

4th June, 2026

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001
Scrip Code – 506655

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051
Scrip Symbol - SUDARSCHEM

Dear Sir / Madam,

Sub : Transcript of Analysts / Institutional Investors Conference Call

We are enclosing herewith transcript of the conference call with Analysts / Institutional Investors, which took place on Wednesday, 27th May, 2026, after announcement of the Audited Financial Results (Stand-alone and Consolidated) for the quarter and financial year ended 31st March, 2026.

The said transcript is also uploaded on the website of the Company at www.sudarshan.com.

Kindly take the same on record.

Thanking You,
Yours Faithfully,
For SUDARSHAN CHEMICAL INDUSTRIES LIMITED

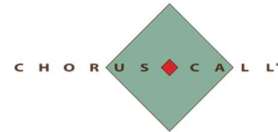
MANDAR VELANKAR
GENERAL COUNSEL AND COMPANY SECRETARY

Encl: As above.



“Sudarshan Chemical Industries Limited
Q4 & Post Results Earnings Conference Call”

May 27, 2026



MANAGEMENT: **MR. RAJESH RATHI – CHAIRMAN AND MANAGING
DIRECTOR**
MR. NILKANTH NATU – CHIEF FINANCIAL OFFICER
MR. AMEY ATHALYE – GENERAL MANAGER FINANCE

MODERATOR: **MR. ANKUR PERIWAL – AXIS CAPITAL**

Ankur Periwal::

Good morning, friends. This is Ankur Periwal: from Axis Capital, and we are pleased to host Sudarshan Chemical Industries Q4 as well as 12-month Ending Financial Year '26 Post Results Earnings Call. The call, as usual, will start with a brief management discussion on the quarterly and the full year performance, followed by an interactive Q&A session. The management team here is represented by Mr. Rajesh Rathi, Chairman and Managing Director; Mr. Nilkanth Natu, Chief Financial Officer; and Mr. Amey Athalye, General Manager, Finance.

Over to you, Mr. Rathi, for the initial comments, post which we'll open the floor for Q&A. Over to you, Rathiji.

Rajesh Rathi:

Thank you, Ankurji, and Axis Capital for hosting our call. So just kind of introducing Sudarshan again, I think more than a year ago, March '25, Sudharshan acquired the Heubach business. With this, we got businesses of Clariant, which is second largest pigment globally and Heubach's business. To give you a background, Clariant had invented most of the pigments in the world and is deep rooted in innovation.

Sudarshan, one of the fastest-growing pigment company, the most profitable globally with customer centricity and agility at its heart. Combining these two entities, we are creating the most value-adding pigment player globally, rooted in customer centricity, agility and innovation. We are very excited about our One Sudarshan journey and what we can bring to this industry.

To remind again, everyone, we have 19 manufacturing sites globally in 11 countries, 5 continents. More importantly, more than 50% of our manufacturing assets are based in Asia, a large competitive advantage to us, thus compared to this globally, our competitor asset base in Asia would be less than 1%. We serve all major industries, more than 4,000 customers in 100 countries, 1,600 products, one of the widest product range in the industry and more than 200 people working in technology.

Giving all a little bit flavor on the integration. Integrating the companies was very important. When we started the integration process, we didn't realize that we are integrating two companies, but actually three companies as integration between Heubach and Clariant was not completed.

And from day one, we had challenges on profitability. In addition to this, we had to remove or roll back the insolvency surcharge. We had to roll this back because customers felt very indignant because of these charges. So that again put a lot of pressure on profitability.

We had very high working capital, high inventories. But at the same time, customer service was very poor because of broken supply chain processes. In order to win back trust, we said we will not focus on the inventory on the first 6 to 9 months,. In fact, we increased some of the inventory. And as we are kind of streamlining the supply chain processes, we are kind of aligning ourselves to this now.

There was a Legacy mindset. As I said, there was no integration. But in addition to that, no integration. During the insolvency, each entity was asked kind of working on their own, right, and survival was on their own. Hence, a big silo mentality had developed as everyone had to survive on their own. That was the other challenge for us. No one thought of the One company together and what's good for it.

