

20th November, 2025

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 Thursday, 13th November, 2025, after announcement of the Unaudited Financial Results (Stand-alone and Consolidated) for the quarter and half year ended 30th September, 2025.

The said transcript is also uploaded on the website of the Company.

Kindly take the same on record.

Thanking You,
Yours Faithfully,
For SUDARSHAN CHEMICAL INDUSTRIES LIMITED

MANDAR VELANKAR
GENERAL COUNSEL AND COMPANY SECRETARY



“Sudarshan Chemical Industries Limited
Q2 FY '26 Earnings Conference Call”

November 13, 2025



MANAGEMENT: **MR. RAJESH RATHI – MANAGING DIRECTOR –
SUDARSHAN CHEMICAL INDUSTRIES LIMITED
MR. NILKANTH NATU – CHIEF FINANCIAL OFFICER –
SUDARSHAN CHEMICAL INDUSTRIES LIMITED
MR. AMEY ATHALYE – GENERAL MANAGER –
FINANCE – SUDARSHAN CHEMICAL INDUSTRIES
LIMITED**

MODERATOR: **MR. ROHIT NAGRAJ – B&K SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY '26 Earnings Conference Call of Sudarshan Chemical Industries Limited hosted by B&K Securities. 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rohit Nagraj from B&K Securities. Thank you, and over to you, sir.

Rohit Nagraj: Thanks, Michelle. Good morning, and welcome, everyone. We thank Sudarshan Chemical Industries management for providing us the opportunity to host the company's 2Q FY '26 Post Results Conference Call. Today, we have with us the Sudarshan Chemicals' management represented by Mr. Rajesh Rathi, Managing Director; Mr. Nilkanth Natu, CFO; and Mr. Amey Athalye, General Manager, Finance.

Without taking further time, I shall hand over the call to the management to walk us through the company's performance, post which we can conduct the Q&A session. Thanks, and over to you, sir.

Rajesh Rathi: Thank you, B&K and Rohitji for hosting us. It's a real pleasure to speak with all of you and a pleasure to talk about the last quarter's performance. I hope you all can see screen.

I just wanted to ensure that everyone has recap on the fantastic deal we did on March 03, 2025, which gives us a real opportunity to become an Indian MNC. Heubach belongs to legacy of Clariant and Hecht, which was among the top two global players with more than 200 years of experience. Quite a few of the pigments were actually invented there.

And with Sudarshan acquiring this business, it gives us a great opportunity for growth. What we've acquired is 17 global manufacturing sites and a very broad portfolio and a great technical team. Together with Sudarshan's agility and entrepreneur spirit, we believe that we can create a true Indian MNC.

In terms of the manufacturing sites, now today, we have 19 manufacturing sites across 11 countries, five continents. We serve almost every country and have more than 4,000 direct customers. We have a very broad product portfolio and we serve not only the traditional industries like coatings, plastics, printing inks, but have a great presence in digitals and special applications like we do supply colors for iPhone, Samsung and hence, gets us on a higher notch.

To begin speaking on the quarter's and half yearly performance, basically, I want to begin with talking about some of the market reflections. As you can see, the Q2 quarter has been a little disappointing, disappointing from a perspective that while the fundamentals of the business remain very strong, there's a temporary dip in demand, which I'm going to explain a little more in details.

And so, one is we've seen low demand across most of the pigment end use And now our business is global and main economies like Europe, U.S., LatAm kind of affects our sales a lot too. So, we've seen lower demand. This was mainly for coatings and plastics. This was driven also by very high interest rates, which kind of led to a lower household demand and lower demand on paints and automotive industry.

Most of our global customers have degrown. But added to the problem of this degrowth was, as I had mentioned last time, during insolvencies, customers bought above normal stocks not only from Heubach, but products which were similar from competitors.

And we never anticipated such high level of stocks with customers. And as we were discussing with the customers, that's how we've now come to know. and because of their poor demand, the rate of depletion has been much lower than what we had anticipated.

