

19<sup>th</sup> February, 2026

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

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

Dear Sir / Madam,

**Sub : Transcript of Analysts / Institutional Investors Conference Call**

We are enclosing herewith transcript of the conference call with Analysts / Institutional Investors, which took place on Friday, 13<sup>th</sup> February, 2026, after announcement of the Unaudited Financial Results (Stand-alone and Consolidated) for the quarter and nine months ended 31<sup>st</sup> December, 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  
Q3 FY26 Earnings Conference Call”  
February 13, 2026



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

**MODERATOR:** **MR. NITESH DHOOT – ANAND RATHI SHARES AND STOCK BROKERS**

- Moderator:** Ladies and gentlemen, good day, and welcome to Sudarshan Chemical Industries Limited Q3 FY '26 Earnings Conference Call hosted by Anand Rathi Share and 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitesh Dhoot from Anand Rathi Shares and Stock Brokers. Thank you, and over to you, Mr. Dhoot.
- Nitesh Dhoot:** Thank you. Good morning, everyone. On behalf of Anand Rathi Institutional Equities, I would like to thank the management of Sudarshan Chemical Industries for giving us the opportunity to host their Q3 and 9 months FY '26 earnings conference call. From the management team of Sudarshan, we have with us today Mr. Rajesh Rathi, Chairman and Managing Director; Mr. Nilkanth Natu, Chief Financial Officer; and Mr. Amey Athalye, General Manager, Finance.
- Without further ado, I would like to hand over the call to the management for their opening remarks, post which we'll open the forum for an interactive question-and-answer session. Thank you, and over to you, team.
- Rajesh Rathi:** Thank you. This is Rajesh Rathi. Thank you, Anand Rathi and Nitesh Dhoot for hosting our call. We are looking forward to a very active participation in today's call. And with this, I would like to start our presentation. I would just like to reflect on and remind everyone that we completed the acquisition of Heubach's global business, which included Clariant's pigment business.
- Just to remind everyone, Heubach legacy plus Clariant were among the top 2 global players with a legacy of more than 200 years. Sudarshan, on the other hand, was the fastest-growing pigment organization with customer centricity at its heart and agility. Our whole endeavour is that this new Sudarshan would be a global value-adding pigment leader, rooted with customer centricity and agility and innovation coming from Heubach.
- So, we are combining this in creating a new pigment global leader. And it's a very exciting journey what we are embarking on. Altogether, we have 19 manufacturing facilities in 11 countries and 5 continents. This is a major differentiator for us in the marketplace and 55% of our manufacturing footprint is in Asia, which makes us quite competitive.
- We have the broadest product portfolio in the industry. And with this new One Sudarshan, we are serving new markets like cell phone markets, digital inks, personal care in a much larger way. Very exciting product portfolio and the markets we are serving.
- With this, I would like to give you some update on our integration. To remind everyone, we've completed 11 months into the integration. We've made very good progress. The first thing we wanted to create was customer confidence and customer centricity was our main theme there.
- We've done a lot in this region. We've gained back the trust of customers. We've improved our customer service. Example, we've created customer service teams locally in each country. We've rebuilt our technical marketing organization. We carried high stocks for a long time to ensure that we are able to serve the customers well.

We did not want them to experience any issues in supplies so that it builds back the trust. And that's gone a long way with us.? Second, very important aspect was value capture. And we've been working very intensely, and this was our thesis of -- the second thesis where we wanted to look at how we can turn around this business.

So, we've been working on multiple work streams across operations, procurement, organization, IT and fixed cost and the implementation is going very well. We already have captured INR40 crores of this which we have realized in our Q3, if you compare it to Q1 and we also have a very healthy pipeline going forward.

In parallel, if you look to our value capture efforts, we are improving the setup of the operating model of One Sudarshan. One big initiative is creating a global capability center where we plan to shift not only the back office, but also create some capability roles here and use digital innovation to even improve our response time to customer, become more productive.

This initiative is going to be very important, and I'm glad to tell you that we have inaugurated our GCC on February 4 and we will now be ramping up in the next1 year this operations Again, very important, creating that one culture. As we are present in multiple geographies, multiple legacies and it is very important to kind of create this one culture of Sudarshan.