Critical leadership, talent was missing and lack of harmonized reporting systems. This was a big challenge., We want to lay a strong foundation so that we are on a good foundation for the growth to come in the future. So to elaborate a little bit, what we've done in the past 1 year is really build back trust with customers, and glad to tell you that we've received the Best Supplier of the Year awards from several of our customers with customer centricity at our heart.

The second main point was value capture. We really focused on a lot of value capture initiatives across the organization with almost every part of the organization is touched on this and that has really helped us to deliver a positive EBITDA for the acquired. We wanted to ensure that our processes are efficient and hence, quite a few of the transaction processes we want to bring back to India so that we are more efficient, and we've set up a GCC now.

In the next 6-8 months, they should get fully operational. One Culture alignment that everyone works in one direction, with one mission, one purpose. This has been a big initiative throughout the organization, more than 95% people have gone through rigorous workshops in aligning the mindset towards the One Sudarshan.

As we say, One Culture is important. The integration on process and systems were as important, and we thought this is strategic in nature. And hence, we've decided to launch the One SAP Drive project Integra to integrate 4 systems into 1 integrated system. It's a big challenging task because it's not just SAP, but also 180 different applications outside of SAP are getting integrated, and we hope to complete this by this year-end.

Talking about the Q4 performance. Very glad to tell you that we had a very robust performance in Q4. For the acquired group, we had projected Business EBITDA of Euro 9-10 million , but we delivered, Euro 11 million. We had planned to reduce inventory by 20 million. We've reduced inventory by 29 million

So I think the team has done a great job in delivering the robust performance as we say. More importantly, what has happened is that the net debt, which was at INR934 crores in December '25 has reduced to INR755 crores on March '26.

Talking a little bit on the performance of Q4, again as One Sudarshan and to explain this, the first few 4 columns talk about the Legacy Sudarshan business, then is the acquired business and then the total pigment global business. As you can see, compared to Q3, we've done a tremendous job in delivering good growth. And this was really triggered because the whole destocking impact, which customers had that got over.

And during the insolvency, as I had mentioned, a lot of customers had stocked up because of the insecurity of supply. And now that was completely over and customers have started buying it. Also, our value capture initiatives delivered a very good performance from a perspective of EBITDA. All in all, I think a very good Q4 numbers as we can see.

We had introduced the concept of Business EBITDA last time, which was different than the reported EBITDA. This was mainly because we were going through a large correction in inventories. As I mentioned, we've reduced our inventories by Euro 29 million last year, and that causes a big fluctuation in the EBITDA as you start reducing EBITDA.

Mr. Natu would explain a little bit of the bridge between reported EBITDA and business EBITDA and more clarification on that.

Nilkanth Natu:

Thank you, Mr. Rathi. So as Mr. Rathi has mentioned, we have started reported business EBITDA last quarter and this quarter due to the significant reduction in the inventory. Business EBITDA is the profit, which is on the actual sales to the customer without any impact of the finished goods and semi-finished goods inventory changes.

As finished goods inventory increases due to the higher production, overhead is inventorized into the balance sheet, the absorption of the overhead moves to the balance sheet. This reverses in the period when they starts selling from the inventory and then inventorized overheads gets charged to the P&L.

On yearly basis this gets normalized when we see the sales volume and production volume converges. The reporting of the business EBITDA in this quarter was due to significant reduction, which we have done in the inventory during the quarter.

Coming back to the numbers, the reported EBITDA for the quarter is INR73 crores, which is adjusted with one-time purchase price allocation credit due to the Business Combination Accounting of INR37 crores. This is one-time gain and this is a noncash gain. This is further adjusted with INR82 crores of the release of inventorized overhead during the quarter due to the reduction of the inventory, which we have mentioned earlier. With this our business EBITDA for the quarter underreporting is INR118 crores. Thank you.

Rajesh Rathi:

Speaking on the full financial year performance of the business, the revenue from Sudarshan Legacy, was flattish. This was mainly because we had some rationalization in the go-to-market strategy in our distributors And in our distributors, especially in Europe and LatAm, which caused a temporary blip.

