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GRP
IMPACT POSITIVE

21.11.2025

To
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400001.

Scrip code : 509152

To
National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai-400051.

Symbol : GRPLTD – Series: EQ

Dear Sir / Madam,

Subject: Earnings Call Transcript

Please find enclosed herewith transcript of earnings call held with analyst/ institutional investors on 14th November, 2025 at 12:30 p.m. IST to discuss Company's operational and financial performance for Q2 & H1 FY26.

Kindly take the same on your records.

Thanking you,

For **GRP Limited**

Jyoti Sancheti
Digitally signed by Jyoti Sancheti
Date: 2025.11.21 11:37:53 +05'30'

Jyoti Sancheti
Company Secretary & Compliance Officer

Encl.: As above.

"GRP Limited

Q2 FY'26 and H1 FY'26 Earnings Conference Call"

November 14, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 14th November 2025 will prevail.

MANAGEMENT: MR. HARSH GANDHI – JOINT MANAGING DIRECTOR – GRP LIMITED
MS. SHILPA MEHTA – CHIEF FINANCIAL OFFICER – GRP LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to GRP Limited Q2 and H1 FY '26 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harsh Gandhi, Managing Director. Thank you, and over to you, sir.

Harsh Gandhi: Thank you so much, and a very good afternoon to everyone. Thank you for joining us on GRP Limited Quarter 2 FY '26 and Half Year FY '26 Earnings Conference Call. Along with me today, I have our Company CFO, Shilpa Mehta; and SGA, our Investor Relations advisors on the call. We have uploaded our investor presentation on the stock exchanges and the company website and I hope you've had the chance to go through the same.

The quarter in discussion, which is Q2 of FY '26, commenced amid persistent macroeconomic and industry challenges, marked by global volatility, as we are all seeing, pricing pressures on commodities and the impact of U.S. tariffs. Over the last six months, the global economy has faced continued headwinds from trade uncertainties and currency fluctuations with demand recovery remaining uneven, particularly across advanced economies, shaping the overall industrial environment world over.

For GRP, this quarter was marked by steady top line performance despite global volatility and pricing pressure. Total income stood at INR1,331 million or INR1.33 billion, reflecting a nominal year-on-year growth. However, in the quarter under question, volumes dropped influenced by geopolitical uncertainties, mostly on account of the U.S. tariff situation, which affected our export business and the overall momentum.

Let me elaborate this from an industry perspective. Global tire demand has been mixed with growth in passenger and light truck markets, mostly in China, India and other emerging regions, while Europe and North America continued to face pressure from weak domestic demand.

Truck and bus OE demand remained subdued, particularly in North America, while Latin America was also affected largely due to Brazil's slowdown and the actions of the U.S. tariffs across Latin America. Europe, on the other hand, saw some recovery during the quarter and replacement demand remained stable across the regions, but this was mainly supported by import-led growth.

Turning to the rubber industry globally, rubber consumption grew close to 2% in the first half of the year 2025, led by some recovery in China and India, but Western markets, however, have

dropped by nearly 10% and other emerging markets, particularly Vietnam, Russia, reported strong double-digit growth, they have sort of highlighted a shift in the demand dynamics world over.

Virgin rubber prices in the same period on a year-on-year basis, were lower, except for butyl, (inaudible 0:03:50). On the reclaim rubber front, exports to North America region from India during the quarter for the country as a whole declined by around 29%.

Back in India, we saw a decline in reclaim consumption in Q1 on a Q-on-Q basis, while we are starting to now see an uptick in overall consumption on a year-on-year basis. And this is driven primarily by increased consumption of the tire sector in Q1 FY '26 vis-a-vis the previous year.

In line with the above, the overall revenues were maintained for this segment as a 2% decline in reclaim rubber export revenues was offset by a strong 20% growth in domestic revenues. Sequentially, domestic revenues rose 9% Q-on-Q, supported by a 6% increase in volumes, while export revenues grew by 16%, driven by a 13% recovery in volumes.

However, U.S. tariffs led to a 5% of reclaim rubber volumes being impacted with revenue from U.S.-linked customers including those in other regions reliant on the U.S. market. This includes countries like Thailand, where we have seen a 31% decline in the volumes, and that is roughly equal to INR6.2 crores quarterly reduction in revenue. This downturn also drove a 36% reduction in margins, which is from these markets of about INR3.8 crores.