And we've aligned more than 90% of our colleagues on purpose, mission, values on living this culture. Last not the least, it was very important to harmonize processes and systems. We were working on 4 SAPs. And we are progressing very well to harmonize this into 1 SAP by December '26. This is a very important initiative.

Again, will create a lot of productivity improvement. As imagined, today, we are dealing -- we have to generate 4 different invoices to the customers. And this all will kind of -- once we are on 1 SAP, this will all become one transaction, So, again, a great deal of improvement we would see there, and this again is progressing very well. Now, jumping into the Q3 performance.

I would say Q3 quarter was a very tough quarter, not just for us, for the specialty chemical industry, very tough quarter and especially we saw big demand issues in Europe and North America. Let me talk a little more about it. we saw low demand across our industry and across all our industries which we serve.

This was primarily, if you see the household market, paint market was affected, automotive market was affected and that caused some concerns. Most of our customers had very subdued performance, and there was a lot of destocking happening.

But more specifically to us, during the Heubach insolvency time, most of our customers were very dependent on Heubach and were insecure about the supply position, and hence created a lot of high stocks during that period. Once we started interacting with customers and they started gaining confidence, these stocks, they wanted to deplete.

And their expectation was that they would start buying from this Q4. And we'll talk a little bit more when we are talking about the Q4 or what we feel will happen on Q4. The other challenge

in the last quarter was also the tariffs. A lot of customers, especially our U.S.-based customers had a big challenge, and the buying was a little bit muted there. But, we've got good clarity going forward in this.

Talking about a little bit on the numbers. This is a One Sudarshan number, including the Pigment and RIECO performance. Our revenues compared to the last quarter were flattish or a slight degrowth in the legacy Sudarshan. This is mainly attributed to the same issues which I described.

The acquired groups saw a larger dip mainly on account of destocking by our customers as they had high stocks of Heubach-related products. And as One Sudarshan, compared to Q2, Q3 was far more subdued. I'll talk a little more on the numbers later. The EBITDA on the acquired group, we saw a loss of INR38 crores.

And, due to Labour Code, we had INR46 crores approximately of -- due to the Labour Code we had to make for One Sudarshan provision. So, this was the overall performance. The 9-month performance, if you see, Sudarshan legacy has been flattish.

And as One Sudarshan, of course, it's not a comparable thing because the corresponding 9 months did not have the acquired group. And as I mentioned, our business was flattish compared to Q3 given the muted demand. And I'll speak a little more.

In fact, I would want to deep dive a little more on the acquired group given the performance and so if you look at the acquired group only now, I'm going to speak on the acquired group; Q1, we reported a profit of INR78 crores, And this is the bridge from INR78 crores to how we reached to a negative INR38 crores,?

So, I think there were two areas. One was the selling price variance. Then a huge drop in volume and mix, which cost INR116 Crores. But on the positive side, we could reduce cost of employees by INR25 crores and other IT costs, insurance and other fixed costs, we could reduce by INR15 crores. And hence, we ended up at INR38 crores. If our cost reduction efforts were not there, our losses could have been INR78 crores. This is the 9-month Pigment performance, again, similar area. On RIECO, so if you want, yes, Natuji please take it on.

**Nilkanth Natu:**

Thank you, Mr. Rajesh. On the RIECO performance, the quarter under consideration, we see the revenue at INR51 crores compared to INR60 crores last quarter. And on the EBITDA side it is marginal negative. But what is positive, if we see it for the 9-month performance, there has been a lot of improvement in the EBITDA compared to the last year, negative INR20 crores to the current year 9 months performance of INR4.2 crores.

Couple of initiatives which we are started in the RIECO business. One is the transformation of the business and fixed cost to improve as well as the strict monitoring of the project cost is helping us to regain the EBITDA. We expect that quarter 4 for this business to be good and this will be the turnaround year for the business. Thank you. On the financial ratios side, earnings per share EPS before exceptional and not annualized is negative INR1.4 majorly for the 9 months.

Earnings per share for the period under review is negative INR1.4 per equity share. We see positive in terms of the net debt to equity ratio is at 0.5% and this has been in the similar range for the couple of quarters. And the net working capital is at 25.6% and we are focusing on the optimization of net working capitals going forward in the coming quarters. thank you.