And that's caused a concern for the Q2 performance. I'm going more deeper into the performance. Sudarshan's sales has been flat year on year. But if you look versus Q1, we did a 13% growth. EBITDA has been flattish, and we'll talk a little more in details later.

So, to explain this slide, legacy Sudarshan means Sudarshan's pigment business and RIECO put together, the acquired group business and then One Sudarshan includes the legacy and acquired group.

This is pigment only slide. So legacy pigment business was flat. And this was mainly affected due to the coatings market in India, and we will explain a little more what's happened in the coatings market.

The plastics market has done well. And we also saw marginal impacts in some of the markets where we were changing our distributors, etc, due to the new go-to-market strategy. But the drop in EBITDA has been even higher. Again, none of the fundamentals of the business have changed. This is a temporary phenomenon.

We had to lower our production given the high inventory during Q2 quarter. This led to a low operating leverage and this has caused the EBITDA drop. Again, as I mentioned, this is a temporary phenomenon. Going forward, we should come back to our 14%, 15% levels moving forward on our EBITDA margin.

On the acquired group, as I mentioned, there were two issues. The demand of the customers has been soft. And customers had a large stock on Heubach products, which resulted even in a lower demand for us. and lower EBITDA margin due to the sales and volume drop. The EBITDA margin would have been even more severe, but given some of our initiatives on value capture, we were able to bring this back into a positive.

H1 performance. So, Mr. Natu, you want to take it.

Nilkanth Natu:

Yes. So, this is One Sudarshan H1 performance and the Legacy Sudarshan we've improved Sudarshan pigment business and the RIECO business. The sales for the first half is flattish at INR1,340 crores H1 to INR1,330 crore, and EBITDA is also in the range of INR178 crore. For the Acquired Group the first half the turnover of INR3,565 crore with INR103 crore of EBITDA and which is at the 3% of the EBITDA margin. We've seen the Legacy Sudarshan pigment sales marginally lower which is mainly the softness in the Europe and North LatAm region.

And Acquired Group run rate for the first half is around INR590 crore. This is the H1 for pigment only, so further deep diving into the pigment performance business for the first half. The Legacy Sudarshan pigment business we see a flattish slight degrowth of 1.6% in the revenue. The sales is at INR1,229 crore. EBITDA is at INR172 crore with 14% EBITDA margin for the first half.

On the financial ratios. While the key ratio EBITDA net debt to equity and net debt lever are at the same level what we had reported earlier in Q1 also. So, from the financial balance sheet side, the financials are robust. On the net working capital we're in 26% and as we guided earlier we've to reduce the working capital and this will be the gradual process as we've stocked up some inventory for the customers overseas.

Rajesh Rathi:

On the projections we've revise our guidelines. This year the expected that the acquired group to a about 35 million. Given the circumstances which I explained to you, we also expect Q3 to be subdued. And hence, we had to revise -- we expect customers to really start buying from Q4 onwards, and that's where I think we had to revise our projections to 25 million to 30 million. But our 3- to 4-year guideline still remains the same.

As I mentioned, this is a temporary phenomenon due to the demand adjustment, and that's the reason why we have to only adjust for this year. Our long-term 3- to 4-years guidance remains the same. I'm also glad to inform you that our integration is going very well. So, if you look at the fundamentals of the business, other than the temporary demand issue, I think all the other fundamentals are well in place and going very well, So, with this, I'd like to give you a little bit of an integration update on how we are doing.

We've been able to stabilize some of our operations and product availability. We have been able to generate good leads. And as soon as demand comes back, we will be able to get these sales back from our perspective.

Our value capture process is well going -- progressing very well. And we've already launched a project to integrate our IT and entire data. We've defined and setting up a new GCC structure, and we finalized the full structure So, from that perspective, the integration is well on track.

It's almost six to seven months that we've completed the acquisition. And I think when we reflect on were there any positive surprises or any negative ones? I think the first positive is all assets and all inventories are in very good condition We have reaffirmation of a great connect and depth with higher-value customer applications and we've been able to build that trust with customers.