In addition to this, on the EBITDA part, there were some integration costs sitting in and this has caused the EBITDA to slightly dip. In terms of the Acquired group for the full year, as we saw on the revenue basis, we saw some destocking impact, which we should be able to normalize. And great efforts were made, in the value capture and that's where you're seeing a good positive EBITDA turnaround for the year. This is including RIECO. In the performance, while just came through these slides and seek a little bit more on RIECO.

Nilkanth Natu:

Thank you, Mr. Rathi. On the deep-diving into the RIECO performance for the quarter end for the year, I will more concentrate on the full year performance. For financial year '26, RIECO had reported the revenue from operation of INR268 crores compared to INR228 crores last year, the growth of 17.5% and this increased due to the execution of high-value projects during this year.

On the EBITDA we are actually in the rebound and recovery from the negative INR17 crores EBITDA to positive INR10 crores. And this has been driven majorly by the revenue increase and our initiatives on the transformation side, which are organization restructuring, fixed cost reduction and absolutely robust control on the project cost monitoring, which have helped in the EBITDA improvement of the RIECO.

Rajesh Rathi:

Coming to the financial results, the positive side is our net debt for the group is at INR755 crores and this is also after considering the acquisition finance. Just to recap, our debt number for Legacy Sudarshan in FY '23 were also in a similar range of around INR800 crores. So we see as a group, this is a positive sign that we are keeping our balance sheet healthy and net debt-to-equity ratio is at also 0.3x.

On the outlook, I think first we will be talking about the Middle East crises as we say, the Gulf war situation has definitely impacted our cost base and several raw materials used by one Sudarshan are petroleum-derived and we are facing both price increase and supply constraints. And our first endeavour is to ensure that we have enough raw materials even if it's at high cost.

Our energy costs have significantly increased. We have a logistics cost increases, but more importantly logistic returns have increased. But what we have been working is we are using our global footprint as a competitive advantage to ensure that supply ability to our customers is good.

We further accelerated our value capture efforts and we selected ensuring that we are able to pass on the cost increases to our customers. So we are paying a delicate balance. We're watching each region, each industry, how the industry is reacting, ensuring that we do not lose volumes, but at the same time we are able to pass on the increases.

We've also created a cross-functional team to closely monitor the situation and react as fast as possible. So we are dealing this more on a tactical basis on the Middle East crisis. So let me talk now on the full year, how we see the year.

As you've seen a very robust performance in the Q4, we've built back customer trust as you can see and the destocking situation on Legacy Heubach products is easing and almost over, I would say, at least the insolvency destocking. We also saw good buying from global key accounts.

We are cautiously navigating the challenging working environment created by the current geopolitical situation, uncertainty resulting in logistic challenges, rising raw materials. So we are ensuring that we are navigating this situation very cautiously. Integration, as I mentioned, is progressing well.

The SAP GCC, One Culture, One ESG movement is moving very well to solidify our Sudarshan. And our value capture initiatives will lead to improve profits and working capital improvements. We remain fairly confident in our strategic rationale of the acquisition. We expect to achieve 90 million to 100 million over the next 3 to 4 years as guided at the time of acquisition.

And all this is driven by synergies, value capture initiatives and sales growth. We expect to deliver an EBITDA of 35 million for the next financial year. All in all, as I mentioned, the integration is going well. To remind everyone, I think we have one of the largest global pigment platforms with scale, reach and a great deep industry legacies.

Sudarshan itself has 75 years of inheritance; Clariant and Heubach more than 200 years, and that's what kind of helps us with a deep inherent knowledge. We have the broadest product portfolio and a technology depth. We have rebuilt our technical teams, and we would be able to serve every customer needs, and that's what we are focusing on.

I already mentioned about our global footprint, structural advantage, enabling a resilient supply chain for us. Integration and value capture engine and lot of other synergies have been identified, and we are ensuring that we are able to capture on those initiatives. A very positive EBITDA trajectory supported by volume recovery, margin discipline and cost optimization. All in all, we are emerging out stronger with a clear execution agenda and an improved plan to sustainability. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Anil Nahata. Kindly announce your company name and proceed with your question.

Anil Nahata: Can you hear me?

Moderator: Yes sir. We can hear you.

