Q4FY26 Result Update
27th May 2026

Sudarshan Chemical Industries Ltd.

Turnaround in place, colorful bright growth ahead

CMP: INR 887

Rating: BUY

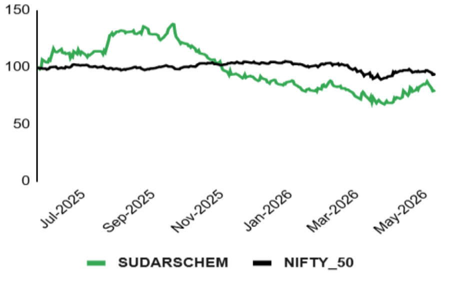
Target Price: INR 1,470

Stock Info	
BSE	506655
NSE	SUDARSCHEM
Bloomberg	SUDARSCHEM:IN
Sector	Pigments
Face Value (INR)	2.00
Equity Capital (INR Mn)	157
Mkt Cap (INR Mn)	70,336
52w H/L (INR)	1,604/ 726
Avg Yearly Vol (in 000')	214

Shareholding Pattern % (As on March 2026)	
Promoters	8.2
Public & Others	91.8

Stock Performance (%)	1m	6m	12m
Sudarshan Chemical Industries Ltd	-5.95	-8.73	-24.14
Nifty	-3.96	-9.99	-6.54

Sudarshan Chemical Vs Nifty



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Sudarshan Chemical Industries delivered a strong Q4FY26 result that signals a definitive inflection after six quarters of integration-related earnings drag. The consolidated 'One Sudarshan' platform — spanning the legacy India business, Heubach Group (acquired March 2025) and RIECO engineering. The company posted a EBITDA of INR 2274mn in Q4FY26, well above Management's guidance. The beat was entirely volume-driven, while minimal improvement came from price increases, making the underlying recovery quality high. FY26 consolidated revenue reached INR 97.8bn, establishing Sudarshan as a top-two global pigment company by scale.

India Business: 35% Market Share with Proven Execution: In India, SCHI commands ~35% market share in the organized pigment industry — a position built over seven decades through R&D investment, deep customer relationships, and manufacturing reliability. The legacy standalone business has demonstrated consistent 15-16% EBITDA margins through commodity cycles, with FY24 EBITDA of ~INR3164mn on revenue of INR25.3bn crore reflecting the quality of the core franchise. Going ahead with domestic demand tailwinds like India's construction, automotive, and consumer goods sectors will support 10-11% revenue CAGR guidance for the legacy business.

The Heubach Deal — A Transformative Bargain at Distressed Valuation: SCHI's acquisition of Heubach Group at ~€152 million (INR13.bn) was a rare opportunity to acquire a 200-year-old pigment institution, with access to Clariant's IP-rich specialty pigments portfolio at distressed insolvency pricing. While integration has been harder than initially disclosed (Sudarshan inherited an incomplete Heubach-Clariant integration), the strategic logic is compelling. Heubach's European manufacturing gives geographic diversification and eliminates customer dependency on Chinese pigment supply chains — a structural shift accelerating post-COVID. Furthermore, Cross-selling opportunity of legacy Indian specialty products into Heubach's European customer network and Heubach's high-performance specialty lines into India/Asia growth markets.

Focus on improving operating leverage to drive EBITDA growth ahead: Heubach's high fixed-cost base means margin leverage is non-linear — every percentage point of revenue improvement above the trough translates disproportionately to EBITDA. During Q4FY26, Heubach delivered a EBITDA Margin of 6.1%, while on FY26 basis, it delivered EBITDA of INR1940mn with a margin of 2.8%. Going ahead, management is confident of delivering Heubach's EBITDA of Euro 35mn in FY27 & Euro 90-100mn by FY28-FY29.

Valuation & View: Q4FY26 marks the trough of SCHI's integration-driven earnings compression. The combination of (a) a 100% volume-driven Q4 recovery with pricing upside still ahead; (b) Heubach turning EBITDA-positive for the first time post-acquisition; and (c) net debt declining aggressively. The integration journey remains complex, SCHI effectively inherited a three-way merger (legacy Heubach + Clariant + itself) when it acquired the group. But the hard work of cultural alignment, supply chain rebuilding, and IT harmonization is largely complete, with One SAP and GCC set to unlock operating leverage in FY27-28. Management's Euro 90-100mn EBITDA target for Heubach by FY28/29, if achieved, would represent a near-3x jump from FY27 guidance and would be a fundamental re-rating event for the stock. With a clean Q4FY26 beat, debt reduction momentum, and a credible roadmap to €90-100mn, Heubach EBITDA, we see an asymmetric risk-reward. We maintain our target at INR1,470 (67% upside), valuing at (27x on FY28 EPS).