**Rajesh Rathi:**

With this, we complete the Q3 performance. Wanted to give you an outlook for the business. As we described I think Q2 and especially Q3 were very subdued performance, but I'm glad that the worst is behind us. And we look forward and it was an industry issue and one must understand that we acquired this business, the transformation was going forward. And at the same, this subdued demand and of the industry didn't help us.

So that's -- but I'm glad to tell you that, that worst is behind us, and we are looking forward to a very positive results As I mentioned, customer trust is rebuilt. And they had assured us that they will start buying after January, and I'm very glad to tell you that most of the global accounts have started buying to the full extent, which was promised, and this is what we've seen in January and early Feb.

We also see good better signs of little bit of economic recovery. Our integration is progressing very well, and we will continue to build a solid One Sudarshan. Our value capture work is going very well, and that should really help our profit going forward and working capital improvements.

As I described, due to Q1, we had come back well, but given the subdued performance of Q2 and Q3, our EBITDA has been at EUR 6.5 million, but we have a very good positive momentum and outlook and I want to clarify here that we expect a EUR 9 million to EUR 10 million of a business EBITDA.

However, we are in a mode now to start because we've rebuilt some of our supply chain processes and we've understood what the customer demand is, we want to start reducing our inventories now, especially the finished goods inventories. And that would have an impact on our EBITDA going forward, but it will have a very positive impact on cash flow, and that's the right business decision going forward.

In the coming -- I will talk a little bit more on this so that I clarify. What we mean is business EBITDA is the operating profit from actual sales without the impact of inventory change, and especially the inventory change at manufacturing locations. And I'll clarify what I mean here. The reported EBITDA, we are talking about operating profit from actual sales with the impact of inventory change at manufacturing sites.

Our target in the next three quarters is to reduce our inventory in the range of EUR 30 million to EUR 40 million. This is business positive as it will generate higher operating cash while reducing finished goods inventory. However, like I said, temporary, we anticipate that this will lead to a reduction in reported EBITDA.

The balance sheet impact, as you can imagine, this will reduce the working capital, generate operating cash flow at the current run rate of sales. This will have a positive impact on the balance sheet and net debt level will be lower. However, on the P&L, rationalization of production volume in the coming quarters is likely to have an impact on the reported EBITDA due to the release of capitalized overhead or inventorized overhead in the range of EUR 9 million to EUR 12 million.

And this would happen in the next three quarters. This will be a short-term impact. On an annualized basis, this should get normalized. So, I think to summarize on the balance sheet, we will be able to reduce the inventory to the range of EUR 30 million to EUR 40 million, which will have a very significant positive impact on our balance sheet, improved position of net debt.

However, on the P&L, there could be EUR 9 million to EUR 10 million of this, mainly due to the overhead absorption. We just to remind everyone –that we took over this business, which was not doing very well, and we needed some time to transform it.

So, I would have loved that we did this much faster, but there are some realities and that's what's happening, given the market conditions. This has been a little slower than where we wanted to reach, but we must remind ourselves that Sudarshan is now one of the largest pigment players in the world.

We have the widest product portfolio. There are industry tailwinds which are supporting us. We are structurally advantaged with our global footprint. As I mentioned, 55% of our manufacturing footprint is based out of Asia, which is a big advantage for us compared to any of our global competitor and our EBITDA performance is heading in the right directions as synergies are slowly coming together.

With this, we would be open to taking any questions.

**Moderator:**

Thank you very much. We will now begin with the question and answer session. The first question is from the line of Sanjesh Jain.

**Sanjesh Jain:**

So, this is Sanjesh Jain. I'm from ICICI Securities. So, a couple of questions from my side. First, on the cost side, now that there is a sharp rise in the benzene prices, and we have seen in the earlier avatar of Sudarshan, just wanted to understand how a merged entity looks like. The price hike used to take a quarter or two before we get the full benefit on our P&L, and that used to put a temporary pressure on margin?

Now that there is a sharp increase from the low end of the benzene derivative now, how do you see cost pressure panning out, say, in a quarter -- next quarter or a quarter after that? That's my first question. Second question on the inventory that we are trying to liquidate now, generate more cash and have a better or a lighter position?

I thought this should have started immediately post the merger, at least at our end, I can understand customer being a little skeptic on the continuity part. But from the Sudarshan perspective, we should have embarked on this earlier. Why now? Why two quarters of delay,

we were looking we are looking to completely acquire, stabilize operation and only then go for a liquidation of inventory from a BCP perspective, and now we are more confident in doing that. Is that the right way to see? These are my initial two questions?

