

5<sup>th</sup> August, 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 Tuesday, 29<sup>th</sup> July, 2025, after announcement of the Audited Financial Results (Stand-alone and Consolidated) for the quarter and year ended 31<sup>st</sup> March, 2025.

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

Kindly take the same on record.

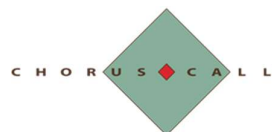
Thanking You,  
Yours Faithfully,  
For SUDARSHAN CHEMICAL INDUSTRIES LIMITED

MANDAR VELANKAR  
GENERAL COUNSEL AND COMPANY SECRETARY

Encl. As above.



“Sudarshan Chemical Industries Limited  
Q4 FY25 Post Results Earnings Conference Call”  
July 29, 2025



**MANAGEMENT:** **MR. RAJESH RATHI – CHAIRMAN & 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. ANKUR PERIWAL – AXIS CAPITAL LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Sudarshan Chemicals Q4 FY '25 Post Results Earnings Conference Call hosted by Axis Capital 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. Please note that this conference is being recorded.

I now hand over the conference call to Mr. Ankur Periwal from Axis Capital Limited. Thank you, and over to you, Mr. Periwal.

**Ankur Periwal:** Thanks, Neerav. Good afternoon, everyone. Welcome to Sudarshan Chemical Industries Limited Q4 and 12-month FY '25 conference call. We are pleased to host the management for the discussion post Heubach merger here. As usual, the call will start with a brief management discussion on earnings performance, followed by an interactive Q&A session.

Sudarshan Chemical Industries Limited management will be represented by Mr. Rajesh Rathi, Managing Director; Mr. Nilkanth Natu, Chief Financial Officer; and Mr. Amey Athalye, General Manager, Finance. Over to you, Rathi ji, for your initial remarks.

**Nilkanth Natu:** Thank you, Axis Capital and Ankur Periwal for hosting our earnings call. Good afternoon, ladies and gentlemen. Welcome to Sudarshan's Q4 FY '25 earnings conference call. Our investor presentation has been uploaded on the stock exchanges for your ready reference. During the call, we could make forward-looking statements.

These statements consider the environment we see as of today and carry risks and uncertainties that could cause our actual results to differ from those expressed in today's call. We do not undertake to update any forward-looking statements made on this call. Now I will request Mr. Rajesh Rathi to give his opening remarks.

**Rajesh Rathi:** Good morning, everyone and I hope you can hear me clearly. Thank you, Axis and Ankur ji for hosting our conference call. It's a great pleasure to be here on the desk. So, I would like to give you a little bit of history on our acquired group, Heubach. After World War II, one of the largest chemical company, which existed in the world was IG Farben.

IG Farben was split up after the World War II in three companies: BASF, Bayer and Hoechst. And Heubach, the acquired group belongs to the legacy of Hoechst. Hoechst was a EUR30 billion chemical company - in years to come later, it spun off its specialty chemical business into Clariant, which in 2022, SK Capital bought this pigment business and it was called as Heubach.

So going forward, there would be 3 legacies, one is the Clariant legacy, Heubach legacy and Sudarshan legacy. Clariant came with a great history of pigments. Many pigments were invented there. So for us, this acquisition is not only about a strategic and financial fit, but it's also preserving history. And we have deep rooted technical technology with us.

With this, and as you all know, Sudarshan legacy was the fastest-growing, most profitable company globally for pigments with 75 years of experience, entrepreneur and agile culture. Both these companies together, the new one Sudarshan, we feel that we could become the most value-creating pigment company with customer centricity and agility.

So as One Sudarshan, we have 19 manufacturing facilities in 11 countries across 5 continents. We represent all major industry segments. We have 4,000-plus global customers and a very large range of products. Our combined turnover is about 1 billion euros together and it's a very exciting opportunity for us.

**Rajesh Rathi:**

This is a global manufacturing footprint of the 19 manufacturing facilities. If you see our product range, we have one of the widest product range now in the industry.

Organic pigments, a very wide range of high-performance pigments to classical pigments. Both Sudarshan legacy and legacy Clariant have a very strong footprint put together in organic pigments. But if you see what the value addition and legacy Sudarshan also brings the effect pigments portfolio.

But if you see the portfolio in terms of inorganic pigments, corrosion protection, pigment dispersion and dyes. These are the areas where we had a big weakness, or I would say, a weak portfolio, and this has really strengthened our product portfolio.

Some of the specialty dyes find very exciting applications like your phones we have several colors approved in iPhone, Samsung, etc. And so the aluminium dyes is a very interesting business given this addition. Some of our pigment dispersions find applications in personal care, seed coating markets, again, a very good presence, which comes along with us.

The corrosion protection pigments find very good application in automotive on the base coat, which we get. So all-in-all, I would say, a very exciting portfolio, which we bring to the table. Altogether, we have about 200 to 250 people in the technology roles, and we are looking to further strengthen this,

**Rajesh Rathi:**

. So I think some reflections from our integration process, So I think some of our areas as I said, this was a combination already of two legacies, Clariant and Heubach, but both the companies had very limited integration of data, systems, culture, processes.