Financial Performance

Key Financials (Rs mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue	25,388	33,456	97,872	1,06,853	1,12,969	1,19,474
EBITDA	3,164	3,811	5,899	8,014	10,054	11,947
EBITDA Margin (%)	12.5	11.4	6.0	7.5	8.9	10.0
Net profit	423	1,610	412	2,748	4,277	5,700
EPS Rs)	5.4	20.5	5.2	35.0	54.5	72.6
P/E (x)	166.1	43.7	170.7	25.6	16.4	12.3
P/B (x)	6.1	2.1	2.0	1.9	1.7	1.5
EV/EBITDA (x)	23.4	19.3	13.3	8.9	7.3	5.5
ROE (%)	3.7	4.7	1.2	7.4	10.9	13.0

Source: Arihant Research, Company Filings

Q4FY26 Consolidated Performance

(Rs mn)	4Q FY26	4Q FY25	YoY (%)	3Q FY26	QoQ (%)
Net Sales	**27,899**	**13,494**	**106.7**	**21,030**	**32.7**
Raw material	14,767	6,925	113.3	10,815	36.5
Employee cost	4,217	1,891	123.0	3,953	6.7
Other operating exp	6,641	3,409	94.8	5,883	12.9
Total Expenditure	25,625	12,225	109.6	20,651	24.1
EBITDA	**2,274**	**1,270**	**79.1**	**379**	**500.0**
Other Income	104	204	(49.1)	142	(26.8)
Interest	408	210	94.7	364	12.1
Depreciation	504	571	(11.8)	1,006	(49.9)
EOI	-	-		-	
PBT	1,466	693	111.4	(849)	(272.7)
Tax	852	103	731.2	(680)	(225.3)
Tax rate (%)	*52.5*	*133.2*		*52.2*	*0.6*
Adj. PAT	**614**	**591**	**3.9**	**(169)**	**(463.3)**
Reported PAT	**825**	**(26)**	-	**(548)**	-
EPS (Rs)	7.8	7.5	3.9	(2.2)	(463.3)

% of Sales					
Raw Material	*52.9*	*51.3*	*162*	*51.4*	*150*
Employee Cost	*15.1*	*14.0*	*110*	*18.8*	*(368)*
Other Exp	*23.8*	*25.3*	*(146)*	*28.0*	*(417)*
EBITDA	*8.2*	*9.4*	*(126)*	*1.8*	*635*
Adjusted Net Profit	2.2	4.4	*(218)*	(0.8)	*300*

Source: Arihant Research, Company Filings

One Sudarshan Q4 FY 26 performance

Consolidated results across legacy Sudarshan and Acquired Group

In ₹ Cr

	Legacy Sudarshan				Acquired Group		One Sudarshan		
	Q4 25	Q3 26	Q4 26	YoY%	Q3 26	Q4 26	Q4 25#	Q3 26	Q4 26
Revenue from Operations*	825	648	880	6.6%	1,479	1,951	1,349	2,103	2,790
Adjusted EBITDA^	126	77	127	0.8%	-38	73	148	40	202
Business EBITDA	126	77	127	0.8%	-28	118	148	50	247
Business EBITDA %	15.3 %	11.8%	14.4%	-0.9pp	-1.9%	6.1%	11.0%	2.4%	8.9%
Adjusted PBT excl. RPS gain	31	-	105	239%	-129	37	31	-129	142

* Sales between Legacy Sudarshan and Acquired group presented at gross level; One Sudarshan consolidated sales is after Inter group sales elimination
^ Adjusted EBITDA excludes translation Fx gain of ₹ 25 Cr on redeemable preference shares in Q4 FY26 and ₹ 6 Cr in Q3 FY26 | Q4 25 EBITDA and PBT adjusted for employee cost of ~ ₹ 12 Cr relating to acquisition and one-off expenses of ~ ₹ 8 Cr including earlier period MIDC CETP settlement
# Q4 FY 25 One Sudarshan includes acquired group for March 2025