So the numbers for the quarter reflect that INR6.2 crores reduction in the revenue and a 3.8 crore gross margin reduction. Consequently, overall export raw material margins contracted 15% year-on-year, tempering our growth momentum for the quarter. In addition, costs in select rubber grades, which had affected our margins earlier, which we kept referring to for 3 quarters, which is butyl, remained elevated.

However, our proactive measures, including diversification of sources, selective price increases with a few customers and continued excellence in automation and operational parameters, including manpower optimization and power cost reduction, it helped contain the impact, leading to an 82 basis point improvement in segmental EBITDA margin despite the lower export volumes.

Our non-reclaim rubber business underperformed significantly affected by a soft uptake across all the verticals. In the plastics segment, performance was weighed down [inaudible 0:06:28] year-on-year by a sharp ~45% decline in virgin polymer prices, polypropylene and polyamide and heightened competition from low-cost Chinese imports, which exerted pressure on realizations.

On a positive note, the increasing sustainability focus among auto OEMs is opening up opportunities and work is ongoing for approval of recycled nylon 6 compounds with several of the brands directly.

Further, the Polymer Composite and Custom Die Forms businesses, which are dependent almost 100% on the U.S. market, were quite significantly affected. While the Custom Die Forms

segment continued to record some year-on-year growth, the Polymer Composite business was adversely affected by the tariffs and strong local competition in the U.S., making the operations commercially unviable.

After evaluating options and implications, the company has decided to discontinue contract manufacturing for this segment, close related operations on the Polymer Composite business and reallocate resources towards higher growth and more sustainable areas. The expected impact going forward is estimated at about INR7 crores on a top line annually with margins of around 10% to 15% at an EBITDA level from that business that will likely get affected as a result of this closure.

Our subsidiaries, GCSL and GSPL reported combined revenue of INR45 million for the quarter with losses aggregating to about INR12 million as the business has still not reached optimal scale. We are pleased to announce the successful commencement of the pyrolysis operations at Solapur, this facility now houses one of the largest single-line continuous reactor setup in India, integrated with our existing reclaim rubber facility. It incorporates a closed-loop energy system that utilizes syngas for clean and efficient heating and thereby reducing the environmental impact and enhancing energy efficiency.

The plant enables the recovery of 3 key material streams, tyre pyrolysis oil, char, which will be shortly upgraded to manufacturing recovered carbon black and steel wire. As part of Phase 1a, which is operational, production ramp-up is underway, and we are witnessing a healthy demand increase steadily albeit for crumb rubber from bitumen modifier customers.

And with the road surfacing season now beginning, volumes are expected to strengthen in the coming quarters. The commissioning of the recovered carbon black unit is expected to be towards March or April of 2026 to further unlock growth opportunities in this space.

A total capex of INR72 crores has been deployed towards this project, along with an additional INR22 crores in the reclaim rubber business for new technology and maintenance as part of the overall investment plan, which were outlaid, taking deployment to about INR95 crores over the course of the last 4-6 quarters (factually corrected). The balance outlay will be incurred in phases by May or June of 2026 with continued investments directed towards technology upgradation, energy efficiency and sustainable growth.

In conclusion, while short-term challenges, particularly the U.S. tariff situation have impacted our performance this quarter, we continue to remain confident about our long-term story. The focus continues to be on operational excellence, strategic execution to strengthen our competitive position. We have been affected adversely with the U.S. tariffs, but we are committed to navigating these headwinds with resilience and restoring growth momentum as conditions stabilize globally.

With this now, let me hand over to Shilpa to take you through the financial highlights.

Shilpa Mehta: Good afternoon, everyone. Let me take you through the consolidated financial highlights for Q2 of FY '26. In Q2 of FY '26, total income stood at INR1,331 million as compared to INR1,319 million in Q2 of FY '25, which is up by 1%. Income for the quarter includes accrued EPR income

of INR4.34 crores. Gross profit for Q2 FY '26 is at INR680 million as compared to INR670 million in Q2 of FY '25, so it is up by 1%.

And gross margin is at 51% for the quarter. Other expenses also include a notional forex loss of INR2 crores on account of revaluation of forex -- foreign currency particularly due to fluctuations in currency in Q2.

