Yasho Industries

Operator: Welcome to Yasho Industries Ltd.'s Q2 and H1 FY27 earnings conference call hosted by MUFG InTime. 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 the 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 Ms. Sejal Batra from MUFG InTime. Thank you, and over to you, ma'am.

Sejal Batra: Thank you, Yusuf. Welcome to Yasho Industries Ltd.'s Q2 and H1 FY27 earnings conference call. From management today, we have Mr. Parag Jhaveri, Managing Director and CEO, and Mr. Chirag Shah, CFO. Before we proceed with the call, I would like to give a small disclaimer that this call may contain certain forward-looking statements, which are based on the company's business operations and expectations as of today. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed disclaimer has been provided in the company's investor presentation, which has been uploaded on the stock exchange. Now, I would request Parag sir to give his opening remarks. Over to you, sir.

Parag Jhaveri – Managing Director & CEO: Good evening, everyone, and thank you for joining us for Yasho Industries Ltd.'s Q2 and H1 FY27 earnings conference call.

We are pleased to report a strong performance in the first half of FY27, driven by robust volume growth, increasing demand across our key markets, and continued progress in strengthening our industrial chemical business. These results reflect the benefit of our investments in manufacturing capacity and the opportunities we see ahead.

For Q2 FY, we achieved sales of 347.33 crores, while for H1 FY27, sales stood at 626.98 crores, registering year-on-year growth of 71.7%, while EBITDA increased by 122.8% to 147.33 crores. We recorded volume growth of 62% year-on-year and 7% quarter-on-quarter, supported by higher offtake from existing customers. Our industrial chemical business remained a key growth driver, contributing approximately 90% of revenue. Our focus is on strengthening our product portfolio and capturing a larger share of the addressable market through deeper customer engagement and new product offerings.

Capacity utilization stood at 66% in Q2 FY27, reflecting better demand absorption across our key markets. Our priority is to ramp up utilization further, which shall enable us to benefit from better fixed-cost absorption. Exports account for 70% of revenue. The supply agreement we signed last year will start contributing to our growth from FY28. The company has received Rs. 120 crores to date under the contract. We are expecting trial production by Q4 FY27 and commercialization in Q1 FY28. We remain focused on executing this milestone as planned.

We foresee growing demand for several of our products. We have committed a capex of Rs. 250 crores this year on building two new manufacturing buildings at our Pakhajan site. This will enable us to grow beyond FY28 and pursue projects that align with the company's long-term growth plans.

With that, I would like to thank our employees, customers, shareholders, business partners, lenders, and the Board of Directors for their continued support. Thank you. I will hand over to our CFO, Mr. Chirag Shah, who will take you through the financial details.

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Chirag Shah – CFO: Thank you, Parag, and good evening, everyone. I will take you through the financial performance of Yasho Industries Ltd. for Q2 and H1 FY27.

Total income stood at 347.92 crores compared with 183.56 crores in Q2 FY26, registering year-on-year growth of 89.5%. EBITDA increased to 72.92 crores from 33.42 crores, representing growth of 118.2%. Profit after tax stood at 33.68 crores compared with 4.86 crores in the corresponding quarter last year.

Our net working capital cycle stood at 149 days as of H1 FY27. On capital expenditure, the planned outlay for FY27 stands at 250 crores. This will be funded through internal accruals of 100 crores and 150 crores of term loan, which has been sanctioned. This investment is intended to support the company's manufacturing expansion and future business requirements. Our focus remains on deploying capital in line with project milestones while maintaining financial discipline.

Total debt stood at 615 crores as of Q2 FY27, comprising short-term debt of 329 crores and long-term debt of 286 crores. Our debt-to-EBITDA ratio stood at 2.09x in H1 FY27 compared with 3.74x in FY26. Our ROE for H1 FY27 stands at 27.3% and our ROCE at 18.4%.

During the quarter, the cost of freight increased from 10 crores in Q1 to 20 crores in Q2. The increase in gas prices during the quarter also resulted in an additional expenditure of Rs. 1.8 crores. Operationally, the company had to absorb both these additional expenditures, as we cannot pass on spot changes in input costs to customers where purchase orders have already been accepted. We expect this to be passed on to customers from this quarter onwards.