Core functions like operations, technical are in good shape. And we were able to confirm whatever value opportunities we saw during our diagnostic. A few negatives. I think the costs are quite high. Fixed costs are quite high and especially on the manufacturing side, even when the volume drops, the fixed cost of manufacturing is high and you are not able to see that much drop adjustment in the manufacturing cost.

And we never anticipated the customers to have such high level of inventories, especially in global key accounts, we've seen -- that's where our Q2 sales were mainly affected, but it's a temporary phenomenon. Our value capture goes across five major themes.

One is operations and supply chain. And there are great opportunities for us to optimize across products across our legacies. And there are product synergies, which today we see we have two units in Roha, and we've already seen some successes in that and getting some value capture opportunities.

Optimizing the supplier landscape and leveraging on the scale to negotiate better contracts has been our endeavour. We've done a lot of clean sheet-based negotiations, on volume rebates, and that's given us good this.

IT, I think the infrastructure contracts have been renegotiated. Some of the apps which were high cost have been rationalized. On the org and SG&A is an ongoing process. We've been able to remove some duplicate roles, but we still see there is still some potential going on, on this.

In terms of the technical and product management, we are looking at several opportunities to in-source a lot of pigments, compare recipes, footprint optimization. We've already seen a grand success with some of the recipe harmonization of other core products.

Thank you. Thank you very much. As we go forward, I think we'll continue to build trust and commitment to grow with us I think there is a high interest and a very serious relationship building. And once the destocking or once the stocks of our customers are over on these, we will see a good upside. A strong value capture coming, we will keep accelerating this big potential in the future to free up some of the working capital.

We are going a little slow on that, but we will see as we progress in this year, we will see better results. And systems and data integration is kind of to solidify the One Sudarshan. These are some of our major priorities as we are going forward.

To kind of talk about, as I said, our 3 to 4-year guidance remains the same. This year's guidance is adjusted to between euro 25 million to 30 million with a caveat that Q3 will still remain subdued. Thank you very much.

Moderator:

Sir, shall we start with the Q&A?

Rajesh Rathi:

Yes, please.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. Your first question is from Sanjesh Jain. Please accept the prompt on your screen. Turn on your webcam, unmute yourself and proceed with the question.

Sanjesh Jain: I got a couple of questions. First, looking at your guidance on the acquired company, we are talking of 25 million to 30 million. In first half, we did 10 million. And if I assume Q3 generally is seasonally weak for the acquired company considering the festive season and the winter, that means we are looking at what upwards of 10 million to be done in the fourth quarter. What is giving this guidance? That's number one.

And this is a generally seasonally weak quarter because this is a post festive season, I think coating will have a relatively lower demand. What is giving us the confidence that Q4 financial year, which is January to March will be a stronger quarter, and we are expecting to do almost what, 10 million plus kind of EBITDA in the Acquired company? That's my first question.

Rajesh Rathi: Thank you, Mr. Jain. So, first of all, I think Q4 is our strongest quarter, whether it was legacy Sudarshan or for Heubach. and Q3 is a weak quarter, as you rightly mentioned, -- especially given the Christmas season, most of the Western economics, half the month is closed and also November is slightly affected because of Thanksgiving, so, in general, Q3 always remains subdued and Q4 is always the best quarter ever. That's one.

The second is, as I mentioned, the customers expect to deplete their stocks because of the low run rate by December end. And from January, we are seeing a strong message from the market that they would require -- they will start buying and we'll see the demand come up. So that's the confidence which we have going forward. And we expect the Q4 quarter to be even stronger than what we mentioned, in terms of guidance.

Sanjesh Jain: Got it. One follow-up there. What kind of inventory is there in the customer system? Any color on that, whether that's a significantly larger inventory? That's number one.

And number two, any color on the order book that we are getting for the Q4 in terms of lead indicator that gives us that Q4 will be a much stronger quarter?

Rajesh Rathi: Sure.