EBITDA for Q2 of FY '26 is at INR114 million as compared to INR100 million in Q2 of FY '25, which is up by 13% on a year-on-year basis. EBITDA margin in Q2 of FY '26 is at 9% as compared to 8% of Q2 of FY '25. Profit after tax for Q2 FY '26 stood at INR20 million as compared to INR25 million in Q2 of FY '25, which is down by 22% on a year-on-year basis.

Now we'll come to first half of FY '26. In H1 FY '26, total income stood at INR2,578 million as compared to INR2,586 million in H1 of FY '25, remaining flat growth on a year-on-year basis. Gross profit for H1 FY '26 stood at INR1,304 million as compared to INR1,340 million in H1 of FY '25, which is down by 3% on a year-on-year basis. EBITDA for H1 FY '26 is at INR222 million as compared to INR233 million in H1 of FY '25, and EBITDA margin for H1 FY '26 is at 9%, which is similar as in H1 of FY '25.

Higher finance cost was also on account of withdrawal of subvention benefits since Q3 of FY '25 and addition of term loan for capex. Of the total interest cost of INR6.92 crores for H1 of FY '26, INR62 lakh pertains to forex loss on the term loan and an interest of INR1.45 crores on ECB loan. Profit after tax for H1 FY '26 is at INR37 million as compared to INR69 million in H1 of FY '25.

On the debt side, our net debt, which includes both long-term and short-term debt stood at INR1,788 million in H1 of FY '26. Our debt equity ratio is 0.99 in H1 of FY '26. With this, I now open the floor for question and answer.

Moderator: The first question is from the line of Yash Purbhe from InVed Research.

Yash Purbhe: So sir, I'm new to this company, so please excuse me if I ask any silly questions. So my first question is on the capacity utilization. Could you share on each segment-wise, what would be our capacity utilization currently?

Harsh Gandhi: Do you have other questions? I would prefer that you...

Yash Purbhe: Okay. So sir, my second question is on the INR250 crores capex that we are doing. So largely, this capex is towards the pyrolysis and crumb rubber only. So is there any capex -- out if this, how much capex would be towards the reclaimed rubber and other non-reclaim rubber? And post this capex -- in those segments, what would be the capacities post this capex?

And my third question would be our crumb rubber plant was started in Q4 last year, and we haven't generated any incremental revenue, I guess, from that plant. So is that plant only for pyrolysis or you would be selling that crumb rubber out of that also? So yes, those were my questions.

Harsh Gandhi: Okay. I will address each of those one by one. As far as the capacity utilization is concerned, the reclaim rubber, we are operating more or less at about 85% to 90% utilization of capacity. As far as the non-reclaim rubber businesses are concerned, they are operating at about 40% utilization only.

So that's to address that particular question. And this includes, obviously, a combination of the composite business, as I mentioned, more or less in Q2, we have pretty much blanked out production. Very little production was done on account of the tariffs. Same was the situation with the Custom Die Forms and the Nylon business has also gone through a set of challenges on account of the price pressure. So capacity utilization in the non-reclaim rubber, as I mentioned, was closer to 40%.

Your next question was regarding the capacity expansion and the outlay of the INR250 crores. As far as the outlay of INR250 crores is concerned, that was to be spent across a combination of pyrolysis, recovered carbon black and reclaim rubber, all 3. And when it comes to pyrolysis and recovered carbon black was to be the bulk of the spend at roughly, I think, about 60% to 65% of the total spend is to be on the pyrolysis and recovered carbon black and the remaining was to be between reclaim and also some amount on the plastic recycling.

So that's to answer your question as far as the capex plans are concerned. On the crumb rubber volume and revenue, yes, we have started the crumb rubber plant before, but a large part of the capacity is dedicated to or allocated to the Tyre Pyrolysis business. As far as the income from the business is concerned, it is in the region of about INR20 crores for the half year

Yash Purbhe: And sir, just a follow-up question. In H2, combined of pyrolysis and crumb, how much revenue could we expect from these capacities?

Harsh Gandhi: I'm sorry, come back again.

Yash Purbhe: Sir, in H2, how much revenue can we expect from crumb rubber and pyrolysis?

Harsh Gandhi: Now that the pyrolysis business is established, I mean, the reactors have begun, there's an expectation that this, as far as H2 is concerned, would generate anywhere around the INR25 crores to INR30 crores revenue for the second half. And this would include a combination of crumb as well as pyrolysis oil and steel all put together.

