Management Discussion

Kumar Saumya - Analyst, Ambit Capital
Thank you. Good morning, everyone. Thank you for joining us today. We at Ambit Capital, are pleased to host SRF Limited's Q1 FY '27 Results Conference Call.

We have with us today Mr. Samir Kashyap, President and Chief Financial Officer; and Ms. Sugandha Singhal, Senior Vice President, Head Treasury and Investor Relations of SRF Limited.

I would now like to invite Ms. Nitika Dhawan, Head of Corporate Communications at SRF, to initiate proceedings for the results con call. Thank you. Over to you, ma'am.

Nitika Dhawan - Associate Vice President & Head of Corporate Communications, SRF Limited
Good morning, everyone, and thank you for joining us on SRF Quarter 1 Financial Year '27 Results Conference Call.

We will begin this call with brief opening remarks from our President and Chief Financial Officer, Mr. Samir Kashyap, following which we will open the forum for an interactive question-and-answer session.

Before we begin this call, I would like to point out that some statements made in this call may be forward-looking, and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

I would now like to invite Mr. Kashyap to make his opening remarks.

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Good morning, everyone, and a warm welcome to SRF Limited's Q1 FY '27 Earnings Conference Call. Thank you for joining us today.

I trust that you've had the opportunity to review our financial results and the investor presentation shared earlier. I will begin by taking you through the key highlights of our performance during the quarter, followed by an update on each of our businesses, and we will be happy to then take your questions. The operating environment remained volatile during the quarter, shaped by ongoing geopolitical developments, evolving trade dynamics and disruptions across global supply chains. Demand trends also remain uneven across some of our end markets. Despite these challenges, SRF delivered an extremely strong start to the financial year, reflecting resilience of our diversified business portfolio, the agility of our teams and our disciplined focus on execution and operational excellence.

During the quarter, we strengthened our market position for technology-led innovation, deeper customer relationships and improved operating efficiencies. We also made steady progress on our strategic investments aimed at expanding capacities, broadening our product portfolio and strengthening the capabilities required to drive sustainable long-term growth. For the quarter ended June 30, 2026, gross operating revenue stood at INR5,033 crores. The company's operational EBIT increased 61% to INR1,116 crores in Q1 FY '27 when compared with the comparable period last year, translating into an EBIT margin of 22%. Profit after tax stood at INR759 crores, registering a growth of 76% over the corresponding quarter last year. The Board has also approved an interim dividend of INR5 per equity share.

Let me now take you through the performance of our individual businesses. Our Chemicals business continues to be a key growth driver during the quarter, reporting revenues of INR2,315 crores,

representing a 26% year-over-year growth. The Specialty Chemicals business delivered a steady performance despite operating in a challenging market environment. Our continued investments in technology, process innovation and cost optimization has maintained competitiveness across key product categories. During the quarter, we strengthened our innovation pipeline through the development of new AIs and intermediate molecules while deepening customer engagement across both agro and pharmaceutical applications.

In SCB, we are now working on various molecules that are beyond our traditional customer segments, which we believe will bring greater impetus to the future of this business. Our efforts toward operational excellence were also recognized externally during the quarter. SRF received the ET Edge Bronze Award for supplier relationship management and was recognized as the ISCM Supply Chain Champion in the diversified sector. These recognitions reflect strength of our supply chain capabilities and the quality of our customer relationships. The Fluorochemicals business delivered another strong quarter, supported by healthy domestic demand and robust export volumes. Higher volumes across refrigerants, industrial chemicals and fluoropolymers along with improved realizations have offset the impact of elevated raw material costs caused by supply chain disruptions.

Our HFC facilities continue to operate at high utilization levels. We also made further progress in scaling up PTFE with an increasing contribution from value-added rates. As communicated earlier, we expect the fluoropolymer portfolio to make a progressively stronger contribution as customer approvals and higher value-added grades translate into higher commercial volumes. Our strategic projects, including the proposed investments at our new site in Odisha, are progressing in line with our plans. These investments in next-generation refrigerants, backward integration and specialty fluoropolymers are central to our ambition of building a globally significant flourochemicals business.

Post the commissioning of our new HFO plants in Odisha, we will be in the top 3 to 4 refrigerant gas manufacturers globally, thereby positioning us uniquely. While geopolitical and trade-related developments may continue to create near-term volatility, we remain confident about the outlook for the Chemicals business. Growth will be supported by healthy refrigerant demand, improving contribution from fluoropolymers, a strong innovative pipeline in Specialty Chemicals and the progressive commissioning of new capacities.

Moving on to our Performance Films & Foil's Business. This business reported revenues of INR2,017 crores, reflecting a 42% year-on-year growth. The business delivered a strong operational performance across all manufacturing locations. Margins improved across regions, supported by temporary supply disruptions arising from geopolitical developments. During the quarter, we capitalized our capacitor grade BOPP film project following the successful completion of trials undertaken earlier. The project strengthens our presence in the specialized high-value segments through KAPLAR, our brand of capacitor grade BOPP films, offering excellent dielectric stability and self-healing performance, thereby enhancing reliability and extending capacitor life.