Pigment performance – Q4 2026

Pigment-only results across legacy Sudarshan and Acquired Group

In ₹ Cr

	Legacy Sudarshan Pigment				Acquired Group		Pigment Global		
	Q4 25	Q3 26	Q4 26	YoY%	Q3 26	Q4 26	Q4 25#	Q3 26	Q4 26
Revenue from Operations*	744	597	778	4.6%	1,479	1,951	1,269	2,051	2,689
Adjusted EBITDA ^	121	79	124	2.5%	-38	73	143	43	199
Business EBITDA	121	79	124	2.5%	-28	118	143	53	244
Business EBITDA%	16.3%	13.3%	15.9%	2.3pp	-1.9%	6.1%	11.3%	2.6%	9.1%
Adjusted PBT excl. RPS gain	30	2	103	243%	-129	37	30	-126	141

* Sales between Legacy Sudarshan and Acquired group presented at gross level; One Sudarshan consolidated sales is after Inter group sales elimination
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# Q4 FY 25 One Sudarshan includes acquired group for March 2025

Source: Arihant Research, Company Filings

Q4FY26 Concall Key Highlights

Standalone India Business (Legacy Pigments): The India pigment business sustained strong execution momentum in Q4FY26. Margins were in line with the company's historical pre-acquisition run-rate of 15-16%. Key contributors to standalone profitability included: a) 30% sequential volume recovery in the India business (Q4FY26 vs Q3FY26), as global key account de-stocking reversed. B) Sharp improvement in employee costs: standalone employee expenses declined (-22% YoY)

Heubach / Acquired Group (International Pigments): The Heubach platform's trajectory was the central narrative of Q4FY26. After posting a deeply negative EBITDA of INR 380mn in Q3FY26 (EBITDA margin of -1.9%), Heubach turned EBITDA-positive in Q4FY26 with INR730mn (6.1% margin). This growth was driven by volume resumption by global key accounts: customers (including major names in Apple and Samsung supply chains) had over-stocked during Heubach's insolvency period; this unwinding created an artificial trough in FY26 H1-Q3. Cost pass-through initiatives: management successfully passed elevated energy and logistics costs (Middle East crisis impact) on to European customers, enabling margin recovery despite cost pressure.

RIECO (Engineering subsidiary): Company delivered a revenue of INR 2,680 Mn (+17.5% YoY). EBITDA improved to INR 100 Mn (vs. negative INR 170 Mn in FY25), aided by high-value projects, restructuring, and cost control.

MANAGEMENT GUIDANCE & STRATEGIC ROADMAP (FY27-FY29)

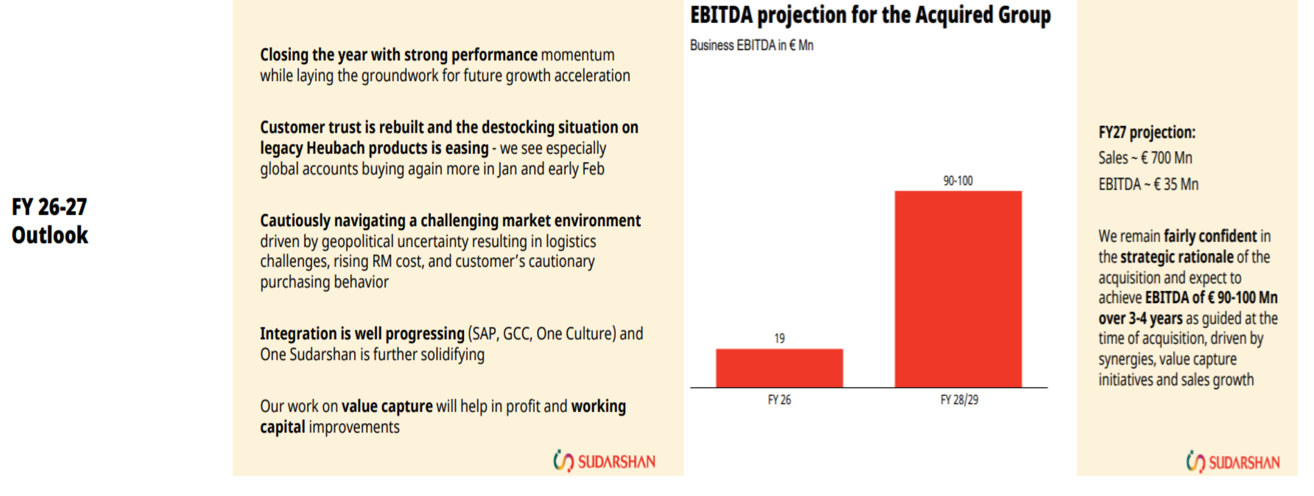
A) Heubach Revenue & EBITDA Guidance
• FY27 Target: Heubach sales of €700 million / EBITDA of €35 million (~3.5-4% margin)
• FY28/29 Long-term Target: Heubach EBITDA of €90-100 million (implying ~9-10% EBITDA margin) — a near 3x jump from the FY27 exit rate
• European plants to be repositioned towards specialties and away from commoditized products, replicating the India margin profile over time
• On the call, Rathi reiterated: 'Full integration impact will be realized over the next two financial years' — specifically citing One SAP go-live and GCC implementation as the primary enablers

