

1st October, 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 a transcript of the conference call with Analysts / Institutional Investors, which took place on Wednesday, 24th September, 2025, after announcement of the Unaudited Financial Results (Stand-alone and Consolidated) for the quarter ended 30th June, 2025.

The said transcript is also being 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

Encl : As above



“Sudarshan Chemical Industries Limited
Q1 FY26 Earnings Conference Call”

September 24, 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. NITESH DHOOT – ANAND RATHI SHARES AND
STOCK BROKERS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Sudarshan Chemical Industries Limited Q1 FY '26 Earnings Conference Call, hosted by Anand Rathi Shares & Stock Brokers Limited. 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 you can signal the operator by raising the hand.

I now hand the conference over to Mr. Nitesh Dhoot from Anand Rathi Shares and Stock Brokers Limited. Thank you, and over to you, Mr. Dhoot.

Nitesh Dhoot: Yes. Thank you, Neerav. Good afternoon, everyone. We welcome you all to Sudarshan Chemical Industries Limited Q1 FY '26 Earnings Conference Call. Sudarshan Chemical Industries management will be represented by Mr. Rajesh Rathi, Managing Director; Mr. Nilkanth Natu, Chief Financial Officer; and Mr. Amey Athalye, General Manager, Finance. We will start the call with the management's presentation, post which we will open the forum for an interactive question-and-answer session. We will request all participants to ask only two questions and they can join back the queue for follow-up questions.

With this, I hand over the call to Rathi ji for his opening remarks.

Rajesh Rathi: Thank you so much, Mr. Nitesh Dhoot and Anand Rathi for hosting this call, and we are looking forward with our interactions today. So firstly, I would like to give you an integration update. Some of the information I'm going to repeat as this is some important information for everyone to understand and some of you may not have the full context or may not have seen last time.

On 3rd March, we completed the transaction where we acquired the legacy Heubach's and legacy Clariant business. So to give you a context -- Heubach's, or Clariant legacy is among the top 2 pigment players globally. And has a rich history, and several organic pigments being invented in this company.

So a very rich heritage of technology and, more importantly, a global manufacturing footprint with 17 manufacturing sites across the world, a very high quality and a broad product portfolio with advanced a lot of technical focus, I would say..

Sudarshan, or the Sudarshan legacy, one of the fastest-growing companies in pigment industry, 75 years of experience with customer centricity as our core value and a strong agility culture within the company. So if you combine the 2 companies and look at the broad portfolio, manufacturing footprint and the technical base of Heubach, and we bring in customer centricity, and commercial and agility. So a definite formula for creating a world leader in pigments, a value-creating pigment leader floated in customer centricity and agility. So that's the new Sudarshan, I would say.

In all, we have 19 manufacturing sites now globally in 11 countries, 5 continents. We serve almost all customers in every country and they have a very unique and a broad product portfolio.

Our manufacturing footprint is very wide. And given the current geopolitical situation and the tariff situation, this is a big advantage for us as an organization, as we have the flexibility of supplying from India, Europe, LatAm to any of these countries, and especially U.S. So the manufacturing footprint gives us a big advantage.

If you look at our product portfolio, we serve a very, broad product portfolio. We serve the conventional industries of coatings or paints, plastics, printing inks. But in addition to this, we also serve digital inks. We supply our aluminum dyes into suppliers to iPhones, cellular phones and some of our colors are also used in the latest iPhone 17 and 17 Pro. So these are the new areas where we sell into with our broad portfolios.

So again, to give you a context, Clariant for the last legacy for the last 5 to 7 years, had decided to divest the business. After that, Heubach took over the business, then there's an insolvency. All this had led to the mindset to become day-to-day survival. Whereas we want everyone now to shift to plan to win.

Whether you are in the sales team, how do we win against our competitors, whether you are in the plant, how do we be agile in reducing our cost and being humble. That's the change which we are trying to bring within the organization. Of course, being courageous and bold is very important. But staying humble at the same time is very keen and humbly listening to all our stakeholders, especially our customers, and post correct our paths where required.

The customer centricity and responsiveness is at our heart. And we are rebuilding our customer service teams, which were disintegrated today, we didn't have customer service. Customer service has become back offices, either in Romania, Poland, Mexico or in India. We are bringing back the front-facing customer centric teams. Entrepreneur mindset is very important and speed in what we do.