Customer qualification is progressing well with approvals already secured from several leading customers. Commercial volumes are expected to ramp up progressively as additional approvals are received. The Aluminum Foil business also continued to gain momentum. Exports increased during the quarter, while customer approvals for value-added applications progressed further, especially in the aseptic packaging segment. These developments should support an overall improvement of product mix. Our Board has approved a proposal for setting up of a BOPET Thick Film Line in India

with a capacity of 25,000 metric tonnes per annum at a projected cost of INR250 crores. This addition serves a few strategic objectives, including expanding into a new substrate where due to limited domestic capacity, there's lesser volatility versus thin film as also helping us provide a wider product offering to our customers so that we can truly become a one-stop shop for them.

We intend to target high-end use cases in the electrical and electronics industry and are slated to be the only manufacturer of thick film with a dedicated line, thereby setting us apart from competition. We see a 24-month time frame for this line to be commissioned. We are also progressing with our investments in additional metallizers and coating lines. These projects will enhance our value-added product portfolio and strengthen the business ability to address emerging opportunities in sustainable and specialized packaging applications. We are also encouraged by the improvement in our overseas operations. While there's been some benefit due to the geopolitical uncertainties, there has been a sustained effort to enhance product penetration in the local markets, which will make the business more resilient.

While competitive pressures remain in this segment, we are encouraged by the improvement in operating performance and the progress being made in scaling our newer product categories. After this exceptional performance in Q1, which was aided by supply constraints, and higher prices due to geopolitical uncertainties, we do see the performance of this business stabilizing to more normal levels in Q2. Having said that, we expect the baseline performance to be recalibrated at a higher level from here on. Our Technical Textiles business reported revenues of INR597 crores during the quarter. The Nylon Tyre Cord Fabrics business continued to generate stable performance, supported by resilient demand across key end use segments. Optimal plant operations, disciplined manufacturing and focused cost optimization initiatives helped the business maintain a healthy operating performance.

The Belting Fabrics business benefited from improved domestic demand and robust exports to the US. The outlook for the business remains positive, particularly following the rationalization of tariffs in the US. Our focus will remain on expanding volumes and improving operating efficiencies. PIY has performed well in the quarter, supported by improved share in Geotextile and seat bell segments. TTB's performance in Q2 is expected to normalize, but yet deliver an improvement versus the comparable period previous year. Our other businesses comprising Coated Fabrics and Laminated Fabrics delivered a stable performance during the quarter. The Coated Fabrics business maintained its leadership position in the domestic market. Disciplined cost management, operational efficiencies and a growing focus on value-added products help sustain profitability.

The Laminated Fabrics business also delivered a steady performance supported by product mix optimization and continued improvements across manufacturing operations. During Q1 FY '27, our CSR arm, the CSR -- the SRF Foundation continued to drive meaningful social impact across education, digital inclusion, skill development, health care and community development. The foundation reached thousands of students through Learning and STEM programs, expanded access to digital services, supported youth employability initiatives and strengthen community engagement through partnerships and government convergence, reaffirming its commitment to creating sustainable and inclusive growth. Furthermore, I'm happy to share that SRF Foundation was honored with the prestigious Bhamashah Shiksha Bhushan Award for the ninth time in June 2026.

To conclude, the global operating environment remains uncertain with geopolitical developments, changing trade policies and raw material volatility, continuing to influence businesses and supply chains. Nevertheless, we remain confident in SRF's ability to navigate these challenges. Across our

businesses, we are focused on improving our operating efficiencies, increasing the contribution from value-added products, deepening customer relationships and executing our strategic capital expenditure program. Our investments in innovation, technology and new capabilities are creating new growth opportunities and strengthening our competitive position. Supported by our diversified portfolio, strong balance sheet and disciplined execution, we are well positioned to deliver profitable and sustainable growth.

Overall, we are pleased with the start to the financial year and remain confident about SRF's future prospects. It is important, though, to recognize that SRF's business, especially the Chemicals business is highly seasonal in nature, and as has been the case in the past, we will see lower numbers in Q2 as compared to Q1. Having said that, this exceptional outcome across all our businesses in Q1 which has helped us deliver our best ever quarterly performance positions us very well vis-a-vis our goals for this financial year. This outcome is a strong testament to the resilience, maturity and robustness of our business to convert adversity into opportunity and maximize outcomes while remaining strongly committed and steadfast in our efforts to ensure the success of our customers as well.

On that note, I conclude my remarks and we'll be glad to discuss any questions or comments that you may have. I would now like to ask the moderator to open the line for the Q&A session. Thank you very much.

Questions & Answers

Operator
Thank you very much. [Operator Instructions] The first question is from the line of Sanjesh Jain from ICICI Securities. Please proceed.

Sanjesh Jain - Analyst, ICICI Securities
Good morning, sir. Thanks for taking my question. I got a few of them. First, on the infrastructure space in the Dahej, how much land more left because the Odisha plant may take another 2 years to come? For the next 2 years, do you have enough land parcel available in the Dahej facility for us to commission all the active ingredients we are working with? How are we placed on the infrastructure side? That will be my first question. Thank you.

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Yes, so in Dahej, we do have some space. We are reasonably well utilized in Dahej, Sanjesh, but there is still space specifically for specialty. There are structures that are available over there to expand and grow all that they need for this next 24-month period. Yes, there is adequate space specifically for specialty. Everything else that we've already commissioned on the capex side, those spaces are already well earmarked and work is ongoing over there. In a nutshell, enough space to cater to anything that we need to get into at least for the next 24 months at Dahej.