And so, we have really launched building one culture, integrating our SAP systems. Today, we operate on 4 different SAP systems. We want to integrate this into one. We want to build one culture. And I'm glad to tell you in a short span, more than 70% of the employees have been covered for our purpose mission values going forward.

We have also launched a large cost reduction program where we are able to create a substantial value creation funnel. So all-in-all, I would say, we started the integration on the right pace. The second area which we found there was the customer centricity was lost as there was no customer service in several geographies.

This was in the back then. I mean, giving you a very stark example, if a customer wants to find out where the material is, they would have to send an e-mail. They would get a code. They would have to log on to the code after 24 hours and try and find out, if they're lucky, where their material is.

We believe customer service is a very important priority. And we are bringing customer service back. So what we mean is in each geography location, we would have customer service that customers can reach out, So in Europe, Spanish, Italian, German would be common languages, which we would equip it. That's one area.

And as a consequence of this, what would happen is a lot of the salespeople are spending time on doing customer service and supply chain jobs instead of focusing on building the business, developing the business. None of the senior management was in touch with the customers. And thus, if you are not in touch with the customers, how do you build trust and reliability.

And also, you know it's the customer pulse which you need to understand and drive internal initiatives to meet the customer requirements. That was missing. I'm glad to tell you that my entire team is in the market, on the ground. In fact, I have met more than 100 customers personally and you know to discuss how we can build this trust and reliability back. – Earlier there was no one face to the customer.

So there were several salespeople would call on to the same customer. We have created one person contact at the customer, and we've already launched that within the 10 days of acquisition. One more important part, which we've done is we've built the technical competence back.

I think customers valued the technical collaboration. So we've built the technical marketing function. We've built the R&D function back. We've rehired several people. We've not just rehired them, but brought in a lot of focus for them and a lot of importance. We feel that they are the backbone of our organization. And this is also leading to a lot of good confidence with customers.

During the insolvency, of course, supply chain processes were broken. We need to rebuild these supply chain processes back, but one decision we've taken is though we may be inefficient till we build back our supply chain processes. We have upped our safety stock so that the delivery performance to the customers doesn't suffer. There were critical gaps. As I mentioned, the technical workforce was already kind of put in place. But still, we had several gaps, particularly in the support functions, HR, IT, finance. And we've made good progress by hiring senior resources in supply chain, procurement, finance and HR already. Just deep diving, as I mentioned, cost reduction is going to be a very important phenomenon for us, going forward.

And we are together working across the organization. So we are not just focused on one area, but we are looking at building right from operations, supply chain, looking at what are the cost savings initiatives. We are looking best practices across manufacturing sites. You know, we make several products across sites. Where do I get my best yield? What are my best manufacturing facilities? And how can I replicate on these other sites? Procurement, I think we are looking at how we can lead Asia-led procurement more and negotiate better contracts. IT, we are fast tracking. There were several initiatives which we had done already to reduce IT costs. We'll continue to do that. But more importantly, we have already started working on the SAP.

There are other SG&A costs we are working on. The R&D or the product management is really focusing on building portfolio optimization, removing inefficiencies and looking at a few strategic backward integration projects. We are looking at how we can win back some businesses which were lost.

And finally, we would come back to some net working capital. We do have some room in the future to release some working capital. Some of the core principles which we are driving the business. And I think it's very important to understand that even before the business went into insolvency, the business was on the block from Clariant for some time.

Thus, the business has been defocused now, I would say, for several years. So the culture of you know culture in the organization was survival from day to day. Look at cash flows, , don't think long-term. And we are saying that we want to build a mindset. What we are saying is move the mindset from playing to survive to playing to win.

We are saying be bold, be passionate and ambitious. We would love to dream big, but stay humble with all your stakeholders where you can listen to them and continuously improve. I already spoke a lot on customer centricity, and this is going to be a building block for us. Building ownership and agility as we've put in our organization structure, the very design of our organization structure has been to build entrepreneurship and agility in the organization.

And I'm already seeing good results where people are willing to make quick decisions, which in or else why it would have taken years. Simplicity, is a very important part. As I mentioned, the heritage of or you know the legacy comes from Hoechst, which was a large multibillion euro chemical company.

Today, we are a pigment company. And the processes which we follow in some of the legacy companies, especially are still inherited from Hoechst. And that's where we are saying that we need to make them more relevant for the business today and make the simples very simple.

Going forward Financial stability is very important. We are very prudently managing cash. We have been very conservative. We want to ensure we are going to keep conserving cash as we're going forward and being very conservative.

My team and I are very, very excited about this opportunity. This opportunity to build on our legacies, merge as one of the most valuable pigment companies. Customer centricity, , building the trust and reliability with our customers. You know we could become a world-leading color solution provider.

There's a great platform and opportunity given our technical competence, our comprehensive product portfolio and a global manufacturing footprint. And we are again looking forward to truly acting as one global team. We'll talk now more on the numbers. And there are several numbers which we are going to present.

So I would request your attention going forward,. So some of the reflections from the market environment. The market is not easy. I mean, that's no secret. Everyone knows, given the geopolitical and the tariff situation, it remains uncertain. There's a flat demand, and there is also destocking, which is happening.