Moderator: The next question is from the line of Ajay Surya from Niveshaay.

Ajay Surya: Yes. Sir, my question is majorly -- I wanted to know a little bit more about how is the industry demand scenario and the business scenario, business environment changing up recently because maybe from all the past conversations we have had and with the EPR policy coming in, there was a lot of traction for maybe tire recycling to go ahead with maybe a larger adoption of reclaim rubber and the other products which maybe we can get out of tire recycling.

So wanted to understand like what are the difficulties that maybe we are going through or maybe if you can share some insights on how is the industry currently shaping up? Is it more of maybe a lot of industry consolidation that is happening or maybe a scenario of overcapacity, which is

maybe impacting our performance? Or maybe any sort of that insight, which maybe we can help us understand the business for a longer perspective. So that is one question, which maybe you can, I mean, answer in detail, that would be really helpful.

Second one is on -- again, because -- congratulations for our new plant, which has started for crumb rubber and pyrolysis. Congratulations on that one. But wanted to understand like because we are developing our own sort of technology for the recovered carbon black and maybe from the past conversation, which I can maybe get, we expected this to maybe come in by this year's end.

So I wanted to know first thing on that part, like how are things on track for that? And how are we looking at recovered carbon black as an overall mix once we expect this plant to maybe come in and ramp up in maybe 1, 2 years' time line for overall business for the recovered carbon black plant?

And third, last one because out of the Phase 1 capex of INR150 crores, which we planned, I guess, roughly INR70 crores, INR75 crores have been spent. I wanted to know and get maybe some clarification that the remaining would be just for the recovered carbon black or we have some more crumb rubber or maybe pyrolysis for which maybe we will put some money? And the remaining INR100 crore capex for Phase 2, would that still remain intact? Would we delay that?

Would we first want to maybe get some utilization of this existing INR150 crore capex then plan to deploy in maybe the categories where we maybe see better opportunities, better ROE, ROCE? Would that be dependent on that? Or our existing plans of maybe putting that INR100 crores, still remain on the same plan which we had maybe a year ago? If you can maybe clarify that? That's it from my side.

Harsh Gandhi: Thank you so much for the detailed set of questions. I will answer the capex part of your questions first and start from there and then go to the subsequent questions on the outlook for RR and also as a result of the answer on capex, I'll also provide some perspective on the rCB outlook that you talked about.

Just to clarify, out of the INR150 crores, what we mentioned is INR72-odd crores has been spent on the -- what we are calling the green energy business, which is a combination of the crumb rubber, tyre pyrolysis and the recovered carbon black. All of these 3 will be in a single location and therefore, part of that project, INR72 crores has been invested. The remaining INR22 crores has been invested in reclaim rubber technology upgradation and capacity augmentation there. So that's the total spend as of today.

And of the INR150 crores, the remaining INR56 crores will be spent -- so the remaining INR56 crores is to be spent -- was to be spent by December '25. But as I mentioned, on account of the initial delays in the project, we are looking at deploying that over the course of the next 6 to 7 months. So therefore, by May, June of 2026, these funds will get deployed. And that will complete Phase 1, which is the INR150 crore capex, which will provide us capacity of pyrolysis

for 30,000 tons, 12,000 tons of recovered carbon black and crumb rubber capacity, which will be closer to 60 Kt or 60,000 tons. So that's the entire Phase 1.

Post that, the initial plan was to immediately start deployment in Phase 2 for the balance INR100 crores. We have the funds available, as you know, from the fundraise that was done through the DFI, but the exact deployment plan of the sale is still not completely finalized. We do have the land permission and approvals for consents in Dahej that we are starting to go out and seek.

And once those approvals come in place, we will kind of put in place the Phase 2 deployment plan as far as the remaining INR100 crores is concerned. But we remain committed to deploying that as well, and that will create additionally the 30,000 tons plus 12,000 tons of rCB as capacity.

Crumb rubber capacity may not be as large because we already have capacity in Gujarat plants, which may offer some material directly there. So that's why the outlay there may be a little lower than what we are intending to spend in the current Phase 1. Also, we have the land and some amount of development done in Dahej. And as a result, that investment is lower than the first phase investment.