Sanjesh Jain - Analyst, ICICI Securities
That's clear. Thank you. Second, when do we see some of these active ingredients really getting into scale because we have been speaking now for almost 3 years, I know it takes time and market hasn't been supportive. But what are you hearing from your customers? You spoke about some green shoots in the Specialty business. Are we seeing good offtake in the second half in active ingredient or it's more like an FY '28 story for us?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Even on the last call, Sanjesh, I called out two leading aspects when I talked about the green shoots. One was, we were seeing volumes start to show that first signs of recovery. I think through the last year, you heard the commentary from SRF been very clear around protecting share. That was the primary focus. I think that's paid off well over this time, while it's been a very difficult journey as we saw the price destruction around that. But nevertheless, I think we've done a fabulous job of holding on to share. That's number one. We are starting to see volumes over a -- a little bit through last quarter and this quarter as well, start improving -- the trend is upwards. That's the first time.

I think the second, which is probably one that has you all more concerned around price and at least across key products at this point in time we are finally starting to see price trend marginally upwards in the right direction. We've seen some volumes also, given your specific question on what we're hearing from customers, through this period in Q1, while there has been some opportunistic buying as well, I think through specific pockets where we have kind of stayed by the customer side through this journey, we are starting to see support from them on the volume side, and we're seeing uptick over there. I think that's the basis and genesis on my opening comments around volumes starting to look better. That's -- it's still early signs. It is in pockets. I wouldn't say it's a broad-based improvement just yet. But first signs directionally building on, I think, what I shared with all of you when we did this call in May.

Sanjesh Jain - Analyst, ICICI Securities
Got it. That's very clear. Very helpful. One last question on the Fluorochemical business, which is our refrigerant gas. The prices appears to be very strong and sustaining. Thanks, there were very harsh summer this year across the world. But do you see these pricing trends sustaining at the level what we saw in the last quarter or post this season over, have you seen some softening of the prices?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Sanjesh, you probably recollect from the previous call as well, there was this whole concern around RG pricing through this year. Our broad commentary was, we expect ref gas pricing broadly to stay at the levels they were only get better from here. I think what you've seen in Q1 is a testament to that view that we had. I think that view is playing out well. Having said that, I think we all do know Q2 and Q3, specifically from India and Middle East standpoint is weaker versus Q2, even from a volume standpoint. Forget just price, from both standpoints, it is softer. We will see that come off a little bit. But I think we are very clear that we will see strong growth versus last year Q2, overall on ref gas. It's done outstandingly well in Q1, and we'll continue to do so I think through the rest of this year for a bunch of different reasons that we've talked about multiple times in the past.

Sanjesh Jain - Analyst, ICICI Securities
Got it, Samir. Thanks for answering all those questions so patiently and best of luck for the coming quarters.

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Thanks, Sanjesh.

Sanjesh Jain - Analyst, ICICI Securities
Thank you.

Operator
Thank you. The next question is from the line of Jason from IDBI Capital. Please go ahead.

Jason Soans - Analyst, IDBI Capital
Thank you so much for taking my question. Sir, first question just pertains to, I mean, the Performance Films business has basically performed very, very well in this quarter. Just wanted to know what could be the reason for this, in fact such a strong outperformance in this quarter, especially from the Performance Films business?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
I'm not sure if you had joined the call in May, but I had kind of put the seed in all of your minds that contrary to what you were all hearing around strife and grief in the packaged films business, we were going to do well. I think I talked about the fact that we had robust supply chains that were holding up despite everything happening in the Middle East. I think all of that is what has really panned out in Q1. Let me try and give you a few broad indicators on what kind of drove the Q1 performance. In a perverse way, the war has helped us, said very simply, right? I think the rest of the world were shutting plants, capacities were going off-stream. Like I told you all on the previous call as well, we were operating flat out 100% capacity. That really just points to the fact that we did not have domestic reliance on raw material.

The fact that we operate in a DTA unit, the fact that we source globally ensured that our raw material supply chains were very robust. One, that ensured we were operating right through this entire quarter. Like I said, we've pretty much operated flat out. That's factor number one, especially, I think when you contrast us with a -- there was a competition, we will stand out and show up differently on that account. I think the second piece is there was a whole period where there was a lot of panic buying by a bunch of customers at that point in time.

We've -- I've shared at different points in time that we've tried to manage this journey of price volatility effectively with our customers because we also realize that at some point, this is going to correct as well. We want to manage that downturn equally effectively. We've tried to be rational about pricing. But having said that, prices had significantly improved because of panic buying. Those pretty much are 2 big drivers for what happened in Q1. Yes, but I think the crux really comes down to the efficacy with which we could operate and ensure we could deliver product to customers reliably, which was significantly impacted during this period.

