Management Discussion

Nithin Agarwal - Analyst, DAM Capital Advisors Limited
Good afternoon, everyone, and thank you for joining us today. We at DAM Capital Advisors Limited are pleased to host SRF Limiteds Q2 and H1 FY 2027 results conference call. We have with us today Mr. Samir Kashyap, President, Chief Financial Officer, and Ms. Sugandha Singhal, Senior Vice President, Head Treasury, and Investor Relations of SRF Limited. I would like to invite, uh, now I'd like to invite Ms. Nikita Dhawan, Head of Corporate Communication at SRF, to initiate proceedings for the results con call.

Please go ahead, ma'am.

Nitika Dhawan - Associate Vice President & Head of Corporate Communications, SRF Limited
Good afternoon everyone, and thank you for joining us on SRF Limited's Q2 and half-year FY27 results conference call. We will begin this call with brief opening remarks from our President and Chief Financial Officer, Mr. Samit Ashok. 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 and Chief Financial Officer, SRF Limited
Thank you, Nikita. Good afternoon, everyone, and welcome to SRF Limiteds Q2 and H1 FY 2027 earnings conference call. Thank you for joining us today. I trust youve had the opportunity to review our financial results and the investor presentation shared earlier. I will begin with an overview of our performance for the quarter and the first half of the financial year, and then cover key developments and business updates across our segments, after which we will open the floor for questions. I am pleased to share that SRF delivered a strong performance across its key business segments in Q2 FY 2027, despite continuing global uncertainty.

The operating environment remained volatile. Geopolitical developments, supply chain disruptions, higher raw material prices, and elevated freight costs all weighed on the quarter. However, despite these headwinds, our businesses responded effectively to changing market conditions and remained focused on maximizing opportunities. This was supported by a diversified portfolio, continued focus on operating efficiency, and our strong customer relationships. We continue to make advances on our strategic investments, technology-led cost optimization interventions, and new product development initiatives.

Our investments in future growth areas continue to progress well, laying the foundation for sustainable growth and strengthening our market position. We remain focused on building our capabilities, deepening customer relationships, and growing the share of value-added products to support the companys growth over time. For the quarter ended September 30, 2026, consolidated revenue stood at INR 4,904 crores, registering a growth of 35% when compared with the comparable period last year. The companys operational EBIT increased by 26% to INR 816 crores over the comparable period last year, and profit after tax stood at INR 509 crores, registering a growth of 31% over the corresponding period last year.

For H1 FY 2027, consolidated revenue increased by 33% to INR 9,937 crores when compared with the comparable period last year, while operational EBIT grew by 44% to INR 1,932 crores over the

comparable period last year. Profit after tax increased by 55% to INR 1,268 crores, again, when compared with the comparable period last year. At the start of the year, we had guided to a revenue growth of 15%-20% in our Chemicals Business. With a strong H1 performance delivered, we feel confident to reiterate that we expect to deliver towards the higher end of the stated guidance for FY 2027.

I will now take you through the performance of our individual businesses. Our Chemicals Business reported a 25% increase in revenue from INR 1,667 crores to INR 2,079 crores during Q2 FY 2027 compared with the corresponding period last year. The Specialty Chemicals Business continued to operate in a challenging market environment. In agrochemicals, we are witnessing demand recovery across select pockets underpinned by our strong customer relationships. Progress made by some of our customers on registration for key active ingredients is further strengthening our future demand visibility.

We continue to expand our pharmaceutical intermediates portfolio through targeted product development and customer engagements. New product approvals and commercialization are progressing effectively and helping us build a broader portfolio and opportunity pipeline.Together, these developments in agrochemicals and pharmaceuticals are positive for the business. We expect them to ramp up progressively over the coming years. Launching new products and scaling up existing ones remain key priorities for the business.

In an environment shaped by excess capacity, we remain focused on strengthening our cost competitiveness through technology-led process improvements and effective sourcing strategies. Our ability to export select products, even to China, reflects well on the strength of our technology, operational efficiency, and global cost competitiveness. The commentary from global innovators on the proposed diversification of their supply chains away from Europe is encouraging. While both China and India are expected to benefit from this shift, many customers continue to value a diversified and resilient supplier base, creating opportunities for trusted Indian manufacturers.

We have witnessed similar trends in the past, where changes in global supply chains translated into incremental business opportunities for Indian producers. Given our technology strengths, demonstrated cost competitiveness and long-standing customer relationships, we believe SRF is well-positioned to participate in this evolving opportunity. Beyond agrochemicals and pharmaceuticals, we are leveraging our chemistry, process innovation, and scale-up capabilities to expand into new domains beyond our traditional areas of strength.

This provides us an opportunity to enter new segments, such as solutions centered around environment and sustainability. At an appropriate juncture, we will share more on these opportunities. R&D remains a key competitive advantage for SRF and an important enabler of our long-term growth strategy. Our team of over 500 scientists, engineers, and scale-up specialists work through dedicated research labs. These include separate teams focused on agrochemicals, pharmaceuticals, and other specialty applications.

This domain-focused approach helps accelerate innovation tailored to specific market requirements. SRF now has 160 patents and has filed 539 patent applications in total, reflecting our sustained commitment to technology leadership and value creation. The Fluorochemicals Business delivered a strong quarter, demonstrating the strength and operational excellence of the business. Our growth was supported by higher HFC volumes, improved realizations, and successful expansion into newer markets, despite disruption to global trade flows and logistics.

Given the ongoing geopolitical uncertainty, the business could make significant inroads to expand

volumes and revenues, even in the Middle East. We have been able to continuously broaden our geographic footprint, gain market share, and leverage our product portfolio to maximize market-specific opportunities. Additionally, sustained domestic leadership and improving returns from our brand investments further strengthened our competitive position. The HFC capacity expansion at Dahej is progressing well and remains aligned with our long-term growth strategy.