Overall, our financial performance for the first half reflects strong year-on-year growth. Going forward, we will continue to focus on disciplined capital allocation, efficient working capital management, and maintaining a healthy balance sheet. Thank you. We will now be happy to take your questions.

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

The first question is from the line of Navish Porwal from Burman Capital Management. Please go ahead.

Navish Porwal – Burman Capital Management: Thank you for the opportunity. Am I audible?

Parag Jhaveri – Managing Director & CEO: Yes.

Navish Porwal – Burman Capital Management: Yes. My question is regarding the capacity utilization that we have reported and the revenue growth that we have shown. As I can see, from Q4 FY26 to this quarter, our revenue has grown by roughly 40%, while our utilization has only grown from 60% to 66% over two quarters, which, as per my understanding, implies 10% volume growth. How should we think about volume growth and pricing growth over these quarters, and what are the drivers of the pricing growth that we have seen?

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Parag Jhaveri – Managing Director & CEO: I think there is some misunderstanding in the calculation. The growth in this quarter is about 7% in volume from Q1 to Q2, and in value terms it is about 13%. I do not know how you got the different crore number. Are you talking about Q4 or Q1? Sorry.

Navish Porwal – Burman Capital Management: Actually, I was comparing Q4 to this quarter because I wanted to [cut off]

Parag Jhaveri – Managing Director & CEO: No, you cannot compare Q4 to Q2. You either compare Q1 to Q2 or compare Q4 to the half year. For the half year, we have grown by almost 73% in revenue—sorry, in volume growth.

Navish Porwal – Burman Capital Management: Right. So is this year-on-year, or compared with H1 or Q4?

Parag Jhaveri – Managing Director & CEO: Yes, six months in terms of volume growth.

Navish Porwal – Burman Capital Management: Right, got it. What I wanted to understand is, if we look at our index or core basket of products, how has pricing moved for these products, say, from pre-war levels to today?

Parag Jhaveri – Managing Director & CEO: Well, if you are looking from the March quarter to these 6 months, prices have increased by 10%-15%. That is because of the increase in raw material prices.

Navish Porwal – Burman Capital Management: Got it. And the rest of the increase would be pricing per-unit change?

Parag Jhaveri – Managing Director & CEO: It is a mix change, absolutely—a product mix change.

Navish Porwal – Burman Capital Management: Got it. Would it be correct to say that the new products we have introduced would have higher margins and higher realization compared with the previous products that we were producing?

Parag Jhaveri – Managing Director & CEO: No, I do not think so. That is a wrong assumption. It depends. Again, we have increased certain products from 140-plus to about 150-plus; I think we have 152 products today. A couple of products that were previously sold in low volumes have suddenly been sold in higher volumes. So there is a lot of mix, if you understand. It is not only about 20-plus or 150-plus products now. It is difficult to guess which product line did what, but we see overall good demand for the products, and the pricing is also quite strong. When you look at the price, the top line also includes the freight cost, so that is another reason you can see higher revenue. However, because of the higher freight that we incurred in the last quarter, it will be around {? 10-11 crores ?}, you know?

Navish Porwal – Burman Capital Management: Right. The way I am seeing it is that over the last two quarters, if we compare Q4 to Q2, our gross margin has roughly increased by {? 200 bps ?}. I wanted to understand the driver of this gross margin. Are our products having higher margins, or have we been able to pass on costs—in other words, have we been able to increase prices by more than the costs?

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Parag Jhaveri – Managing Director & CEO: I think, more than that, I would attribute it to deleveraging of the assets. The volume has grown and fixed costs have come down. I would put that as a major factor behind the increase in EBITDA margin. Our gross margins are constant, with only a plus or minus 1% variation.

Navish Porwal – Burman Capital Management: I understand the EBITDA point, but gross margin is also improving, that is why [cut off]

Parag Jhaveri – Managing Director & CEO: Hardly—about 1%. So I do not know. This is purely due to the product mix, I would put it that way.

Navish Porwal – Burman Capital Management: Thank you.

Parag Jhaveri – Managing Director & CEO: Thank you.

Operator: Thank you. Before we move to the next question, a reminder to the participants: to ask a question, you may press star and one. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij – Astute Investment Management: Good afternoon, sir. My question is on the MNC contract, which will be starting from next year and is worth 150 crores. How many products is this contract for?

Parag Jhaveri – Managing Director & CEO: This is confidential. We are under an NDA, so we cannot divulge that information.