As far as recovered carbon black itself is concerned, there's been quite a bit of progress, including announcements by carbon black companies, both in India as well as internationally and also a lot more approvals are in place and tire companies have started to use some amount of recovered carbon black in India as well as in other parts of the world. So we do remain optimistic and bullish that the offtakes will start.

However, it takes time for adoption, as we said, tire companies will have its own approval cycles for adoption. But as part of our current Phase 1, we already have a pilot facility in place where we are producing small quantities of the recovered carbon black and are offering for approvals to the non-tire sector, which includes customers in the conveyor belt and sheeting applications, roofing application.

So we are already building that traction such that by the time our carbon black facility is up and operational, our pilot facility can provide customers the confidence of the quality that is coming in. So that's to provide the perspective on recovered carbon black.

The third part you talked about is the outlook of the reclaim rubber itself, and I will divide this into 3 parts in terms of geographies. I would say India, U.S. and Europe and then the rest of the world. As I already alluded to in my comments as part of the opening remarks, India, we have seen reclaim rubber demand actually grow. Tire companies in India have started to use more reclaim than they used to in the past. And this is, again, available public data and information.

And as a result, our sales -- domestic tire -- I mean, sales to the domestic tire and non-tire companies as far as reclaim rubber is concerned, has increased. We remain confident that this kind of will continue to grow rapidly over the course of the next few years as more and more projects and more and more tire companies are continuously working on increasing this percentage. We are also actually seeing on the other side that there are tire companies and non-tire companies that are also focused on reclaim rubber as an economy product like they have in the past.

And therefore, demand for certain other type of grades, which are lower cost or produced from alternate materials is also growing, and we are kind of actively offering such material as well. So that spectrum of product preference is growing compared to what it used to be, and that's a good sign. As far as EU and U.S. is concerned, I think the demand drop has been very, very sizable, both partly on account of tariffs, but partly on account of the economic downturns in these 2 geographies.

And therefore, our exports to those markets has taken a major beating, as I mentioned in the comments. And that is one of the reasons why while we do have the capacity and while we do have the approvals, the volume offtake has not been at the same pace as what we would have liked. The third set of markets is the rest of the world with China being leading it and then others like Vietnam, Thailand, Latin America, et cetera, also contributing to consumption of reclaim rubber.

In these markets, it's been a mixed bag. As I mentioned, countries that were dependent on the U.S. have had a reduction in demand for reclaim rubber, case in point being Brazil, Thailand, et cetera, while others which were the likes of Vietnam, Philippines, Indonesia, there the demand has grown. But by and large, rest of the world, as far as reclaim consumption is concerned, as a result has been nominal single-digit growth.

But India has been the bright spot when it comes to reclaim rubber because there, the consumption continues to grow. So I hope this answers all the 3 parts of your questions on the outlook, on the perspective of recovered carbon black and also on our capex plans.

Ajay Surya: Can I chip in more questions?

Harsh Gandhi: Could you come back in the queue, Ajay?

Moderator: The next question is from the line of Divy Agrawal from Ficom Family Office.

Divy Agrawal: Sir, my first question is on the new pyrolysis plant. So you said the crumb number that we sold in H1 was around INR20 crores. So just wanted to know about the realizations and the margins and even the realizations and the margins for pyrolysis as well as the rCB that we would be selling in H2.

My second question is on the non-RR capex. So to answer the previous participant's question, you said the non-RR capex should be in the domain of plastic vertical. So just wanted to know if it's only related to plastic vertical or other segments as well?

Next, sir, I just wanted to know about our subsidiaries, GSPL and GCSL. So I mean, the revenues have declined quarter-on-quarter, and the losses have been stagnant to around INR12 million. So just wanted to know what is the problem there? And when can we expect it to turn around? And lastly, on the plastic vertical front -- plastic vertical. So why the demand has been subdued despite the EPR mandate coming in? So that were my set of questions.

Harsh Gandhi: Thank you. So again, I'll answer your part of questions around the plastics first. As far as the plastics is concerned, polypropylene or polyolefins, there, the price has been significantly affected. I think there's been almost a 30%, 35% drop in the virgin polypropylene prices.

And as a result, the demand for recycled plastics has been quite badly affected. Although the EPR is in place, we are not seeing the same traction in terms of enforceability and implementation of EPR in the plastic packaging sector as we've seen in the tire sector.

