Aether Industries

Operator: Ladies and gentlemen, good day and welcome to Aether Industries Ltd. Q2 FY27 earnings conference call, hosted by HDFC Securities Limited. 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 the operator by pressing star, then zero, on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nilesh Ghuge from HDFC Securities Limited. Thank you, and over to you, sir.

Nilesh Ghuge – HDFC Securities Limited: Thank you. On behalf of HDFC Securities, I welcome everyone to this Aether Industries Ltd. conference call to discuss the results for the quarter ended September 2026 and the half-year performance for Q2 FY27. From Aether Industries Ltd., we have with us today Dr. Aman Desai, Promoter and Whole-time Director; Mr. Rohan Desai, Promoter and Whole-time Director; Mr. Faiz Nagariya, Chief Financial Officer; Mr. Kushal Doshi, Lead Investor Relations; and Ms. Shubhangi Desai, Executive IR. Without further ado, I will now hand over the floor to Mr. Kushal Desai. Over to you, Kushal.

Kushal Doshi – Lead Investor Relations: Thank you, Nilesh. A warm welcome to everyone. Today, the board has approved the financial results for the second quarter and half year ended FY27, and the same has been filed with the stock exchanges as well as updated on our website. Please note that this conference call is being recorded and the transcript of the same will be made available on the website of Aether Industries Ltd. and the stock exchanges. Please also note that the audio of the conference call is the copyrighted material of Aether Industries Ltd. and cannot be copied, rebroadcast, or attributed in the press or media without the specific written consent of the company.

Let me draw your attention to the fact that on this call, our discussion will include certain forward-looking statements, which are predictions, projections, or other estimates about future events. These estimates reflect management's current expectations regarding the future performance of the company. Please note that these estimates involve several risks and uncertainties that could cause our actual results to differ materially from what is expressed or implied. Aether Industries Ltd. or its officials do not undertake any obligation to publicly update any forward-looking statements, whether as a result of future events or otherwise.

Now, we will ask Mr. Rohan Desai to begin by sharing Aether's business outlook and ongoing expansions. Then, Dr. Aman Desai will provide inputs on R&D, new client initiatives, and the strategy of the company. I will hand over the call to Rohan for his opening remarks. Over to you, Rohan.

Rohan Desai – Promoter & Whole-time Director: Thank you, Kushal. Good afternoon, everyone, and thank you for joining us for the second-quarter results call. Before we begin, on behalf of Aether, I wish you and your family a very happy and prosperous Diwali. It is a season for new beginnings, and that feels right for where Aether is today.

Q2 is a solid quarter. It reflects disciplined execution, the strength of our product portfolio, and the growing strategic role we play across all three business verticals. The macro environment remains volatile, but we have kept building momentum and are laying the foundation for our next phase of

Report is AI-generated and may contain inaccuracies.

growth.

Our CRAMS and CEM businesses continue to lead. Together, they now contribute over 65% of our sales. That comes from the continued ramp-up of our major CEM contracts and from the new CRAMS projects we have added.

Today, I want to focus on a few key developments: the increased portfolio with Baker Hughes and our progress in the semiconductor business.

As you know, we had already manufactured a few products for Baker Hughes at our dedicated starter site, which is Site 4. We are now taking this partnership a step further. We have commercialized an entirely new set of oilfield industrial chemicals for Baker Hughes, which were shipped in Q2 FY27, the current quarter under review.

We have successfully completed the required minor modifications for one of the production streams at the starter site to accommodate these new products. We see great potential for these new products as we serve Baker Hughes' customers worldwide. This clearly showcases Aether's depth and the long-term nature of this relationship, as we envisage becoming Baker Hughes' strategic partner of choice for future products and projects.

This is about more than one contract. Recent events have reminded the world how important energy security is. We expect oil and gas to attract significant investments over the coming years, and Aether is well placed to benefit. Oil and gas already accounts for 33% of our sales, and we expect it to remain a key growth driver.

On our semiconductor business, we have moved quickly since our last call. I am pleased to share that we have started our first commercial shipments to semiconductor customers from our existing production facilities. Volumes are modest today, but we are growing month-on-month. For us, this is a strong validation of our capability, our quality, and the trust our customers place in us.

Our new production block for this segment at the Magnum site is being equipped and is on track for commercial production from Q4 FY27.

Looking ahead, execution at the Magnum site and the expansion of our R&D facility are on track and, in several places, ahead of schedule. We are working on a number of exciting opportunities and expect to conclude agreements with leading global companies over the coming quarters.

None of this would have happened without our people. I want to thank every member of the Aether team for their commitment this quarter, and our customers and shareholders for their continued confidence in us.

With this, I will hand over to Aman, who will update you on the Dow silicone project, our ongoing client discussions, and a new contract with a leading global agrochemical company. Over to you, Aman.

Dr. Aman Desai – Promoter & Whole-time Director: Thank you, Rohan, and good afternoon, everybody. Welcome to this call.