But on the positive note, as I mentioned, we've had several customer conversations, and it has become very clear that customers want to partner with us. They want us to become a reliable long-term supplier. And this is a very positive, and this is somewhat somewhere we are using these areas to build our business.

Apologies that our audit took longer than it was expected, and we could not meet with the timelines. But I think Mr. Natu will explain some of the areas where we had a few concerns going forward. Yes, Mr. Natu.

**Nilkanth Natu:**

Thank you, Mr. Rath. As Mr. Rath has mentioned, we have completed the audit for the financial year '25, including the acquired group. However, this annual audit took longer than expected. A couple of reasons. This particular acquired group was not audited at the consolidated level since the calendar year 2022.

It has 48 acquired group entities under the reporting coverage with 3 different ERP systems in the acquired group and that is also not integrated, created some data challenge for us to extract as far as the audit is concerned. And the last is the acquired group was not used to the rigor of the statutory audit of the listed company.

And since it was not audited for the past 2 years, it took a lot of efforts. Our team has put in tremendous efforts to complete the audit, and we feel happy that team has delivered this humongous task. Thank you. On the transaction details, as we have mentioned, just to have a recap, this is a transaction which has asset purchase agreement and the share purchase agreement.

The preliminary purchase price paid as per the APA and SPA is at EUR151.9 million. As against this purchase price, the assets which were taken over on the deal closings, the significant ones are the tangible and the ROU assets for the various manufacturing plants taken over are at EUR181 million.

The net working capital, which we have acquired from the acquired group is EUR190 million, which is inventory, trade receivable and trade payables. And apart from that, we have also got cash and cash equivalent to the extent of EUR68 million. So this is overall the comparison of the purchase price paid and the assets which we have taken over on the closing.

Now next couple of slides are very busy with the numbers, and I would to take you through the slides. The first slide is on the One Sudarshan quarter 4 financial year '25 performance. And this slide has three parts. One is the legacy Sudarshan. When I say legacy Sudarshan, it is a legacy Sudarshan Pigment business plus RIECO.

And then we have an acquired group to present the One Sudarshan as the performance parameters. The sales for the quarter as far as the legacy Sudarshan is concerned is at INR825 crores, which shows 8% growth over the last year Q4 number of INR764 crores. While Sudarshan Pigment legacy has delivered the robust sales growth, which we can see in the subsequent slides at the rate of 16%, somewhat subdued performance of the RIECO has pulled down the overall percentage of the legacy Sudarshan.

The gross margin shows good improvement from 42.9% to 44.2%, which is 1.3% up, which has been reflected in the adjusted EBITDA for the quarter, which is at INR126 crores compared to INR119 crores. And in terms of the percentage, it is at 15.2% compared to 15.6%. For the acquired group; for the month of March, the sales stands at INR525 crores with a gross margin of around 55.8% and the first month EBITDA is at INR22 crores.

With this, One Sudarshan performance for the quarter on the sales side is INR1,349 crores as compared to INR764 crores last year. And the adjusted EBITDA is at INR148 crores compared to INR119 crores of the last year Q4.

**Rajesh Rathi:**

You want to mention about the one-off.

**Nilkanth Natu:**

Yes. When we say the adjusted EBITDA, this adjusted EBITDA is for the employee cost of INR12 crores, which is relating to the acquisition. And there are one-off expenses of INR8 crores, including earlier period MIDC CETP settlement, which we expect that this will be onetime cost.

Next. Now coming back to One Sudarshan financial year '25 performance. Again, this is a legacy Sudarshan, which is the Sudarshan Pigment plus RIECO and the acquired group. On the full year basis, the legacy Sudarshan sales stood at INR2,821 crores compared to INR2,539 crores last year, showing growth of 11%.

The gross margin shows good improvement, which is at 45.3% compared to 44.2% last year, which is 1.2% up. And the adjusted EBITDA for the Sudarshan legacy group is at INR380 crores compared to INR316 crores last year and the EBITDA percentage is at 13.5%. Acquired group, we have covered in the last slide, since this is only for the month, the number remains same.

And when we see that total Sudarshan, One Sudarshan, on a consolidated basis for the financial year, the sales are at INR3,346 crores compared to INR2,539 crores last year. And gross margin is at 47% compared to 44.2%, majorly also because of the acquired group gross margin, which is at 56%. EBITDA adjusted is at INR402 crores compared to INR316 crores.

Next. Coming to the pigment performance. Now this is the performance for the Sudarshan legacy Pigment plus acquired group pigment business. For the quarter 4, the Sudarshan legacy Pigment has delivered the sales growth of around 16%. The sales stands at INR744 crores compared to INR644 crores last year and the gross margin at 44.7% compared to 44% of last year, adjusted EBITDA for the quarter is at INR121 crores compared to INR100 crores last year with 16.3% EBITDA margin. And the Pigment global business for the quarter, the sales stood at INR1,269



crores compared to INR644 crores last year and with the EBITDA at INR143 crores, including acquired group compared to last year INR100 crores for the quarter 4.

This is the performance for the full year 2025 Pigment business. So for the year, Pigment business sales growth is at around 17%, INR2,595 crores sales compared to INR 2,223. Gross margin shows good improvement of 1.9% reflected in the EBITDA margin of 15.2% for the year with adjusted EBITDA of INR396 crores.