The fourth principle is simplicity. Clariant belongs to the Hoechst legacy. Hoechst was a EUR35 billion company with many businesses and hence quite a few of the processes designed may not be relevant today and very complex. So we want to drive simplicity in what we do.

I think bottom line financial stability is very important. Cash is king we are investing for the long term, but how do we ensure that short term, we preserve cash and be prudent is also as important.

Our integration has progressed very well. And I would say, all in all, the integration is of three legacies and not two. It's the Clariant legacy, the Heubach legacy and Sudarshan legacy. So, we are really actually looking at integrating three companies and a lot of hard work is going on in that.

To give you a more definite flavor on what we have done. Especially in this quarter, what we've achieved is we stabilized all our operations and ensure that product capability is not a concern for our customers even though some of our supply chain processes are still broken. We are fixing those, but we have ensured that we pump up inventory so that our service levels improve.

As I mentioned, we've set up customer service, we've defined a road map for our integrated IT systems. Just to give you a flavor, we are working on four different SAP systems and we want to integrate those into one. And also, there are several applications outside of SAP, which we use, almost 70 to 80 applications. We want to see how we can reduce those costs and also integrate those applications in that perspective.

So, from that perspective, the next leg where we are playing in, is setting up the GCC, the Global Capability Center from that perspective. And also, we fully finalized our org structure. So, I would say, all in all, our team has really achieved a lot in the short period. One of the areas, if you remember, I spoke about and which I committed is our team had committed to this turning around the business was important, and that was based on cost reduction and value capture.

During insolvency, there were several surcharges imposed on customers, and those charges have to be taken back and hence, we are working on a lot of cost reduction in AP area.

From optimizing our operations, where we are looking at across, what are the ideas of reduction in cost within the sites, but we're also comparing our processes across sites to see how we can reduce cost. Procurement has been a big lever, where I think the procurement initially by the acquired group was more focused on Europe, but we are shifting this to Asia to more competitive sources and also taking advantage of our combined volumes.

IT, as I already spoke to you, several ideas on reducing the cost. When we benchmark IT costs, the IT cost by at least 3 to 4 times higher than the world benchmark was. So we deliver both from a cost reduction and also bringing in efficiency and processes.

The other SG&A cost, we've looked at several optimizing the structure which has happened, and that's given us a great benefit to in terms of that. And our product management, we were outsourcing several of our products, which we've in-sourced, and that will also give us a big advantage. Our net working capital will be our next focus on how to optimize cash and working company.

As I always said that, we are very excited of our journey ahead. There's a great opportunity. If you look at how the industry is shaped. Five or six years ago, there were five global players. Today, there are only two global players, with Sudarshan as the only player who is focused on only pigment business. So this provides us a great opportunity in creating the most valuable pigment company in the world.

The way we are driving our customer centricity, customer centrality across and bring in agility, I think this is going to be a very distinct advantage for us. We will become a world-leading color solution provider because our technical marketing, product management teams and our portfolio and the right sales team, we can work with customers really to providing great solutions to the customers.

With this, I will start with the Q1 performance update. Just to give you a little bit of a reflection on what's happening in the market. It is a fact that some of our customers today, there are headwinds from a market perspective. Our customers currently struggle with low demand and also high inventory.

High inventory was caused by two areas. One was given the tariff situation, some of our customers had built inventory, the geopolitical situation also anticipating better demand. So this was one area. But specific to Heubach, during the insolvency, there were several customers who are very insecure and built up high inventories. We expect them to destock this and by December, we should come back to a little bit of our normalised numbers.

So there's a double impact really for us where we see moderate demand and many customers who are built up inventories, so destocking. Also this, we are learning new areas where we see from August Europe is almost shut. So because of that, this is a new seasonal impact, which even I have learned about from that perspective.

So however, having said all this, there's a great trust from our customers, and customers want to rebuild a meaningful relationship with us. We've already been honored with several customer prestigious awards from both the coatings and plastics industry. We've got the excellent supplier awards and we have been seen as an ideal global partner for combining our expertise and we have a great commitment from customers to do business with us. So that's a great area to kind of move together on.