Our immediate priority continues to be maximizing utilization of the existing HFC plants during the baseline period while strengthening our presence in key markets and expanding customer relationships. Looking ahead, we expect demand and pricing for refrigerants to remain broadly stable, barring normal seasonality. While our diversified geographic footprint and continued expansion into newer geographies is expected to support growth and provide greater resilience across specific market cycles. We are also preparing for the next generation of refrigerants through our HFO investment at Gopalpur, Odisha, where key regulatory approvals have recently been secured.

The HFO project is on track for commissioning in Q4 FY 2028. On commissioning, we expect to be among the top three to four refrigerant gas manufacturers globally, which will significantly strengthen our competitive position in the industry. Our in-house HF integration will enable us to address opportunities associated with electronic-grade HFs for wafer cleaning in the semiconductor industry. In fluoropolymers, our focus continues to be on enhancing the grades in our PTFE portfolio. During the quarter, we made further progress in customer qualifications and commercialization of higher value grades, resulting in improved product mix led by fine cut grades and the commencement of commercial micropowder sales as well.

As we continue to broaden our presence in specialized applications, the portfolio is becoming increasingly differentiated, positioning the business beyond bulk PTFE and improving the business mix to higher value grades over time. Our PVDF project remains on track for capitalization, with customer engagements underway across multiple end-use applications. PVDF will initially start making inroads into chemical processing, fluid handling, and architecture coating applications, with the goal to gradually move to solar and battery applications as well.

This is an important milestone in expanding our fluoropolymer portfolio to address higher growth segments. Our FEP and FKM projects are also progressing well and are on track. This partnership with Chemours creates a unique opportunity to enter into applications that require high performance, durability, and advanced functionality. The growth in our fluoropolymer portfolio over time will not only expand our addressable market, but will also strengthen our positioning in emerging value chains across electricals and electronics, semiconductors, and aerospace and defense.

Moving on to our Performance Films & Foil business. The business recorded a 51% increase in revenue from INR 1,408 crores to INR 2,122 crores during Q2 FY 2027 compared to the corresponding period last year. The Performance Films & Foil business continues to perform well in a challenging operating environment. Even as customer procurement patterns moderated during the quarter, following elevated buying activity in Q1, demand remained robust across geographies and asset utilization stayed strong. While elevated raw material prices in the quarter led to a moderation in inventory-related benefits compared with the previous quarter, the business continued to deliver healthy growth through disciplined execution and a growing contribution from value-added products.

Our focus remains on expanding our portfolio of value-added products and differentiated substrates

that are aligned with long-term growth sectors and evolving customer requirements. These continue to gain traction, led by offline coated and metalized products across geographies. Capacitor-grade film has scaled up well, with key customer approvals having been secured and commercial sales progressing well ahead of initially anticipated timelines, enabling us to participate in the fast-growing electrical and electronic sector.

This is complemented with the progress we have made on securing approvals from key customers for aluminum foil used in capacitors, where commercial sales are expected to commence in Q3 of FY 2027. On the operational front, the hybrid BOPP/BOPE film line is expected to commercialize in Q3 of FY 2027. Sustainability continues to be an important strategic priority for the business. We are actively working with customers and partners to develop solutions that support circularity, including recyclable mono-material structures, advanced coatings, and sustainable packaging formats.

These initiatives respond to changing customer and regulatory requirements while supporting the development of differentiated solutions. R&D continues to drive our shift towards value-added films and foil. We have commercialized 16 products across BOPET, BOPP, and CPP, including 13 offline coatings, and more than 35 products are under development. We are amongst the forerunners in the industry in super-ultra higher barriers across substrates. We are also building sustainable mono-material solutions using BOPE, BOPLA, and BOPA, supported by 17 R&D collaborations with leading global brand owners.

Our aluminum foil business delivered a strong financial performance and is steadily evolving into an important growth area. This has been supported by strengthening export traction and successful advancement into higher value grades. We have made considerable progress on high-end aseptic packaging and are now working closely with one of the global leaders in this space. These developments have collectively enabled the business to transition from being a pure packaging films player to a high-end Performance Films & Foil business.

Moving on to our technical textiles business. The business reported a 25% increase in revenue from INR 474 crores to INR 594 crores during Q2 FY 2027 over the comparable period last year. The technical textiles business maintained healthy momentum during the quarter. In tyre cord fabrics, we continue to make steady progress on the scale-up of N66 and polyester tyre cord fabrics, with customer approvals being positive developments for the business. The upcoming dipping capacity is expected to further enhance the product mix and capacity utilization in coming quarters.

Belting fabrics delivered another strong quarter, benefiting from export growth and continued customer additions. Alongside this, we expanded our value-added portfolio through new product commercialization and customer qualifications. We expect the business to remain stable, supported by export markets and a growing contribution from higher value applications. Our other businesses comprising coated fabrics and laminated fabrics also delivered a stable performance during the quarter. The coated fabrics business maintained its leadership position in the domestic market, supported by a healthy product mix and continued emphasis on value-added products.

Our focus on operational efficiencies and cost optimization helped us navigate the competitive pressure as well. The laminated fabrics business delivered a steady performance, supported by stable demand across its key applications. Recognizing the immense opportunity presented across a set of identified sunrise sectors, SRF has embarked on a journey to effectively target these high-growth areas where our growing product portfolio have wide applications. These identified high-priority sectors span energy storage, electrical and electronics, semiconductors, next-generation cooling solutions, environment sustainability and renewables, and aerospace and

defense.

A detailed map on how our new product portfolio addresses specific applications in each of these sunrise sectors is part of our investor presentation. While many of these are already announced investments, I would like to draw your attention to the new CapEx that was approved around aluminum foil for battery applications to address the growing opportunities in the energy storage and EV sectors. You would recollect that over a year ago, we had rebranded our packaging films business to a Performance Films & Foil business to reflect our growing aspirations in this segment.