And for the consolidated Pigment global, the revenue stood at INR3,119 crores compared to INR2,223 crores and EBITDA adjusted for the Pigment Global is INR418 crores compared to INR300 crores last year. Coming to the RIECO performance. Rieco performance during the year was subdued, while revenue dropped by 28%, which is at INR228 crores and also reduction seen in the gross margin, putting entire year EBITDA number under negative.

The revenue was impacted due to the lower carry forward of the order from the FY '24 and lower order booking of H1 in the last financial year. Gross margin has also been impacted due to the cost overruns, which we had seen for the projects, which were executed during the last year against the orders booked in the FY '24.

We are rebuilding the organization for this business with experienced team in the project business with the right skill and experience in the project execution, which will help us in streamlining the operation, building strategic sourcing capabilities and working on the reduction in the overhead.

We have seen marginal improvement in the quarter 4 performance due to the stringent control over fixed cost and project execution with detailed process review put in place for the project cost. We have seen during the year opening order book for the current year. The opening order book balance is double as compared to the last year. And with good visibility of order booking in the near future, we remain confident that RIECO business will turn around during this year.

A couple of key financial ratios. Earnings per share is at INR22.5 compared to INR16. ROCE is at 10.3% versus 11.7%. But just to keep you posted, this is the One Sudarshan ROCE with the acquisition assets and the capital employed being considered. Net debt to equity is at 0.3. Net debt level at the year-end is at around INR650 crores and net working capital as a percentage of sales is at 25%.

I will hand it over to Mr. Rathie for the outlook and the priorities ahead.

**Rajesh Rathie:**

Thank you, Mr. Natu. So how we look at the acquired group, and I think we are very confident of the turnaround, as I had mentioned even earlier. And this financial year, looking at some of the cost synergies, which we are building up, the cost reduction initiatives, and we are very confident that we should be able to deliver a EBITDA of EUR35 million this year.

And in the next 3 to 4 years, we should be able to deliver an EBITDA of EUR90 million to EUR100 million in the acquired group. So from this perspective, I think we are on a good path going forward. Of course, this is all given that there are no untoward or force majeure situation. We feel that we can confidently turn this around.

Yes. Some of our key priorities is, we are double down on winning back some business. We are continuing to focus on cost and value capture. And till we get the one SAP up, how do we build in the interim MIS and also accelerate our one SAP road map. These are some of our key priorities going forward.

Thank you so much for carefully listening to us. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask the question may click on the raise hand icon to ask their questions. Kindly accept the prompt and join as panellists, unmute your audio and announce your company name before proceeding your question. You may also write your questions in the zoom chat option in the bottom of your screen.

**Ankur Periwal:** Nirav, till the time we get the queue, maybe there are some questions on the chat box. Should we take them accordingly?

**Moderator:** Yes, sir. Sure, sir.

**Ankur Periwal:** Sure. So Rath ji, I'll probably take up some questions from the chat box and you can address them accordingly.

**Nilkanth Natu:** Ankur ji, your voice is feeble. Can you be slightly loud?

**Ankur Periwal:** Sorry. Is it better now?

**Nilkanth Natu:** Yes, yes much better.

**Ankur Periwal:** Sure. So some questions from the chat box, so I'll take them up you know accordingly. The first question from the chat box, total addressable market and the market growth approximately?

**Rajesh Rathi:** The organic pigment market is about USD5 billion with a growth rate of about 3%.

**Ankur Periwal:** Sure. I hope that addresses the question. Taking the next one. Exceptional costs for FY '25 stood at INR104 crores. We believe these were largely related to Heubach acquisition. Could you provide a ballpark estimate of the integration-related costs expected in FY '26 and FY '27? Mr. Natu, I was audible?

**Moderator:** Sir, the management is on mute. Sir, can you please unmute your line and proceed with your question?

**Rajesh Rathi:** Yes, just one second please. FY '25- '26, we expect about EUR10 million integration costs. For the year ahead, we've still not planned for it.

- Ankur Periwai:** Sure, sir. Thank you. There's another question from Abhay Jain, Hillview Global. My question is, are you looking at cost cutting, which is optimizing cost and facilities as of now?
- Rajesh Rathi:** I think from a manufacturing footprint, we don't plan to optimize any manufacturing or close any facility. The rightsizing of the Frankfurt site has already been done even before the acquisition, which the administrator had initiated. From a perspective of cost reduction, we have a huge cost reduction drive, which I had explained in my presentation.
- Ankur Periwai:** Sure. Neerav, probably you can take some questions from the raise hand option there now.
- Moderator:** Thank you. We'll take the first question from the line of Rajesh Kothari. Kindly accept the prompt, join as panellist, unmute your audio. Kindly provide your company name and then proceed with your question.
- Rajesh Kothari:** Thanks for this opportunity. Sir I have two questions?
- Moderator:** Sorry to interrupt you. Could you please introduce your company name and then proceed with your question.
- Rajesh Kothari:** Rajesh Kothari Founder and CIO of AlfAccurate Advisors. We are a large shareholder of your company. I have two questions. So first of all, congratulations for this great asset you've acquired. And I'm sure you will turn it around over the next 3, 4, 5 years to your company's profitability. Sir, I have two questions.
- My first question is recently, when I look at DIC results, which is also the largest player in this industry, they also reported 5% EBITDA margins. And if I go by their press release, it is equivalent to 2021, so almost 5 years back that margin they have achieved and they're back to that. And even you reported a strong 4.5% margin, although it is only for 26, 27 days, so without much benefit of your cost optimization program.
- So my question is what is leading to the improvement in EBITDA margins for the global industry, despite the challenges of tariff and destocking by customers. So that is my first question. Should I also put now my second question or should I you know how the flow should be or I can ask once you answer that question, whatever way you are confident?
- Rajesh Rathi:** Sir, you can go with your second question too.
- Rajesh Kothari:** My second question is with reference to RIECO in particular. It will be great if you can give a little bit more details about what led to the revenue decline? Is it a loss of customer? Is it loss of market share? And what will lead to getting back to that revenue and that market share and also the EBITDA margins in particular because your gross margins are already healthy despite decline in revenue.