Aman Vij – Astute Investment Management: I understand. This is one contract that we obtained 2-3 years ago. I believe there are four such MNCs in the world. First, when we are doing additional capex of 250 crores, is there more visibility from the same customer? Is there more visibility from another of the large MNC customers that we have been trying to work with for some time? Could you give us some color on [cut off]

Parag Jhaveri – Managing Director & CEO: Aman, honestly, first and foremost, we need to clarify which four big customers you are referring to. I have many big MNCs in our customer list.

Aman Vij – Astute Investment Management: I was talking about the 150-crore order we have from one of the big MNCs, right?

Parag Jhaveri – Managing Director & CEO: It is one of the big MNCs, but you are talking about four others, so I do not know which other four you mean. When we are talking about new capex, it is because of the customer's request for additional quantity. Also, many of our existing customers and new customers that we onboarded in the last 6 months, including a couple of marquee and large customers, require us to create additional capacity. So this is a mixture of the existing and new customers we have onboarded, and they have given us the confidence to undertake the additional capex.

Aman Vij – Astute Investment Management: That makes sense, sir. Continuing with the question, we are currently at 65% utilization and have already reached very decent margins. You explained

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that it is a mix of product mix and operating leverage, but there were some additional costs this quarter that we will pass on. Going forward, as you explained, we will try to increase utilization every quarter [trails off]

Navin Soni – {? Burman Capital Management ?}: Do you think there is scope, not now or immediately, but over the next 2–3 quarters, when our utilization is much higher, to increase the margin even further, provided the costs remain the same?

Management: This is a really challenging time as of today. We need to be cautious about passing on all the costs to customers because, as you see, we are more focused on the export market than the domestic market. In the export market, other geographies sometimes have better raw material prices compared with us. So we are very cautious.

We will always try to maintain our EBITDA at more than 20%. That is what the company will do. Anything above that would be your guess; I cannot comment on it every quarter because it is too difficult. Things are really volatile in the current scenario.

We are ensuring that we achieve at least 20%, 21%, or something more than that. That is our aspiration. Maintaining that is our aspiration, and we will do our best to achieve it.

As capacity grows, there will definitely be further deleveraging of our fixed expenses. That will help us. Rather than aspiring for higher profits, I aspire to pass on the benefit of deleveraging to the customer in order to grow the business.

Navin Soni – {? Burman Capital Management ?}: Thank you for answering the question. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Darshan Jhaveri from Crown Capital. Please go ahead.

Darshan Jhaveri – Crown Capital: Hello?

Management: Yes.

Darshan Jhaveri – Crown Capital: Hi. Firstly, congratulations on a great set of numbers in a challenging environment. I wanted to know, in terms of our margins, we are doing more than 20%, but do you see any risk that costs may continue to increase, perhaps due to the elongation of port timelines? As you correctly stated, we cannot pass on everything to the customers. Is there any risk of margins declining somewhat? Could you help us with that?

Management: We are working hard to maintain this margin. We will do our best. [pause] I cannot comment on whether there will be some adverse factor tomorrow that could have an impact. However, I do not foresee those factors coming to us so soon. Demand is not slowing down, which is one good sign for us. Demand is growing. We are able to reach either existing customers or new customers with our price band, and we are getting the business. In the short term, I do not see a challenge. We will see how things progress with our current crisis.

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Darshan Jhaveri – Crown Capital: That is great to hear, sir. Next year, when we have higher operating leverage and capacity utilization, can we achieve around a 20%–22% EBITDA margin?

Management: I do not know. I will say that I will achieve more than 20%. Anything beyond that will be your guesswork.

Darshan Jhaveri – Crown Capital: Thank you. All the best.

Management: Thank you.

Operator: Thank you. Participants, if you wish to ask a question, you may press star and one. The next question is from the line of Umesh Gupta from Alpha Optimus PMS. Please go ahead.

Umesh Gupta – Alpha Optimus PMS: My question is again on the margins. In the last quarter's conference call, on your approximately 24% margin, you were asked repeatedly whether you would be able to maintain this margin, and I think you sounded very confident that you would be able to maintain it. Yet, one quarter down the line, we see a 300-basis-point decline in margins. Now I think you are giving guidance of more than 20% margins. How should we interpret this? In one quarter, margins fell by 300 basis points. Should we assume that this is the base, or could there be more volatility in margins?