With this, we'll come to the numbers from our Q1 quarter.

Nilkanth Natu:

Thank you, Mr. Rath. Good evening, ladies and gentlemen. I will take you through the quarterly financial highlights, starting with One Sudarshan. Total revenue for the quarter stood at INR2,507 crores. This number includes legacy Sudarshan, acquired Group and Rieco business. Year-on-year and quarter-on-quarter numbers are not comparable, as acquisition of Heubach Global Pigment business was completed in March '25.

Legacy Sudarshan includes a stand-alone Sudarshan and existing subsidiaries performance of the legacy Sudarshan. Revenue for the quarter stood at INR628 crores marginally down by 1% and EBITDA for the quarter is at INR87 crores versus INR81 crores last year, and EBITDA margin is at 13.9% versus last year of 12.7%.

We have seen revenue ramp-up starting in the acquired group. Revenue for the quarter is at INR1,882 crores versus one month revenue of March '25 post deal closure, which was at INR525 crores. In absolute EBITDA is at INR78 crores, which is 4.1%.

Coming to the pigment business. Legacy Sudarshan's revenue from the pigment business for the quarter stood at INR578 crores which is marginally down 2% compared to the last year Q1, which was at INR589 crores. EBITDA for the quarter is at INR87 crores compared to INR90 crores last year and the EBITDA margin is at 15.1%.

Revenue from global pigment business, which is legacy Sudarshan's pigment business and acquired group stood at INR2,456 crores for Q1 FY '26 with the adjusted EBITDA of INR165 crores, which is at 6.7%.

Rajesh Rathi: Just to add what Mr. Natu has said, in legacy Sudarshan, we may see Q1 and Q2 to be a little flattish. But by the year-end, we should pick up sales. This was mainly in specific geographies and specific customers. Also, we found some areas like especially Europe, and North LATAM, where demand was weak though we are working on winning back some of these areas. And as we see, acquired group, the sales ramp-up has started but the market is not favorable, but we are in a good shape to bring back some of the businesses.

Nilkanth Natu: On the financial ratios, earnings per share for the quarter is at INR6, which is not annualized number. Return on capital employed for the quarter is at 14.3% compared to 13.7% last year and net debt to equity is at 0.5%.

We continue to drive our focus on the net working capital. Net working capital as a percentage to revenue stood at 23.9%. Net debt for the quarter stood at INR1,084 crores. With this, I will hand over back to Mr. Rathi for his closing comments. So net debt, Mr. Natu, do you want to explain that?

Nilkanth Natu:: Yes. So net debt for the quarter is at INR1,084 crores compared to INR652 crores in the Q4 of the last financial year. And this is because of the part of the purchase consideration, which was paid in June, which is as per the agreement.

Nilkanth Natu: So I think this was just part of the payment, which was paid in June as part of the whole purchase price integration. Yes. With this, I hand it over to Mr. Rathi for his view on the outlook and closing remarks. Thank you.

Rajesh Rathi: Yes. So our projections, as we said that we are on track on what we have projected acquired a group for EUR35 million EBITDA. We after seeing this business for 5 to 6 months now and my team feel very confident that we would be able to deliver not only this year's number, but financial year '28 or '29. We would be on track to delivering the 90 million to 100 million EBITDA out of the acquired group.

I've already spoken about tough market conditions. But in spite of that, we would be able to deliver these numbers. So all in all, I think a good place where we are in. There are definitely some distinctive advantages which one Sudarshan brings into play. One is obviously 1 of the fastest-growing pigment companies. But if you look at all our legacies the combined experience is probably beyond 200 years.

So that's a great history which we have with us, we can build on. We offer customer first solutions and we really build back that technical expertise, the technical market, the product management and the customer connect the sales team. Quite a few of our sales team, a major part of our sales team is very technically driven, which helps in kind of delivering customized solutions to our customers.

We offer one of the most comprehensive organic pigment portfolio. But now we also have an expanded portfolio into specialty dyes anti corrosion with pigments, pigment preparations which has really given us a great a boost in our product range, probably the most comprehensive broadening product portfolio. One distinct advantage we have is if you look at our manufacturing footprint.