In an important step towards realizing these growth aspirations, as we had intimated yesterday, our board has approved an investment of approximately INR 600 crores to set up a new aluminum foil facility at our existing site at Jetapur in Madhya Pradesh to cater to battery applications targeted at the growing energy storage and EV sectors. The facility will have a total capacity of about 12,000 metric tons per annum and will serve both lithium-ion and sodium ion battery applications, along with high-end packaging foil.

The project will be carried out in two phases. Phase one has an estimated cost of INR 300 crores and is expected to be completed within about 23 months of the board approval. Importantly, the proposed universal foil mill shall be capable of producing both battery-grade and high-end packaging foil. This provides us operational flexibility, enabling us to address multiple value-added end-use markets, even while customer qualifications for battery applications are in progress. This investment is an important step in expanding our foil business to address battery applications with growing demand arising from the energy storage and EV sectors.

The governments ACC PLI scheme, which incentivizes domestic battery manufacturing and mandates progressive domestic value addition, is also expected to accelerate localization of the battery supply chain, driving demand for key materials, including battery-grade aluminum foil. During Q2 FY 2027, SRF Foundation continued to create meaningful impact across education, digital learning, STEM, skilling, health, and community development. From strengthening teacher capabilities and advancing AI, robotics, and digital literacy to promoting student innovation, vocational skills, and community participation, the quarter saw several initiatives translate learning into real-world opportunities.

Recognition for students across innovation and sports platforms further reflected the growing impact of these interventions in empowering young people and communities. During the quarter, I am happy to share that SRF was recognized as the overall winner in the Best Supply Chain Solution category at the Adam Smith Awards Asia 2026, recognizing our work in building financial resilience across our supply chain. We also received the Supplier Collaboration and Innovation Award at the UBS Forums Procurement Excellence Summit & Awards in 2026, recognizing our focus on innovation and collaboration with our suppliers.

These awards reaffirm SRFs commitment to operational excellence, strategic planning, and innovation across businesses. In closing, I would like to state that despite a volatile environment, we remain confident of delivering a healthy second half. Our resilient business models are delivering on the outcomes we had envisaged, and with our investments that target specific sunrise sector opportunities, I am confident that the future of the company is on a strong wicket. On that note, I conclude my remarks and would be glad to discuss any questions that you may have.

I would now like to ask the moderator to open the line to the Q&A session. Thank you very much.

Questions & Answers

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 the touch-tone 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. Participants, in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to two per participant. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Rohit Nagraj from 360 ONE Capital Market Private Limited. Please go ahead.

Rohit Nagraj - Analyst, 360 ONE Capital
Hi. Good afternoon. Thanks for the opportunity. First question is, you just mentioned in your opening remarks that second half seasonally is the best for us, and we are confident that our growth will be more in second half. Is it backed by certain firm commitments, particularly in the Chemicals Business? An allied question to that, in terms of the AI commercialization, the six, seven which we have been working on, if you can give the latest update on the same. Thank you.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Thanks for your question, Rohit. What I had reiterated was that on our overall guidance for the year on CB revenue, we remain firm that we should be able to land at the higher end of that range. In terms of H2 specifically, yeah, we do see a good ramp on specialty from where we are at this point. I think even in the last quarter, we talked about the fact that we are starting to see volume recovery. So on the revenue front, I do think we will see a stronger second half for specialty specifically.

In terms of the AI, what we called out on the investor presentation as well is that on a couple of the products, two specifically, we have had customers make progress in terms of their own registrations. This is in a couple of initial markets, and that should, in due course, start translating into better visibility in terms of our own funnel, in terms of our supplies into them.

Rohit Nagraj - Analyst, 360 ONE Capital
Thanks a lot, sir. Second question is, what would be our marketing strategy for HFOs once we commercialize at the end of FY 2028? Is it going to be domestic or export market? And there too, whether we have certain firm commitments from certain geographies or customers. Thank you.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yes. The HFO play, at least in the initial couple of years, is clearly going to be largely Western-world oriented. I think thats a certainty. I think the fact that as a company weve operated in those markets for the number of years that we have already positions us very well in terms of already being entrenched with the whole distribution system over there, as well as the customer base. So yeah, there will be some incremental efforts, I think, from a marketing standpoint, but I think weve already established ourselves very well in those markets, even in the past.

Therefore, I think it should not be a significant transition or a significant incremental investment to start addressing that opportunity area as HFOs come on stream.

Rohit Nagraj - Analyst, 360 ONE Capital
Thanks a lot, and all the best, sir.

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

Operator
Thank you. The next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management Company. Please go ahead.

Arjun Khanna - Analyst, Kotak Mahindra Asset Management Company
Thank you, sir, for taking my question. The first question is on the HFC side of things. What capacity do we envisage during the end of this baseline period? By the end of this quarter, what would be our capacity for HFCs?

Samir Kashyap - President and Chief Financial Officer, SRF Limited
I think we shared in the last call, Arjun, where we desire to land on capacity. We talked about where our HFC capacity would expand to. You heard me in my commentary as well, talk about the fact that the incremental portion that has to happen out of Dahej is progressing effectively. I think for fairly obvious reasons, as we lead up into the last 2 months of the baseline period, I would rather not be very specific about a number where we shall land. But I think suffice to say, we are progressing very well in terms of the numbers that we called out.

Arjun Khanna - Analyst, Kotak Mahindra Asset Management Company
Okay, sure. We had talked of the repurposing some facilities and brownfield expansion. Has that been done, or do you expect that to be done by the end of this quarter?

Samir Kashyap - President and Chief Financial Officer, SRF Limited
If you are talking about what we were doing in Dahej, like I just said, it is progressing well. We should be at the level we need to be well in time.