**Rajesh Rathi:**

Thank you so much Mr. Jain. Great questions. I think the first one is on the benzene side, we do -- on certain raw materials, we do see increases. But I think we are well covered on the raw materials, and we should not see any impact on Q4. Secondly, with our larger portfolio, our dependency, the impact which could have, especially if you refer to benzene would be quite miniscule.

So, in general, we don't see this. The number two question is very important strategically. As you may recall, our most important aspect was to build customer trust. At the same time, all our supply chain processes were broken. We had to implement a common supply chain planning tool across the 3 legacies. And that has progressed well.

We had to create a good supply chain organization. And until we had that confidence that we will be able to deliver as per customers' expectation, we did not want to start reducing inventories because that would have disrupted our building the customer confidence.

One of the most pain area for them in the last 3 years was a complete disruption on supplies. And I'm very glad to tell you that our strategy has worked well. The first 9 months has created a very good confidence with the customers. We have built some of our processes, though we have to do some more work, but we now feel confident that we can start reducing inventories.

**Sanjesh Jain:**

That's clear. Follow-up question on the demand side. Now that this quarter has been quite subdued, and we appear to be more confident for Q4. From the time we started on the EBITDA side, we started with EUR 38 million on the anticipation and now we are three quarters down the line staying at \$16 million, how do we remain confident of profitability being maintained and improved from here? And number two, on the demand side, what is giving us the confidence? Is there an order backlog or an order book which we are sitting on?

**Moderator:**

Sanjesh, sorry to interrupt you, we are losing your audio.

**Sanjesh Jain:**

But can get my question or you want me to repeat it?

**Rajesh Rathi:**

I got your question. So, I think the first thing -- I think your first question was on what is our confidence on the demand. Our confidence on the demand is, as I mentioned, the customers promised that they would start buying after January, and we are seeing that already in January and early February, as I mentioned. So, that gives us the confidence that Q4 demand is coming back.

Basically, structurally, why we are confident about delivering our long-term target is, none of our thesis remains strong. We are working on the value capture. We built customer trust. And if the market -- we didn't have as much of market issues, we would have been able to deliver a better number, and that gives us the confidence for the long-term.

- Moderator:** The next question is from the line of Chetan Cholera.
- Chetan Cholera:** I'm Chetan Cholera from Pragma Equities. See, as a promoter, your current stake stands approximately 8.19%, which is notably low. Could you share your thoughts on this holding level? Any plans to increase it or how it aligns with your company's long-term strategy?
- Rajesh Rathi:** We've transformed Sudarshan into more of a, I would say, professionally driven organization and our shareholding is quite substantial. The Rathi family owns substantial shareholding, and they will continue supporting us. We have several good strategic investors, I would say, investors who are long-term. I think from my perspective, I have warrants, which will come and that will help to increase my share.
- Chetan Cholera:** Yes. My second question is, what's your long-term strategy of whole Heubach operation? Is there any plan to merge or hive off some of the operation or divest some of the operation?
- Rajesh Rathi:** Whatever manufacturing footprint changes we wanted to bring in, we have already brought those changes. Frankfurt was to be rightsized, which has been done. And that production is already transferred into India. We don't see any need to further -- I mean, there will be tactical but no major product changes in manufacturing..
- Chetan Cholera:** Yes. Your thought on EU, USA trade deals and what kind of advantages we will have because of it?
- Rajesh Rathi:** In the short term, there will not be any immediate impact given that it would take at least 10 to 12 months until the agreement gets ratified by EU and India before the actual enforcement. We will continue to closely track developments to assess the implications and accordingly reevaluate our approach as required. Our global production footprint allows flexibility to respond as the market and policy conditions evolve. And that's where I think it's -- we are very keenly looking at how this India-EU FTA shapes up.
- Moderator:** Next question is from the line of Jignesh Kamani.
- Jignesh Kamani:** Hi, Jignesh Kamani from Nippon Mutual Fund. Just on the seasonality on Heubach. So, we have only just three quarter number of the Heubach. So just can you help understand about the seasonality part, if you take it from first quarter to third quarter, it looks like revenue has declined by 20%. So out of that, how much is because of the seasonality element and how much is because of the weak demand? And -- so out of say, if you take 100 as a base for full year, generally how the seasonality pattern happened between 1Q 2Q, 3Q and 4Q?
- Rajesh Rathi:** So, Jignesh ji, thank you. I think most of -- when you see the subdued performance today compared to Q1 to Q3, it is primarily driven that of destocking and so we won't see such a strong -- going forward, this is not a seasonality effect. Of course, as we've now become more global, the seasonality, December -- generally, I would say, at least last 10 days of the month, everything is closed.