So, what we've seen in the current phenomena that the global key accounts have done a major stock up given their insecurity on and they were very dependent on Heubach. So, these customers and rest of the customers have done better and the impact we are seeing is due to the global key accounts.

We've had deep engagement with these accounts, and they have assured us that the demand will start coming back from January. We have already seen some of these customers place orders for January onwards months, and that gives us the confidence that this will come up.

- Sanjesh Jain:** That's very clear. One last question on the domestic business. Just looking at the stand-alone number, the gross profit margin appears to be rather quite weak, dropped from 47% to 43% in a scenario where I think chemical commodity prices appears to be quite benign. What explains such a sharp drop in the margin? This is the material margin.
- Rajesh Rathi:** This is -- it includes -- the gross margin includes the manufacturing margin, and that's where we described that we lowered our production so that the inventories we are able to lower, and this led to a lower operating leverage...
- Sanjesh Jain:** So basically, what we are telling is that we have deinventorized our balance sheet that we have sold from the inventory. So, a lot of operating costs will now get captured above the gross profit level rather than below the gross profit level. So, can you tell us how much inventory have we reduced in the stand-alone business in this quarter versus last quarter?
- Rajesh Rathi:** Sorry. Yes, can I? Is it okay to you. Yes, about INR100 crores.
- Sanjesh Jain:** No, sorry, that I can get from the change in the inventory from the P&L. That's -- apologies for question.
- Moderator:** The next question is from Rajesh Kothari. Please accept the prompt, introduce yourself, and proceed with your question, sir.
- Rajesh Kothari:** Thanks for this opportunity. Just two questions from my side. Sir, you mentioned that in disappointment perspective, the negative surprise perspective, you said that the fixed costs are expected -- there was a negative surprise on fixed cost are expected -- I mean, much higher than what you thought. So can you give a little bit more color in terms of probably it also means a more scope for cost reduction compared to what earlier you would have thought for? So that's first question.
- And the second question is you said on the working capital efficiency, you will continue to further -- there were some -- you found it to be a little bit higher than what you thought it should be. So how do you see the working capital efficiency to drive over the next 12 to 18 months?
- Rajesh Rathi:** So I think absolutely, sir. The first -- I think we see a good potential of cost reduction. However, some of the fixed cost to reduce takes time due to regulatory frameworks. But I think there is no doubt that there is a big potential to reduce and value capture has been a major theme for us kind of looking at that. and some of the initiatives like setting up the GCC, setting up ONE SAP will also give leverage going forward beyond our regular operations purchase cost reduction.
- That's the first question, and we are looking forward to that. In terms of working capital, as I mentioned earlier, we wanted to gain trust of our customers and are because of four different systems, different planning systems, some of our processes were not in line, plus we did not anticipate this much of high stock with the customers that demand will come down. So we planned for a little bit of a higher demand, and that's where our working capital has been high. But going forward, we are already taking steps to start reducing this working capital, and we see a good potential even there.