So is it a volume growth versus value growth? How we should read that and the key steps what you're going to take to come back to profitability? Because after 2, 3 years, now Sudarshan stand-alone is doing very well. Heubach is also hopefully will improve. But all of a sudden, we saw the new puncture from the RIECO perspective. So can you give some little bit more color on that, That will be useful.

**Rajesh Rathi:**

Thank you, sir. So let me I'll address your question on the Pigment performance of this. And I request Mr. Natu, if you can take the Rieco question. I do not want to comment on our competitors' performance, but I think if you look at our industry, I think historical average has been EBITDA margin between, let's say, 8% to 11%.

And with our cost with our integration as One Sudarshan and the cost synergies and the focus on technology and technical people, right, building strong relationship with customers, some of the fundamentals which we are getting, we are very confident about the projections which we have given on the acquired group. And legacy Sudarshan's business, of course, would run on a business as usual.

**Rajesh Kothari:**

I see. So basically, from the global market perspective I'm sorry, I didn't get answer on that. My question was, how do you see the global industry because there is improvement in profitability. Like, we have also occurred only for 22 days. But all of sudden, the company has reported 4.5% margin. So what has led to the improvement in margin? My question is that, sir.

**Rajesh Rathi:**

The cost reduction efforts which we have been making, we already started planning some of the cost reduction efforts during after the definitive agreements. And with the administrator, we've been supporting him on stuff. And these are some of the areas of margins we have seen.?

The global situation is when I say, the global situation is difficult, we are not getting natural tailwinds that we could grow our business from that perspective, and that's the concern area. So that's where I think the EBITDA margins you are able to see. And going forward, we should be able to improve our EBITDA margins even in this financial year,.

**Rajesh Kothari:**

And this assumes what revenue for Heubach?

**Rajesh Rathi:**

So you know it's just been 3 months, and I don't want to kind of overly emphasize, but I think we should on a question on a rough basis, I think we should assume that the current run rate is at Eur 650 million, to at least Eur 700 Million by the year-end.

**Rajesh Kothari:**

Okay. Thank you for answering this question.

**Moderator:**

Thank you very much.

**Nilkanth Natu:**

Answering the question on the RIECO. So as I mentioned in my opening remarks, we have started the transformation project for the RIECO business, and RIECO business has been going through positives and negatives in the past couple of years. A couple of levers where we as a management are working is rebuilding the RIECO organization with the right mindset and the leadership, which knows the project business.

And we are happy to state that we have completed this exercise. Along with that, the key is how to drive the project execution and how to build the capability for seamless execution of the large projects, which we had seen in the past, we were having some challenge in terms of the large project execution.

With the right set of team, which is being there, we feel confident that this team will be able to deliver better performance and better project execution going forward. Simultaneously, we are also working on reduction in the overall overheads so that the fixed cost control is one of the critical levers, which we have started working on in the RIECO.

And we strongly believe that you will see the results of those initiatives in the coming quarters in FY '26. Thank you.

**Rajesh Kothari:** What steady margins we should assume at RIECO level?

**Rajesh Rathi:** 8%.

**Nilkanth Natu:** Currently, we are at a very lower end of the EBITDA percentage. We expect that this particular business should deliver somewhere between 7% to 8% as a range to start with. And our endeavor is to take this forward to the lower double-digit number in the years to come.

**Rajesh Kothari:** Thank you, sir. Wish you all the best. Thank you.

**Nilkanth Natu:** Thank you sir.

**Moderator:** Thank you very much. I request all the participants kindly restrict to two questions per participant and kindly join the queue again for a follow up question. Next question is from the line of Manoj Bahety. Kindly accept the prompt, join as panellist, unmute your audio. Introduce your company name and then proceed with your question. Go ahead, sir.

**Manoj Bahety:** Hello. Am I audible?

**Moderator:** Yes sir.

**Manoj Bahety:** Hi. This is Manoj Bahety. I'm from Carnelian Capital. So, Rathi ji, first of all, thank you so much for giving such a detailed presentation and also congratulations on a successful integration and getting the audited financials done. So I have two, three questions. I will just put those questions together.