Management: This is more of a challenge caused by the current crisis. There was an unexpected increase during the quarter, or during the 6 months, in a contract that has not been passed on. I will not say more than that. Our margins have shrunk purely because of this.

In the last conference call, we said that we would be happy to maintain the margin. The guidance was still 20% or more on EBITDA, and we stand by that commitment of 20% or more. However, I cannot give you more than that. I do not have any assurance today. We concluded some business in the last week for the next quarter, and we do not know what freight will be in November and December. So we cannot comment on that. We can assume that freight will be within a certain band, but the band can increase, decrease, or remain within that range.

Umesh Gupta – Alpha Optimus PMS: Is the entire impact of around 300 basis points on a quarter-on-quarter basis due to freight only, or are there other factors as well?

Management: I think 200 basis points was due to freight and energy costs. The balance 1% may be due to the product mix, because the margin fluctuates.

Umesh Gupta – Alpha Optimus PMS: In Q1, you mentioned that as capacity utilization increased, you would aspire to achieve better margins. Does this mean that we have not been able to gain any operating leverage from the increased scale of operations in this quarter vis-à-vis Q1?

Management: No.

Umesh Gupta – Alpha Optimus PMS: Will there be any gains whenever you aspire to increase utilization from 66% to, say, 70%? Will there be any gains in operating margin, or do you think that 20% is the worst case?

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Management: Well, 20% would be the lower side, I will use that term. We would be happy to achieve anything above 20%, and we will work for that. However, I cannot assure you that we will achieve 24% or 25%; I do not know. That is too difficult to say in the current situation.

We also need to gain more market share during this crisis, so it is better to be wise than foolish and lose the market, despite saving through deleveraging and wanting to increase the margin.

Umesh Gupta – Alpha Optimus PMS: Thank you, sir.

Management: Thank you.

Operator: Thank you. The next question is from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.

Rohit Sinha – Sunidhi Securities: Thank you for taking my question, sir. First, as mentioned in the presentation, export revenue is close to 70%. Can we get the number for H1 FY26 and Q1 FY27?

Management: Q1 FY27 was about 65%, which has gone to 70%, and for FY26, it was in the range of 62%–63%.

Rohit Sinha – Sunidhi Securities: Given these higher export numbers, logistics costs remain a key concern for us. As you indicated, logistics costs have almost doubled this quarter. How do we see logistics costs shaping up going forward, and how much of it is possible to pass on to clients?

Management: Wherever there is a fixed contract for 6 months, until December, that was signed in June, the price cannot be changed. For contracts negotiated on a quarter-on-quarter basis, we can pass on the price. Based on the pricing in the spot business today, whatever business we negotiate will reflect the current price.

Rohit Sinha – Sunidhi Securities: Got it. With all this capex currently going on, when do we expect the full capex to be completed and the next revenue stream to begin?

Management: The two-building capex will begin commercialization only by the last quarter of '28 or early in the first quarter of '29.

Rohit Sinha – Sunidhi Securities: It will take time. One last question. As you mentioned earlier, from March to September there was almost a 10%–15% increase in raw material prices. I believe there has been a greater price increase in many other chemicals. Is that yet to reflect in our numbers, or is 10%–15% the only increase we have seen in our set of raw materials?

Management: It is a mix. In some cases it could be 100%, and in some cases it could be zero. So I am looking at 10%–15% as the overall impact on raw material prices.

Rohit Sinha – Sunidhi Securities: That is all from me. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Jaymin Mandlecha from C9 Family Office. Please go ahead.

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Jaymin Mandlecha – C9 Family Office: Hello? Am I audible?

Management: Yes.

Jaymin Mandlecha – C9 Family Office: Thank you for giving me the opportunity, and congratulations on a good set of numbers. I wanted to understand: recently, there have been some anti-dumping sanctions on Chinese players. Has this impacted us positively? How large was the market, how large a market has opened up for Yasho, and are we seeing increased demand because of these sanctions?

Management: Which product line and which Chinese sanctions are you referring to, and where? Who imposed the sanctions?

Jaymin Mandlecha – C9 Family Office: European sanctions on Chinese players.

Management: I have no idea which company. Can you clarify which product or position it is based on? [pause] I do not know how much impact that has had on our business. We see a very limited impact from it.