Report is AI-generated and may contain inaccuracies.

I will start with our multi-year research program with Dow to develop advanced silicone manufacturing technology in India. Since we announced it on July 31, both teams have been working full-time, making real progress, and moving this from a scientific exploration idea on paper towards a commercially viable technology platform.

It is a multi-year research program, and it is very exciting. It is also a genuinely new and incredibly complex chemical engineering challenge. Consequently, it is incredibly fun for us because we specialize in accepting and solving challenging problems in chemistry and chemical engineering.

Scaling up this technology will need real innovations in process design, material flow, materials of construction, and operating conditions. We are operating at extreme temperature and pressure conditions in the continuous-flow regime, which is where we have built competency over the years across several platforms.

Our approach is to break a complex, first-of-its-kind problem in this project into clear, manageable work streams while we balance timelines and capital efficiency for the future plant.

Our immediate goal is to design, build, and operate a pilot unit. It will answer the key engineering questions and give us the data we need to design a multi-scale, full-scale, multi-kiloton, multi-tens-of-kilotons commercial plant.

We see this as a long-term investment in capability and one that could potentially become a distinctive platform for Aether, on which we could base explorations for decades to come.

CRAMS remains at the heart of our business. As Rohan mentioned, our new R&D and manufacturing infrastructure is well on schedule, and we look forward to bringing it online as early as possible.

Our pipeline is quite strong. We are currently working on more than 65 CRAMS projects in our R&D and pilot plant. Our NMR-based analytical capabilities have helped us broaden our work with global majors and go deeper into the development pipelines. Customers increasingly see us as a trusted, innovation-led partner for complex, long-cycle programs.

We continue to win across sectors. This quarter, we started new CRAMS engagements with an automotive ancillary major, a global mining company, and a different oil and gas major.

The automotive ancillary major project and the global mining company project are both serious, long-term commercial opportunities being started in R&D under the CRAMS business model. Ultimately, these will open up entirely new fronts for Aether with respect to end applications in the chemical industry. This is something we take pride in: our diversification across end-industry applications in the chemical industry.

Europe is another area of growing momentum. We are working with a lot of large-scale manufacturers and companies in Europe, but we are also in serious discussions with several small- and mid-sized European specialty chemical companies, which is unique, I believe. They bring deep chemistry know-how, and they are increasingly looking to Aether as their manufacturing partner.

Finally, we have also moved our R&D operations from 24/6 to 24/7 this quarter. We have started that process and will finish it over the next month or so. This is a first for the company. It means

Report is AI-generated and may contain inaccuracies.

faster responses, quicker project execution, and stronger customer engagement.

This quarter, we have also signed a [cut off]

Dr. Aman – R&D Director: New CEM contract, an exclusive manufacturing contract with a leading global agrochemical innovator. It is a new chemical entity. Over the last 12–16 months, we have completed the customer qualification fully. Production will be at the fourth production block of our Magnum site and will start in Q4 FY27.

This contract matters to us. It shows that we can take a complex CRAMS program all the way to a commercial CEM contract, even in a sector that is going through a difficult period. Pricing is confidential, needless to say, but we plan to start at 200–250 tons per year in Q4 FY27, with a projected path of around 600 tons per year over time.

This project is yet another example of a project that was started in R&D with a globally leading innovator under the CRAMS business model, with the technology and process being fully developed and validated at Aether, scaled up in the Aether pilot plant, and ultimately launched into commercial manufacturing at the Aether Magnum site, thereby transferring to our contract-exclusive CEM manufacturing business model.

In the first half, we added 16 new customers and completed more than 20 customer certification audits. We have also been negotiating several contracts in recent months and expect to conclude a number of them this financial year. Please keep a lookout for the announcements to come in the next few months.

These contracts will fill capacity at Magnum, and our confidence in our ability to fulfill the capacity being built at Magnum keeps growing month on month.

We now have a line of sight on 14 of the 16 production blocks at Magnum. Two are earmarked for LSM products, and the remaining 12 are earmarked for CEM contracts, which we expect to commercialize over the next 2–3 years.

This concludes my remarks. I look forward to your questions. Ahead of the festive season, I wish you and your loved ones a very happy Diwali and a prosperous new year to come. Stay safe in your travels, have a lot of fun, and spend time with your family. Thank you very much. Kushal?

Kushal: Thank you, Aman. We will open the floor for Q&A.

Operator: Thank you very much. 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 is from the line of Sajal Kapoor from Antifragile Thinking. Please go ahead.

Sajal Kapoor – Antifragile Thinking: Thank you for the opportunity. Am I audible?

Management: Yes.

Report is AI-generated and may contain inaccuracies.

Operator: Yes, sir, you are audible.

Sajal Kapoor – Antifragile Thinking: Thank you. Dr. Aman, when I asked about the flywheel on an earlier call, you described marrying chemistry, technology, engineering, and systems. That was your response on that call. I think it was around May or Q4 of the previous fiscal year.