We are the only ones with such wide footprint of our manufacturing footprint and more importantly, 50% of this being in Asia. So a long term cost imperative, where in addition to this, a specialty portfolio out of Germany and then, of course, we have LATAM also as an important region for us to manufacturing pigments.

So this really gives us a great, I would say, competitive advantage, long-term advantage as we build this. So thank you, everyone and thank you for listening to us on that perspective. And with this, we hand it over back to the moderator for the question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. Our first question is from the line of Archit Joshi. Kindly announce your company name and proceed with your question.

Archit Joshi: Hi, good evening gentlemen. This is Archit Joshi from Nuvama Institutional Equities. Firstly, many congratulations for a successful integration and reporting a decent quarter. Sir, my first question is regarding your comment rather that you made with regards to being on track to achieve the early guidance that we had given for Heubach EBITDA, which is roughly EUR35 million. And as we can see closer to the annual – hello, am I audible? I think I got disconnected.

Moderator: No, sir, you're audible. We can hear you.

Archit Joshi: Yes. So sir, I was saying the part that you had set up for FY '26 to achieve EUR35 million of EBITDA from Heubach seems fairly within reach. But if you could explain what would drive this to take us to our FY '28, FY '29 number, I would like a breakup, if you can give on two accounts, what would be the cost items that you think are easily achievable or are low-hanging fruits, which might help in boosting the EBITDA?

And on the sales front, how do you see this INR2,000-odd crores revenue, quarterly revenue of Heubach if one annualizes, let's say, to INR8,000 odd crores every year, to grow at what rate to be able to reach that EUR90 million to EUR100 million EBITDA?

Rajesh Rathi: Good question, I think as we had mentioned, that's a great opportunity in cost reduction and value capture. And several levers the main ones being manufacturing or operations. We expect a large part of the cost reduction to come from them. Equally important is the procurement or purchase levers. And looking at these two levers and then there is a onetime correction in the Org structure.

Some of the Org structure benefits, though we've completed we are still not seeing in the EBITDA margins as the restructuring cost of that is still there. So from that perspective, these are the three main levers. Then there are small levers like IT. There are other functions from our perspective where we are looking at this from a growth side.

As I mentioned until January, we don't see too much of growth but we are engaging very well with customers. We will see some growth coming in from that. And then on a year-on-year, we see no natural growth of 4% to 5% coming in from that business year-on-year. These will be the levers where we will kind of coming. Please also remember that when we started looking at this business, the EBITDA was zero. And as we are working at to value capture, it takes time for it to come in to have the full impact. So that's where I think we are sitting today.

Archit Joshi: Great, sir. I think that answers my first question. Second question, and then I'll follow back in the queue, if possible. You had mentioned that 50% of our production comes from Asia. So, I'm assuming that this is 50% production volumes, might we also get the number on what we do in Europe and US, as manufacturing capacities that we have there?

Rajesh Rathi: I think these are just ballpark figures, that I am giving you, a flavor of how this distribution is, I would say, ballpark, 50% from India, 30% from Germany and balance from LATAM, America and Japan, right, other geographies. And that gives a very distinct advantage for us, because the way we have a global manufacturing footprint, this is definitely a competitive advantage for us. And most of our competitors are either fully based in Asia or have no presence in Asia, or negligible presence in Asia.

Archit Joshi: Sorry, sir. A small one squeeze in.

Moderator: Sorry to interrupt you, Archit. Can I request you to come back for a follow-up question, please?

Archit Joshi: Sure, sure.

Moderator: Thank you very much. Next question is from line of Rohit. Kindly accept the prompt, join as panelist, unmute your audio, turn on your video, introduce your company name, and proceed with your question.

Rohit Nagraj: Thanks for the opportunity. Rohit Nagraj from B&K. So congratulations on the successful integration and relatively good performance. So first question is in terms of the production footprint. So have we started optimizing the production, given that Sudarshan legacy business was also exporting some of the products to these countries.

And now since we have the Heubach facilities, particularly situated in Europe. Have we started shifting some of those products to Heubach or where are we in that process of optimizing the production? And if so, what is the time-line that we are looking at in terms of optimizing it and getting those benefits accrued? Thank you.

