not long-term contracts at a fixed price, if I understand correctly.

Management: Yes, they are based on the market price and are variable-price contracts.

Neeraj Khandelwal – NMDD Family Office: Okay. I think that is it from my end. Thank you.

Management: Thank you.

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

Rajesh – CP Investment: Hello? Am I audible?

Operator: Yes, Rajesh. Please go ahead.

Rajesh – CP Investment: Historically, what we have seen with Indo Rama Synthetics (India) Ltd. is that it has fluctuated between profits and losses in 2–3-year periods. Where does management believe the company stands in the current polyester cycle? What has structurally changed in the business to make the current profitability more sustainable through the next downturn?

Management: Let me explain. We were profitable in 2022. In 2023 and 2024 we made [trails off] In addition, debottlenecking has been completed. Some improvements have also been made in the plant. That is why, if you look at the results, this is the eighth consecutive profitable quarter.

Cost optimization has now been completed, the plant is running quite well, and that is why we are undertaking this further investment of 200 crores. Earlier, anti-dumping duties on PTA and MEG were imposed throughout. Then, 2–2.5 years ago, India imposed QCO on China. As a result, raw material prices increased. That is why the Government of India decided that MEG and PTA would not be subject to anti-dumping duties, in order to protect the domestic industry.

If you recall, in the 2021 budget itself, PTA anti-dumping duty was withdrawn for the first time. The Government of India said in the budget that it would normally protect domestic industry by imposing anti-dumping duties, but to promote the textile industry, it was withdrawing the PTA anti-dumping duty.

The industry had been suffering for 10 years because anti-dumping duties were imposed on MEG and PTA, imports could not come in and domestic supply was not available. That is why industry growth did not take place, and significant investment did not happen.

Now, if you look at the advantages emerging, there is no major capacity in the pipeline. Demand will increase because of these agreements, under which our duties, which are 10–15% in the EU and now also in the US, will be reduced. We had a competitive disadvantage compared with Bangladesh and Vietnam. Everyone talks about Bangladesh and Vietnam. They received an advantage 20 years ago as least-developed countries, but that advantage is going away next month, in November.

Therefore, 2 or 3 things are suddenly coming together for the polyester industry. Anti-dumping duties have been withdrawn, there are no anti-dumping duties and no QCO, textile agreements are coming into place, PTA plants are coming into operation, and China and Vietnam are becoming uncompetitive.

All these advantages are emerging together, and that is why we are seeing demand today. Otherwise, in a normal situation, we would not have been able to pass on this 50% raw material increase. Because of the current situation, we were able to pass it on. Going forward, prices will be corrected.

As there is no growth in cotton production worldwide, cotton prices will not go down and can only increase. That is what we see. Going forward, I do not see many challenges for the polyester

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industry or Indo Rama Synthetics (India) Ltd. We may have better days ahead. This is my view.

Management: Thank you.

Rajesh – CP Investment: Thank you, sir.

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

Lakshmi Narayan – Ksema Wealth: Hi, sir. Am I audible?

Operator: Yes, you are.

Management: Yes, yes.

Lakshmi Narayan – Ksema Wealth: With the capex being undertaken, I wanted to understand how your business product portfolio will change over the next 2 years. Could you provide some insight on that?

Management: No, the business portfolio will remain the same. We will continue to produce [cut off]

Lakshmi Narayan – Ksema Wealth: Will the contribution of draw textured yarn increase, or will it remain at 30–35%?

Management: No, the contribution of textured yarn will remain the same. We are only making some specialty yarn and fiber through this 200 crore investment. This will add some capacity that we are not currently producing and will expand our basket of supplies to customers.

Lakshmi Narayan – Ksema Wealth: Is it only for captive consumption?

Management: No, we will supply it to the market. All the new production will go to the market.

Lakshmi Narayan – Ksema Wealth: Understood. Could you also provide the margins for your products, at least as a ballpark range?

Management: The margin was 9.9% during the last 6 months. You can assume that it will be around this level. With raw materials becoming available domestically, raw material prices coming down and competition from customs going away, that will definitely help improve our margin going forward.

Lakshmi Narayan – Ksema Wealth: I understood that. I want to understand which is the high-margin product in your portfolio. Would it be synthetic yarn or PET resin? I wanted to discuss that.

Management: All are more or less the same. Some specialty products that we make have margins of 10–15%, with EBITDA margins that may be 15%. However, those are specialty products. Most of the other products are in a similar margin range, perhaps 1–2% lower or higher.

Lakshmi Narayan – Ksema Wealth: Understood. One last question. Since you are discussing the EU FTA and other FTAs coming into effect, are you in talks with customers in the EU to secure future supplies?

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Management: To give you some background, earlier we used to export 20-25% of our products, but in the last 6 months this has declined to 6%. This is because domestic demand has increased and we see more liquidity domestically. In addition, we had to import raw materials from China, and producing and exporting was becoming uncompetitive.