Now, with R&D at 24/7 and 65-plus projects, what did that shift force you to codify or document—the knowledge that previously lived as a tacit thing inside the minds of a few senior scientists or people in the organization?

I will explain where I am coming from, because we cannot scale R&D without making sure that we have systems, processes, and controls in place. As much as possible, 100% codification is completely impossible in any knowledge-based industry, and ours is a high-tech, R&D-driven infrastructure. However, we have to do as much as we can to make sure that if someone leaves the organization tomorrow—a leading scientist, as an example—we are not hostage to or dependent on key-person dependency. That is what I am trying to mitigate in this question. If you could help us out, thank you.

Dr. Aman – R&D Director: Firstly, that is a great question. Obviously, something that we pay a lot of attention to and put a lot of thought into is preserving and maintaining the most important value and strength of the company, which is the people.

A lot of things have been thought about to address this potential problem. First of all, it is a very flat organization. There are, for example, eight research group leaders who are PhDs, and there are four chemists and four chemical engineering group leaders. That is 12 group leaders. They all run their own programs. They have all been with the company for more than 10 years. They all have their own spaces and their own labs, all of which are access-controlled, as well as protected for customer confidentiality.

There is no dependency on one R&D leader as such. For example, I am the R&D Director, right? Rohan and I are going to run this for the next 30 years, but there is no dependency on any one person or any one individual. It is a team effort.

Going by the flywheel that you just mentioned of chemistry, chemical engineering, and technology, that inherently avoids the problem you have mentioned because it is a marriage of multiple disciplines that come together at Aether to solve complex problems for the first time in India.

Hence, not a single chemist can do it, not a single chemical engineer can do it, and not a single instrumentation person can do it. All three of them have to be combined, right? Therefore, the knowledge is combined knowledge that resides in all these people.

Also, when we are tackling complex chemistry and chemical engineering problems, they are, by definition, complex. There are multi-step synthetic sequences. There is no single reaction; there are multiple steps in the process. We scale this up, and those economies of scale are then difficult to replicate anywhere else.

I hope I answered your question a little bit. I am happy to engage more, but that is a good question, and we do put a lot of thought into that. Thank you.

Report is AI-generated and may contain inaccuracies.

Sajal Kapoor – Antifragile Thinking: No, thank you, Dr. Aman. That is absolutely reassuring. We are now moving capacity from LSM to CEM. What has changed in how Aether decides which opportunities not to pursue?

As you have said in previous earnings calls, this is a golden age for a select group of chemical engineering companies in India. In an environment where we are potentially flooded with RFQs and projects, there will be every reason why we would have to turn down or say no to certain things, because only when you say no to X do you create capacity to do Y.

I am trying to understand how you think about opportunities that are not good enough to pursue at the current point in time. Thank you.

Dr. Aman – R&D Director: That is a good question as well. We probably say no at least once every other day in terms of enquiries, RFQs, RFPs, and product suggestions that come in from various companies all around the world.

It is really very important to be able to say no, and to say no quickly and emphatically. A no or a maybe is our response within 2 days to any customer worldwide. It is very important to say no. We do say no a lot.

The focus remains on our core competencies, the chemistry and the technologies, and the so-called 8-by-8 matrix that we have. The focus has also pivoted to strategic partnerships.

For one strategic partner, for example, Baker Hughes or Milliken—the ones that we have publicly announced, plus the 10 others that we have not—the goal is to be the ointment that relieves their painful nerve.

For example, one of our leading agrochemical innovators called me last week. This was a senior director-level, EVP-level person in his organization. He called me and said, “Aman, I have this complex problem, and this is a very challenging issue with very complex chemistry. Whenever we have complex chemistry, we think of you.”

I thought that was a fantastic compliment to receive. That is what we want them to think of us for: when they have a complex problem that nobody else can solve.

There are also certain chemistries and technologies that we will not take up. For example, HF, F2, and H2S are chemistries that we will not take up. We have our own hazards that we work with. We want to be very practical in our approach from a safety perspective and in terms of the competencies that we take up.

Let me stop there, and hopefully I have answered part of your question.

Management: I would also like to add that while Aman has spoken about the R&D and the capabilities for every project at CEM and LSM levels, we also focus on cash flow and higher stickiness while evaluating the opportunities out there. This is from the commercial side. Aman's analysis and strategies come in first, and then we also evaluate them from the commercial viability viewpoint.

Report is AI-generated and may contain inaccuracies.

Sajal Kapoor – Antifragile Thinking: That is very helpful. Finally, as we move up the complexity curve, my sense is that gross margins should improve from here because higher-complexity work will naturally attract better gross margins as we do more value-added work. That is one lever for margin expansion over a period of time. It does not mean it will happen next quarter or next year. That is one lever.

Secondly, as our capacities become increasingly utilized, operating leverage will also take effect. What I am trying to understand is whether there is a number in your mind that, given we are moving up the complexity curve, we have to show that in the numbers because, ultimately, the narrative and the numbers have to match.