Jason Soans - Analyst, IDBI Capital
Sure, thanks for that. Sir, my next question just pertains to -- I mean, we do agree that there are some green shoots in the agrochem cycle. So slowly, volumes seem to be coming back and that recovery is there. Now with even prices of the refrigerant gases also are pretty strong, just wanted some color on how we are going to grow the chemicals business? What are the big strong growth drivers of this business going ahead? Just wanted some color -- more color on that front. Probably you can highlight some factors from the pharma piece as well, which you are slowly trying to grow. Could you give us some color on what are the growth drivers for the chemicals business going ahead?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Yes, sure. Our broad guidance on chemicals for this year was that we would grow 15% to 20%. We continue to hold that guidance. I think the Q1 outcome positions us outstandingly well to deliver that

result. We've delivered a 26% growth in that portfolio. I think very, very solid start to the year. The fact that RG pricing has helped as well as it has through Q1, our expectation is, yes, we'll go through the cycle of Q2 and Q3. But overall, for this year, I think we see the overall numbers looking very good, both from a volume as well as a price standpoint. I think everything around quota and all that will happen through December, will also drive a set of outcomes, which will be significantly positive for the ref gas business. For the longest time we've said this, and I know people have kind of looked at it differently maybe from a market standpoint that the time for ref gas has arrived. We've been saying this for a little while now.

I know a lot of people look at it differently, and that's fine. But I think what you're seeing in our results is that part of the portfolio truly shining at this point in time and delivering to a plan that I think we put in motion some time ago. That will continue to be a big driver. We continue to hold the overall growth range that we've set for the year. I don't think directionally, we're moving away from that range. Hopefully, we will eventually land at the higher end of that by the end of the year, given how strong Q1 has been. In terms of pharma, since you asked about that specifically, I've said this before, but I'll repeat it again. We have a stated goal to be in the 20%, 30% range of revenue by 2030. We are progressing well on that journey. We've had a strong outcome in the last couple of quarters in growing that share. It is baby steps.

In the larger scheme of the numbers, it kind of obviously doesn't just show up as yet. But I think to give you some more color, what is positive on that front through this quarter is we are working on a larger number of molecules with a set of customers. The number of customers we are working with is also growing. When you kind of put that together, you're in a matrix of sorts where the likelihood of your hit rate improving has only gone up because you've just increased both the universe you're playing in and the number of molecules that you're playing in. When one of these comes to real fruition in terms of true large quantities that matter, I think we'll start seeing some step function changes. At this point in time, those volumes are smaller. In the larger scheme of things on the overall chemicals business doesn't really show up. But yes, that's some additional color on the pharma sector for you.

Jason Soans - Analyst, IDBI Capital
Sure, thanks. Just one thing with reference for...

Operator
Sorry to interrupt you, Mr. Jason, can you please rejoin the queue for follow-up question.

Jason Soans - Analyst, IDBI Capital
Sure.

Operator
Thank you. The next question is from the line of Arjun Khanna from Kotak Mahindra. Please proceed.

Arjun Khanna - Analyst, Kotak Mutual Fund
Thank you for taking my question, congratulations on a great set of numbers. Sir, the first question is just in your comments, you did allude to probably the second quarter being sequentially weaker. Just for my understanding, year-on-year, we don't see because seasonality would be second quarter previous year also, you are specifically referring to sequentially Q1 to Q2. Is that the right understanding?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Yes. Absolutely. You're spot on. Yes. Year-over-year, we will see growth. Sequential quarter, Q1 has been fairly obviously kind of a blowout in terms of outcome. Yes, versus that, there will be correction, but versus last year, we will see growth.

Arjun Khanna - Analyst, Kotak Mutual Fund
Sure. The second query, sir, is regarding, say, the aluminum foil piece. Essentially, our packaging piece has been expanding. Now this quarter margins are significantly higher. But when you all look at a sustainable level, so EBIT moved from maybe 10% to 17% this quarter, what would you believe the sustainable levels to be for this piece for the remaining part of the year?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Without giving you a specific number, let me just give you some color here, Arjun. I think at a structural level, I think we are doing a bunch of different things in aluminum, okay? We have kind of significantly now managed to deliver progress in a push to be more export-oriented versus the past. Directionally, close to half the volume or maybe a bit more kind of actually moved into Europe. That's kind of given us a good bump up in terms of being in a different market, number one. Number two, we are participating in areas where traditionally we weren't in terms of product end use, and that's giving us better realization from a price standpoint.

Yes, there was a big spike in the aluminum price points anyway earlier this quarter. Those are more or less, I wouldn't say entirely rationalized out, but yes, they are at lower levels versus the peaks that we saw. But -- there is that impact, too. But having said that, I think the most important piece, and I think we spoke about this in our press release that we put out yesterday is we are making some very strong progress on the aseptic packaging side, working with a bunch of leading players. There's very significant progress that has been made thus far. Early next fiscal is things -- all things go well, we're in stages of testing at this point in time. But if all things go well on that front, it could mean opening up a completely different segment and space of revenue for ourselves.

Arjun Khanna - Analyst, Kotak Mutual Fund
Sure. So when we had announced aluminum, we had said we may look at expansion. If you could comment on where we are on that thought process? And two, what's the outlook on BOPET and BOPP at this point in time? I'll come back for questions later. Thank you.

Samir Kashyap - President & Chief Financial Officer, SRF Limited
I don't think we're getting into expansion on aluminum just yet. We are pretty much right now more focused on where product goes out to in terms of markets. Like I said, our focus is to build on that export share as time comes and we are ready. Our site at Jetapur, ample space for us to be able to expand. I think right now, the focus remains around moving to higher grade of foil and better use cases and applications. Like what I spoke about around aseptic. Once we've kind of gone past those gates, I think, is the point where we'll start thinking about potential capacity expansion. At this point in time, there isn't anything on the cards that we're talking about. That's the answer on foil expansion.

