

SUDARSHAN

5th November, 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001
Scrip Code – 506655
Scrip Code NCDs - 974058

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 Tuesday, 29th October, 2024, after announcement of the Unaudited Financial Results (Stand-alone and Consolidated) for the quarter and half year ended 30th September, 2024.

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

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"Sudarshan Chemical Industries Limited
Q2 FY'25 Earnings Conference Call"

October 29, 2024



MANAGEMENT: MR. RAJESH RATHI - MANAGING DIRECTOR
MR. NILKANTH NATU - CHIEF FINANCIAL OFFICER
MR. AMEY ATHALYE - GENERAL MANAGER, FINANCE
MODERATOR: MR. NITESH DHOOT, DOLAT CAPITAL

Moderator: Ladies and gentlemen, good day and welcome to Sudarshan Chemical Industries Limited Q2 FY'25 Earnings Conference Call hosted by Dolat Capital.

As a reminder, all participant lines will be in a listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitesh Dhoot from Dolat Capital. Thank you and over to you, sir.

Nitesh Dhoot: Thank you, Steve. Good morning, everyone. On behalf of Dolat Capital, I would like to thank the management of Sudarshan Chemical industries for giving us the opportunity to host their Q2 FY'25 Earnings Conference Call.

From the Management Team, we have with us today Mr. Rajesh Rathi, 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 will open the forum for a "Q&A Session." Thank you and over to you, sir.

Nilkanth Natu: Thank you, Dolat Capital and Mr. Nitesh for hosting Our Earning Call.

Good morning, ladies and gentlemen. Welcome to Sudarshan's Q2 FY'25 Evenings 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 as 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.

I would like to take you through the "Financial Highlights":

On an overall basis, there has been robust growth in the top line and recorded highest ever pigment sales in Q2 as well as H1 FY'25. The robust performance is also reflected in the higher gross margin as well as EBITDA margin.

Coming to the “Quarterly Performance”:

On a consolidated basis for the quarter, total income from operation stood at Rs.696 crores as compared to Rs.601 crores for the same period last year, higher by 15% year-on-year. EBITDA for the quarter stood at Rs.94 crores compared to Rs.66 crores in Q2 FY'24 and EBITDA margin stood at 13.6% compared to 10.9% over the same period last year.

On a half yearly basis, total income from operations stood at Rs.1,330 crores versus 1,209 crores in the same period last year, a growth of 10%. EBITDA for H1 is at Rs.175 crores versus 135 crores last year and the margin is at 13.2% versus 11.2% over the same period last year.

Now, going into the “Details of our Pigment Business”:

Coming to the Pigment business:

I am glad to report that we have achieved the highest ever quarterly revenue and EBITDA. This is the seventh consecutive quarter where the top line has grown on year-on-year basis and EBITDA margins are now closer to 16%. Our go-to-market strategy has resulted in increase in the export revenue and we also see growth across all the major international geographies. There is a strong traction in the new products business as well.

For the Q2 FY'25, income from operations stood at Rs.660 crores as compared to Rs.522 crores for the same period last year, a growth of 26% year-on-year. On a sequential basis, revenue is higher by 12% compared to Rs.589 crores of Q1 FY'25.

During the quarter, we have delivered robust export sales of Rs.360 crores as compared to Rs.250 crores, higher by 44% year-on-year.

On a sequential basis, export revenue is higher by 20% compared to Rs.302 crores of Q1 FY'25.

We have seen growth across geographies with contribution coming from Europe, North America and Southeast Asia. With higher growth from the international geographies, the export-domestic mix stands at 55%-45% compared to 47%-53% in the same period last year.

India sales for the quarter is at Rs.300 crores, higher by 10% as compared to Rs.272 crores in the same period last year. On a sequential basis, India sales continue to deliver consistent growth and sales is higher by 4% compared to Rs.287 crores of Q1 FY'25.

Speciality Pigment sales stood at Rs.457 crores as compared to Rs.362 crores for the previous year same quarter, 26% year-on-year growth. On a sequential basis as well, the revenue has grown by 13% as compared to Rs.403 crores of Q1 FY'25.