I am struggling to digest 30% EBITDA as the final sacrosanct number, perhaps 3 years out, if not tomorrow. How do you think about these two levers—gross margin and operating leverage on utilization—that can ultimately drive a better steady-state EBITDA margin? Thank you.

Faiz: Hi Sajal, Faiz here. I will take this question. You are right. Moving forward, gross margins will settle at a higher level as we move more towards CEM and CRAMS. You can also see this over the last few quarters. We have been able to improve the gross margins.

You are again right that margins will be more than the 30% that we are always guiding for, but we are being conservative and taking into consideration the various factors that might affect them. War situations may arise, or pricing effects may emerge, so we are being conservative.

Otherwise, we are definitely looking forward to a good improvement in the near future in terms of EBITDA margins. Operating leverage will improve, and working capital cycles will also improve.

Currently, working capital is around 165 days, which is 3 days higher than March 31, mainly because inventories have increased due to the new sites that have come up. However, we are mindful of that, and things will improve quarter-on-quarter for sure.

Sajal Kapoor – Antifragile Thinking: Thank you. Thank you for your time and all the responses. That is all from my side today. Thank you.

Faiz: Thank you, Sajal.

Operator: Thank you. The next question is from the line of Farooq Gandoli from Avesta Fund Management Limited. Please go ahead.

Farooq Gandoli – Avesta Fund Management Limited: Hi. Am I audible?

Operator: Yes, sir.

Farooq Gandoli – Avesta Fund Management Limited: Great. Firstly, congratulations on the good numbers and on expanding your relationship with Baker Hughes.

My first question is whether you can tell us how big the market is for the second series of products that we are shipping to Baker Hughes. Can this relationship generate over, say, 1,000 crores of revenue per year from {? PPSB, S ?} and other products once these plants reach maturity, say, in the next few years?

Report is AI-generated and may contain inaccuracies.

Management: Thank you for that question. The market for the new products that we have launched for Baker Hughes would be about $2 billion.

It is a hidden market, so we are not getting the exact numbers, but a lot of market studies have shown a range of $2 billion to $2.5 billion.

We are also looking to improve and increase our relationship with Baker Hughes. Our target is to have more than $100 million of business with Baker Hughes in the very near future. That is how we are working closely with Baker Hughes to develop the relationship, which can grow to more than $100 million, or 1,000 crores.

Farooq Gandoli – Avesta Fund Management Limited: Great. Secondly, from the investor presentation, it seems that the Magnum site is expanding at a very quick rate. Clearly, there are now more than six plants that are above the ground, apart from four that are already operational or close to becoming operational.

What is driving this quick expansion, and potentially, are we looking at very large contracts of, say, 500 crores or 1,000 crores plus? If so, which segment, which customers, and what colour can you share with us? It would be very useful.

Parth: That is a great observation. This does justice to the picture that we share regularly on a quarterly basis. You have rightly pointed out that we have gone beyond six production blocks that are already above the ground and on the verge of completion.

I will ask Aman to fill in here and tell us more about the associations or how many possible associations we are looking at and over what period of time. Aman?

Aman: Thank you, Parth. Good question. We are expediting the civil construction and plant build-ups and moving towards equipment installation in many of the plants much faster than previously anticipated.

To give you an idea, two plants are going to be in the LSM model for pharmaceutical advanced intermediates. One plant is going to be a semiconductor facility that Parth has discussed. Plant number four is going to be the agrochemical innovator contract that I just discussed in the earnings call. That is four plants.

We have one plant in material sciences being discussed at 1,000 tons per year with one single company. We have one plant with an oil and gas major. An announcement regarding dedicating an entire plant to them should come very soon, and they have also asked us to reserve the plant next to it and give them the first right of refusal.

We have two plants coming up for a multinational, one of the largest chemical companies in the world, in material sciences under a special kind of collaboration. That should also be announced over the next few months. They have also asked for two plants to be kept in reserve.

There are also four plants being discussed with another customer. If all of this goes through, we essentially have only one plant left. Of course, this is a realistic best-case scenario. It is a realistic best-case scenario, but it is still a best-case scenario.

Report is AI-generated and may contain inaccuracies.

If the firm pipeline goes through, we are looking at only one plant for which we do not have a vision. I am already pushing the team to start planning on the adjacent plot of land that we have.

Without divulging too much, we are very excited about the progress we are making in terms of our vision for the Magnum site. All the customers who come to the Magnum site are equally excited about what they see and the potential this site has for their businesses operating out of India, because India is where everybody wants to be.

It is a golden age for the Indian chemical industry, as Sanjay mentioned earlier. It is a very exciting time, and we are very excited. Thank you for your question.

Farooq Gandoli – Avesta Fund Management Limited: Excellent. That sounds great. Thank you very much, and all the best going forward. Thank you, Parth.