- Rajesh Kothari:** So, therefore, as you go forward, what kind of working capital days do you think one should assume for FY '27, particularly for this global business? And in terms of the cost savings, do you think some cost savings probably you can achieve a little bit more compared to what you -- that's what my question is.
- Rajesh Rathi:** So, I think, sir, for next year, you should -- our aim is to get to about 24% of working capital to sales. And going forward, of course, we are not happy with this number. Going forward, we would look at how to optimize further. But I think this is the visibility we see for next year.
- Rajesh Kothari:** Where it is currently?
- Rajesh Rathi:** I think at around 26.2%.
- Rajesh Kothari:** Okay. Because when you acquired, you also had a good amount of debtors and there was expectation that even from there, you can drive more efficiency in terms of overall the valuation what we paid. So, whether the debtors are getting realized?
- Rajesh Rathi:** Yes, Mr. Natu do you want to respond?
- Nilkanth Natu:** Yes, as Mr. Rajesh mentioned, currently, we are at 26.2% of the net working capital, and we expect by FY '27, we should reduce it to 24%. Answering your question on the debtors realization, the debtors which we acquired in this insolvent group, those realizations had taken place in the first two quarters and we don't see any -- and that is all.
- Moderator:** The next question is from Gagan Dixit. Please introduce yourself and proceed with your question. Mr. Dixit, please accept the prompt.
- Gagan Dixit:** Yes, Sir, given your addition of the top three global pigment players that over the time you want to become -- you want to compete with, I think, BASF, Clariant. So, when I see, over the time, so what -- after the Heubach acquisition, so what will -- we see that you have some sustainable advantage we see. I mean, if you can give some color on the cost advantage or this product mix or the customer reach, that would be helpful, sir, just from the point of view over the next three years, sir.
- Nilkanth Natu:** So, I couldn't follow your question, but basically, we have acquired Clariant and Heubach together. So, there are only two global players now. The other global player is the DIC group, which includes BASF and Sun Chemical and we are Sudarshan, Heubach, and Clariant together.
- I think we're very strong in coatings and digital inks, like legacy Sudarshan was strong in plastics, and that's where we are growing. But with the acquisition of Clariant or/Heubach, what we have also great access to special applications like phones, agro market, stationery, etc. So that's how we are playing a great. Also our product portfolio has expanded tremendously.

- Gagan Dixit:** Okay. My second question is that, sir, there is a few months back, the news came that in the media that you have done some continued the legacy deal with the Brenntag that group of the distributor of Australia, if I'm correct. So, can you give -- quantify that what are the benefits you see from this entry into the Australia market?
- Rajesh Rathi:** So, Australia, we were always present. This was a minor and not a very large market for us, and I think it's a small go-to-market change. There are distribution channels we are changing globally, due to the new situation in the market.
- Moderator:** The next question is from Jatin Sangwan. Please accept the prompt on your screen. Turn on your webcam, unmute yourself and proceed with your question.
- Jatin Sangwan:** So, my first question is just a follow-up on the revenue part. So, when you mentioned that Q3 will be subdued, so is it right to assume Q3 will be lower than Q2 at level or we will see some kind of improvement Q-o-Q going forward as some of the inventory will start easing out?
- Rajesh Rathi:** Jatin ji, it's a complex question to answer because there are two phenomenon's. Like I mentioned, December is a very -- you have half the December month only. But at the same time, certain businesses are coming back. So, as a mix impact, it's also new to us, because we never saw half the month of December not being there and major geographies now December, they don't operate. So, it's very difficult to kind of come at that, but I think we should be in the close range probably of Q2 numbers.
- Jatin Sangwan:** Got it. And my second question is on you mentioned that there are fixed costs at Heubach level. Our backup and calculation suggest that the fixed costs could be as high as 36%, 37%. So, linked to that, is it right number to look at it?
- And linked to it, another question is we have seen some reduction in employee expenses and other expenses at Heubach level. So, is it right to assume when the revenue will increase in, let's say, in Q4, the employee expenses and other expenses will still look at reduced level, and that's why we'll see higher EBITDA margins in Q4?
- Rajesh Rathi:** Absolutely, sir. The operating leverage with the higher demand would definitely be in Q4. But there is a systematic effort also on our part to reduce fixed cost. So, you will see both. Hopefully, you should see both the impacts.
- Jatin Sangwan:** And sir, is this 37% number is directionally in line or are we missing out on something?
- Rajesh Rathi:** Sir, I cannot answer this question online. Maybe our team will revert to you.
- Moderator:** The next question is from Dhavan Shah. Please accept the prompt on your screen, unmute yourself and proceed with your question.
- Dhavan Shah:** Yes. So, my question is on the stand-alone legacy business. In the last con call, I think you mentioned that the Q2 would also be soft like Q1 in terms of the pigment. But if I look at the Q2 number for pigment, we have already witnessed 12% quarter-on-quarter growth. So can you please explain what led to such growth in Q2?

And how do you see the second half for the legacy pigment in the domestic market as well as the export business?