B) Legacy India Business Guidance
• Revenue growth guidance of 10-11% CAGR, with EBITDA margins stable at 15-16%
• Working capital reduction target: from 26.2% of sales (H1FY26) to 24% by FY27
• No new brownfield/greenfield capex cycles announced — management is in consolidation/integration mode, not expansion

C) Integration Milestones to Monitor
• One SAP: ERP harmonization across all legacy Heubach sites (180 application integrations); expected completion FY27
• GCC (Global Capability Centre): Establishing a shared services/technology center; expected to deliver cost efficiencies from FY27
• Cultural integration: 95% of staff have completed cross-cultural alignment workshops — silo mentality breakdown is a precondition for supply chain optimization
• Inventory optimisation: Further ₹15-20 million in inventory reduction targeted in FY27, building on the ₹29 million achieved in Q4FY26

D) Debt Repayment Trajectory
• FY27: EUR acquisition debt ladder repayments begin at Sudarshan Europe BV; Indian holdco cash (₹932Cr) provides bridge
• FY28: Heubach operating cash flows expected to become self-sufficient on debt service
•FY27 guidance: Net debt reduction trajectory continues; target net D/E below 0.25x

E) Geopolitical & Macro Sensitivity
Management flagged the West Asia/Middle East crisis as the primary near-term uncertainty — energy and logistics costs have elevated the Heubach cost base in Europe. The strategy is to pass on cost increases to customers while protecting volumes. With Q4 revenue recovery 100% volume-driven, any normalization in energy/logistics will provide additional EBITDA uplift



Source: Arihant Research, Company Filings

Income Statement (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E	FY30E
Net revenues	**33,456**	**97,872**	**1,06,853**	**1,12,969**	**1,19,474**	**1,26,396**
Expenditure	**29,645**	**91,973**	**98,839**	**1,02,915**	**1,07,527**	**1,12,240**
Raw materials	17,737	49,718	55,563	58,179	60,932	64,209
Employee expenses	3,560	16,663	16,562	16,945	18,519	18,959
Other expenditure	8,348	25,592	26,713	27,790	28,076	29,071
EBITDA	**3,811**	**5,899**	**8,014**	**10,054**	**11,947**	**14,156**
EBITDA Margin	11.4%	6.0%	7.5%	8.9%	10.0%	11.2%
Other income	334	792	887	993	1,113	1,246
Depreciation	1,662	3,472	3,583	3,712	3,841	3,924
EBIT	2,483	3,219	5,318	7,336	9,219	11,479
Interest expense	483	1,649	1,654	1,633	1,619	1,613
PBT	**2,000**	**1,570**	**3,664**	**5,703**	**7,600**	**9,866**
Taxes	390	1,158	916	1,426	1,900	2,467
Reported PAT	**574**	**115**	**2,748**	**4,277**	**5,700**	**7,400**
Exceptional Items	(1,036)	(297)	-	-	-	-
Adj. PAT	**1,610**	**412**	**2,748**	**4,277**	**5,700**	**7,400**
Fully diluted EPS (Rs)	**20.5**	**5.2**	**35.0**	**54.5**	**72.6**	**94.3**