So first one is I wanted to get some color on that how do you see the cost competitiveness of your operations in Europe vis-a-vis manufacturing in emerging countries? Because I think the way the earlier owner under Heubach ownership has landed into financial trouble. One may be related to their internal inefficiencies or higher cost thing.

But was it something related to that operations in Europe are that means, not that competitive vis-a-vis operations in India and China. So your initial reading on that. Secondly, how do you see the incremental capital allocation for the business as a whole? Would you be required to put some additional capital after assessing their existing infrastructure manufacturing facility?

And my third question is if you can elaborate a bit on that what will drive the EBITDA margin expansion of your European operations, considering the tariff threat, which is there right now. So these three questions I do have. Thank you.

Hello. Was I audible?

**Moderator:** Yes sir, you are audible. Management may I request you to unmute and proceed with the answer?

**Rajesh Rathi:** Yes. So your the first question regarding Europe, of course, there's no denial that the cost in manufacturing in Europe is higher. And that's the reason our strategy has been to make only specialty products. And that's where we've rightsized our operations in Europe to make specialty products.

We do feel that it is place to make specialty products, and it has inherent advantages of building reliability and trust with customers and you get a better value. And that's why gross margins are high compared to the legacy Sudarshan even though we plan for higher gross margins. And however, the fixed cost and other costs are going to be heavy and that's where I think it pulls down the EBITDA margin.

We do have a good plan to ensure that the German becomes part of our global integrated facility with this new manufacturing footprint. Your question on the tariffs, I think, of course, tariffs situation is very uncertain. However, given our global manufacturing footprint, it gives us the most flexibility now to respond favorably to our customers.

So we have options to deliver from Europe, Mexico, Brazil, India. So that's the flexibility we bring in now with our manufacturing global footprint. If you see legacy Sudarshan, I think if you look at from that perspective, we would be able to supply only from India given that. So that's the new context for us.

**Manoj Bahety:** Yes. Sure. And my question on incremental capital allocation and EBITDA margins are?

**Rajesh Rathi:** So I think ~~given the~~ currently, we don't see any addition. so from a volume perspective, we have enough capacity for our growth for the next 4 to 5 years. We don't need any capex. The plants were fairly well maintained. So whatever normal maintenance capex is required, that's what will be required going forward.

So I would say, to sum up, no major planned capex. There may be a few strategic projects, which we may want to backward integrate, etc. Those will be minor capex.

**Manoj Bahety:** Sure. And last one on the , what will drive uptick in EBITDA margins going forward other than the cost initiatives and the integration initiative which you have already taken?

- Rajesh Rathi:** Sorry, come again, please?
- Manoj Bahety:** So my last question was on the EBITDA margin uptick. What will be the drivers other than the cost initiatives which we have taken?
- Rajesh Rathi:** I think there are two, three drivers. One is the cost reduction initiatives, which will go on for the next 18 months. It's not -- they will continue for 18 months. The second initiative is we are trying to win back businesses, which we've lost in some time. So these will be the drivers -- these will be the two drivers going forward to build the EBITDA.
- Manoj Bahety:** Thanks for taking my questions and wish you good luck.
- Moderator:** Thank you very much. We take our next question from the line of Nitesh Dhoot from Anand Rathi. Kindly join as panellist, unmute your audio and video and proceed with your question.
- Nitesh Dhoot:** Hello. Am I audible?
- Rajesh Rathi:** Yes.
- Nitesh Dhoot:** Hi Team. Good Afternoon and congratulations on the successful integration. So my first question is on the change in product mix as part of the integration, something that you highlighted earlier, I mean, more of specialty in Heubach and non-specialty more towards Sudarshan. So how do we see Sudarshan's margin trajectory going forward, the legacy business that is?
- Rajesh Rathi:** I think legacy Sudarshan also had a very good specialty portfolio. So I wouldn't say -- I didn't say that. I think the question is that -- and as per our projections we've given, I think the legacy Sudarshan business will be business as usual, will keep growing at 10% to 11% going forward. And the major part -- and the other part of EBITDA growth will come from the acquired entity.
- Nitesh Dhoot:** So you mean to say, there will be no shift of products, I mean, between the entities. I mean some of the specialty products moving to Heubach from the legacy business, that is not going to happen. I'm sorry, I mean, I recollect from one of the previous discussions that there was supposed to be some shift where you would have gotten more commodity products into India and shifting some of the specialties to Europe.
- Rajesh Rathi:** Yes. So the -- I think what you're referring to is transfer of some of the commodity Frankfurt products, which have happened to the legacy Heubach India business already. And that's completed.
- Nitesh Dhoot:** All right. Okay. Sure. And sir, next question is on the depreciation for Heubach, which annualizes to almost about INR270 crores. So what will be the depreciation numbers for the acquired entities, I mean, the run rate? And how much is the gross block for the acquired entities? Net block, as I understand is somewhere closer to INR1,200 crores. What's the gross block there?