And so that's the impact we see the 10 days in the 120 days where we see that demand, especially in Europe and LatAm. So -- but the current performance which you're seeing is largely -- it won't be that drastic. Though Q3 would be our weakest quarter, it won't be that drastic.

**Jignesh Kamani:**

Understood. And second question on the fixed cost structure. So, if I assume that 45% is a gross margin. So if you take first quarter where we did close to around INR78 crores kind of EBITDA on the revenue base of INR1,880 crores, roughly around X of raw material, our overhead cost, including fixed and variable was roughly around INR950 crores to INR1,000-odd crores at the Heubach level?

So, when you mentioned that INR45 crores kind of -- INR40 crores kind of saving you achieved in last 2 quarters, it's just 4% of the total overhead cost, both fixed and variable. So, it looks slightly on the lower side considering that you mentioned that there's a large amount of the overhead cost and everything and which there is optionality available on the realization part?

**Rajesh Rathi:**

So Jignesh ji, if you look at our cost, if you look at our pipeline of value capture, that is very strong. However, for it to hit the EBITDA, we need some time. Because please remember that it's not even 10 months that we've taken over this asset. and for us to start looking at some areas, it does take time. And of course, we are dealing with very stringent countries where the labor law is difficult, some of the other costs, which takes time. So, from that perspective, the pipeline is larger, but the impact on P&L takes some time to come in.

**Jignesh Kamani:**

Sure. And my last question on -- say, if you take over this INR4,000-odd crores annual fixed -- annual cost ex of the raw material, how much proportion is the fixed cost and how much is variable? Because even a slight drop in revenue will -- if fixed cost component is very high, then volatility in EBITDA will be much sharper because of the higher element of fixed cost, at least till the time our cost saving, I can say, benefit will flow to the P&L?

**Rajesh Rathi:**

So, one of the challenges, and that's where I think we are focusing on fixed cost reduction, the acquired group, the manufacturing cost -- fixed cost is very high compared to the variable cost, and if you look at legacy Sudarshan, the variable cost is high, the fixed cost is low. And that's why any dip in demand causes a much larger impact on the EBITDA on the acquired. And that's the area we are working on.

**Moderator:**

Next question is from the line of Gagan Dixit.

**Gagan Dixit:**

This is Gagan Dixit from Elara Securities. Sir, so, till now you have achieved INR40 crores quarterly rate of the cost saving from the synergy. So, what is your target, I mean, at the end of the FY '27 quarter, I mean, the synergy that you want to achieve from it? And is there any restructuring cost further need to be incurred in this whole process? That's my first question sir?

**Rajesh Rathi:**

So, Gagan ji, the entire thesis of what we are looking at the long-term 3- to 4-year target, where we are going to deliver EUR 90 million to EUR 100 million comes a lot from assuming that there is normal sales going on comes from cost reduction. And I can tell you that our funnel of cost reduction is going in the right direction. So far, the impact was also of the timing so far and given the volume was much lower, we could not see that impact on the P&L.

**Gagan Dixit:** Okay, sir. My second question is, sir your net debt is at consol group level is INR1,153 crores, while your finance cost is around INR40 crores. So, it looks like that the rate is very high, more than 13% annualized rate looks like. So do you have any plan for the refinancing? That's my second question?

**Nilkanth Natu:** Gagan, thanks for the question.. So, in terms of the interest cost, it has 2 elements. One is the interest cost on the borrowings, and also, as per the IndAS accounting standard, we also need to account for the finance cost on the leases etc. So, if say only the normal run rate of the bank finance which we have taken for this acquisition and overall debt level, we are in the range of 5.75% to 6% as our interest cost. Balance effect is because of the IndAS accounting on the lease and the other fair valuation of the acquisition.