Non-Speciality sales for the quarter stood at Rs.202 crores, which is higher by 26% compared to the same period last year, and on a sequential basis, the revenue is higher by 8% compared to Rs.187 crores of Q1.

The gross margin of pigment business for the quarter is 47.8% as against 44.8% for the same period previous year and compared with the sequential quarter, gross margin has marginally gone up from 47.2%.

EBITDA for the quarter stood at Rs.105 crores as compared to Rs.67 crores for the previous year same quarter and the EBITDA margin is at 15.9% as compared to 12.8% over the same period last year. On a sequential basis, EBITDA is higher by 60 basis points.

In H1 FY'25, the total income from operations for the pigment business stood at Rs.1,249 crores versus Rs.1,058 crores in the same period last year, a growth of 18%.

EBITDA for H1 is at Rs.195 crores versus Rs.131 crores last year and the margin is at 15.6% versus 12.4% over the same period last year, thereby increase of 3.2%.

Now, coming to the “Balance Sheet”:

The balance sheet of the company continues to strengthen with healthy business operation. The net debt of the company has reduced further to Rs.359 crores in Q2 from Rs.445 crores in Q2 of FY'24 and Rs.375 crores in Q1 FY'25. This has also resulted in improving the leverage ratio of 0.3x in Q2 compared to 0.4x in Q2 last year.

The working capital cycle continues to be managed efficiently. The cash conversion cycle is down to two days to 80 days in Q2 FY'25, while it is higher by seven days compared to the sequential quarter Q1, mainly due to planned increase in the inventory.

To summarize, the CAPEXs which we have built over the period has started showing the results and getting reflected in the financial performance. We have now positioned ourselves to provide a wider basket of the product to the customer globally. We are confident in our growth journey, and we are committed to delivering long-term value to our stakeholders.

With this, we now open the floor for question-and-answer session. Thank you.

Moderator:

We will now begin the question-and-answer session. The first question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Sir, first question is on the engineering business. Now, given that the pigment business has been showing robust growth in terms of both top line as well as margins, do we have now plans and given that we are now going for acquisition of Heubach, are there any plans of hiving of the engineering business given that's driving the overall margins and performance?

Management: Sir, It's a great question. The board has taken a strategic view of building this business,. So, the transformation journey for this has been launched as we speak and give us one year. I think this business will also show good robust numbers.

Rohit Nagraj: In our presentation on slide #19, we have given the outlook for FY'25 and beyond where in the first column we have talked about the CAPEXs program to drive future growth and bring in EBITDA improvement. Just clarification. Will there be any incremental CAPEXs or once that we have done, that is going to drive the incremental improvement?

Management: Rohit, thanks for the question. So, the clarification here is there will not be any new incremental CAPEXs. The CAPEXs program which we had initiated in the past, was completed in FY'23. As I mentioned in my opening remarks, we are seeing a good traction for our new products which has been launched in the market and we see that these new products and the CAPEXs will contribute going forward.

Moderator: The next question is from the line of Rajesh from Alfa Accurate Advisors. Please go ahead.

Rajesh: I am just trying to understand that with what I would say consolidation in the number of industry players, do you expect that the pricing power which has been hit significantly, because if I look at the global companies P&L, most of them are operating at zero margins, do you think now there is a some pricing power which will prevail and that can lead to better profitability? That's number one. Number two, considering that lot of time which has been spent in getting the approvals, do you expect the CAPEXs which has been done, the asset utilization to improve and the asset turn can improve over next 12 to 18 months?

Management: Thank you for your question, sir. I think the first thing is that some of the pigment companies have not been doing well and Sudarshan had a different position in the market and one of the most value-creating companies I think in the pigment segment and that was because of some of the principles we followed. And I think it's going to be important that we continue and build the new organization based on these principles: One is customer centricity. So, how do we be not inward looking and be more customer focused and what are the areas where we want to focus on. And the second is a very lean organization based on principles, and very much looking at what are the overheads we are building, how do we streamline the SG&A costs, etc., So, I think the first, in building a profitable company, I think it will be more on focusing on the cost side rather than on the pricing side.