Operator: Thank you. The next question is from the line of Arun Prasad from Avendus Spark Limited. Please go ahead.

Arun Prasad – Avendus Spark Limited: Thank you for the opportunity. Good afternoon, everyone. My first question is once again on Baker Hughes and the new product that we have announced.

It seems like a very mature product, based on the size that you quoted, Parth. I wanted to understand whether this is currently being used by Baker Hughes and sourced from someone else, and whom we are replacing. Which countries are we replacing, or is it replacing Baker Hughes' own facilities? What kind of wallet share are we targeting, at least over the next 12 months, for this product? Do we need another dedicated block for this at our site? These are the first set of questions on the Baker Hughes product. It would be helpful if you could share some details.

Parth: Thank you for the question. These products are replacing products manufactured at one of Baker Hughes' sites in Singapore. We will be manufacturing them here in India for the first time.

We have already started shipping them in Q2, and we will monetize them in Q3. We do not need a new block for this, but we are modifying one of the production lines at Site 4, which is Strata, where this product will be developed.

These are mature products. There is no doubt about it, but the way the entire oil and gas sector is developing and the amount of drilling taking place present a huge opportunity for us to tap into through the Baker Hughes ecosystem.

Arun Prasad – Avendus Spark Limited: One clarification: when we first announced the contract size or relationship with Baker Hughes, it was roughly around {? 300 to 400 ?} crores. With the introduction of this new product, does that change, or is this all part of the original peak revenue potential we spoke about?

Parth: No, Arun. The first set of products, which are the pour-point depressants, has a market of 400 crores. That was the opportunity laid out initially.

These new products that we have started manufacturing for them represent a potential market of another 400 crores. Therefore, the total Baker Hughes opportunity becomes approximately

Report is AI-generated and may contain inaccuracies.

750-800 crores as we speak today.

Arun Prasad – Avendus Spark Limited: Is this achieved by spending additional capex, or will it all be covered by the original capex?

Parth: It will all be covered by the original capex from the Strata site.

Arun Prasad – Avendus Spark Limited: Going by that, we should have asset turns of at least close to 2.5-3 times at the Strata site. That is a fair estimation by FY27, correct?

Parth: Yes, it should be 3-3.5 times at maturity, once the production scheme matures. We should be around 3-3.5 times. You are right.

Arun Prasad – Avendus Spark Limited: Understood. My second question is on semiconductor usage. There was an update that shipments have already started from the existing facilities. When we supply from the dedicated block at the site, will we again need to undergo extensive product approvals, or can we continue from where we are and quickly ramp up in those blocks?

Parth: No. We can continue from where we are and ramp it up. It is not going into factor finish, and it does not have any PPB impurity-content controls.

This product is a building block for silane coupling agents, which bond and toughen glass fibers in circuit boards. It is also used in high-performance PPE-type resins, which are used in copper-clad laminates, which are in turn used in high-speed printed circuit boards.

It is also used in low-dielectric formulations, which prevent signal loss and keep heat generation down in 5G and next-generation chipsets.

These are the applications for it. They are very advanced applications, and it is also a very expensive product. We think that all the customers who have visited the Magnum site have also seen the facility that is coming up, and they are as excited to start commercial production as we are.

Arun Prasad – Avendus Spark Limited: Any indication of what our exit revenue from these semiconductor products could be at the end of this year? Is there any ballpark value that you would like to share?

Parth: It is tough to project for this year, but at maturity, we are looking at 300-400 crores of top line from semiconductors.

Arun Prasad – Avendus Spark Limited: By approximately what timeframe should we reach this run rate?

Parth: In the next 2-2.5 years.

Arun Prasad – Avendus Spark Limited: It will therefore be a very gradual ramp-up. We cannot expect the—

Parth: 2029, let us say 2029.

Report is AI-generated and may contain inaccuracies.

Arun Prasad – Avendus Spark Limited: Understood. One more question on the agrochemical CEM contract we are discussing. Any indication about where we are in the chain—N-1 or N-3? We also mentioned that the product approvals are complete. Is this a product registered by the innovator? Is it generic or IP? If it is IP, is the product registered by the innovator? Please provide some details.

Parth: Aman?

Aman: It is a pipeline molecule and a launch molecule, and it is patented under IP. It is an advanced intermediate, very close to the active structure, but not the active. The qualification was completed, and supply would start from January or February onwards from the Magnum site. I think I have answered your question. Thank you.

Arun Prasad – Avendus Spark Limited: Is it a molecule launched by the innovator, Aman?

Aman: Yes. It is a launch molecule. It is expected to be a blockbuster.

Arun Prasad – Avendus Spark Limited: Any indication or visibility given by the customer regarding what kind of volumes it will involve?

Aman: We are targeting 250 tons to start with, and then it would go up to 600 tons quite rapidly, and even more beyond that.