Rajesh Rathi: So, a great question, Rohit ji. From a perspective, there are 2 aspects to look at, where to meet the product, First was as there was a process, which was in place, where some of the non-specialty Azo pigments, were being moved from Germany to India So that process is just getting completed now Then the product management group is in totality, looking at what's the right place to make the right product, globally. That so -- and that depends on 2 factors, is the manufacturing cost, landed cost of the product manufacturing, total cost of the product on what geography and what's the capacity utilization impact.

So, though product management looks at the entire margin and then decides how to make it. And of course, one caveat is there. We have a tariff situation and hence, the tariff situation sometimes would kind of lead the strategy to meet this product locally in Mexico or Germany and not in India.

Rohit Nagraj: Sure. Thanks. Sir, second question on the numbers front, 2 sub-questions. One is that the integration cost that we have taken during this quarter. Is it going to be a recurring in nature? And if so, what could be the quantum?

And second question on the net debt front, the debt has increased during the quarter. However, the cost of debt and interest seems to be extremely high. So how are we likely -- I mean what is the kind of average cost of debt that we can take for FY'26? Thank you.

Nilkanth Natu: Thanks, Rohit. Nilkanth here. So firstly, on the integration costs, the current integration /restructuring cost is at INR32.8 crores, and we expect the similar run rate. And this is for the initiatives, which are currently being driven our go-to-market initiative, value capture, etc

Rajesh Rathi: Just to add, some of our IT restructuring costs or the cost of organization restructuring, that's not included in this, that will be over and above this

Nilkanth Natu: And on the finance cost, Rohit, while there has been increase in our expenses, which we had mentioned in our opening remarks; in the Q4, there was a partial timing impact because we had drawn down the loan during March, and there was a bit of the timing, which was on a lower side. This particular quarter has a full quarterly impact on the finance cost, which is seen in the financials.

Rohit Nagraj: So just clarification, no questions. First, the restructuring and integration cost, what is the time line that they will end. And if I take the run rate of about INR40 crores, INR45 crores of interest, it looks like on an annualized basis, the average cost of debt is about 15%, 16%. So just clarifications on these two aspects? Thank you.

Rajesh Rathi: We plan the integration cost for this year and the integration cost should be Eur 10 million plus for this year, excluding the IT or the organization restructuring, Rohitji. On the interest cost, Mr. Natu, you want to start?

Nilkanth Natu: So, Rohit, on the interest cost, since it is -- right now, you are looking at the net debt. If I see on the gross state, the interest cost should be in the range of 6.5% to 7.5%. There are also other accounting impact in the interest cost, which is on account of the lease accounting, where the finance cost on the lease is also captured here. It is not on the borrowings, but it is more of the lease accounting there. So, from the perspective of the modeling, 6.5% to 7% can be taken as the finance cost on an average.

Rohit Nagraj: Thanks a lot. These are very helpful. Thank you and all the best, sir.

Nilkanth Natu: Thank you, Rohit.

Rajesh Rathi: Thank you.

Moderator: Thank you very much. Next question is from line of Bharat Sheth. Kindly accept the prompt, join as panelist, unmute your audio, turn on your video, announce your company name and proceed with your question. Go ahead, sir.

Bharat Sheth: Yes. Rajeshji, how are you? And thanks for the opportunity.

Rajesh Rathi: Yes, sir, we can hear you.

Moderator: Yes, sir, we can hear you. Go ahead.

Bharat Sheth: So, Rajeshji in, say, Germany, which is currently contributing 30% of our production and if I understand that in time of acquisition, we were anticipating the government will do some kind of research, I think cost structure and everything. So is that already there in the place? Or is German manufacturing unit is profitable, or what stage we are in turning it to be profitable?

Rajesh Rathi: Sir, I can't fully follow your question. But what I understood is our manufacturing footprint, if you're talking about our manufacturing footprint...

Bharat Sheth: Correct.

Rajesh Rathi: From Germany, whatever products had to be transferred have been transferred back to India. And now it's a stable manufacturing list -- there are good value capture ideas on Germany, and we will ensure that it is self-sustaining on its own.

Bharat Sheth: Okay. Good. And second thing, in opening remarks, you also kind of bringing down our working capital. Currently, what cycle we -- I mean, how many number of days we have working capital and where -- how do we plan to bring it down? And what is the sustainable level that we are anticipating? Hello?