- Rajesh:** But in last three to four years, do you think the pricing by and large would have reduced?
- Management:** No, sir, there are always segments of market, but the segments which we play in, I don't think the pricing has reduced.
- Rajesh:** Can you also answer my second question, which is about the asset turn improvement?
- Management:** As we had mentioned, our CAPEXs plan to achieve the whole was four years. So, anywhere between three and four years was our plan and that's what we will try and achieve.
- Rajesh:** So, where are we in that, I mean, so basically, almost I think 24 months have been passed and CAPEXs was happening every year, correct, from FY'19, FY'20, FY'21. So, I am saying in that journey where are we in -?
- Management:** I think we are about, let's say between one and two years, in that journey. So, we are in the mid 18 months.
- Rajesh:** By when you think you'll be doing the QIP through this resolution which was passed through to fund this acquisition, by when you think that will be done?
- Management:** So, the QIP-related, the procedure will be followed as per the regulatory guideline.
- Moderator:** The next question is from the line of Arjun Joshi from B&K Securities. Please go ahead.
- Arjun Joshi:** I have two questions. Firstly, on the reported exports growth, which has been quite robust for this quarter, I just wish to ask if this growth is driven by any product-related or customer-related issues that buyback might be facing at the global level and there has been a natural shift towards us in terms of garnering that market share from them because we are going to be a unified entity sooner or later, or is there any other green shoot in a particular industry or segment that we are witnessing, which is the reason why there has been a strong export growth?
- Management:** This was a planned growth, right, given the new capexes . these were all oriented more towards the international markets and that's where you see this growth coming.
- Arjun Joshi:** Any particular industry that is aiding to this strong growth in exports? I am just clarifying that this is not because of the buybacks issue, right, not any market share gains coming from buyback to us.
- Management:** So, this is mainly the coatings and plastics market, which we are gaining and there are headwinds in the general industry, which has also helped building this. Nothing very particular to, I would say, but general I think headwinds in the industries which are favorable for us.

Arjun Joshi: My second question is on the capital structure. I think from what we heard from you all during the last con call is that we'll need somewhere close to 900, 1,000 crores of incremental CAPEXs for refurbishment, legal cost, etc., and we have obviously made an announcement towards raising 1,000 crores plus 250 crores with the green shoot option. That leaves us with another 1,000 odd crores left, right, to fund the entire acquisition along with further CAPEXs. Are there any plans beyond what we have announced on the QIP end, would we be looking to sell maybe the EPC business or maybe any spare land at our disposal or would this be entirely funded through debt, if you can just help us outline the capital structure for this fundraise?

Management: There will not be any further plan to increase the equity beyond what we had mentioned as far as our QIP issue is concerned. That is point one. Second is, as Mr. Rajesh Rathi mentioned in the opening question, as management, we have taken the decision to transform the Rieco business and build this business. So, currently there is no plan right now of monetization of that particular asset and there is no spare asset like land, etc., available for monetization.

Arjun Joshi: So, would it be fair to assume the balance amount will be all funded through debt if one were to build in some numbers if you can just give some clarity on that account?

Management: Yes.

Moderator: The next question is from the line of Noel Vaz from Union Asset Management. Please go ahead.

Noel Vaz: It's mentioned that the current market for pigments is about \$8.6 billion. So, relevant to Sudarshan. So, with the potential acquisition from Heubach, are we looking at market share being closer to about 30%-odd or 25%, how should we think about that?

Management: So, I think the organic pigment market is about I would say 5 billion and the balance you would include the inorganic, etc., right. So, from that perspective if you look at the market share, it would be about 20% going forward.

Moderator: The next question is from the line of Sanjay Jain from ICICI Securities. Please go ahead.