Arjun Khanna - Analyst, Kotak Mahindra Asset Management Company
Sure. The second one is on the QMoS projects. In the previous quarter, we said that there was maybe a quarter delay. Would we expect in FY 2028, by the first quarter, commercialization? In terms of scale-up, if you could help us understand over what period we should see the scale-up of this project.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
We had said the first of the plants actually would be up on the first product in Q4 of this fiscal, and the second one in Q1 of the following fiscal. Those timelines still hold, Arjun. I think we had also in the previous call, I will reiterate that same comment. I think for it to be at full scale ramp-up is probably anywhere between a 10 to 12-month window. Following year after that is kind of when I think you should see full stream revenue associated with the QMoS project.

Arjun Khanna - Analyst, Kotak Mahindra Asset Management Company
FY 2029, we should see the full revenue scale up.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
2028, 2029. Yeah, 2028, 2029, from the start of that year is kind of reasonable to work with.

Arjun Khanna - Analyst, Kotak Mahindra Asset Management Company
Sure. Just a quick one on the CapEx that we have announced. In terms of technology, et cetera,

could you help us, how is it different from our current aluminum foil project? Because this project, we took slightly longer to scale up. What other execution, et cetera, issues that you envisage out here? And in terms of customers, while thank you for the presentation, we have well covered it, but if you could help us in terms of grades, et cetera, how long would qualifications take?

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah, a great question. I think rather than just immediately dive into answering it, I think it is probably best we talk a little of the scale-up that we have seen in the aluminum foil business. That will, I think, give you a better picture of how we find ourselves better positioned than maybe where we were, say about a year ago. You heard me call this out in the previous call as well, that we are, even in the existing plant, able to move to significantly higher grades. Conversations have progressed very well with one of the leading aseptic players.

So that is pretty much the top of the value chain that you are talking about. These are the likes of Tetra Pak. We are kind of done with audits at our plant as well. I think a lot of the learning, yes, you are absolutely right that the scale-up did take some time, but I think we find ourselves in a place where a lot of those learnings are now translating into results. Sharing this progress that we have made on aseptic, I think is a great qualifying benchmark to know that we have kind of, I almost want to say cracked the code in terms of what we need to do to deliver those higher-end grades.

That is kind of where we are drawing a lot of assurance from in terms of our ability to now go further up that chain into battery foil. It is a different plant in terms of the rolling mill vis--vis what we have today. However, that mill, and I called this out in my opening comments as well, it is going to be a universal mill that can address packaging needs as well. When you think about higher grades like aseptic, we can use that mill to address a lot of aseptic demand besides other high grades, even as qualifications around battery continue.

Timelines for battery qualification, I think realistically it is probably anywhere close to a two-year period from the time we are kind of ready. In the interim, I think the fact that we have taken this decision to go with the universal mill positions us well to use all of what we can produce out of that mill into areas like aseptic and other higher value-added grades while qualifications continue, and then we will be able to switch over into battery foil.

Arjun Khanna - Analyst, Kotak Mahindra Asset Management Company
Sure. Just for an understanding, would our aluminum foil business possibly by the end of the year be profitable by itself?

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah, I think it is fair to say that.

Arjun Khanna - Analyst, Kotak Mahindra Asset Management Company
Sure. Fair. Thank you and wishing you all the best for the future.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah. Just to clarify, in terms of an exit, yeah, absolutely.

Arjun Khanna - Analyst, Kotak Mahindra Asset Management Company
Sure. Thank you. Wishing you all the best.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
All right. Thanks, Rajat.

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

Kumar Saumya - Analyst, Ambit Capital
Hi, sir. Good afternoon. Sir, couple of questions from our side.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yes.

Kumar Saumya - Analyst, Ambit Capital
Firstly, on the Specialty Chemicals, if you could throw some light on how are the customer engagements and conversations shaping up, given that we are looking at inflationary crop prices, and how are they talking about their registration timelines?

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah. I think I answered that just a bit earlier, at least in terms of registration timelines. I just shared, I think it was two questions ago. Progress, compared to when we did this call last quarter and now, there has been progress on at least two of the products. Registrations, like I said, have progressed, markets like Brazil, a couple of other initial markets. Finally, there seems to be momentum from this long pause, I think that weve had waiting. I think we are in a much more positive place to know that at least on two of the products, there is momentum.

There is a lag associated between when those registrations happen and when it starts translating into full-blown demand coming through to us. But in the interim period, I think it is reasonable to expect that intermediate products that would still be needed kind of get sourced from us, even as demand around the core AI product itself scales up over a period of time. That is, I think, the progress around AI. I am not sure if I answered your question entirely or if I missed any part.

Kumar Saumya - Analyst, Ambit Capital
No, sir. That was clear enough. Sir, secondly, on the aluminum foil project that we have announced, 12,000 ton capacity.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yes.

Kumar Saumya - Analyst, Ambit Capital
Typically, what is the revenue potential of this project?.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Let me answer that question in a different fashion rather than talk about revenue potential. If you think about the price points at which aluminum foil typically sells at, I think you can apply a factor very easily, of about 1.5 times, if not more, around aluminum foil. LME prices, I am sure are available. You can extrapolate from there. But it is a significant uptick vis-a-vis plain foil, plain rolled aluminum foil that goes into packaging.

An uptick is a markup of about 30%-40%. This goes significantly north even of that.

Kumar Saumya - Analyst, Ambit Capital
Got it. In terms of margin, is it fair to assume 15% margin should be achievable in this segment?

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah, we dont guide to that, as you know. But if you look at what I just shared with you in terms of pricing, and you look at the existing foil business and where we kind of exit for this year, I think you would have a good ability to project out what potential margins we could be looking at.

Kumar Saumya - Analyst, Ambit Capital
Got it. Lastly, if you could just throw some light on the HFO project. Currently the prices are somewhere $50-$60. How do you expect this pricing to land up when the patents go off?

