Laxmi Organic Inds.

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Operator: Ladies and gentlemen, good day and welcome to the Q4 FY26 earnings call of Laxmi Organic Industries Ltd. This conference may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as of the date of this call. These statements do not guarantee the future performance of the company and may involve risks and uncertainties that are difficult to predict.

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 Dr. Rajan Venkatesh, MD and CEO of Laxmi Organic Industries Ltd. Thank you, and over to you, sir.

Management: Very good morning, greetings from my side, and also good evening or good afternoon, depending on the time zones that you are calling in from. Again, thank you for your interest in what is happening at Laxmi. Let me start with the broad strokes first at the macro level. I guess we all continue to hear a lot about what is happening at a macro level, which has ramifications for all of us. I will then bring it closer to the raw material implications for us at Laxmi, what it means for our customers and how we are seeing demand generation, and then provide a quick insight into what we are seeing in logistics, which is an important topic. I will take you through where we are on our current projects and assets and how we are shaping up there.

I am also very happy to announce our new CFO who will join us by the middle of June. I will provide a brief introduction about him and then take you through our performance sequentially, Q4 vs Q3 FY26, and also give you a quick preview of how we closed out FY26 vs FY25, before opening it up for questions.

So let me start first with the macro element. Certainly, the way to look at Q4 is January and February, and thereafter, towards the end of February, is when more interesting things happened, specifically the conflict in the Middle East, which continues to go on today. Therein is where we saw a lot of spikes in feedstocks. I think it was more uncertainty creeping into the overall chemical ecosystem, starting primarily from crude, and thereafter certain key building blocks like methanol, specifically building blocks coming from the Middle East into other geographies like Asia.

Not surprisingly, taking it to the next step, March is where we saw those disruptions, which then continued into April and continue now in different forms. When we take the next step into certain key raw materials that impact us at Laxmi, acetic acid is clearly one of them. If you remember the narratives during the previous financial year across Q1, Q2, and Q3, what we had seen in a product like acetic acid was that prices had fallen down to close to $300-320 levels. As I noted previously, we felt this was not sustainable for the acetic acid producers.

Thereafter, in Q3, we saw prices moving upward. We saw certain key suppliers of acetic acid in Asia and globally taking shutdowns—some planned and some unplanned—and prices moved upward of slightly over $400. In January and February, we saw those prices moderating in the range of approximately $350-370.

What we then saw happening fundamentally in March, from those levels of $350-370, was a large spike, first in March and thereafter in April. These then crossed the upper end beyond $700. However, these spikes have been somewhat short-lived, and we are seeing prices moderate back to a more sensible level. Currently, prices for acetic acid are around $450-470, where we think they will find a floor.

That is one key raw material for us. For ethanol, we have not seen spikes as large. We bring in ethanol from the Americas, and we continue to see that ethanol prices remain firm, but we have not seen the price swings that we saw for acetic acid. It is also important to note for acetic acid that one of the key raw materials is methanol, and given that the Middle East is a key producing region for methanol, there was a lot of anxiety, which sparked these price swings.

Coming to our customer base on a qualitative level, we have seen a host of reactions. Some risk-averse customers in this volatile situation have chosen to build up some inventory and are willing to pay a certain premium on the supply reliability side. Others are taking it as they require it and are just restocking as needed.

Our procurement strategy has kept Laxmi in good stead. We have been able to ensure that our assets have been running reliably during these periods. Looking deeper into customer segments, specifically in Pharma, in Q4 FY26, we found demand was stable in January and February, with a spike in March aligned with the narrative I just shared.

In printing and packaging, we also saw January and February demand was stable on a quarter-on-quarter basis, with a spike in March. In our industrial solutions segments, we have continued to see demand remain stable and slightly firming up in Q4 and into the first signs of Q1. The same is true for our pigment sectors. That is broadly what we are seeing on the demand side.

Regarding logistics, when we reflect on FY26 vs FY25, the independence day tariffs announced towards the latter half of FY25 had large ramifications on costs. As we entered FY26, there was a moderation in those logistics costs and vessel availability. However, since March, that has moved into a different regime. Unlike COVID-19, the Middle East crisis has triggered multiple surcharges. It is a very different dynamic, but it would be fair to say logistics costs have doubled since this conflict started, plus a host of other surcharges. This is a negative drag overall and something to watch out for.

Coming closer to home on our asset base, at our fluorination setup at Lote, we have achieved what we lined up for FY26. We achieved 40-45% of peak revenues and we have a good order book as we enter this financial year. We have also started up our world-scale ethyl acetate setup lines at Lote and have already started dispatches to customers.

At our project at Dahej, Phase 1 has already started as shared in previous narratives, and we are continuing to supply the market. For our Phase 2 range of products and plants, the chemical charging will happen in this quarter, Q1 FY27. We are very excited to start sampling for customers, and in the second half of FY27, we will see revenues from Dahej impacting our P&L positively.

That being said, what is very important is the responsibility and sustainability lens. As our manufacturing footprints increase, it is important that we are prudent with water usage and energy intensity. We have taken excellent steps, and I give credit to the teams involved, as our intensity on these elements at our existing setups has seen significant year-on-year improvement. We will be releasing our BRSR reports where you can see these improvements. Our supply chain digitization project, a transformative initiative launched last year, is expected to go live in Q2 FY27.

Regarding the appointment of Mr. Amit Jain, he will join Laxmi Organic Industries Ltd. as CFO on June 16. I am glad he has chosen to join our journey. He joins us from Gharda Chemicals, where he served as CFO. He has 30 years of extensive experience as a strategic business partner across chemicals, packaging, and pharmaceutical industries. His experience spans corporate strategy, investor relations, treasury, restructuring, M&A, and enterprise transformation, all of which are very relevant for us. I am confident he will add significant value as he steers us into the next phase of growth.