**Moderator:** Next question is from the line of Rohit Kothari.

**Rohit Kothari:** Yes. Thank you, Mr. Rathi, for a very elaborate explanation. I would have two questions, principally. I saw somewhere in the slide and you're saying that the business EBITDA would be roughly EUR 10 million in the quarter to come and probably a little higher in the quarter next?

However, there would be a onetime inventory loss, which would take down the reported EBITDA. But is it fair to understand that over the next 2 quarters, the business EBITDA would be EUR 10 million and say, EUR 12 million or EUR 13 million, about EUR 25 million, and there would be a onetime stock impact, which would take it down to about EUR 7 million or EUR 8 million over the next two quarters?

Second, due to this liquidation, will the entire EUR 40 million lead to a debt reduction? And just as a question, January has already gone by, and we are probably in the middle of February. What is the confidence of the management to hit EUR 160 million to EUR 165 million of sales from our European acquisition?

**Rajesh Rathi:** Rohit ji, great question. So, first of all, I think the confidence level of Q4 is quite high based on our performance so far, right, from that perspective. What we are looking at is – Rohit ji, what we are looking at is, what you described going forward on the business EBITDA, that's correct.

And we are looking to reduce EUR 30 million to EUR 40 million of inventory, which would translate into cash and reduction in net debt as time progresses. And the impact of that in the short term could be EUR 9 million to EUR 12 million, and we must understand that this is only because of the overhead allocation. The inventory is not bad inventory. This is all good inventory The only thing what's going to happen is my production volumes are going to be much lower than my sales volume, and that's where it gets impacted. Did I answer your question, Rohit ji?

**Rohit Kothari:** Yes. So, what you are saying is once the EUR 30 million, EUR 40 million of stock is sold probably from Q2 financial year next, you would normalize your production and sales levels to a little higher than what we've seen or what we are seeing in this quarter and the next. And correspondingly, both the business EBITDA would go up and there would be pretty less inventory losses from Q2 onwards?

- Rajesh Rathi:** Very well said Rohit, ji. Very well captured.
- Moderator:** Next question is from the line of Atishray Malhan. Kindly introduce yourself and proceed with your question. Due to no response, we move on to the next participant. Next question is from the line of Rohit Nagraj.
- Rohit Nagraj:** This is Rohit Nagraj from 360 ONE Capital. Sir, first question is again in terms of the inventory liquidation. Is it that we will be selling this inventory at a discount just to make sure that it gets adjusted over the next three quarters and a similar -- I mean, adjacent question to that, this quarter on the acquired group, we did about INR1,479 crores of sales?
- So, for the next three quarters, would it be just marginal increase given that these inventories will be liquidated and there will not be consequent growth from the current levels. So, for the next three quarters, is it safe to assume that there will be only marginal growth in terms of the acquired group revenues?
- Rajesh Rathi:** So, I think answering your second question, there will be sales growth, but we are saying that the sales will be from inventory rather than fresh production. So, what we are saying is the production volumes will not be in line with what our sales is going to be. This is -- again, to clarify, this is all good inventory. So, we are not selling this at any discount or anything. This is all good inventory. We are adjusting our supply chain parameters, our planning parameters that we can do this. Did I answer your question, Rohit ji.
- Rohit Nagraj:** Yes. The second question is in terms of the inventory aligned with the customers. So, so 2 elements to it. Now, last quarter, we had stated that on a sequential basis, we will be having more or less a similar kind of performance, but we've seen that performance has materially deteriorated. So, did we not have any inkling in terms of how the customer offtake has been?
- And second question is that, is there any challenge in terms of the user segment where the demand is getting hit and that's why these inventories at the customer levels, they are not being liquidated or not being used up. So, 2 parts of the question. One is that whether our understanding of the customer inventories was not in line? And second, in terms of industry landscape, are there any headwinds in terms of demand or consumption?
- Rajesh Rathi:** The first question is, we did expect and that's what we've said that Q3 demand would be subdued, but we did not expect this to be at that level. The amount of stocks which our customers carried, we did not have --and it was very difficult to estimate how much stock they have.
- And when they'll start buying. So that was we thought it will be more subdued than Q3, but not to the level which it fell. So, from that perspective, that was a learning for us to see what it is, but I think most of this is behind us now, because customers have started buying. Could you clarify on the second question?
- Rohit Nagraj:** So, the consumption at the customer end, which remains subdued and because of which we are not able to sell the products, is it due to the reason that the user industry consumption where the pigments are being used? Is there any demand challenge or consumption challenge? So the

industry on a large, whether it is stagnated and there has been some challenge because of which the material is not being consumed by the customers?