So that's one of the reasons why the economics are not allowing for increased usage of recycled plastics at the moment. I mean wherever it is being used as an economy or a price or a cost saver, customers continue to be focused on taking it off. I mean these are the larger brands, but wherever they are more driven by cost those markets or those set of customers have kind of shied away from or expectations of price are such that there are pretty much 0 or no margins to make on those kind of sales. So that's one of the reasons why the sector has been affected.

And that, in some ways, is what, the subsidiaries are actually doing is the plastic or the polypropylene recycling, and that's the reason for that being low. As far as the crumb rubber is concerned, I would like to sort of stand corrected. As far as crumb sales is concerned, it is a combination of sales from that plant to what we sell internally within the GRP facilities as well as what is sold outside.

So the total number of INR20 crores is actually reflecting overall sales from that unit, but not all of it is going to external sales. I don't have the numbers off the cuff at the moment available, but we'd be happy to connect with our IR team to provide a breakup of the crumb rubber sales numbers both to the different sectors.

But to provide you a perspective, the crumb rubber that we are selling, we are selling to the crumb rubber bitumen modifiers as well as to the rubber industry. And the rubber industry is essentially manufacturers of mats, sheeting and so on, which are also buying crumb rubber of certain size for use as a replacement to the virgin rubber.

The bitumen modifiers obviously are -- the demand was obviously subdued in the monsoons. And as a result, road construction comes to a standstill more or less in the country. And as a result, sales to that sector in Q2 was not as promising, although we did make several volume sales as far as Q1 is concerned.

But we have approvals and now that the tenders are in place and the road construction activity likely to commence from end November, December, our order books are starting to fill up. And whatever is the surplus capacity that of crumb that we currently have for the mesh or the size that is required by the bitumen modifiers, we are expecting that by January, February, we would be pretty much operating at healthy utilizations of over 75%, 80%. So that's as far as the crumb rubber business in itself is concerned. As I said, I'll share some more details subsequently in terms of sales to the different segments and realizations across the different segments.

As far as steel is concerned, again, like all basic commodities as steel, cement and other commodity prices have been a little firm and the demand is kind of growing on account of the

infrastructure spend by the Indian government. The demand for the steel that we are generating from our crumbing plant continues to be steady.

And we have customers in the region within 100 to 150-kilometer radius, combination of mills as well as -- I mean, so mills that are producing it either for construction quality cement and/or other quality cement -- sorry, other quality steel, and they are all customers of the steel that we are supplying.

So that demand is picking up steadily. I think -- at the moment, we have pretty much no inventory of the steel available. Everything is being sold off and is at reasonably attractive prices as well. I hope that answers all your questions.

Divy Agrawal: Yes, sir, on the non-RR capex front, is it only related to the plastic vertical or other verticals as well?

Harsh Gandhi: Sorry, what part of the capex for...

Divy Agrawal: Non-RR capex. So I mean, previously, you had said that the non-RR capex would include capex for plastic vertical. So just wanted to know if it is only related to only plastic vertical or other non-RR segments as well?

Harsh Gandhi: No, non-RR in our case is mostly all plastics. It's either of the nylon, which is the polyamide or the engineering plastics, or the GCSL or the subsidiary, which is the polyolefin plastics. Composite was another non-RR activity, which, as I mentioned, we have taken a call to shut down. So therefore, there won't be any new investments in there.

The investments in both the nylon and the polyolefin businesses will be determined by the increase in the utilization of capacity. As I mentioned, currently, we are operating at 40% utilization. So only once it gets to a certain healthy level of utilization, we will take on the next phase of growth or expansion in there. But that is not -- that outlay is not part of this outlay that I already mentioned of this INR250 crores.

Moderator: The next question is from the line of Pranav Bohra from Manish J Mundada Associates.

Pranav Bohra: Sir, as you stated that due to U.S. tariffs, there is a decline in our margin, right? So is that only the factor in decline of margin or there are any other factors in decline of margin, sir?

Harsh Gandhi: I think I've indicated there is a bunch of reasons for the margin decline. One is the U.S. alone, there has been a decline in margin, which is roughly INR3.8 crores at a gross margin level. Over and above that, the recovered carbon black business, there has been a -- sorry, not recovered carbon black, but the RC business, which we have pretty much had very little sales through Q2, that generates a certain EBITDA, which has obviously been affected in the quarter.