Now, with domestic PTA availability, if we were able to export 25% earlier, the agreement now in place, under which our duties will be lower, may allow us to target a return to 20-25%.

Lakshmi Narayan – Ksema Wealth: So, then export margins will also be higher, sir? Sorry to interrupt. Will the margins be higher for exports?

Management: Textured yarn margins used to be higher earlier. At the moment, they are not higher. However, once raw material availability improves, we may also achieve higher margins in DTY exports, where China is becoming uncompetitive.

Vietnam is also becoming uncompetitive. If you look at these 2 countries, Vietnam and Bangladesh, Bangladesh used to import a lot of products from India, convert them into garments and export them. Vietnam was doing the same with products from China.

Now, with this agreement, their duty advantage is changing. We have a 10% advantage on garments, which will create much higher domestic demand. We do not know how large the effect will be. Perhaps by December next year, we will be able to discuss it in greater detail, but at the moment, that is what appears likely to happen.

Lakshmi Narayan – Ksema Wealth: Understood, sir. That is all from my side. Thank you.

Management: Thank you.

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

Ansh Khemawat – Capital One: Hi, sir. Am I audible?

Management: Yes, yes.

Ansh Khemawat – Capital One: I wanted to know more about the specialty project involving specialty filament yarn and fiber. Are we going to undertake dope dyeing or anything of that sort? In what way will it be specialty?

Management: Mr. Vishal will be able to explain that.

Vishal: What exactly was your question, sir?

Ansh Khemawat – Capital One: I was trying to understand what we mean when we say specialty filament and specialty fiber. Can you explain what that means, what the specialty aspect is, and what capacity we are building in that plant?

Vishal: We are basically installing extruders on some of our machines. That is not the only addition. These extruders will allow us to make different kinds of yarn, including cationic and colored yarns.

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Ansh Khemawat – Capital One: So cationic and dope-dyed both, correct?

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

Ansh Khemawat – Capital One: Okay.

Vishal: In fiber, we are also putting an extruder in a line. We have one fiber line that has been shut down for a long time. We are now planning to restart it with extruders to make types of fiber that we do not currently make. At present, we have a large CP process, so we cannot make small lots of specialty products. With the extruder, we can.

Ansh Khemawat – Capital One: Are we putting in any capacity for those extruders?

Vishal: In filament, it will be around 100 and 15-20 tonnes per day.

Ansh Khemawat – Capital One: Okay.

Vishal: We will convert our semi-dull products to specialty products at 120 tonnes per day.

Ansh Khemawat – Capital One: Okay.

Vishal: There will be another specialty filament line of around 70 tonnes per day. However, that will involve different machines altogether and will be an addition to our product basket. In fiber, as I mentioned, we are restarting a closed line, including hollow fiber.

Ansh Khemawat – Capital One: Another question is regarding the recent news that weavers were asking for zero duty on POY, FDY and textured yarn. What would that do to your filament pricing in India? Would it hurt in any way?

Management: We do not see any change coming because our raw material PTA already attracts a 5% duty, and fiber also attracts a 5% duty. If all the duties come down to zero, it will be more beneficial to us because the duty on raw materials will also come down to zero. However, I do not see that happening.

Demand from the industry will always be there because prices have increased today. But these prices that have increased now because [trails off] used to be ever. Once prices come down, the demand will go away. The duty is only 5% today.

On the other hand, some players are asking for the duty to be increased from 5% to 10%. This tells you the situation, but I do not see any change coming on the duty side. If the duty comes down, the duty on raw materials will also come down. In that way, there will be no impact.

Ansh Khemawat – Capital One: Understood. Would our sourcing dynamics also change when IOCL commissions its capacity in the country, by the end of December 2026?

Management: That is a good question, and this is something I have been considering. Today, we have some disadvantage because we are located in Nagpur, in Central India, compared with plants in Gujarat. With these 2 plants coming in, that disadvantage will go away.

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When the IOC plant comes up in Odisha, there is no market in eastern India. Haldia Petrochemical is producing PTA, and IOC will also be coming in. Since there is no market in that area, we are the nearest customer to IOC. In that way, we will definitely have an advantage compared with the Gujarat industry.

With Mangalore as well, whatever price they supply to Gujarat, they will supply to us. Together, we see a significant advantage emerging once these 2 plants come in. Once the Reliance plant comes in, Gujarat will be self-sufficient, and the Mangalore and Odisha plants will definitely look to us for supply. Considering all this, we definitely see some advantage coming to us. How much it will be is very difficult to say.

Ansh Khemawat – Capital One: That advantage would be on the logistics side, if that is the correct assumption?

Management: Advantage on?

Ansh Khemawat – Capital One: On the logistics side, freight and transportation.