Outlook on BOPET and BOPP, Q1 was -- like I said in my comments on the previous question, we saw disproportionate pricing in Q1 just because of all that was happening in the Middle East. I wish I could crystal ball gaze and tell you what is going to happen in the Middle East crisis. You guys are probably a better judge of that than I am. But the uncertainty in a sense, kind of helps because it

does keep the crude oil prices at a certain level. We see crude in that 70-ish range. If it kind of holds over there, I think we've all known from past that, that bodes well for plastics pricing in general. That's the way we see it panning out. Yes, there will be a correction. I don't think we will see numbers that look as crazy as Q1 heading into Q2, but we don't see a steep cliff either.

Arjun Khanna - Analyst, Kotak Mutual Fund
Sure. Very helpful. Just on the PTFE, we were talking of scaling up. Are we -- I mean, there is a comment in the presentation on the same. But if you could throw some more color on that?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Yes, sure. We've been talking about moving into higher grades for some time. So that work on even just the base -- PTFE side is progressing well. In the last call, we talked about some small capex that we were making over there on the PTFE front to kind of get to those higher grades. That's kind of on track and progressing well. Our PVDF plant is set to be commissioned towards the end of this quarter. That's all on track, too. On Chemours, we are happy with the progress that we've made. Chemours has requested a few design changes in the plant. And they also -- Chemours very specific in terms of expectations they have on equipment.

So there are some pieces where there are only specific manufacturers of that equipment in Europe that Chemours lets you work with. That added a little bit to the time line. It's nothing huge that is moving out. A couple of months here or there, 3, 4 months versus the December time lines where FP3 and FP4 could kind of move out a little bit. But at this point, from everything we hear from Chemours, very happy with the progress. The only thing that's kind of moving the time lines marginally outwards is that this design piece that they want us to incorporate to make the plants more effective and to bring in this equipment from Europe.

Arjun Khanna - Analyst, Kotak Mutual Fund
Perfect. Thank you, and wishing you all the best.

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Thank you so much.

Operator
Thank you. The next question is from the line of Naushad Chaudhary from Aditya Birla. Please proceed.

Naushad Chaudhary - Analyst, Aditya Birla
Hi. Thank you for the opportunity. Two questions. Starting with the electronic grade films capacitor and conductor grade, where I believe we are committing roughly INR520 crores of capex. Can you elaborate a bit more on this? What is the TAM size for these 2 grades could be in the next few years? What are the key drivers here? And is the economics of all these grades of films are different than versus our core packaging film business, especially in terms of margin profile and volatility.

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Okay. In terms of capacitor, like I said, we capitalized earlier in the quarter. Trial runs are done. We are in the stage right now where we are working with a set of customers on satisfying quality parameters. Testing on the capacitor side is significantly more extensive versus vanilla film, as you can imagine. Those time lines are where we are right now in terms of the middle of testing, so to say. We have -- we are expecting to start seeing some early stage revenue towards the later part of

this quarter. By Q1 or Q2 of next year is when we think we should be close to full capacity. That's kind of the outlook that we have. Pricing on capacitor film is significantly better than vanilla film. It is only going to be accretive to margins for the films business.

You've heard us say this in the past, kind of our whole desire to move up into the value-added chain and a step-in capacitor is clearly in that direction. It is significantly better in terms of pricing versus vanilla film, like I said earlier. Presently, there aren't a large set of players in India producing this set of films for the electronics industry. So there's a lot of customer interest and demand and that universe of who we are working with is only growing at this time. There's a fair amount of early acceptance that we've reached with a set of customers as well. So strong momentum on all of those fronts and getting through those check-posts at this point in time.

Naushad Chaudhary - Analyst, Aditya Birla
And initial study and sense in terms of the economics and volatility of this piece of packaging business versus the base business? Would it be similar? Would it be better?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
I don't think we see as much volatility. That was part of the rationale behind the play. If you go back to what we've been saying for a few calls, the broader strategy right now of the packaging film side of the business is really to go and derisk ourselves from the volatility of thin film pricing. So everything that we are doing on every value-added play, whether that is around metallized product, whether that's around coated product, whether it is what we're planning to do on BOPET and capacitor and even some of the new initiatives that we announced, including the new capex that the Board approved yesterday are all steps in that direction. The reason we are embarking on those journeys is really to derisk ourselves from the cyclicality of polyester pricing. This is another initiative on that front. We don't see the cyclicality to be as volatile as what you're probably imagining and as compared to thin film.

Naushad Chaudhary - Analyst, Aditya Birla
Sure. Second question on the fluoropolymer business.

Operator
Sorry to interrupt you, Mr. Chaudhary, but I request you to rejoin the queue.

Naushad Chaudhary - Analyst, Aditya Birla
Yes.

Operator
Thank you. The next question is from the line of Rohit Nagraj from 360 ONE Capital. Please proceed.