Anil Nahata: Good morning. This is Anil Nahata from Parami Financial. I have a couple of questions for the management. The first question is in the last quarter, we had sort of indicated that we want to liquidate the inventories over the next two or three quarters. So -- and that was around 35 million to 40 million, if I remember right. So how we have progressed on that? And with the war and everything and the prices rising, now is that inventory still going to have a loss or we can even look at breakeven or even profit on the inventory sale?

Rajesh Rathi: So as I indicated in my presentation, Mr. Nahata that we've been able to reduce EUR 29 million of inventory. And as we navigate this situation, we will see what are the other additional opportunities in the coming year to reduce further inventories.

Anil Nahata: So what will be the extent of inventories left for which you had stocked up for meeting the customer requirement? Just a ballpark figure?

- Rajesh Rathi:** So these were kind of existing from the very beginning and as we built up the stock. And I think we hope that we are able to further optimize our inventories to the tune of EUR 15 million to 20 million.
- Anil Nahata:** My second question is while you have indicated that the net debt at a group level is now around INR760 crores, which is very good news and the balance sheet is healthy. However, I also note that most of the cash is in the Sudarshan basically the Indian entity and most of the debt is in the external entities. So how do you look at reducing the debt over a period of time?
- Nilkanth Natu:** Thank you, Anil. Very good observation that we have also the cash in the Indian entity, but there is also the cash in the Acquired group. As we move ahead this particular debt, which is in the Acquired group, we will get served from the cash flow generation from the Acquired operations.
- Anil Nahata:** I understand that. But when you look at the current year kind of guidance of around 5% EBITDA, I mean, that will not be sufficient, right? So when you move to EUR 90 million to EUR 100 million, I guess, I can understand you will have some operating cash flow. So I mean, if you can give some kind of a trajectory of how are you looking to reduce that INR1,600 crores in the next 4, 5 years to what level that will be highly appreciable?
- Nilkanth Natu:** Thank you, Anil. As we had taken this acquisition finance, the repayment schedule is a ballooning schedule. So the first repayment will start in the current financial year and will get step up. So we are fairly confident as we move along with the EBITDA trajectory, this will be covering the debt repayment as we move on. Thank you.
- Moderator:** Thank you, Anil. I will request you to come back for a follow up question. Next question is from the line of Rohit Nagraj. Kindly announce your company name and proceed with your question. Rohit Nagraj may I request you to unmute your line. Announce your company name and proceed with your question.
- Rohit Nagraj:** Yes. Hi, am I audible?
- Moderator:** Yes.
- Rohit Nagraj:** This is Rohit Nagraj from 360 ONE Capital. Sorry, I joined a bit late. So I'm not too sure whether you had this in your commentary. But from the supply chain side on both the aspects in terms of raw material sourcing and the product placements, have we faced any challenges over the last 3 months and what are the steps that we are taking to smoothen this particular challenge given that now we are looking at resourcing across geographies and our customers are located across different continents. So any view on this would be helpful.
- Rajesh Rathi:** Thank you, Rohit. I think as I mentioned that we have -- our raw materials are petrochemicals derived, and we are facing both price increases, supply constraints, but we have ensured that now we are able to cover enough inventory that we don't look at that, right? Energy costs have also increased.

So what we've done is we are leveraging our global manufacturing footprint to ensure that the supply to our customers is on. We further accelerated our value capture initiatives. And we are passing on our cost increases to customers on region-specific

Rohit Nagraj: Sure. But we have not faced any material challenges as of yet?

Rajesh Rathi: No. Absolutely.

Rohit Nagraj: Okay. Fair enough. The second question is in terms of the integration benefits. So have we got the entire integration benefits or will there be something left which can be accessed during, say, FY27.

Rajesh Rathi: The entire integration impact would come in the next two financial years. As we -- as I've mentioned, our value capture is a very important stream, and we see a lot of opportunities. The second is as we implement our One SAP and set up our GCC, we will see good addition. And that's where we are projecting a very healthy turnaround on the EBITDA of the acquired group.

Rohit Nagraj: Sure. Thanks a lot and all the best.

Moderator: Thank you. Next question is from the line of Gagan Dixit. Kindly unmute your line, announce your company name and proceed with your question.

Gagan Dixit: Hi, thanks for taking my question. My first question is about the Heubach group.