Management: That is right. It is very important. If, for example, I save 2% today, it makes a big difference.

Ansh Khemawat – Capital One: Could we save 1.5–2% on freight costs?

Management: Let us hope so. Once they come in, we will know the exact situation. Today, when they are importing, domestic producers are pricing their products based on the imported landed cost. We are not able to compete with China in some areas, which is why the question arose about whether China would dump products in India.

Once domestic raw materials become available at the same price as in China, we will become more competitive in exporting our products. That is why demand will also increase. We have to serve not only exports. Vietnam and Bangladesh do not have large domestic markets. India, fortunately, has a large domestic market of 140 crore people.

After China, India is the only country that is integrated across the entire supply chain, from refinery to naphtha to paraxylene to PTA and MEG. Neither Vietnam nor Bangladesh produces all of these. Apart from China, we are the only one. Unfortunately, India could not take advantage of this earlier.

From 2027 onwards, I think India will also take advantage of this, and it may be a good time for the synthetic industry to prosper. It will help create jobs, which is the biggest problem today. That is why the Government of India is targeting growth in the textile industry from 174 billion to 350 billion, to create jobs for people moving out of agriculture.

Ansh Khemawat – Capital One: Do we have any plans to move towards the end product, such as weaving? One of our sister companies also has a spandex business, so [cut off]

Management: We make spandex in a sister company, but we do not have plans to enter fabrics at the moment.

Ansh Khemawat – Capital One: So there are no plans to move further down the chain, correct?

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Management: No.

Ansh Khemawat – Capital One: Do we sell any raw material to our sister concern for its spandex facility, which is there, and [cut off]

Management: We have PTMEG capacity worldwide, so we source from Thailand, Indonesia and Europe, and MEG from the US. We have plants there, so we have the advantage of sourcing products from our sister companies.

Ansh Khemawat – Capital One: No, sir. What I meant was, do we sell anything to the spandex facility that our sister company [cut off]

Management: No, we buy from them; we do not sell to them. On the other hand, some of the products covered by this 200 crore investment are currently imported and sold by us. With that, we are [pause] We buy spandex. We actually buy spandex from them.

Ansh Khemawat – Capital One: Okay, sir. That is all from my side. Thank you.

Management: Thank you.

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

Dev Mehta – Unique PMS: Yes, sir. Am I audible?

Management: Yes, Dev.

Dev Mehta – Unique PMS: I wanted to get some direction regarding the PTA plants coming in, China phasing out its polyester chips in a way, and the EU FTA and American bilateral trade agreement coming into effect. Do we see double-digit EBITDA margins going forward, for example, 11-12% in FY28 or FY29?

Management: Definitely. From 9.9%, we will target double-digit margins. They should not go down. But this has always been the case: people have not seen a strong performance from this industry for the last 5-7 years, so they are skeptical about it.

Going forward, I definitely see that all these changes will help the industry. Otherwise, why would anyone invest? You may have seen that IOC has announced plans to install 300,000 tonnes of capacity at an investment of 5,000 crores.

If they invest 5,000 crores today, the interest cost alone will be 300 crores plus depreciation. This means they need 500 crores just for 300,000 tonnes. If this kind of investment is being made, and at the moment we know that 5.5 million tonnes of PTA capacity is coming in, but there is no polyester capacity in the pipeline because margins were not available, then margins have to increase for new investment to come.

Dev Mehta – Unique PMS: For any large greenfield polyester capacity, is a period of 2-2.5 years a reasonable assumption?

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Management: Not less than 3 years. It will take 3–4 years because environmental considerations are very important nowadays.

Management: This industry needs government clearance. We also need a lot of water, electricity and a stable electricity supply. All of this is required. At the moment, we are already seeing a shortage of electricity in India, and with data centers coming in, electricity is also becoming tight.

Going forward, I think obtaining land itself will be a challenge. Considering all this, first of all, unless our margins improve and people regain faith in the polyester industry, no one will invest several thousand crores. Is anyone interested today in investing 2,000–3,000 crores in a polyester industry with all these questions?

Dev Mehta – Unique PMS: Fair enough. Just a final question, sir. Apart from Sanathan's large capacity, are we seeing any other large capacity like that?

Management: Sanathan is not large. It is a very small capacity, but there is no capacity. That is why I am saying there is no capacity in the pipeline. At the moment, there is no such demand. Once margins improve, capacity may come in, but that will take 3–4 years. Not before 2030.

Dev Mehta – Unique PMS: Okay. That is all from my side. Thank you very much.

Management: Okay, thank you.

Operator: Ladies and gentlemen, due to time constraints, we will 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: [pause] Thank you, Chairman, Vishal and Umesh, 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) Ltd. We look forward to staying connected and updating you on our performance in the coming quarter. If you have any further queries, please feel free to contact us. Thank you very much for joining us today.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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