Jaymin Mandlecha – C9 Family Office: That was my question. Thank you.

Operator: Thank you. The next question is from the line of Ajeet Shetty from {? Equicap Quantum Solution ?}. Please go ahead.

Ajeet Shetty – {? Equicap Quantum Solution ?}: Thank you for the opportunity. As Phase 1 will be operational in Q1 FY28, what kind of utilization can we expect in FY28? Going forward, how should we view the ramp-up in FY29? For Phase 2, what kind of utilization can we expect in FY29?

Management: With the current capacity and the current-year expenditure, including the special project we are undertaking, we are looking at approximately 75% utilization in FY28. For FY29, for the new two buildings, we are looking at 50%-60% utilization in the first year, and then it will increase going forward.

Ajeet Shetty – {? Equicap Quantum Solution ?}: You said 60%-65% utilization, right?

Management: 50%-60% utilization for Phase 2.

Ajeet Shetty – {? Equicap Quantum Solution ?}: And for Phase 1 in FY29?

Management: It should be in the range of approximately 80%-85%, increasing from 75% to 80%-85%.

Ajeet Shetty – {? Equicap Quantum Solution ?}: Thank you.

Management: Thank you.

Operator: Thank you. Participants, if you wish to join the question queue, you may press star and one. The next follow-up question is from the line of Navin Soni from {? Burman Capital Management ?}. Please go ahead.

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Navin Soni – {? Burman Capital Management ?}: Thank you for the opportunity. My question is regarding the new capex that you announced, Rs.250 crores last quarter. Have we tied up with any customers for this phase of capex, or is it more speculative, in the sense that we will first undertake the capex and then approach customers? Have we tied up with any customers in particular?

Management: There is a soft commitment from the customer.

Navin Soni – {? Burman Capital Management ?}: How much of that soft commitment would cover the total capacity utilization?

Management: Approximately 50%.

Navin Soni – {? Burman Capital Management ?}: Understood. Last quarter, I think we mentioned that our utilization for FY27 would be roughly 75%—

Management: 74%-75%.

Navin Soni – {? Burman Capital Management ?}: If I look at [crosstalk] 74%-75%, yes. If we look at the first half, utilization is roughly 65%. Does that mean utilization in the second half could be as high as 80%?

Management: Historically, we have always experienced and seen that Q2 is lower. However, this time, surprisingly, we surpassed the Q1 utilization number as well. We do expect better utilization in the next 2 quarters, meaning the current quarter and the next quarter—October, Q3, and Q4. Historically, those are always our higher-sales quarters.

Navin Soni – {? Burman Capital Management ?}: Understood. One last question, a bit on the fundamental side. We have been hearing that large global lubricant additive players are looking to localize their production in India. What are you seeing on the ground in terms of these developments, and what opportunity size do you see from this shift in strategy by these large players?

Management: We also see some inquiries in that area. Many people are looking to source locally made products, and it is a good opportunity for us to work with them. Since we would get the local business, we also expect to get some global business from them. So it is a [trails off]

Navin Soni – {? Burman Capital Management ?}: {? feed ?} 250-crore capex for this strategy, or will this be incremental to what we are already doing?

Management: No, this will be partly for that strategy, and part of it will be incremental.

Navin Soni – {? Burman Capital Management ?}: Can you quantify the total size of this opportunity? I am not asking about the revenue in any particular year, but what is the total potential of this opportunity for us?

Management: It is difficult to estimate, my dear friend. That would be purely guesswork, and I do not want to make guesses.

Navin Soni – {? Burman Capital Management ?}: Fair. Thank you for answering my questions.

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Management: Thank you.

Operator: Thank you. The next question is from the line of Gulam Soni, an individual investor. Please go ahead.

Gulam Soni – Individual Investor: Thank you for taking my question, and congratulations on a good set of numbers. First of all, I would like to make a comment. Over the past 3 years, we have been quite stable in terms of maintaining an EBITDA margin above 17%. In the long term, we have graduated toward being a company with a more stable EBITDA margin.

What I want to ask is whether, after setting up the chemistry R&D facility at Pakhajan, we are looking for customers in the market, or whether, based on our R&D setup, we can innovate products for customers in industrial chemicals for different applications other than the lubricant chemicals we are currently manufacturing. Are we exploring that by leveraging our chemistry laboratory or chemistry expertise?