Rohit Nagraj - Analyst, 360 ONE Capital
Thanks for the opportunity, congrats on a strong quarter. Sir, first question on the AIs front. So the 6, 7 AIs that we had -- we have in our kitty, part of them commercialized, where are we in terms of the journey from revenue recognition? Given that at peak, we were expecting something like $400 million, $500 million of revenues. So how many have commercialized? What are the stages and maybe some milestones in terms of reaching that $400 million, $500 million revenue? Thank you.

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Yes. I think we -- similar question to, I think what we got asked in the last call, but I'm going to just

echo those same comments again. Really, it's a function of registration, right? I think you kind of all have a good sense on what is happening in the larger innovator space and everything happening around farm economics. Directionally, the only piece that I can tell you incrementally versus what I shared last quarter and it alludes to kind of what I said earlier in this call, is those first signs of green shoots. The innovator world is only going to wake up and move and do things differently, when this pricing pressure and that they are seeing from generics and everything else that is happening in that space kind of abates to some extent, right? That kind of has helped through the quarter as well.

The only piece that is -- that gives us confidence that this is slowly starting to turn on us, and we could start seeing some traction is really what has happened around both price and volume and the so-called no bottom to pricing from China kind of now holding out and getting better from here on. Our expectation, therefore, is that once we kind of start hitting a more positive cycle, given that the downturn seems to be kind of behind us now, it's still early days, is that the innovator world will be able to start making these steps to go take actions around everything that is needed around registrations and what have you, after which everything starts panning out then in terms of the whole AI space.

But it's still early days, I think, before that recovery kind of truly shows up, it is fairly initial at this point in time. I therefore think the innovator world is still going to be cautious at least for the foreseeable future before they go whole hog and move the needle on the whole registration front. I think that kind of more or less summarizes our views on it at this point in time. No great directional shift, but for what we are seeing on the overall agrochem space in terms of volume and pricing being the first green shoots to hopefully kick things off.

Rohit Nagraj - Analyst, 360 ONE Capital
Got that, sir. Sir, second question in terms of PTFE and Chemours. So on PTFE, we have said that we'll be adding value-added grades. Where -- I mean, what time line do we see in terms of getting a material traction on this? And even on the Chemours front, given that usually the validation cycles are relatively longer. What is the time line that we are looking at when meaningful contribution from both these products will be there from the fluoropolymer space? Thank you.

Samir Kashyap - President & Chief Financial Officer, SRF Limited
On the grades and PTFE, I think as we hit the end of Q4 and early Q1 is when we will start seeing PTFE starting to show meaningful scale. I think that's probably the best way to kind of give you a view. Like I said, we will commission PVDF towards the end of this quarter. Hopefully, by similar time lines, i.e., start of the next financial year, where we starting to see meaningful volumes and realizations on that front as well. Chemours, the slippage is really -- is mutually agreed in terms of time lines because of changes that we are making. At the end of the day, it is a design that they need to have approved and blessed and these are changes they have requested that we are incorporating. Like we've said in the past, this is an effective return on investment kind of an arrangement that we have with Chemours.

Once we are commissioned and we're ready, we will start seeing that -- we will start seeing that flowing through. I think if you have to think about the whole fluoropolymer portfolio, right, kicking in and across all substrates that we're talking about over here, whether it's PTFE, PVDF, FP3 or FP4, I think we're talking time lines where significant, meaningful volumes are going to probably start kicking in towards the end of '27, '28 and early '28, '29. That's kind of when the volumes will get to really meaningful levels. In -- during '28, '29 is when we expect to be absolutely full stream in terms

of capacity.

Rohit Nagraj - Analyst, 360 ONE Capital
Sure, that helps. And thanks a lot and best of luck, sir.

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Thank you.

Operator
Thank you. The next question is from the line of Archit Joshi from Nuvama. Please proceed.

Archit Joshi - Analyst, Nuvama
Good morning, sir, and thanks a lot for the opportunity. A bit more harping on the specialty chemicals space, especially on the AIs. At the outset, sir, I just wanted to understand, do we have the readiness in terms of creating of assets required to launch those 6 or 7 AIs? And would it be the right way to read that we are just awaiting imminent approvals from our customers whenever it is conducive for them to see some green shoots of patented products growing, be it this year or next year. But do we have the readiness? And should we read it as whenever the doors open for those products to get launched, there will be a decent bit of operating leverage in the early few quarters itself. Should that be a right reading, sir?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Yes. The capacity is kind of reasonably dead on the ground, right, just given how we set up plants, and I'm sure you're well versed with that across dedicated and multi-purpose and the way we are able to swing plants across. In terms of capacity and ability to get product out of the door, I don't see that being a constraint. The readiness, obviously, in terms of the chemistry behind the products, you couldn't be in conversation around waiting for registrations unless that was all done, right? That part is reasonably taken care of as well. Really, I think the only piece that you're waiting on, like I said earlier in my commentary as well, is there's the progress that is needed around registrations and these products getting launched by the innovators.

There isn't a big sales side infrastructure requirement that needed because of who we are selling to. We're going to sell to the innovator world. The chain from there downstream really is there. We own everything from production through to making sure that there's acceptance of that product with the innovator world. I think on those pieces, we are in a very well progressed advanced state. Yes, I think on your question, I can positively state that we definitely are ready. But there is this last mile piece, which is a hurdle that has to be overcome. The time lines around that are uncertain at this point to say it mildly.