Arun Prasad – Avendus Spark Limited: Understood. One final question on working capital, perhaps for Parth. Given that we have increased our raw material inventory due to the ongoing crisis, and because we may also have bought it at a high price, is there any price protection that we can expect so that we can avoid any inventory loss if raw material prices plunge?

Do your contracts allow this, especially if it is an LSM product? Can the price increase be passed through in subsequent quarters?

Management: You are right. We have done this strategically because the Milliken project is ongoing. Some of the raw materials being used are imported from the US, and there is an associated lead time. We do not want to be in a situation where we are out of stock.

Of course, this is contract manufacturing, so any price increase tomorrow will be passed through. This is the situation, and once production is fully operational and sales are happening, inventory levels will come down to a considerably lower level, as we have always spoken about in the CEE.

Arun Prasad – Avendus Spark Limited: We have therefore not built up inventory for an LSM product. Is that what you are saying?

Management: No. These are mainly for the contract manufacturing project.

Arun Prasad – Avendus Spark Limited: All right. Understood. Thank you very much for answering all the questions. All the best to the team.

Management: Thank you.

Report is AI-generated and may contain inaccuracies.

Operator: Thank you. The next question is from the line of Abhijeet Akella from Elara Securities. Please go ahead.

Abhijeet Akella – Elara Securities: Hi. Good afternoon. Thank you so much for taking my question. Most of my questions have already been answered. I just had a couple of clarifications on the numbers.

What would our weighted average interest rate on borrowings be at this point in time? Also, could you help us with how much interest was capitalized in the first half? That would be number one.

Management: Abhijeet, I would not provide the interest rates on an open platform. Please excuse me for this. Capitalization is happening for the 200 crores of loans that we have already taken, including the applicable interest rate. I cannot give you a figure, otherwise everybody would know what the rate is. Please excuse me. We can connect separately, and I can provide it to you.

Abhijeet Akella – Elara Securities: All right. The other question was about the 700 crores of CWIP on the balance sheet. Does this largely relate to Site 5, and if so, by when do we expect to capitalize this and move it into the gross block?

Management: It is largely Site 5, and by the end of this financial year, we expect that approximately 400 crores should be capitalized.

Abhijeet Akella – Elara Securities: Understood. Thank you so much, and all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Nilesh Ghuge from HDFC Securities Limited. Please go ahead, sir.

Nilesh Ghuge – HDFC Securities: Hi. Just one question on capex guidance. As per the presentation, you mentioned capex of about 300–350 crores for FY27. However, looking at the Magnum site capex and the capex at your R&D center, do you not think capex should be more than that in FY27 and FY28?

Management: Nilesh, I will take this one as well. The 350 crores is budgeted, and I think we will be around 350 crores or perhaps 370 crores, but not more than that.

If you see the picture, a lot of the civil work is already done on the four blocks that are ready, as well as on the other four blocks. That chunk is already completed. The other equipment that will be ordered will be ordered and delivered at the time it is required.

Once the site starts operating, we do not see a lot of money going in immediately. When we start the civil work for the third phase, the spending will continue again. However, currently, everything is progressing according to the budget and the timeline we decided. We think capex will be 350–370 crores and not more than that.

Nilesh Ghuge – HDFC Securities: All right. That is all. Thank you very much.

Management: Thank you very much.

Report is AI-generated and may contain inaccuracies.

Operator: Thank you. The next question is from the line of Kumar Sourav from Ambit Capital Limited. Please go ahead.

Kumar Sourav – Ambit Capital Limited: Hi, sir. Good afternoon. Am I audible?

Operator: Yes, sir, you are audible.

Kumar Sourav – Ambit Capital Limited: My question was on the European contract. Could Aman or Rohan throw some light on the capacity dedicated to this contract and the revenue ramp-up we are looking at?

Management: Which contract?

Kumar Sourav – Ambit Capital Limited: The European contract, the one at Site 3.

Management: Aman, if you want to take this.

Aman: This is a material sciences contract with a European multinational that is currently at Site 3. We are doing one or two products, and we are going to extend that to five or six products in one plant at Site 5, at the Magnum site. That is going to be a 1,000-ton-per-year plant.

Very interestingly, with the same European customer, as I mentioned earlier in the plan and vision for Site 5, we are looking at engaging in a very special collaboration to dedicate two other plants to a different product, which is a flagship product for this division of the company.

They have also asked for two plants to be kept reserved for them for future expansion, with a first right of refusal. This particular collaboration and partnership is very interesting in the way it is progressing. It is progressing extremely fast.

In a realistic best-case scenario, we are looking at five entire plant blocks out of the 16 at the Magnum site being occupied by this particular partner. More will come very soon on this. We are obviously very excited about this partnership.

Kumar Sourav – Ambit Capital Limited: Thank you. Secondly, regarding the agrochemical multinational, could you provide some colour on whether it is a herbicide, insecticide, or fungicide? Was the launch this year or last year? Any indication would be helpful.