Rajesh Rathi: Yes, just a second, Bharat. We are approximately at 24%, 25% of working capital. We want to bring it down to 21%.

Bharat Sheth: Will it be by year-end? Or is it gradually that will come down?

Rajesh Rathi: Gradually. Our focus is first on building the planning processes and our first target is building customer trust. So ensuring even if we are a little inefficient, we don't want to compromise on that. The good part is pigment inventory is -- doesn't get obsolete. It has a shelf life of like an infinite shelf life say 20 years. So, we will ensure that at the right time once the planning processes are in place, we will optimize the inventory.

Bharat Sheth: Okay. Thanks a lot and all the best.

Rajesh Rathi: Thank you, sir.

Moderator: Thank you very much. Our next speaker shareholder is Nilesh. Kindly join us, panelist. Unmute your audio. Turn on your video. Announce your company name and proceed with your question. Go ahead, man.

- Nilesh Ghuge:** Yes, hi. Good afternoon, sir. This is Nilesh from HDFC Securities. Can you hear me?
- Rajesh Rathi:** Yes, very clearly.
- Nilesh Ghuge:** Yes, sorry. So a couple of questions. First thing on the depreciation. So can you tell us the depreciation for this year and FY27? Will it be the extrapolation of the Q1 number?
- And second question, in your presentation, you mentioned that our customers currently struggle with low demand, and they already have high inventory because they built up high inventory due to insolvency. So based on current demand and outlook on the demand, how many months of inventory do they hold as of now? So these are the two questions. Thank you, sir.
- Nilkanth Natu:** Thank you, Nilesh. On the depreciation part, currently, for the quarter, the depreciation is at INR99 crores, and we expect the similar range each quarter going forward for the FY26. Thank you.
- Rajesh Rathi:** On your second question, Nilesh, I think, of course, there are two impacts. One is overall, in general, there is a destocking effect because people have our anticipated demand and also looked at any uncertainties and build up the demand. The second part is also that the -- when it's concerning us, that's Heubach, i built up Heubach customers, legacy Heubach customers, built up demand due to the insecurity, right?
- So these were the two factors, I would say, where destocking happens and that's why destocking is more pronounced for us now, Because a lot of customers are destocking. It's very -- customer to customer, it differs, but we believe that customers are kind of stocked up on certain products till December, and we should see a good numbers coming up.
- Nilesh Ghuge:** Thanks. Thanks a lot, sir.
- Rajesh Rathi:** Thank you.
- Moderator:** Thank you. Next question is from line of Hussain. Kindly accept the prompt. Join us, panelist. Unmute your audio, turn on your video and announce your company name and proceed with your question.
- Hussain:** Sir, I just wanted to understand if the domestic market is spurred on numbers. And you have said that in the Q1 and Q2, the numbers will be weak and largely in Q3, Q4. So what's the prime reason for -- I think you have already said in terms of that there is some inventory buildup. But how do you see that in the full year? Can you see a full year revenue growth of more than double digits? Can we see full year revenue growth of double digits considering that in the domestic business?
- Rajesh Rathi:** Simply, just to clarify, when you mean domestic business, you mean the Legacy Sudarshan business,
- Hussain:** Correct. Correct.