Archit Joshi - Analyst, Nuvama
Understood. Sir, that was on the AI piece, but the base business that we have, which is predominantly all chemical intermediates, be it on minus 1 and minus 2, even those which you probably have rightly pointed out in many of the con calls that there is a pricing pressure. But have we at least seen any growth in volumes across the portfolio despite the competition beefing up from China? And is there a positive trajectory at least on the volume front as we progress in the current financial year?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Yes. We clearly, I think through the last quarter and this quarter, I think we -- at least on those -- the

core set of products that you're kind of alluding to over here, in the portfolio, we definitely have seen a directional shift in volume. I wouldn't say it's a step function as yet. But even sequential quarter, we're starting to see that trend get positive on us. That is a great sign. Like I said, it's not only volume. It is both on volume and on price on those core set of products. Directionally, at least on that front, it seems like we have scraped the bottom and we are getting better from here on.

Our outlook is that through the rest of this year, we will keep making steady progress over here. It's not going to be a hockey stick kind of a recovery. It will be linear and probably be slow, but that's the way we expect and see this panning out through the rest of the financial year. We do see -- as a typical seasonality that we see in chemicals, we think H2 will be stronger than H1. So it will be a more backloaded sort of a recovery. But yes, directionally, we are seeing volumes better. We are seeing price better.

Archit Joshi - Analyst, Nuvama
That helps a lot, sir, and wishing you all the best. Thank you.

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Thank you so much.

Operator
Thank you. The next question is from the line of Ranjit from IIFL Capital. Please proceed.

Ranjit Cirumalla - Analyst, IIFL Capital
Hi sir, thanks for the opportunity, congratulations on a great set of numbers. In the opening commentary, you did allude to the packaging films margin business, while you said the margins are likely to normalize in 2Q, but the baseline will be higher now. On this, just wanted to get a bit more clarity because what we also see our overseas operations, be it South Africa, Thailand and Hungary have been under pressure for the last...

Operator
Ranjit, sir, can you please be a little louder?

Ranjit Cirumalla - Analyst, IIFL Capital
Yes, is this better?

Operator
Yes, yes. Please continue.

Ranjit Cirumalla - Analyst, IIFL Capital
Should I repeat my question?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
It's okay. I got you, Ranjit. Go ahead, go ahead. I could hear you.

Ranjit Cirumalla - Analyst, IIFL Capital
Yes. So the question is mainly on the new baseline that you are indicating. While we also see that the overseas subsidiaries have been really under pressure. And if you take last 10 years, the trend line has been 8% to 12% on EBIT margins. So when you say that you are seeing a new baseline, so whether one should assume it's going to be above those range?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Okay. Let me answer that in -- with 2 or 3 comments. So number one, I think we said this in Q4. I'm saying this again very clearly. We have performed very, very effectively across all overseas locations these last 2 quarters, right? So the outcome is showing at every level, revenue, EBITDA, EBIT, all of the overseas locations are performing exceedingly well. Hungary was a concern some time ago. That has improved significantly. Or take at some point in the past was facing pressure. That's kind of behind us as well. Overseas locations are all doing good. That, in many ways, is also a reason we carry this positive view around the baseline being better.

Yes, against those directional numbers that you called, we expect margins to be north of that. Yes, Q1 is, like I said earlier, is an aberration. Do not peg it over there, but it will be better than the range that you talked about. For a set of reasons, one, overseas; b, this whole shift to value-added products. As we bring things like the volumes of capacitor and everything to full commercial levels. Like I said, those price points are significantly different versus vanilla film. All of those are accretive from a margin standpoint. I think you, therefore, see that expansion coming through as we add more of these value-added plays into the portfolio.

Ranjit Cirumalla - Analyst, IIFL Capital
Thank you, sir. That's quite helpful. The second question is on the ref gas front. We do have certain duties in the US on the Chinese imports and that are up for renewal. Do you have any comments on that and the progress?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
I wish I could tell you with certainty what Mr. Trump would do. But I think the views around US and China and how they will pan out. Very simply put, I think in terms of what we have to ship out to the US in terms of quantities through the rest of this year, we don't see impact of anything that will happen out of China. Our belief is pricing from China is going to hold through the rest of this period, at least the end of this financial year. We don't see any pressure coming out of there. I've said that in the past as well. I'll continue to say that now. No, I don't see a concern at this point in time.

Ranjit Cirumalla - Analyst, IIFL Capital
Thank you. One last thing. You also commented that robust export volumes on the ref gas fronts. But we believe that a certain part, at least to the Middle East would have got impacted. But despite that, the volumes were quite robust.

Samir Kashyap - President & Chief Financial Officer, SRF Limited
In Q4, we did have impact in Middle East. In Q1, we have actually done very, very well in that market, both from a volume as well as a price standpoint. So Fluoron is -- actually receives differentiated pricing in the Middle East market. We've actually done very well over there through Q1. We expect that to continue through Q2 as well. There was some disruption in terms of the points -- the amount of time you could freely ship, yes. So there was impact around that. But eventually through Q1, we found our own workarounds and have not had any issue getting product into the Middle East at an overall quarter level. There could have been skews and time lines if you looked at it month-wise. But over the quarter, Middle East volumes have been very, very robust, has delivered strong growth year-over-year. Given Q4 was impacted, which like I shared in my previous commentary on the May call, even sequentially looks better.