Moving to the financials, I will focus first on the sequential lens for Q4 vs Q3 FY26. We saw revenues grow 9-10%, driven across both essentials and specialties businesses. We also saw margin improvement across both businesses in Q4. This has been an important journey and sets a good base as we enter the current financial year.

For the full year FY26 narrative versus FY25, our revenues have degrown 6%. This is something we have discussed openly regarding the margin pressures and the overall deflationary feedstock environment we have been grappling with. We also had one-time effects in our specialties structural business that impacted us. The gross margin profile has come under pressure on a full-year basis. As our new sites started up, our employee costs increased by about 14 crores. We were also affected by a one-time reversal in FY25 that did not repeat in FY26. We are ending the year strong and anticipate a decent start to the current financial year. Our prudent working capital management has kept us in good stead, enabling us to invest in our growth projects. With that, I would open the floor for Q&A.

Operator: Thank you. We will now begin the question and answer session. Our first question comes from the line of Jenam Jelani with Swan Investments. Please go ahead.

Jenam Jelani - Swan Investments: Hi sir, thank you for the opportunity. In a previous call, you mentioned that our ethyl acetate spreads for Q3 FY26 were almost $100-110. What did they stand at in Q4, what was the peak due to the Middle Eastern crisis, and what are the current levels?

Management: Thank you for that question. I am joined here by Mr. Harsh Goenka, Executive Director and interim CFO. Regarding the spreads, in Q3, the acetic acid price point was very low, which we felt was unsustainable. We subsequently saw acetic acid capacities coming offline and prices increased in Q3, settling around $350-370.

The spreads for etac had gone below $100, then improved to the range of approximately $130 in January and February. Given the large spike in acetic acid prices—driven by methanol—we saw spreads jump to about $220 in March and further increase up to $250 in early April. The average spread over a 12 to 13-year period, excluding COVID-19 heights, is in that $220 ballpark. We saw spreads return to and even exceed the average cycle levels. Currently, spreads have moderated to the $150-160 range.

Jenam Jelani – Swan Investments: So is it fair to say that over the next one or two quarters we expect the spreads to be sustainable around the $150-160 range, and could this be the bottom now?

Management: We are taking it day-to-day. We believe that where acetic acid prices have settled could be a floor, given that methanol prices remain very high. This is where things may land for now, but it is an evolving situation.

Jenam Jelani – Swan Investments: We saw that in the specialty segment, our revenues dropped 18% year-on-year. In earlier calls, you mentioned almost 8-9% was because we lost one big contract. For the remaining 8-9%, is it purely pricing, or have we lost volume or market share?

Management: In Q4, we have done very well in our specialty business and recouped that. Looking at the first half of the year, there were three broad buckets. The first was the structural product loss, which was nearly 10% of our top line. We have an alternative in the pipeline and already triggered it. We saw some revenue from that in Q4, but the full manifestation will be in FY27.

The second bucket was shipments deferred by key customers from the first half into the second half, which manifested in Q4. The third bucket was the deflationary effect on key feedstocks. Over FY25 and FY26, key feedstocks like acetic acid dropped by close to 30% over a two-year period. Even in the specialty space, while we do not have cost-plus formulas, you must reflect those changes. So, it is an amalgamation of those three factors. On a year-on-year basis, the specialty business is almost flat.

Jenam Jelani – Swan Investments: So is it fair to say that as the deferment of orders ends and pricing improves, those problems have gone away, and we can see growth in specialty in FY27 and FY28 as we ramp up products?

Management: We expect to see that growth as we are investing. Our Dahej capacity is coming online, and you will see the manifestation of that in the second half of this financial year and the ramp-up thereafter. The specialty business is managed differently, and we are handling these disruptive feedstock environments responsibly in discussions with customers across both essentials and specialties.

Jenam Jelani – Swan Investments: You mentioned that Phase 2 should commence in Q1 and the Hitachi project should commence in Q2. As we are done with capex for the near term, how do you see the ramp-up? Can we see revenues of almost 3,700 to 4,000 crores in FY27 and 5,000 crores in FY28?

Management: The manifestation of the Dahej project is not for a full year. We have the entire qualification space to navigate. The diketene element will come into play, so we will see revenues increasing in the second half and a gradual ramp-up into FY28 and beyond. The Hitachi project will manifest in Q3, followed by steady qualification and ramp-up. We have a multi-year contract there. Given that the chemical environment is fluid, it would be premature to provide absolute numbers. We will have better line of sight once things settle.

Jenam Jelani – Swan Investments: Any rough asset turnover figure you can provide for the peak potential of the Dahej project, since you spent almost 1,000 crores?

Management: We have stated in the past that it is a blend of capex between essentials and specialties. We have shared the anticipated asset turns for both those businesses previously.

Jenam Jelani – Swan Investments: That is all from my side. Thank you.

Operator: Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for closing remarks.

Management: Thank you all for joining and for your interest in how Laxmi is navigating these times. I want to give a big shout-out to the entire Team Laxmi. You are tested most during difficult times, and the way we have come through FY26 while preparing for FY27 and beyond is testimony that the team is geared for growth and geared to win. We are tapping every lever within our control in a judicious manner and in close proximity to our customers. I am excited to continue this conversation. Thank you to all our stakeholders.

Operator: Thank you, sir. Ladies and gentlemen, on behalf of Laxmi Organic Industries Ltd., that concludes this conference call. Thank you for joining us. You may now disconnect your lines.