Moderator: Gagan sorry to interrupt you. May I request you proceed with your company name first and then go ahead with your question.

Gagan Dixit: Yes. This is Gagan Dixit from Elara Securities. Yes, I have a few questions about this group. So your revenue run rate has improved to Euro 61 million in Q4 versus Euro 47 million in the Q3. So, how much is the true demand versus the restocking impact if you can just give the breakup? And what is the typical April and May run rate that currently that's going on? That's my first question, sir?

Rajesh Rathi: So I think the Business EBITDA on the Acquired group as we reported is without the destocking impact, it is about INR118 crores And this has mainly come, as I mentioned, that it's not about restocking, but this is like people have started buying. Earlier quarters, there was a destocking impact. So from that perspective, Q4 is always the strongest quarter, but customers have started buying and there is a seasonal trend where you find Q3 will be a very weak quarter as we've gone more global, and as December is a fairly muted month for the group.

Gagan Dixit: And the second question is about the demand. So you mentioned in the presentation that this Q4 recovery was driven by the Global Key Accounts, India, Europe demand recovery and also tariffs in the North America. So is this a broad-based recovery that you see across, I mean, for a 14% stakes or it is concentrated in selected accounts or regions? That's what, just if you give some color about it?

Rajesh Rathi: We've seen overall good recovery in Q4. and we've seen a full good global recovery in all segments of the industry, primarily in coatings, where our Acquired group is very strong,. So I would say, good rebound in overall all segments.

Gagan Dixit: And sir, my final question is about some guidance or some idea about the Legacy Sudarshan margins. So your margins are very healthy around more than 14% -- I mean, business EBITDA margin. So for FY '27, is this sustainable due to rising crude oil volatility, raw material cost volatility, all these things. So will you expect some normalization or that's what if you can give some color about it?

Rajesh Rathi: No. We are hoping to maintain a healthy margin on the Legacy Sudarshan business. We are making every effort to pass on any cost increases through the value chain to our customers so that our margins are protected.

Moderator: Next question is from the line of Nilesh Ghuge.

Nilesh Ghuge: I'm Nilesh Ghuge: from HDFC Securities. Sir, one first question is on the depreciation. If I look at the quarterly depreciation for your consol, so in earlier 3 quarters, the run rate was in the range of INR99 crores to INR100 crores in that range. But for this quarter, it was about INR50 crores. So any adjustment here in the depreciation?

Nilkanth Natu: Thank you, Nilesh. So the depreciation for the quarter is at INR50 crores. As we mentioned earlier the Business Combination Accounting under Ind AS 103, revised during the measurement period, which is a 1 year from the date of closing of the transaction, which was last year March '25, gives us a window to fair value the assets and liabilities before finalizing the purchase price allocation. As we mentioned last year, the purchase price allocation was preliminary of the original purchase price allocation.

During the measurement period, we have fair value of all the assets and liabilities, and that too on the fixed asset side. And that impact of the remeasurement of the fair value has been considered in the final purchase price allocation. And this has given one-time reduction in the depreciation cost, which has been reflected in the reported Q4,. On an annualized basis, the run rate what we have seen of INR196 crores for the entire year should be factored in for the capital governance.

Nilesh Ghuge: So on annual basis, how much you are saying?.

Nilkanth Natu: I'm sorry, not INR196 crores, INR347 crores.

Nilesh Ghuge: Okay, INR347 crores. Sir, second question on the tax. Sir, can you guide us on the tax rate for annualized basis? That will be helpful, sir.

Nilkanth Natu: On the tax rate, the ETR is currently slightly on a higher side for the acquired group as -- on conservative of several accounting basis. We have not considered deferred taxes in few entities. But maybe you can consider the similar range for the year also.

Moderator: Next question is from the line of Ranjit Cirumalla.