Aman: Let me not be more specific because it is confidential. It is an agrochemical active, launched within the last 2-3 years, or within the last 2 years, I believe, and it is expected to be a blockbuster.

Kumar Sourav – Ambit Capital Limited: Got it. Thank you.

Operator: Do you have any follow-up question, Sourav?

Kumar Sourav – Ambit Capital Limited: No. Thank you.

Operator: Thank you. The next question is from the line of Ajay Ahuja from KLN Capital Limited. Please go ahead.

Ajay Ahuja – KLN Capital Limited: Am I audible?

Report is AI-generated and may contain inaccuracies.

Operator: Yes, sir. You are audible. Please go ahead.

Ajay Ahuja – KLN Capital Limited: We are getting into multiple products, multiple segments, and multiple customer tie-ups, increasingly moving into complex areas. What is the total TAM at the consolidated level that Aether is targeting over the next 2-3 years? Is there any ballpark figure for the share we can obtain?

Management: Which product are you specifically discussing?

Ajay Ahuja – KLN Capital Limited: Overall TAM at the consolidated level. Just a ballpark figure.

Management: That is a very difficult answer to give because every sector is different, ranging from pharma to agro. Material sciences itself has multiple sectors.

What we can say is that we are looking at large relationships with some of the leading global players, primarily in products that are extremely complex in nature and involve a lot of chemistry and technology. However, it is very difficult to give you a {? correct ?} figure for every project on which we are working.

Ajay Ahuja – KLN Capital Limited: Not project-specific, but overall, just a ballpark figure for the consolidated level. That is what I am asking.

Management: We do not provide any future guidance over the next 2-3 years. Suffice it to say that we are currently working on a number of projects, as Aman and Rohan have already mentioned, involving very exciting contracts and sectors.

Ajay Ahuja – KLN Capital Limited: Understood. Thank you.

Operator: Thank you. The next question is from the line of Bhavika from Navexa Mumbai Office Limited. Please go ahead.

Bhavika – Navexa Mumbai Office Limited: Hello. Am I audible?

Operator: Yes, ma'am, you are audible. Please go ahead.

Bhavika – Navexa Mumbai Office Limited: The first question I have is, first of all, congratulations on commissioning the first demo pharma LSM block. Given that pharma and agrochemical revenue was slightly lower sequentially this quarter, could you help me understand the ramp-up progress we are expecting from this new LSM block?

I also wanted to understand how we see pharma and agrochemicals performing going forward. With the new facility, we have two blocks for pharma and one coming up for agrochemicals. Could you throw some light on that?

Management: Bhavika, on the pharma side, the ramp-up is progressing well. We have orders on hand, and we are delivering those orders.

As this is a fairly new site, we are taking it step by step because we are enabling a 31-acre site with the capability for 16 production blocks. Everything has to be double-checked before we move

Report is AI-generated and may contain inaccuracies.

ahead at full speed.

In terms of the agrochemical field, we were not significantly involved in agrochemicals as of last quarter. This quarter, we announced our entry into a new intermediate for a leading agrochemical company in the world. We are now taking up agrochemical products and these relationships further. We will see good growth in the agrochemical segment in the years to come as we introduce new molecules in a phased manner.

Management: Bhavika, just to add one point: you are right that the share of pharma and agro has been declining over a period of time. This is primarily because we have either repurposed the plant for some of our CEM projects or concentrated more on the material sciences and oil and gas sectors.

These two sectors will continue to contribute, but pharma and agro will not grow as fast as oil and gas and material sciences. We will see growth in them, but it will not be at the same pace as these other two sectors, which we expect to grow much faster.

The endgame is definitely to have 25% of revenue coming from oil and gas, material sciences, pharma, agro, and other sectors.

Having said that, for the next couple of years at least, pharma and agro will continue to contribute, even though we have launched two products on the LSM side from the Magnum site, including the first production block, as well as launching an agrochemical product.

Operator: [crosstalk] Sorry to interrupt. Your voice is cracking a bit. Can you repeat that statement, please?

Management: What I was saying is that even though we have launched an LSM product from Site 5, the Magnum site, and the agrochemical CEM contract from production block 4 at the Magnum site, we still believe that the oil and gas and material sciences sectors will continue to grow much, much faster than the pharma and agro sectors.

Bhavika – Navexa Mumbai Office Limited: Got it. My second question is on Baker Hughes. Currently, I think we did around 87 crores of revenue in this quarter from both the site and the pilot plant. You have also mentioned an opportunity size of approximately 750–800 crores for the two products.

What run rate can we expect to achieve this quarter, since we have already started a new block at Site 5? Are we expecting optimum utilization of the current plant this year, or what run rate are we expecting to achieve in the oil and gas segment?

Management: A clarification, Bhavika: we have not started anything related to Baker Hughes at Site 5, which is Magnum. It is all at Site 4, the Strata site.