Sanjay Jain: First is on the operating leverage in the pigment business. You said that there is 400 basis points YoY improvement in the gross profit and there is another 400-basis points improvement under EBIT level. We are not seeing the operating leverage playing out in the margin and even if I look at the other expenses that inflation remains quite steep. Can you help us understand what is driving such a sharp increase in the other expenses?

Management: So, if you look at the other expenses, it is a combination of two, three cost levers. One is the manufacturing related cost. Second is the selling variable related cost and the small portion remains is on the admin or fixed cost. Predominantly, this other expense has been on the higher side as far as the manufacturing and selling variable cost is concerned. With the increase in sales and with the increase in the volume, it gets also translated into the production-related cost going up which is in line with the manufacturing volume and the sales increase gets reflected in the selling variable cost. So, with this, we see that this percentage should be more or less in this line and that is the reason how we are looking at EBITDA margin increasing in line with increasing the gross margin.

Sanjay Jain: You are telling that there is absolutely no operating leverage because you say that the percentage remain static and it has been static till now as well. We are telling that there is no operating leverage in the business on the manufacturing side. I thought ETP and all we run continuously. That cost should not rise to equivalent, again utility cost should not be proportional, admin costs should drive certain operating leverage, but clearly none of them are visible to that. Why would sales and marketing costs will go up similar to the gross profit?

Management: Sales cost will go up due to the freight, the freight and the commission which is related to the domestic sales part. So, to that extent those will be in line with the increase in the sales.

Sanjay Jain: Second is on the Rieco. Can you help us understand when you say we are in the process of transformation, what actually we mean in terms of transformation, which does it involve more investment, what are we really trying to achieve when we say we are in a transformation of it?

Management: I mean, there's no investment envisioned. We are strengthening that organization and business processes so that the numbers are more consistent, and we improve the numbers.

Sanjay Jain: No product changes, no product improvement, where are we really focused on? We are telling the only organizational, there's a problem right now in Rieco and rest of all in the place?

Management: There are a lot of levers in how the transformation takes place. To answer your question, obviously, there is no new investment we need. I think what we need is to execute our projects well and the entire process it's a project-based business so ensuring that any cost runs, are adhered to etc., So, there are several levers which today I can't tell you, but basically it's more on the executions areas. We believe that Phase-I whatever business we have, how do we deliver better and get better value and then looking at any other diversification in that business.

Moderator: The next question is from the line of Dhavan Shah from AlfAccurate Advisors. Please go ahead.

- Dhavan Shah:** So, my question is on the export side. I think you mentioned that because of the better growth in the coating and plastic, we did some good revenues in the export business. So, I just wanted to understand, I mean, is this largely because of the inventory filling in the system due to restocking or is it like the genuine demand in the end segment? How do you see inventory and the demand situation for our type of pigment in the export business?
- Management:** Just to clarify, sir, I didn't say that the markets are growing. This was what we aim to deliver through our CAPEXs projects, and transformation of our sales area. So, that was the crux area and our CAPEXs program has now started delivering, which was focused mainly on the coatings and plastics area and that's where we are seeing growth.
- Dhavan Shah:** So, exports were for the products which we were not manufacturing earlier and the competitors were there in the international business. So, we are getting the market share of those products, is that correct?
- Management:** Absolutely. This was the synthesis of getting into more specialties and doing the whole CAPEXs program.
- Dhavan Shah:** What is the market size of this coating and plastic in international business and how much would be our addressable market? And based on 750 crores of CAPEXs what we did, how much revenue do you expect from these two verticals in the export business?
- Management:** As we've been giving guidance to the market, we expect the 750 Cr capex to deliver about in three to four years, with a potential of about 1,500 Cr revenue.
- Dhavan Shah:** And how much of that have we already done, I mean at this 360-odd crores kind of the revenue, how much asset turn at this moment if we annualize it because there was earlier base business also was doing some revenue, right?
- Management:** Like we said, we are into this process to acquire 100% utilization. We would take three to four years. We are on the mid-mark. We have completed about 18 months in this journey.
- Moderator:** The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.
- Rohit Nagraj:** There is an exceptional item regarding the fees related to a transaction. So, have we accounted for all the fees or will it be carried forward over a period of time till the entire transaction is not consolidated and what could be the quantum for this?
- Management:** So, Rohit, the exceptional cost which we have reported, are the costs which are incurred in Q2 for this particular transaction, majorly on account of legal fee and due diligence cost. We don't comment on the quantum till the time that the transaction is closed.