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Well, I think its only fair to say that just like what weve seen even in past versions of the generations of refrigerants, there will be a decline when these products come on stream. Having said that, I think whats also important to consume is that the baseline kind of resets in terms of where the price of product is. So we should assume very easily that HFO prices would be at a significant premium versus anything that we see on the HFC side.

We are still two years out. Giving you a specific range is probably premature at this point. But yeah, I think its very fair to say we should expect a drop-off post the product coming off patent, but we should see price points significantly north of typical HFC pricing.

Kumar Saumya - Analyst, Ambit Capital
Got it. Thank you, sir. That was very helpful. Thank you.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
All right. Thank you.

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

Arun Prasath - Analyst, Avendus Spark
Yeah. Thank you for the opportunity. Good afternoon, Sunil. First question is on the first off, we have grown roughly around 25% year-over-year on the Chemicals Business. If you can qualify growth into the volume and pricing and rupee depreciation, that will be very helpful.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Arun, you know we dont split at that level. Im going to have to. I can only tell you prices have stayed firm on the ref gas side. I can also tell you volumes that look good on ref gas. Volumes on Spec Chem continue to hold versus kind of where we saw Q1 at. You know, I shared with you that in Q1, we were starting to see green shoots. Those continue to look better and greener, and I think as we walk into the second half of the year, I feel reasonably confident that well see a significant growth in Spec Chem revenues driven by better volumes between H2 and H1.

Thats as much color as I can give you around how pricing and volume is behaving. Refrigerant prices stayed strong as well, just in case I didnt share that earlier.

Arun Prasath - Analyst, Avendus Spark
Right. No, very helpful. Just that, how much of this is influenced by the rupee depreciation as filters in this delivering this first half? Because now we have fairly, in terms of other markets or other producing countries, our currency movement should be helpful in either gaining market share or a pricing benefit. If rupee were to again appreciate back to, say, 3%, 4%, 5%, should we see some kind of a reversal in the strength that you have delivered in this first half?

Samir Kashyap - President and Chief Financial Officer, SRF Limited
I think a good way to consume our strength for people to around is when theres been significant movement in the currency even between the two quarters. The fact that Q2 volumes continue to hold good and strong is a good sign. Pricing, like I said, is holding. I think are all good benchmarks to give you a sense that irrespective of currency movement, I think youve heard our commentary for some time, saying we expect prices to stay stable. If youre alluding to could we start seeing softness in price because of competition, import, et cetera, we dont see that at this point in time.

I think our view on ref gas through the year, we continue to hold that view. What I shared even in the last quarter is we see it being firm, we see strong growth, we see pricing holding. I think you could see, and thats more a function, I think, just around whats happening on freight and some input costs. You could see a bit of impact in terms of the cost side of the whole equation. But aside from that, I think were at a very firm wicket and continue to go from strength to strength.

Arun Prasath - Analyst, Avendus Spark
Thank you, sir. My second question is on the semiconductor chemicals. You have written that in few products, the product sampling and optimization is underway. These are the samples, pilot plant or commercial plant? If you can also help us understand what are the series of next steps that we should expect, and milestones that you need to do before recording a significant revenue from this segment.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Okay. These are in a commercial plant, but just to give you a little bit more color in terms of the sampling, a lot of this right now is at the lab level, external to SRF, but at the lab level. Once we are done with optimization that is necessary is when I think you should start seeing more commentary from us around the downstream side of the whole sales chain, starting from sampling with customers and qualification. We are a little bit away from that just yet. But I think, the way we have kind of called this slide out, you will continue to see more and more color from us as we make progress on this journey.

Presently, a lot of it is around lab sampling and our own product optimization, the consequence of what we are hearing back. But yeah, I dont think we are too far away from starting opening the doors around the customer side conversations. A lot of pre-work in any way is happening on that front so that we can trigger those pieces once a lot of the product optimization side is done and behind us.

Arun Prasath - Analyst, Avendus Spark
Understood. Thanks, Amit, and I will get back to the queue.

Operator
Thank you. The next question is from the line of Ankur Periwal from Axis Capital Limited. Please go ahead.

Ankur Periwal - Analyst, Axis Capital Limited:
Yeah. Hi, sir. Thanks for the opportunity. First question on the overall pricing environment. You did allude towards saying that prices are largely stable. Will it be true across Spec Chem as well as the overall chemicals portfolio, given that there has been a decline in net margins even on Q1 Q basis? What timeframe are we looking at in terms of full passthrough, if at all its a work in progress right now?

Operator
Ladies and gentlemen, we have lost the connection for the management. Give us a minute while we have the management online. Thank you for your patience. We have the management online again with us. Sir, you may proceed.

Ankur Periwal - Analyst, Axis Capital Limited:
Yeah. Hi, sorry sir.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah, my apologies that we dropped. Happy to take the next question.

Ankur Periwal - Analyst, Axis Capital Limited:
Sorry, sir.

Operator
Thank you.

Ankur Periwal - Analyst, Axis Capital Limited:
Repeat, sir?

Operator
Yes, sir. Sure. You may proceed.

Ankur Periwal - Analyst, Axis Capital Limited:
Sure. I will just repeat my question. Maybe it was not heard there. First question was on the RM scenario overall. You did allude towards largely stable pricing across the segment on a quarter-on-quarter basis, while we are still seeing a decline in chemicals margin. Just trying to-

Operator
Sorry to interrupt, Mr. Periwal. Sir, could you try speaking loudly?

Ankur Periwal - Analyst, Axis Capital Limited:
Sorry, am I audible now?

Operator
Yes, sir. Please go ahead.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
We can hear you now. Thank you.