Rajesh Rathi: Yes, absolutely, we did 12% to 13% growth, but our anticipation was even better numbers on quarter 2 -- on last year quarter. That's where I had said that compared to last year quarter, it's a little subdued. I think the growth phenomenally came from the plastics area. In India, the plastics area, we saw good growth. The coatings growth was subdued.

Dhavan Shah: Okay. Okay. And going forward for the next second half, how do you see the picture overall in terms of the domestic as well as the export business? And given that you already did the capex, I think three, four years back, roughly INR700-odd crores, how is the utilization right now? And what is the progress over there, if you can share thoughts.

Rajesh Rathi: Sure. I think given the second half, I said we expect a very good strong domestic performance. Export Q3 should be subdued. Q4 onwards, we should see a good pickup there. Our capacity utilization on the capex are going as per plan. In fact, given the new situation, some of our capex performance would even get accelerated.

Dhavan Shah: Okay. But last quarter, you mentioned that the growth would be around 8%, 10% for the legacy pigment. So that will -- that guidance maintains?

Rajesh Rathi: So, all in all, I think given the performance so far has been subdued, Q2 is subdued. Q4, we should come back.

Dhavan Shah: Understood. And sir, if I look at the published numbers and if I compare it with the investor presentation numbers for the pigment or maybe the console legacy Sudarshan, there is some discrepancy. So if you can help us to understand because that number is not matching with the as reported number, even though if we add up the RIECO numbers also?

Rajesh Rathi: Just one second. I think this Natuji and Amey, will you answer that or you will get in touch with. So, sir, Dhavan, I will get in touch with you because the numbers which we have reported are for revenue from operations. But if there is anything, post this call I will connect you. Unless you have any specific questions, we could answer otherwise, they will get in touch with you separately.

Moderator: We'll take the next question from Rohit Nagraj. Please proceed with the question, sir.

Rohit Nagraj: So, first question in terms of the 17 manufacturing sites outside of India. So, what is the plan in terms of getting some of those products from those high-cost destinations to India? And have we started the process? And will that also be one of the levers to reach the \$90 million to \$100 million of EBITDA by, say, FY '28, '29?

Rajesh Rathi: So, out of the 17 manufacturing sites, five are already in India itself. The rest of the products, some products from Germany, there was already a move to move some of the product lines into India. Those -- that project will get completed in some time, and that will give us a good benefit.

Other than that, we don't see too much of movement. In fact, given the tariff situation, we are moving some of the products actually to Europe and to Mexico

Rohit Nagraj:

Sure. Sir, second question in terms of the R&D or product development. So, we have said in the opening remarks that we've been working with the likes of even Apple, Samsung. So how has been the inquiry flow from our customers? And how do we see that those inquiries getting to fruition and finally turning into revenues?

So just a broader understanding on the technology side, the R&D setup and how we are integrating both the Heubach's technology with the Sudarshan's R&D capabilities.

Rajesh Rathi:

Rohit ji, great question. I think, Rohit ji, in the last two years, this whole process of innovation was quite broken. There was not much technical emphasis. We have created this technical teams and reactivated the technical teams.

I think the first step was to set up a confidence and a trust with customers, which we've achieved in Q1 to even regain some of our lost businesses and then get into some of the innovation partnerships and are already kind of looking at several ideas on working on innovation with our customers and are looking at that perspective.

This, obviously, looking at these projects, the whole lead time to get this done, etc, is more than a year, etc. But I think that engagement and the customers then don't find you that transaction, It's a more meaningful relationship as you kind of build going forward.

Moderator:

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

Rajesh Rathi:

Thank you, everyone, for your interest in Sudarshan. As we close the investor call, I would like say that our 3- to 4-year projections remain the same. There is a temporary setback, I would say, due to external situations on the demand and where our customers have a lot of stocks. This situation will improve. So, we would require your patience and looking forward to working with you.

Moderator:

Thank you, members of the management. On behalf of B&K Securities, that concludes this conference. We thank you for joining us, and you may exit the meeting. Thank you.