Ranjit Cirumalla - Analyst, IIFL Capital
Thank you, sir, and wish you all the best.

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Thank you so much.

Operator
Thank you. The next question is from the line of Ankur from Axis Capital. Please proceed.

Ankur Periwal - Analyst, Axis Capital
Hi sir, thanks for the opportunity. First question on the aluminum foil.

Operator
Ankur, can you please be a little louder? We can't hear you properly.

Ankur Periwal - Analyst, Axis Capital
Sorry, is this better?

Operator
Yes.

Ankur Periwal - Analyst, Axis Capital
Okay. So first question on aluminum foil as well as the Chemours contract. While you did alluded towards aluminum foil getting commissioning or seeing a ramp-up in Q1 -- by Q4 or by Q1 next year, how quick can be the revenue ramp-up here, both for aluminum foil as well as for the Chemours contract?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
I'm not sure what ramp-up you're talking about on aluminum foil. On aluminum foil, we are already...

Ankur Periwal - Analyst, Axis Capital
In terms of optimal or full utilization?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Like I said, the big -- the area we're trying to really move the needle is markets we have access to. There's been a lot of strong push on that front towards getting access into Europe and getting a sizable amount of volume over there. Like I said, we've kind of got close to half of our volume of Q1 into that market this last quarter. That's a very promising sign. If that trend kind of holds through Q2 and thereafter, there's no reason why we won't be able to increase utilization of that plant to pretty much full capacity levels. I also talked about aseptic. That's expected to -- that is a piece that is expected to actually kind of come through by Q1 of next year. Then that kind of takes you in a different space in terms of pricing.

You truly then move away from -- even on the domestic side in terms of what we would be doing in the local market. So very -- you should start seeing change, I think, even as we go forward through the rest of this year, just given the access to Europe market, which is half of kind of what we're doing. And on domestic, as we make more and more plays into things like aseptic and those kind of spaces through early next year, we should see the domestic side of the business also start seeing better realizations. That's on aluminum. I'm sorry, I didn't quite get your second part of the question on Chemours. If you could just repeat that for me?

Ankur Periwal - Analyst, Axis Capital
So the Chemours contract, in terms of the product -- while there are some rejig in terms of the plant specification, the contractual obligation from a revenue ramp-up perspective should be there in year 1 of its operations itself or it will -- it may take slightly longer?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
We will start seeing revenue from the time we kind of fairly soon after commissioning the plant. It should be within the first year itself. But like I said, '27, '28 will be lower. When we hit '28, '29, we'll start getting to kind of full stream.

Ankur Periwal - Analyst, Axis Capital
Sure. And second bit on the proportion of medium or, let's say, longer-term contract, especially for the Performance Film as well as on the Technical Textiles front. Has there been any change over the last 6 months? Maybe we have entered into shorter-term contracts or longer-term contracts?

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Well, on Performance Films, it's been very opportunistic buying. You heard that in my opening commentary, right? There's been a lot of panic buying in Q1. I think the contracts that we have that are longer term, those continue, right? We have a very established footprint with customers. This is a business that prides itself on being easy to do business with its main motto. It's a very strong portfolio of customers that has subsisted for a very long time. Those contracts are in general, long and sustained with -- think of all the big FMCG players that you can imagine, they're all on that customer list in a sense. That continues as is. I think the piece that's kind of come on top of that is really a lot of the panic buying from people, many of whom were not our customers in the past. Some of it is some of our existing customers who are also worried.

But there have been newer customers have come into our portfolio because of the sheer reliability with which they can buy from a player like SRF. I think they saw the impact of being associated with other players and not being able to reliably get product, which then impacted them in terms of being able to get their product on the shelves. So we've seen that shift. I kind of said this as well on the previous call that part of the whole journey has been around -- there is a price variation that we've seen in the quarter, but you do not want to be predatory about pricing either because you know it is going to correct on you. Managing that with the customer base effectively to ensure there's collective success at the end of this whole craziness that we're seeing out in the Middle East has been part of this whole agenda, so to say, to ensure it's not one-sided.

But yes, the long-term contracts that have existed in the past, they continue on Packaged Films and kind of no different on Technical Textiles. Yes, again, over there, we did -- over there, slightly different, not so much opportunistic buying that happened or panic buying, but there were issues around the ability to renegotiate spreads, I think, during the early part of the quarter because of what was just happening on raw material pricing and what have you. I think that's kind of the impact that you see in the numbers in Q1. That will kind of normalize out in Q2. But like I said, even in my opening remarks, it will settle at a level that it is better versus comparable period last year. But in terms of long-term contracts, those that are in place continue, no significant directional changes over there.

Ankur Periwal - Analyst, Axis Capital
Sure, sir. Thanks a lot for those answers. That's it from my side. Thank you.

Samir Kashyap - President & Chief Financial Officer, SRF Limited
Thanks.

Operator
Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to the management for closing comments.

Samir Kashyap - President & Chief Financial Officer, SRF Limited
I hope we've been able to address your questions. Should you have any further queries, our team and I would be very happy to assist. We value your continued support. And on behalf of the management, I thank you once again for taking the time to join us today. Bye-bye.

Operator
[Operator Closing Remarks]