

Overall Key Highlights

- **Resilient Performance with Margin Headwinds:** The company reported a 4% YoY revenue growth in Q2 FY26, though EBITDA margins were temporarily compressed to 9.9% due to the consumption of high-cost inventory from previous shipping delays. Management expects a normalization and improvement in margins going forward.
- **Positive Demand Outlook:** Q3 has started with strong demand, supported by a pickup in the automobile sector following GST reductions. The tyre industry is projected to grow at 7-8%, and the recent sharp increase in zinc prices is expected to benefit the company's core inventory valuation.
- **Strategic Growth Projects on Track:** The 40,000 MTPA Dahej greenfield project is progressing as planned, with Phase 1 commissioning targeted for H1 FY27. This facility is expected to generate over ₹9 billion in revenue at full capacity.
- **Innovation in Recycling:** The company is advancing a new recycled rubber product, a high-potential venture targeting ~15% usage in tyres. Pilot trials are set to begin in Q4 FY26 in collaboration with major tyre manufacturers.

Financial Performance Summary (Consolidated)

- Revenue from operations increased by **3.9% in Q2 FY26** compared to Q2 FY25, rising from ₹2,120.8 million to ₹2,202.8 million, and for **H1 FY26**, revenue grew by **5.7%** year-on-year from ₹4,146.1 million to ₹4,382.9 million, indicating steady topline growth across both periods.
- EBITDA declined by **11.1% in Q2 FY26**, falling from ₹246.0 million to ₹218.6 million, and similarly decreased by **6.7% in H1 FY26**, from ₹483.3 million to ₹450.8 million, reflecting pressure on operating profitability despite revenue growth.
- The EBITDA margin contracted by **166 bps in Q2 FY26**, reducing from 11.60% to 9.94%, and also declined by **137 bps in H1 FY26**, dropping from 11.66% to 10.29%, demonstrating persistent margin compression during the quarter and the half-year.
- Profit Before Tax decreased by **12.1% in Q2 FY26**, falling from ₹231.5 million to ₹203.5 million, and reduced by **4.9% in H1 FY26**, from ₹443.9 million to ₹422.0 million, highlighting a year-on-year decline in pre-tax profitability in both reporting periods.

- Profit After Tax declined by **12.3% in Q2 FY26**, from ₹171.4 million to ₹150.3 million, and similarly fell by **5.0% in H1 FY26**, decreasing from ₹330.5 million to ₹313.9 million, indicating lower bottom-line performance for both the quarter and half-year.
- The PAT margin contracted by **127 bps in Q2 FY26**, reducing from 8.08% to 6.81%, and declined by **81 bps in H1 FY26**, from 7.97% to 7.16%, showing narrowing profitability margins across both periods
- Basic EPS dropped by **12.8% in Q2 FY26**, falling from 4.21 to 3.67, and decreased by **4.8% in H1 FY26**, from 8.09 to 7.70, consistent with the decline in PAT for both intervals
- **Margin Commentary:** The decline in EBITDA margin was attributed to a temporary, one-off impact of consuming higher-cost raw material inventory. Management has observed stabilization in logistics and input costs, expecting margin recovery in the upcoming quarters.

*Note: EBITDA is calculated as PBT + Finance Costs + Depreciation & Amortisation.
Margins are based on management commentary and P&L data.*

Guidance & Forward Outlook

- **EBITDA Margins:**
 - **Steady-State:** Management reiterated that the steady-state EBITDA margin for the core zinc oxide business is in the **10-11%** range.
 - **Long-Term Target:** Aims to increase consolidated EBITDA margins to **13-14%** over the next 3-4 years, driven by a higher mix of non-rubber applications.
- **Demand Environment:**
 - The tyre industry, a key end-market, is expected to grow at **7-8%** annually.
 - Recent GST rate reductions are providing a tailwind to the automobile sector, boosting tyre demand.
- **Commodity Impact:** The recent sharp rally in zinc prices is viewed favorably, expected to positively impact the valuation of the company's core inventory (approx. 2 months) and future product pricing.

Strategic Initiatives & Capex

- **Dahej Greenfield Project:**

- **Capacity & Capex:** A 40,000 MTPA zinc chemicals facility with a total project outlay of **₹1 billion**.
- **Timeline:** Phase 1 commissioning is on schedule for **H1 FY27**, with Phase 2 planned approximately 2-2.5 years thereafter.
- **Revenue Potential:** The plant is projected to generate over **₹9 billion** in annual revenue once both phases are fully operational.
- **Market Focus:** The facility will primarily target the ceramics, specialty chemicals, agro, and tyre markets in Western India. The company aims to achieve a **15-20% market share** in the ceramics segment post-commissioning.
- **New Recycled Rubber Product:**
 - **Status:** A pilot line has been established, with trials scheduled to commence in **Q4 FY26**. The product is being developed in close collaboration with key tyre customers.
 - **Strategic Importance:** This is positioned as a significant future growth driver, not an ancillary product. It targets a usage of **~15%** per tyre, substantially higher than the 3-4% for conventional reclaimed rubber, aligning with the industry's push for higher recyclable content and ESG compliance.
- **Non-Rubber Segment Expansion:**
 - **Target:** The company is actively working to increase the revenue contribution from non-rubber applications (pharma, cosmetics, ceramics, etc.) from the current **15% to over 30%** in the next 3-4 years.

Operational & Segment Highlights

- **Capacity & Utilization:** Current plants are operating at **~70%** of achievable capacity, with the flexibility to ramp up to **85-90%** to meet demand before the Dahej facility comes online.
- **Volume Growth:** The core Zinc Oxide segment registered a volume growth of **6-7% YoY** during H1 FY26.
- **Zinc Sulphate Performance:** This segment, part of the de-risking strategy, saw strong performance with over **20% YoY revenue growth** in H1 FY26, driven by demand in animal feed and micronutrient applications.

- **Exports:** Accounted for approximately **12%** of total revenue in H1 FY26.
 - **Raw Material & Technology:**
 - The company sources ~90% of its key raw material as secondary zinc (scrap), split **50:50 between domestic and international markets**.
 - Its in-house, proprietary scrap processing technology, developed over two decades, is a key competitive advantage that is difficult for smaller players to replicate.
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Capital Allocation & M&A

- **Dividend:** The company paid a dividend of **₹1 per share** for FY25 and intends to continue dividend payouts in the future.
- **Inorganic Growth:** Management confirmed they are actively evaluating inorganic growth opportunities and will update the market as per regulatory requirements.