Rohit Nagraj: But there will be incremental cost which will come as and when the transaction is concluded, right?

Management: Yes, there will be incremental cost as and when we move ahead in the transaction.

Rohit Nagraj: I am not too sure whether I should ask it from the Heubach perspective, but given that we had also explained in the earlier call that for domestic business, we will not be doing any investments given that it has already been done. So, given that Heubach is also probably operating at relatively lower utilization levels, can we expect that for the next maybe three to five years, there may not be material investment from capacity increase perspective, however, it could be primarily because maybe some refurbishment and maybe some maintenance cost associated to Heubach facilities?

Management: Absolutely well said, sir. At least three years, we don't see any major CAPEXs coming in. And as we mentioned, whatever CAPEXs is in the three years would be regular in nature in terms of maintenance, etc.,

Moderator: The next question is from the line of Jignesh Kamani from Nippon Mutual Fund. Please go ahead.

Jignesh Kamani: Just one Specialty segment, so if you take about export grew by around 44 percentage and generally export is slightly more you can say on the Specialty segment versus domestic. But if I look at the Specialty and the non-Specialty growth both is around 26 percentage. So, why export higher growth rate is not reflected in the Specialty. So, are we not selling more of Specialty in export at this point in time?

Management: Can you please repeat your question, sir once again?

Jignesh Kamani: So, export grew by 44% for us and generally export is very heavy on the Speciality compared to the non-Speciality mix. But when I look at the Speciality and non-Speciality growth, it is almost 26 percentage, there is no additional higher growth in the hospitality. So, just want to understand more of the commodity grade in the export we can say because Specialty growth is not reflective of the export growth?

Management: No, Sir, I think the Specialty growth for exports is good too, because it's all CAPEXs driven.

Jignesh Kamani: Second is on the operating leverage which earlier Sanjay has asked, so if you take about based on the EBITDA margin and the gross margin you mentioned on the pigment division, we used to have close to around 160 crores kind of quarterly cost you can say last quarter which increased close to around 210 crores for this quarter on the pigment division. So, almost 26% growth in the overhead cost you can say and even if you compare QoQ it is almost 12% increase in our cost. So, why the overheads everything is increasing drastically in pigment division?

Management: Sir, first of all, it is not the overhead. So, if I see the quarterly numbers, the consolidated number for the other expenses which I mentioned, which is the combination of manufacturing, selling and other cost is at 176 crores compared to 158 crores. So, it is not the number which you are referring. And as I mentioned that majority of this part is linked with the manufacturing production activity as well as the sales activity. Since we have seen growth in the sales number, which also gets translated in our production volume and utilization we see the cost getting increased in that line.

Jignesh Kamani: But like your pigment, sale has grown up by around 26% YoY while your overhead has grown by 26% YoY. So, there's no benefit of leverage you can say?

Management: Sir, it is not overhead again. So, it is the expenses which are related to the freight, commission, the manufacturing cost related expenses. So, it has been in line with the increase in sales.

Jignesh Kamani: So, incrementally, also, whatever the growth in the revenue, we'll see similar kind of growth in the cost item also, right?

Management: What you are saying is to some extent.

Moderator: The next question is from the line of Aditya from Security Investment Management. Please go ahead.

Aditya: This 26% growth which you're witnessing in the pigment division, what would be the share of volume and price mix for this 26%?

Management: So, the prices have been quite stable, but we don't split up the volume, etc., right now in a public forum. But directionally I am saying that the pricing has now been stabilized.

Aditya: Last year there was raw material deflation, and the market was also not doing good and the prices I believe at a rock bottom. So, why haven't we seen an increase in pricing of our end products?

Management: We are not able to follow your question, sir.