Ankur Periwal - Analyst, Axis Capital Limited:
Sure. On the pricing front, how are we seeing things there, given that while you said that RM pricing is largely stable. But on the margins front, we are seeing some decline in our chemicals margins on a

quarter-on-quarter basis. If you could share with us.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah, just to clarify, I actually said we are seeing pressure on raw material pricing. I think we have been able to offset large parts of that in the businesses, either through pass-through to customers or being offset versus our own cost optimization. But yes, there is pressure on RM pricing. I think as we think downstream and petrol, as well as on some of the chemicals, there is impact. That is well known. I think what we have additionally been able to do on some specific inputs is to be able to secure longer term contracts with more fixed pricing. So we are not as exposed to the vagaries of price shifts. But is there no impact? That would not be accurate to call out. There has been some. We are hoping that it kind of stabilizes and gets better from here.

But yeah, between quarter-on-quarter, there has been some impact both on raw material, I think, as well as freight. You probably are well aware of this. Those numbers are significantly higher and elevated. So all of these are having impact at an overall level in terms of margins.

Arun Prasath - Analyst, Avendus Spark
Sure, sir. Just a clarification. The pass-through here is we are specifically talking of Specialty Chemicals or even in ref gas there is a lag?

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Like I said, I think on the ref gas side, the ability to pass things through is looking better. Specialty, I think you all know the commentary from the past. Every quarter, I think in recent times, we have been talking about volume recovery. Price just about starting to look better. So the ability, I think, over there to pass everything through is not as much. However, I would balance that comment out by saying a lot more on the operational efficiency side around the Specialty Business has helped offset a reasonably large part of the increases, but not entirely.

Ankur Periwal - Analyst, Axis Capital Limited:
That is helpful, sir. And just secondly, on the Performance Films & Foil, as well as the Technical Textile margin profile. There were some inventory led gains in the first quarter. Q2 will be a clean quarter that way? And how do you see that number sustaining going ahead?

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah, I think it is fair to say on technical textiles, I think there arent any of those anomalies which were there in the Q1 numbers. On films, I think for the most part, it is kind of normalized there. There was a little bit, I think in chips, weve had a few situations where pricing kind of moved interestingly. But it is a small part, I think, of the overall. So I think it is reasonably fair to say this is very representative.

Ankur Periwal - Analyst, Axis Capital Limited:
Sure, sir. That is it from my side. Thank you and all the best.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah, thanks, Parkar.

Operator
Thank you. The next question is from the line of Saurabh Jain from HSBC Asset Management Company. Please go ahead.

Saurabh Jain - Analyst, HSBC Asset Management Company
Yeah, hi. Thank you for the opportunity. Continuing on the same question. The Q2 margins have kind of dipped significantly, and you explained some reasons also. How to now look at the second half? Do you think there will be a better pass-through in terms of the costs which are likely to remain elevated as we have moved already into three Q? Do you see if the margins are going to improve from what we delivered on Q2, going back to 28%-30% kind of margins in the Chemicals Business in particular?

Samir Kashyap - President and Chief Financial Officer, SRF Limited
I think there are lots of factors at play over here, Saurabh. One is obviously how volumes behave. Like I said, let me split it up. Let me answer this differently. If you split it up, if you look at the ref gas side, I think over there, pricing for the most part should kind of hold whatever little bit of impact there has been in terms of margins on the ref gas side because of elevated input costs including logistics, transportation, et cetera. So it will probably hold till they kind of wear off. So I think Q2 is reasonably representative in terms of how we look at things forward. I think on the specialty side, as volumes kind of peak, we will start operating with a much higher level of efficiency as well.

We see a strong ramp coming through now, I think in terms of the revenue side. How much of that starts trickling down through into an EBIT and margin level, wait to be seen. I do not want to declare victory over here just yet. I think at this point, we derive a lot of confidence from the fact that revenue is looking significantly more positive. You always heard us talk about this line around holding share, and I think that is now starting to come back and show us early signs of recovery. So, I think as we get through the second half, you should expect to see that. How much of that will translate all the way through into margins is given how uncertain things are around the whole geopolitical environment and input costs. It is a little tough and premature to call that out at this point.

I think suffice to say, we remain optimistic that pricing reasonably customers, reasonably hold and probably get better from here. On the other hand, if input prices continue to go crazy, how much of that can get passed through is still a question mark, I think.

Saurabh Jain - Analyst, HSBC Asset Management Company
Sure. That is helpful. Secondly, you also mentioned that the volumes in your HFCs is continuing to expand. Is that more like a mid to long term comment or even the near term you would expect the volumes to expand? If you could also give us some sense in terms of how is the capacity utilizations for you for the HFC portfolio in particular.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
I think theres absolutely no doubt anyone should carry that at least till December of this year, our plan is to run absolutely flat out. Thats imperative to maximize on everything that gets locked in in the baseline period. We call that out specifically. That remains a core focus area. That should give you adequate sense in terms of capacity utilization. I think we are very, very maximized at this point in time. Having said that, and Ive said this in the past as well. Because of the fact that we have a whole stack of products already in the ref gas space, there will be times when we need to optimize what we are even manufacturing in the plant so that we optimize quota, right?

At the end of the day, that is what everyone is trying to seek to maximize and achieve as we hit December 31st. That will drive a lot of short term decision making. But I think you should drive enough assurance and confidence that plants are pretty much maxed out and optimized at this point

in time. Then that should continue to stay pretty much the way we run the business through all of the next year as well. Theres been interesting demand movements.

Ill answer this question little differently for you. Theres been interesting demand movements even through the first half of the year between Western world, Asia as well as the Middle East. I think the agility and nimbleness that weve demonstrated to kind of operate across these markets and continue to maximize our outcome even as demands have looked very different across these geographies.

I think just speaks volumes on our ability to not have overdependence on either a specific product or a specific geography. I think that positions us very uniquely and well in terms of even how things look post December of this year.

Saurabh Jain - Analyst, HSBC Asset Management Company
Got it. If I may squeeze in one last question, if you can give us more color on that side.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Sure.