Second, in terms of run rates, we do not usually disclose run rates for specific customers, especially for CEM contracts, to anyone. The only thing I can say is that the product pipeline and order pipeline we have for these products over the next couple of months are extremely robust, and we see a good outlook for the oil and gas sector.

Report is AI-generated and may contain inaccuracies.

Bhavika – Navexa Mumbai Office Limited: Can you provide some understanding of the margins we are making in oil and gas? Are they in line with the CEM margins we achieve? Last time, you mentioned margins of around 28–30% in the CEM segment. Is the oil and gas segment at the same level, or do we earn more in that segment?

Management: The oil and gas segment is mostly led by CEM contracts, and its margins are in line with the company margins.

Bhavika – Navexa Mumbai Office Limited: Got it. Thank you. That is all.

Operator: Thank you. The next follow-up question is from the line of Nilesh Ghuge from HDFC Securities Limited. Please go ahead.

Nilesh Ghuge – HDFC Securities Limited: Just one question on our LSM business. How many products are you planning to launch over the next couple of years, and how many products are in the CRAMS pipeline for LSM? What is the progress on that?

Management: Allow me to answer this. Approximately 12–15 LSM projects are ongoing in R&D. We plan to launch a minimum of two LSM products every year, subject to our plans not moving towards the CEM side.

Nilesh Ghuge – HDFC Securities Limited: As you and Aman mentioned earlier, a large part of Magnum will be CEM. Can we expect LSM launches from the other sites, or from Site 5 and the adjacent plant that you mentioned?

Management: We will use a combination of the existing sites and Site 5 to launch LSM products. However, as Aman said earlier, we have a clear line of sight for the other 12 production blocks. We do not see more than four LSM products being launched there at Site 5.

Nilesh Ghuge – HDFC Securities Limited: Thank you very much.

Operator: Thank you. The next question is from the line of Soham Zaveri from Dalal & Broacha Stock Broking Private Limited. Please go ahead.

Soham Zaveri – Dalal & Broacha Stock Broking Private Limited: Thank you for giving me the opportunity, and congratulations to the management on a good set of numbers.

My first question is on inventory days. Our inventory increased to 172 days from 161 days in March. That represents about 180 crores of additional stock in 6 months.

I wanted to understand how much of this is safety stock for the running CEM contracts and how much is raw material for the new Magnum block.

Management: Soham, I think I answered this question earlier as well. The increase in raw materials or inventory is mainly because of the new sites that have come up at Milliken and Magnum, where we are launching new products.

Raw material inventory is building up, and there is also work-in-progress and finished-goods work-in-progress at the Milliken site. This is mostly because certain raw materials are coming from

Report is AI-generated and may contain inaccuracies.

the Far East, so we have to maintain higher inventory to avoid any deadlock and continue production.

Soham Zaveri – Dalal & Broacha Stock Broking Private Limited: Understood. Where should inventory days be in March? Can you segregate inventory days for CEM contracts and LSM products?

Management: That is not possible currently. We do not track inventory separately for individual contracts because certain materials overlap between CEM and LSM. As for guidance, we will not be able to provide future guidance, but we are always trying to bring down inventory, and that will be our endeavour.

Soham Zaveri – Dalal & Broacha Stock Broking Private Limited: Understood. One more question: are we looking at moving any further LSM capacity towards CEM? From which quarter can we expect LSM volumes to grow again, including the Magnum pharma products that were commercialized this quarter?

Management: LSM will grow on an absolute basis, but CEM will over—[cut off]

Management: —always overshadow LSM business opportunities, as we have demonstrated. We have launched a new molecule intermediate at the Magnum site with two production blocks. That is going to generate a good amount of revenue for us over the next 2 years.

By that time, we will launch something new on the LSM side, which will continue to grow. In terms of CEM contracts, as we said earlier, CEM contracts are expected to grow at a much faster pace at the Magnum site, and that is our focus.

Soham Zaveri – Dalal & Broacha Stock Broking Private Limited: My last question is on semiconductors. What volume and price per kilogram are we currently shipping? What is the outlook for FY27 and FY28? Could you provide some clarity on that?

Management: By FY29, we are looking at 300–400 tons of sales across the various molecules we have launched. The average market price of these molecules is in the range of $45–$50 per kilogram.

Soham Zaveri – Dalal & Broacha Stock Broking Private Limited: You mean 400 tons, or 400—

Management: 300–400 tons.

Soham Zaveri – Dalal & Broacha Stock Broking Private Limited: That is the opportunity size, correct?

Management: $45–$50 per kilogram.

Soham Zaveri – Dalal & Broacha Stock Broking Private Limited: Got it. Thank you.

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

Report is AI-generated and may contain inaccuracies.

Management: Thank you once again for attending the Q2 conference call. If we have not been able to answer any of your questions, please do reach out to us. We wish you all a very happy Diwali and a prosperous New Year. Thank you.

Operator: Thank you. On behalf of HDFC Securities Limited, that concludes this conference. 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.

Report is AI-generated and may contain inaccuracies.