- Nilkanth Natu:** So Nitesh for the acquired group, the depreciation run rate on a yearly basis will be in the range of EUR23 million to EUR24 million for the year.
- Nitesh Dhoot:** All right. And the gross block, sir?
- Nilkanth Natu:** So Nitesh, as we had presented, the value of the tangible asset is EUR181 million.
- Nitesh Dhoot:** Okay. All right. So just one last question on the working capital. So I think with the numbers given out, if you just do some working, it's coming out closer to 85 days. You can correct me if I'm wrong for Heubach.
- And so -- and will we need additional working capital there, especially on account of market receivables, which appears to be limited at just about 27 days, I mean, basis the workings that I did. So how much will the receivables be in terms of number of days going forward? Will there be an increase there?
- Rajesh Rathi:** The working capital increase would come from increase in inventory. As I mentioned in my presentation, some of our planning processes are broken, which will take some time to fix. But we don't want the customers to face issues in supplies, and that's where I think we are -- we expect that inventories would increase as going forward right now. From an accounts receivable and payables, I think they would offset each other. As we keep getting more payables, receivables also would increase.
- Nitesh Dhoot:** All right. Great, sir. Thank you so much. I will come back in the queue.
- Moderator:** Thank you. I request all the participants kindly restrict to two questions per participant and join the queue for the follow up. Next question is from the line of Madhav Marda. Kindly join as panellist, unmute your audio proceed with your question. Also kindly introduce your company name.
- Madhav Marda:** Yes. Hi. Am I audible?
- Moderator:** Yes sir go ahead.
- Madhav Marda:** Thank you so much for your time. Just wanted to understand a bit below the EBITDA line. So mainly of the deleveraging. So if you could just help us understand how -- like how much annual free cash flow generation in your view, the overall Sudarshan business can generate in fiscal year '26 and '27, if you could give us some broad sense, so just to get the path for deleveraging. That's my first question?
- Nilkanth Natu:** Hi, Madhav; Nilkanth, here. So as we have seen the net debt at around INR650 plus level. Going forward, with the visibility on the free cash flow over the next 3 year to 4 year period, we expect that we should deleverage and come to a zero debt level.
- Madhav Marda:** Sir, how many years do you think it takes to hit zero debt given combined business, like it takes 3 years in your view to get to zero debt position?



**Nilkanth Natu:** We expect between 3 to 4 years.

**Madhav Marda:** 3 to 4 years. Okay.

**Nilkanth Natu:** Yes.

**Madhav Marda:** And just one -- another basic question was for the underlying Sudarshan Pigment business, excluding Heubach, what was the underlying margin in that business, like the sort of business that we had before Heubach and adjusted for the Heubach or the RIECO operations. How is that business doing today, the underlying margins?

**Nilkanth Natu:** So Madhav, we have presented the legacy Sudarshan Pigment business. So for the quarter under consideration, our Pigment business delivered 16.3% EBITDA on an adjusted basis.

**Madhav Marda:** Okay. Thank you.

**Moderator:** Thank you. Next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Kindly join as panellist. Unmute your audio and proceed with the question.

**Dhruv Muchhal:** Hello.

**Moderator:** Yes sir. You are audible.

**Dhruv Muchhal:** Yes. Thank you so much. Thank you for the chance. Yes. Sir, first thing on the cash payment that you have done for the acquisition. Sir, you have to pay EUR151 million. And from the cash flows, I see you have currently paid about INR800 crores, INR900 crores for the acquisition. So is there some pending payment remaining for the acquisition, which probably comes now?

**Nilkanth Natu:** Dhruv, can you please repeat your question?

**Dhruv Muchhal:** The acquisition price is about EUR151 million, which is probably about INR1,400 crores to INR1,500 crores. And from the cash flow statement, I see you have currently paid about INR850-odd crores, INR850 crores or probably INR900-odd crores. So is there some remaining payment for the acquisition?

**Rajesh Rathi:** So Dhruv, there is no remaining payment, which is required to be paid for this EUR151 million.

**Dhruv Muchhal:** Okay. Everything is done. As of Q4, everything is done?

**Rajesh Rathi:** Yes. As of Q4, EUR151 million has been paid.

**Dhruv Muchhal:** Okay. And sir, the other thing was there is a good amount of working capital, which has come along with the acquisition. So this is all mark-to-marketed. I mean, there is no significant write-offs or once you evaluate it better, you will understand. So there are some -- say, for example, inventory is high, say some, there is some unmonetizable inventory. So everything is mark-to-marketed?