Aditya: Last year there was raw material deflation, which was impacting the end prices, and the market was also not doing that great because of which the end product prices for our products were quite low. So, we haven't seen any improvement from those low prices.

Management: The prices of raw materials remain to be the same sir. I have not understood why are you assuming that the prices have increased.

Aditya: This strong growth which you witness is majorly due to volumes only?

Management: Yes.

- Aditya:** This strong volume growth, this is majorly because we have gained market share from our competitors, or the end marketers also started improving in the export markets?
- Management:** As I explained earlier, sir, that our whole CAPEXs investment was for Specialty products targeted towards the global coatings and plastics market, and that's playing out now, right?
- Moderator:** The next question is from the line of Tejas Sonawane from Asian Market Securities. Please go ahead.
- Tejas Sonawane:** I have two questions. Firstly, the exceptional that is reported in our quarterly numbers, the notes which are there, mentioned below the quarterly result which kind of is the net amount which you have kind of recorded which is net of the gain which you have received from the sale of the old land and the expenses which have incurred. So, correct me if I am wrong over here. So, the expenses which you have incurred for Heubach transactions are close to 325 crores net of which we have reported close to 11 crores of loss for this quarter?
- Management:** If you see the exceptional item line under note number 7 and 8, so note 7 gives reference to the exceptional gain on account of the land sale, which we had done in the last year April '23 and that is during the financial year '24. So, that transaction of 315 crores is for land sale and currently the 11 crores which is reported for the quarter under consideration is related to the cost in relation to this definitive agreement entered on Heubach. So, these are two separate transactions.
- Tejas Sonawane:** Secondly, just wanted to ask you if you could provide us at least some sense as to the Heubach group, whether their EBITDA operating profit is on the positive side or the negative side for CY'23?
- Management:** So, from a confidentiality and antitrust perspective, we can't comment on their numbers currently.
- Moderator:** The next question is from the line of Rohan Patel from Turtle Capital. Please go ahead.
- Rohan Patel:** I just want you to share me with data points related the volume growth that for Q2 as well for first half for domestic and export and Specialty, non-Specialty if you can provide that?
- Management:** So, Rohan, from a competitive perspective, we don't provide these numbers.
- Rohan Patel:** If you can just give us an idea for the domestic revenue for half year which has grown 10% and export revenue which has grown 27% year-on-year, how much would that be from volume and how much would that be from price like, it would be more dominated by volume if you can give us any idea?
- Management:** Yes, it's the same question, sir. We can't give you volume, but like I mentioned, prices are quite stable now.

- Rohan Patel:** So, you are just referring that now it has bottomed out and now it's stable, now we cannot see anymore going down?
- Management:** Yes.
- Rohan Patel:** Can you share your perspective regarding phthalocyanine market like what are the trends and how the market is on year-on-year basis?
- Management:** I think as a company we do have that business, but we are spread across. The Phthalocyanine business is a very competitive business. There is overcapacity in that business.
- Moderator:** The next question is from the line of Sabyasachi Mukherji from Bajaj FinServ. Please go ahead.
- Sabyasachi Mukherji:** Two questions. One is on the export side; we have seen very good growth this quarter and last few calls you were saying that there is an increase in customer enquiries and good possibility of shortening of approval cycle and all. Any update you can share, have there been conversations, any progress, anything on this thing if you can share?
- Management:** So, the progress is seen in our numbers and as I mentioned that our CAPEXs program has started yielding results and that's how we are seeing this growth.
- Sabyasachi Mukherji:** How do you see the rest of the year pan out, I mean, is the momentum containing or do you foresee any challenges ahead?
- Management:** So, I think going forward, we don't see any major challenges but whatever our average growth so far has been, I think we should be able to deliver those numbers on the half year.
- Sabyasachi Mukherji:** Second question is on this fundraise, will the promoters participate?
- Management:** Can't comment on that currently. I think we are going through the process right now.
- Moderator:** We have a next follow up question from the line of. Sandeep Abhange from LKP Securities. Please go ahead.
- Sandeep Abhange:** So, I wanted to understand the overall growth in the exports. So, how is the market looking over, what is your view on the export, you see this kind of a growth on a sustainable basis because see we have done the kind of CAPEXs and we are kind of trying to achieve our targeted growth maybe in the Speciality market, so do you see this growth sustainable going forward or how do you see it, if you can comment on this particular export growth?