Management: Obviously. Our R&D team works on different projects. One of them is lubricants, and another involves what customers may need. Besides that, we also work on many other industrial applications in our R&D. That will be our focus.

Gulam Soni – Individual Investor: Beyond FY28, when we are targeting a figure of approximately 1,600 crores, are we shifting our business model toward more customized solutions for our clients in the future?

Management: If there is an opportunity, why should we shy away from it? We will do it. We will work hard to take advantage of that opportunity.

Gulam Soni – Individual Investor: In terms of mindset or business strategy, are we exploring that and becoming more inclined toward it because we have demonstrated that we can maintain our margin over a long period?

Management: The company has many strategies for growth, and I cannot disclose those strategies here on this call. The company is aspiring to grow and also has a plan. The company will present its future growth prospects at the end of FY27, including what we are looking at further down the line. We will discuss that at that time.

Gulam Soni – Individual Investor: Thank you.

Management: Thank you.

Operator: Thank you. The next follow-up question is from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.

Rohit Sinha – Sunidhi Securities: Thank you for the follow-up. In your previous answer, you mentioned that you are looking to gain market share. Would that be in the domestic market or the export market? If so, what scope do we have to expand it?

Management: I think there is ample opportunity. In our presentation, we have said that there is an addressable market of $15 billion. We are talking about growth from $100 million this year—$120

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million this year—and we can grow to $300–$400 million. We do not see a challenge there, but it will take some time.

Rohit Sinha – Sunidhi Securities: Does that mean we would have to reduce our margin to a significant extent, or would a reduction of 1%–2% still be sufficient for us to gain market share?

Management: I will not comment on that. We are not reducing our margin, as far as I understand. We do not intend to do that, but if we have to, we will see.

Rohit Sinha – Sunidhi Securities: Are the other players operating at a higher margin, or how should we view that?

Management: I have no idea about the margins of other players, what they do, or what they do not do. We always aspire to operate at approximately a 20% margin, and we will continue to do that.

Rohit Sinha – Sunidhi Securities: On the domestic and export sides, is the opportunity available on both sides for us? Is it similar, or does exports have a better angle?

Management: I think the numbers speak. The numbers speak. The data speaks on both sides, yes. [laughs]

Rohit Sinha – Sunidhi Securities: Got it. Thank you.

Management: Thank you.

Operator: Thank you. Participants, to join the question queue, you may press star and one. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij – Astute Investment Management: My question is regarding the two buildings. Is this all for Phase 2, with 150 crores of capex, or is one building Phase 1 and the other building Phase 2?

Management: We currently have two buildings at the Pakhajan facility. We are building two additional buildings, which will be for future requirements. The current two buildings have a lot of vacant space. This vacancy will hopefully be filled by the end of FY27, or there may be a small spillover until Q1 FY28. Buildings 1 and 2 will be fully occupied and operational by that time. Buildings 3 and 4 will be operational at the earliest by Q4 of '28 or Q1 of FY29.

Aman Vij – Astute Investment Management: When we talk about total capex of 250 crores, is that for Buildings 3 and 4?

Management: It also partially includes some equipment for Buildings 1 and 2.

Aman Vij – Astute Investment Management: This was the confusion, because—

Management: We will need additional capex to fill Buildings 3 and 4. We will discuss that in the January or April call.

Aman Vij – Astute Investment Management: That makes sense. My second question is that, in one of the interviews, you had said that our first goal was to double sales to 1,500 crores by FY28, and

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then there was another goal to double it again over the next few years. You had mentioned that you would be disappointed if you were not able to achieve that.

Management: That is true.

Aman Vij – Astute Investment Management: We are targeting sales of $300–$400 million over the next 4–5 years. To achieve this, do you think we will require several contracts like the one worth 150 crores, or can the same contract scale up to perhaps 300–500 crores after we deliver over 1–2 years, given that we have a 3-year contract?

Management: We disclosed only one contract because it involved a material financial transaction. There are several other contracts on which the company is working where there is no financial implementation, so they cannot be disclosed.

Aman Vij – Astute Investment Management: If we obtain a contract worth 100–150 crores, do you plan to disclose it?

Management: No, I did not say that. We will disclose it only if we receive money from the customer. Otherwise, we will not disclose it.