Saurabh Jain - Analyst, HSBC Asset Management Company
For the new projects that you have listed out in the presentation, you talk about.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah.

Saurabh Jain - Analyst, HSBC Asset Management Company
its like a billion-dollar kind of opportunity.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah.

Saurabh Jain - Analyst, HSBC Asset Management Company
Is it possible for you to give us some sort of breakdown in terms of how you add up to that $1 billion kind of a number across these different segments? That can be really useful for us.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
I think it is just even if you look at the next slide in terms of where we talk about progress, I think no rocket science saying there that it is clearly at different stages of germination at this point in time. Capacitor, for instance, like I said, we have already commercialized, we are selling. It is at a significant premium to vanilla film. So that one is way ahead of the curve versus anything else probably over here. Foil will come. I have given you an indication in terms of where price points are likely to be versus classic foil for packaging.

So you can do a bit of a math. We have said we are going to do this in phases. So phase 1 will be about half of the total capacity that we talked about, just given where I think battery demand is going to be at around the time that we are ready. I think it is fairly safe to say that when you are kind of qualified and got two outcomes with customers, you should pretty much be in a place where a lot of that capacity will kind of get consumed very quickly, given where both storage and EV is going to be in the country at that point in time by any metric order of magnitude.

Many of the others, I think, even based on some of the questions that came earlier, they are drawing

board. We are at lab testing. We are in those stages. So I think what we can control in terms of giving you more visibility on this is as we see projects kind of get to stage of commercializing, I think that is the place and time where we will be able to talk numbers more effectively with you. But suffice to say, we kind of accumulate this all.

That is where we see the opportunity add for us, and these slides right now are only talking about places where we have already made inroads. What I can incrementally tell you, there are at least a couple of other spaces across these sectors itself, where in the coming quarters, you will continue to hear more announcements from us in terms of progress made. I cannot be more specific than that for obvious reasons. But there are pieces over here that are not even talked about that still add up with that billion-dollar opportunity as we see it. So to split this down at any level at this point in time is very premature.

Saurabh Jain - Analyst, HSBC Asset Management Company
Got it. Thank you so much, and all the best.

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

Operator
Thank you. The next question is from the line of Surya Narayan Patra from PhillipCapital India Private Limited. Please go ahead.

Surya Narayan Patra - Analyst, PhillipCapital India Private Limited
Yeah. Thanks for the opportunity, sir. My first question is about, again, the sunrise sectors. You have very well packaged your existing manufacturing capacities for the new age industry applications. Here, we have already indicated about the individual projects and the CapEx. Going ahead, what would be your capital allocation towards this, whether sizable investment that we are thinking about currently or any color on that and scale-up also timeline, even if you are thinking about FY 2029, FY 2030, like that timeline.

If you can give some color about the timeline possibilities and the capital allocation that we are talking about the sunrise sectors.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah. Just like I answered the previous question, I think it should be fairly obvious to you both from the slide as well as my earlier commentary, the timelines around how each of these are going to scale and develop is going to be fairly variable. Just like I said, capacity, for instance, is already up there. Will we invest more? I think just given the traction weve already seen in less than six months, Im reasonably certain that sooner than later, well probably plan a second line.

We have an approval for it already. I cant tell you with assurance when that will be, but Im reasonably certain that itll happen sooner than later. Youve already seen us talk about our aspiration on foil. Weve taken approval from the board for the whole aspiration for all of INR 600 crores. Rather than plan this in go in phases.Thats the level of confidence I think we are approaching some of these. On some of the others, we already have made the investment. If you start thinking, and Ill be specific and just call out one example to tell you why I dont think we can give you a number so definitively just at this point.

You look at PVDF, I think its going to be a journey for us as we go from more entry-level applications

all the way through to say the battery binder space, which will be the highest end grade. Would we need to make more investments between now and getting to that end product grade? Reasonably certain, yes. What timeline do we contemplate that? It would be a function of, I think, how we start seeing offtake in terms of the earlier grades of the product that we produce in the plant. Consequently, how we derive more confidence to go and make those investments. I think you have to consume this a little bit as a journey. Like I said in committed Q, you should continue to see more color.

As we go through quarters, I think our commitment is to keep sharing with you proactively as we reach more decisions and are more affirmative on specific steps in terms of incremental CapEx, et cetera, if needed.

Surya Narayan Patra - Analyst, PhillipCapital India Private Limited
Sure, sir. My next point is about the HFO project. We know that the timeline and since some time that we know the timeline about execution and kind of commissioning of the project. But in that cycle, can you give some sense what are the kind of immediate opportunities that we would be targeting, whether it is a kind of a contract manufacturing kind of thing or what? And also, what challenges that you might face once it is open for suppliers and all that. And there also, if you can talk something about the timeline for ramp-up.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah. I think weve always said that our view, and this is not just about HFO, I think weve said this consistently in the past. The moment anyone is setting up a new plant, I think we realistically, SRF view is you need a period of somewhere between 8 and 12 months to stabilize and run that plant effectively. You could have some volumes that come out prior to that, but its not going to be meaningful. Everything meaningful is about 10 to 12 months away.

If you work with a February 28th kind of timeline, which is what we announced around when HFO would be ready, and plan 10 to 12 months from there, that gives you a window to when you should be looking at reasonably larger volumes in terms of revenue and HFO coming out. What are the challenges? I think it should be fair. I think if you talk to the CEO of our FCB business, he would very simply say that I think anything on ref gas, if you imagine a world scenario where you dont see China actively competing with you, and you dont plan cost structures and an ability to compete at that level, youre never going to be effective.