**Rajesh Rathi:** Yes. So, the demand has been challenging, but this is a short term. This is not a long-term shift, I mean people will not stop painting their houses or people will not stop buying cars. But I think this was a temporary challenge. And all our customers are facing this temporary challenge. And as the economy improves, I'm sure.

But the amount of dip, it's not -- the customers' demand is not to the level of our performance. This was mainly destocking, So, customers' demand is not down by 20%, That's the big difference.

**Moderator:** Next question is from the line of Kashyap Pujara.

**Kashyap Pujara:** I'm Kashyap from Thelme India . I had a couple of questions, and pardon me if it's repetitive. I just had a bad network, so might have slipped out. So, firstly, on the legacy Sudarshan business, the revenue has been flat in the first 9 months. And historically, this business has grown at close to 11% CAGR over long periods of time, bearing a few exceptions in between, though.

So, just one question was that having -- after the Heubach integration, the thought process was that some commodity products could be kind of put to India, and that could have, in fact, bumped up the India growth. So just curious to understand from you how one should think about the legacy Sudarshan business growth rates for the remainder part of FY '26, that is Q4. Do you think the softness continues? Or do you think that you are seeing turnaround here? And what are the long-term sustainable growth rates for the legacy Sudarshan business?

**Rajesh Rathi:** Kashyap ji, I think the fundamentals of the Sudarshan business remains strong. What we saw is one of the -- like one of the exceptional quarters which we've seen in legacy Sudarshan in the past, where the industry went through a very bad patch, And that's where our -- even the Sudarshan legacy growth was subdued. And that caused this.

Second clarification I would like to give you the Frankfurt products were not transferred to Sudarshan legacy, but to the Clariant legacy plant. So that impact wasn't to be seen in Sudarshan legacy, but Sudarshan legacy, we have transformed the portfolio, and those thesis of our capex still remain intact, and we should see growth returning back -- returning.

**Kashyap Pujara:** So, from Q4 FY '26, you think we'll be back on that 10%, 11% growth rates of Sudarshan legacy business?

**Rajesh Rathi:** I would not like to give, but I'm saying in the long term, we should be back to 10%, 11%.

**Kashyap Pujara:** Sure. And just on the Heubach piece, while a lot has been discussed there, the demand that we are seeing right now that -- on which you are basing your guidance of, say, EUR 9 million, EUR 10 million in FY '26, Q4, is it a function of restocking at the customer level that's coming back? Or is it that the demand environment has actually picked up? Because I'm just trying to

understand whether this is more like a onetime uptick in Q4 as restocking happens? Or is the end demand environment gradually turning better?

**Rajesh Rathi:** Like I described,, the demand is subdued, but not to the level we saw our performance. So, the customers finished their destocking and they are buying because there is normal probably demand there. And -- so it's not going to be just a Q4 effect, but this we are saying that demand is coming back, because the destocking is over and people will start buying normally.

**Kashyap Pujara:** Understood. And I'm sorry, just one more question. Sir, this 10% margin guidance or on \$1 billion, close to, say, EUR 90 million or EUR 100 million of EBITDA that you're kind of guiding. Just how are your thoughts on this? Is it more like a back-ended number or do you think that you will be able to kind of build it more linearly in terms of cost optimization, working capital initiatives? Would it be like some trickling in '27, '28 or everything kind of trickles in more towards the end? Just trying to think about how one should build a bridge to 10% or EUR 100 million EBITDA that you're kind of implying?

**Rajesh Rathi:** No, absolutely, Kashyap ji. So, I think we would see a gradual improvement in performance and a ramp-up. And then there would be a little bit of a upbeat because all our initiatives will be completed on cost reduction for the next year. So, the full year benefit you will see towards the end. But you will see a gradual improvement.

**Kashyap Pujara:** Do I have room for one more question? Sorry.

**Moderator:** Sir, I may request you to come back for a follow-up question. Next question is from the line of Atishray Malhan.