Shilpa did mention that there is -- on our numbers include a notional forex loss of about INR2 crores on account of revaluation due to currency fluctuations. So that's another impact as far as the margins are concerned. And the additional interest costs on account of both withdrawal of subvention as well as the new loans that are taken is the additional factors. So these are all the

one-offs, if I may, that affected the quarter. And I think it's adequately explained in the investor presentation as well.

Pranav Bohra: Okay. So like when can we restore it, sir, again? Can you just...

Harsh Gandhi: I think the U.S. and Europe business, we are trying hard to sort of get other geographies to sort of make up for this in terms of both volumes and margins. India, as I said, the growth is quite significant. So a large part of the volume will get made up for with domestic demand and demand from other emerging markets, but margins may not get entirely restored because U.S. and Europe continue to be the high-margin markets for the company.

Of course, the rubber composite business since we're shutting is not going to kind of revive. And as I mentioned, that's an impact of INR7 crore annual top line with about 12%, 15% EBITDA. So that's currently lost for now. We will explore what else we can do with that infrastructure and see how we can sort of make up for that in subsequent periods. So that's in a nutshell.

Some other margin changes that may come about is -- and I think in the previous quarter, we have announced plans of investments in solar energy, which will lead to significant energy cost savings for the company in Solapur. And similarly, investments are being planned for investments in alternate energy or renewable energy for the Gujarat plant.

This is both in line with our long-term agenda of getting 50% of our power through renewable sources, and we are on track to achieve that by middle of next year, but that will also be accompanied with impact on the bottom line by way of the unit cost changes.

Our new technology for reclaim rubber is starting to pick up, and there is a sizable traction on those set of products. And we are seeing as a result, an additional or an incremental margin accruing on account of those product sales. And there, the utilization is improving quarter after quarter. So I think at some point, I would say, by the end of the year or rather beginning of next fiscal year, the full impact of the new technology and its impact on margins will start to also showcase. And that, therefore, will reflect in the overall FY '27 numbers, part of it in FY '26, but entirely in FY '27.

Moderator: The next question is from the line of Kunal Shah from Anova Capital.

Kunal Shah: After the planned exit from polymer composites, our non-reclaim business like saw 17% decline Y-o-Y. So how quickly do we expect like the stabilization?

Harsh Gandhi: I mean, if you're exiting a business, it's -- that revenue is pretty much lost forever. We will only have to wait to see what other businesses, and as I said, how we reutilize that capacity or that infrastructure, we haven't finalized or decided yet. So therefore, that gap will take some time. But as I mentioned, the new capacity of the new technology in RR is starting to pick up pace, and we are seeing that, utilization as it improves will start to, what you call it, add to the revenue with the reclaim rubber business itself.

And of course, the additional revenue by way of crumb rubber, steel and TPO, that's all beginning in this quarter. So starting Q3, the revenue growth, margin growth will start to be observed consistently.

Kunal Shah: Okay. And can you tell me the peak revenue we achieved from polymer composite?

Harsh Gandhi: I think the peak revenue we've achieved was about INR12 crores. The last 12 months or 15 months, the run rate was at the rate of INR7 crores annual, but the peak we have achieved at some point was about INR12 crores. This is about 2 to 2.5 years ago, yes.

Kunal Shah: Okay. And in Engineering Plastics, like we have seen some volatility and virgin nylon prices are also down. So any flavour on how our margins are being protected in this volatility?

Harsh Gandhi: So good thing is that our margins continue to be driven partly by the fact that as far as nylon is concerned, we continue to rely on raw material, which is in-house generated from end-of-life tire material. And to that extent, therefore, the margin has been more in our control than before. But of course, since virgin nylon prices have dropped, our selling prices in those categories have dropped. And as a result, the margin has been affected. I think we used to be in mid-teen EBITDA.

Currently, we are operating at just about 10% EBITDA as far as that business is concerned. So there has been a drop. And I think you mentioned and hinted already that there will be some impact on account of the softening of virgin nylon prices itself. I think there will also be a pretty significant impact, and this is -- I mean, nylon is not part of that. But under the revised policy of the government, some of the raw materials have been opened up for not going through the BIS approval.