- Management:** I think the CAPEXs program is yielding good results. I think a lot of our customers are looking at, initial trials are over, we have commercialized a few businesses. Going forward, we do expect growth in terms of I would say between somewhere in the mid-teens, numbers and I think that's how we should be able to do this.
- Sandeep Abhange:** Secondly, I wanted to know with the kind of revenue target which you had earlier given in your CAPEXs plan that you will be achieving between 3,200 to 3,600 kind of revenue by '26 and '27, just wanted to understand you're already almost inching up towards 3,000 crores kind of a revenue for Sudarshan. So, are we expecting like a faster reach towards that target in the next coming one or two years, how do you see only on the Sudarshan's part like standalone basis?
- Management:** On the standalone basis, sir, our guidance was that the 750 crores capex, should give us about 1,500 crores revenue between three to four years of a time. Since the Europe market and some of the other markets are recovering slightly, somewhere between three and four years, yes, we should achieve it.
- Sandeep Abhange:** When would we expect the integration for back end Sudarshan in terms of the financial?
- Management:** I think the closing should happen somewhere in our Q4. And after the closing, the integration process will begin.
- Moderator:** The next question is from the line of Dhavan Shah from AlfAccurate Advisors. Please go ahead.
- Dhavan Shah:** My question is again on the export side. You mentioned that we did CAPEXs of roughly 750-odd crores and the peak revenue would be 1,500-odd crores. So, out of that, what would be the share of this coating and plastic in the overall pie and if you can share the global market size out of this \$5 billion of the global addressable market, what would be this coating and plastic market or maybe what could be a different market for our products in those two segments?
- Management:** So, I think the majority of this 1,500 crores should come from coatings and plastics. And the rough number, I don't recall, but about I would say \$3.5 billion dollars should be the market for the coatings and plastics.
- Dhavan Shah:** The products what we are selling right now, out of this \$3.5 billion, what could be the market, I mean there the competitors are also selling, right, so what would be the market of those products which we are selling right now?
- Management:** As I mentioned, sir, overall basis, there are a few chemistries which we don't do for the coatings and plastics. But I mean we are covering majority of the spectrum of the market. There'll be exceptions, but overall perspective.
- Moderator:** The next question is from the line of Noel Vaz from Union Asset Management. Please go ahead.

Dhavan Shah: Just one follow up on the acquisition that can happen. So, the thing is that as it currently stands domestically, we have over 35% market share. Will there be some potential issues that could pop up because of anti-competitive rules in any specific geographies or even domestically?

Management: So, we are going through the antitrust filings, but I think we have quite a complementary product portfolio from that perspective. But the process is being followed vigorously currently by a regulation.

Moderator: The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Again, on the Rieco front, sir, in last four years from the revenue front it has done extremely well and you said that there is a strategic focus on the same. Just one clarification. So, the EBITDA margins of Rieco had been sub-10%. So, is it possible that once it attains a particular size and based on our strategy it can reach the margins of the pigment business or will it be always lower margin business than the pigment business?

Management: So, the first phase is to get into the low teens and have it consistent. So that our processes are robust. I would look at it from a first phase of this. The second phase, whether we can go in the mid teens, etc., I think that answer we can't give today sir, but first focus would be that to reach there.

Moderator: Ladies and gentlemen, that was the last question for today's conference call. I would now like to hand the conference over to the management for their closing comments.

Management: Thank you, Steve, thank you, Nitesh Dhoot and Dolat Capital, and thank you participants for your time and interest in Sudarshan Chemical. We remain confident in the long-term prospect of our business and we look forward to engaging with you again in future and we also wish all of you a very happy and prosperous diwali. Thank you.

Moderator: On behalf of Dolat Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.