Balance sheet	FY25	FY26	FY27E	FY28E	FY29E	FY30E
Equity capital	157	157	157	157	157	157
Reserves and surplus	33,767	34,345	36,940	41,064	46,610	53,857
Total Equity	**33,924**	**34,502**	**37,097**	**41,221**	**46,767**	**54,014**
Total borrowings	**23,885**	**24,864**	**24,465**	**24,171**	**23,984**	**23,909**
Deferred tax liability	1,885	1,245	1,245	1,245	1,245	1,245
Minority Interest	5,982	4,038	4,038	4,038	4,038	4,038
Total capital	**65,676**	**64,649**	**66,845**	**70,675**	**76,035**	**83,206**
Goodwill	1,249	1,261	1,261	1,261	1,261	1,261
Cash	15,112	10,749	16,854	20,536	28,245	36,148
Inventory	25,018	24,436	21,956	23,213	22,913	24,240
Debtors	12,250	16,790	17,565	17,023	18,003	19,046
Loans & advances	4	25	30	30	30	30
Other Current Assets	7,687	4,414	4,391	4,643	4,910	5,194
Total current assets	**60,071**	**56,414**	**60,796**	**65,444**	**74,100**	**84,659**
Current liabilities	22,358	21,817	22,834	23,213	24,550	25,972
Provisions	8,305	9,061	8,782	7,738	8,183	8,657
Current liabilities & Prov.	**30,663**	**30,878**	**31,617**	**30,950**	**32,733**	**34,629**
Net current Assets	**29,408**	**25,536**	**29,180**	**34,493**	**41,368**	**50,030**
Gross block	34,568	40,163	41,663	43,163	44,663	46,163
Less: cumulative dep.	8,080	11,552	15,135	18,847	22,688	26,612
Net block	**26,488**	**28,611**	**26,528**	**24,316**	**21,975**	**19,551**
CWIP	1,213	1,443	1,299	1,169	1,052	947
Investments+ Other Assets	7,318	7,798	8,578	9,436	10,379	11,417
Total assets	**65,676**	**64,649**	**66,845**	**70,675**	**76,035**	**83,206**

Source: Arihant Research, Company Filings

Cash flow statement	FY25	FY26	FY27E	FY28E	FY29E	FY30E
Cash flow from operating activity						
PBT	964	1,273	3,664	5,703	7,600	9,866
Add: Depreciation	1,662	3,472	3,583	3,712	3,841	3,924
Add: Interest	483	1,649	1,654	1,633	1,619	1,613
Less: taxes paid	(390)	(1,158)	(916)	(1,426)	(1,900)	(2,467)
Add: other adjustments	-	-	-	-	-	-
Less: wc changes	(9,389)	(491)	2,462	(1,632)	835	(759)
Total operating cash flows	**(7,706)**	**4,448**	**10,447**	**7,990**	**11,995**	**12,178**
Op. CF w/o WC changes	1,683	4,939	7,985	9,622	11,160	12,936
Cash flow from investing activity						
Capital expenditure	(19,509)	(5,837)	(1,356)	(1,370)	(1,383)	(1,395)
Change in investments	(5,439)	(201)	(566)	(623)	(685)	(754)
Total investing cash flow	**(24,948)**	**(6,038)**	**(1,922)**	**(1,993)**	**(2,068)**	**(2,149)**
Cash flow from financing activity						
Share issuances	19	-	-	-	-	-
Change in borrowings	19,367	956	(412)	(309)	(203)	(93)
Dividend	(153)	(153)	(153)	(153)	(153)	(153)
Interest payment	(483)	(1,649)	(1,654)	(1,633)	(1,619)	(1,613)
Total financing cash flow	**18,749**	**(846)**	**(2,219)**	**(2,095)**	**(1,975)**	**(1,859)**
Net change in cash	**(13,905)**	**(2,436)**	**6,305**	**3,902**	**7,951**	**8,170**
Opening cash & CE	559	15,112	10,749	16,854	20,536	28,245
Closing cash & CE	**15,112**	**10,749**	**16,854**	**20,536**	**28,245**	**36,148**

Key Ratios	FY25	FY26	FY27E	FY28E	FY29E	FY30E
Effective tax rate (%)	19.5	73.8	25.0	25.0	25.0	25.0
EBITDA margin (%)	11.4	6.0	7.5	8.9	10.0	11.2
PAT Margin (%)	4.8	0.4	2.6	3.8	4.8	5.9
EPS (Rs)	20.5	5.2	35.0	54.5	72.6	94.3
Cash EPS (Rs)	41.7	49.5	80.7	101.8	121.5	144.2
BVPS (Rs)	432.2	439.5	472.6	525.1	595.8	688.1
Valuation Ratios						
ROaE (%)	4.7	1.2	7.4	10.9	13.0	14.7
ROaCE (%)	7.3	9.3	14.3	18.7	21.0	22.8
P/BV (x)	2.1	2.0	1.9	1.7	1.5	1.3
PE Ratio (x)	43.7	170.7	25.6	16.4	12.3	9.5
EV/EBITDA (x)	19.3	13.3	8.9	7.3	5.5	4.1
Growth metrics (%)						
Revenue		192.5	9.2	5.7	5.8	5.8
EBITDA		54.8	35.9	25.5	18.8	18.5
Net profit		(74.4)	567.0	55.6	33.3	29.8

Source: Arihant Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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