And as a result, there is likely to be a further reduction in certain polyolefin materials, which are mostly manufactured in China. So we are likely to see a further erosion in margins or further softening of prices when it comes to certain other virgin plastic materials on account of the announcement made by the government just yesterday.

That quantification is not available before you ask me that question. But since it's a very recent development, I just want to lay it out there that it will have some impact on overall prices of polymers and therefore, on other margins also, there will be some pressure. But this is polyolefins, not necessarily nylon because nylon, this is not applicable.

Moderator: The next question is from the line of Divy Agrawal from Ficom Family Office.

Divy Agrawal: Just one question. So how can we expect the H2 to fare? Like should it be much better? Or should it be in line of H1 of FY '26?

Harsh Gandhi: No, I think H2 is obviously -- so I just laid out there in terms of how we're seeing it as far as reclaim is concerned, I think the worst is behind us. I mean whatever adjustments we had to make on the business in the U.S. we've made, as I said, volumes are back. Margins may, may not be 100% back. But we've taken corrective actions to address the margin decline in butyl and there, our new prices with customers will be effective from January.

So therefore, Q4, we are seeing that the impact of the price rise that we've seen on the raw materials in the current year will get offset from Q4. Volumes are kind of coming back. So we are seeing that as a very strong positive, impact on account of the new technology and the power savings because of moving to the solar power will all be available for H2 as far as the reclaim rubber business is concerned.

So therefore, fairly confident that H2 as far as RR is concerned, will be much stronger than what we have seen in the current first half. In addition to that, our plant for pyrolysis, crumb as well as steel is operational and now starting to crank up at a higher utilization. So at the moment, obviously, it is burning cash. But starting next month, we are -- I mean, we are fairly hopeful that we will turn around and that will be in the black.

So for 4 months, that business is going to contribute both healthy bottom lines as well as a sizable top line, as I have mentioned. As far as the Engineering Plastics business is concerned, I would say it will maintain status quo and be similar to the half year because there is still no major changes as far as the virgin nylon prices are concerned globally, they continue to remain soft and demand has been affected.

However, since a large part of our demand in the Engineering Plastic business is automotive linked and given the GST benefits that the government has announced and as a result of which the demand in the automotive sector is coming back, we are fairly hopeful that as far as the Engineering Plastics business is concerned, demand will start to go back to previous levels, while I can't comment directly on the margins because very little is known about the price fluctuations and volatility over the course of the next few quarters.

Last is the other businesses, which is the subsidiary, which is GCSL. As I mentioned, there, we see that the softening of the virgin prices on account of the recent import policy will put further pressure on the -- both volume as well as the margin of that particular subsidiary. So there, we are not expecting a major turnaround for the rest of the year. And the composite business, I already mentioned, we are closing down. So that will obviously not have anything positive to write home about.

But net-net, given that reclaim continues to have much larger capacity and the new capacity of crumb and steel are also much larger than what we have in the non-tire or the non-reclaim side. I think overall, the overhang of the tire recycling will definitely be far more positive. And therefore, H2 will be far, far more positive than H1 has been.

Divy Agrawal: Right. So on the margins front, the 300 to 400 basis points improvement, can we expect for H2?

Harsh Gandhi: I mean we've not commented usually, but I'll say at an EBITDA level, one can say anywhere between 200 to 250 basis points would be a fair assumption to make as far as the margins are concerned.

Moderator: That was the last question for today's conference. I would now like to hand the conference over to management for the closing comments. Over to you, sir.

Harsh Gandhi: Again, thank you all for the insightful questions that you have raised. As I mentioned always, I enjoy this discussion to understand how each of the investors is looking at this sector and the company in particular. We have been obviously quite badly affected by the tariffs, as I have highlighted, I don't need to reiterate it, but I just want to provide the confidence to all of you that we continue to remain committed towards the investments.

And we're starting to see the slivers of hope emerging in -- with the investments that have been made over the last few quarters. And I think the outcome of that is starting to show. So I would say with that, H2, definitely much better than H1.

But leading us into FY '27 where the full-blown impact of even the recovered carbon black will come through and we are fairly positive that FY '27 will be a turnaround where there will be a significant breakout in both revenue as well as profitability. But with that, I thank you all for joining the call and look forward to the next one in another 3 months.

Moderator: On behalf of GRP Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.