- Ranjit Cirumalla:** Yes, I am Ranjit from IIFL Capital Services. My first question is to Mr. Rathi ji. So while doing the Heubach acquisitions, we were also talking about making our Frankfurt site more of a speciality centre, while we intend to kind of move the commodity production more towards the Indian operations. So how far have we been in this particular journey? If you can elaborate a bit on this, that would be helpful.
- Rajesh Rathi:** We've already moved some of the commodity products to the Indian Heubach site in Roha and Frankfurt family remains towards speciality coverage.
- Ranjit Cirumalla:** Also, if you can share some bit more color on the volume and price-led growth during the 4Q and FY '26 for the Heubach and consolidated group?
- Nilkanth Natu:** Ranjit, can you please repeat the question?
- Ranjit Cirumalla:** Yes. So a bit more granularity with regards to volume-led growth and the price-led growth for the fourth quarter, more so for the Heubach group?
- Rajesh Rathi:** Majorly volume growth -- volume-related growth has come in. We have not gone through any price increases, in Q4. This is all volume recovery.
- Ranjit Cirumalla:** On this EUR35 million EBITDA that we are guiding for FY '27, if you can provide us a ballpark figure about how much are we building in from the integration benefits and the recovery in the business?
- Rajesh Rathi:** So there is -- it's a mixed bag As you can see, this year also the EBITDA has remained positive only because of the value capture initiatives. And these are all both baked in. There is a very moderate growth taken into account for the year given the current geopolitical issues.
- Ranjit Cirumalla:** My final question is to Mr. Natu. While we understand the Y-o-Y comparison may not be correct given that we had only 1 month consolidation last year. But if you see on a sequential, while we understand fourth quarter and the first quarter is key or seasonally good quarters for their pigments, we have seen a sharp 33% growth in sales on a sequential basis from the third quarter to the fourth quarter. But when I look at the other operating expenditure, there is only an uptick of 13-odd percent. So how should we see this? And that is what has clearly benefited us on the EBITDA front. The other expenditure growth has been lower than the sales growth.
- Nilkanth Natu:** Thanks Ranjit, and great observation. While there has been a sales growth in the quarter 4 compared to the quarter 3, quarter-on-quarter related growth, which has also resulted in better operating leverage, as Mr. Rathi has also mentioned the value capture initiatives, which we have started are also building as a result.
- Moderator:** Next question is from the line of Nitesh Dhoot. Nitesh may I request to unmute your line and proceed. Due to no response, we will move to the next participant. Next question is from Ankur Periwal.

- Ankur Periwal:** Okay. So 2, 3 questions there. So one, in the last quarter, we did highlight about a slightly elevated cost inventory, which was sitting at Heubach's books and possibility of we incurring some bit of lower margins or maybe losses there. But given the RM inflation now, what's the thought on that number? And what that number will be now given that we would have sold some as well?
- Rajesh Rathi:** Mr. Ankur, I think just to clarify, we were not on high-cost inventory, but our inventory numbers were high and as Mr. Natu had explained, as we reduce inventory, the overhead charges flow from the balance sheet into the P&L, which causes the EBITDA. We've reduced EUR29 million of inventory in Q4 and during this year, we are targeting to reduce EUR15 million to EUR20 million more gradually.
- Ankur Periwal:** Sure, Rathi ji. And you also alluded towards, let's say, lack of confidence among customers given the way things were getting handled earlier. Are we behind that curve largely? And incrementally, let's say, by the end of next financial year, which is FY '27, will we be looking more at a normalized inventory and what that number could be? We are right now at give and take 90 days inventory on a consol basis. Can this number -- what can this number reduce to?
- Rajesh Rathi:** Yes. So Ankur ji, I think, firstly, the customer trust has been built back. Customers have started buying, right, from us, which is great news. As we want to further reduce EUR15 million to EUR20 million which we think will be the normal state of the business going forward. And that's where I think the reported and business EBITDA would merge going forward. This is an exceptional situation where we have reduced substantial inventory.
- Ankur Periwal:** Sure, sir. Second, your thoughts on RIECO. Some time back, we had thoughts of probably hiving off the business, turning around the business and having it off. How do you look at that asset now? Is there further uptick in profitability margins or a business ramp-up that you would like to achieve? Or your thoughts essentially on that business here?
- Rajesh Rathi:** Absolutely, sir. I think the transformation is not over and the numbers have not substantially improved, which our expectation is. I think the business requires more time to kind of deliver robust numbers. And we are confident that in the coming years, the numbers should keep improving as the transformation gets completed.
- Moderator:** Next question is from the line of Rajesh Kothari.
- Rajesh Kothari:** Rajesh Kothari here from Alf Accurate Advisors. Sir, I have just 2, 3 questions. So first is -- and pardon from my ignorance, I joined little late. My first question is on stand-alone business. By when do you think we can come back to that good double-digit growth because still the overall industry is also a little bit struggling, but now the paint industry is talking about a reasonably good growth. Last year, auto industry was doing very well, but not getting reflected in our numbers. So how do you see the growth for stand-alone? And what will be the key drivers for that growth? That's my first question.
- Rajesh Rathi:** As I mentioned, Rajesh ji, I think the Legacy business was impacted a little bit with rationalization of distributors, abroad and that kind of business or diluted growth. Given the geopolitical crisis, we should deliver 8% to 10% of growth this year.