Aman Vij – Astute Investment Management: There might already be a few contracts, as you are saying that we have soft commitments from customers for the 250-crore capex. Since there are no advances or similar transactions, you might not disclose them. However, you still have many other contracts under discussion, perhaps in the final stages of negotiation.

Management: Absolutely. Otherwise, how would the company undertake such a large commitment?

Aman Vij – Astute Investment Management: The lubricant segment is a larger part of this $15-billion industrial market. For most of your growth over the next 3–4 years—

Management: No, I did not say that. The $15 billion includes all industrial segments; it is not limited to lubricants. Rubber, performance chemicals, and everything else are included.

Aman Vij – Astute Investment Management: For us to scale to $300–$400 million, do you think lubricants will be at least 40%–50% of that, or can other segments also scale, given that many MNCs want to establish tie-ups in India? What is your view?

Management: It is a mix of opportunities. Many opportunities are coming from performance chemicals companies that are looking for us to work on similar arrangements. Lubricants will definitely be one of them, and we see good opportunities in lubricants, rubber, and a lot of diversified chemistry. We are happy with that.

Aman Vij – Astute Investment Management: Is the same set of chemistry—the 3–4 segments we are involved in, including lubricants, rubber, and performance chemicals—sufficient to scale to $300–$400—

Management: I do not see a challenge there. We have a full-fledged R&D team working on new chemistry today, and we are proud of that. I see good results coming out of it. In only 6 months, I have seen a couple of good results. We are happy with that and confident that it will help us grow

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beyond 2028. We talk about 2028, but what about beyond 2028? We need to work on that as well.

Aman Vij – Astute Investment Management: Do you have any plans for the next 2-3 years regarding additions to R&D? You had mentioned some numbers in the—

Management: That will continue. It will continue as and when the need arises. We do not shy away from investing in R&D because it is the backbone of the company.

Aman Vij – Astute Investment Management: Do you have any plans for backward integration of some of these products? I believe we import many of these products and add the additives through our formulations. Do we have any plans for backward integration of products that are scaling up for us?

Management: We always evaluate this aspect, and we take the necessary steps as and when we feel it is appropriate. As of today, none.

Aman Vij – Astute Investment Management: Thank you, sir.

Management: Thank you.

Operator: Thank you. Before we move to the next question, a reminder to the participants: to ask a question, you may press star and one. The next question is from the line of Kanv Garg from Garg Advisors. Please go ahead.

Kanv Garg – Garg Advisors: Congratulations on a good set of numbers. I have two questions. My first question is that, in the presentation, we have mentioned that we are targeting 1,600 crores of revenue by FY28. Given the guidance in the first half, it seems that we may be able to achieve revenue of approximately 1,400-1,450 crores in FY27. Do you not think this target is somewhat conservative?

Management: It is better to be conservative than optimistic in today's scenario, my dear friend. [laughs] We would be happier if we cross the target. If we do not cross it, you will ask the same question: what went wrong?

Kanv Garg – Garg Advisors: I ask because management has always been very positive. I thought that—

Management: We are positive. We are positive even today. However, I do not want to commit to anything more. We are well placed, and it will be more than 1,600 crores. We did not give a 1,600-crore target, at least I did not.

Kanv Garg – Garg Advisors: My second question is regarding the 120-150-crore contract for which you have undertaken the capex. When will it be commercialized? Can we assume it will be commercialized in FY28, or will it take more time?

Management: We already said that we will start commercialization in Q1 of '28. We have already said that.

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Kanv Garg – Garg Advisors: Q1 of '28. I missed that earlier. Given the significant unavailability of raw materials due to the crisis, are we facing any problem procuring raw materials, or is there no problem and only the prices have increased?

Management: There are many challenges currently in procuring raw materials, but that is fine. It is part and parcel of life.

Kanv Garg – Garg Advisors: Thank you very much, sir. That is all from my side.

Management: Thank you.

Operator: Thank you. Participants, to join the question queue, you may press star and one. The next question is from the line of Amit Vora from PCS Securities. Please go ahead.

Amit Vora – PCS Securities: Thank you for the opportunity. The discussion pertains to the company's debt. Where do you see the debt developing over the next couple of years, given the capex that we have planned?

Management: We aspire to keep it within the limits. As of now, we are well below 2.5x. We will review it at the board level and determine where our comfort zone lies.

Amit Vora – PCS Securities: Can you give us any ballpark figure for FY28 and FY29 regarding where our debt should be?