**Atishray Malhan:** I'm Atishray from Abakkus Mutual Fund. Just 2 questions from my side. Firstly, on a consolidated basis, what percentage of your employee cost is currently coming from outside of Asia and specifically from Europe?

**Rajesh Rathi:** Difficult to answer. But I think if you can ask what's your intention, more than happy to answer where we were headed.

**Atishray Malhan:** No, I'm just trying to ascertain because you had mentioned that about 55% of your manufacturing footprint is coming from Asia, right? I'm just trying to get a sense of the employee cost because, obviously, that's a big percentage of your overall cost profile now?

**Rajesh Rathi:** Yes. So, I think our aim is to get to 12% to 13% of employee cost in the long run. And that's where we are targeting towards gaining. , there's a big setup other than manufacturing even outside of India in terms of innovation, the entire technology and a lot of support to the business.

**Atishray Malhan:** Okay. So just to that point, since Q1, we've been seeing, obviously, there is reductions -- sequential reduction in the total employee cost. So, if you could just probably mention how you've achieved that?

- Rajesh Rathi:** As I stated, our org structure design is very lean, and it's a functional organization. Earlier, they were BU organization. There was a lot more management out of Europe, which has been streamlined.
- Moderator:** Next question is from the line of Dhruv Muchhal.
- Dhruv Muchhal:** Dhruv from HDFC MF. Sir, a question on the legacy business. So, there's some weakness in terms of probably the growth has slowed a bit. I'm not sure if -- so the legacy business and the acquired business, I'm not sure the portfolio is exactly the same. I mean there's not significant overlap?.
- So, the weakness that you're seeing in demand, is it a very broad-based industry weakness? Because the acquired business, we understand the customers had also acquired a lot of inventory and all those. But the weakness that we see in the India business, I mean, the legacy business, I'm just trying to understand what can we attribute that to because probably it's not the inventory, but is it the general demand weakness across all industries?
- Rajesh Rathi:** Thank you for your question. Great questions, Dhruv. As I mentioned, if you see what Sudarshan legacy represents, how the industry has performed, And in the acquired group, you see the destocking. What we saw is the first 7 to 8 months a very subdued demand even in the India subcontinent, right, which was fairly growing, but we've seen that completely change after November. so, the legacy business is completely attributed to the demand slowdown from our customers, and this will come back as we go forward.
- Dhruv Muchhal:** Got it. Sure. And secondly, again, continuing, we had invested meaningfully in new products, new segments in the legacy business. So, if you can provide some comments, how are those performing probably in terms of approvals? And also, the margin trend that you're expecting, is it -- I mean, at a gross level probably because at operating level, you will be suffering a bit. But at the gross margin level, are these products performing as you had expected? Or there is scope further to improve on margins on those products also?
- Rajesh Rathi:** I think the products on the newly invested are performing very well. However, albeit given the slowness in demand, we have not seen the volume, but we are still -- so that part has worked. In fact, we see a demand much better for that compared to some of our regular products, from that perspective. And going forward, we see a great synergy between the acquired group and Sudarshan legacy products where we could make some of the base products here and kind of look at finishing them in Europe too,
- Dhruv Muchhal:** Got it. And sir, just to follow up on this. So, the industry weakness that you're seeing -- focusing on the legacy business, the industry weakness that you're seeing is not causing a price -- I mean this is not probably because of the price action or because of oversupply and causing a price action on your products. It is more of genuine demand, I mean, volume uptick. So, it's not a mix of volume and price. It's purely volume as of now. And you don't see it moving to price because the volumes are coming back?
- Rajesh Rathi:** Yes, absolutely.

**Moderator:** Ladies and gentlemen, we'll take that as the last question. I'll now hand the conference over to the management for closing comments.

**Nilkanth Natu:** Thank you. Thank you, Nitesh Dhoot and Anand Rathi Research. Thanks a lot, participants, for joining our investor call. As Mr. Rathi mentioned, this has been a subdued quarter, but we see the green shoots and we see the improvement in the coming quarters to come, and we are see the uptick. We remain confident in our journey going forward. And we thank you for your continued support. Thank you so much.

**Moderator:** Thank you very much. On behalf of Sudarshan Chemical Industries Limited and Anand Rathi Shares and Stock Brokers Limited, that concludes this conference. Thank you for joining us, and you may now disconnect the lines. Thank you.

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