- Rajesh Kothari** And sir, my second question is, in particularly our acquired group business, what do you think will be the impact of the higher energy cost? And does it mean disturbance in terms of -- for production target as well?
- Rajesh Rathi:** The energy cost increase is impacting all of us and especially Europe and our endeavour is to ensure that our margins don't get impacted. We are able to pass on these increases. However, region-wise and the country of origin of our competitors, there is certain lag in passing on, but we are ensuring that whatever is necessary, we'll pass on the increasing --and at the same time, maintaining the volume. So it's a little bit of a balance act we need to perform.
- Rajesh Kothari** And energy cost to be how much percent of the revenue or the -- in the global business?
- Nilkanth Natu:** So Rajesh ji, this is in the range of 6% to 7%.
- Rajesh Kothari** This is a post-increase, am I right, not the pre-increase?
- Nilkanth Natu:** Yes.
- Rajesh Kothari** And my last question is we have seen significant increase in, generally speaking, all chemical prices. And does it also positively impact us in terms of -- since we are holding the old inventory, the earlier pricing and current pricing probably would have changed significantly. So does it help us to reduce those write-downs and probably it can have a positive impact on our overall inventory?
- Rajesh Rathi:** No, we don't see that, Rajesh ji. What we are doing is we don't want to profit from this situation, and we want to maintain our volumes. So we are ensuring that whatever cost increases we see only what we are passing on to the customers. Our customers also recognize that in the value chain, there is inventory and this is phase of building trust, we are very transparent with customers.
- Moderator:** Next question is from the line of Nitesh Dhoot.
- Nitesh Dhoot:** Nitesh Dhoot from Anand Rathi Institutional Equity. I'll go ahead with my question. So sir, you mentioned about 8% to 10% growth -- volume growth on the legacy business, just where would we be in terms of capacity utilization for our legacy, the Indian plants? And I mean, how much capacity headroom do we have in the legacy pigments business? And also a connected one that looking at the Acquired group, where would we be in terms of the overall capacity utilization there, if possible to have that kind of a number, any ballpark there?
- Rajesh Rathi:** So Nitesh ji, I think we have enough capacity headroom in both the legacies to grow. And our projection of what EBITDA we've shown in the 3 to 4 years does not require any investment for volumes. So we should be able to achieve this as we have enough capacities between both the entities for our growth coming forward.