- Rajesh Rathi:** Yes, Dhruv, your understanding is correct. All these are fair valued.
- Dhruv Muchhal:** Got it. And sir, last thing is in the -- when the acquisition was done earlier, you had mentioned about, if I'm not wrong, INR800 crores to INR1,000 crores of further investment in working capital and capital refurbishment and all those that will be required over a period of time. So does that estimate still hold? And if yes, over what period of time do you think that investment will happen, that cash flow or investment will happen?
- Rajesh Rathi:** I think a normal maintenance budget of EUR15 million to EUR20 million, that will be required. We are -- from a perspective of working capital, there is -- there may be slight probably EUR8 million to EUR10 million, which we are investing. I don't think we'll require above that.
- Dhruv Muchhal:** Okay, perfect. That's helpful. Perfect sir. Thank you so much. That's all and all the best.
- Moderator:** Thank you. Next question is from the line of Rikin Shah. Kindly join as panellist, unmute your audio. Introduce your company name and proceed with your question, please.
- Rikin Shah:** Hi. Am I audible?
- Moderator:** Yes sir, go ahead.
- Rikin Shah:** So, hi, I'm Rikin from the Boring AMC. So I wanted to ask firstly on the product overlap. So sir, is there any sort of product overlap between the 2 companies? And what's the degree of the overlap? And sir, my second question is for the entities, where we have not done an asset purchase deal. So is there any sort of contingent liabilities that we have taken on?
- Rajesh Rathi:** From a product overlap, there is -- as I mentioned in my presentation, there's a fair level -- if you look at a high level, there's a fair level, I would say, either where Sudarshan was present at a low level. That's where we've added on inorganic business, corrosion protection, pigment dispersion and dyes.
- In terms of the organic pigments, there are a few complementary products. And of course, there are a few products which are overlapping, but I think we have a good strategy to ensure that we don't cannibalize or lose any of this business. Regarding the contingent liability, Mr. Natu, you want to.
- Nilkanth Natu:** Regarding the contingent liability as far as the solvent companies are concerned, we have considered -- we have evaluated those contingent liabilities, and we have suitably factored those in as a part of our purchase price allocations and which has been given in our notes.
- Rikin Shah:** So we don't that in the foreseeable future, we could -- we're not likely to see any of them materialize?
- Nilkanth Natu:** So sir, what we are saying is that based on our assessment where we see the probability, we have considered those provisions as a part of our fair valuation exercise. We don't expect that to get

materialized unless there are any other force majeure or unless there are any facts which get altered or changed in near future. Thank you.

**Rikin Shah:** Okay. Thank you, sir.

**Moderator:** Thank you. Next question is from the line of Bharat. Kindly join as panellist, unmute your audio. Introduce your company name and proceed with your question. Go ahead Bharat.

**Bharat Sheth:** Hello. Am I audible?

**Moderator:** Yes sir.

**Bharat Sheth:** Thanks to Rajesh ji and congratulations on successful integration. I am Bharat Sheth from Quest. So Rajesh, I have one question. You said -- particularly on inventory, you said some of the inventory which has come from the acquired entity. So when do we expect that inventory to run down at normalized level, in what time frame? That is first question.

Second, we have projected EBITDA of EUR35 million for FY '26 for this Heubach. So is it after a onetime integration cost of EUR10 million or it's before? And last question, any thought process on RIECO divestment? Hello..

**Rajesh Rathi:** Yes. So your first question, as I mentioned in my presentation, we are building inventories as our planning processes are broken. So we will be inefficient for some time, and we will work on a high working capital, That's the first question.

The second question on the EBITDA is that the EUR35 million is, of course, after the integration cost. Third thing is, as we explained in RIECO, we are investing to build that business. And Mr. Natu already explained some of the steps we've taken on fixed cost reduction, building the order book, getting the right people. And we are very confident that RIECO will turn around and it will become a good part of our business.

**Bharat Sheth:** No. My question is, when do we expect inventory to normalize over time frame, three quarter, four quarter or?

**Rajesh Rathi:** At least for this financial year, I would say it will take time for us to build the supply chain process.

**Bharat Sheth:** Okay. Thank you and all the best.

**Moderator:** Thank you. I request all the participants kindly restrict to one question per participant and rejoin the que for follow up question. Next question is from the line of Rohit. Kindly join as panellist, unmute your audio. Introduce your company name and proceed with your question.

**Rohit Nagraj:** This is Rohit Nagraj from B&K Securities. So just two questions. One is on the business perspective. So on Heubach, in terms of the user industry, where is the largest concentration in terms of auto segment, polymers or decorative coatings, etc. So if you can just give a little bit on that.

And second question, when we are talking about \$35 million EBITDA for the acquired group in 2026 and later about \$90 million to \$100 million in '28, '29, what is the kind of EBITDA margin expansion that we are looking at from current March level of 4%? And on a longer-term basis of your indicated EBITDA margins of 8% to 11%, when are we targeting that from a strategy perspective? Thank you.

**Rajesh Rathi:** The strength, I think the concentration of business, as you rightly said, which is the coatings or the paints market, it's decorative paints, auto paints is a good strength for the legacy Clariant business. In addition to --this, some of the personal care businesses, some of the stationery businesses and seed coat and agro business is also important. The third level which is digital inks, a good strength in digital inks. So these are the 3 areas which we look at.

Regarding the EBITDA margin, when we -- for the acquired group, when we are saying, we'll reach \$90 million to \$100 million, I think that reflects already an EBITDA margin of 9% to 10%.

**Rohit Nagraj:** Sure. Thank you and all the best.

**Moderator:** Thank you very much. Ladies and gentlemen, we will take that as the last question. I now hand the conference over to the management for closing comments.

**Nilkanth Natu:** Thank you, Mr. Ankur and Axis Capital. Thank you, participants, for your time and interest in Sudarshan Chemical. We are very confident that this acquisition marks a strategic move for our company towards leading global pigment industry. We are confident in our ability to integrate the business effectively. We remain confident in long-term prospect of this business, and 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 conference. Thank you for joining us, and you may now disconnect. Thank you.