I think we called this out even when we made the HFO announcement on the CapEx. I think the fact that weve developed our own non-infringing technology, and the fact that it is what we believe going to be, using the word loosely here, market-beating in terms of being cost competitive should give you a good sense that we feel theres enough optimism to compete with anyone in the market. I think thats going to be probably the one big question mark, if any, out there. Barring that, I think, and this got answered earlier today as well, its a function, I think, of being able to entrench yourself in a new product space, but with existing set of customers.

I think weve already demonstrated that capability and capacity for multiple years in the Western world already. I think its just about leveraging a lot of those relationships. I think weve done a phenomenal job of holding them through this whole period. I think we are a trusted partner with those businesses out of the Western world, and theres no reason to imagine that any of that should look differently merely because weve changed the grade of a product to something better.

Where I think the big daddies of that so-called product are curious to understand and how SRF is

practical already. I think all those signs augur very well in terms of being able to give us confidence to know that we are very well positioned to not just compete, but have access to the right markets when the products come on stream.

Surya Narayan Patra - Analyst, PhillipCapital India Private Limited
Sure, sir. Yeah. Thank you, sir. Wish you all the best.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah, thank you so much.

Operator
Thank you. The next question is from the line of Ranjit from IIFL Capital Services Limited. Please go ahead.

Ranjit Cirumalla - Analyst, IIFL Capital Services Limited
Yeah. Thank you, sir. Thanks for this opportunity. First of all, thanks for sharing the strategic outlook. I think it displays a clear intent of moving beyond agrochemicals. My first question is on the couple of comments that you have made in the presentation. Firstly, on the fluorochemicals, you have said that an aggressive expansion in the newer markets helps offset the softness in the U.S. market. So the question is that the aggression came at the cost of profitability? And second, whats your outlook on the U.S. market?

That would be my first question.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah. No, I dont think the market push was not at the cost of profitability. I think weve actually generated better price maybe in some of the newer markets weve gone into, because they have some compelling needs, I think, even from a quota standpoint, to make sure they are in a solid place as on the end of December. So, yeah, I think there were just newer opportunities in areas that hitherto weve not pushed product out into. We continue to explore those. We see ourselves as being a global refrigerant player, not just in. Obviously, we will want to have a significant share in the key markets, but I think we also recognize the growing need to expand that global footprint into spaces where maybe there are opportunities that remain unaddressed.

So I think a lot of our effort kind of went over there. U.S. market, I think at this point it is buying very differently versus what it traditionally bought. Yes, to some extent it is softer, but it is also buying a very different product mix versus maybe the previous year. I think that kind of trend is what is expected to continue. In some ways, it plays out very well for us because I think a lot of other players are potentially going to struggle to be able to fulfill that demand that is coming out of the U.S.

As I see it, I think it is positioned SRF in a unique place because there are not too many others who can go fulfill that demand very effectively at a meaningful scale. The fact that any softness that we are seeing in the U.S. is capacity that we can redirect elsewhere and address newer markets and grow them, just augurs very well, I think, in terms of the footprint for the future.

Ranjit Cirumalla - Analyst, IIFL Capital Services Limited
Sure. Thank you. The second question is on the pharma pipeline. I think we are seeing for the first time you mentioning an encouraging traction in select molecules with key Western world customers.

Ranjit Cirumalla - Analyst, IIFL Capital Services Limited
Yeah.

Ranjit Cirumalla - Analyst, IIFL Capital Services Limited
If you can shed a bit more light on that and the potential revenues that we can generate.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Yeah, so I can guide. What I can share is, these are the two specific customers. They are very meaningful names in the pharmaceutical space. With one of them, I think we should start seeing meaningful volume and revenue kind of start ticking through very quickly. This is in the larger oncological space in terms of a product. The second one, unfortunately at this point, theres a lot less I can share. But yeah, suffice to say, two very meaningful interactions that are looking very promising. If you recollect the last call, I had shared with you that were engaged with more customers and were engaged on more molecules.

I hate saying it, but in a positive way, law of averages is playing out, and I think thats translating into outcomes. Happy to have been able to call out the fact that on two of these, we should start seeing positive momentum very quickly. I am hoping that in the near term, I will be able to give you more constructive view in terms of revenue outlook and ramp and path. At this point in time, its probably a little premature, Ranjit, but suffice to say, in a very solid place, on both those engagements, and looking very promising in terms of what the revenue funnel could look like as we kind of ramp.

Ranjit Cirumalla - Analyst, IIFL Capital Services Limited
Thank you, sir. The last one, you did call out the freight cost as one of the key element for the drag in the margins. If one were to put a ballpark figure for that, what it could be, just on the percentage terms?

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Depends on where youre shipping.

Ranjit Cirumalla - Analyst, IIFL Capital Services Limited
Even that most of Yeah.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
Well, not all of it in all the cases. In some cases, yes, it is, but its not everywhere. If it was all passed through, I wouldnt have called it out as an impact. There are places where it isnt all being able to get pushed through to the customer in a sense, where pricing is a little bit more sensitive. Its orders of magnitude, Ranjit, depending on where product is going out to. Choose a number, 15%, 20%, depending on where youre going to land product. In some cases, I hear numbers even higher than that. So its a pretty wide range, depending on where youre shipping and what route youre taking. Some of it is a function of the Middle East issue, some of it is just having to take longer routes to get to specific markets. So its a combination of factors.

But yeah, there is definitely price inflation on that front. I think thats across the board. Its not unique to us. I think anyone whos exporting product out of India is kind of witnessing that. Even in our board meeting yesterday, we kind of heard that commentary through from some of the others who sit on the board in terms of what they were seeing in other businesses. So I think youre going to hear that consistently from anyone whos an export-oriented kind of business in India today.

Ranjit Cirumalla - Analyst, IIFL Capital Services Limited
Sure. Thats it. Thank you for answering all the questions.

Samir Kashyap - President and Chief Financial Officer, SRF Limited
All right. Thanks, Ranjit.

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

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

Operator
On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.