- Nitesh Dhoot:** Sure. So why I ask this question is because when we completed our expansions in the Indian plant, we had indicated about 3 to 4 years of reaching full capacity utilization and probably that we are already in the last year of that period FY '27. So that is the reason behind asking have we reached closer to optimal capacity utilization or not?
- Rajesh Rathi:** No, I think we have enough we debottleneck further, so it does provide headroom for growth. And I think given that when the integration is fully completed, I think we would have enough capacities on as one unit together, for our group.
- Nitesh Dhoot:** And just one more on the gross margins of the Heubach group that's after adjusting the insolvency premium and normalizing the insolvency premium, what would be a steady gross margin number to work with? Or maybe if you can just give the difference between the Legacy pigment gross margins and the acquired pigment gross margins, that would also help?
- Rajesh Rathi:** So I think between the Legacy and the acquired group, on the gross margin part, there is at least 4 to 5 percentage points of higher risk -- but the fixed cost is higher on the Acquired group So that's how it kind of balances out from that perspective.
- Nitesh Dhoot:** Yes, sure. and this difference is purely due to the superior product portfolio there or the backward integration bit or what would exactly be the reasons attributed to this difference in the gross margins between both the businesses?
- Rajesh Rathi:** I think product portfolio and the industries, which we serve to.
- Moderator:** Next question is from the line of Avinash Nahata.
- Avinash Nahata:** I represent Parami Financials. So two questions. The first question is, Rajesh ji, while the time of acquisition and during the course of last 5, 6 quarters, we would have identified certain assets, units, plants, which is more relevant to somebody else than us from strategic point of view, from geographical and basically, while we are realigning our supply chain, so there would be certain assets which you think might require disposal. So any thought on this?
- Rajesh Rathi:** So we are exploring on the noncore assets, we could explore -- the first year was very busy in integrating the business turnaround. Right now, the thought process is very initial and I think we will come back to you at the right time when we could look at this. But there is definitely an opportunity.
- Avinash Nahata:** Okay. And my second question is regarding the demand in the industry. So I mean, if you can talk about collectively, both in Europe and maybe to our entire representative geography, what is the kind of demand growth we are looking at, from the industry demand perspective and second is winning back our customer, winning market share. So both put together what growth can we see? Leave aside pricing, if we can talk about volumes, what growth can we see over the next 2-3 years?
- Rajesh Rathi:** I think Q4 represented a strong comeback in volumes, and we were hoping that this trend would continue. Given the current geopolitical situation, quite a few of our customers are

seeing a little bit of a muted demand or some of their complementary products not being available, and that's where some of their production levels are low.

Second, people are taking a very cautionary advice on building up inventory I mean the like everyone is guessing when this gets over, people don't want to be stuck with high-cost inventories. So in the near term, the demand looks muted. But it's very hard to predict when this crisis would get over, how the demand would come back.

But I would say barring the geopolitical crisis, the demand looks fairly good going forward from that perspective. The U.S. market, the housing market, the paint market is a little bit in trouble. And as that economy recovers, we would see that demand coming.

Avinash Nahata:

Okay. Just a follow-up on this. If I were to ask this differently. Over the last 3 years, what has been the demand in the industry? And my question still remains unanswered, Rajesh Ji, is with our realignment of supply chain, winning back our customers, okay, I understand people don't want to get stuck with higher inventory, so maybe when things normalize, the restocking, will happen at a normalized level.

So, A, what is the growth in the industry in the last 2-3 years and at a normalized level, what can we grow in our portfolio? Because for us, it is also winning back our customers, not the industry growth only.

Rajesh Rathi:

Yes, absolutely. And that's where I think when you saw the Q4 growth, this was not the industry growth. This was our growth of winning back the business and the destocking of customers getting over. The general industry growth of 2 to 3 years is -- generally the pigment industry goes with the GDP of that area and our overall growth of the industry varies between 3% to 4% globally. That's the industry growth of the pigment.

And what I described to you is when from a growth Q4 perspective, our entire growth came back. There is no one-offs. It was like customers starting to buyback, having looking at destocking over and having that. At the same time, I must say, like I said, there's a temporary blip I see given that customers are very cautious.

Avinash Nahata:

Okay. And if I can squeeze one more is on the shareholding perspective. So there are certain family members which are on the non-promoter. So what is the message for the shareholders? I mean, is there any thought process there?

Rajesh Rathi:

On the shareholding, I think as we have professionalized the management, the family had stepped down from the Board and the management. And that's the reason the family had taken a view to de-promoterize as they were not playing that role perspective. I think, however, they still remain committed to the growth of Sudarshan.

Moderator:

Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Nilkanth Natu:

Thank you, Neerav. Thank you, Axis Capital and Mr. Ankur Periwal: and thank you all the participants for your time and interest in Sudarshan Chemical and putting forth business questions. We are entering FY27 with stronger platform, clear execution agenda and improved path to sustainable profitability. We remain confident in our growth journey and strategy, and continue towards our commitment to deliver value to our stakeholders. We look forward to engaging with you again in future. Thank you.

Moderator:

Thank you very much. On behalf of Axis Capital Limited, that concludes this meeting. Thank you for joining us, and you may now leave the meeting. Thank you.