- Rajesh Rathi:** Legacy Sudarshan business, absolutely, sir. I think we should -- the aim at the end of the year is to get the 10% in that region, 8% to 10 % number from the year-end perspective. Q2 should be still a little soft on two reasons. One is, of course, last year, our Q2 was very robust. And we have seen significant growth.
- And this combined with that, seeing last year's robust growth and this year's a little bit of a muted demand, these are the two areas where we'll see a little bit of softness in Q2, and we should be able to build up that as we go ahead.
- Hussain:** Got it. And sir, secondly, when you think of the global payment sector, I think you already start said that only two players -- so from the earlier five players to two players. So on the pricing front, have you seen that the pricing has largely improved because of the two players -- being only two players in the segment, largely driving the compared to five players, has the realizations have improved across the book?
- Rajesh Rathi:** I think generally, the -- there is a good competitiveness on pigments from Asia. And there is, of course, a price differential between the Asian player and a global player. But that has not significantly increased. And I think our focus is on capturing value volumes. And hence, we will keep our pricing at where we are around.
- Hussain:** Got It. I think, sir, that is the only question from my side. Thank you.
- Rajesh Rathi:** Thank you, Hussain.
- Hussain:** Thank you.
- Moderator:** Thank you very much. Next question is from the line of Raja. Kindly join us panelist and mute your audio, turn on your video, announce your company name and proceed with your question. Go ahead, sir.
- Raja:** Sir, just a couple of questions. So first one is you mentioned that some of the commodity business has been moved from Germany to India. So I would like to know, has it been more to Sudarshan India business are the Heubach India. And also, what is the margin uplift that you're looking at by moving?
- Rajesh Rathi:** These are -- some of these products were part of the movement, even before we had acquired this group. So it was moved to Heubach group companies, either be public listed or the private both. This was done because these products were not very viable out of Germany, The costs were very high.
- And hence, the these move to India, From India, I don't recall right now the margins, what this was, but I think it was a very favorable area where we could compete with making these products here, right, where in Germany, we were not able to.
- Raja:** Okay. Got it. Sir, the second question is I see that the power cost is a major component of your other expenses, particularly on the European region.
- Rajesh Rathi:** Can you sir -- it's very difficult to follow. Can you talk louder?

- Raja:** Yes. Sir, this question is on the power cost in the European region. Given this war between Russia and Ukraine, so I mean, generally, most of the companies are seeing the higher power costs. So I just want to, is the scenario improving or is it the same or is it deteriorating?
- Rajesh Rathi:** So I think there's also a normal cycle in Europe where in the winter season, the power prices tend to increase. The big surge, which had happened during the Ukraine, Russia, for energy at that time, is not prevalent anymore. And hence, the power differential cost during the normal months other than the winter is not significantly very different.
- Raja:** Okay. So it's no longer a headwind for us, is that...
- Rajesh Rathi:** No, it's not a headwind for us anymore.
- Moderator:** Thank you very much. Next question is from Nitesh Dhoot from Anand Rathi. Please go ahead.
- Nitesh Dhoot:** Just a couple of bookkeeping questions from my side. So first is on the pigment business gross margin. Can you give the split between the legacy and the acquired group? That is the first one.
- Rajesh Rathi:** So Nitesh ji, So I think currently, we are not giving out the gross margin numbers given that once the business stabilizes, especially of the acquired group, we'll be able to do that. But the acquired group does have a higher gross margin than the legacy Sudarshan business.
- Nitesh Dhoot:** And sir, just one more for Nilkanth ji. So basically, if you see the other expenses, that includes the integration cost, INR33 crores, that's related to the acquired group. In the last quarter, if I remember, you had INR20 crores expense, and that was considered in the adjusted EBITDA number, which you gave out in the presentation.
- For Q1, however, this appears to have been left out when giving the adjusted EBITDA at INR165 crores. So considering this as a one-off, does it need to be added back to that EBITDA number or how should we go about it?
- Nilkanth Natu:** We have adjusted EBITDA with INR20 crores of one-off costs. The current INR165 crores adjusted EBITDA, which we had mentioned in our presentation needs no further adjustment.
- Nitesh Dhoot:** Okay. And just one more on the foreign exchange adjustment. So you've mentioned INR27 crores as the gain that has been adjusted. And in the reported numbers, there is another INR11.5 crores. So I mean, is this part of that number or has it to be treated separately?
- Nilkanth Natu:** So Nitesh, the INR27 crores the forex gain adjustment, which we have mentioned in our presentation, this is more of an accounting treatment, which is related to the FX translation on the intercompany loan between Sudarshan India and Sudarshan Europe BV. These loans we are given as a part of this transaction. So we have excluded this exchange gain from the normal operating EBITDA, which is reported.
- Moderator:** Thank you very much. I now hand the conference over to the management for closing comments.
- Nilkanth Natu:** Thank you, Mr. Nitesh and Anand Rathi Research. Thank you all the participants for your time and interest in Sudarshan Chemicals. We remain confident in the long-term prospect of our

business and also on the integration, which we are which we have mentioned in our opening remarks. We look forward to engaging with you again in the future. Thank you.

Moderator:

Thank you very much. On behalf of Anand Rathi Shares and Stock Brokers Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.