Management: No, I do not have that.

Amit Vora – PCS Securities: Thank you.

Operator: Thank you. The next follow-up question is from the line of Lavish Soni from Bowman Capital Management. Please go ahead.

Lavish Soni – Bowman Capital Management: Thank you for the opportunity. In the last call, I think you mentioned that we had onboarded some new customers who helped us increase our volume offtake. Are any new customers currently in the process of being onboarded who are close to coming on board?

Management: Yes, many new customers are coming on board, but their sizes differ.

Lavish Soni – Bowman Capital Management: Are there any notable ones that might significantly help us ramp up volume over, say, the next couple of quarters?

Management: No comments.

Lavish Soni – Bowman Capital Management: No problem. I have one clarification. Hello?

Management: Yes.

Lavish Soni – Bowman Capital Management: Actually, if I see—

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Lavish Soni – Bowman Capital Management: The peak revenue that you have given from your existing facility comes to roughly 1,650 crores. However, if I look at the revenue run rate, we are already at 1,400 crores, which implies approximately 85% utilization. When we talk about utilization, we are saying 66%. I wanted to understand the discrepancy between the two. Am I not comparing the right numbers?

Management: It is a product mix issue. I do not know where you are getting the 1,400-crore number. I do not have that number in front of me. If I see it, I will be happy. Peak revenue is approximately 1,600 crores. We should be able to achieve that if we can utilize the plant at 80% over the next 2 quarters. I do not see a challenge there, but that number is based on the capex as of March 30, '26. We have to undertake new capex this year. We also have a new special contract that will start contributing from Q1 of '28, and all of that will help us achieve further growth.

Lavish Soni – Bowman Capital Management: Understood. Is the peak revenue that you mentioned earlier based on older prices? Prices have moved significantly over the last couple of quarters, so that could be one of the [crosstalk]

Management: Yes, that could be the case. We will be conservative. We cannot use today's price and then, if the price drops tomorrow, have you ask why the revenue has gone down.

Lavish Soni – Bowman Capital Management: One last question. The 1,600-crore-plus guidance that you have given—is it based on current prices or pre-war prices?

Management: It was based on pre-war prices.

Lavish Soni – Bowman Capital Management: Understood. That is helpful. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Harshit Bayani, an individual investor. Please go ahead.

Harshit Bayani – Individual Investor: Hello, can you hear me?

Management: Yes.

Harshit Bayani – Individual Investor: Thank you for the opportunity. I have one general question. From a management perspective, what are the top 2-3 external risks that you foresee, and how are we, as a company, trying to mitigate them?

Management: The biggest crisis we see is logistics. Getting products in is being delayed by 30-60 days against the standard time of 25-30 days. For exports, we are not getting vessels on time, and freight is increasing. These are the challenges we are facing. That is one of the biggest risks we face today.

Number two, if this crisis continues, there could be a further increase in prices. We do not know which way the crisis is going. If prices increase and fuel prices rise further, we could see some softness. There is now resistance from customers saying that the price is too high and that they want to hold back. We have seen that as well. Sometimes customers move away purely because

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somebody supplies at a cheaper price. We need to worry about all those factors.

Harshit Bayani – Individual Investor: As a mitigation measure, regarding the subsidiary we have in the US, are we exporting some products in advance, or do we operate on an order basis?

Management: On an anticipated basis, we always keep some additional quantity. However, it is always against a commitment.

Harshit Bayani – Individual Investor: Is that subsidiary purely a sales office?

Management: It is only a stock point. It is only a stock point.

Harshit Bayani – Individual Investor: Understood. As you said earlier, some or most of the logistics and fuel costs can be readjusted in future contract prices, but if they increase by a very large amount, do we have to bear some of the cost?

Management: Yes, we have to bear it. That is true.

Harshit Bayani – Individual Investor: Thank you, sir.

Management: Thank you.

Harshit Bayani – Individual Investor: Thank you.

Operator: Thank you. Participants, to ask a question, you may press star and one.

As there are no further questions from the participants, I now hand the conference over to management for the closing comments.

Management: Thank you, ladies and gentlemen, for joining today's call. We appreciate your support and confidence in the company. We look forward to seeing you again on our next call.

Operator: Thank you, sir. On behalf of Yasho Industries Ltd., that concludes this conference. Thank you all 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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